**Assignment 3**

This assignment may be completed using either J.W. Nordstrom or Sinclair Broadcasting.

**Tasks:**

* Enter the most recent year financial data into the “Forecast” tab of the forecasting spreadsheet.
* Develop a set of forecasting parameters, based on the methodology covered in class on Thursday, 1 March. (See video archive if you missed the live session.)
* Complete the forecast using your set of parameters.
* Make a change (increase or decrease) to your gross profit margin (if Nordstrom) or your sales growth (if Sinclair) parameter. Note the changes to the forecast outcome that result from the change in the parameter.

**Submission:**

Submit a Word document in which you use a bulleted list to describe the logic you used in arriving at your most key forecasting parameters (e.g., sales growth, profit margins, expense ratios, capital spending). In a short paragraph, then describe the meaning of the PLUG and EFN results for your first forecast. In another short paragraph, identify the change made to the parameters and describe the impact that this has on the PLUG and EFN results. Be sure to copy and paste your parameters and forecasting spreadsheets into your Word document as exhibits to which you refer in your text: be sure to give each exhibit a number to which you can refer in your text and detailed title describing the contents of the exhibit.

Post your Word document and a copy of your spreadsheet

**Assignment 4**

Use the forecast with which you are provided to create a worksheet page that calculates the net cash flow and equity valuation (per share) for the sample company. The WACC and horizon growth rate are given in the spreadsheet. NOTE: Use the spreadsheet provided to create your own valuation calculation. Credit will not be given for numbers squeezed into the forecasting template with which you have been provided for Assignment 3 and the Final Assignment.

**Submission**

Post your completed spreadsheet

**Final Assignment**

This assignment may be completed using either Nordstrom or Sinclair Broadcasting.

**Tasks**

* Estimate the weighted average cost of capital for the company.
* Develop an assumption regarding an appropriate horizon growth rate
* Use your WACC and horizon growth rate assumptions, along with a set of assumed forecasting parameters, to calculate the price per share for the company.
* Show how the price per share will vary for at least two changes in your key forecasting parameters.

**Submission**

Write a 2-3 page memo that covers the following:

* Explanation of how the basic elements of the company business strategy and general industry and economic conditions relate to your development of key forecasting parameters. Include a sentence or two regarding your opinion as to whether the company can sustain a return to investors using its current business strategy.
* Brief description of your method and findings in regard to your WACC and horizon growth rate estimates.
* Comparison of your price per share estimate to the actual price per share at the time of the valuation (e.g., end of Jan 2017 for Nordstrom, end of Dec 2016 for Sinclair).
* Explanation of the degree to which the price estimate is sensitive to changes in key parameter values.
* Recommendation to an investor as to whether the stock is priced efficiently.

You may use bullet points in your memo where appropriate. Copy and paste excel exhibits into your Word document: be sure to give each exhibit a number to which you can refer in your text and detailed title describing the contents of the exhibit. Include a separate title page with the name of the company, your name and date of submission.

Post your submission