Consumer Discretionary
Stock Report

Amanda Grant
Jon Barkan
Chris Cameron
Yixong Chen
Agenda

Individual Stock Discussion
- Best Buy
- TJ Max
- Carnival
- Comcast

What to Buy?

Recommendation
Best Buy (BBY)
Best Buy (BBY)

- SIM Portfolio Performance: -4.27%
  - Unrealized Loss: $25,901
  - Weight: 2.92%
- Target Price: $53.00
- Current Price: $42.74
- Possible Continued Return: 24%

<table>
<thead>
<tr>
<th>Relative to S&amp;P 500</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>1.6</td>
<td>.54</td>
<td>1.1</td>
<td>.84</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>1.5</td>
<td>.69</td>
<td>1</td>
<td>.72</td>
</tr>
<tr>
<td>P/B</td>
<td>2.5</td>
<td>1</td>
<td>1.6</td>
<td>1.2</td>
</tr>
<tr>
<td>P/S</td>
<td>.7</td>
<td>.2</td>
<td>.4</td>
<td>.3</td>
</tr>
<tr>
<td>P/CF</td>
<td>2.1</td>
<td>.6</td>
<td>1.2</td>
<td>.8</td>
</tr>
</tbody>
</table>
Best Buy (BBY)

Six Months Performance
0%

QTD Performance
4.93%
**Best Buy (BBY)**

BBY—Current Price: $42.77  
Recommendation: Sell 50BPs  
Current weight: 2.92%  
After Sell: 1.42%
TJX-Stores

TJX

THE TJX COMPANIES, INC.

T.J.Maxx

Marshalls

HomeGoods

AJWright

FISHER
COLLEGE OF BUSINESS
TJX- Stores

• TJ Maxx
• Marshalls
• Homegoods
• A.J. Wright
• Winners (Canada)
• TKX (Europe)
• Homesense (Canada and Europe)
TJX—Stores

TJX—Current Price: $45.79
Recommendation: Sell 50 BPs
Current weight: 2.38%
After Sell: 1.88%
## TJX-Direct Competitor Comparison

<table>
<thead>
<tr>
<th></th>
<th>TJX</th>
<th>Ross Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
<td>18.37B</td>
<td>7.69B</td>
</tr>
<tr>
<td>52 Week High</td>
<td>48.50</td>
<td>64.82</td>
</tr>
<tr>
<td>52 Week Low</td>
<td>35.75</td>
<td>42.82</td>
</tr>
<tr>
<td>Average Volume (3mth)</td>
<td>3,463,040</td>
<td>1,701,830</td>
</tr>
<tr>
<td>P/S</td>
<td>.86</td>
<td>1.02</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1.66</td>
<td>1.54</td>
</tr>
<tr>
<td>Forward P/E</td>
<td>12.9</td>
<td>13.7</td>
</tr>
</tbody>
</table>
TJX-Risks

- Foreign Currency
- Inventory Forecasting
- Employment
  - Discretionary Income
TJX-Catalysts

• Steady earnings, revenue, and cash flow.
• Economies of Scale
• “Safety Splurge”
• Numerous locations
• Delayed Inventory Purchasing
# TJX-Valuation

<table>
<thead>
<tr>
<th>Absolute Valuation</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
<th>Target multiple</th>
<th>Target/Share</th>
<th>Target Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/ E (forward)</td>
<td>17.1</td>
<td>9.9</td>
<td>14.4</td>
<td>12.7</td>
<td>14.8</td>
<td>3.38</td>
<td>50.03</td>
</tr>
<tr>
<td>P/S</td>
<td>.9</td>
<td>.4</td>
<td>.8</td>
<td>.9</td>
<td>1.0</td>
<td>50.45</td>
<td>50.45</td>
</tr>
<tr>
<td>P/B</td>
<td>7.2</td>
<td>3.8</td>
<td>5.9</td>
<td>5.2</td>
<td>5.9</td>
<td>8.69</td>
<td>51.27</td>
</tr>
<tr>
<td>P/EBITDA</td>
<td>10</td>
<td>4.32</td>
<td>8.04</td>
<td>7.07</td>
<td>4.32</td>
<td>6.39</td>
<td>27.60</td>
</tr>
<tr>
<td>P/CF</td>
<td>14.6</td>
<td>6.6</td>
<td>11.4</td>
<td>10.3</td>
<td>11.4</td>
<td>4.39</td>
<td>50.05</td>
</tr>
</tbody>
</table>

Target Price: $50.45
TJX-Conclusion

• 10.18% Upside
• Sell 50BPs
  – Current Weight: 2.38%
  – After Sell: 1.88%
Carnival Corp
Carnival Corp

CCL Current Price $42.12
Expected Return 37%
Recommendation Sell 50 BPS
Current Weight 2.11%
After Sell 1.61%
The Business Catalyst

- Upcoming Cruise Season and Holiday Season
- Newly released job report
- Comparative cheap ticket prices
- The recent strong performance (up 36.6% from September)
- The highly cyclical business model means it is the right time to make money.
Business risks

• The negative effect of the Cruise Splendor news
• The Future Oil Price
• The new adding Cruise ships (If the company need the extra capacity??)
• The still uncertainty economical situation.
The Duopoly market

• The Carnival accounts for 55% market shares in North America. Its biggest rivalry Royal Caribbean accounts for 27% market shares

• These two seems the best alternatives to invest in the market.

• Compare Carnival Corp with its opponent
Carnival Corp vs Royal Caribbean Cruise Line

<table>
<thead>
<tr>
<th>Relative to SP500</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>1.5</td>
<td>0.53</td>
<td>0.94</td>
<td>1.1</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>1.2</td>
<td>0.61</td>
<td>0.99</td>
<td>0.99</td>
</tr>
<tr>
<td>P/B</td>
<td>1.0</td>
<td>0.5</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>P/S</td>
<td>3.8</td>
<td>1.3</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>P/CF</td>
<td>1.9</td>
<td>0.5</td>
<td>1.1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relative to SP500</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>2.3</td>
<td>0.2</td>
<td>0.93</td>
<td>1.4</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>1.4</td>
<td>0.33</td>
<td>0.88</td>
<td>0.84</td>
</tr>
<tr>
<td>P/B</td>
<td>0.6</td>
<td>0.1</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>P/S</td>
<td>1.3</td>
<td>0.3</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>P/CF</td>
<td>1.0</td>
<td>0.2</td>
<td>0.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>
Comcast (CMCSA)
Comcast (CMCSA)

- SIM Portfolio Performance: 14.08%
  - Unrealized Gain: $145,124
  - Weight: 3.17%
- Target Price: $26.00
- Current Price: $20.43
- Possible Continued Return: 27%

<table>
<thead>
<tr>
<th>Relative to S&amp;P 500</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>24.8</td>
<td>.69</td>
<td>2.6</td>
<td>1.0</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>23.3</td>
<td>.80</td>
<td>2.1</td>
<td>1.1</td>
</tr>
<tr>
<td>P/B</td>
<td>.8</td>
<td>.5</td>
<td>.6</td>
<td>.6</td>
</tr>
<tr>
<td>P/S</td>
<td>3.0</td>
<td>1.1</td>
<td>2.1</td>
<td>1.2</td>
</tr>
<tr>
<td>P/CF</td>
<td>2.0</td>
<td>.4</td>
<td>1.1</td>
<td>.6</td>
</tr>
</tbody>
</table>
Comcast (CMCSA)

Six Months Performance
13%

QTD Performance
13%
What to buy?
General Motors (GM)

• Initial Public Offering
  – 365,000,000 million shares
  – Price: $32.00 - $33.00
  – Pricing 11/17/10
  – Trading Begins 11/18/10

  – S&P 500 Listing
    • Within 6 months
    • Potential problem
General Motors (GM)

- **IPO**
  - $32.50 (estimate)
- **Short term return (1 month)**
  - 20%
- **Implied equity/value per share**
  - $52.12
- **Long term return**
  - 60%
### General Motors (GM)

<table>
<thead>
<tr>
<th>Valuations</th>
<th>GM</th>
<th>Ford</th>
<th>TM</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/E</td>
<td>10.9</td>
<td>9.0</td>
<td>17.65</td>
</tr>
<tr>
<td>P/Sales</td>
<td>.45</td>
<td>.44</td>
<td>.48</td>
</tr>
<tr>
<td>P/B</td>
<td>1.97</td>
<td>N/A</td>
<td>.95</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial</th>
<th>GM</th>
<th>Ford</th>
<th>TM</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>3.68</td>
<td>1.89</td>
<td>4.29</td>
</tr>
<tr>
<td>ROE</td>
<td>25%</td>
<td>N/A</td>
<td>5.49%</td>
</tr>
<tr>
<td>ROA</td>
<td>4.0%</td>
<td>2.87%</td>
<td>1.31%</td>
</tr>
</tbody>
</table>
Recommendation

• Sell 200 bps of current holdings
  – 50 bps each (CMCSA, TJX, BBY, CCL)
• Purchase 100 bps of GM IPO
  – Estimated 6150 shares @ $27.50 = $199,875
  – Must place order quickly
• Final Consumer Discretionary SIM weight
  – 9.58%,
  – Underweight S&P 500 by 100 bps