



MARKETS & SECURITIES SERVICES CASE CHALLENGE

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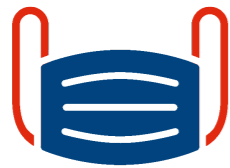
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*\*speaker order*

# MACRO OUTLOOKS

## CONSUMER STAPLES SECTOR



COVID-19  
Pandemic



U.S. Presidential  
Elections



Lower income &  
consumer confidence



Greater online  
integration



Climate justice  
& reform



Source: Fidelity

## ALTERNATIVE CONSIDERATIONS

*Why not other stocks?*

- Coca-Cola & P&G: large, well-established multinational corporations with lower growth prospects
- Kraft-Heinz: limited potential for growth when compared to Tyson



**(NYSE: TSN)**  
Long Position

### RECOMMENDATION

**BUY** at target price **\$80.65**  
on a **12-18 months** horizon

**Downside**

**\$52.67**

**Target**

**\$80.65**

**Upside**

**\$96.23**

CURRENT SHARE PRICE — **\$58.61**

#### COMPANY OVERVIEW

- Business segments: Chicken, Beef, Pork and Prepared (Frozen) Foods
- Major Products: Jimmy Dean, Wright, IBP
- Market Share: 16%
- TYSON: (P/E) 11.5 || (EV/EBITDA): 7.9x
- Industry: (P/E) 14.6 || (EV/EBITDA): 10.5x

#### CATALYSTS



New Acquisitions:  
Expanding  
International footprint



Pioneer among meat  
packing firms in  
sustainable farming  
with new initiatives



Rebranding: Evolving  
Company Culture and  
Ethical Practices

#### INDUSTRY OVERVIEW

Major Companies (Competitors): JBS S.A., Sanderson Farms, Hormel Foods and Pilgrim's Pride

The industry is forecast to shift in favor of larger, more efficient operations

As consumer demand has expanded and the price of inputs has declined, industry profit margins have increased slightly

1.3% growth in meat consumption, reaching record levels in 2019.

#### RISKS

Policy Changes: Stricter regulation of the meat industry

Shift in Consumer Taste: Alternative Meats, Diets

Political Tensions between US & China, a major meat export country.

#### MITIGANTS

Particularly high protection of the meat industry by the federal government + Environmental

Relatively inelastic + New initiatives (acquisitions) to infiltrate alternative meats

Infiltrating new global markets through acquisitions



**(NYSE: CLX)**  
Short Position

**RECOMMENDATION**  
**SELL** at target price **\$183.47**  
on a **12-18 months** horizon

**Downside**

**\$166.60**

**Target**

**\$181.86**

**Upside**

**\$236.42**

CURRENT SHARE PRICE — **\$215.77**

### COMPANY OVERVIEW

- Business segments: Cleaning, Household, Lifestyle, International
- Major Products: Clorox, Brita, Pine-Sol
- Market Share: 1.06%
- CLOROX: (P/E) 29x || (EV/EBITDA): 19.6x
- Industry: (P/E) 26.4x || (EV/EBITDA): 17.6x

### CATALYSTS



Preference for substitute products



Strong competition in non-cleaning product sectors



Very recent appointment of CEO Linda Rendle

### INDUSTRY OVERVIEW

Major Companies (Competitors): Henkel, Colgate Palmolive, Leo Burnett, and Procter & Gamble

Goods span brand-name, generic and private-label categories to satisfy broad customer base

Shift in consumer taste toward more environmentally-friendly products

Expected a 1% increase in sales in fiscal year 2020 pre-COVID-19

### RISKS

Limited product offerings

Supply shock creating unmet demand

Limited global presence

### MITIGANTS

IGNITE Strategy

Recruiting third-party suppliers

Reorganizing supply chain

# FINAL REMARKS

## TYSON (NYSE: TSN)

Downside

\$52.67

Target

\$80.65

Upside

\$96.23

## CLOROX (NYSE: CLX)

Downside

\$166.60

Target

\$181.86

Upside

\$236.42

## Limitations

- Varying capital structures
- Asymmetric information
- Uncertainties with COVID-19
- Sensitivity to assumption changes

## ADDITIONAL QUESTIONS?



LONG POSITION:



- Expanding international footprint
- New sustainable farming techniques at scale
- Evolving company culture & ethical practices

SHORT POSITION:



- Preference for substitute goods
- Stronger competition
- Shift in senior leadership

Macro Outlooks

Tyson

Clorox

Conclusion

Appendix

## Comparable Company Analysis (TSN)

Market Data and Price Multiples						
Company	Price	Market Cap	Enterprise Value	EV/EBITDA	P/E Ratio	Weight
Hormel Foods Corp (HRL)		\$49.50	26.71B	26.07B	20.1x	29.1x
Archer-Daniels Midland Co (ADM)		\$47.60	25.99B	33.47B	10.2x	14.5x
Bunge Limited (BG)		\$47.60	6.24B	13.09B	10.4x	14.1x
Campbell Soup Company (CPB)		\$48.98	14.81B	20.4B	12.6x	9.1x
Pilgrims Pride (PPC)		\$15.43	3.77B	6.21B	8.9x	14.6x
Tyson (TSN)		\$59.00	20.73B	31.39B	7.9x	11.5x
Median					10.4x	14.6x
Mean					12.4x	20.3x
Weighted Avg.					10.5x	14.6x

Implied Share Price Calc.	Tyson	Weighted Avg.	Median	P/E Multiplier	
<b>EBITDA Multiples</b>	7.9x	10.5x	10.4x		
EBITDA	4.36B	4.36B	4.36B	EPS (2019)	\$5.52
Implied Enterprise Value	34.23B	45.63B	45.30B	Tyson TTM P/E	11.5x
Implied Equity Value	25.41B	36.81B	36.48B	<b>Implied Share Price</b>	<b>\$63.20</b>
Shares Outstanding	0.29B	0.29B	0.29B	EPS (2019)	\$5.52
Equity Value/Shares	\$86.34	\$125.10	\$123.98	Industry Avg. P/E	14.6x
<b>Implied Share Price (Risk-Adjusted)</b>	<b>\$66.42</b>	<b>\$96.23</b>	<b>\$95.37</b>	<b>Implied Share Price</b>	<b>\$80.65</b>

## Comparable Company Analysis (CLX)

Market Data and Price Multiples						
Company	Price	Market Cap	Enterprise Value	EV/EBITDA	P/E Ratio	Weight
The Procter & Gamble Company (PG)		\$139.39	340.88B	366.12B	19.0x	27.6x
Colgate-Palmolive (CL)		\$78.42	64.43B	70.82B	17.1x	25.1x
Kimberly-Clark (KMB)		\$149.53	50.36B	56.98B	13.3x	19.8x
Henkel (HENKY)		\$23.93	41.17B	42.51B	13.1x	18.7x
Church & Dwight (CHD)		\$90.73	22.9B	24.32B	20.8x	32.4x
Clorox (CLX)		\$209.11	26.97B	29.22B	19.6x	29.0x
Median					17.1x	25.1x
Mean					16.6x	24.7x
Weighted Avg.					17.6x	26.4x

Implied Share Price Calc.	Clorox	Weighted Avg.	Median	P/E Multiplier	
<b>EBITDA Multiples</b>	19.6x	17.6x	17.1x		
EBITDA	1.43B	1.43B	1.43B	EPS (2019)	6.32
Implied Enterprise Value	27.99B	25.17B	24.38B	Clorox TTM P/E	29.0x
Implied Equity Value	25.72B	22.90B	22.11B	<b>Implied Share Price</b>	<b>\$183.47</b>
Shares Outstanding	0.13B	0.13B	0.13B	Industry Avg. P/E	26.4x
<b>Implied Share Price</b>	<b>\$204.21</b>	<b>\$181.86</b>	<b>\$175.59</b>	<b>Implied Share Price</b>	<b>\$166.60</b>