**Valuation Analysis – Group Assignment 5**  
**Historical and Fundamental Growth**

**Instructions:** This assignment requires you to analyze and forecast earnings growth for your firm. You will begin by analyzing current analyst forecasts of earnings. You will then use the firm’s financial statements to analyze historical growth. Finally, you will estimate fundamental growth as a function of reinvestment and returns on invested capital. Note that all of the information required to analyze historical and fundamental growth should be contained in your solution to Group Assignment 4. Any supporting analysis should be attached. The assignment is due on **Monday, December 3rd**.

Your Company: _______________________________________

1. **Analyst Growth Forecasts:**
   Using Bloomberg or another source, identify the consensus 5-year earnings growth forecast from the analysts covering your firm.

   5-yr growth forecast (%) __________________________

2. **Historical Growth:**
   Using the data for Net Income and EBIT that you compiled for the previous assignment, estimate the annual growth in Net Income and EBIT for each of the past 10 years (or for as many years as possible, if 10 years are not available). Calculate the arithmetic and geometric average growth rates for Net Income and EBIT. Discuss any patterns that are evident in the growth rates that will affect your future growth forecasts.

   Arithmetic Avg. Growth in EBIT _____________   Geometric Avg. Growth in EBIT _____________


   Discussion:
3. **Fundamental Growth:**
   Using information from the most recent fiscal year, calculate the fundamental growth rate in Net Income and EBIT for your firm. Discuss any necessary assumptions or adjustments that will be necessary to apply these forecasts for your firm.

   ROC in most recent year  ___________________  ROE in most recent year  ________________________

   Forecasted ROC for next year ______________  Forecasted ROE for next year  ________________

   Forecasted % Change in ROC _______________  Forecasted % Change in ROE ___________________

   Reinv. Rate in most recent year ____________  Equity Reinv. Rate in most recent year ___________

   L-T Fundamental Growth in EBIT ____________  L-T Fundamental Growth in Net Income ___________

   Total Fundamental Growth in EBIT ___________  Total Fundamental Growth in Net Income ___________

   Discussion: