Practice Quiz

Module 15 – Market-Based Valuation

==**Use the following information to answer Questions 1, 2, 3, and 4.**==

The following table provides summary data for CVS and its competitors, Walgreens and Longs Drug Stores.

(in millions)	CVS	Walgreens	Longs Drug Stores
Company assumed value..........................	—	$44,483	$1,995
Equity assumed value	—	$43,604	$1,870
Net operating assets	$15,189	$11,983	$ 941
Book value of equity.............................	$ 9,918	$11,104	$ 816
Net nonoperating obligations (assets)	$ 5,271	$ 879	$ 125
Common shares outstanding.....................	826 shares	991 shares	37.4 shares

1. Compute the price to net operating assets ratio for both Walgreens and Longs Drug Stores.

   a. Walgreens: 3.9   Longs: 1.5
   b. Walgreens: 4.6   Longs: 2.7
   c. Walgreens: 2.9   Longs: 1.3
   d. Walgreens: 3.7   Longs: 2.1

2. Use Walgreens and Longs Drug Stores as comparables, along with the price to NOA ratios from Question 1, and then estimate for CVS its company intrinsic value.

   a. $44,048
   b. $41,010
   c. $55,440
   d. $31,897

3. Use Walgreens and Longs Drug Stores as comparables, along with the price to NOA ratios from Question 1, and then estimate for CVS its equity intrinsic value per share.

   a. $52
   b. $63
   c. $47
   d. $36

4. Compute the PB ratio for both Walgreens and Longs Drug Stores.

   a. Walgreens: 4.2   Longs: 2.7
   b. Walgreens: 3.9   Longs: 2.3
   c. Walgreens: 2.6   Longs: 1.8
   d. Walgreens: 3.3   Longs: 3.1

The following table provides summary data for CVS and its competitors, Walgreens and Longs Drug Stores.

(in millions)	CVS	Walgreens	Longs Drug Stores
Company assumed value..........................	—	$44,483	$1,995
Equity assumed value	—	$43,604	$1,870
NOPAT	$1,495	$ 2,085	$ 80.4
Net income....................................	$1,355	$ 2,041	$ 74.5
Net nonoperating obligations (assets)	$5,271	$ 879	$ 125
Common shares outstanding....................	826 shares	991 shares	37.4 shares

5. Compute the price to NOPAT ratio for both Walgreens and Longs Drug Stores.
   a. Walgreens: 21.3   Longs: 24.8
   b. Walgreens: 27.6   Longs: 30.5
   c. Walgreens: 23.6   Longs: 32.7
   d. Walgreens: 35.1   Longs: 26.7

6. Use Walgreens and Longs Drug Stores as comparables, along with the price to NOPAT ratios from Question 5, and then estimate for CVS its company intrinsic value.
   a. $43,430
   b. $42,084
   c. $34,535
   d. $46,196

7. Use Walgreens and Longs Drug Stores as comparables, along with the price to NOPAT ratios from Question 5, and then estimate for CVS its equity intrinsic value per share.

   a. $53
   b. $51
   c. $42
   d. $35

8. Compute the price to net income ratio for both Walgreens and Longs Drug Stores.

   a. Walgreens: 21.4   Longs: 25.1
   b. Walgreens: 23.6   Longs: 28.2
   c. Walgreens: 31.5   Longs: 32.1
   d. Walgreens: 19.5   Longs: 22.6

9. Use **Walgreens** and **Longs Drug Stores** as comparables, along with the price to net income ratios from Question 8, and then estimate for **CVS** its equity intrinsic value per share.

   a. $38
   b. $42
   c. $52
   d. $35