

Module 15 – Financial Statement Analysis & Valuation, 4th Edition by Easton, McAnally, Sommers & Zhang

Practice Quiz

The following table provides summary data for **CVS** and its competitors, **Walgreens** and **Longs Drug Stores**. Use this table to answer quiz questions 1, 2, 3, and 4.

(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**. Use this table to answer quiz questions 5, 6, 7, 8, and 9.

(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