**Ball Corp Response**

There is not any actual analysis here other than the numbers that were provided so I am assuming something happened to your final draft or you had a life event that did not allow you to finish the project. Looking at their financials on MorningStar.com they have an incredibly high debt-to-equity ratio which makes the company appear to be in a downward spiral, which is also evident by the incredibly low book value for shares. There is not enough information provided by your assessment to allow for additional commentary.

<http://financials.morningstar.com/income-statement/is.html?t=BLL&region=usa&culture=en-US>

## Lilly Eli Response

## I agree with your synopsis on the 3.1% bond option. Not only is the bond a cheaper option, but it also has a higher yield rate over a shorter period of time, and as you stated it would allow the investor to reinvest or invest in a broader portfolio. It appears that the medium risk comes from the fact that Lilly Eli holds a slightly larger portion of debt-to-equity that is desired by most investors, however the fact that they can still make interest payments from their revenues keeps the risk at that moderate level. Finally, taking a look at your CAPM gives a good view of where the company stands on the expected rate of return in order to invest. Since the ROR is greater than expected and the Beta is very low, the risk is low and makes the company a quality stock option with a risk that could be looked as lower than medium based on the actual numbers.

Solid analysis, you also gave a good summary of the stock options over the period of time based off your graph, which I forgot to do in my essay.

## [Response to Cott Corporation](https://learn.umuc.edu/d2l/le/223993/discussions/threads/10659394/View)

I had never heard of the Cott Corporation before so I had to do a little research to find out what they produced and what industry they competed in.  The company competes in a very competitive industry with several different beverage companies such as Coke, Pepsi, Keurig, and numerous other companies.  I agree that the 6.75% bond is the better investment especially with interest rates currently raising.  When reviewing the bond options, I was surprised that there were not any bonds with longer maturities.  I would be curious to know if the company has any particular reason for this.

The debt to equity ratio increased from 0.68 in 2013 to 2.89 in 2014 which means that the company had a significant shift from equity financing to much more creditor approach in financing (Key Ratios, 2017).   The interest coverage ratio has also been decreasing over the past several years which is concerning.  While Pepsi’s interest coverage ratio has also declined over the past few years, it is still much higher at 7.37 for 2016 (Key Ratios, 2017).  The debt to equity ratio between the two companies is virtually identical which is interesting.  The debt to asset ratio for Cott is also significantly higher than Pepsi’s at 0.52 and the industry average of 0.47 (Key Ratios, 2017).  Based on the information I do not think I would invest in the Cott Corporation.

Cott’s earnings per share have been decreasing over the past several years and are now in the negatives which is very problematic.  Pepsi, on the other hand, has had an increase in earnings per share with the latest fiscal year being $4.36 (Key Ratios, 2017).  Dividends have also been growing at Pepsi over the past several years where Cott’s has stalled.  The one bright spot is that the company’s stock did perform slightly better than the required return.  Overall, I think investing in this company is relatively risky and think investors would be better served looking at Pepsi or another competitor.

References:

*Bonds*. (2017). Retrieved July 6, 2017, from MORNINGSTAR: http://quicktake.morningstar.com/StockNet/bonds.aspx?Symbol=COT&Country=usa

*Key Ratios*. (2017). Retrieved July 6, 2017, from MORNINGSTAR: http://financials.morningstar.com/ratios/r.html?t=COT&region=usa&culture=en-US

## In response to LLY

According to the report by Jesse Cole, LLY's debt to asset ratio for the year 2016 is .64, an increase from the previous years indicating increasing financial leverage and risk. This means that the total assets financed by creditors, liabilities, and debt increased, while the owners were financing less and less. Debt to equity ratio is also increasing, indicating a increasing risk for creditors. Low debt to equity ratios may mean that LLY is not taking advtange of the increased profits that financial leverage may bring, but high to debt to equity ratios may indicate that the company cannot generate enough cash to satisfy its debt obligations.  LLY's debt-to-equity ratio deteriorated from 2014 to 2016. With regards to interest coverage ratio, LLY's interest coverage ratio deteriorated from 2014 to 2015 but then slightly improved from 2015 to 2016 meaning the company is improving at being able to pay its interest payments. The financial leverage and the ability in paying back interest on debt, places LLY at a medium risk. . Dividing LLY's current stock price by its book value per share, gives a P/B ratio of 5.78. This value above 1 indicates that investors are willing to pay more for the company than its net assets are worth. This could mean that the company has healthy future profit projections and that the investors are willing to pay a premium for that possibility. Further, LLY's beta is .18 (according to the report; beta of .84 found on Marketwatch), meaning less volatility and less risk as an investment in the market relative to other investments. Its current share price is slightly under the fair value, indicating that it is undervalued. LLY appears to be in fairly stable financial health, with  medium uncertainty, though suitable for investments.

## Response to Campbell's Soup

When I looked on Morningstar, I was able to find both the 3.3% bond and the 4.25% bond, but the bond price was different than what you had.  The bond price that I found was $100.10 for the 3.3% bond and $106.30 for the 4.25% bond (Bonds, 2017).  While I do agree the 4.25% bond is the better investment the numbers that I received were a little different.  I attached an excel file with the calculations that I did base on the information on Morningstar.  I would choose the 4.25% bond since the current yield is higher and it matures in half the time of the 3.33% bond.  With the current market and the raising interest rates, it is better to have the shorter maturity date so you can reinvest in something with a higher rate and reduce your overall loss.  If the bonds were called in one year, I would prefer to have the 3.3% bond since it has a return of 8.09% and the 4.25% bond only has a return of 2.78%.

The debt ratio for the company is pretty good hovering around an acceptable 0.5 for the past three years.  One of the largest competitors for Campbell’s is Progresso Soup which is a division of General Mills.  The debt to equity ratio at General Mill’s for the fiscal year 2014 was 0.98 which means that they had more equity than debt financing.  After 2014 the debt to equity ratio increased and in 2016 it was similar to Campbell’s at 1.77 (Key Ratios, 2017).  Currently, both companies financing considerable more through debt than equity.  The interest coverage ratio is very similar between the two companies however it concerns me that Campbell’s decreased a significant amount between 2015 and 2016.  General Mill’s on the other hand only fell by 0.19 to 8.52 (Key Ratios, 2017).  Before I would feel comfortable investing in Campbell’s I would have to see the interest coverage ratio level off and hopefully start increasing.

I agree with your assessment of the market performance for Campbell’s.  I wonder if the increase in stock prices through December had to do with increased sales during the holidays?  It would be interesting to see if that was the trend every year.  If this is a trend, you might want to consider buying in late October before it goes up and selling either at the end of December or beginning of January.

References:

*Bonds*. (2017). Retrieved July 6, 2017, from MORNINGSTAR: <http://quicktake.morningstar.com/StockNet/bonds.aspx?Symbol=CPB&Country=USA>

*Key Ratios*. (2017). Retrieved July 6, 2017, from MORNINGSTAR: <http://financials.morningstar.com/ratios/r.html?t=GIS&region=usa&culture=en-US>

## In response to Cott Corp

The Cott Corp is part of the beverage industry which is extremely competitive, especially with top brands Coca Cola and Pepsi running the show. According to the report by Caleb Schoonover, Cott’s debt to asset ratio is slowly increasing, indicating more financial leverage and more risk. This means that the total assets financed by creditors, liabilities, and debt is increasing, while the owners are financing less and less. Debt to equity ratio is decreasing, indicating a decreasing risk for creditors. Low debt to equity ratios may mean that Cott is not taking advtange of the increased profits that financial leverage may bring, but high to debt to equity ratios may indicate that the company cannot generate enough cash to satisfy its debt obligations. With regards to Cott’s interest coverage ratio, the value is less than 1, meaning the company isn’t making enough money to pay its interest payments. The minimal financial leverage and the difficulty in paying back interest on debt, places Cott at a high risk. Both Cott and Coca Cola are showing a decrease in earnings per share, indicating less profits to distribute to shareholders. Dividing Cott's current stock price by its book value per share, gives a P/B ratio of 2.4. This value above 1 indicates that investors are willing to pay more for the company than its net assets are worth. This could mean that the company has healthy future profit projections and that the investors are willing to pay a premium for that possibility. Further, Cott's beta is .82, meaning less volatility and less risk as an investment in the market relative to other investments. Its current share price is slightly under the fair value, indicating that it is undervalued. Cott appears to be in moderate financial health, with high uncertainty, which may be suitable for aggressive investors with high tolerance for risk.