

Tyco international limited

Science



I would like to start by saying that Tyco International Ltd. is a diversified manufacturing and service company that organizes its businesses into five segments such as (1) Fire and security segment, (2) Electronics, (3) Healthcare, (4) Engineering products, and (5) Plastics and Adhesives. The company is much diversified and thus does not depend on only one industry trends and fluctuations. The segments provide the revenue for the company in similar proportions.

Prior to present all the pertinent information in the table please take a look at the following definitions:

a) Price earnings ratio The ratio of a stock price to its company's annual earnings per share.

b) Earnings per share is the total earnings divided by total common shares outstanding. The annual reports of Tyco already have EPS.

c) Dividend yield is the dividends paid per share divided by the stock's price of Tyco International.

d) Common stock share price is the market price of stock determined by the supply and demand of that stock's interactions.

As one can see the Tyco international financial did change over a period of 5 years. Still, from the table above, one is able to see that the dividend yield had grown for years 1999 to 2003, while the price and EPS had been rather volatile.

I recommend a buy strategy of Tyco international for the following reasons:

1. Financials. The financials of Tyco international over the period of 5 years had shown gradual increase in terms of total assets. The company showed an increase in P/E ratio which means that investors are willing to pay more for a dollar of earnings than before. The company despite some financial challenges of 2002 and 2003, paid out the same fixed dividend which means that the company was certain about its future growth and had enough resources to pay the dividend despite short term difficulties.

2. Stock price increases. One could see stock price of Tyco increase over the past 4 years with year 5 (2003) being the only exception. Prior to 1999, Tyco experienced several stock splits that marked corporate unprecedented growth.

3. Analysts' opinion. Regardless of what one might think about analysts' opinion, it is vital too remember that they quite often move the market. If enough people believe that the company should be bought the stock price will increase. Currently the major analysts, seen at www.finance.yahoo.com or multexinvestor.com recommend "strong buy" of Tyco. One has to understand that the analysts are paid for making educated guesses and giving advises to the general populace.

These analysts spend days on analyzing companies, so there is some credibility in their words. By the way, considering the opinion of other, more competent individuals and using it for one's own decisions, is about "follow the leader" strategy used by many mutual funds, investors or just companies. There are people in the market who could move stock prices with their words and own actions. In our case the analysts' opinion was only used

for the information purposes to see whether or not it differs much from what other pieces of information tell us about Tyco International.

4. Industry data. Tyco International is seen as over performing the industry in many respects. Being an industry leader, together with other reasons, Tyco International is a ' buy' target. Being a part of the conglomerates industry, Tyco engages in 5 different segments that do not correlate with each other. Therefore, Tyco appears to be a hedged company that cannot be easily hit by a decline in one industry that Tyco covers. Such industry specifics of Tyco International contribute to Tyco's beta below the market (<1.0) and reduce potential risks that a company working in only one industry would incur.

5. Environmental specifics. I personally consider only " buy or sell" strategies that can exist for any stock, simply because ' hold' makes no sense rather than reflects the uncertainty of analysts. If a stock is considered a " hold" and the price increases, the investor loses the opportunity to buy more stock to benefit from the price increase. If the stock price plummets, the investor loses money because the ' hold' position loses value. Currently, Tyco International does not look like a very risky company that faces challenges that might jeopardize the corporate revenues and existence. The company seems attractive compared to other companies in the same industry (conglomerates). Tyco, thus, is a ' buy' company.

Conclusion:

Bibliography:

www.tyco.com (investor relations section).

www.finance.yahoo.com (information on Tyco)

<https://assignbuster.com/tyco-international-limited/>

[www. multexinvestor. com](http://www.multexinvestor.com) (information on Tyco)