Cpi valuation

Consumer Products Incorporated, valuation Our company Consumer Products Inc. (CPI) is a United s based regional consumer company based in Phoenix Arizona. As a company it has a solid footing in its localized market however, to compete in the future it will be necessary to expand our business nationwide and eventually globally. The three brands our company hosts, Shades of Youth, Super Clean and Super White are profitable within the local market however, run the risk of a gradual loss of market share to global conglomerates ability to increase advertising and reduce costs. The purpose of this report is to compare CPI's price-to-earnings ratio to that of its competitors and as a result show that CPI is being undervalued and why. The price-to-earnings ratio represents the difference between CPI's current share price in the market as compared to its per-share earnings. Currently CPI has earnings exceeding $200, 000, 000 annually, however, it is only regionally located at this time within the United States. Major competitors of CPI in similar areas, hair care and personal hygiene are globally positioned with revenues in the billions annually. This specifically means that CPI is not able to play at the same level as some of the larger conglomerates. For instance Proctor and Gamble a global competitor listed as PG on the New York Stock Exchange traded on Friday April 21, 2011 for 63. 27 a share with a volume of 10, 616, 245 shares on the market (Proctor and Gamble, 2011). This allows for over 600 million dollars in revenue available through stocks alone, with over 2/3rds more revenue than CPI in stocks alone in addition to a global presence Proctor and Gamble easily outpaces CPI. However, this is one aspect and should not keep the board from advancing the proposal to globalize and expand our market base and operations. Even though CPI is a regional player it has a solid record with a revenue stream that places them fully in the black versus running with outstanding debt. Earlier this month Proctor and Gamble (P&G) sold the Pringles potato chip line to Diamond foods for 1. 5 billion in stock and also assumed $850 million dollars in debt carried by the Pringles line (Egan, 2011). This is not to say that P&G runs in the red, however, the difference between P&G and CPI is that CPI is running completely in the black now. Another concern is the ongoing economic problems being seen throughout the global financial world. While this is also a valid concern the legitimacy of the argument hinges on the ability of a company to promote their product better than its competitors. Given CPI's proven record regionally ultimately with appropriate marketing as outlined in the previous paper CPI stands to gain a much larger market share as a result the economy should not present a major concern as long as the proper research is completed prior to decision making. In conclusion it is my belief that CPI is being drastically undervalued as a potential global player and that if CPI utilizes appropriate market analysis prior to opening markets up globally the gains should be substantial. Additionally, by leveraging CPI's status as a solid regional company with a potentially globally desired product the additional possibilities of a beneficial merger or acquisition remain available. Reference page: Egan, M. (2011, April 5). P&g to sell pringles unit to diamond foods. Retrieved from http://www. foxbusiness. com/industries/2011/04/05/diamond-foods-buy-pringles-235b/ Proctor and Gamble,. (2011). P&g proctor and gamble, financial reporting. Retrieved from http://www. pg. com/en_US/investors/financial_reporting/index. shtml