

Free report on financial performance analysis in 2013

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E. I. du Pont de Nemours and Company (NYSE Ticker: DD)

E. I. du Pont de Nemours and Company is a science and technology company operating worldwide. The company has several business segments:

Electronics and Communications segment; Industrial Biosciences segment; Nutrition and Health segment; Performance Chemicals segment; Performance Materials segment; Safety and Protection segment and Pharmaceuticals segment.

The company had sufficient short term assets to meet its short term obligations in 2013. However the company lagged behind its peer companies in maintaining liquidity. Its average collection period was longer than its peer companies. So the company has to investment more capital for financing working capital. Return on Sales of Du Pont De Nemours And Company exceeded that of Dow Chemical and Agrium, and lagged behind that of Potash Corp., Mosaic Company and CF Industries. The company earned the highest return on equity among its peer companies. Therefore the company gets above average P/E multiples compared to its comparable companies.

Intrinsic Value

Source: Morning Star

In the last three years, the average growth rate of dividend of E. I. du Pont de Nemours and Company was 2. 8%.

In the last five years, average return of S&P 500 index was 16. 7%

Relative Valuation

Earnings per share of the company in 2013 were USD 5. 18. Average growth

rate of EPS in the last three years was 22.7%.

Average P/E multiples of peer companies was 16.25x. Its expected EPS in the coming year considering its historical growth rate would be USD 6.35. So the relative value of the company stands at USD 103.24. As the relative value of the company is lower than current market value, the company is undervalued in the marketplace.

Praxair Inc. (NYSE Ticker: PX)

Praxair, Inc., a basic materials company distributes atmospheric gases, processes gases, and manufactures equipment that produces industrial gases. The company operates in North America, Europe, South America, and Asia.

The company had marginal capacity to meet its short term liabilities with its short term assets in 2013. Its average collection period was shorter than two of its peer companies: Ecolab and International Flavors And Fragrances Inc. So the company has to investment more capital for financing working capital compared to these two comparable companies. Return on Sales of Praxair Inc. exceeded all of its peer companies. The company earned the above average return on equity among its peer companies. Therefore the company gets above average P/E multiples compared to its comparable companies.

Intrinsic Value

Source: Morning Star

In the last three years, the average growth rate of dividend of E. I. du Pont de Nemours and Company was 10.1%.

Relative Valuation

Average P/E multiples of peer companies was 21.15x. Its expected EPS in the coming year considering its historical growth rate would be USD 6.84. So the relative value of the company stands at USD 144.65. As the relative value of the company is lower than current market value, the company is undervalued in the marketplace.

Sherwin Williams (NYSE Ticker: SHW)

The Sherwin-Williams Company is a specialty chemical company in the basic materials sector. The company develops, manufactures, distributes and sells paints, coatings and related products worldwide. Four segments of the company are Paint Stores Group, Consumer Group, Global Finishes Group, and Latin America Coatings Group.

The company could service 1.25 times its short term obligations with its current assets in 2013. Its average collection period was longer than four of its peer companies: Home Depot, Lowe's Cos, Tractor Supply and Watsco, Inc. So the company has to invest more capital for financing working capital compared to these four comparable companies. Return on Sales of Sherwin Williams exceeded most of its peer companies. The company earned the above average return on equity among its peer companies. Therefore the company gets above average P/E multiples compared to its comparable companies.

Intrinsic Value

In the last three years, the average growth rate of dividend of E. I. du Pont de Nemours and Company was 12.1%.

Relative Value

Average P/E multiples of peer companies was 25.53x. Its expected EPS in the coming year considering its historical growth rate would be USD 8.82. So the relative value of the company stands at USD 225.08. As the relative value of the company is lower than current market value, the company is undervalued in the marketplace.

Nucor Corporation (NYSE Ticker: NUE)

Nucor Corporation is a steel and iron company in the basic materials sector. It manufactures and sells steel products worldwide. The company has three segments: Steel Mills, Steel Products, and Raw Materials.

The liquidity of Nucor Corporation was very strong in 2013 as indicated by its current ratio at 3.27 in 2013. Its average collection period was satisfactory compared to its peer companies. So the company has to invest less capital for financing working capital compared to these four comparable companies. Return on Sales of Nucor Corporation was very low at 2.56% in 2013. The company earned industry average return on equity among its peer companies. However the company gets above average P/E multiples compared to its comparable companies.

Intrinsic Value

In the last three years, the average growth rate of dividend of E. I. du Pont de Nemours and Company was 0.7%.

Relative Value

Average P/E multiples of peer companies was 21.7x. Its expected EPS in the coming year considering its historical growth rate would be USD 3.77. So the

relative value of the company stands at USD 81. 80. As the relative value of the company is lower than current market value, the company is undervalued in the marketplace.

Return Range and Risk Analysis of All the Four Selected Stocks

Return range of both Praxair Inc. and Sherwin Williams was shorter among the four selected stocks implying low volatility. As we can see, the stocks having high volatility almost have high beta.

The covariance matrix shows that correlation among these four selected stocks are almost 0. So it will provide good diversification in the portfolio.

Recommendation

As the stocks of Sherwin Williams looks undervalued from the perspective of both intrinsic value and relative value, I recommend to buy the stock.

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