

Module 15 – Financial Statement Analysis & Valuation, 2nd edition by Easton, McAnally, Fairfield, Zhang, and Halsey

Practice Quiz

The following table provides summary data for **CVS** and its competitors, **Walgreens** and **Longs Drug Stores**. Use this table for 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 questions 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 questions 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 for 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 questions 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 questions 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 questions 8., and then estimate for CVS its equity intrinsic value per share.
- a. \$38
 - b. \$42
 - c. \$52
 - d. \$35