**Task 3- Peer Identification**

**Suitable Peers**

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| Hotels | Revenue | Market Cap | **PE ratio (Earning Growth)** |
| **Marriot Inc** | **$20.8B** | **$69.6B** | **24x** |
| Hilton Worldwide Holdings Inc | $8.8B | $48.3B | 36.4x |
| Hyatt Hotels Corps | $5.9B | $13.5B | 27.6x |
| Accor SA | $4.4B | $9.9B | 16.6x |

**Marriot International Inc**

**Price to Earning Ratio’s vs Peers**

* Marriot has a good value based on its Price-To-Earnings Ratio (24x) compared to the peer average (24.9x).
* Marriott International is forecast to grow earnings and revenue by 4.8% and 20.1% per annum respectively. EPS is expected to grow by 7.9% per annum. Return on equity is forecast to be 226.2% in 3 years.
* **All peers are in the hotels and hospitality industry.**

**Hilton Worldwide Holdings Inc.**

* Hilton's shares rose by 34.3% in the last year, outpacing the industry's 18.4% growth, driven by unit expansion, hotel conversions, strategic partnerships, and loyalty programs.
* The company's potential for growth has been enhanced by the inclusion of two new brands in its portfolio — Spark by Hilton and LivSmart Studios by Hilton. These additions are fostering greater interest from owners looking to capitalise on the rising demand for hotels in the premium economy and long-stay segments.
* In the past 60 days, two analysts raised their earnings forecast for fiscal 2023. The Zacks Consensus Estimate has gone up by $0.02 to reach $6.08 per share. HLT has an average earnings surprise of 11.3%.

**Hyatt Hotels Corp**

* The company strategically targets luxury, resort, and lifestyle portfolios, aiming to be the preferred brand for high-end guests. Since the close of 2017, nearly 90,000 rooms have been added to these categories, now comprising 45% of Hyatt Hotel’s total portfolio.
* Hyatt's stock has experienced a nearly 24% increase year-to-date, surpassing the broader S&P500, which has seen a growth of around 17% during the same period.
* In Q2 2023, Hyatt witnessed an increase in adjusted earnings to $0.82 per share, up from $0.46 in the same quarter of the previous year.

**Accor SA \***

* Compared to peers, Accor has underperformed, possibly due to protracted earnings recovery and broader macroeconomic concerns.
* Trading at good value compared to peers and industry.
* Price-To-Earnings ratio (16.6x) is below the Hospitality industry average (17.2x).
* Earnings are forecast to grow 6.94% per year.

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|  | Revenue | Market Cap | **PE ratio (Earning Growth)** |
| **Tesla Inc** | **$81.5B** | $664.84b | **61.2x** |
| Volkswagen AG | $293.6B | $65.87B | 4.2x |
| Toyota Motor Corp | $274.5B | $270.0B | 10.3x |
| Ford Motor Co | $158.1B | $45.51b | 7.2x |

* Tesla is expensive based on its Price-To-Earnings Ratio (61.2x) compared to the peer average (24.6x).
* **Volkswagen** mentioned that its upcoming sedan will initially have Level 2+ autonomous driving, but it will be equipped (both hardware and software) for Level 4. Even Tesla's Autopilot, which is quite advanced, doesn't yet support Level 4.
* **Volkswagen's** "Project Trinity" Aims for Tesla's Jugular **(EV Strategy)**
* **Toyota** is recognized as a well-established car company that achieves above-average profits because of its highly efficient operating model.
* **Toyota** has higher operating margins, higher EBITDA margins, and higher returns on equity/assets/investment compared to Tesla.
* **Toyota, Ford, and** **Volkswagen** have, in recent months, gotten more interest from investors due to announcing more detailed plans about its EV strategy.
* Over the last three months, TSLA's price is effectively flat, while Toyota Motor, Ford Motor, and Volkswagen are up by a highly impressive 20%-40%, respectively.
* Ford Motor and Volkswagen are much more affordable to investors compared to Tesla (7.2x and 4.2x) respectively.

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|  | Revenue | Market Cap | **PE ratio (Earning Growth)** |
| **Netflix Inc** | **$32.74B** | **$215.42b** | **44.1x** |
| Walt Disney | $88.90B | $171.63b | **72.7x** |
| Spotify Technology S.A. | $13.47B | $40.34B | **-**34.9x |
| Warner Bros. Discovery, Inc. | $42.05B | $25.70B | 0x |

* All of these peers specialise in the **Movies and Entertainment industry**.
* Disney's various divisions offer more opportunities to profit from content compared to Netflix. As a result, Disney isn't solely reliant on streaming for revenue. (Even with higher PE ratio)
* Disney generates more free cash flow than Netflix does. This available cash can be used strategically to increase Disney's presence in the streaming market.
* Every new streaming customer that Disney gains is likely to benefit its other business divisions. A streaming customer is slightly more inclined to buy a Disney DVD, visit a Disney theme park, or watch another Disney movie.
* Disney, Spotify, and Warner Bro’s have a 7.47%, 13.26%, 61.74% year on year growth respectively.
* Gross Profit Margin: Netflix, Disney, Spotify, and Warner Bros, 39.49%, 33.41%, 25.69%, 39.27% respectively.
* The long-term prospects for Warner Bros. Discovery, Inc. are promising, with the potential for a substantial increase in its stock valuation, possibly doubling or tripling.
* Spotify Technology seems stable for a three-month investment horizon. Investors may expect Spotify to be profitable in the future given PE ratio.

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|  | Revenue | Market Cap | **PE ratio (Earning Growth)** |
| **Pfizer Inc** | **$68.54b** | **$160.53b** | **15.3x** |
| Johnson & Johnson | $94.9B | $384.71b  | 27.3x |
| Zoetis  | $8.37b | $86.36b | 37.5x |
| Merck & Co Inc | $59.3B  | $303.68b  | 65.4x  |

* **All of these peers are in the pharmaceutical industry.**
* Johnson & Johnson is more efficient in research and development and has a larger collection of patents compared to Pfizer.
* Being the largest healthcare conglomerate globally, Johnson & Johnson naturally positions itself near or at the top of various pharmaceutical industry rankings.
* For J&J shareholders, $7.81 in diluted earnings per share, marking a substantial increase from $5.51 in 2020.
* Merck reported pharmaceutical segment profits of $30.98 billion, compared to $26.11 billion in the previous year.
* Zoetis stock might experience a 30% increase due to increased spending on pets.
* Zoetis has shown profitability in all of the last 10 years, boasting an operating margin of 35.42%, which outperforms 97.01% of companies in the Drug Manufacturers industry.

**Nvidia Inc**

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|  | Revenue | Market Cap | **PE ratio (Earning Growth)** |
| **Nvidia Inc** | **$44.87b** | **$1.48t** | **80.2x** |
| Broadcom Inc. (AVGO) | $35.82B | $586.99B | 41.7x |
| QUALCOMM Incorporated | $35.82B | $172.41B | 23.5x |
| Taiwan Semiconductor Manufacturing | $70.42B | $518.82B | 19.4x |

* AVGO experienced a 12% year-over-year increase in revenue, reaching $6.47 billion in the fourth quarter ending November 1, 2020. This growth was primarily fuelled by a demand surge for networking in the cloud and broadband from service providers.
* AVGO's twelve-month revenue is 1.6 times that of NVDA. Additionally, AVGO is more profitable, exhibiting a gross profit margin of 72.7%, while NVDA has a margin of 63.7%.
* AVGO is much more affordable compared to NVDA.
* Taiwan Semiconductor Manufacturing is much affordable to investors compared to Nvidia Inc (19.4x PE ratio compared to 80.2x)
* Nvidia, a strong growth stock, is 18% overvalued and highly volatile. Qualcomm, with a lower P/E of 23.5X, offers a safer investment choice.
* Qualcomm provides a favorable forward annual dividend yield of 2.58%, notably higher than the tech sector's average of 1.025%