

TIC Exam – Name: Henrik Gateman, email: [REDACTED]

1. Choose a stock and write down which one you have chosen.

Suzano – a Brazilian paper and paper products producer.

2. How did you find the stock? What method and parameters did you use?

I went into Finviz stock screener, and searched by the following criteria:

a. Market cap: \$10bln - \$200bln.

Choose this filter as I wanted relatively large companies with liquid stocks, without necessarily being the very largest and well know companies.

b. Sector: Basic Materials

Wanted a company in an relatively stable industry, that will be relevant and most likely growing in the future as well. Basic materials is something there always will be demand for.

c. EPS growth next 5 year: Over 10%

Wanted to look companies that will be profitable and growing over the next 5 years.

➔ Got 17 companies in the list.

I then ranked these based on P/E, to find what appears to be the cheapest one, and lowest number was Suzano with an indicated P/E at 5.55.

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	SUZ	Suzano S.A. ADR	Basic Materials	Paper & Paper Products	Brazil	15,09B	5.55	11.89	-0.63%	573,084
2	CE	Celanese Corp	Basic Materials	Chemicals	USA	17,16B	9.86	157.52	-0.21%	453,070
3	STLD	Steel Dynamics Inc.	Basic Materials	Steel	USA	20,84B	9.03	131.76	-1.63%	410,196
4	CRH	CRH Plc	Basic Materials	Building Materials	Ireland	58,57B	21.80	84.73	0.02%	1,296,920

3. What is the stock worth? When? How did you calculate the value? (using multiples, DCF, yield, CAGR etc.?)

- The stock is worth 19.6 USD in 4 years time.
- I used multiples to calculate the future value of the company/stock.
- I began with a 4 year forecast of financials using this method:
Sales: Estimated using the average sales growth over last 5 years.
Gross margin: Estimated using the average GM% over last 5 years.
Operating Income: Estimated using a 6% Opex/Sales ratio.
Profit before tax: Estimated using average 5 years financial income/expences and assuming 0 derivative/monetary exchange variations.

Net profit: Est using same tax% as in 2023.

	2019	2020	2021	2022	2023	2024 est	2025 est	2026 est	2027 est
Sales/revenues	5,232	6,122	8,234	10,016	7,991	9,048	10,246	11,601	13,136
% growth		17.01%	34.49%	21.64%	-20.22%	13%	13%	13%	13%
Gross margin	1,059	2,310	4,090	5,027	2,950	3,525	3,991	4,519	5,117
Gross margin%	20.2%	37.7%	49.7%	50.2%	36.9%	39.0%	39.0%	39.0%	39.0%
OPEX	531	613	436	560	495	543	615	696	788
OPEX/Sales (%)	10.1%	10.0%	5.3%	5.6%	6.2%	6%	6%	6%	6%
Operating Income	528	1,697	3,654	4,467	2,455	2,982	3,376	3,823	4,329
Other income/expences (net financial)	-1,352	-5,243	-1,879	1,293	1,162	-733	-733	-733	-733
Financial expenses	-840	-896	-848	-923	-936	-889	-889	-889	-889
Financial Income	99	66	55	194	367	156	156	156	156
Derivatives result	-216	-1,894	-321	1,359	1,111	0	0	0	0
Monetary/exchange variations	-395	-2,519	-764	662	620	0	0	0	0
Profit Before tax	-823	-3,546	1,776	5,780	3,617	2,249	2,644	3,090	3,596
Income Tax (current + deferred)	258	1,387	-40	-1,057	-782	-486	-571	-668	-777
tax (%)	-31.30%	-39.11%	-2.25%	-18.36%	-21.61%	-21.61%	-21.61%	-21.61%	-21.61%
Net Profit (Earnings)	-566	-2,159	1,736	4,702	2,835	1,763	2,072	2,422	2,819

- I then calculated current P/E and P/S.
- I used a scenario where I assumed in end of 2027, Suzano would trade at the current average P/E of Brazilian stocks (=8.7) and that the P/S would remain as today (=2.0). Then I computed the CAGR and took the average of these two – giving a projected share value of 19.6 USD and a CAGR of 12.7%.

	2019	2020	2021	2022	2023	2024 est	2025 est	2026 est	2027 est					
Current P/E	-29.7	-7.8	9.7	3.5	5.7	9.2	7.8	6.7	5.7					
Current P/S	3.1	2.6	2.0	1.6	2.0	1.8	1.6	1.4	1.2					
Warranted future valuation multiples														
P/E										8.7	average trailing P/E ratio of the Brazilian stock exchange			
P/S										2.0	same as today			
Projected future market cap based on P/E (P = F x V)										24,525				
										18.9	CAGR	Share Price Date	Years	
Projected future market cap based on P/S (P = F x V)										26,272		11.7%	2027-12-31	3.77
										20.2		13.7%	2027-12-31	3.77
										Average	19.6	12.7%	2027-12-31	3.77

4. Would you actually buy the stock if you had the money? Why wouldn't you? Are you lacking some information?

I would probably not buy this stock.
The main reasons being:

- My predicted CAGR of 12.7% is too low for the risk involved in my opinion.
- Reading from the Financial statement, the negative y-o-y sales numbers for 2023 vs 2022, seems to be linked to the declining market price for pulp and paper, as sales volumes in tonnes are stable. This means that future profits will also depend on these markets, and I would need to spend more time researching this before I would be confident in a strong market in the future.
- The results from "Derivatives" and "Monetary/exchange variations" varies highly from year-to-year in the past, with magnitudes of many times OPEX in positive or negative direction. The latter is probably due to the fall in the Brazilian currency vs USD, when COVID struck in 2020, and can probably to some extent offset increased sales related to the currency effect. However, all-in-all these factors seem to be highly controlling the net result, with large negative contributions in 2019 and 2020, when the net result also was negative. Hence, I would need to dig deeper into these things to understand how and why they vary so much in order to make a more informed and reliable forecast.

Are there any significant headwinds or tailwinds from TA or macro? Describe them.

TA

Positives: From the chart, we can see that the stock has been in a positive trend for the last 12 months, and especially strong so far in 2024. Above 200d and 50d MA.

Negatives: Touching the upper limit of the Bollingerband. In a longer horizon, the price is getting close to previous highs, which might act as resistant levels.

Macro

Potential good macro headwinds as I see it. The world economy seems to be in a good state with high employment rates, steady GDP growths and interest rates projected to be lowered later this year.

