Profit and Shareholder Wealth Comparison Paper

General Electric Corporation and Tyco International are both classified as “conglomerates” (having many diversified business lines). General Electric has pursued a conservative growth strategy by focusing on being the number one or number two in each industry where it competes.
Tyco has pursued very aggressive sales and earnings growth strategy through rapid, multiple acquisitions.

1)    General Electric www.ge.com

2)    Tyco International www.tyco.com

b)    From each company’s web site, and/or web based financial services sites (e.g.: finance.yahoo.com, moneycentral.msn.com, annualreports.com, sec.gov) locate the following information:

1)    Common shareholders’ equity (total equity less any preferred stock equity)

2)    Market Capitalization (total common stock shares outstanding times latest stock price)

3)    Net profit margins for each company for the past 5 years.

c)     Prepare a 700-1,050-word paper in which you answer the following:

1)    Divide each company’s market capitalization by that company’s shareholders’ equity. This market-to-book ratio provides one measure of shareholder wealth created by each company. Include your calculations in the assignment.

2)    Based on these market-to-book ratios, which company’s strategy has provided greater shareholder wealth creation?

3)    Calculate the average net profit margin for each company for the five years worth of data obtained. Include your calculations in the assignment. Based on these average net profit margins, which company has done a better job of maximizing profits?

4)    Did the company achieving the greatest profit maximization also achieve the greatest stockholder wealth maximization? If not, which strategy was more beneficial to the shareholders?

5)    Which company’s strategy has presented greater risk to the shareholders’ investment?

6)    Have the investors assuming that greater risk been rewarded with greater investment