

University of Essex

Department of Computational Finance and Economic Agents

MSc in Computational Finance

Industry Expert Lecture Assignment 1

“Analyse the Media sector using financial metrics and other data to identify the most attractive investment opportunities”

Industry Expert Lectures in Finance

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Summary

Making investment decisions is a difficult work as it requires complex evaluations of many opportunities. Moreover, investors approach to measurement process also can be different.

Earnings per share (EPS) is a measure of determining the share prices of the company and also a good indicator of profitability. According to data, British Sky Broadcasting Group PLC demonstrates the best results for EPS, Norm EPS and Norm EPS for 5 year average among other companies in media sector. Rightmove PLC follow it by slightly lower ratios for same metrics. Rightmove PLC have big ratio for one year EPS forecast, on other hand, British Sky has a negative EPS forecast for one year. It can be indicator of future decrease of British Sky share prices.

Another ratio for evaluating share prices and company growth is a Price/Earnings ratio. Investors look for companies with lower Price/Earnings ratio. British Sky shows best results for PE, Rolling PE and Rolling PE for 5 years average, while Rightmove PLC is a fourth company for these indices in media sector.

PE/Earnings Growth (PEG) is a measure for evaluating growth of the company. The investors look for lower PEG ratio. Entertainment One Group is the best company with this ratio, while British Sky and Rightmove PLC show average PEG ratios among media companies.

The other main measure for investors is Dividends. British Sky outperforms other companies in media sector with dividend yield, yield forecast and dividend cover ratios. The Rightmove PLC in the seventh place in this sector.

Rightmove PLC performs the best results for Net Gearing, Interest cover and Operating margin ratios, where British sky has the best indicators for Operating cash flow and Free cash flow ratios. In other measures these two companies perform the average results which can be indicator of stability.

According to data, Rightmove PLC and British Sky Broadcasting Group PLC outperforms other companies in media sector in many indices and can be accepted as the best investment opportunities. But these companies show various results for different ratios and investment decision can be varied according to investor type and investment goals.