

The Evaluation of Three Companies of General Motors, Procter & Gamble, and Colgate-Palmolive

Yuhao Lu *

Suzhou Foreign Language School, Suzhou, China

* Corresponding Author Email: luyuhaochina@gmail.com

Abstract. The article focuses on the risk-return analysis of companies from different industries, including Car Manufacturing and FMCG (Fast Moving Consumer Goods). By using risk-return analysis in various corporates, investors could enhance their understandings on market dynamics, identifying investment opportunities, spreading risks in order to make more rational investment choices. This analysis helps investors to improve their returns and reduce risks. This research collects various indices, including risk targets (market betas, debt and current ratios, investment ratings), profitability measures (total asset turnover, profit margin, return on assets, return on equity), and market ratios (PB ratio, PE ratio, PEG ratio, dividend yield, current stock price, and 200-day moving average). The findings indicate why different types of investors, including value, PEG, index, valuation, and momentum investors might choose companies like General Motors, Procter & Gamble, and Colgate-Palmolive. Finally, the paper aims to enhance understanding of industry dynamics, corporate behavior, and provide investment advice. Besides, this could be useful to serve as a valuable resource for novice investors and future research discussions.

Keywords: Risks; Profitability; Market values.

1. Introduction

Picking appropriate investment assets is very important for realizing financial objectives as well as managing risks. First, the management of risks includes understanding the risk bearing capacity from the investors. Various assets have different characteristics of risks, and the understanding of the bearing capacity helps investors to choose investment tools, like stocks, bonds, funds, real estate, etc. Also, the investors could split risks by allocating their assets rationally. Also, investors should be supervising the market conditions constantly. During a period of economic growth, corporates' stocks might perform favorably. The national interest rate should also be monitored constantly as the movement in its value could significantly vary the behaviors of stocks and bonds. Therefore, choosing the applicable asset could help investors to flexibly deal with market changes. By doing so, the task of risk management would be done by investors or organizations if they want to achieve their business goals and objectives [1].

Therefore, this paper recommends three famous companies including General Motors, Procter & Gamble as well as Colgate Palmolive. General Motors is an automotive company that manufactures cars, trucks as well as many other types of vehicles. Procter & Gamble is a FMCG company producing daily-use consumer goods. It contains multiple brands including Tides, Olay, Illume, SK-II, etc., each with high brand-loyalties. Finally, Colgate Palmolive is a company also producing Fast Moving Consumer Goods. They mainly produce oral-care products like toothpastes. They are also known for their pet-care products. By analyzing the various financial indices of the companies, different types of investors would fix their criteria on their choices of the three companies and make reasonable investment decisions.

2. Profiles

2.1. General Motors Company (GM)

Founded in 1908, General Motors is a multinational automotive industry which is known for its creativity and sustainability. Equipped with a powerful portfolio of brands, like Buick, Cadillac and Chevrolet, the company also engages in the cutting-edge area of electrical vehicle advancement, launching brand-new electrical models, also constantly abiding by the discipline of using recyclable materials, aiming for the transition of the stage from eliminating tailpipe emissions to making carbon neutral products. These products include brand new SUVs and pickup trucks. For example, the electronic Silverado from Chevrolet and the all-electric Lyriq from Cadillac, combining its outstanding performance and exquisiteness. Moreover, General Motors is putting research and developing on its Cruise autopilot systems by pushing out autopiloted taxi services. Over the past few years, it also remained a stable amount of market shares in the North American market, in spite of intense competition. As consumers prefer to purchase environmentally friendly vehicles, GM, with the unique pasts and strategies shows its remarkable potential for long-run growth and elasticity in this competitive industry.

2.2. Procter & Gamble

Headquartered in Ohio, United States, P&G, founded in 1837, is a multinational consumer goods corporation, well known for its brands including Tide, Bounty, Olay, Lenor, Pampers, Gillette in its portfolios. The company consistently invests in the research and development to producer goods meeting ever-changing consumer needs. With a great reputation and loyalty to its brands, P&G has a wide consumer base and a steady amount of market shares. It also owns a successful subdivision strategy. By using ads, they provide various mental suggestions to consumers instead of using functions and prices to differentiate products. For another, P&G denotes itself into the work of achieving the goal of carbon neutrality in 2035. Its sustainability and development goal includes using recycling energy and reuse materials. Moreover, it has a robust supply chain, making it stable in the long-run enhancement. These characteristics makes it a prominent competitor in the consumer goods sector.

2.3. Colgate-Palmolive

Colgate-Palmolive is a global leading consumer product firm, renowned for its amazing oral care, home care and pet nutrition products. The company has a significant global impact, which sells its products around the world in 200 countries and territories, with a total net sale of 19.5 billion USD in 2023, while also has the performance of social duties of community-caring, establishing offices and plants. CL not only pays attention on product quality and health by using quality standards higher than national standards, but also it focuses on sustainability during development. Cl also has a high reputation for integrity, being the source of its strengths. The company, being innovative, converted HDPE (High-Density Polyethylene) into laminated tubes, assuring its recyclability. Apart from is impact, CL's assemblance of its RD abilities makes it play a leading role in the technological innovation system, consistently producing new products according to consumers' shifting needs.

3. Financial Indicators

These indices are mainly collected from Yahoo Finance(<https://finance.yahoo.com/>), Google Finance(<https://www.google.com/finance/>) and Snowball Finance Inc. (<https://xueqiu.com/>)The information provided are mainly gathered from financial statements from the 1st quarter of 2024 for the 3 companies.

3.1. Risk

Risks include uncertainties and threats that might impact corporate performances, financial conditions and operations. Simply said, risk is a perceptions and individual reaction towards the unknown [2]. These risks might include market risks, credit risks, operational risks, legal and compliance risks, financial risks, strategic risks, environmental and social risks, etc. The identification and evaluation of these risks might be crucial or the companies as they pose a great significance to long-run success and sustainable development. In this research, several indices are used to indicate the risks of these companies. The first index is β (beta). This index measured the systematic risk and is the of index of the responsiveness in the changes in returns of a security in relation to changes in the market. The market β , is 1 at all times, being the benchmark for the risk of securities to be measured [3]. When there's a rise in the market, a β larger than 1 would usually be more attractive to investors. The second index is the debt ratio. Debt ratio is an important indicator measuring corporate financial leverage and solvency. Debt ratio is equivalent to total debt (total liabilities) divided by total assets, multiplying by 100. The total liabilities here include current liabilities and long-term liabilities, while total assets here include current assets and non-current assets. This effectively evaluates the risks of the company. The Investment grade could also be an important index of evaluating a company's risks. The Investment grading usually analyzes comprehensive conditions the company. These includes financial conditions, credit histories and debt paying abilities, etc. A high credit rating may indicate a decent financial condition of the company with a strong debt solvency and lower risk. However, the credit ratings are mostly based on historical data [4]. Current Ratio equals to Current Asset divided by Current Liabilities. The index reflects a company's ability to repay its current liabilities with its current assets. The higher the ratio, the stronger the short-term solvency of the company, including accounts receivable and short-term borrowing, etc [5]. The relevant data of the three companies are shown in Table 1 below.

Table 1. Data on risk

	GM: NYSE (US)	P&G: NYSE(US)	COLGATE PALMOLIVE (CL)
BETA	1.44	0.4	0.39
DEBT RATIO	74.47%	57.91%	94.16%
INVESTMENT GRADE	BBB-	AA-	AA-
CURRENT RATIO	1.16	0.69	1.06

As shown from the table, General Motors (GM) has the largest market β beta of 1.44. Colgate Palmolive has a significant debt ratio of 94.16%. However, it still has a decent investment grading of AA-. This is prominent due to the fact that it might have an incredibly high total debt per total asset but still remains a high investment grade, also with the current ratio larger than 1.

3.2. Profitability

The profitability ratio is the ability of a company to product profits through operating activities in a given period of time. It's an important indicator of the company's financial health and operating efficiency and is often used to evaluate whether the company could product wealth and value for its shareholders. In the research, profitability indices include index like Total asset turnovers, Profit margin, Return on assets (ROA) and Return on equities (ROE). Total asset turnover is the index that measures how much a company turns its total assets into returns from sales. It is the quotient of sales revenue and average total asset. TOT reflects a company's ability to generate sales revenue from its assets over a certain period of time. A high TOT indicates that the corporate has great sales, which leads to a higher profit, vice versa. Turning to profit margin, it equals to net income divided by sales revenue.[5] The profit margin, is the percentage of a company's net income deducting all expenses (including taxes and interests) as a percentage of its sales revenue [6]. The ROA, or Return on assets,

is an important financial index to measure a company's profitability using its assets. ROA equals to net income divided by total assets. Followed by ROE, which is Return on equity, net income divided by shareholders' equities, where shareholders' equity equals to the remainder of corporate asset deducting liabilities, usually shown in the corporates' balance sheets. A high ROE indicates that the company could efficiently use the shareholders' equities to make profit, meaning that the board of the company has a high decision-making ability and a high efficiency of operation, making the company more competitive. The profitability ratios are shown in the Table 2 below.

Table 2. Data on profitability

	General Motors	Procter & Gamble	Colgate Palmolive
Total asset T/O	0.16	0.69	1.06
Profit Margin	6.13%	17.99%	13.22%
ROA	2.47%	11.16%	15.71%
ROE	14.43%	31.79%	531.67%

As shown from the table, both P&G and CL has a double digit profit margin, as well as ROA. The most noteworthy part is that the ROE of CL is over 500 percent. The significant ROE would gain abundant attention from investors. Also, this indicates that the corporate could produce a massive amount of net profit with limited stockholders' equity. A high ROE would be devastative if such high ROE is caused by high leverage, severely increasing the company's financial risks, especially during economic downturns [7]. The high ROE would also not be possible to possess stable sustainability.

3.3. Market Value Ratios

While consider whether these three companies should be chosen by investors or not, the corporates' market values also pose a significance. These includes PE ratios, PB ratios, PEG ratios, Dividend yield, Discounted cash flow as well as the comparison between current stock price and the 200-day moving average. The first is PE ratio, or Price Earnings Ratio. The index plays a vital role in evaluating a corporate's stock value. By dividing Price by EPS (Earnings per share), an investor could judge if he or she overestimated or underestimated the price of the stock. For a value investor, he or she would certainly buy the company's stock if its PE ratio is under 10. The second index, PB ratio, or Price to Book Ratio, is price divided book value per share, which is a corporate's total liabilities minus net assets divided by the number of outstanding stocks. A high PB ratio means that the company is overestimated, the market has an expectation of the growth of the corporate [8]. The dividend yield is another important indicator for measure a stock's profitability. With the formula of Dividend Yield equaling to Dividend Per Share (DPS) divided by Share Price, it reflects the investment returns an investor could receive by holding the stock [9]. Also, it evaluates risks. A high dividend yield could show that the market is pessimistic of the company. PEG ratio, or Price/Earnings to Growth ratio, is the index to evaluate the valuation of the stock. PEG ratio is PB ratio divided by growth (annually). When PEG ratio is smaller than 1, it is undervalued, and investors would prefer to invest in this stock. DCF, or Discounted Cash Flow, is another method to evaluate a stock or company's value. The method do so by converting future cash flows to present in order to calculate its present value [10]. Also, while looking at the market values, the current stock price and the 200-day moving average should be compared. If current stock price is larger than the 20-day moving average, Momentum investors would buy the stock [11]. The Market Ratios are shown below in Table 3.

Table 3. Market Ratios

	GM	P&G	CL
PE ratio	5.9	27.49	31.14
PB ratio	0.81	7.82	349.86
PEG ratio	0.85	3.43	2.4
Dividend yield	0.99%	2.40%	2.04%
Current stock price	\$48.3	\$167.96	\$98.08
200-day moving average	\$39.07	\$157.44	\$85.05

As shown from the table above, only General Motors has the appropriate PE ratio, PB ratio and PEG ratio for value investors to invest in. Also, the Dividend yields for all three assets are below the US interest rate, which is approximately 5.375% in 2024. Also, the Current stock prices for the three assets are all above the 200-day moving averages.

4. Results for Asset Collection

In stock markets, there are various types of investors. Among these investors, there are 5 types of investors being the most common and significant. Value investors are those who analyze the fundamentals of a company and look for stocks that are undervalued by the market. They believe that the market may cause stock prices to deviate from their intrinsic value in the short term due to factors like news, sentiment, etc, when the stock prices will return to their true value. PEG investors are those who use PEG ratio as the evaluation of the value of the stock and the gist for the investment strategies. PEG ratio combines the company's PE ratio and its future growth rates. This also helps the investors to judge if the stock is overestimated or underestimated. For Risk-analysis investors, they mainly watch the risks and returns. Here, they would buy stocks with the ROE larger than 10%. Index investors are those who achieve their investment objectives by investing in a specific market index. This investment strategy usually aims to replicate the performance of the market, rather than trying to outperform it. Index investors often choose to buy index funds or exchange-traded funds (ETFs). In this case, all three companies are in the S&P 500 [12]. For Valuation investors. They invest by analyzing a company's intrinsic value. The core of this investment strategy is to find market values lower than the real stock's value of the company. Momentum investors are those who invest based on the trend of the stock price and market sentiment. In this case, the momentum investors should compare the stock price of the company and its 200-day moving average. For the three assets, Table 4 shows the investors' choices.

Table 4. Assets the investors choose

	General Motors	Procter & Gamble	Colgate Palmolive
Value investors	Yes	No	No
PEG investors	Yes	No	No
Dividend yield investors	No	No	No
Risk analysis investors	Yes	Yes	Yes
Index investors	Yes	Yes	Yes
Valuation investors	No	No	No
Momentum investors	Yes	Yes	Yes

As shown from the table above, value investors, PEG investors, Risk analysis investors, index investors and momentum investors would buy the asset of General Motors. Risk analysis investors, index investors and momentum investors would buy the asset of Procter & Gamble and Colgate Palmolive.

5. Conclusion

As shown from the data above, the risks and the returns, or profitability of the three companies are shown. Most of the investors would choose to invest in General Motors. This is mainly because GM has lower PE ratios, as well as PB ratios and PEG ratios, compared to P&G and CL. However, all three firms could be accepted by the index investors, the risk analysis investors and the momentum investors. This is because not only do these firms are in the S&P 500 or in the Dow Johns list, but they also have decent ROEs, especially CL. Also, all their stock prices are larger than their 200-day moving averages.

There are also some limitations in the paper. Firstly, the data collected from this paper mainly sources from data during the 1st quarter of 2024, which makes it not recent, and not that reliable. Second, all these data are second-hand data, making them having boundedness by not providing the details from original information and data. Also, researchers cannot immediately verify the authenticity and reliability. These factors could affect the preciseness of the paper.

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