THE BULL, BEAR & LION

VOL VII. no ii. THE STUDENT BUSINESS NEWSPAPER OF TCNJ SPRING II 2019

THE ZION EFFECT

YEAR TWO OF THE BB&L'S ***MARKET MADNESS*** TOURNAMENT

THE "ZION" REGION

STOCKS WITH "Z" IN THEIR TICKER SYMBOL

SEE PAGE A1, BELOW

THE "WILLIAMSON" REGION

STOCKS WITH "W" IN THEIR TICKER SYMBOL

SEE PAGE A2, OVER

YOUR PROFESSORS PICK THE WINNERS IN A TOURNAMENT OF INVESTMENTS

BRACKET HEADLINES

***STZ vs. ZTS:* MODELO PARENT TAKES ON PET MEDICINES IN PALINDROMIC MATCH-UP**

PRO GAMER "NINJA" HELPS STOCK TAKE ROUND ONE WIN

LATE NIGHT FOOD FAVORITES CLASH

SEE PAGE B1 FOR THE FINAL FOUR

1 **Amazon** (NASDAQ: AMZN)
MC: $881.34B *E-Retail, Cloud Computing*

8 **Zynga** (NASDAQ: ZNGA)
MC: $4.93B *Electronic Gaming*

JON SHERIDAN: "In a world where Amazon sneezes and the rest of the world catches a cold, I see no aliment to keep Zynga healthy from this plague. While most know the Seattle-based company for its online store and Prime two-day delivery, AMZN has rolled out several profitable ventures, including video streaming, cloud computing services, and brick-and-mortar retail food via its 2017 Whole Foods acquisition.

Another important business in this discussion is AMZN's Twitch, a video game streaming service. This sector's dollar votes are being won by Generation Z and Generation Alpha, whose idols include professional gamers, such as Ninja on Twitch. With the introduction in recent months of Google Stadia (omni-platform gaming service) and Apple Arcade (which includes established brand collaborations such as LEGO), and Microsoft's well-established Xbox Business, Amazon may soon realize the greater revenues by moving into gaming content.

For Zynga, games such as Farmville and Words With Friends were revolutionary shortly after the iPhone's inception, but today ZNGA does not have a single brand or offering with that can compete with other games making societal waves in the mobile gaming industry."

3 **Mondelez** (NASDAQ: MDLZ)
MC: $71.93B *Snack Foods*

6 **Domino's** (NYSE: DPZ)
MC: $10.03B *Pizza Restaurants*

DR. HUME: *"Domino's delivers the tip-off compared with Mondelez as my stock pick for the short-term.*

Domino's is the largest Quick Service Pizza Delivery firm in the world, delivering over 2 million pizzas a day. DPZ's forecasted one-year stock price is $288 compared with $248 currently. While its forward P/E is a rich 23x, this figure is below that of competitors. Forecasted earnings growth is 11% over the next year and is almost 15% over the next five years. Over the long run, while DPZ has made progress in its product line (70% of product items are new over past five years), competitors such as Blaze Pizza offer healthier options that today's consumers crave.

MDLZ is trading close to its forecasted one-year stock price of $51 with limited upside. Its earnings growth is projected at under 3% this year and 6% over the five years. Its forward P/E is 18x. From its heavy presence in Europe, where GDP growth is forecasted as flat to negative in the near-term, MDLZ's stagnant growth prospects are reaffirmed.

If you were evaluating your stock buys based on sustainability metrics you might not buy DPZ for the long-term. DPZ is in the bottom 4th percentile of ESG rankings with a 44/100. This is primarily due to its poor governance and social factors. Studies suggest that investors shun those firms in the bottom 10th percentile. MDLZ compares favorably with its peers. Its overall ESG rankings are 55/100 (59th percentile) with average environmental and social factors."

4 **Zoetis** (NYSE: ZTS)
MC: $47.35B *Animal Health*

5 **Constellation Brands** (NYSE: STZ)
MC: $32.31B *Alcoholic Beverages*

CONNOR INTRONA: *"These are two very different companies. Constellation Brands has a diverse portfolio of well-known alcoholic beverages, including Corona and Modelo beers. In addition, the company has exposure to cannabis via its stake in the Canopy Growth Corporation. Zoetis, meanwhile, is gaining popularity in the pharmaceutical end of the humanization of pets, a powerful investing theme. The stock of Zoetis has returned more than 100% to shareholders over three years, while Constellation Brands, after a brutal 2018, has been virtually flat (beer pun intended). At current levels, Zoetis trades at a greater premium than Constellation Brands, but rightly so. After all, this match-up is between a company that is doing well versus a company that needs to make some structural changes in order to jumpstart growth. On the next pullback, Zoetis should be on the shopping list."*

2 **Verizon** (NYSE: VZ)
MC: $249.70B *Telecommunications*

7 **Zillow Group** (NYSE: ZG)
MC: $7.21B *Real Estate Services*

DR. CHOI: "I chose Zillow over Verizon as Zillow is tech firm with a huge addressable business market with very limited balance sheet needs while Verizon is a communications firm which exists in a highly capital intensive and low growth industry, in addition to having limited balance sheet flexibility. Zillow's revenue was up 28% YoY in 2018 and is expected to ramp up over the next few years. Given its strong balance sheet with net debt being negative, it has enough balance sheet capacity to make its transition into both direct homes and mortgage initiatives."

THE BB&L

THE SWEET SIXTEEN

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NOTE: THE FIELD WAS SEEDED BY MARKET CAPITALIZATIONS AS OF 3/22/18. FOUR TCNJ SCHOOL OF BUSINESS ANALYSTS WERE RANDOMLY ASSIGNED TO EVALUATE EACH RESULTING BRACKET. COMPANIES ADVANCED THROUGH THE TOURNAMENT BASED ON ANALYSTS' CASES FOR THEM BEING A SUPERIOR INVESTMENT TO THEIR OPPONENT.

BRACKET HEADLINES

BAY AREA BATTLE

PAINT CO. COVERS FIRST-ROUND FIELD

"ACQUISITION HEAD-FAKE" SIDELINES CASINO CORP.

SEE PAGE B1 FOR THE FINAL FOUR

DR. HUME: *"Overall, there are two fundamental reasons to expect Wynn's stock price to remain at current levels, if not drop:*

1. An acquisition head fake. One day after Wynn announced the acquisition of Crown Resorts, an Australia gaming company, the bid was removed due to premature disclosure by the takeover target. Pre-announcement, Wynn's price had increased 18% over a three-week period and dropped over 5% on announcement day.

2. Poor Environmental, Social and Governance (ESG) rating. Firms with low scores are not as valued by investors. Wynn has a poor ESG score (48/100), in the bottom 25th percentile according to Sustainalytics, well below its peers. The firm's founder, Steve Wynn, resigned amid sexual misconduct allegations and WYNN will pay an undisclosed fine in Nevada.

Unlike Wynn, Walmart has beat analysts' earnings expectations in the last four quarters. Its stock price is expected to be $108, or up 10%, in 1 year. WMT's profit margins are comparable to competitor Amazon at 4% despite WMT having many more physical store locations. WMTs ESG rankings are average overall in the 50th percentile. Its environment segment is in the 70th percentile as the firm was the first to initiate sustainable supply chain metrics to meet consumers' demands for low prices."

1 **Walmart** (NYSE: WM)
MC: $285.65B *Retail*

8 **Wynn Resorts** (NASDAQ: WYNN)
MC: $12.63B *Casinos*

DR. CHOI: "I chose WBA. WBA is the world's largest retail pharmacy chain operating globally. It trades at a 2019 P/E of 9 X and expects earnings to grow at low single digits over the next two years. Its 2018 ROE of +18% with a dividend payout ratio <35% leaves a lot of flexibility for management to reward shareholders. The company has been consistently FCF positive for many years. One has to acknowledge the concerns of Amazon entering the pharma space, but given current valuations, it is worth being an investor at current levels."

3 **Walgreens** (NASDAQ: WBA)
MC: $58.42B *Pharmacies*

6 **Corning** (NYSE: GLW)
MC: $26.38B *Glassware*

CONNOR INTRONA: *"This is a tough one. Historically, both Sherwin-Williams and Waste Management have been industry leaders and terrific stock market performers. On one side, Sherwin-Williams is a paint and coatings company which has grown its revenue very robustly over the past few years. On the other hand, Waste Management, whose stock is up almost 25% from December lows, has fewer competitors than Sherwin-Williams. Waste Management is a pure industrial play and very steady, but Sherwin-Williams may have more upside if it continues to grow and boost its top and bottom lines. Both would benefit immensely from increased spending in infrastructure, but are also both really well-run enterprises. However, there is a strong reason to believe that Sherwin-Williams could offer investors more upside at current levels when considering its growth rate and ability to generate higher revenues."*

4 **Waste Management** (NYSE: WM)
MC: $43.86B *Waste Solutions*

5 **Sherwin-Williams** (NYSE: SHW)
MC: $38.96B *Paints and Coatings*

JON SHERIDAN: "Two Bay Area innovators clash for a bid to the Elite Eight. In 1852, a small bank was founded in San Francisco that would gradually flourish into one of the world's largest. Then, 154 years later, a small tech firm started up in the same city would help change the world via communication and social networking, in 140 characters or less.

After a slew of allegations involving fake accounts and unethical mortgage fees, one of America's oldest banks has lost the country's trust. After pushing out CEO John Stumpf after the string of unethical practices, one would think the Bank's board would bring new perspective and clean out the C-suite rather 29-year WF veteran Timothy J. Sloan was promoted from COO to CEO.

The future is bright for TWTR, whose monetizable DAUs have grown at ~9% for the last four quarters, an impressive feat for an established player in the social media space."

2 **Wells Fargo** (NYSE: WF)
MC: $220.60B *Banking*

7 **Twitter** (NYSE: TWTR)
MC: $25.35B *Social Media*

THE BB&L
THE ELITE EIGHT

WINNERS FROM THE SWEET SIXTEEN:

BRACKET HEADLINES

PIE PLAY TOSSES A TECH TITAN

TWITTER FLIES TO FINAL FOUR

DJIA RETAILER RUN-IN

DOMINO'S DOMINATES (DESPITE PREVAILING PIZZA PREFERENCES)

ZOETIS SCORES OVER ZILLOW

SEE PAGE B2 FOR THE CHAMPIONSHIP ROUND

1 Amazon (NASDAQ: AMZN)
MC: $881.34B *E-Retail, Cloud Computing*

6 Domino's (NYSE: DPZ)
MC: $10.03B *Pizza Restaurants*

JON SHERIDAN: "What comes to mind when you think of a pizza chain from the Midwest? Being from NJ, I think of a few less-than-pleasant things to say about any U.S. pizza NOT from NY/NJ (including cutting pizza into squares and using Ranch as a topping...YUCK). One thing I know does not come to mind is the word innovation -- but, one could argue that DPZ, the once-small chain of stores pizza stores from Ann Arbor, Michigan, has paved a path of technological advances that are unmatched by its pizza peers and the greater restaurant industry. The Michigan chain was able to grow its international base in 2018, adding an additional 800 international store fronts -- an impressive feat showing that the company is still in major growth mode.

With strong leadership, brand reputation, first-mover advantage, and fearlessness to innovate in a space that is ripe for increased consumer technological advances, DPZ understands what the consumer experience shoould be and caters to it. While AMZN's business model is much larger and more diverse, driving margins for AMZN is AWS. As AMZN continues to face pressures from cloud startups as well as established players in the space such as Oracle, Salesforce, and Microsoft, AWS could see its market share diminish over time."

4 Zoetis (NYSE: ZTS)
MC: $47.35B *Animal Health*

7 Zillow Group (NYSE: ZG)
MC: $7.21B *Real Estate Services*

DR. HUME: *"Zillow is the leading real estate and rental website, providing over 27% of the market's monthly listings (when including its subsidiary Trulia, its market share totals 44%). ZG supplies free online real estate values to property seekers, while relying on ad sales to agents for revenue growth. ZG is now party to home flipping for money growth, a potential conflict of interest. As it provides open source access to home values, taking on this new venture may unduly influence public valuations. Its fundamentals are also poor. Zillow isn't currently profitable, so analysts look to revenue growth -- for Zillow, that's about 23%.*

Zillow's price is down 33% over year to date. We are seeing a fundamental shift in America's demand for house buying towards a preference for renting. There are several reasons for this: Millennials and Gen Z are more socially conscious, more involved in saving the planet, historically burdened by debt, uninterested in investing their spare time in home ownership responsibilities, are framed on the housing losses of the financial crisis, and have difficulty finding supply as first-time homebuyers due to price appreciation and shrinking of inventories.

Zoetis is an animal health firm spun off from Pfizer six years ago. Most of its business is animal health, providing medicines and vaccines for livestock and pets along with diagnostic tests. Its stock price is up over 22% YOY compared with almost 12% for the S&P 500 and the industry trend. ZTS beat analyst expectations on EPS for the past four quarters with a 6.5% annual earnings surprise. Will this trend continue? Its P/E multiple is two times as rich at 34x as compared with pharma industry of 18.6x. Its shares have a little more room to move over the next year based on the company fundamentals and it being in a favorable industry where it is not facing potential price restrictions like pharma/ bio firms do in human healthcare."

CONNOR INTRONA: *"These are the two retailers of the Dow Jones Industrial Average. On one side, Walgreens is a domestic and international retail pharmacy and pharmaceutical wholesaler with more than 415,000 employees and $131 billion in revenue. In the United States alone, Walgreens has more than 9,500 locations. For Q1 2019, however, Walgreens had a miserable quarterly report. With revenues expected to be flat, competition on the rise, same-store sales declining, and levels of net-income middling, many fear that Walgreens' terrible 2019 could be the start of something more serious.*

On the other side, Walmart is a retail juggernaut and is one of the best hopes against disruptive Amazon. Operating more than 11,600 stores in 28 countries and e-commerce websites in eleven, Walmart is the largest company in the world by revenue. However, Walmart has a few serious challenges: labor costs, contracting margins, and competition. These three challenges have put serious pressure on the company, which has seen its net-income steadily decline over the past five years. Walgreens' stock has fallen to levels that make it look like an attractive buy. At a P/E well below the market average, a high dividend yield, and with the company still buying back plenty of stock, one might think this would be the clear winner. However, unless Walgreens' stock can bottom out on a technical basis, more pain might still be ahead. Because Walmart is diversified, has exposure to e-commerce (and pharmacy), has pricing power, and could cut costs with automation, it's a safer investment in the retail industry."

1 Walmart (NYSE: WM)
MC: $285.65B *Retail*

3 Walgreens (NASDAQ: WBA)
MC: $58.42B *Pharmacies*

DR. CHOI: "I chose Twitter as it is the most prominent mass communication digital platform today. With U.S. election season about to ramp, the company will benefit from the heightened visibility and usage of its medium. In 4Q 2018 revenue was up 24% YoY and operating income was up 88% YoY. Advertising revenue by geography was also up by 20% both in international and U.S. markets. Monthly Active Usage was down -9% YoY, but the company's focus on quality and not quantity will help drive future earnings. I also expect that the continued focus on highlighting important decision makers will help drive future digital engagement."

5 Sherwin-Williams (NYSE: SHW)
MC: $38.96B *Paints and Coatings*

7 Twitter (NYSE: TWTR)
MC: $25.35B *Social Media*

THE BB&L

THE FINAL FOUR

WINNERS FROM THE ELITE EIGHT:

Domino's Zoetis Walmart Twitter

BRACKET HEADLINES

ANIMAL LOGO VS. ANIMAL HEALTH

TWITTER SQUARES OFF AGAINST ZOETIS IN THE FINALS

DOMINO'S AND ZOETIS GO DOWN TO THE WIRE IN THE FINAL FOUR

MID SEED TAKES TITLE FOR CONSECUTIVE YEAR

LAST YEAR'S FINAL FOUR:

3 FedEx
5 Lam Research
3 Starbucks
2 American Express

6 **Domino's** (NYSE: DPZ)
MC: $10.03B *Pizza Restaurants*

4 **Zoetis** (NYSE: ZTS)
MC: $47.35B *Animal Health*

1 **Walmart** (NYSE: WM)
MC: $285.65B *Retail*

7 **Twitter** (NYSE: TWTR)
MC: $25.35B *Social Media*

DR. CHOI: "Zoetis and Domino are two very well-run firms in very different industries. Both firms have excellent management teams and have handily beaten the S&P 500 Index over the last five years. Choosing between them was a hard decision. Zoetis has been a world leader in developing medicines, vaccines, and other products and services for veterinarians and livestock producers. It was spun off from Pfizer in 2013 and has continued to expand its product offerings by internal growth as well as by acquisitions. The 2018 acquisition of Abaxis allowed its operation to expand into diagnostic instruments for veterinary care services. Zoetis posted FY 2018, adjusted EPS growth of 30%, predominantly driven by growth in dermatology, vaccines, and parasiticides. With 2019 guidance of earnings growth greater than 15% predominantly driven by organic growth across markets, the stock should continue to do well. A global footprint will allow it to expand in emerging markets with high quality products to address the growing animal health markets. A conservative balance sheet will allow it to continue to invest in R&D, driving future growth.

Domino's is a fast food chain firm driven by its excellent franchisee model and global reach. As retail growth cools and consumers move away from fast food to healthier choices, driving long-term growth for the firm will remain challenging. Domino's has successfully overcome challenges from customer complaints over the last decade aboout pizza quality by overhauling its recipes and adding more choices. Its investment in creating new technology to address sales through digital channels has allowed it to handily beat the S&P 500 over the last decade. But, with comparable store sales up less than 5% in the latest quarter being much lower than 8% growth last year and the stock trading at 30 P/E, Zoetis provides a more compelling story."

"Twitter is currently the better pick. Twitter stock rose 21% in the month of April and is up 32% year to date. With rising Y/Y revenue, rising engagement, and falling Y/Y costs, Twitter's widening margins can power it back to its annual high of $47 from its current price of $37. Walmart, with 424 retail stores in China, has much more exposure than Twitter to risk from uncertainty regarding the direction of the Chinese economy as well as ramifications from U.S./China trade talks, two big stories that are weighing on investors."

Zoetis Twitter

THE CHAMPIONSHIP

4 **Zoetis (NYSE: ZTS)**

ZOETIS JOINS 2018 WINNER

Lam Research

5 **Lam (NASDAQ: LRCX)**
Semiconductors

AS MARKET MADNESS CHAMPS

2019 MARKET MADNESS CHAMPION

CONNOR INTRONA: *"If only Zoetis could prescribe some vitality into the veins of poor Twitter. This pharmaceutical company does more than just keep pets healthy; it keeps portfolios alive and well, too. With a steady business coasting on the humanization of pets' secular expansion, Zoetis is a quality company with a healthy balance sheet and many years of consistent returns ahead. Unlike many healthcare companies, Zoetis will likely not be impacted by any market turbulence caused by debate over the U.S. healthcare system in the upcoming election. It's a solid defensive play in a market overrun by volatility, and it wins this fight."* ◆