

Report - Emerson Radio Corp. (MSN)

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Current Situation

- According to Emerson recently reported fiscal Q1 2014, Fall in revenue of 46%
- Revenue expanded 7.4% from the previous quarter
- Gross income fell by 46%
- Gross margin fell by 100 bps
- No solvency issue due to fluent cash and short-term assets
- Made a loss in three out of the past 10 years
- Threat – VERY dependent on three major clients (Wal-Mart, Target Co, and FUNAI ELECTRIC CO.,LTD) causing a risk
- Emerson's low operating gearing keeps its profits, even after sales have collapsed (Low likelihood of the company growing)

PBR/PER Ratio

Current Valuation		Future Valuation	
BPS	3.11	EPS	0.13
Stock Price	1.95	Stock Price	1.95
PBR	0.63 (<1)	PER (Price Earning Ratio)	15.46
Comment: It seems MSN has low PBR < 1 , implying that it has no potential growth possibility. But lots of companies might have less than 1 because of quite amount of debt. So, I tried to look at its retained earnings, (\$ 24,224,000), showing that its financial structure will not be stable continuously.		Comment: According to PER 15.46, MSN's stock is over-valued stock 15 to 16 times than it is actually.	

Enterprise Value (-0.01 < 1.95, Price)

Since EV is way lower than the current price, it reflects that the market value of MSN will not be expected to grow.

Conclusion:

I think that **Emerson Radio Corp.** should not be considered to have attractive factors for investors currently because it is over-valued now, leading to the point where the likelihood of making loss is high.

However, the proper value of the stock would be around **1.3** based on EPS and PBR above chart.