

### **Skullcandy (SKUL)**

Skullcandy has made a loss in the 6 months ended June 2013 and is not paying any dividends to shareholders. The revenue growth year-on-year has decreased by almost 30%.

(source: [http://www.sec.gov/cgi-bin/viewer?action=view&cik=1423542&accession\\_number=0001445305-13-001840&xbrl\\_type=v#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1423542&accession_number=0001445305-13-001840&xbrl_type=v#))

In the 5 year long term Skullcandy is expected to have a negative growth rate of -3.4%.

(source: <http://ca.finance.yahoo.com/q/in?s=SKUL>)

To ascertain whether or not Skullcandy would be a good investment at the current share price we can multiply the Industry (quoted competitors) average Price-Earnings (P/E) ratio for Skullcandy by the Earnings Per Share (EPS) ratio of Skullcandy to get Skullcandy's market value.

P/E Industry average 13.5

(source: <http://financials.morningstar.com/competitors/industry-peer.action?t=SKUL&region=usa&culture=en-US>)

Skullcandy EPS 0.37

(source: <http://www.nasdaq.com/symbol/skul/stock-comparison>)

Market Value  $0.37 * 13.5 = \$5.00$

Skullcandy's stock price is currently at \$6.31

The stock is currently overvalued by \$1.31 ( $\$6.31 - \$5$ )