

Field Lab – Equity Research

A – Background

The Field Lab - Equity Research proposes a Master Thesis in the form of an Equity Research report, similar to what is produced by investment banks. This type of research report follows a very specific format that leads to a recommendation to investors.

In this Field Lab, students are requested to write a research note on a listed company (belonging to a main index). According to the U.S. Securities and Exchange Commission, a research report is a "written communication that includes an analysis of a stock and provides information reasonably sufficient upon which to base an investment decision".

At the advisor's discretionary decision, the reports produced may be made available to the public (on the Nova SBE internet page and/or on the Bloomberg's independent research contribution page of Nova SBE) and can contribute to the visibility and reputation of the school, as well as of the involved students.

Area: Finance, Valuation

B – Objectives of the project

With the Field Lab - Equity Research, students should:

- (i) develop a clear “problem solving” and “adding value” attitude,
- (ii) be able to work autonomously and to study and learn new topics (be it on finance or on the target company or sector) in a very independent way,
- (iii) be able to identify and analyze the main parameters of a company's valuation,
- (iv) identify valuable sources of international information and research,
- (v) improve their capabilities on dealing with complex problems under incomplete information and time constraint,
- (vi) apply the previously acquired knowledge in finance, economics, accounting, strategy, etc. to the company's analysis and valuation,
- (vii) keep constantly informed of ongoing international financial news and markets,
- (viii) incorporate general information and financial market developments into the target company's value,
- (ix) be able to work with others, mirroring a real-life corporate setting, and
- (x) develop writing and presentation skills.

In their research notes, the students should strive to add value to the investor. For this purpose, it is paramount to distinguish between information that is already impounded in the market stock price from information (or analysis) that is new and constitutes a potential trading opportunity.

C – Methodology

Trying to mimic the professional world, students will mainly work in group:

- (i) Each group of 2 students will develop the valuation model and the overall company report together, each one actively contributing to the overall result.
- (ii) Along the semester, students will have the opportunity to join with others for some debate discussions about the most relevant trends and direction of their respective industries, as well as to share common doubts on the valuation process.
- (iii) Finally, the students and the advisors will share common doubts, problems and alternative proposed solutions with all other students – either at the various group meetings or through shared messages, using common and open platforms (exclusive to the Field Lab – Equity Research students).

It is the role of the ER Team to facilitate the sharing of problems and solutions among all students and groups. Thus, **the contact between advisors and students will be done primarily through the Moodle Q&A Forum and through pre-scheduled interactions.**

D – Format and End product / Outcomes

In the Field Lab - Equity Research, each pair will write a Company Report (similar to an Initiating Coverage Report), including:

- (i) a price target as a result of the company's detailed valuation (as a whole and of its various business units, whenever applicable),
- (ii) full and comprehensive analysis of the company, its sector and competitors, and
- (iii) a clear analysis of the main parameters driving the company's value and risks.

All equity research notes will be written in Nova SBE's template, previously approved by the supervisory authorities.

The joint report will be composed by two individual parts – the organization of the combined and of each individual part defined discretionarily by the students, providing that each individual part is readable and understandable on a stand-alone basis. For that reason, it is paramount that students incorporate significant value-added in each individual report, and not only on a global report level.

The students will have to deliver one joint and two individual reports. The joint report will constitute an annex to each individual report and both, the joint and the individual reports, will be taken into account for grading purposes.

Finally, the thesis presentation and defense will be done in pairs, though each student's evaluation can vary depending on the performance during the presentation and the Q&A session that follows.

E – Work Plan

Students willing to do the Field Lab – Equity Research should submit their online application individually, only indicating the pair at a later stage. For those that need help finding a pair, a Moodle Forum will be available specifically for students who are looking to pair up – the choice

of the pair is of the sole responsibility of the students in all instances. A kick off meeting will take place in the beginning of February, after which all groups will choose their target company.

During the month of February, students will be working on learning the basic dynamics of the company and on getting their valuation models ready. During this period, students will have the opportunity to share their doubts on the Moodle Q&A Forum and to attend sessions with the ER Team to ask questions on valuation.

Until early March, each pair will send to the advisor a preliminary valuation model for general review and auditing, receiving feedback during the month of March.

From this point onwards, students should be focused on formulating their vision on the company and on starting to write their reports. Students can continue to ask questions in the Moodle Q&A Forum and may attend additional sessions that will be scheduled for March-April. By mid-April, the preliminary version of the report has to be sent to the advisors for review. Feedback will be received by the end of April, allowing students to incorporate it and make the official school-wide submission by mid-May. The thesis presentation and defense will take place in June.

The proposed calendar presented below is subject to changes.

Dates	Work Project - Spring
October 2024, Oct. 29 – Nov. 22	- WP Application Period – Bidding Platform
December 2024, 10	- Publication of results – Bidding Platform
January 2025 20 27 31	- Kick-off meeting (online) - Deadline for students to compose a group and choose target company - Publication of final list – Pairs and assigned target companies
February 2025, Tba	- General Valuation Q&A Session (online)
March 2025, tba 7 17	- Group meeting with Advisor - Deadline for Submission of Preliminary Valuation Model on Moodle - Students receive improvement recommendations on the model
April 2025, tba 18 28	- Group meeting with Advisor - Deadline for Submission of Draft Company Report - Students receive improvement recommendations on the report
May 2025, tba 21	- Group meeting with Advisor - Deadline for Submission of Work Project
June 2025, June 16 – June 30	- Public defense sessions

F – Students Assessment

The evaluation system is primarily designed to provide students with a strong incentive to attain a high level of engagement, thus enjoying an enriching learning experience.

Firstly, students will be evaluated by the market and eventually, by future employers and colleagues as the various research reports produced will eventually be published on the internet, as part of a “Nova SBE Equity Research Database” and on the Bloomberg equity research contribution page of Nova SBE (<NVA>). These will be made available to whoever searches information on a company as well as for those looking to confirm an opinion on a specific student.

Academically, the students’ Company Report, the respective oral presentation (in group) and public defense will be evaluated by a jury, combining a group and an individual assessment. The final grade will be individual.

G – Readings and support materials

No specific literature is recommended, though the following two textbooks are very helpful:

- J. Berk, and P. DeMarzo, Corporate Finance, Pearson, 3rd ed.
- T. Koller, M. Goedhart, and D. Wessels, Valuation: Measuring and Managing the Value of Companies, McKinsey & Company, John Wiley & Sons, 7th ed.
- A. Damodaran, Tools and techniques for determining the value of any asset., John Wiley & Sons, 3rd ed.

Additionally, students have access to other publicly available equity research notes produced by international investment banks or at their disposal at Nova SBE site.

Finally, students are expected to review the reading list of previous courses (namely Corporate Finance and Investments), to attend the generally available presentations on sources of information and research (e.g. on Bloomberg), **contact the respective company’s Investors Relations Department, attend any Investors’ Presentations and conference calls, contact non-financial professionals working in the sector of your target company, etc.** Thus, students are supposed to autonomously and proactively search, analyze and incorporate new and relevant information in their work (as all other investment banking analysts do).

H – Advisors

Luís Barbosa

Luís Barbosa is Assistant Professor of Applied Corporate Finance and Financial Management at NOVA School of Business and Economics. He holds a PhD in Finance from ISCTE-IUL. He is now Chief Investment Officer at Amener - Energy Efficiency. Previously, he worked mainly in the financial services industry, especially in corporate finance, investment banking and private equity areas, and with extensive work in several non-financial industries and charities.

Diogo Vaz da Silva

Diogo Vaz da Silva is Assistant Professor at NOVA School of Business and Economics. He holds a M.Sc. in Finance from Nova SBE and the CEMS Master in International Management. He has over 13 years of investing experience across the capital structure in various hedge fund roles in London, New York and Zurich. In his most recent role, as Portfolio Manager at PSquared Asset Management, he led a team of two analysts focusing on Special Situations and Event-Driven investments.

Annex – Field Lab – Equity Research – FAQ

DOES THE EQUITY RESEARCH - FIELD LAB HAVE A SPECIFIC CALENDAR?

The Equity Research Field Lab follows the general calendar of all other forms of Work Projects (i.e. enrolment deadlines, deadlines for presentation of the final version of the thesis, presentation and defense of thesis). Besides the general calendar, there are however deadlines specific to the ER, according to the two alternative tracks (Early Starters or Regular Track): a deadline for the valuation model, for the delivery of the draft report (see the ER Syllabus) as well as specific dates for the meetings (to be announced).

MAY I DEVELOP AN EXCLUSIVE INDIVIDUAL WORK (AS OPPOSED TO WORKING IN PAIRS)?

No. This Field Lab – Equity Research is designed to be most enriching if most of the work is done in groups: (i) in very small groups (of 2 students) in the development of the valuation model and Company Report, and (ii) in a very large group (including all ER students) when analysing and debating general accounting, finance and valuation issues. For that same reason, all doubts, clarifications and suggestions of alternative solutions will be shared among all students, by using a common and open platform (exclusive to all ER students).

WHAT HAPPENS IF I DO NOT HAVE A PAIR?

A Moodle board will be created with the sole purpose of helping students looking for a partner to pair up. However, you only need to worry about this after applying to the format in the first place.

The only individual works (as opposed to group works) accepted will be the ones resulting from (i) students “abandoning” the pair (described below), or (ii) in case of an uneven number of enrolled students.

IF MY PARTNER DECIDES TO WITHDRAW FROM OR POSTPONE THE WORK PROJECT MAY I STILL CONCLUDE MY THESIS?

Yes, but each situation will have to be approved by the advisor on a case by case basis (this is the only exception accepted in relation to individual work). Considering that whenever a student withdraws from or postpones the Work Project his/her team member will be left with an additional workload, we encourage every student to be responsible when enrolling in the Field Lab – Equity Research, and to stick to his/her commitment.

IF I AM A MASTERS IN MANAGEMENT OR A MASTERS IN ECONOMY STUDENT MAY I STILL DO THE FIELD LAB – EQUITY RESEARCH?

No, you cannot. There are legal restrictions in what concerns each Masters and the respective allowed scientific areas of the Work Projects. As such, only Masters in Finance students may apply to the Field Lab – Equity Research.

IS THE FIELD LAB – EQUITY RESEARCH COMPATIBLE WITH A FULL-TIME INTERNSHIP AND/OR WITH LEAVING ABROAD?

The Field Lab – Equity Research is structured as a full-time Work Project, and we strongly advise students to consider it as such. Doing this field lab while working and/or away from Lisbon is possible, but there are a few very important challenges we recommend you take into consideration when making your choices.

Regardless of the format, the Work Projects always represent approximately one third of the overall Masters' ECTS, which should give students a general idea of the workload involved. From our experience, one of the main causes for postponing the thesis defense, for obtaining lower grades, and certainly a big source of stress, is the lack of time and focus due to unrealistic objectives/means. For those planning to live abroad during the semester, the challenge is even harder. Our experience is that a vast majority of students being "physically distant" end up being less connected with the school and less focused on the thesis, eventually developing poorer works and obtaining lower grades.

As for any eventual workshops that are held on-campus, if these happen, we will try to use some online instrument to support students who are not able to personally attend them.

WHEN DO I HAVE TO CHOOSE THE TARGET COMPANY, THE CALENDAR AND THE PAIR?

Starting in May (exact dates to be later announced), after you have all been formally allocated to your preferred choice of Work Projects by the school, we will open a couple of forms for you to let us know (i) who you will be working with (i.e. your pair), (ii) your chosen calendar/ track and (iii) your target company.

These forms will be approved by us on a rolling basis, meaning that you can submit them whenever you want and we will be revising pending requests regularly. As such, you can start working right away if that is your intention. The final deadline for everyone to submit their pairs, chosen calendar and target companies will in June (exact date to be announced later). Students that wish to select the Summer Track should be done with all this process earlier than that.

CAN I JOIN THE FIELD LAB – EQUITY RESEARCH AT A LATER STAGE?

No. As mentioned in previous questions, the ER heavily relies on group interactions, thus obliging every student and group/pair to keep approximately the same pace of work.

WHAT IS THE TEMPLATE OF THE EQUITY RESEARCH REPORT?

The template used in all our Equity Research Reports will be uploaded in the Moodle.

HOW CAN I CLARIFY DOUBTS DURING THE SEMESTER IF I HAVE THEM?

You have two options to clarify doubts:

- (i) You can use the sessions created specifically for that purpose; or
- (ii) You can leave your questions on the Moodle boards created for that effect, where one of the advisors will get back to you (just check to see if your question has not already been asked and answered before).

WHAT IS EXPECTED OF THE MODEL SUBMISSIONS AT SUCH AN EARLY STAGE?

When submitting it for review, the model should already include past financial statements and analysis, as well as complete future financial statements (Balance Sheets, Income Statements, and Cash Flows) and company's valuation (Price Target and Overall Expected Shareholders' Return). Naturally, the actual values forecasted will be changed later on as students learn more about the company and the industry through deeper analysis, but the main structure of the valuation model should be all set at this time.