

SPRING 2025

Equity Research Field Lab

KICK OFF MEETING

20th January 2025

About Us



Luís
Barbosa



Diogo
Vaz da Silva

The Work Project Allocation Process



Quizz on Moodle “**Pair / Calendar / Target Company Selection**”

- to be answered by every student, **deadline 27th January**

- 1) Indicate **name** and **student ID** of your group partner
- 2) Ordered list (in terms of **preference**) of **target companies** you are willing to analyze (**3 companies**)

Advisors will approve the target company on a rolling basis, then you can start to work

Field Lab Methodology

Important rules:

- All students have to **work in pairs** and all WP submissions are in pairs
- The advisors will not meet with students outside the pre-scheduled meetings nor will they answer emails from students
- All contacts with the advisors are to be done:
 - Using the **various meetings** that will be held for (larger or smaller) groups of students;
 - Through the **Sharing Q&A Forum on Moodle**

Calendar

Legend

- Work in progress by students
- Kick-off Meeting
- Valuation workshop
- Group Meeting with Advisor
- Deliverable

Calendar

Activities	January	February	March	April	May	June
Phase 1: Qualitative and Model						
Study the company and the sector			7 th March			
Create an excel valuation model			17 th March			
Submit model for revision						
Incorporate feedback and update model						
Phase 2: Improve your analysis						
Improve forecast model						
Incorporate additional analyses				18 th April		
Adjust the model to incorporate your view				28 th April		
Write a report that summarizes your view					7 th May - 21 th May	
Submit report for revision						
Incorporate feedback and update report						
Deliver report						
Phase 3: Presentation						16 st June - 30 th June
Prepare presentation						
Present final work project						

Advisor Allocation

Each group will have allocated **one single advisor**

Advisor allocation depends on:

- Number of students per advisor
- Sector that you are covering (typically, each sector will be covered by one specific advisor)



Advisor allocation may occur after you have started working – initial meetings and Q&A are managed as a whole, feedbacks and last meetings are with your advisor

Equity Research in a Nutshell

“written communication that includes an analysis of a stock and provides information reasonably sufficient upon which to base an investment decision”

Equity Research in a Nutshell

The report should include:

- Main output: A **price target** as a result of the company's detailed valuation (as a whole and of its various business units, whenever applicable);
- **Full and comprehensive analysis** of the company, its sector and competitors; and
- A clear analysis of the **main parameters driving the company's value** and risks.



Although the model is an essential (instrumental) tool to conduct your work, it is by no means the final goal of your work!

Equity Research in a Nutshell

J.P.Morgan

CAZENOVE

Asos

Frockin' all over the world: Initiate at Overweight with Price Target of 6,600p

In 2014 Asos is pursuing two key initiatives which we expect to be game-changers for US growth: a US fulfillment operation and zonal pricing. This combination will elevate the US customer offering allowing it to become faster, more convenient, and with a wider range of third-party brands. With an enhanced offer, we expect Asos to invest more heavily in US marketing, resulting in a FY13-18E US sales CAGR of 40%. We initiate coverage with an OW recommendation and an Aug-15 DCF-based PT of 6,600p (30% potential upside). The recent share price fall, driven by unfavourable currency moves and higher investment guidance at Q214, provides a good entry point in our view.

• **Asos is more than just a clothing retailer.** In our view, it offers a unique combination of over 800 third-party brands, an own-label product that has been developed into a dynamic brand in its own right, and rich media content designed to promote its status as a fashion destination for its target audience. Combined with a leading-edge delivery proposition, this has driven rapid sales growth, enabling Asos to further invest in customer service and marketing and to secure incremental brands and drive further traffic. In our view, this "virtuous circle" of growth and reinvestment has allowed Asos to establish a unique position as a pure-play online fast-fashion retailer with genuinely global reach.

• **We believe that Asos can continue to deliver super-normal top-line growth** through gaining share in existing markets and expanding into new territories. The resulting medium-term sales and EPS growth (FY13-18E CAGR of 23% and 25% respectively) should support the current valuation (60x CY15 PE), with the faster earnings growth comfortably delivering share-price outperformance without any requirement for a re-rating.

• **Our blue-sky scenario offers 35% upside to our current forecasts.** Our scenario-based blue-sky analysis is for a 5-year sales CAGR of 31% (base-case 23%), highlighting the potential for a super-normal growth rate into the medium term. This drives a blue-sky FY18E EPS of 206p, 33% above our base-case forecast of 152p.

Asos plc (ASOS.L:ASO LN)

2011A	2012A	2013A	2014E	2015E	2016E
Revenue FY (£ mn)	563	750	1,001	1,254	1,545
EBITDA FY (£ mn)	56	80	81	100	140
EBIT FY (£ mn)	46	54	63	84	115
EBIT Margin FY	8.2%	7.1%	6.3%	6.7%	7.3%
Pre Tax Income FY (£ mn)	44	55	63	84	115
EPS FY (p)	-	-	-	-	-
Adj. P/E FY	129.3	104.1	88.5	85.7	50.1

See page 85 for analyst certification and important disclosures, including non-US analyst disclosures.

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Europe Equity Research

26 March 2014

Initiation

Overweight

ASOS.L:ASO LN

Price: 5,123p

Price Target: 6,600p

European General Retail

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Price Performance

Asos sales FY08-FY18E

Source: Company reports, J.P. Morgan estimates

The Logistics of Things (LoT) Series: India

Tracking express logistics: e-tailwinds pack a punch

Equity Research

Delivery to lag high expectations; initiating Blue Dart at Sell

US\$2.8bn market opportunity for e-tail logistics by 2021E

Following the 50% CAGR over the past two years, we expect the e-tail logistics market in India to grow 3X to become a US\$2.8bn market by 2021E. This implies 3.2mn e-tail parcels delivered per day, which is still a ninth of what China delivered in 2014. Similar to China, private firms dominate the sector with listed express companies having less than 20% cumulative market share.

Elimination of redundancies to drive prices lower

India spends 13% of its GDP on logistics vs. 18% in China despite being a services-led economy similar to the US, which spends only 8.5%. This is primarily due to inefficiencies and inadequate infrastructure. We expect logistics costs as a percentage of the e-tail market to decline by about 150 bp driven by higher efficiency, better infrastructure coupled with technology and innovation. We expect e-tail logistics to remain a relatively low margin, high volume and high service quality proposition, which does not make the case for high valuations.

Adequate funding and low capex to intensify competition

Capital does not appear to be a constraint over the medium term, in our view, with US\$0.5bn of private capital invested in the logistics space in the past 15 months. Given most logistics companies follow an **asset light model** and have low cash burn, we expect competition in the sector to intensify. As a result, there is a likelihood of some private capital potentially seeking an exit as businesses scale up and stabilize.

Market expectations weigh on Blue Dart; initiate with Sell

- We initiate on Blue Dart – a market leader in the B2B express segment – with Sell and a 12-m DCF-based TP of Rs4,550 (23% potential downside).
- The company has benefited from e-tail, which contributes a quarter of its FY16E revenue. However, we believe pricing for e-tail logistics will trend lower amid competition, limiting the positive impact of operating leverage. Hence, we expect **margins to remain flat** despite strong volume growth.
- Growth expectations from Blue Dart appear too optimistic. The shares trade at a 12m fwd P/E of 62X and a PEG of 3.7X, **implying a 30% EPS CAGR over the next five years vs. GS of 17%**. Key risks: Potential M&A by global firms looking to extend their reach and infrastructure.

Goldman Sachs

Equity Research

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Stock Performance

Market Profile

Valuation

Revenue Growth

Key Financials and Ratios

Source: Goldman Sachs Global Investment Research, Citigroup

Equity Research Report

Consumer Goods Discretionary

Tourism/Hospitality/Leisure

NASDAQ

Expedia Inc.

Date: 11/03/2017

Current Price: \$125.76

Target Price: \$146.2 / +16.3%

Headquarters: Bellevue Washington, U.S.

Recommendation: BUY

W U T I S

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Stock Performance

Market Profile

Valuation

Revenue Growth

Key Financials and Ratios

Recent news

Highlights

We issue a **BUY** recommendation on Expedia Inc. (EXPE) based on a one-year target price of \$149.1, offering a 18.5% upside potential from its closing price of \$125.76 on March 11, 2017. Our recommendation is primarily driven by:

- Macroeconomic Outlook** – With consumer spending is expected to increase by 2.7% in 2017 and annually by 1.8% on average until 2023, a worldwide declining unemployment rate and an expected U.S. GDP growth rate of 2.3%.
- Brand diversity** – Expedia Inc. operates a strong brand portfolio with global reach, targeting a broad range of travelers, travel suppliers and advertisers. Expedia's multi-brand strategy, and wide variety of channels, allows the company to grow its strong customer base extensively and maintain customer loyalty. Expedia's main growth drivers are technology, product innovation, global expansion and new channel penetration.
- Growth Strategy** – For the full year 2016, total gross bookings excluding along increased by 21%. Various mergers & acquisitions helped Expedia to grow its product portfolio significantly. Gross bookings increased \$1.2 billion or 8% year-over-year to \$16.1 billion in the fourth quarter of 2016. Revenue increased by 23% YoY to \$2.1 billion in the fourth quarter. Expedia Inc. will further pursue a takeover strategy to secure its competitive advantage.
- Valuation** – Valuation methods indicate a current intrinsic value of \$149.1 per share. Expedia Inc. offers a long-term upside of 18.5% through strategic acquisitions and the ability to maintain an overall high number of traveler transactions in a cost-effective manner as well as the ability to attract repeat customers to their sites.
- Main Risk factors** – Expedia Inc. faces not only the growing competition in the online-travel industry, coming mainly from Google (Alphabet Inc.) but also increasing political risk due to Trump's recent travel ban.

Recent news

- Expedia's subsidiary Trivago reached \$183m in revenue in the fourth quarter of 2016, an increase of 65% YoY, and completed its IPO and listing on the Nasdaq Global Select Market in December 2016
- Room nights stayed increased 15% year-over-year in the fourth quarter of 2016, with growth of 16% excluding Orbitz Worldwide.
- The recently acquired firm HomeAway saw a 46% (up to \$6bn) rise in online bookings income and a rise of 47% (up to 22M) room nights stayed.

Key Financials and Ratios

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Revenue	\$14,482.0	\$14,880.0	\$15,771.0	\$16,780.0	\$17,870.0	\$18,970.0	\$20,070.0	\$21,170.0	\$22,270.0
EBITDA Margin (%)	20.2%	20.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
EBIT Margin (%)	15.9%	16.7%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Income Margin (%)	15.7%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Interest Coverage (x)	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x
Return on Equity (ROE)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Earnings per Share (EPS)	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x
P/E (x)	30.0x	30.0x	30.0x	30.0x	30.0x	30.0x	30.0x	30.0x	30.0x
EV/EBITDA (x)	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x
EV/EBIT (x)	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x	19.2x

The format looks similar to other ER, but not necessarily the content, the structure of the report, or the depth of the analysis. This is an academic work – with a professional look.

NOVA

NOVA SCHOOL OF BUSINESS & ECONOMICS

MASTER IN FINANCE

GLAXOSMITHKLINE

PHARMACEUTICALS

STUDENT: XINGLEI JI, ZIRUI WEI

COMPANY REPORT

4 JANUARY 2021

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The time is the answer

Top 6 position and potential in oncology sector

- We recommend investor to **BUY** their position on GlaxoSmithKline, given our 2021 target price of £17.39, with an expected return of 21.95%.
- GSK remained resistant against the impact of Covid-19, evidenced by its 2% growth in total revenue for the first nine months of 2020, compared with 2019. The increase in Consumer Healthcare Unit (+10%) compensated the decrease in Vaccines (-8%) and in Pharmaceutical Unit (-2%).
- GSK's recent acquisition of Tesaro enhance its potential of long-term growth. With this purchase, GSK obtained not only the patent of Zejula, but also 15 more developing oncology drugs. Most importantly, GSK gained the opportunity to explore the next-generation technology (Immuno-Oncology).
- Separation Program (New GSK and New Consumer Healthcare) is supposed to cut costs through reorganization and deleverage GSK in the future.
- GSK share price's recent weak performance was caused by the lack of market confidence due to the slow progress of development of Covid-19 vaccines and weak numbers in Q3 2020.

Recommendation:

BUY

Price Target FY21:

17.39 £

Price (as of 05-Nov-20)

14.26 £

Reuters: GSK.L, Bloomberg: GSKUS

52-week range (£)

12.84-18.57


Market Cap (£m)

71,442

Outstanding Shares (m)

5,017

Source: Bloomberg



Source: Bloomberg

(Values in £ millions)	2019	2020E	2021F
Revenues	33754	32664	34535
EBITDA (recurring)	10955	11536	12089
EBITDA Margin %	32.46	35.32	35.01
Core Result	6346	6133	6490
Noncore result	-1906	659	-1254
Net Debt	26476	25258	30647

Source: Company Data and Nova research

Company description

GSK, based in Brentford, England, is the sixth largest pharmaceutical company in the world. It has a presence in over 150 countries across the globe, where the main market is in the US. Its business is divided by three segments: pharmaceutical, vaccines and consumer healthcare.

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY [ZIRUI WEI, XINGLEI JI], A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS & ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

Page 1/35

Templates

Final delivery of each student consists of two documents:

- **JOINT REPORT:** the same for both elements of the pair, has the following structure:
 - Max 30 Pages Text (equity research report)
 - Max 10 pages of Appendix (Projected Financial Statements plus any other relevant analysis)
- **INDIVIDUAL REPORTS:** the **joint report** is the sum of the **two separate individual reports (repository)**. It can be viewed as a “book” written by two students, each one responsible for a few sections, and both responsible for the overall quality of the “book”.
 - That means that **all the content of the joint report** must be **included in the two individual reports**.
 - It also means that there are **no sections of the joint report** simultaneously **included in both individual reports**.
 - Each individual report can cover any sections of the joint report (in sequence, or not), providing that each **individual report is readable, understandable on a stand-alone basis and incorporates significant value-added**.
 - The **individual report** has the following structure:
 - 1 Page with Introduction (where you explain how your individual report contributes to the objectives of the joint report)
 - Max 15 Pages Text (approx. half of the Max 30 Pages from the joint report)

Template – Joint report

[illegible]

There is a specific template to use, that is different from traditional academic papers (the structure and the content are however 100% up to you)

Template – Individual report

[illegible]

Company Selection

- Ultimately, your work will be assessed based on your **capacity to add value** vs. everything else that has already been written and discussed about the company
- **Don't select a company because it's "simple"** – it might turn out to be simpler to value but it will be harder to add value
 - Keep in mind that all the other equity research analysts from more "professional" institutions are your competition. In a real life setting, no one will pay you to simply repeat what others have already said.
 - You might want to read what they are saying (it's fine to check out your competition) but you should not use them as "sources" for whatever you want to say nor as a "quality benchmark".
- **Pick a sector (and a company) that you like:** one that raises your curiosity and/ or for which you would like to work in the future, that operates in geographies that you find interesting (e.g. emerging markets) and with an interesting business model – you are going to spend a LOT of time looking into this company, so it better be something you like.

General framework (not exhaustive)

1. Qualitative work

- Study the **company** and the **sector**, future evolution of the sector, positioning of the company and competitive advantage, value drivers
- Sources (among others): Annual reports of the company, sectorial reports, any source of news, any database, investor's information, attending earnings calls, meeting with non-financial professionals in the sector, contact with investors relations of the company, etc.

2. Quantitative work (excel model) – See Suggestions document for excel requirements and references

- Insert, reorganize and perform a financial analysis of the company's past years – choose longer rather than shorter term horizon
- Forecast the complete financial statements for the next years – again, longer explicit horizon is normally better than shorter term horizon
- Implement discounted cash flows valuation models and multiple valuation (based on peers selection)
- **Link between the qualitative and quantitative work:** the identification of value drivers impact modelling choices (re-organization by segment, revenues forecast, etc.)

Additional Tips on Setting Up the Model

- Before inserting all past data into the spreadsheet, try to think about:
 - What are the **business units** of the company? How will you break them down?
 - What are the **value drivers** of the company? How will you estimate them?
 - What level of **detail do you need for each caption** of the balance sheet/ income statement/cashflows?
- Make sure all **subtotals are matching** (i.e. total sales need to be equal to sales from all divisions)
- Before jumping to the forecasting process, all past financial statements need to be reorganized in a manner that is useful to you later on: separating **core operational captions vs. units or captions that you would rather value autonomously** (non core) **vs. financial** and ensuring that the **free cash flows balance**
- The reference date of the valuation is **Dec. 2025 (Price Target YE25)** and the **Investment Recommendation based on Total Expected Shareholders Return**
- Don't worry about the assumptions you make for the forecast at this stage – **dummy values** are fine.

Other Tips:

- Investment Banks usually use Equity Research Reports as a marketing tool, a signal of credibility and to sell an investment strategy, therefore the reports should:
 - be appealing, use **tables and graphs** to better communicate, instead of just text;
 - do not lose much part of the report describing the history of the company and focus on strategy, trends and risks of the industry and the company, and what the value drivers of the company are;
 - use sensitivity analysis to the main variables;
 - use scenario analysis to simulate the impact on value of the main upsides and downsides the company may have in the future;
 - present an **investment thesis** to support the investment strategy or recommendation you propose.