125340 Stock Report Instructions, 2 students (Partnership) version

2019 Semester 2

Students working as partners must give full details (name, ID, emails) in written form, **signed by both students,** by **Wednesday of week 3** (31 July). A form for this purpose will be available at least by Monday of week 3.

Once partners have agreed to work together on this assignment, it can not be changed. Both students will receive the same intermediate and final grades on the report. Under no circumstances will we get involved in differentiated grades according to who did what part of the report. That includes plagiarized work, so make sure your partner is doing original work.

**As you’ll see in the descriptions below, there is more work involved for the partnership version, but even where it isn’t explicitly stated (e.g. 4 valuation methods rather than 3), the partnership version of the report is expected to be of substantially higher quality than the 1-student version. That is why you have 10 pages instead of 4 or 5.**

One of the students will be designated the ‘contact author’; **all** communication regarding the report will be through the contact author, only. (the only exception to this is if the contact author officially drops the course)

**Find your assigned stock in the file “Stock assignments” in the Stock report section on Stream** (will be listed under contact author’s name). This will be ready by end of week 3.

Using cross references (Yahoo vs Google, e.g.), checking ticker symbol, name and industry, to make sure you have the correct firm.

**You must use “125340 Stock Report - TEMPLATE – 2019.2”**

**AND**

**The “125340 Stock Spreadsheet TEMPLATE – 2019.2”**

**Other formats will not be accepted.** I realize you may want to be more creative, but we have nearly 200 of these to grade, and it creates problems for us finding sections if you use different formats.

Maximum of 10 pages for main part of report (not including appendix, which can be an additional 5 pages).

Do not change the single spacing of the report (e.g. to increase the length of the report). Better that your report is short and save paper when we print it out.

The final stock report is **due 27 Sept**, worth a total of 100 points, 20% of your course grade.

Do NOT print a copy of the report for us; we will do that from Stream.

Do not use illegible graphs – too small, vague colors, etc. This wastes time, paper and ink.

Do not use large graphs. This wastes paper and ink, and will NOT improve your grade.

**Two “preliminary” due dates:**

1. **Aug 30** - Business Description & industry overview
   1. Should have basic bus description, and beginning of industry overview
2. **Sept 13** - Preliminary valuation
   1. at least one valuation method completed, and Data entered into spreadsheet

Both of these will only be graded as:

5 points: ‘substantially done’

3 ‘weak’

0 nothing done

Both should be submitted (on Stream) using the appropriate pages from the template, and will be checked with turn-it-in. You will be able to see your score after you submit, so that you will know if you need to make changes before the final submission.

For both, a late submission will be accepted for 24 hours, with a 10% penalty. After that no submission allowed.

Both will be graded in more detail when the full report is submitted.

**Final due date:**

**Sept 27, 1pm.** Submitted to Stream; will automatically be submitted to TurnItIn

Late submissions incur a 10% penalty **per calendar day,** or portion thereof.

# TurnItIn:

The TurnItIn ‘score’ will be used to scale your report grade. e.g. if your turnitin score is 30% (meaning 30% of your report matches other online material), your final Stock Report grade will be 70% of whatever raw grade I assess. (I will ignore tables and references in that matching)

Note that since final grades are scaled to a normal distribution, the only relevant number here is how you compare with classmates. If everyone gets a turnitin score of 20%, then everyone is equal in how their raw grade is adjusted for the TurnItIn score.

For your perspective, historically I have found that good reports have turnitin scores from about 10-20%.

Note in particular, what does not go well is to simply copy and paste from published sources into your report. Even copying a short phrase here and there will show up as matches. I am not interested in what you found that someone else said about, say, Investment Risks. I am interested in your assessment and/or summary of what someone else said. (I don’t expect you to conduct primary research, but I do expect you to use your own words to describe/discuss what others have found)

If you cut/paste, not only will that increase your TurnItIn score (which is bad), but I will ignore those sections in my assessment (as though you didn’t do it), which also lowers your grade.

# DETAILS OF EACH SECTION:

# Page 1

Think of this page as an executive summary (a short summary of all pertinent facts in a document), and the rest of the report backs this up.

An investor should be able to look over this page, and have a pretty good idea of the most important facts and issues about the company, and what you (the analyst) think about it as an investment opportunity.

Note a few things here:

At top is your name, and statement that this is Student Research for 125340. This is to disclose to anyone who happens to read this, that it is not intended as investment advice.

Also at top is the Industry name and the Company Name. Below that is descriptive information, as well as your Recommendation.

**Headings**. Throughout, there are Styles used to make your life easier. If you haven’t learned about this feature in Word, this is a good time to do so (but not compulsory). When you set or change a style as a particular format, every area of the document that has been defined as that style will change accordingly.

On page 1, “Highlights” has been defined as Heading2 (see upper right of Windows ribbon; right-click on the **Heading 2** button and select ‘modify’, to see or change the settings of this style).

You will also see “Paragraph Heading” (this is Heading3); you only need to use this when there is a subsection you want to identify. You won’t necessarily have this in every section.

Please do not keep the text intended just for you, such as “Heading2: Times New Roman”

In Highlights, you list key features about this company. These may be positive statements about management, new products, etc; or could be negative – warnings about potential risks. Think of these as what you would want to tell an investor client, if you only had 30 seconds to talk.

# Page 2 +

## Business Description

In this section you describe the firm’s “story”. What is their business/product, etc.? Are there multiple segments of the business? What is their industry? Is there something about their history that is important (founding, mergers, …)? What is their geographical coverage? Are there features about this company that sets it apart from the crowd? Typically (though there can be exceptions), discussion of management is not particularly special.

This business description section will usually be quite short, but after reading it, an investor should know what this company does, and have some idea about what you think is special about it (if anything).

## Industry Overview and

In this section you describe the industry for your target company. What does this industry do, what are major opportunities and risks to the industry (which will of course also affect your firm)

## Competitive Positioning

Who are the major players in this industry? What is your target firm’s market share of that industry, and what is their competitive advantage?

## Valuation

This is the section where you discuss valuation results.

You should use a minimum of 4 methods; you must use at least 2 *relative valuation* methods and 2 *absolute methods*. See text and notes for various methods available.

These methods must be clearly labeled.

**For Absolute method**;

* At minimum you must use DCF and DDM
* Must be multi-stage; forecast 4 years, then from terminal year, assume a reasonable terminal CF as discussed in class (in your text, you can discuss whether this is a valid terminal point or not).

Exact details about years and how to implement in spreadsheet template will be posted soon.

For “interim *g”* over first 4 years, use one of the non-historical methods for estimating *g*. Explain here how you did that, and this must match what you do in the spreadsheet.

**For Relative method;** method(s) for forecasting PE must be stated; there are other multiples that can be used (Price/Book; Price/Cash, etc.)

if comp co’s, comparables must be shown in appendix;

if analysts, give consensus, but individual details must be in appendix.

For each method, you will have an estimated target price.

**Final Estimation:** From the 4 (or more) methods you use, make a judgement call on what the final target price should be. This will generally be a weighting, where you place the most weight on the method you deem most ‘correct’, and least weighting on a method you feel has problems (e.g. due to input information available).

Include a small table showing your weights for this calculation.

**Risks to the Estimation:** Your target price (and therefore recommendation) are probably most sensitive to some specific assumptions. Describe those here. This is **not** the place for firm risks, which comes later (see below).

This section should conclude with the same information at the top of page 1 – Target Price, Current Price, and Recommendation (buy, sell or hold).

## Financial Analysis

In this section discuss anything pertinent to the financial statements. For example, this is where ratio analysis (e.g. DuPont) could be discussed.

Additionally, if you had to do something special to estimate future growth, you would discuss that here. Similarly, here is where to talk about DCF and what you had to do to get cash flows, or something unique about the earnings or dividend stream.

## Investment Risks

Just as important as identifying positive aspects, is identifying the negative. In this section, discuss risks to the firm.

A useful approach is SWOT and/or PEST, to help you think through the various possible risks and merits.

A brief summary of the most important ones will probably be on page 1.

## APPENDICES

In general, tables that are too big for the main text, such as industry comparables, DCF details, potentially other tables you deem necessary. Do not include financial statements (that will be in your spreadsheet), and do not fill with fluff just to create extra pages.

Any table included here should be discussed (or at least mentioned) in the main text.

Do not change to landscape orientation for any of these appendics.

# Assessment

Total 100 point report worth 20% of course grade.

Out of 100 points:

|  |  |
| --- | --- |
| 10 | Preliminary submissions |
| 10 | Page 1 |
| 10 | Business description |
| 15 | Industry overview |
| 35 | Valuation and Financial Analysis |
| 20 | Of this is from the spreadsheet |
| 15 | Investment risks |
| 5 | Clean & useful appendices |
| 100 | Total |

All of the above assumes a report which is neat and professional looking, using the correct template & formats. Otherwise, you can lose up to 20% for failing to do this.

Except for the preliminary submissions, all sections and sub-sections will be graded on a 5 point Likert scale; then averaged and scaled for final grade for the report.

|  |  |
| --- | --- |
| 0 | not done |
| 1 | Poor |
| 2 | Fair |
| 3 | Good |
| 4 | Very Good |
| 5 | Exceptional |

As with the preliminary submissions, reports will be submitted to turn-it-in.