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**The Equity Analyst Toolkit**

Mike Kimpel

MBA – Spring 2022 - Term B – [BIDDING SYLLABUS]

Course #: B8311

Schedule: Tuesday, 2:00-5:15pm

Classroom: Geffen 540 (unless professors inform students otherwise)

**Professor:**

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Office Hours: By Appointment

**Teaching Assistant:** TBD

**Course Overview**

As a student and professional focused on Investment Management, you will be asked to repeatedly ramp-up on businesses, to create a variety of analyses and to synthesize your findings in stock pitch. This process can be incredibly daunting when you first try it (and even for experienced, full-time professionals) due to the sheer volume of information available.

The key is ensuring maximum return-on-time in your investment research. In this class, you’ll learn to avoid the typical early-career equity analyst mistakes that waste time and how to zero in on the critical variables that drive the company you’re researching.

You’ll also learn how to connect qualitative and quantitative factors throughout your research process to create a persuasive thesis supported by proprietary research, grounded in detailed financial analysis and presented through compelling visuals that convey your ideas in a succinct, cogent fashion.

In the end, the goal of this course is to help you maximize your efficiency *and* effectiveness of your research process from the initial ramp-up to the final pitch.

**Required Prerequisites**

Prerequisite: Corporate Finance, Capital Markets.

Students will be expected to be proficient in the concepts taught in the above courses.

Students are expected to have basic proficiency with Financial Modeling and an understanding of how to work in Excel. If you don’t have a strong financial modeling background, you can attend a weekend bootcamp on November 20-21, 2021, that will be offered via CSIMA. This will enable us to focus on the finer points of financial modeling and analysis in the class.

If you are unable to attend the above course, you will also be provided with an all access pass to [Finance|able Training](https://finance-able.com/) and are expected to complete the [Excel Survival Kit](https://courses.finance-able.com/courses/excel-survival-kit) and [Financial Modeling](https://courses.finance-able.com/courses/financial-modeling) prior to the start of our first session.

**Connection to the Core**

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| **Core Course** | **Connection with the Core** |
| Corporate Finance | 1. Cost of Capital  2. Valuation  3. Financing Options  4. Time Value of Money  5. Firm Valuation Model |
| Financial Accounting | 1. The “accounting equation”  2. Resources and obligations - measurement and disclosure |
| Global Economic Environment | 1. Risk Management  2. What are the causes of business cycles?  3. What are the effects of macro drivers on the company?  4. What is the role of financial markets in the economy? |
| Managerial Economics | 1. Barriers to Entry  2. Moats  3. Maximization and thinking on the margin  4. Analyzing complex decision-making under uncertainty  5. Decision-based cost analysis  6. Pricing with market power  7. Market segmentation and other advanced pricing strategies  8. Understanding market competition and equilibrium thinking (in the  short-run)  9. Market equilibrium thinking (in the long-run) and barriers to entry  10. Strategic interaction among firms and Nash equilibrium |
| Strategy Formulation | 1. Trade-offs, value-added, efficiencies  2. Creation of value vs. value capture  3. Competing firms  4. Competition and Complementors  5. Strategic interaction analysis  6. Diversification and scope  7. Ethics & IBS  8. Behavioral and evidence-based strategy  9. Management |

**Requirement & Expectations**

Investment research is not a subject that is optimally learned via lecture and passive response. With that in mind, this course has been designed to be highly interactive with a heavy focus on application of the concepts learned. Class discussion will be driven by the work that you and your classmates do on weekly assignments.

**Class Structure**

In each class, we’ll touch on a different point in a typical investor’s process from ramp-up to pitch presentation. The first half of each session will be a typically be a lively discussion and during the second half we’ll apply what we’ve learned. You’ll then be asked to apply the learnings to your Final Pitch Project.

**Agenda**

**Class 1: Course Introduction / The Optimal Pitch and Idea Ramp-Up**

* Course Introduction
* The Optimal Pitch
  + The goals of a stock pitch: you vs your audience
  + Stock pitch component review
  + Investment Thesis do’s and don’ts
  + Risk/Reward vs Absolute return
* Idea Ramp-Up
  + The importance of return-on-time
  + Idea filters for Long and Short investments
  + Sanity checks to maximize return-on-time (What would you have to believe?)
  + Zero in on the critical variables
* In Class Exercise: Quick-ramp to a Preliminary Thesis

Homework: Propose a company to work on for your final pitch and submit your list of key variables, diligence plan and preliminary thesis.

**Class 2: Nail Down the Financials**

* Common analyst mistakes and how to avoid them
* Connecting the financial ‘dots’
* Disaggregating variables to understand business performance
* Variance to Consensus (EPS-based and Valuation-based)
* Earnings Algorithms
* In Class Exercise: Break down the numbers

Homework: Lay out your detailed financial analyses and a preliminary earnings/thesis algorithm.

**Class 3: Financial Modeling & Analysis**

* Traditional Financial Models vs Equity Financial Models
* Using mini-models to speed up your process
* In Class Exercise: Mini-model rapid-build

Homework: Build and submit the model for your Final Project company

**Class 4: Using Value-Added Research (VAR) to Enhance Your Thesis**

* Connecting Qualitative (Drivers) & Quantitative (Financials)
* Finding ideal contacts by creating a VAR ‘Wish List’
* VAR process best practices. Maximize callbacks and call content from start to finish
* In Class Exercise: Create a VAR ‘Wish List’

Homework: Submit an updated diligence plan and a VAR ‘Wish List’ for your Final Pitch

**Class 5: Using Visuals to Create a Knockout Pitch**

* Telling a story with your visuals
* The core visual toolkit
* Visual levels of quality: 1-3
* Using visuals to describe the business
* In Class Exercise: Visuals exercise

Homework: Submit two compelling visuals for your Final Pitch as well as a visual business description

**Class 6: Final Pitches**

* Final pitch presentations to seasoned Investment Professionals

**Assignments**

Each week you’ll be asked to complete a series of exercises that will culminate in the creation of your final pitch project.

**Methods of Evaluation**

Grades will be based on the following:

* 50% Class Preparation/Participation
* 25% Weekly Homework
* 25% Final Pitch Project

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