

Finance & Investment Club – Analyst Training Program I

About the Program

The Analyst Training Program was started in 2018 by the Finance & Investment Club in conjunction with Wahdy Capital Management, a San Francisco-based asset management firm, to train and prepare UC Davis students for careers in the financial services industry. Since then, experienced members of the Analyst Training Program with backgrounds in industries including investment banking, macroeconomic research, equity research, and public equity asset management have taken responsibility in teaching the beginner levels of the program to fellow UC Davis students.

Estimated hours per week: 8

Materials Covered

Overview of Financial Markets

Financial assets

Market participants

Buy-side & sell-side services

Corporate Finance

Time value of money

Valuation theory (basic time value valuation, Gordon growth model, annuity, perpetuity, IRR)

Risk & volatility measurements

Capital asset pricing model

Returns: Price target models (discounted cash flows, multiples)

Cost of capital

Capital structure

Financial accounting review

Measuring and evaluating financial metrics and multiples

Research Process

Critical thinking and reading comprehension

Research sources commonly used in public equity asset management, equity research, and investment banking

Walkthrough of earnings calls & transcripts

Interpreting information for financial analysis

Analyst Training Program I Assignments

All program participants will complete several assignments on an assigned public U.S. company. During the course, program participants will be guided together through similar assignments on a different company for reference. All assignments will be evaluated for completion quality and accuracy, as well as demonstration of sufficient understanding of concepts to be eligible for course credits and progression.

Assignment 1: Research write-up

Conduct research and due diligence for financial analysis of the target security. Use company filings (10-K, 10-Q, Public Information Books, earning transcripts, etc.) to complete the assignment.

Section 1 – Company summary

State your summary findings with key stats and figures (e.g. price target, growth % assumption, major headwinds, etc.)

Section 2 – Company Background

Summarize the company, what it does, and how it makes money. Include information about financial performance.

Section 3 – Macro & Industry factors

Explain the economic and industry environment.

Section 4 – Outlook

Describe market expectations, forward guidance, and define the outlook for the company.

Section 5 – Risk

Identify and describe risks to the outlook, the company, and industry.

Section 6 – Important Dates

List important upcoming dates, such as earnings, or major industry events.

Assignment 2 – Industry Comparable Company Analysis

Utilizing the research conducted, create a comparable company analysis on the target security on Excel. Identify and prepare to discuss your comparable company selections. Identify and clearly show important multiples and metrics the market is using to value the target security. Generate a price target based on the multiples and or metrics you find appropriate. Prepare to discuss your methodology for your valuation. Cite your personal research, company filings, and equity research reports.

Assignment 3 – Basic earnings model and discounted cash flow analysis

Create a basic earnings model on the target security. Include quarterly and annual information from the last 3-5 fiscal years. Project the income statement for the next 5 fiscal years using your research summaries and methods discussed in the course. Prepare to discuss your projections. Project key items to derive a target price based on a discounted cash flow. Prepare to discuss your two valuations derived from Assignment 2 and Assignment 3.

Final Assessment – Discussion and Test

There will be a 1 on 1 discussion focused on the target security and the three assignments. Prepare to demonstrate linear and consistent logic and understanding in research interpretations to financial projections. Finally, a timed valuation modeling test will be administered.

Prerequisites for Finance & Investment Club's Analyst Training Program I

Prior to joining the ATP I, prospective FIC members are expected to understand the following areas, complete an accounting-based assessment, and review their work with an ATP admin for evaluation. All areas will be found in the materials provided.

BASIC INDUSTRY UNDERSTANDING

1. Investment firm (hedge funds, asset managers, pension funds)
2. Investment banks

ACCOUNTING (MGT11A COMPLETION PREFERRED BUT NOT NECESSARY)

1. Three financial statements
 - a. Functions
 - b. Statements' relationships (how they are linked, how cash flow moves through the statements)
 - i. How cash flows through the three statements
 - ii. How net income flows through the three statements
 - iii. How assets and liabilities flow through the three statements
 - c. Interpretation of the financial statements' information (e.g. which values are summed balances vs. which values are delta changes in the balances over a time period)
2. Income statement
 - a. Recognition and ability to identify and distinguish between different line items within revenue, cost of sales, gross profit, operating expenses, EBIT, tax provisions, net income
3. Balance sheet
 - a. Accounting equation
 - b. Equity vs debt
 - c. Current and noncurrent assets and liabilities
 - d. Distinguish and identify non-interest-bearing debt and liabilities from interest-bearing debt and liabilities
4. Cash flow statement
 - a. Cash flow from operations (CFO)
 - i. Purpose / method of adjusting for non-cash expenses (e.g. depreciation & amortization)

- ii. Purpose / method of adjusting for changes in operating assets & liabilities
- b. Cash flow from financing (CFF)
- c. Cash flow from investing (CFI)
 - i. Capital expenditures