

Global Macro Team

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Brief Agenda



News Discussion

Company Overview

Macro & Financials Lesson

News

Company Overview

Macro Lesson

Valuation

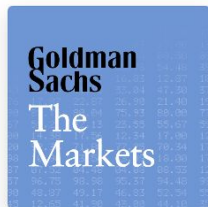
Questions

Upcoming Events & Reminders



- **Careers in Finance Series** with McIntire Professors every Wednesday from 6:30-7:45
- Roark Capital x SWS Event on Monday (more info incoming)
- Investment Banking/Private Equity recruitment panel next meeting – come prepared with any questions you may have about the recruiting and application process

!



FRIDAY - 10 MIN

"The Fed's got your back": What the rate cut means for investors
Goldman Sachs The Markets

▶ Play



MONDAY - 21 MIN LEFT

Deal Reached to Avert Government Shutdown; Trump-Harris Economy B...
Bloomberg Daybreak: US Edition

▶ Resume



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News discussion



Voters Love the Policies That Economists Love to Hate

Many Harris and Trump proposals loved by voters are hated by economists—and it isn't partisan

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First Deliverable – Company Overview



1. Choose a company in the SWS real money portfolio (will be sent out via email and posted on Teams) – this is the company you will be analyzing for the entire semester
2. You are creating a send-ahead, client-facing slide deck
 - This means you should include all relevant information on the slides as if you were not presenting it
 - You want your slide deck to be visually appealing, understandable, and well-organized (bolded works, visuals/graphs, shapes, etc.)
3. First deliverable: 1-2 slides that introduce and give an overview of the company, it's business model, and it's industry
4. Submit on Teams by our meeting next Tuesday

First Deliverable – Company Overview



Business overview:

- Business model
 - How do they make money?
 - Do they have a lot of expenses?
- Products or services
 - What is the breakdown of their sectors, products, assets, or service offerings?
- Target consumers
- Economic moat
 - What about their business model, industry position, reputation, technology, etc. gives them a competitive advantage?
- More if needed!

Industry overview:

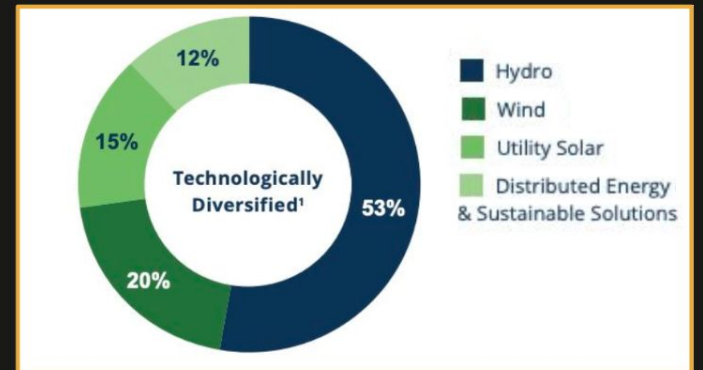
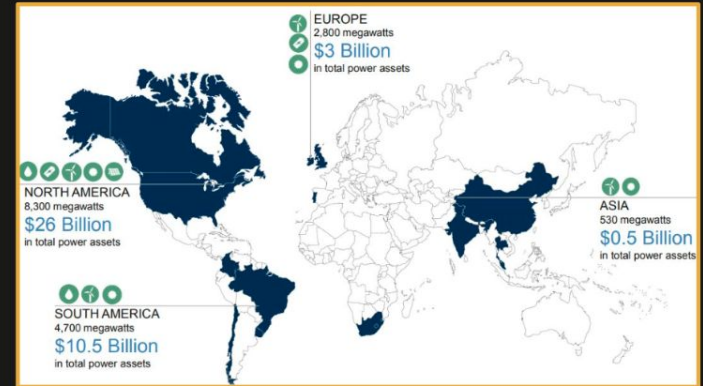
- Define the industry
 - Is this industry fast-growing, relatively stable?
- Main players/competitors in the industry
 - How does your company compare?
- Key catalysts
 - Events and trends that affect the industry's operation (risks and drivers)
- More if needed!

BROOKFIELD RENEWABLE

BEP invests in, develops, and operates an extensive portfolio of renewable energy assets, specifically wind, solar, hydroelectric, and storage facilities.

The power generated from these assets is sold directly to utilities, public power authorities, and businesses.

BEP controls assets throughout the globe, diversifying both the type of energy generating technology and where this energy comes from.



BEP'S ECONOMIC MOAT

They have a growing portfolio of 25 GW and \$77 billion in power-generating assets that are diversified across a variety of renewable technologies and spanning multiple continents with an extensive development pipeline in the works.

BEP's energy sales are competitive with utilities backed by fossil fuels whose prices are more volatile compared to renewable energy, which will only see a rise in demand in the coming years as technology continues to develop in efficiency and power-generation capabilities.

The decarbonized energy industry is expected to expand rapidly with consumer and corporate pressure and governmental pressure that is forcing the fossil fuel based utility industry to transition to a grid powered by renewable energy – a trend BEP will already have an advantage over in terms of both experience and expansiveness of assets.

HYDRO

8,200 MW
Operational

2,500 MW
Development

WIND

6,900 MW
Operational

19,800 MW
Development

SOLAR

4,000 MW
Operational

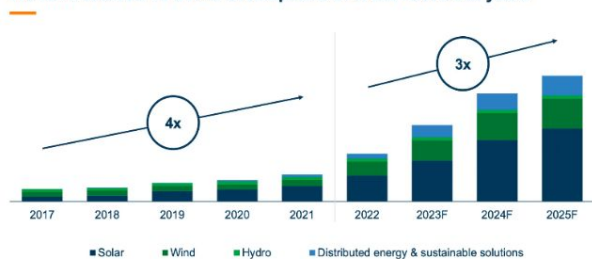
59,600 MW
Development

DG, STORAGE & SUSTAINABLE SOLUTIONS

6,300 MW
Operational

28,000 MW
Development

We have secured 13 GW of development over the next three years



Business Model



CVS Health Corporation:

A healthcare company based in the US. CVS owns various sub-brands, including CVS Caremark, CVS Pharmacy, and Aetna—a pharmacy benefits manager, retail pharmacy chain, and a health insurance provider, respectively

Distribution:

CVS ended 2023 with 9,395 **physical stores**, all of which expand reach to consumers and accessibility

The company's **online platform** enables order + delivery

The **mobile app** allows customers to access health information, receive personalized offers, and order prescriptions more easily.

Customer Segments:

Healthcare consumers:

Purchase prescription and over-the-counter medications and healthcare services and products

Retail Shoppers:

Those buying products outside of the wellness section, like groceries, personal care products, and convenience items

Patients:

People seeking medical services for minor illnesses and vaccinations

Marketing:

Personalization through their ExtraCare program allows price discrimination in favor of consistent customers

Partnerships and **social media** presence expand reach

Community engagement via charity initiatives + events

Health & Wellness campaigns: flu shot promotions, articles + wellness events

Competitors



Business Model



Pharmacy Benefit Management Model:

CVS manages their supply chain of pharmaceutical products, which enables the company to gain a low-cost competitive advantage through aggregating the bargaining power of the customers and suppliers

Cost Leadership Generic Strategy:

The company's business plan focuses on minimizing costs so they can in turn provide lower prices for customers and gain an edge as a best-cost provider. CVS also tries to differentiate itself through branding and convenience

Click-and-Mortar Model:

CVS maximizes reach through merging its e-commerce platform with its physical stores; the same goods and services are provided in both places. Efficiency has increased alongside technological advancements.

Growth Strategy:

The main strategy focuses on market penetration via establishing pharmacies nationwide, which results in greater economies of scale (therefore, lower costs). CVS also stays competitive through delivery services and human resource support



Business Model



Inflation

(and how we attempt
to control it)



Inflation

A general progressive increase in prices of goods and services in an economy. When the general price level rises, each unit of currency buys fewer goods and services; consequently, inflation corresponds to a reduction in the purchasing power of money.

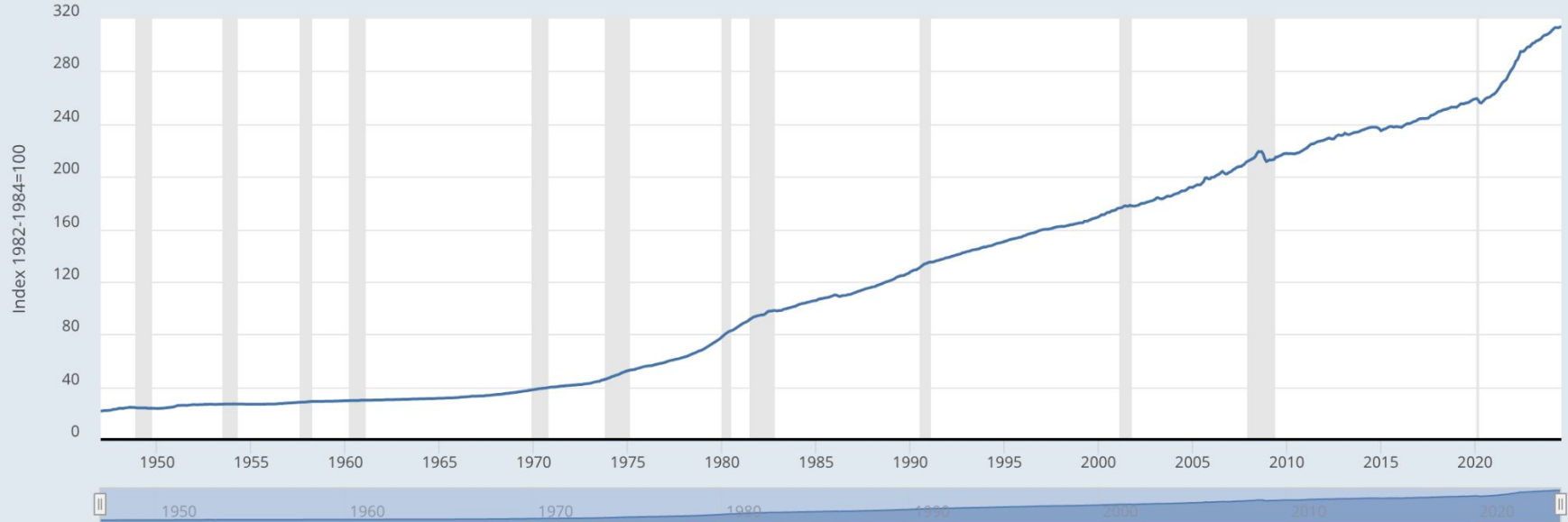


Price Level Changes

FRED

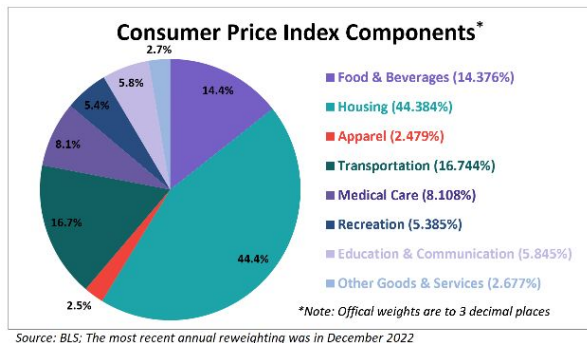


— Consumer Price Index for All Urban Consumers: All Items in U.S. City Average

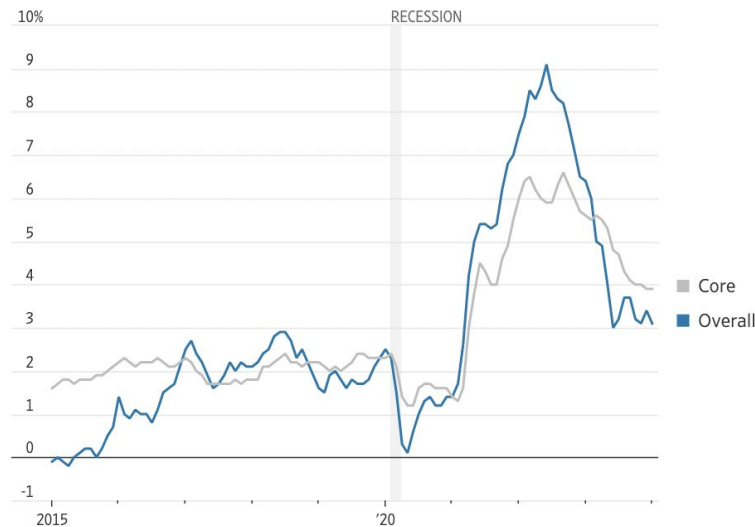


Measuring Inflation

Consumer Price Index (CPI): a measure of the monthly changes in prices of a the average consumer's typical weighted bundle of goods

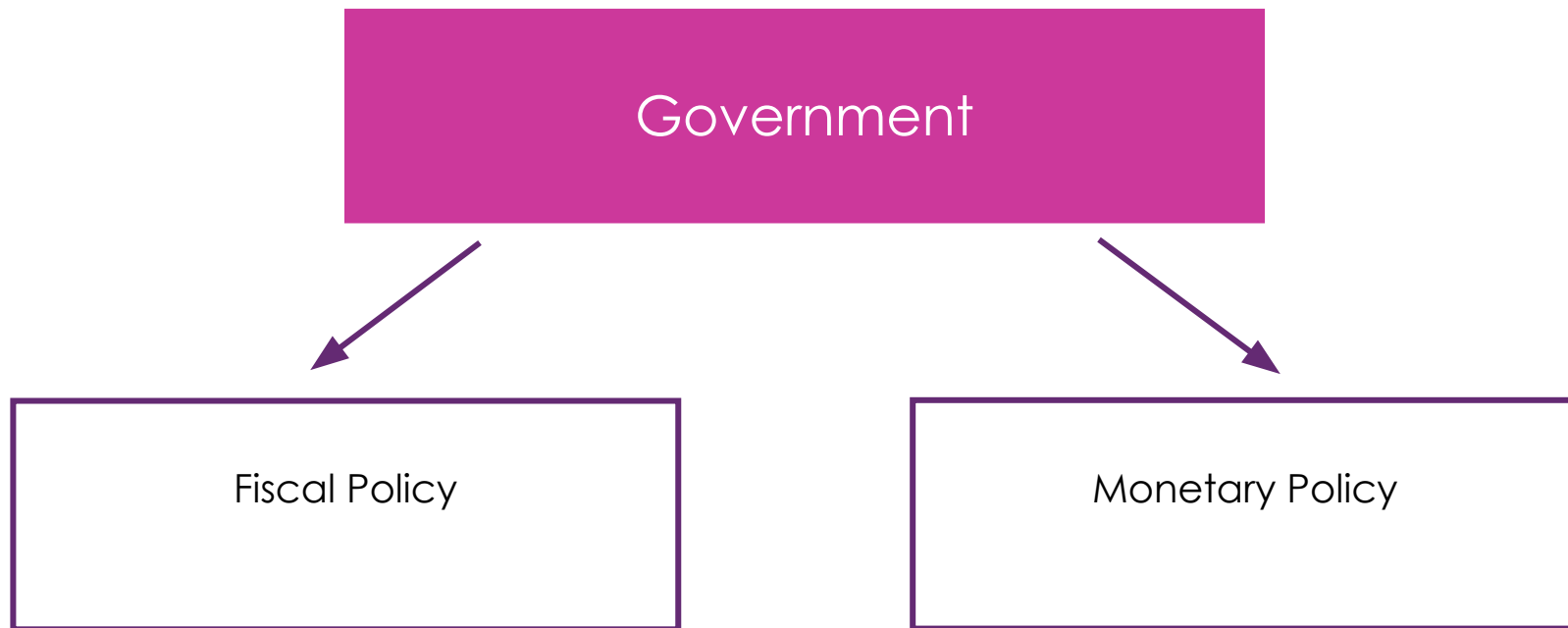


Consumer-price index, change from a year earlier



Note: Core excludes food and energy items.
Source: Labor Department via St. Louis Fed

Link between policy and economy



Fiscal vs. Monetary Policy



Fiscal:

- Government uses spending and tax policy to influence the economy
- Legislation

Monetary:

- Central Bank uses Interest rates (FFR) and supply of money to influence the economy
- Expansionary or contractionary

Trends Associated with Inflation



In theory , as unemployment rises, inflation often falls because fewer people are working, meaning they are making and spending less money.

During inflationary periods, investor confidence falls causing stock prices to decline.

We don't want high inflation but we also don't want 0% inflation – because deflation can be dangerous, too.

Financials



SWS Investment Strategy



Undervalued: intrinsic value not yet reflected in stock price

Growth Potential: growing industry with emerging opportunities

Financial Metrics



Share price: trading price for one share of the company's stock

Shares outstanding: how many shares the company currently has issued in the market

Market cap: how much it will cost to purchase the company

PE ratio: price per share / Earnings per share

Earnings per share(EPS): net profit / common shares outstanding

Beta: measure of stock volatility, 1 = perfectly in sync with market

EBIT: Earnings before interest and taxes

EBITDA: Earnings before interest, tax, depreciation and amortization.

Share Price



Definition: The price a company's stock trades for on a stock exchange (marketplace to buy and sell stocks)

- Compare to other companies in the industry
- Look at how it is trading today relative to its 52-week range

General Electric: \$189.66 (9/24/24)

Shares Outstanding



Definition: The volume of shares in the market that are authorized by the company and held by shareholders

General Electric: 1,082.8 mm

Market Capitalization



Definition: Also known as Equity Value. This is how much it would cost to purchase all the shares of a company. This is done by multiplying Share Price x Shares Outstanding

General Electric: $\$189.88 \times 1,082.8 \text{ mm} = \205 billion

Earnings Per Share



Definition: Net profit divided by shares outstanding

General Electric: \$7.99 (from Yahoo Finance, diluted and excludes extra items)

Price-to-Earnings Ratio



Definition: Share price over Earnings Per Share

- Essentially an indicator of the stock's price relative to its value
- A good P/E is often between 20-25, but this is relative to its industry
- A low P/E ratio often indicates a company is undervalued
- Growth stocks have a much higher P/E ratio (Tesla: 47, Nvidia: 66, Meta: 32)

General Electric: 19.25

Many ratios/multiples are written as ____x.



Definition: Measure of the volatility of an asset/security compared to the market.

- Beta = 1 means the asset is perfectly in line with the market (i.e. if the market increases by 10%, so would this stock's value)
- Beta = 0 means the security has 0 volatility, the only thing like this is the risk-free rate (T-bills).

Find this online because in practice this is done using a regression.

General Electric: 1.29 (CNBC)

EBIT



Definition: Earnings Before Interest and Tax. A financial metric used to measure operating income.

General Electric: 6.362 B (Cap IQ)

EBITDA



Definition: Earnings Before Interest, Tax, Depreciation, and Amortization. Another metric for operating income, it just removes the non-cash expense for D&A.

General Electric: 5.477 B

Questions?



Federal Funds Rate

- A target rate is a key interest rate that a central bank uses to guide monetary policy toward the desired economic outcomes.
- A central bank can choose its target based on official discretion or specific policy rules with the intent of influencing economic variables, such as employment or **inflation**.

Federal Funds Rate

