

Smart Woman Securities

Research Team Meeting

03/05/2024

By Research Team
Anmeng Hao, Ellie
Ferrell, Emily Nguyen



Industry Team Meeting (5 min):

Discuss any questions about resumes,
recruiting, careers, etc!

Meeting Agenda



Current Events



Finance Lesson



Action Items



Recruiting



Guest Speaker –PWM

New York Pension Fund to restrict Oil & Gas Investments

Link:

<https://www.reuters.com/business/finance/new-york-pension-fund-further-restricts-investments-exxon-other-oil-companies-2024-02-15/>

Key Points:

- The over \$250 billion fund chose to remove Exxon because of its inability to provide a suitable plan for emissions reduction
- Overall traction of the fossil fuel divestiture movement while questions are raised about whether it actually harms companies
- Read More: Forbes Op Ed about Divestiture vs. Engagement



Consumer/Retail



Lyft shares pull way back after CFO corrects major earnings release error

Link: <https://www.cnbc.com/2024/02/13/lyft-shares-soar-on-earnings-beat-guidance.html>

Key Points:

- Lyft shares went up more than 60% following their earnings release Tuesday
- 18 cents adjusted vs. 8 cents expected, Revenue increased 4%, Gross bookings up
- Anticipate Lyft will generate positive Free Cash Flow for the full-year for the first time
- Misstated its margin expansion in press release (stated on earnings call) → 5% predicted growth for 2024 actually 0.05%
- Stock is now up about 16% instead of 60%

REITs



High-Dividend mREITs for Incoming-Generating Portfolios

Link: [link](#)

Key Points:

- Mortgage REITs (mREITs)
- Investors can finance mortgages and benefit from interest paid
- mREITs have a 11.52% dividend yield compared to equity REITs with 3.92% yield
- Majority of residential mREIT backed by US government
- Of the financial advisors who recommend REITs to clients, 50% used mREITs
- Mortgage rates around 6.7%
-

SEC approves spot bitcoin ETFs

Link:

https://www.morningbrew.com/daily/stories/sec-approves-spot-bitcoin-etf-after-previous-hack?mbcid=34325865.2042774&mblid=cfb2851fad4e&mid=6f09711b211330e51ab7825a3c3f359d&utm_campaign=mb&utm_medium=newsletter&utm_source=morning_brew

Key Points:

- Approved the first US-listed ETF to *track* bitcoin
- Increases accessibility of investing in bitcoin without having to purchase it
- Integrates bitcoin with the traditional financial system
- Applications by Fidelity, BlackRock, etc accepted
- Price reached highest level in 2 years



Industrials



Flight attendants are pushing airlines for higher wages

Link:

<https://www.cnbc.com/2024/02/13/flights-attendants-push-airlines-for-higher-wages.html>

Key Points:

- Flight attendants from United, Alaska, American and Southwest picketed at major airports on Tuesday
- Flight attendant unions are seeking pay increases and compensation for work during boarding
- Pilots at major carriers have won large raises, partly due to a shortage of aviators in the post-pandemic travel boom
- Labor costs and fuel account for airlines' two largest expenses
- Strike threat arising which could lead to industry losses

Healthcare



Case for AI Regulations in Healthcare

Link

Key Points:

- AI has been making medicine more efficient, affordable, accurate, and equitable.
- (FDA) has authorized nearly 700 AI and machine learning-enabled medical devices.
 - Risks of bias, hacking, accuracy, and liability
- Biden issued "Safe, Secure, and Trustworthy AI" Act
- AI Regulations are getting stricter, slowing growth of medical AI device companies
- Less ability for these stocks to grow





Wells Fargo's 2016 'consent order'
terminated by US Regulator OCC"
(2/15/2024)

Link:

<https://www.reuters.com/business/wells-fargo-says-occ-terminated-2016-consent-order-2024-02-15/>

Key Points:

- ★ Consent Order: formal, public enforcement action between a regulator and a bank, which often comes with a fine and orders to address an issue in a timely fashion.
- ★ 6th order terminated since 2019, 8 open orders remaining → as a result of violations regarding banking practices, transparency
- ★ Implications:
 - NYSE:WFC increased 6% after the termination
 - Still have billions of dollars in lawsuits, 8 remaining orders which have no expiration date for being lifted

Mark Your Calendars!



Upcoming **recruiting events**:

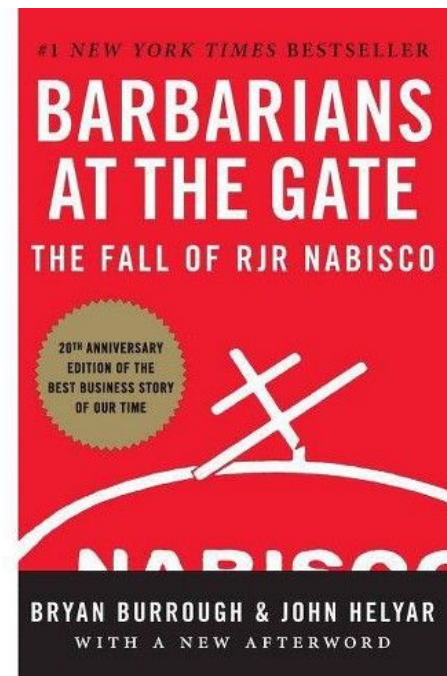
1. **Roark** Info Session (2/27) at 7 pm, RRH 223
2. **Lazard** Info Session (2/22) at 2 pm, Newcomb Hall
3. **RBC Capital Markets** Coffee Chats, Bryant Hall

Optional: Content Recommendation



Book: **Barbarians at the Gate**: The Fall of RJR Nabisco by John Helyar and Bryan Burrough

- Another really famous finance book.
- This book is about the legendary LBO of RJR Nabisco.
- Contextualizes a lot of the “cowboy” wall street era of the 80s-90s. The junk bond market coming into focus and the insane LBO deals that changed the landscape of wall street forever.
- Discusses the big players on Wall Street at the time of deal.



Microsoft Teams Page

**Pull out your computer and make sure you
can access everything!!!!**

Finance Lesson

Case Study this Semester: Lululemon



Company's Economic Moat



A sustainable **competitive advantage** that allows a company to protect its long term profits and market share

Lululemon:

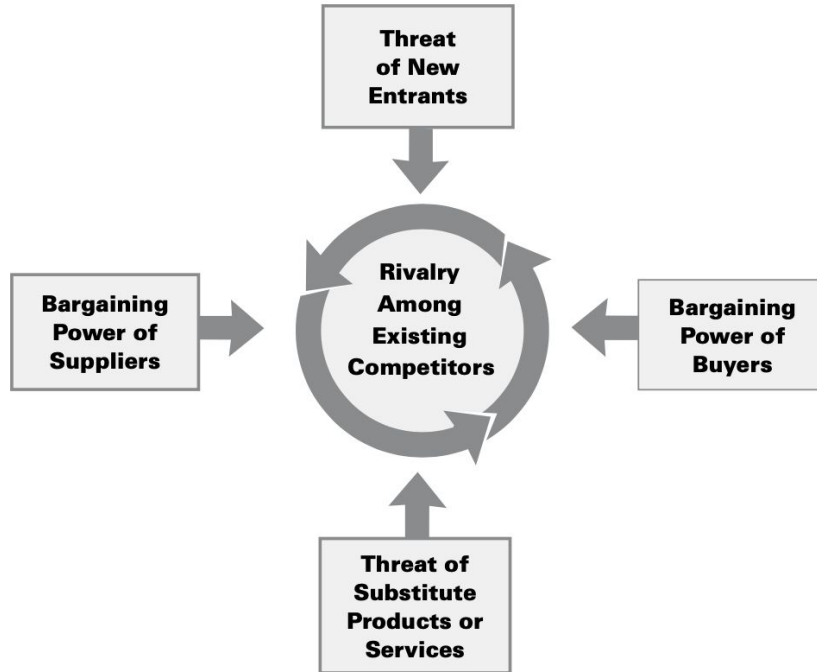
- Innovation and pricing power
- Large addressable market and brand loyalty
- Unique retail experience + community engagement
- Sustainable practices

INDUSTRY POINTS:

Why do you pay a premium price for Lululemon?



Industry Analysis – Five Forces

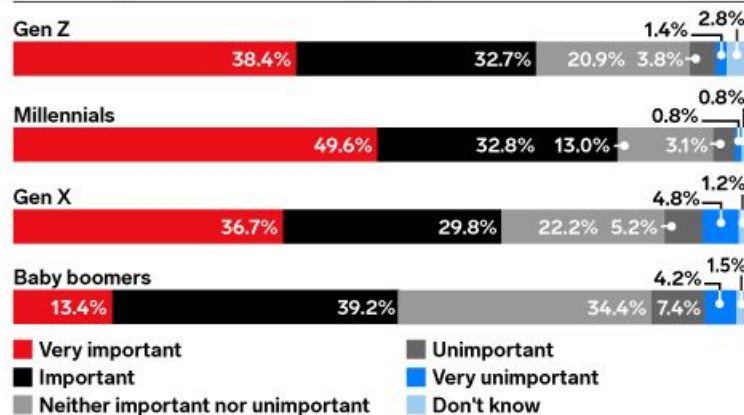


- Good industry analysis looks rigorously at the **structural underpinnings of profitability**
- Not to declare the attractiveness of the industry, but to find the root causes of profitability
- How do these five forces impact **YOUR** companies profitability success?

Market/Industry Trend Analysis

Importance of Sustainability When US Internet Users Shop for Beauty, Clothes, and Travel Experiences, by Generation, March 2021

% of respondents in each group



Note: numbers may not add up to 100% due to rounding

Source: Composed and MaCher, "Sustainability & Consumerism: U.S. Consumer Behaviors and Preferences," May 6, 2021

- Competitors include Adidas, Under Armour, Puma, Nike, etc
- Industry pushing companies to expand product offerings
- Lulu operates in the Apparel Retail industry which is sensitive to macro effects
- Expansion into global markets
- E-commerce development

Equity Value and What It Means

HOW MUCH IS A COMPANY WORTH?

Aka a company's **Market Capitalization**

=Share price of a company *
total number of shares

Lululemon Athletica Inc. (LULU)

NasdaqGS - NasdaqGS Real Time Price. Currency in USD

☆ Follow



501.63 +10.17 (+2.07%) **501.01** -0.1

At close: 04:00PM EST

After hours: 06:57PM

Summary

Company Insights v+

Chart

Conversations

Statist

Previous Close	491.46	Market Cap	63.301B
Open	490.01	Beta (5Y Monthly)	1.35

Share Statistics

Avg Vol (3 month) ³	2.19M
Avg Vol (10 day) ³	2.77M
Shares Outstanding ⁵	121.08M
Implied Shares Outstanding ⁶	126.19M



Equity Value: Industry Point

Share price * total number of shares

Crocs, Inc. (CROX)

NasdaqGS - NasdaqGS Real Time Price. Currency in USD

157.82 +4.14 (+2.69%)

At close: September 16 4:00PM EDT

Approx. number of
outstanding shares: **62.39M**

Industry Points: What is Croc's
market cap?



Enterprise Value and What It Means

Compare buying a company with buying a house:

- A house has a for sale sign on the lawn for \$500,000 → **equity value**
- *True price* to buy the house → **enterprise value**
 - Example: owners left some furniture, need to make repairs, unpaid bills, etc

"Actual cost" of buying a company:
A company might have...

1. **Debt** upon an acquisition
2. **Excess cash** we can claim

Formula:

Enterprise Value = Equity Value + Debt – Cash

P/E Ratio



Price per share / Earnings per share

WHAT DOES IT MEAN?

Rough measure of how valuable a company is:

- If an industry average PE ratio is **20**, and a company's is **16**, the **company could be undervalued**.
- **Example:** 32 (Price) / 2 (EPS) versus 40 (Price) / 2 (EPS).

USED FOR:

A benchmark for investors to determine the value of a stock:

- A quick and easy way for determining whether investors are paying a **fair price** for a stock **based on earnings**

Trailing P/E v. Forward P/E



Historical v. Prediction

TRAILING P/E:

A measure of the P/E ratio looking at past performance:

- This is looking at the total Earnings Per Share (EPS) over the past year (12 months) then dividing by **current price per share**
- More objective

FORWARD P/E:

A measure of the P/E ratio looking at a company's **public estimates**:

- This is using forecasted **future earnings** then dividing by **current price per share**
- Might be unreliable

Catalysts



Similar to definition used in non-financial terms:

An event/news that **precipitates** the price of the stock up or down

Can be anything from earnings reports to a lawsuit, M&A announcements, and more!



INDUSTRY POINT:

What are some catalysts you've seen in recent events for any company?

Misperceptions



Same as its definition used in non-financial speech:

A **wrong interpretation** or understanding of a company's standing, actions, and/or performance.

Examples can be perhaps a recorded high-level of debt to invest in new capital for growth in the future.





Market Efficiency (Value Investing)

SWS Strategy:

Our portfolio is dedicated to picking stocks that have a higher **intrinsic value** relative to its current price:

- Intrinsic value is based on cash flow that the company will produce in the **future**

Efficient Market Hypothesis (EMH):

The theory that all information available today is incorporated into **current stock price**:

- Stock is originally \$15 → news of expansion occurs → intrinsic value increases by \$10 → current price increases to \$25

- $(25 - 15)/15 = .667$
- The stock is worth 66.7% more than current price reflects (undervalued!)

~Current~ ~Intrinsic~

Stock Price: 5 10 15 20 25 30

DCF may say stock should be worth ~intrinsic~ (25) but stock ticker say ~current~ (15)

Mid-Cap Investing and Why



Different Caps:

Referring to Market Capitalization:

- Micro Cap (\$50 - 300 million)
- Small Cap (\$300 million - \$2 billion)
- **Mid Cap (\$2 - 10 billion)**
- Large Cap (\$10 billion +)

Why SWS looks at Mid-Cap:

EMH has problems such as **overreaction** to headlines, stocks have **lack of coverage**, information **biases**:

- Mid-cap is optimal because they usually have a decent amount of coverage and are inefficiently priced most of the time

Action Items



- Initial Investments Idea is due **THIS SUNDAY, February 18th**
 - **NOTE: You cannot do Lululemon**
- Pay **\$5 dues** for this semester!
- Plan your industry team social events for **February**

Guest Speaker!

Executive Board Introduction



Mia Salin
Class of 2024

Hometown: Valencia, CA

Major: Economics

SWS Involvement: Research Team,
Marketing Committee, CMO, CEO

Career Plans: Private Bank Analyst at
J.P. Morgan

Favorite Corner Restaurant: Corner
Juice or Thyme & Co.

Email: mgs2nme@virginia.edu



Industry Overview

Industry Overview



- **Wealth Management: OVERALL WEALTH**
 - **Clients:** high net worth individuals and families
 - **Services:** retirement plans, tax planning, estate planning, trust management, and insurance
 - **Goal:** structure and plan wealth to assist in growing, [reserving, and protecting wealth while passing it onto the family in a tax-efficient manner
 - **Groups:** type of client
- **Asset Management: INVESTMENTS**
 - **Clients:** institutional investors (endowments, pension funds)
 - **Services:** manage investments on behalf of others with goal of growing portfolio
 - **Groups:** equities, fixed income securities/bonds, derivatives, real estate, etc.

Common Cases Assigned



- Strategic Asset Allocation
- Wealth Forecasting Analysis
- Prepare slide decks for portfolio reviews
- Transfer money in and out of accounts
- Charitable donations of stocks
- Explain market conditions to clients
- Calculate RMD for IRA's
- Account changes: UTMA to personal
- Run liquid net worths & mutual fund analysis
- Open new account for hedge fund
- Analyze tax implications of selling positions
- Prepare prospective client pitches
- Management of trusts and estates
- Provide fee structure clarity to clients
- Rollover 401k's



Recruiting Overview

Why Wealth Management?



- Intersection between EQ and IQ
 - Client Facing - exercise people skills
 - Investments and Wealth Planning
- Interesting Services Offered
 - Unique role to assist clients in wealth planning, lending, estate planning and more
 - Complex goals of a client
 - Complicated family, specific trust needs, philanthropic goals, retirement goals

Recruiting process/timeline for for the internship you got



- **Starts late Fall/early Spring of second year**
- **Networking**
 - SO IMPORTANT!!
- **Any recruiting events or diversity events**
 - Careers in Finance, check Handshake, look at the newsletter
- **Applying**
 - Spring
- **Interview process (hirevue, first round, superday, etc)**
 - Hirevue → 3-part Superday
 - 3 25 minute interviews

Interview Preparation



- **Types of interview questions you got / examples**
 - Q: "Pitch us a stock."
 - Q: "If I lived under a rock, explain the current state of the economy right now."
 - Q: "How does a bank make money?"
 - Q: "Why are you interested in Private Wealth?"
- **How you studied**
 - **When / how long**
 - Built habit of reading current events every morning
 - **Resources:**
 - Market News (read every morning)
 - Podcasts (The Journal, Money Talks)
 - SWS lessons!
 - Company newsletters and reports



MORNING BREW

Overall Recruiting Advice!



- **Be yourself and talk about things that YOU find interesting!**
- **Be unique: don't pitch Tesla or talk about basic ideas**
 - ex) "Talk about a recent financial article you've read"

Internship Overview

Overview of Internship



- **Week 1: Training**
 - Intern social events
 - Firmwide training
- **Weeks 2-10: FSG**
 - Within FSG, I was placed on an advisor pod.
 - Generated materials for client meetings
 - Participated in teach-ins
 - Pulled portfolio performance reports
 - Sat in on client meetings
- **Social events - a lot!**
 - Within interns, happy hours
 - Within team, every Thursday we went to a Mexican restaurant/bar
- **Return offers**

Typical Intern Work Day: Office days



6:00am - 6:50am: Wake up, morning routines, commute to office

7:00am - 7:15am: Arrive to office

7:15am - 8:00am: Check emails and work on any intern projects

8:00am - 8:30am: Morning Meeting

8:30am - 1:00pm: Working on assigned task, meeting with clients

1:00pm - 1:45pm: Lunch!

1:45pm - 6:00pm: Working on assigned tasks, teach-ins

6:00pm - 8/9:00pm: Working on intern projects from team and HR, get free dinner and uber home!

Q&A