



Equity Research
Association



Cofounders Address

Dear Prospective Partner,

Welcome and thank you for your interest in partnering with the Equity Research Association (ERA), one of the first student-led university clubs in Australia dedicated to equities research and the first in Victoria devoted to fund management. ERA comprises incredibly talented research analysts who perform comprehensive analysis on companies. We hope that throughout this sponsorship prospectus, there will be opportunities for you to engage in our membership base.

ERA places a unique focus on the analysis process of economic fundamentals at a company level, unlike any existing commerce-based student club. As co-founders, we noticed that many of our peers were dedicated to developing their own skills in equity research. However, they often struggled to find the appropriate resources and support. Our niche has been overwhelmingly well-received by the wider student body, with over 250 members supporting ERA in less than four months.

The immense engagement we have achieved, despite the pandemic, reflects the growing number of opportunities to engage with the industry's aspiring professionals and future leaders. Thank you once again for your interest, and we look forward to hearing from you.



SIMON LIM



JONATHAN LOW



DANYANG DAI



COREY JIN



ZHERUI LI

One of the most attractive avenues to engage our membership base is through our series of professional development and networking events. In collaboration with sponsors, we provide our members insight into the most intriguing topics in the equity research industry in addition to skill development workshops. Our maiden event, Pursuing a Career in Equity Research, achieved attendance of over 100.

ERA is also the only student club at a Victorian university which strives for student-led, hands-on asset management in its mission. We recognise that equity research ultimately serves investment decisions in the market. Therefore, we seek to establish a portfolio that not only allows students to apply their own research and gain invaluable first-hand experience in fund management, but also make a positive impact to the community.

Our Vision

To be the leading incubator of developing equity research skills in student analysts and to enhance their abilities in valuing the prospects of the researched companies

Mission

To nurture leaders in researching and analysing the fundamental prospects of companies in order to identify undervalued opportunities to incorporate into a student-managed fund portfolio

Goals

Direct Connection to Industry

To provide members a gateway into the equity research industry through regular opportunities for networking and professional development

Outreach to the Wider Community

To instil within the wider student body the value of investment analysis and corporate valuation in their lives by offering accessible and pertinent outreach initiatives

Growth through Knowledge Sharing

To facilitate a forum for like-minded students to present and critique their own analyses of company fundamentals and to discuss strategies and ideas

Representing UniMelb Globally

To prepare students to represent the University at research competitions such as the CFA Institute Research Challenge by harnessing their collective skills and expertise

Platform for Holistic Skill Development

To equip members with the technical skills required to engage in comprehensive research and critical analysis of companies and their prospects

Fund Management

To maintain a leading, student-run investment portfolio driven by our research whilst creating tangible impact in our community



Timeline

250 members



Careers in Equity Research panel event



Publication of equity research reports



Report Breakdown workshop series



Skills development sessions



Establishment of portfolio - including stock pitch initiative



Participating in CFA IRC



Expansion to other universities



Research Approach

Our research analysts are divided into sector-oriented teams and conduct comprehensive bottom-up research on listed companies. This enables students to develop circle of competence around particular industries.

As opposed to supporting a predetermined investment thesis, our research framework seeks to answer fundamental questions before making buy, sell, or hold recommendations

Holistic Approach

Analysts are encouraged to think independently and critically about the views of academics, company executives and professional analysts, before considering incorporating these views.

Benefits for Students

- Showcase our members the equity research reports done by high-achieving peers
- Enhance various technical and soft skills of our analysts (e.g. modelling, teamwork, research, presentation, critical thinking) to improve employability
- Allow our analysts to start developing circle of competence around their interested industries

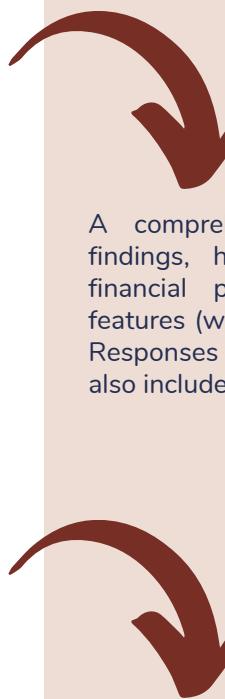
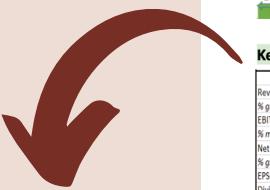
Independent Perspective

We emphasise objective analysis of both positive and negative factors that will impact the firm and engage in rigorous, fact-based internal discussion before arriving at our conclusions

In-depth Analysis

Analysts are required to look beyond the surface of facts and figures, as we question and investigate the underlying drivers of a companies' economic performance

Exemplar: Qantas Initiation Report



Equity Research Association

Qantas Airways Limited
(ASX: QAN)
06 May 2020

Research Analysts
Corey Guangzhen Jin
guangzhenj@student.unimelb.edu.au

Jonathan Low Jun Yee
jonathanjuny@student.unimelb.edu.au

Simon Lim Yit Xiang
yitxiangl@student.unimelb.edu.au

Zherui Li
zherui@student.unimelb.edu.au

Basic Information

Rating	Neutral
Price (06-May-2020)	\$3.50
Market Cap	\$5.22b
# shares outstanding	1.49b
52 weeks high/low	\$2.03 - \$7.46

Discount Intrinsic Value Premium
Positive Neutral Negative
-20% 0% 20%

Key Financials

	2018A	2019A	2020E	2021E	2022E
Revenue(\$m)	17128	17966	13583	15006	18820
% growth	6.67%	4.89%	-24.34%	10.40%	25.41%
EBITDA (\$m)	3062	3115	1358	2055	3759
% margin	17.88%	17.34%	9.99%	13.69%	19.97%
Net Profit(\$m)	953	853	(409)	35	1188
% growth	6.96%	-10.49%	-147.95%	108.58%	3286.33%
EPS(\$)	0.544	0.546	-0.274	0.024	0.797
Dividend(\$)	0.17	0.25	0.00	0.00	0.27
P/E	5.48	6.12	-12.76	148.70	4.39
EV/EBITDA	3.64	3.58	8.20	5.42	2.96

Share price performance



Valuations
We estimate the intrinsic value of Qantas to be **\$4.24/share** through a DCF model. The current share price of \$3.50 represents a **17.5% discount**. Currently trading at trailing P/E 6.12 and EV/EBITDA 3.58, Qantas' relative valuation is at appropriate level vs industry peers. Upon considering the valuation and all the factors discussed, we hold a **Neutral** outlook for Qantas.

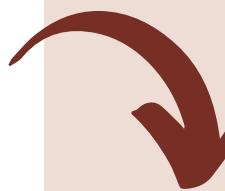
Risks

- Inherent risks in the airline industry: volatility in fuel price and foreign exchange, increasing intensity of competition, exposure to the fluctuation of economy, irreducible risks arising from exogenous events.
- Direct impact of COVID-19: possibility of more prolonged crisis than expected, uncertainty of pace of recovery, significant labour surplus, increased debt load, uncertainty of further debt/equity raising.

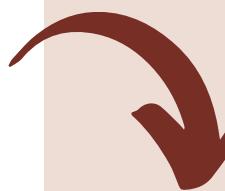
We also investigate the key risks associated with the company that may have substantial impact on future performance. These would include, but are not limited to, inherent risks in related industry, regulatory risks and operational risks

Our research incorporates important areas such as business model, management competencies, industry trends, competitive advantages, financial performance and valuations.

Throughout the analysis, various techniques such as Porter's Five Forces and DCF modelling are adopted.



A comprehensive summary of key research findings, highlights of the company's current financial position, historical performance, key features (weaknesses, competitiveness, moat etc.). Responses to recent changes in the industry are also included, if applicable



Here we summarise the key results of our valuation model, including DCF and relative valuation. Assumptions and estimates which underpin the model are meticulously discussed and justified in later sections of the report

Portfolio

About our Fund

The Student-managed Value Investment Fund (SVIF) is designed to provide unparalleled practical learning experiences for students by cementing the theories learned in classes through immediate real-world applications. The SVIF will also act as a platform for University of Melbourne students to gain exposure to the world of portfolio management, equity research and investment analysis.

Rationale

A typical question asked in an interview for investment firms is ‘pitch me a stock’. From analyzing firms to ultimately selecting the undervalued companies to incorporate into our portfolio, our analysts will follow an extremely structured and disciplined approach.

How does it work? And the role of Student analysts

Responsible for constructing, managing and monitoring the portfolio of Australian equity securities while being mentored by experienced investors

Follow an extremely structured, disciplined and objective approach towards research

Findings gathered by the research analysts will form the foundation of their team’s stock pitch

Findings gathered by the research analysts will form the foundation of their team’s stock pitch

These are presented to our investment committee for further deliberations before making buy, hold, or sell decisions

Student analysts will be able to acquire hands-on experience in the full process, starting from researching and analyzing stocks, to pitching and implementing

Investment Philosophy

We believe that markets are sometimes inefficient, as market participants can get swayed by the prospects of hot companies based on far-fetched imaginations, while neglecting some others with strong economic fundamentals. We aim to outperform the broader market over the long-term by exploiting these irrationalities

Hence, we focus on buying quality companies at prices below their intrinsic value, with sufficient margin of safety. Through in-depth bottom-up research, we emphasise on selecting companies with sustainable moat and responsible management, as they can prosper across economic cycles in the long-term. Stable companies with proven business models and high dividend yield will form part of our portfolio, providing consistent cash inflows for our philanthropic donations

Our fundamental value investing philosophy, however, is not incompatible with companies that possess high growth potentials. We believe that value resides not only in the current earnings, but more so in the future growths of free cash flows, as long as the purchase price is at sufficient discount to a justifiable intrinsic value.

As such, we will not restrict ourselves to companies with very low multiples, attention will also be paid towards industries with rapidly expanding market size and favourable tailwinds

ESG Investing

As leaders of today, we understand the importance of ESG and investing in sustainable businesses. We want SVIF to align with the United Nations Sustainable Development Goals. Therefore, our research and investment decisions consider not only the thematic exposures, but also debate on whether the CSR strategies engaged by the firms are truly sustainable. Being a fairly new concept, there is not a universal nomenclature to define ESG Investing. Nonetheless, we will consistently apply similar qualitative and quantitative ratings when approaching our research. Lastly, although there are contradictory views on how ESG can affect a firm's valuation, we believe investing in sustainable businesses is of utmost importance.



As a student-run charitable organisation that aims to create an impact, our initiative is strictly for educational purposes and not-for-profit. We propose the earnings from the SVIF will be going towards charitable causes such as scholarships for underprivileged and underrepresented individuals as well as donated to selected charities by our capital sponsors.



Benefit of Alliance

By partnering with ERA we hope to offer your organisation with a variety of rewarding benefits that come from connecting with our student community

We would provide you with a direct link to some of the universities most driven and inquisitive students who have a passion for equity research and analysis, at Australia's top ranked university for finance

Ability to be involved in and see the growth of one of Australia's only student run equity research organisations

Opportunity to be a part of our philanthropic endeavours, in which we aim to donate returns from our student run portfolio.

Access to a variety of marketing and brand awareness opportunities such as: Naming rights to one of our events, promote organisation with a representative at our panel night and networking events, corporate logo advertised on our social media channels and website, ability to put signage up at in person events in 2021, promotion of recruitment information, and to have ERA share research done by your organisation.



FACEBOOK
@eraunimelb



LINKEDIN
@eraunimelb



WEBSITE
eraunimelb.netlify.app



EMAIL
eraunimelb@gmail.com

THE SPOTLIGHT FOR EQUITY RESEARCH ENTHUSIASTS

SIMON LIM

PRESIDENT

SIMONLYX88@GMAIL.COM



THOMAS FINNEY

SPONSORSHIP DIRECTOR

TFINNEY@STUDENT.UNIMELB.EDU.AU



Equity Research
Association

