AnalystSolutions

Optional Pre-work

- You have the option to use material from a public company you have researched or are currently researching
- If you choose this option, collect at least the first two pages of three reports specific to a stock of interest
- Preferably the reports:
  - Are those you authored on your own or with others, but feel free to use reports from other analysts
  - Will include the justification for an upgrade or downgrade of a stock, including a discussion of a price target (e.g. include the earnings estimate and valuation multiple)

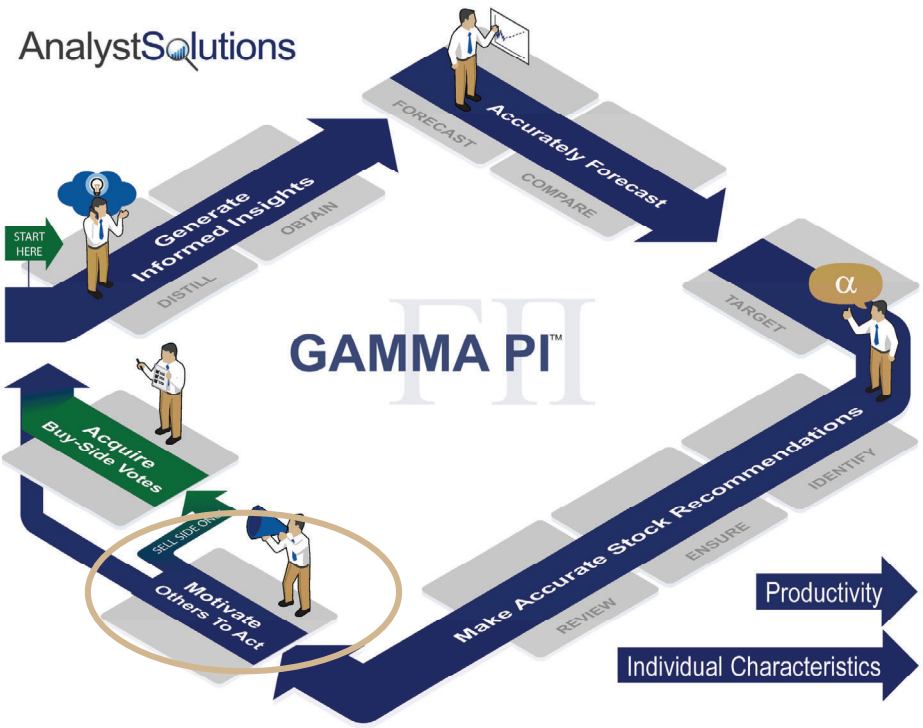
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Communicate Unique Stock Calls Successfully So Others Take Action

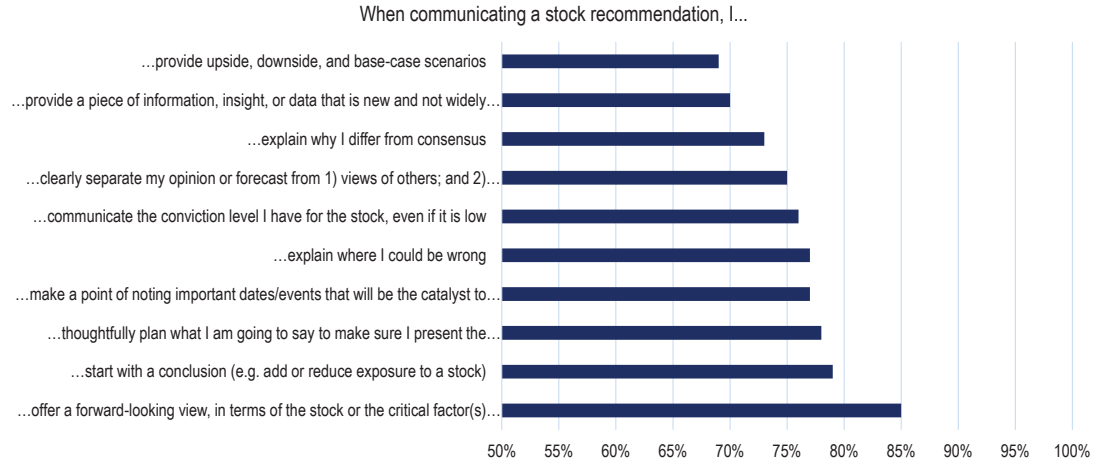
©AnalystSolutions

CE Qualified Activity CFA Institute



For registered AnalystSolutions partcipants -- not to be re-distributed

Survey Responses: Motivate Others to Act



©AnalystSolutions

How Do Analysts Differ from Sector (or "Beat") Journalists?

	Equity Research Analysts	Experienced Sector Journalists
Understand industry fundamentals	Y	Y
Listen to company conference calls	Y	Y
Read company press releases	Y	Y
Review company regulatory filings	Y	Y
Cultivate a list of insightful industry contacts	Y	Y
Interview industry experts to identify changes in the industry	Y	Y
Speak with company management	Y	Y
Write about developments within a company and across the industry	Y	Y

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Portfolio Manager's Frustrations

- Over 80% of research is worthless
  - Not unique
  - Few to no insights
  - Backward looking
  - Lacks substance
  - Lacks conviction
- Research should focus on:
  - What's unique about the analyst's work?
  - What's the market missing?
  - Where do the supporting details come from?
  - What's new from the last update?

©AnalystSolutions

Opening case

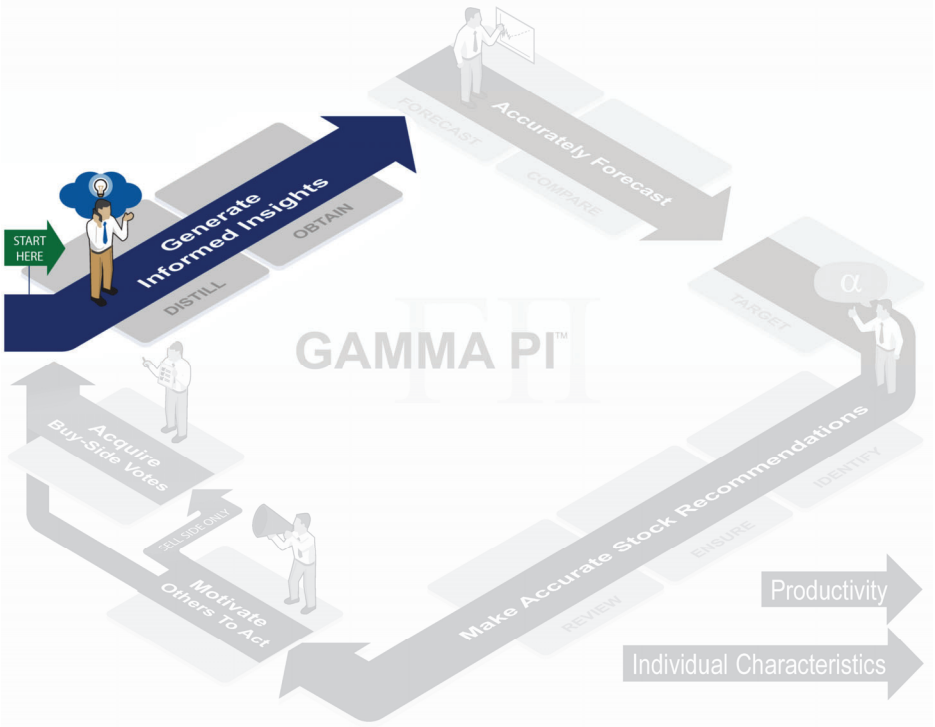
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

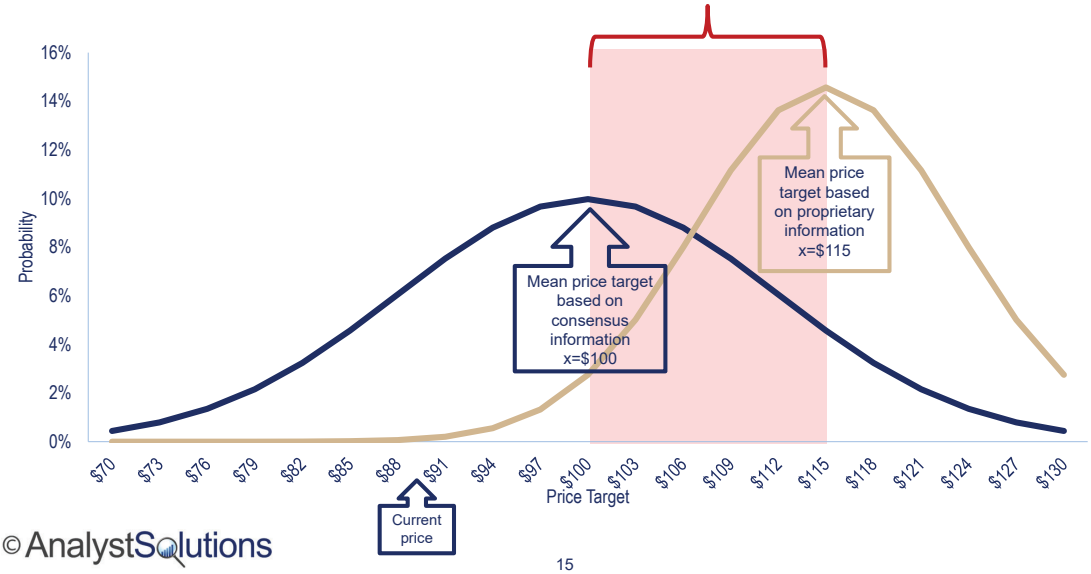
INTRODUCTION MODULE

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed



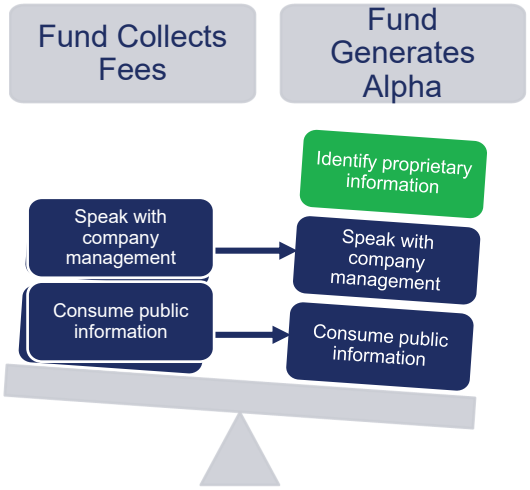
Information Asymmetry



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Information Asymmetry = Alpha



©AnalystSolutions

EPIC™ Stock Calls Require Critical Factors Meet All Four Criteria

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

HELP™ Framework for Identifying Critical Factors

Research **H**istorical data & documents

Explore **E**merging data & documents

Validate/refute assumptions with **L**ive sources

Prioritize factors using EPIC™ framework

©AnalystSolutions

Example Critical Factors

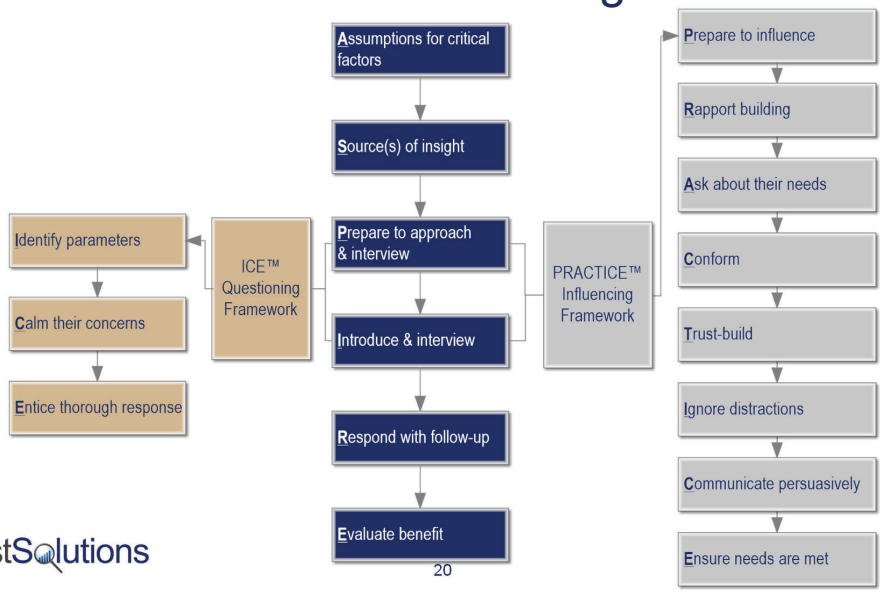
Factors for: FedEx in the 2005-2006 time period, ranked by "Total" column

Factor	Exceeds my materiality threshold of 10%	Probably going to occur during my time horizon	I'm good at forecasting the factor and catalyst	Consensus is poor at forecasting or spotting factor	Total
Improved network efficiency	4	4	4	5	17
Change in ability to collect fuel surcharge	4	4	4	4	16
Change in ground package growth	3	4	4	4	15
Acquisitions	5	3	2	5	15
Growth in Asia-Pacific	2	2	4	3	11
Purchase of new aircraft	1	4	4	2	11
Change in purchased transportation cost trends	1	2	2	4	9
Change in depreciation rate	1	2	2	4	9
Major weather disruptions	2	3	2	2	9

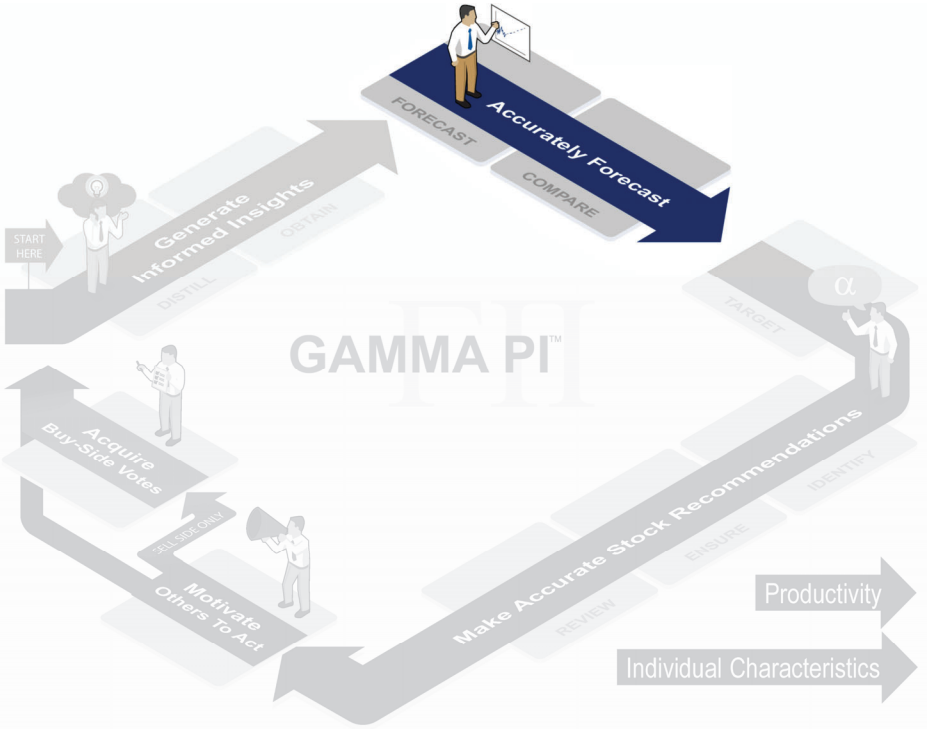
From workshop: *Identify & Monitor a Stocks' Critical Factors*

For registered AnalystSolutions partcipants -- not to be re-distributed

Frameworks For Generating Differentiated Insights

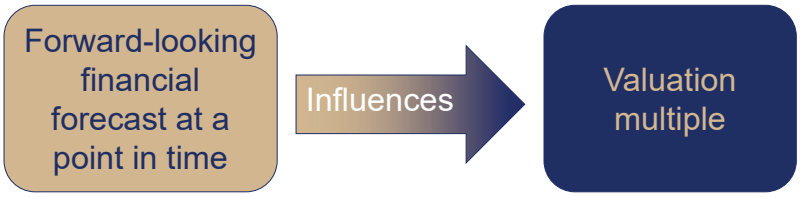


©AnalystSolutions



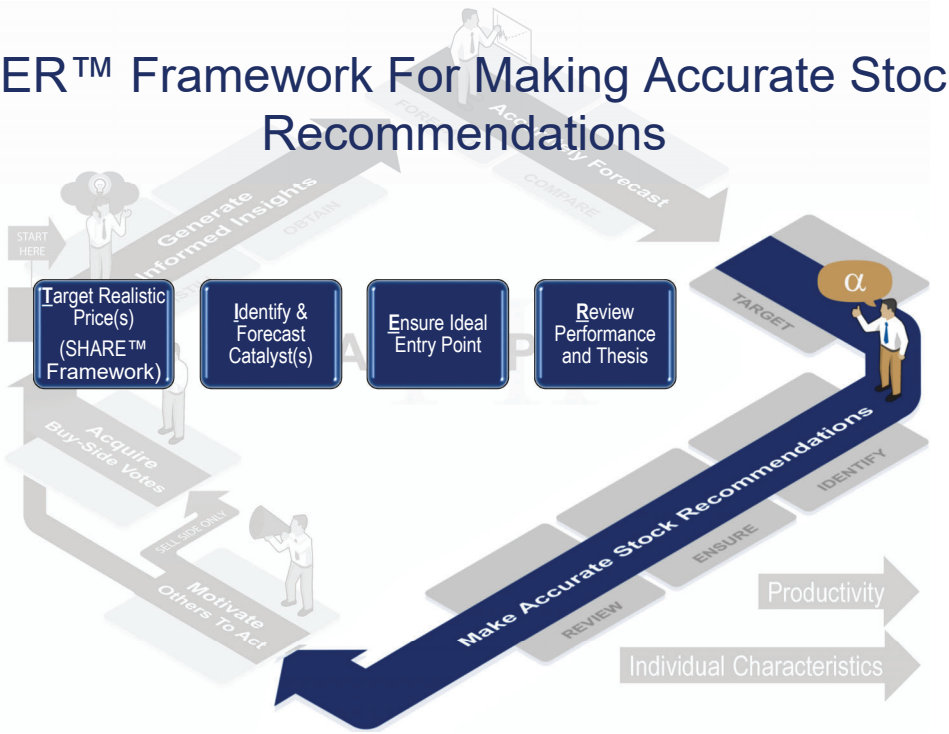
For registered AnalystSolutions partcipants -- not to be re-distributed

Price Target in Its Simplest Terms

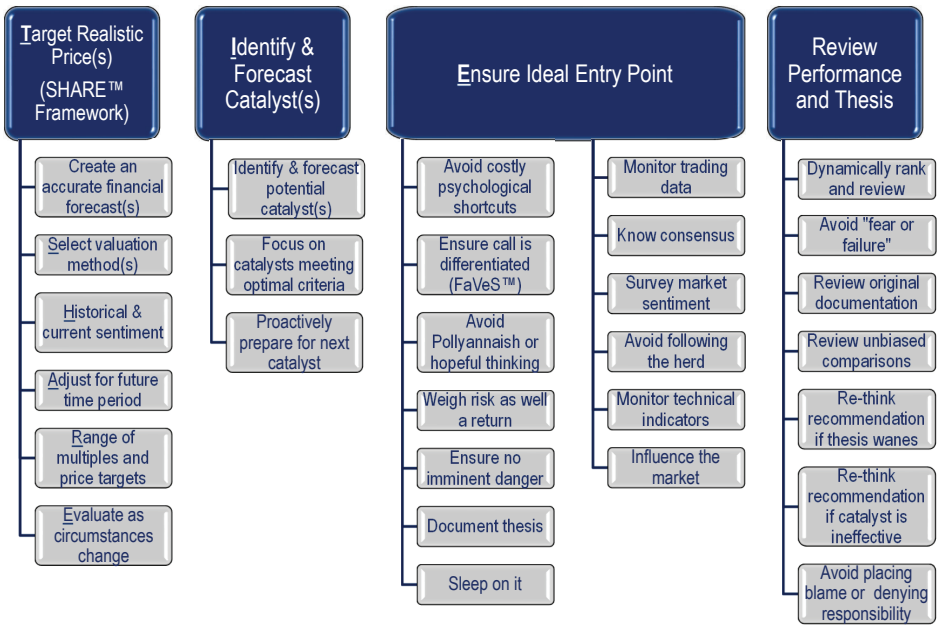


©AnalystSolutions

TIER™ Framework For Making Accurate Stock Recommendations

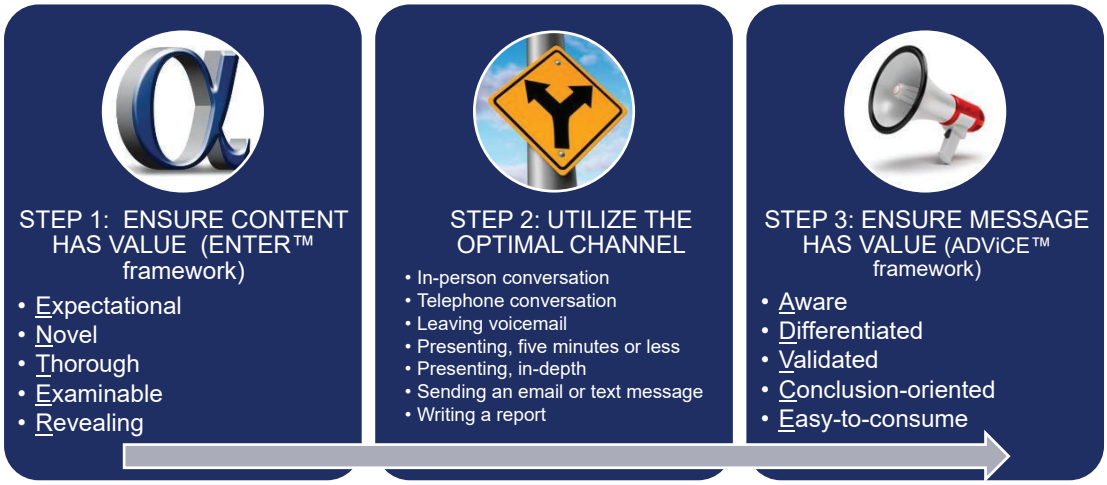


For registered AnalystSolutions partcipants -- not to be re-distributed



©AnalystSolutions

3 Steps For Communicating Stock Recommendations



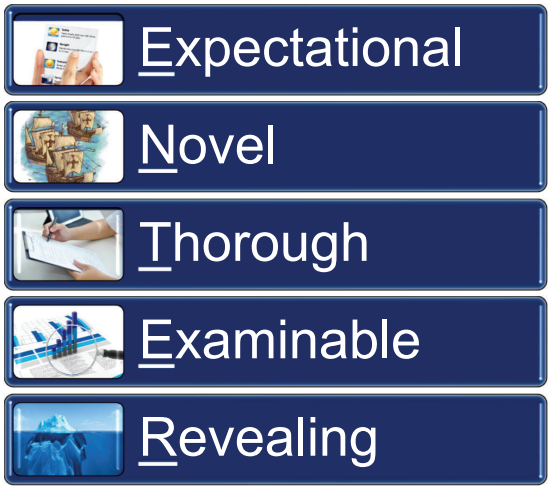
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Module 1: Step 1

©AnalystSolutions

Key elements to ensure you are prepared to ENTER™ the investment debate…



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

The First “E” in ENTER™ represents being Expectational

- Forward-looking view for the critical factors and their catalysts
- Identify important future dates
- If researching the past, it should be to help forecast the future

©AnalystSolutions

EXERCISE: BE EXPECTATIONAL IN YOUR APPROACH

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

The “N” in ENTER™ represents a Novel perspective

Novel research includes:

- Insights not already known by the broader market…
- Or explaining how widely-known information is being misinterpreted
- Providing new or unique insights to explain your out-of-consensus view…
  - Use the FaVeS™ framework

©AnalystSolutions

Ensure a Differentiated Stock Call with a Superior FaVeS™ Insight

Forecast	• Financial forecast superior to the market (used at least 85%)
Valuation	• Valuation methodology or valuation multiple superior to the market
Sentiment	• Forecast of short-term investor sentiment superior to the market

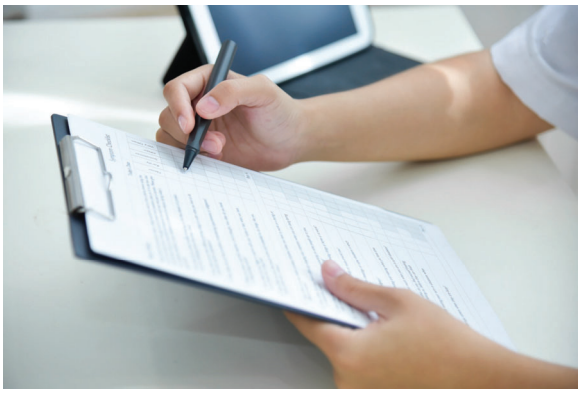
Utilized in workshop: *Master the Stock Call Techniques of Highly Experienced Analysts*

For registered AnalystSolutions partcipants -- not to be re-distributed

EXERCISE: IS THE ANALYST'S RESEARCH EXPECTATIONAL AND NOVEL?

©AnalystSolutions

The "T" in ENTER™ represents Thorough



Thorough research:

- It's more than a "hunch" or "guestimate"
- Obtain insights to forecast critical factors better than consensus
- Have multiple sources to confirm out-of-consensus critical factor when imperative to stock call
- Thoroughness should be commensurate with potential impact on the stock's performance

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

The Second “E” in ENTER™ represents Examinable

Examinable research should:

- Provide decision-makers research you developed to draw conclusions
- Provide important data points so others can arrive at your conclusion for themselves
- Provide enough depth to allow others to examine your work
- Separate facts from opinions

©AnalystSolutions

The “R” in ENTER™ represents Revealing

Revealing research:

- Identifies specific risks not in your base-case scenario (positive and negative)
- Shows an understanding of “the other side of the trade”
- Specifies your level of conviction about your out-of-consensus call

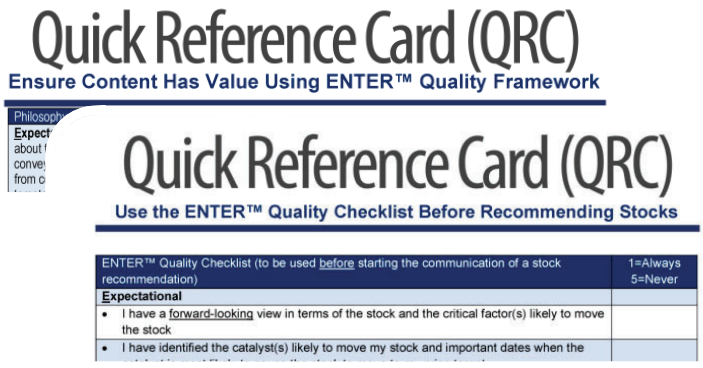
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Can You Recall ENTER™?

©AnalystSolutions

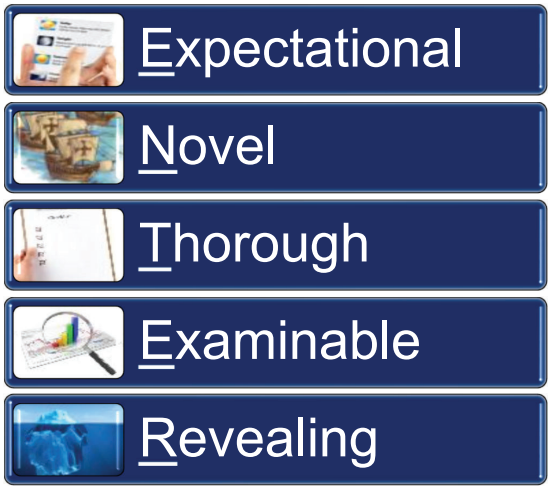
Review QRCs



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

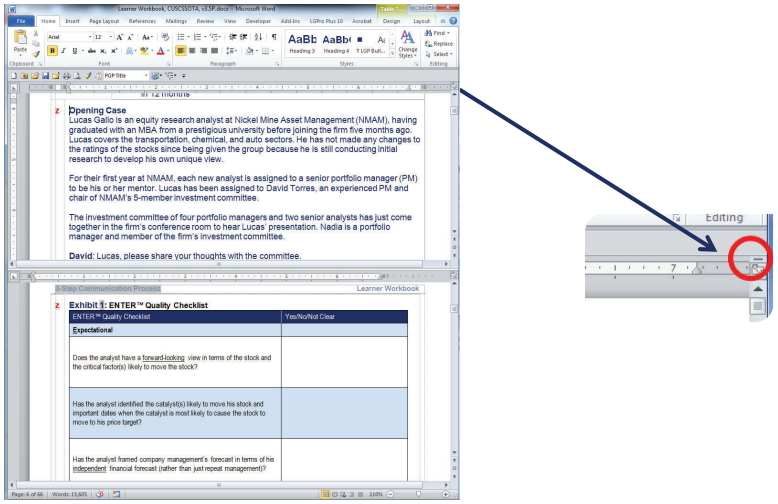
Apply the ENTER™ Framework



- Use one option below:
- Revisit opening Case
  - https://www.analystsolutions.com/cuscssotacase2/
- Review your own research
- Bonus: Evaluate two analysts

©AnalystSolutions

Split Your Screen if Using Electronic Version



For registered AnalystSolutions partcipants -- not to be re-distributed

Bonus Exercise: Evaluate Two Analysts Using ENTER™ Framework

- Review the evaluation framework
- Images will be pixilated
  - Set-up for Analyst #1 (TLSA)
  - Set-up for Analyst #2 (NFLX)

©AnalystSolutions

Complete Your TAP

Section 1

Transformation Action Plan (TAP)

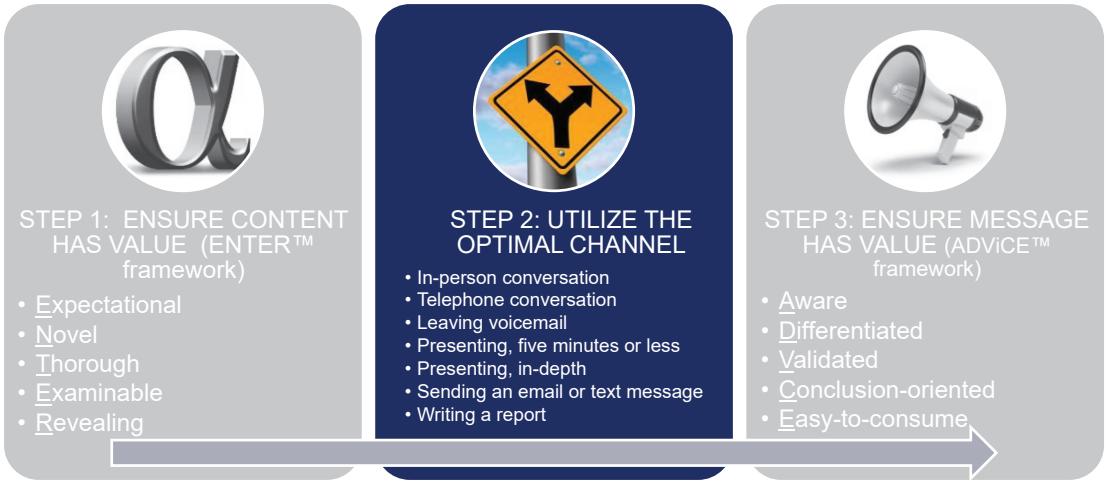
Instructions for the Transformation Action Plan (TAP):

- Throughout this workshop complete the TAP below
- Apply the key points after the workshop to help you improve your performance
- This will not be collected and so write in a manner that will help you utilize the concepts being learned

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Module 2: Step 2

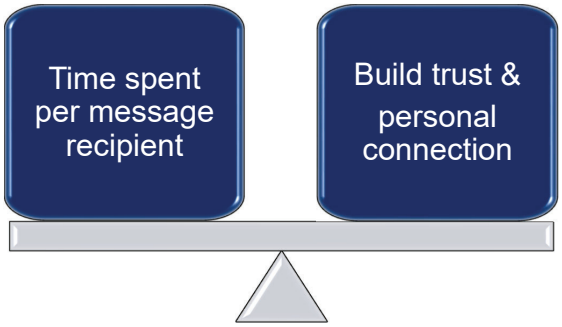


©AnalystSolutions

Every Communications Channel Has Pros & Cons

There are trade-offs to every option:

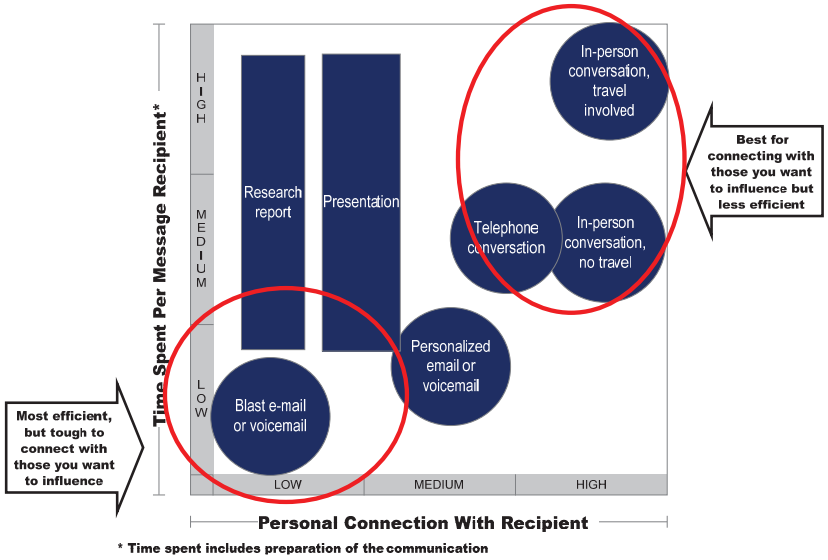
- In-person conversation
- Telephone conversation
- Leaving voicemail
- Presenting
  - Brief
  - In-depth
- Sending an email or text message
- Writing a report



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Trade-Offs for Every Channel



Key Influencing Skills Required for Successful Equity Research

- Network Building
- Understanding Others' Needs
- Adaptability
- Self-awareness
- Credibility
- Communications Skills

For registered AnalystSolutions partcipants -- not to be re-distributed

Complete Your TAP

Section 2

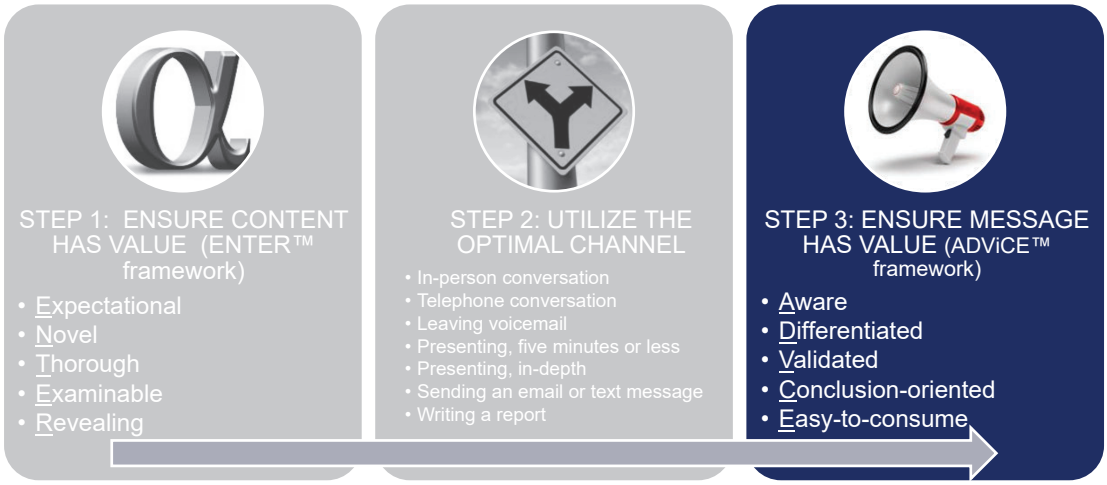
Transformation Action Plan (TAP)

Instructions for the Transformation Action Plan (TAP):

- Throughout this workshop complete the TAP below
- Apply the key points after the workshop to help you improve your performance
- This will not be collected and so write in a manner that will help you utilize the concepts being learned

©AnalystSolutions

Module 3: Step 3

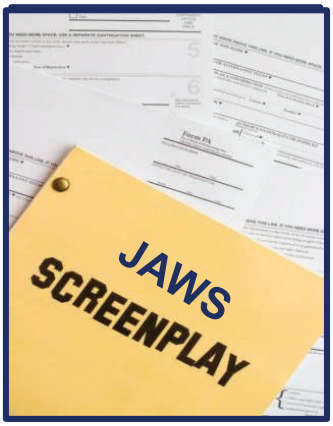


©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

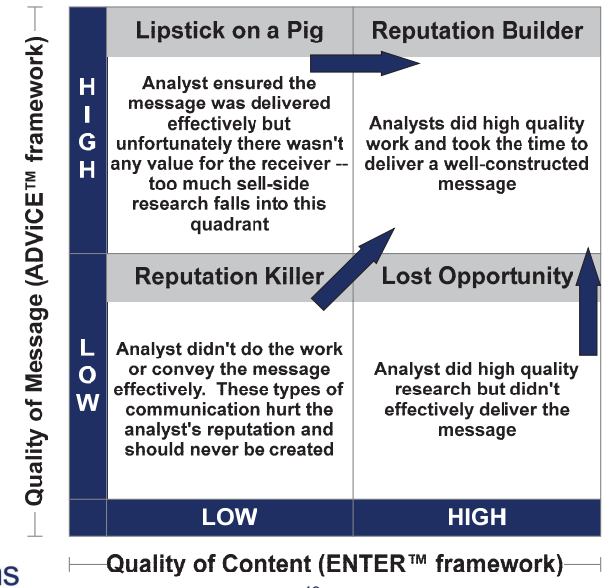
Content vs. Message Example

Screenplay/Script = Content / Research



Movie on Screen = Message / Delivery

Both content and message matter



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework

Aware

Differentiated

Validated

Conclusion-oriented

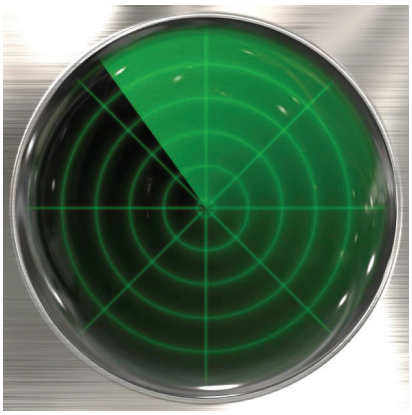
Easy-to-consume

©AnalystSolutions

"A" in ADViCE™ Represents Being "Aware"

- Provide alternative scenarios in the form of base-case, upside- and down-side scenarios to show where you could be wrong
- Demonstrate you're not oblivious to the other side of your recommendation by addressing why there are alternative views
- Disclose when you make adjustments to your thesis
- Convey your conviction level, even if it's not high

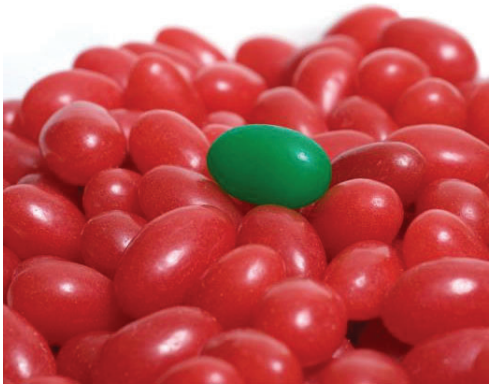
This is about exposing elements that might not be easy or comfortable:



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

“D” in ADViCE™ Represents Being “Differentiated”



- Minimize communicating when the message is not differentiated from consensus
- Using the FaVeS™ framework, quantify how you materially differ from the consensus thinking. To have a valid stock call, you must have a superior and materially-different view to the market in one of these areas:
  - Financial forecast
  - Valuation method/multiple
  - Short-term Sentiment of the market
- Explain how your view of the catalyst(s) that will drive your thesis differs from the consensus thinking

©AnalystSolutions

“V” in ADViCE™ Represents Having a “Validated View”

- Without divulging proprietary sources, provide information/data from at least one informed, independent, and reliable source (preferably two or more if it’s critical to your call) to validate your out-of-consensus thesis
- Quantify as much as possible, including the materiality of your out-of-consensus view
- Rely sparingly on company management for insights

©AnalystSolutions

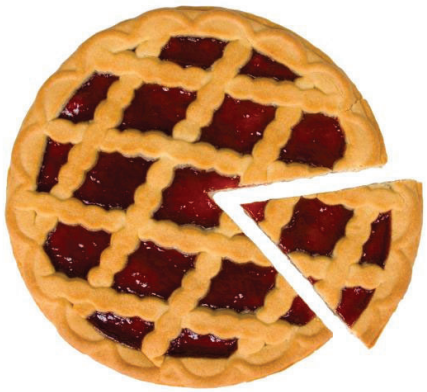
For registered AnalystSolutions partcipants -- not to be re-distributed

“C” in ADViCE™ represents “Conclusion-oriented”

- Start your stock communications with conclusions about:
  - At least one stock (are you upgrading, downgrading, or just becoming more/less positive)
  - The catalyst(s) likely to move consensus to your way of thinking
- A stock should be mentioned no later than the second sentence of your communication
- Mention a stock and its rating in the headline for reports and subject lines for emails
- Provide a price target and upside/downside vs. the prior day’s close

©AnalystSolutions

“E” in ADViCE™ represents “Easy to Consume”

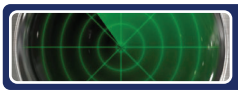


- Quickly convey all of the key elements of the ADViCE™ framework
- Include supportive anecdotes and stories
- Be concise
- Quantify insights whenever possible, but don’t overwhelm with too much raw data
- Avoid too much jargon and acronyms

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework


Aware

Differentiated

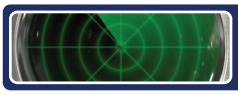
Validated

Conclusion-oriented

Easy-to-consume

©AnalystSolutions

ADViCE™ Framework


A?

D?

V?

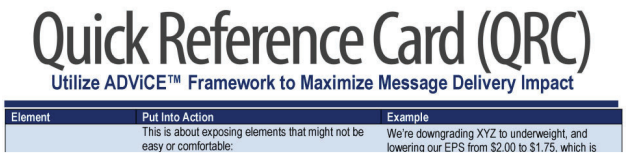
C?

E?

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Review QRCs


Quick Reference Card (QRC)

Utilize ADViCE™ Framework to Maximize Message Delivery Impact

Element	Put Into Action	Example
	This is about exposing elements that might not be easy or comfortable:	We're downgrading XYZ to underweight, and lowering our EPS from $2.00 to $1.75, which is

Quick Reference Card (QRC)

Utilize ADViCE™ Template to Maximize Message Delivery Impact

Answer the following questions before proceeding to the "Level 1" Exhibit

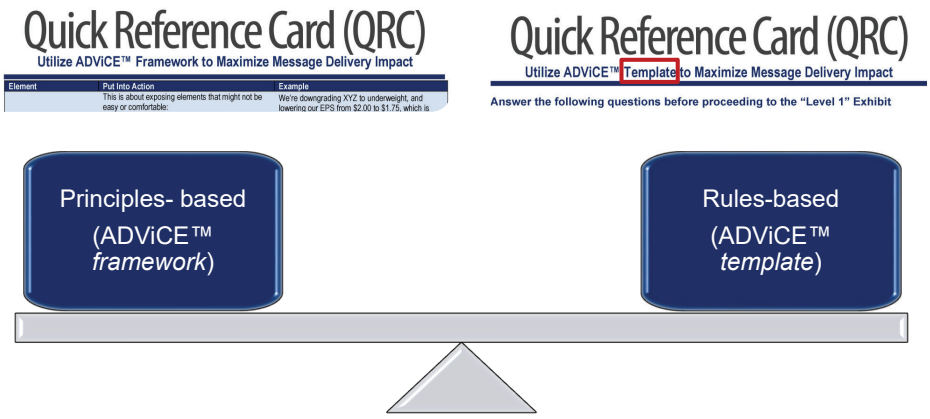
©AnalystSolutions

Stylistic Considerations

Recommendation	Examples	Why
Speak in the active voice rather than passive, and be specific when possible	Passive: "Expectations are not likely to be met this quarter." Active: "We don't expect the company to meet our $0.40 EPS for the quarter."	It strengthens your message, and shows you've done the work
Don't pretend to have a level of precision that doesn't exist	"We expect XYZ to earn $7.03 in 2013 by achieving operating margins of 8.37%"	It conveys the image you rely too much on your financial model output, without thinking through the big picture
Avoid media-based words or phrases that appear sensationalistic	"The stock is poised for a break-out due to a revolutionary new product" or "This never-before- seen turnaround by management makes this stock a screaming buy"	It will send a signal to the consumer of your message that you're inexperienced, which may cause them to question your judgment and the quality of your work
If you're referencing management's view, always include your view first	"We expect the company's margins to reach 10% next year, which compares to management's guidance of 9.5%	It shows you're a thought leader by highlighting how management's views compare with yours
When referring to your view, try to use words that convey research has been done, rather than just conjecture: • Best: "We forecast…" • Acceptable: "We expect…" or "We believe…" • Poor: "We think...."	"We forecast the company's earnings to grow 10% next year" is more confident than "We think the company's earnings will grow 10% next year."	"Think" is used for informal situations more than the others. You might say, "I think I'll go out with friends tonight." But you wouldn't say, "I forecast I'll go out with friends tonight."
If working on a team refer to yourself in your work as "we" and "our" rather than "I" or "my"	"We believe the stock is overvalued, because our work suggests consensus EPS is 10% too high next year"	It sounds humbler. You likely haven't arrived at the conclusion solely on your own. At a minimum, you've had training from others to understand how to conduct your job.
Refer to companies and management as "it", rather than "they".	"Management held its quarterly call where it debuted its new outlook"	This is an industry standard
Use bullets or a table where there are multiple numbers in a paragraph	Create a table such as the one below instead of "We are raising our 2017 EPS forecast for NDT from $1.00 to $1.20 which compares to consensus at $1.00 and raising our 2018 estimate from $1.15 to $1.30 which compares to consensus of $1.12."	Easier for others to understand

For registered AnalystSolutions partcipants -- not to be re-distributed

Two Options to Master the ADViCE™ Framework



©AnalystSolutions

7 Stages of ADViCE™ Template

- Brief Conclusion
- FaVeS™ element that is being changed (be brief)
- Price target math
- Research to support unique FaVeS™ element
- Quantify unique FaVeS™ element
- When and why will consensus adopt your view?
- What could go wrong?

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework: Element #1

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
Brief Conclusion	We are or I am… • recommending the purchase of… • upgrading/downgrading… • more bullish/more bearish towards… • raising/lowering our estimate/price target for… • reinforcing/revisiting our positive/negative view towards… [AND] …[stock name(s) followed by ticker(s)] because… • our work shows/suggests… • we can now conclude… • we have discovered… [AND] …[the critical factor(s)] is/will likely… • be better/worse than consensus/we expected • not in consensus expectations • occur sooner/later than consensus/we expected	Allows others to decide if they want to spend more time consuming your message	Conclusion-oriented

©AnalystSolutions

ADViCE™ Framework: Element #2

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
Price target math	We/I derive a one-year price target of $XX, which is XX% above/below yesterday's close by… [Using an absolute or relative valuation multiple] …applying a X [valuation multiple] multiple on our/my XX.00 [EPS, CFPS, BV] estimate for 20XX [time period] [OR] …applying a X% premium/discount to the market's multiple on our/my XX.00 [EPS, CFPS, BV] estimate for 20XX [time period] [AND/OR] [Using an intrinsic valuation method such as DCF, EVA, RI, etc.] …using a [DCF, EVA, RI, etc.] analysis with the following assumptions: [state assumptions for key variables such as long-term revenue growth, changes to margins, the risk-free rate, equity risk premium, cost of equity, WACC, terminal value and years of forecast before terminal value is reached]	Provides the elements of your price target and return	Conclusion-oriented

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework: Element #3

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
FaVeS™ element that is being changed (be brief)	Our/my view about [critical factor] compels/allows/motivates us/me to… [here is where you briefly discuss your superior view, as defined by at least one of the following] **1. [Superior forecast: when your forecast differs materially from consensus]** …raise/lower/initiate coverage with our/my EPS/CFPS/growth rate forecast for this year/next year, putting us/me XX% higher/lower than consensus [AND/OR] **1. [Superior valuation: when your valuation assumptions are different than current consensus]** …justify a valuation multiple of XX, which is XX% above/below its current/historical level. [AND/OR] …justify using a [new valuation method not used by consensus] because [explain why this valuation method provides a more accurate price target than the conventional method]	Briefly highlights your a) superior forecast (vs. consensus); and/or b) superior valuation method/multiple; and/or c) superior read on short-term sentiment towards the stock	Aware (if you are disclosing a change in thinking) Differentiated

©AnalystSolutions

ADViCE™ Framework: Element #4

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
Research to support unique FaVeS™ element	[If there is more than one critical factor driving the story, you may want to communicate this element and the one directly below for each critical factor at a time] Our/my conclusion/above/below-consensus estimate is based on… • our/my analysis of… • discussions with… • data we/I collected from… • our/my unique modeling of…	Validates view based on fundamental research and not just a hunch or guestimate	Differentiated Validated

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework: Element #5

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
Quantify unique FaVeS™ element	Specifically, we/I believe this results in $XX/XX%… • higher/lower EPS/CF/BV… • faster/slower EPS/CF growth rate… …for 20XX [time period] than… ○ current consensus expectations** ○ our/my prior estimate AND/OR • expansion/contraction of the stock's relative/absolute valuation multiple from X to Y	Answers "materiality" question by quantifying how your view differs from consensus	Differentiated Conclusion-oriented

©AnalystSolutions

ADViCE™ Framework: Element #6

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
When and why will consensus adopt your view?	We/I… • differ from consensus because… • believe consensus does not understand/appreciate… [reason why consensus hasn't come around to your way of thinking yet]. [AND] We/I believe consensus will adopt/understand our/my view by [specific quarter or time of year] due to [catalyst that will drive the market to your way of thinking].	Explains how view of the catalyst(s) differs from the consensus thinking and when it will become clear to the market	Differentiated Conclusion-oriented

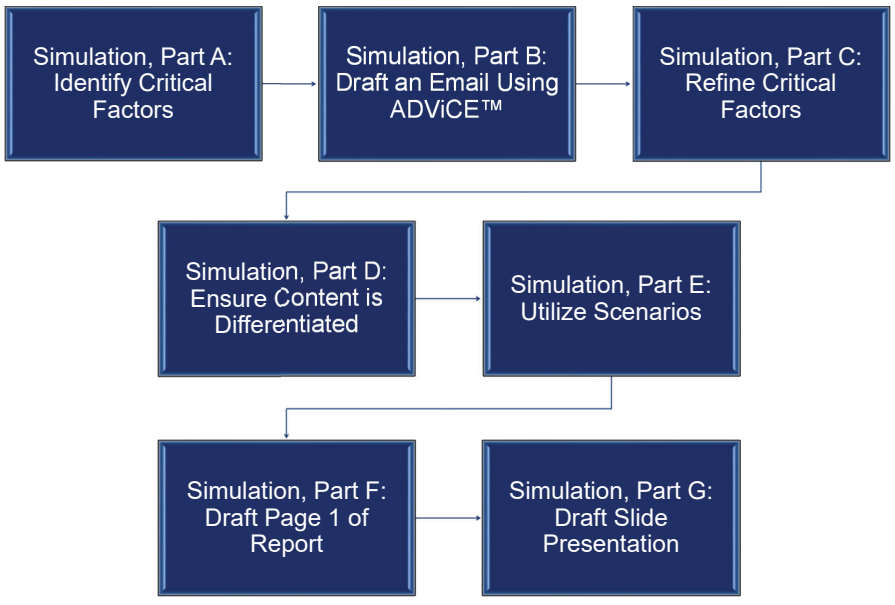
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ADViCE™ Framework: Element #7

Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
What could go wrong?	We/I have a high/low/modest degree of conviction/confidence in our/my call because [explain why your analysis above is valid or uncertain]. Our/my downside scenario results in a stock price of XX (XX% below yesterday's close) and our/my upside scenario is XX (XX% above yesterday's close).	Conveys your conviction level and provides alternative scenarios to demonstrate you're not oblivious to where you could be wrong	Aware

©AnalystSolutions



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

MODULE 4:
SIMULATION

©AnalystSolutions

Part A: Identify Critical Factors

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

After Reading Part A…

- Which are the two most ideal factors where Lucas should spend his time conducting further research and communicating to his PM? (Exhibit 8)
- We would focus more time and communications with Alice on the following two factors:
  - Factor #3 (railroad pricing): It's high on 3 of the 4 criteria and your suspicion is that it's high on the 4th criteria as well, which makes it a perfect critical factor that will generate alpha
  - Factor #2 (NDT geographic expansion): it's material and not likely in consensus. If you can validate with another source, it will likely be high on the two other criteria.
- Here are why the other factors did not make our "top 2" list:
  - For #1 (new truck regulations): even if you verified it to be likely, it's not material to these stocks and so don't spend another second on it. Pass along to fellow colleagues if they cover stocks that would be impacted.
  - For #4 (RFID): it's not clear when it would impact the carriers or even if it would impact them (recall the interviewee said it's likely to help the carrier's customers).
  - For #5 (economic growth): it's helpful to know for forecasting earnings and pass along in a communication to PMs and colleagues (especially for economically-sensitive stocks), but given that you don't make a living forecasting the economy; it's too macro to make it the primary rationale for your stock recommendation. (There's not much value in upgrading a specific stock solely because you've heard the economy is getting better.)

©AnalystSolutions

Part B: Draft an Email Using ADViCE™

For registered AnalystSolutions partcipants -- not to be re-distributed

Review QRC

Quick Reference Card (QRC)

Best Practices for Leaving Voicemails

©AnalystSolutions

Part C: Refine Critical Factors

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

ENSURE CONTENT IS DIFFERENTIATED

©AnalystSolutions

Ensure a Differentiated Stock Call with a Superior FaVeS™ Insight

Forecast	• Financial forecast superior to the market (used at least 85%)
Valuation	• Valuation methodology or valuation multiple superior to the market
Sentiment	• Forecast of short-term investor sentiment superior to the market

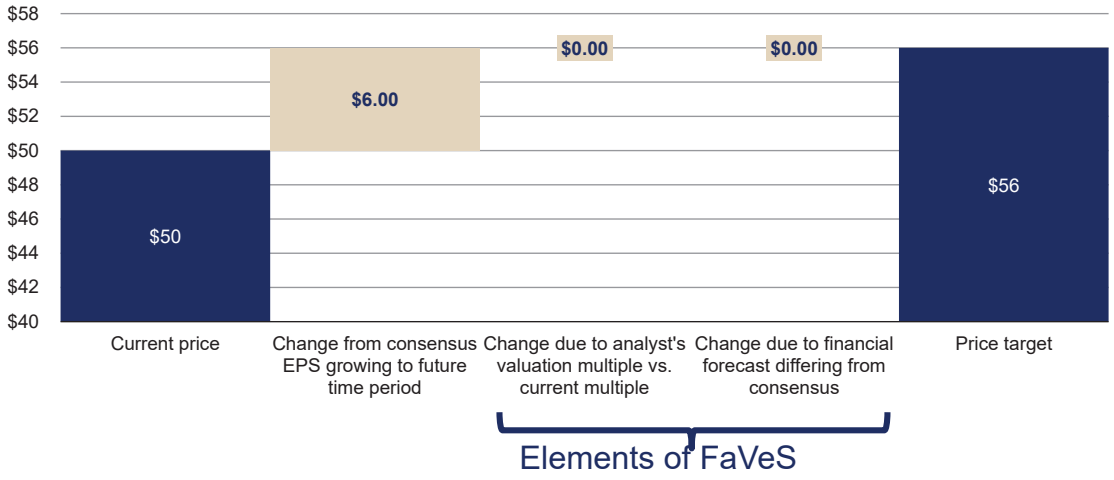
©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Quantify “How Do You Differ?”

	Scenario			
	A	B	C	D
1. Current data				
Current stock price	$50.00	$50.00	$50.00	$50.00
Next 12-month (“NTM”) consensus EPS forecast at present (we call this "Year 1")	$5.00	$5.00	$5.00	$5.00
Stock's current valuation multiple based on Year 1 EPS	10.0	10.0	10.0	10.0
Current market multiple	15.0	15.0	15.0	15.0
Stock's current premium or discount to the market multiple	-33%	-33%	-33%	-33%
2. Change from consensus EPS between Year 1 and Year 2				
NTM consensus in Year 2 (i.e. forecast at beginning of Year 2 for Year 2)	$5.60	$5.60	$5.60	$5.60
Difference between Year 2 and Year 1 consensus forecasts	12%	12%	12%	12%
Item #2 above is due to passage of time while #3 and #4 below are influenced by the analyst				
3. Change due to analyst's financial forecast differing from consensus				
Analyst's NTM EPS forecast in one year (i.e. forecast for Year 2)	$5.60	$6.00	$6.00	$6.60
Premium or discount of analyst's EPS estimate in Year 2 compared to consensus'	0%	7%	7%	18%
4. Change due to analyst's future valuation multiple differing from current multiple				
Analyst's estimate of market multiple at beginning of Year 2 (typically keep same as present)	15.0	15.0	15.0	15.0
Analyst's estimate of stock's premium or discount to market multiple at beginning of Year 2	-33%	-33%	-27%	-20%
Valuation multiple used for price target at beginning of Year 2	10.0	10.0	11.0	12.0
Difference between analyst's future multiple and stock's current multiple				
5. Price target	$56.00	$60.00	$65.70	$79.20
Change from current price	12%	20%	31%	58%

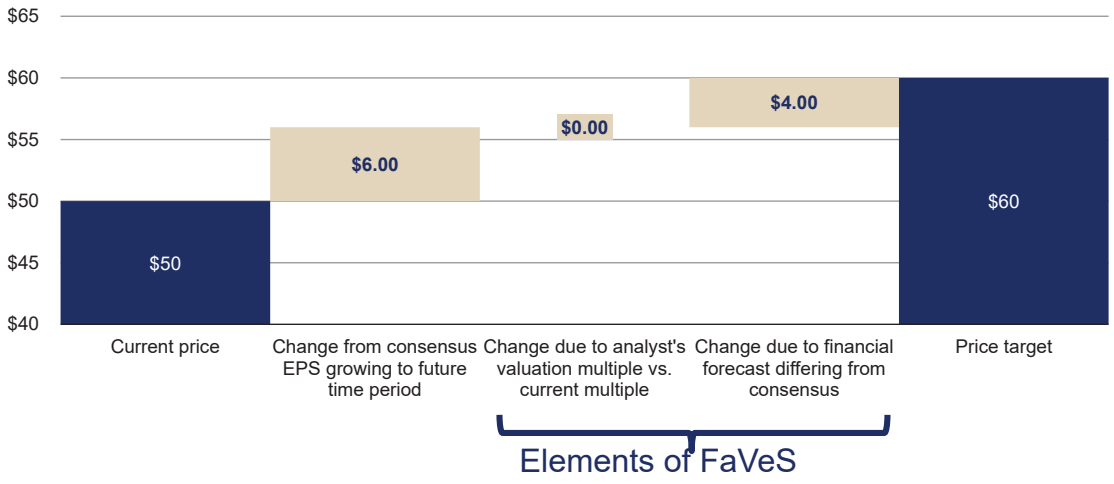
Dissect How You Differ (A)



©AnalystSolutions

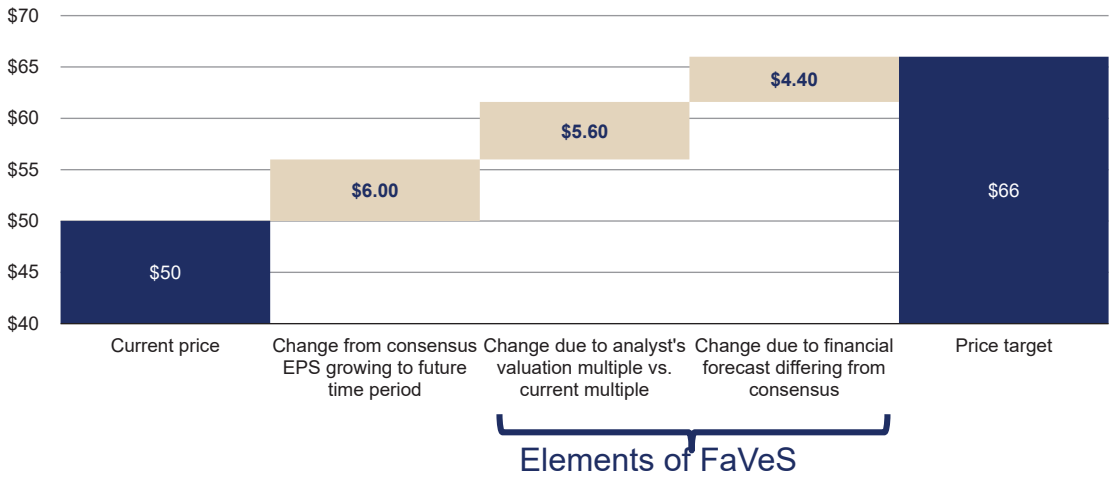
For registered AnalystSolutions partcipants -- not to be re-distributed

Dissect How You Differ (B)



©AnalystSolutions

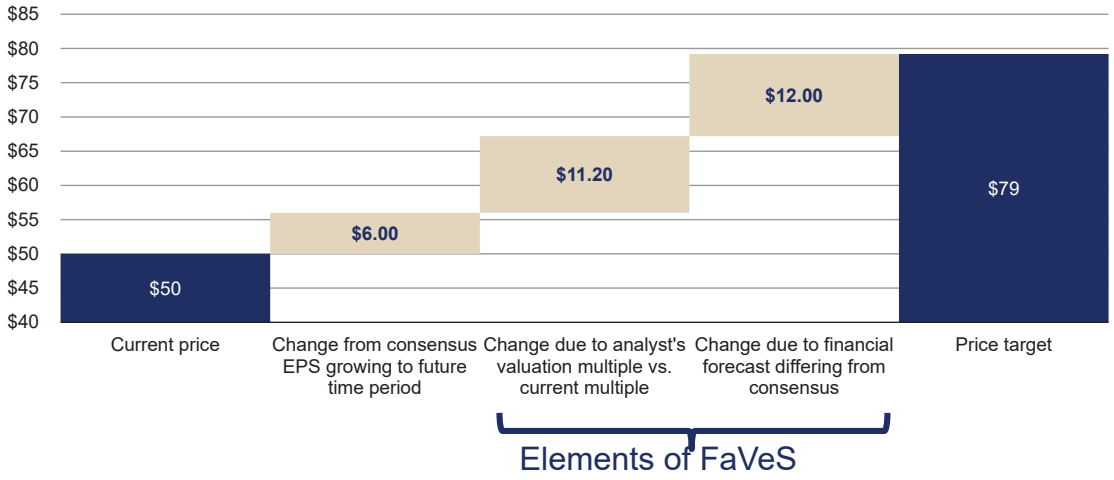
Dissect How You Differ (C)



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Dissect How You Differ (D)



©AnalystSolutions

Quick Reference Card (QRC)

Utilize ADViCE™ Template to Maximize Message Delivery Impact

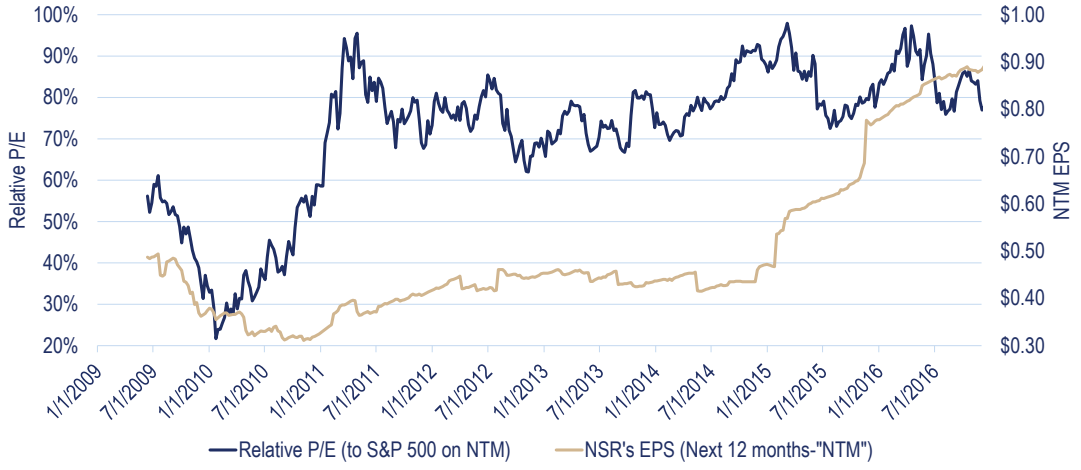
Answer the following questions before proceeding to "Level 1" of the table on page 2

1. Do you have a price target for the stock? If so, proceed to the next step. If not, ask how your intended communication will add value to investment professionals seeking to generate alpha.
2. Complete the table below to illustrate the unique elements of your price target (based on the FaVeS™ framework):

	Example	Your Stock	Item #
1. Current data			
Current stock price	$96.00		A
Next 12-month ("NTM") consensus EPS forecast at present (we call this "Year 1")	$5.80		B
Stock's current valuation multiple based on Year 1 EPS (divide row A by row B)	16.6		C
Current market multiple (for the broad market such as the S&P 500)	15.0		D
Stock's current premium or discount to the market multiple	10%		E
2. Change from consensus EPS between Year 1 and Year 2			
NTM consensus in Year 2 (i.e. forecast at beginning of Year 2 for Year 2)	$6.20		F
Difference between Year 2 and Year 1 consensus forecasts (divide row F by row B)	7%		G
Item #2 above is due to passage of time while #3 and #4 below are influenced by the analyst			
3. Change due to analyst's financial forecast differing from consensus			
Analyst's NTM EPS forecast in one year (i.e. forecast for Year 2)	$7.00		H
Premium or discount of analyst's EPS estimate in Year 2 compared to consensus' (divide row H by row F)	13%		J
4. Change due to analyst's future valuation multiple differing from current multiple			
Analyst's estimate of market multiple at beginning of Year 2 (typically keep same as present)	15.0		K
Analyst's estimate of stock's premium or discount to market multiple at beginning of Year 2	10%		L
Valuation multiple used for price target at beginning of Year 2 (multiply row K x (1+row L))	16.6		M
Difference between analyst's future multiple and stock's current multiple (row M ÷ row C)	0%		N
5. Price target	$115.86		O
Change from current price (row O ÷ row A)	21%		P

For registered AnalystSolutions partcipants -- not to be re-distributed

NSR's Relative P/E Ratio and Next 12 Month EPS

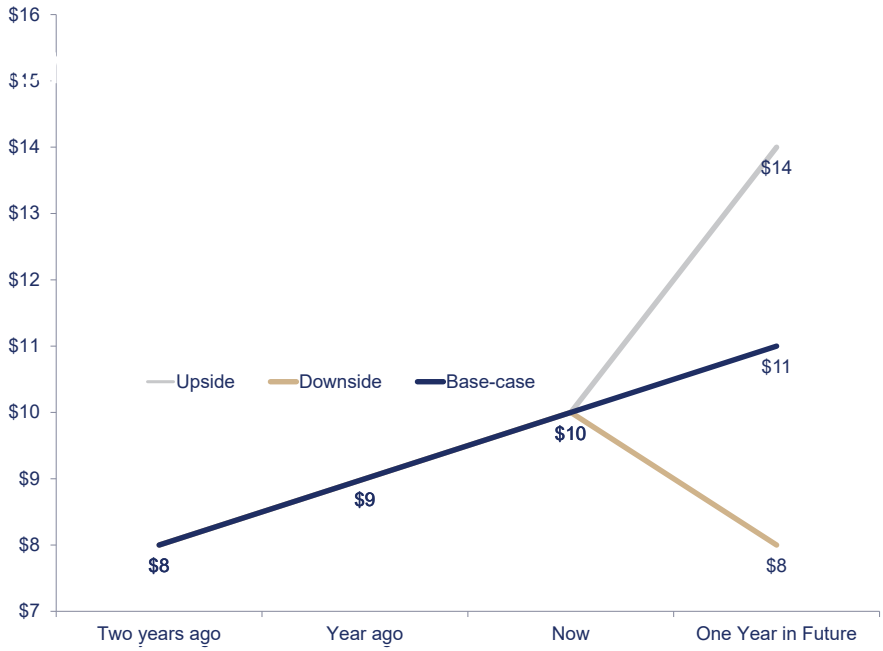


©AnalystSolutions

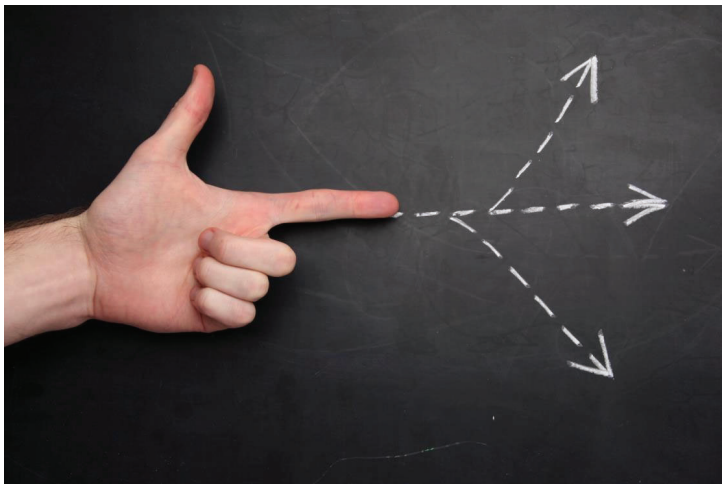
Part D: Ensure Content is Differentiated

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed



Part E: Utilize Scenarios



For registered AnalystSolutions partcipants -- not to be re-distributed

Review QRC

Quick Reference Card (QRC)

Best Practices for Writing Research Reports

©AnalystSolutions

Part F: Draft Page 1 of Report

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Review QRCs

Quick Reference Card (QRC)

Best Practices for Presenting to Others

©AnalystSolutions

Part G: Draft Slide Presentation

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Recommend Purchasing Next Day Trucking (Slide 1 of 5)

- Recommending purchase of Next Day Trucking (NDT)
- Potential expansion to another 25% of country not in expectations
- Raising next year's EPS from $1.00 to $1.20 (consensus is at $1.00)
- $17 one-year price target is 20% above yesterday's close, based on market multiple on $1.20 estimate

Brief conclusion

FaVeS element being changed (forecast)

Price target math and upside

Recommend Purchasing Next Day Trucking (2 of 5)

- NDT customers tell us it's asking them if they need service in markets it doesn't currently serve
- We've learned NDT is looking for new terminal space in a location it doesn't serve
- NDT is ordering more trucks next year than a normal replacement cycle

Research to support FaVeS™ element

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Recommend Purchasing Next Day Trucking (Slide 3 of 5)

- During prior expansions NDT had incremental EPS growth similar to its geographic expansion
- Based on our estimate of 25% expansion, we conservatively assume our EPS estimates need to rise by 20%

My Estimate vs. Consensus

Company	My Former Estimate for 2017	My New Estimate for 2017	Change in My Estimate	Current Consensus for 2017	My New Estimate vs. Consensus for 2017
NDT	$1.00	$1.20	20%	$1.00	20%

©AnalystSolutions

Recommend Purchasing Next Day Trucking (Slide 4 of 5)

Timing and Catalyst

- Announcement likely by 2Q of this year
- Benefit EPS by early next year
- Not in consensus expectations for next year

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Recommend Purchasing Next Day Trucking (Slide 5 of 5)

Potential Risks

- Timing
- Magnitude of expansion
- Competitive responses
- Scenarios:

Scenario	EPS	Stock Price	% Change from Yesterday's Close
Upside-scenario	$1.30	$18.20	28%
Base-case	$1.20	$17.00	20%
Downside-scenario	$1.00	$14.00	0%

MODULE 5: CONCLUSION

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Review QRC

Quick Reference Card (QRC)
10 Questions to Ask Before Communicating a Stock Call*

Quick Reference Card (QRC)
Checklist for Communicating Stock Calls Successfully

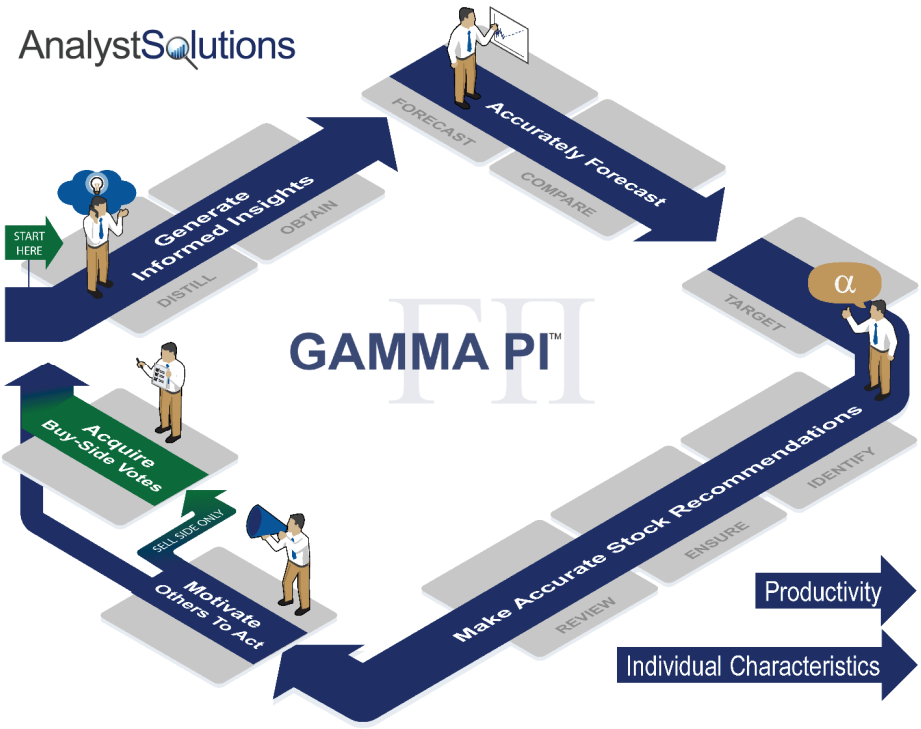
©AnalystSolutions

Evaluate Your Own Work

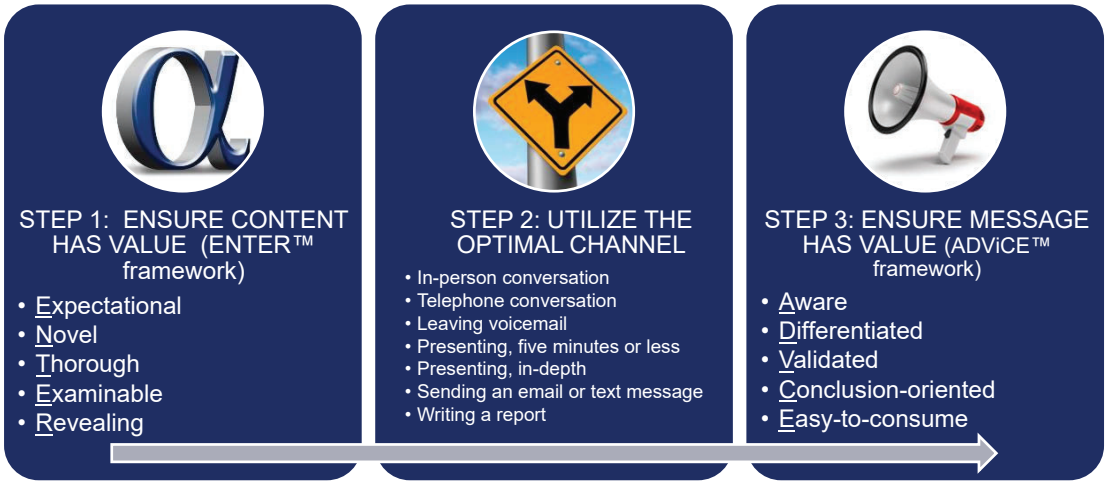
- Recall ADViCE™ can be used to improve:
  - Reports
  - Slide presentations
  - Emails
  - Voicemails
  - Face-to-face conversations
- Why didn't the RFID factor show up in Lucas' communications?

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed



3 Steps For Communicating Stock Recommendations



©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Follow through by continually practicing these three steps…

Our Tools

Workshops

One-on-one coaching

GAMMA PI™

Assessments

Consulting

Keynote/offsite presentations

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Workshops that Address Universal Analyst Needs

©AnalystSolutions

Best Practices Bulletins

©AnalystSolutions

For registered AnalystSolutions partcipants -- not to be re-distributed

Thank You for Participating!

To sign up for bonus content to help gain practical skills, visit:
AnalystSolutions.com/bonus

Your email address will only be used for educational material

Info@AnalystSolutions.com

CE Qualified Activity CFA Institute

For registered AnalystSolutions partcipants -- not to be re-distributed