

Introduction

80% of the Strategic Management capstone assignment is closely related to what it is a Financial Analyst does. Therefore, in learning to work and think like an Analyst, you can produce a substantially higher quality research report in a fraction of the time it would take otherwise. Bloomberg is the standard research tool for the Analyst due to its powerful analytical and research capabilities. Although it is somewhat intimidating at first, some clever navigation of the Bloomberg database will provide you with richer information (well, a certain *type* of rich information) that isn't available anywhere else. Here are 5 Financial Analyst tricks (and one key insight) that will save at least 15+ hours of research on the Capstone assignment. Because the paper is a top down analysis (i.e. starting with macro and working your way down to a specific firm) I will present the tips in that order.

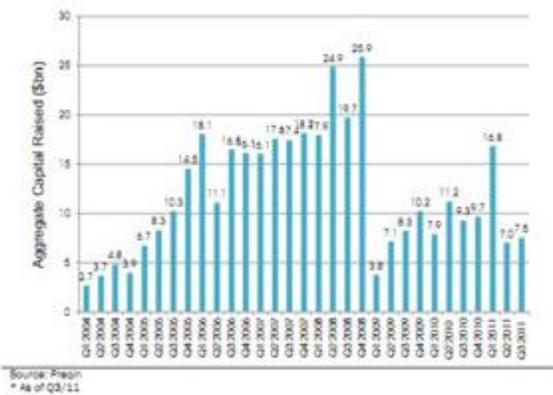
1. The first step should always be **getting a good macroeconomic report**. Type **ECO <GO>**. Here you can monitor economic forecasts and releases. It will also provide you with research from several notable banks and brokerage firms. Use the dropdown menu and select region or country for global forecasts and reports.
2. The first step in understanding a company is **understanding the sector and industry** in which it competes (for example, if the firm is a copper miner, the industry is mining and the sector is basic materials). Fortunately, the best feature on Bloomberg addresses exactly this. Type in **BI <GO>**. This will bring you to the Bloomberg Industries homepage. Sectors are listed on the left side of the page. **Click on a sector** and the industries currently covered by Bloomberg will pop up. **Click on your company's industry**. Once inside the industry page, look on the left hand side of the screen where there will be a list of different functions. All of these have pertinent information, but personally I like to focus on the **Industry Drivers, Bull & Bears, and Relative Valuation** sections. You should explore the BI page for your industry – because different industries have different characteristics it is hard to generalize about the most important tabs for each one, but rest assured: it is the best possible way to learn about what drives an industry. (For example - what are the drivers for technology companies or ExxonMobil?¹). You can export stuff from BI - even the very informative (and colorful) graphs - by clicking on the Export button at the top of the page and then selecting (Email Grab Screen).
3. Read at least one good piece of **company research** on your firm. Find your firm on Bloomberg by typing in its name and selecting it from the drop down list under **EQUITIES**. Once the screen is open, look towards the bottom on the right hand side of the page for **Company Research**. This button will bring you directly to a research screen for the company, just like for the macro stuff we did earlier. The single easiest way to learn about what is going on with your company (after reading the 10K report, the annual report and listening to a conference call) is reading a good piece of research. There will be oodles of financial tables that you will be able to reproduce directly in these sections as long as you pay attention to the rules in the next section.
4. This is always the case for images that do not require any estimates. For example, if you see a chart of GDP growth in the US over the last 5 years, you do not need to manually reproduce this chart yourself - you can just take a screenshot of the existing chart and dump it in your paper. If Analyst estimates are used, you may or may not be able to use it. You can use it and should source the company and report in your appendix if the data is the best available (To illustrate, it would make sense to rely on the US Energy Agency (EIA) estimates for oil reserves. It would not make sense to use Analyst estimates to get out of making an estimate yourself. (For example, if you are using a discounted cash flow method to value your company, it would be somewhat suspect to rip the key analyst estimates off directly from Bloomberg).

To try and crystalize this point, I have included 2 screenshots, both pertinent to Onex (a Canadian Private Equity company). Both of these tables came from the same report by Canaccord. The First screen shot displays PE Fundraising by Quarter - a highly specialized information set that would otherwise be unavailable. Additionally, the information is provided by Preqin, which is a

¹Although most people wouldn't think of it first, CEO confidence is actually one of the most important drivers of technology firms because their main input is intelligence - more hiring is done when CEOs are confident about the economy. I conjured up Exxon Mobil to be intentionally duplicitous. Being a vertically integrated O&G supermajor, there will be different drivers for each part of the stream. For example, in the Upstream (i.e. Exploration) major drivers are the price of oil and the number of holes drilled. In Midstream (Refining), a major driver is the spread (profitability) between the price of oil and the price of gasoline (i.e. how much money does XOM make from converting one to the other). Finally, in the Downstream (Gas Stations), a major driver would be the number of miles driven in the normal driving season. The point is that using Bloomberg will basically identify what is important and where it can be found.

company that specializes in Private Equity and publishes similar content on its own website. This image would be ok to use in your paper directly as long as you have the “Prequin Source” tag as illustrated.

Figure 5: All PE fundraising by quarter



The second table shows the historical discount/premium to NAV for the stock, which means how much the stock traded above or below Canaccord estimates over the last 7 years. Because this chart is exclusively dependent on the estimates of other analysts, it might not be appropriate to use directly in your own research (unless it is a last resort + you’ve still got to reference it.)

Figure 8: Historical discount/premium to NAV (proprietary capital)



Source: Thomson Reuters, Company reports, Canaccord Genuity estimates

- Bloomberg is **TRANSPARENT**, which makes both the sourcing and understanding of information very easy. Hint hint, this will make **calculating things like Beta and WACC** a breeze. Consider the following problem: you need to have a value for how “big” your company is overall. Although this is commonly done with Market Capitalization, the **Enterprise Value (EV)** is actually a much better metric². However, as it turns out, EV is kind of tricky to calculate because it requires digging through the financial statements quite a bit. This is where Bloomberg can help: not only does Bloomberg give you an EV for publicly traded companies, but if you double click on the figure (in the company valuation screen or financial statement screens) it will pop open a new window that will even show you exactly how the figure was calculated! In fact, it will even show you where to get these numbers in the financial statements as well! As a caveat, Bloomberg is a relatively new system and still growing rapidly. As a rule of thumb, the more obscure your company is will be negatively correlated with how rich the data available. Key Insight: Analysis should be about drawing conclusions, not collecting data. Make your own life as easy as possible by exploiting the resources Bloomberg offers on Carleton’s dollar. Finding numbers should *not* be the challenging part!

² For those interested, EV is commonly used as the “takeover price” estimate for a firm. It is better than market cap most notably because is immunized against the impact of capital structure.