

Session 1

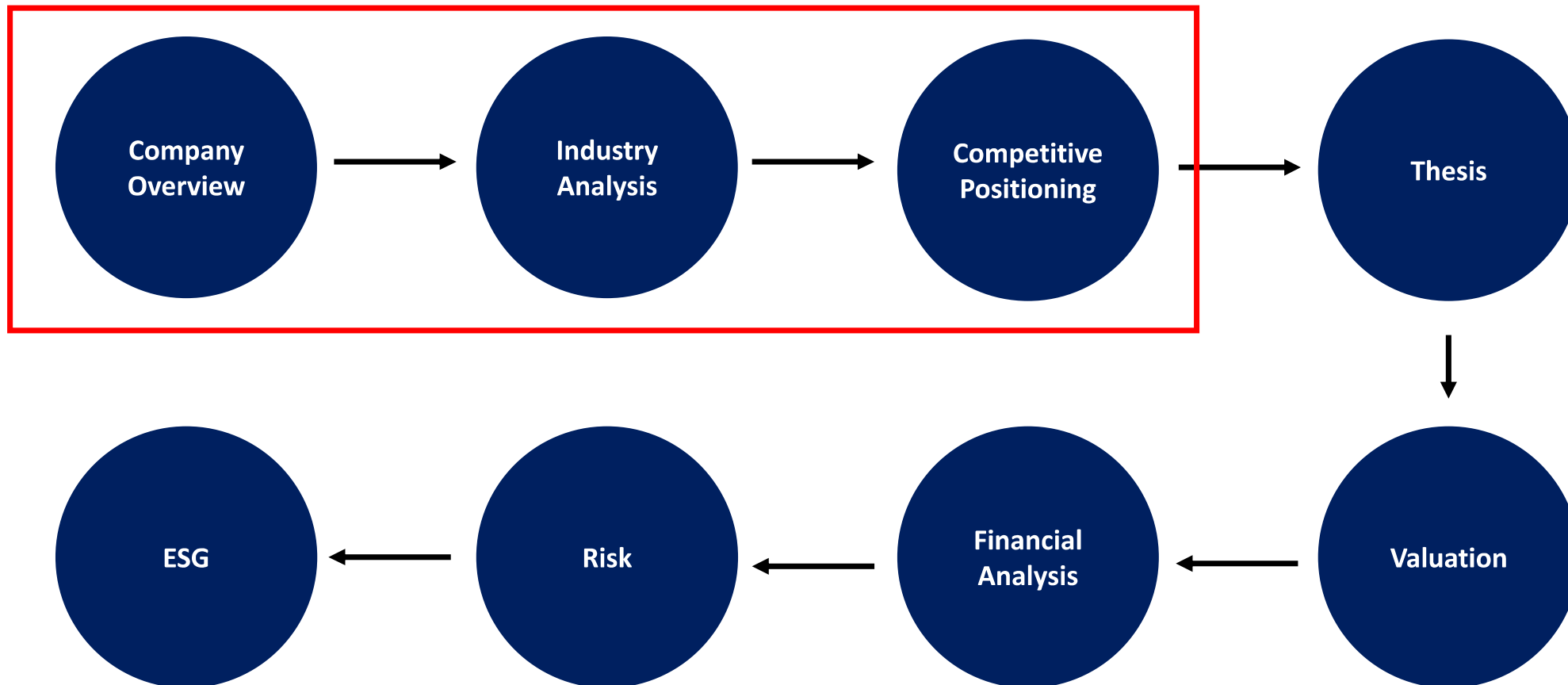
Introduction to Equity Research, Company & Industry Analysis

Lesson Outline

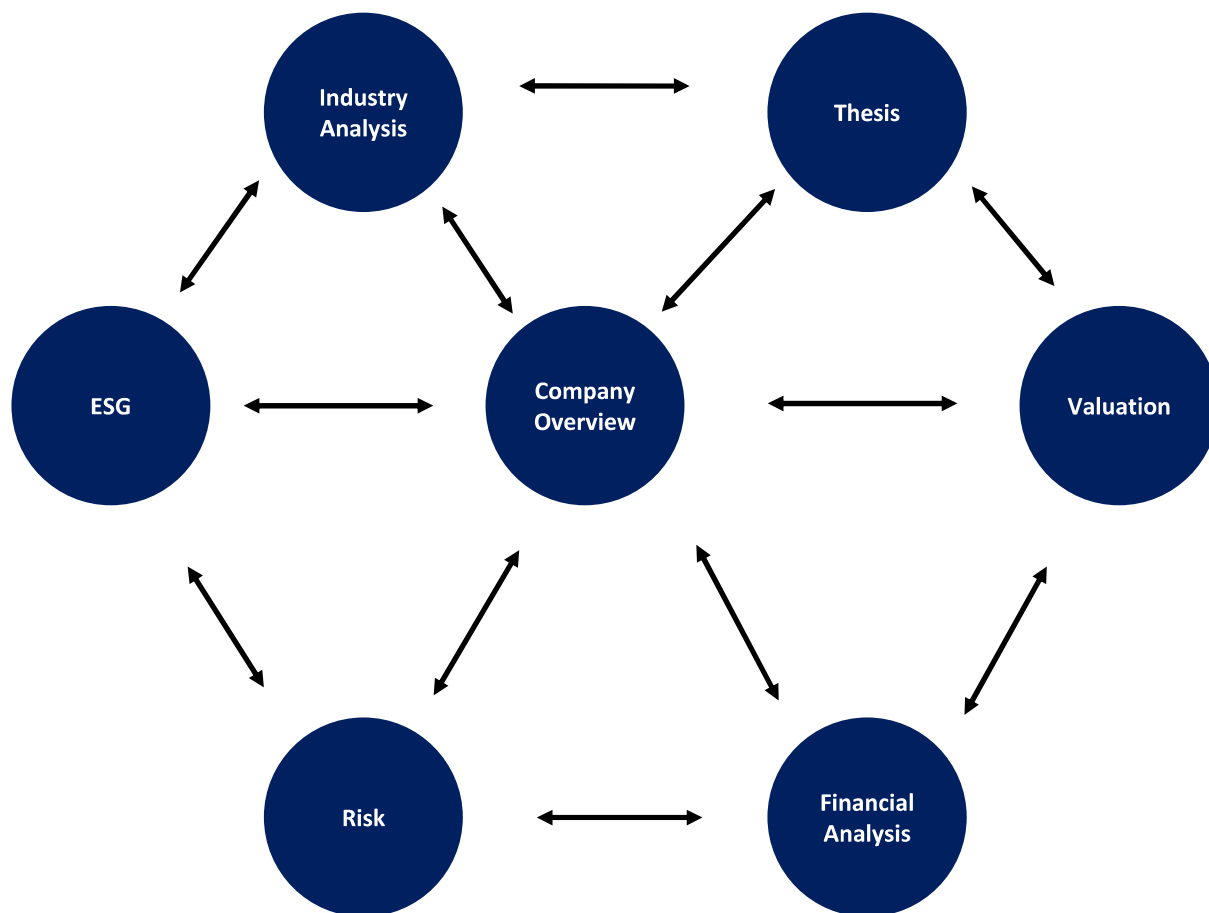
1. Equity Research Report Structure
2. Company Analysis
3. Industry Overview & Competitive Positioning
4. Frameworks
5. Research Platforms and Data Sources
6. Selecting your Target Company for Report

What is Equity Research?

Equity Research Outline



Synergize Your Story



1. Understand your business well. This will be what your entire report will be based upon.
2. Identify key industry trends – are they headwinds or tailwinds? Market sizing? Key competitors and positioning?
3. Rethink your thesis. Quantify them.
4. What are the core drivers of your valuation assumptions? Does it align with the industry & thesis?
5. What are the risks associated with the company? How are they addressed?
6. Core ESG aspects? This is the most often overlooked.
7. The entire report should flow smoothly and be coherent i.e., have synergy / be interlinked and supporting. Do not write each section in silos.

Business Description & Business Model

BUSINESS DESCRIPTION

This section should include a detailed description of the company and its products and services. It should convey a clear understanding of the company's economics, including a discussion of the key drivers of revenues and expenses. Much of this information can be sourced from the company itself and via its regulatory filings as well as industry publications.

Source: CFA

What should it contain?

- When is the company founded?
- Where is the company listed and headquartered?
- What products and services does the company offer?
- What are the company's business segments?
- Geographical presence?
- Revenue by region / geography?
- What are the revenue drivers?
- Key highlights and significant events?
- Operating metrics?
- Shareholding structure & key management?



Make use of charts & diagrams

Corporate Strategy

Direction that the company is taking for the next 3 to 10 years

Understanding the business is key as it lays the groundwork for you to build your ER Report upon!

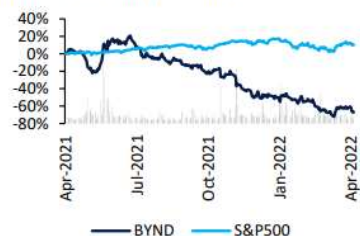
In the industry, this forms the baseline of the Due Diligence (DD) process.

Business Description & Business Model

Basic Information

Current Price	\$43.11
Target Price	\$18.11
+/- Potential	-57.99%
Ticker	BYND
Exchange	NASDAQ
Market Cap	2.82 Billion
Shares Outstanding	62.2 Million
52-Week Trading	\$36.17 - \$157.49
Average Volume	3.31 Million
Fiscal Year End	31 December 2022
Short Interest	40.61%

1Y Price vs S&P500 (Rebased)



Company Description

Founded in 2009, Beyond Meat manufactures, markets, and sells plant-based meat products internationally, with a heavy focus (69%) in the U.S. market. It had \$465m in revenue in 2021.

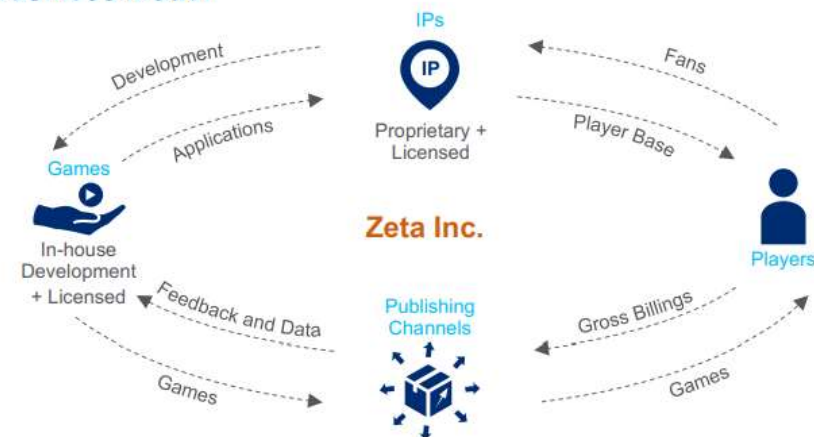
Key Executives

Ethan Brown	Founder, President & CEO
Phil Hardin	Chief Financial Officer & Treasurer
Doug Ramsey	Chief Operating Officer

Major Shareholders

Baillie Gifford & Co.	13.38%
Vanguard	7.75%
Ethan Brown	5.60%

Business Model



Source: Citi

Business Description & Business Model

Fig 1.1: 2021 Revenue Breakdown

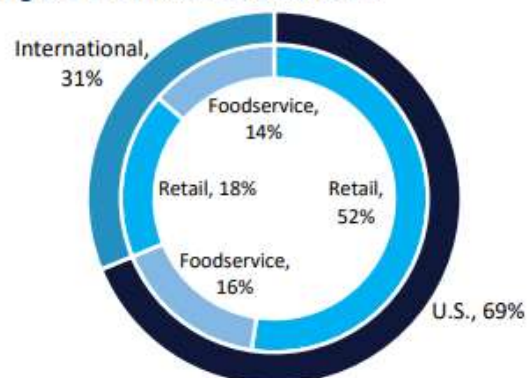


Fig 1.3: List of Beyond Meat's Products

Product Name	Launched
Beyond Burger	2016
Beyond Beef	2019
Beyond Sausage	2017
Beyond Meatballs	2020
Beyond Breakfast Sausage	2020
Cookout Classic	2020
Beyond Beef Crumbles	2017
Beyond Chicken Tenders	2021

Fig 1.5: FY2021 Operating Expenses Breakdown

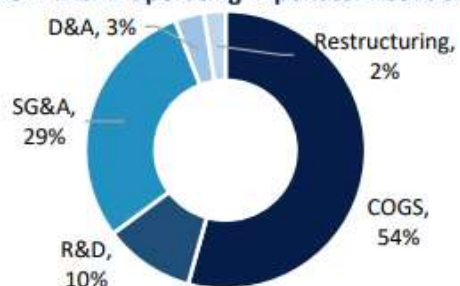


Fig 1.4: FY2021 Store Penetration



Industry Overview & Competitive Positioning

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

This section should include an overview of the industry dynamics, including a competitive analysis of the industry. Most firms' annual reports include some discussion of the competitive environment. A group of peer companies should be developed for a competitive analysis. The "Porter's Five Forces" framework for industry analysis is an effective tool for examining the health and competitive intensity of an industry. Production capacity levels, pricing, distribution, and stability of market share are also important considerations.

It is important to note that there are different paths to success. Strength of brand, cost leadership, and access to protected technology or resources are just some of the ways in which companies set themselves apart from the competition. Famed investor Warren Buffett describes a firm's competitive advantage as an economic "moat." He says, "In business, I look for economic castles protected by unbreachable moats."

Source: CFA

What should you consider?

- Industry growth
- Key developments & drivers
- Think demand and supply
- Think about different parts of the supply chain

- Key players (competitors)
- Benchmarking against competitors (comparison of products / services)
- What makes your chosen company stand out?
- Link industry trends to your chosen company. Is your company going to ride on the upsides or lose out to its competitors?

Frameworks

SWOT Analysis

Look within the company

Internal factors: Strength, weakness

External factors: Opportunities, threats

Porter's Five Forces

Competitive forces of the industry

PESTLE Analysis

Macroeconomic analysis of the business environment

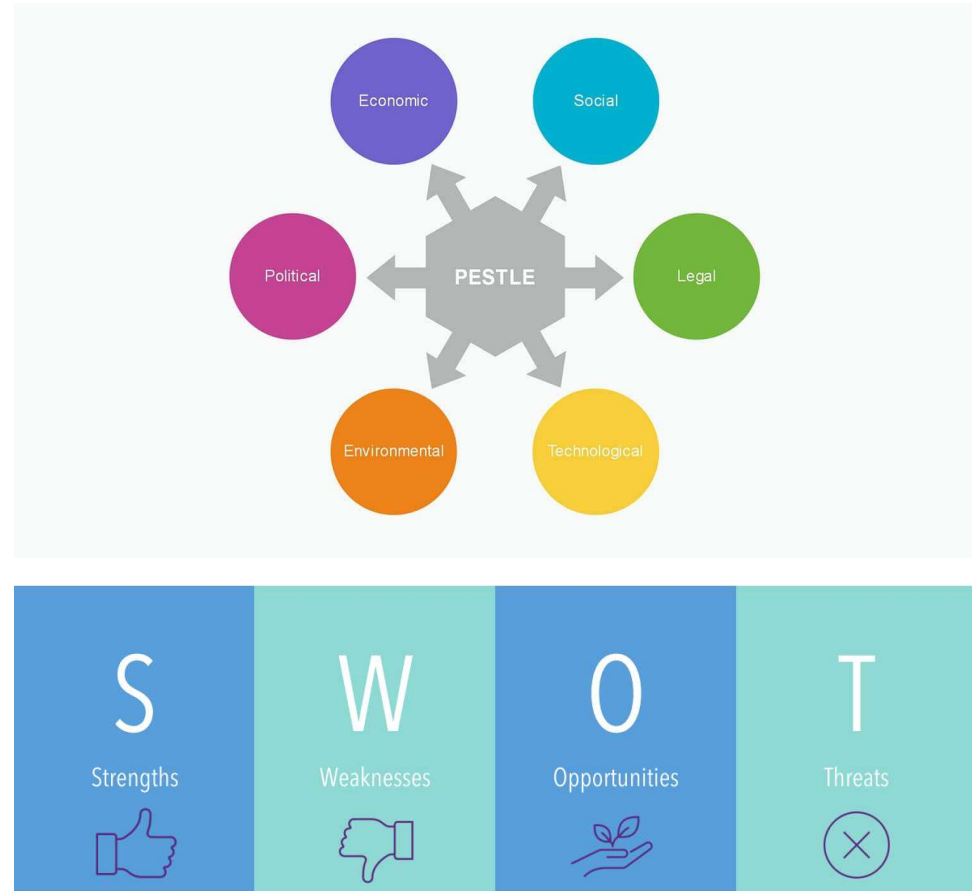
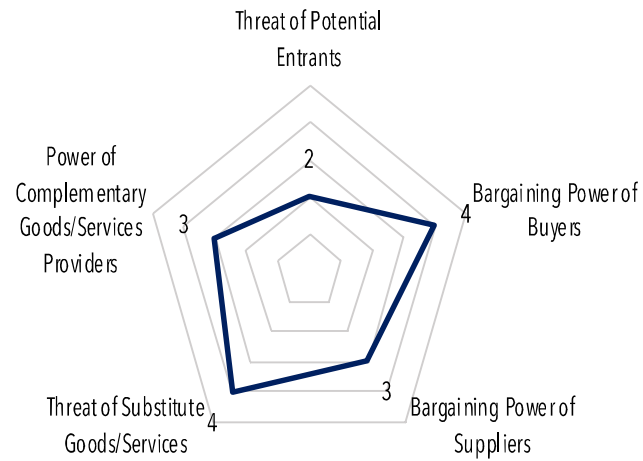
PEST → STEEP → PESTLE → STEEPLE

Micro

Macro

What is the industry's value chain, and how does THIS specific company fit in the value chain?

Frameworks



Research Platforms and Data Sources

Platform	Description
S&P Capital IQ (subscription excludes research tab)	<ul style="list-style-type: none"> ▪ Public companies' data & screening ▪ Markets data
FactSet	<ul style="list-style-type: none"> ▪ Public companies' data & screening ▪ Markets data
Euromonitor (Passport)	<ul style="list-style-type: none"> ▪ Data for market research
Fitch Connect	<ul style="list-style-type: none"> ▪ Ratings ▪ Country risk & industry research
Factiva	<ul style="list-style-type: none"> ▪ News monitoring

Selecting Your Target Company for Report

What makes a “good” target company:

1. Easily understood business model.
2. Maximum of 2 core business verticals (i.e., pure-play business)
3. Clear revenue and cost drivers.
4. Business that is fundamentals driven; not market hype driven “*meme stocks*” e.g., GME, TSLA
5. Clear long / short positioning
6. Sectors to avoid:
 - Banks, oil & gas (different valuation standards)
 - Biotech pharma (volatile – highly dependent on successful rollout of drug)
 - Startups (volatile – hard to gauge success)
7. Small/midcap companies
 - Avoid ultra-large companies / market leaders – hard to find comparables

To-do:

1. Shortlist Target Company(ies)
2. Prelim Research & Viability Assessment
 - Understand the business model
 - Key revenue and cost drivers
 - Industry analysis & trends
 - Key competitors and competitive positioning
 - Outline of thesis & risks
 - Indicative valuation – quick comps
 - Street (analyst) consensus – long / short
 - **Your view & analysis!!!**

**Thank You
&
See You Next Week!**