Equity Research (EQR)

Individual Assignment 2

Master in Finance (Elective Course Unit)

2017/2018, 1st Semester

DEADLINE: 15/11/2017 23:59h, hand in through Aquila a xls file for A) and a txt file for B) and C)

You may use the template available on Aquila, section "INDIVIDUAL ASSIGNMENTS".

DESCRIPTION:

A) (8.0 points) **Based on "Forecasting Financial Statements: Example 2", forecast the three main financial statements until 2022F:**

- The company will achieve the highest efficiency in fuel costs in 2019F;
- Payables and Inventory will maintain efficiency levels of 2019F;
- Receivables are expected to reach the industry average by 2020F and remain stable onwards;
- Due to expected growth in Traffic:
    - Staff costs will grow YoY 6.8% (2020F), 4.8% (2021F) and 4.5% (2022F);
    - Maintenance and Repair will grow YoY 2.40% (2020F), 2.45% (20121F) and 2.50% (2022F);
    - Other Costs will grow YoY 6.80% (2020F), 6.50% (20121F) and 6.20% (2022F);
    - Rent costs will reach % Traffic of 4.00% (2020F), 5.00% (20121F) and 5.00% (2022F).

B) (7.5 points) **Perform a Financial Analysis, based on ratios, limited to 500 words – not including Tables and Figures (optional).**

C) (4.5 points) **Consider the following papers available on Aquila:**

[FAJ] The Misrepresentation of Earnings

[FAJ] The Shiller CAPE Ratio: A New Look

[FAJ] Time to Change Your Investment Model

Explain how you can contemplate the findings of the three papers when forecasting financial statements (maximum of 100 word for each paper).