

## Equity Research (EQR)

Individual Assignment 3

**Master in Finance (Elective Course Unit)**

2017/2018, 1<sup>st</sup> Semester

**DEADLINE:** 03/01/2018 23:59h, hand in through Aquila ONLY a txt file.

### DESCRIPTION:

**A) (14.0 points) Based on the “Example 2” and on forecasts until 2022YE, estimate the price target for 2017YE and make an investment recommendation.**

- Limited to 400 words – not including Tables and Figures.
- Should be used the xls file from the 2<sup>nd</sup> individual assignment;
- The stock price on 30<sup>th</sup> June, 2017 (date of your report) was €36.50/sh.
- Data for the equity cost of capital (CAPM):
  - RFR 0.37%
  - $\beta_U$  0.60
  - MRP 6.25%
- Should be included a Table to explain the link between forecasts and the price target (see Appendix 16 of ALTRI’s report for DCF models);
- All valuation methods are valid for Example 2.

**B) (3.0 points) Several risks can jeopardize the investment recommendation in A). Stress some of these risks to assess the robustness of the investment recommendation.**

Limited to 200 words – not including Tables and Figures (optional).

**C) (3.0 points) Consider the following papers available on Aquila:**

[FAJ] Are Cash Flows Better Stock Return Predictors Than Profits

[FAJ] How Do Investors Compute the Discount Rate

[FAJ] Stick to the Fundamentals and Discover Your Peers

[FAJ] What Makes Stock Prices Move

**Choose 2 papers and explain how you can contemplate the findings of these papers when valuing firms (maximum of 100 word for each paper).**