



Welcome to Week 5!

Earnings: What to look for as Investors

Attendance instructions: Navigate to “Events” tab on website, find today’s post
www.unlbric.com

Agenda

- Presentation on Earnings
- Market Update
- Portfolio Update
- Tri Pointe Homes (TPH) Equity Pitch and Voting
- Announcements

Why should we care about earnings?

- Volatility increases in times surrounding earnings
 - This effect is exacerbated for larger companies vs smaller companies
 - Smaller companies tend to be less actively traded



What should be monitored going into earnings?

You should first have an idea as to what analysts are projecting as to earnings, the top line, growth rates, expenses and any variables that are important for that company.

- Where you can find analysts projections
 - Bloomberg is best, but you can find info elsewhere
 - <https://www.nasdaq.com/>
 - <https://finance.yahoo.com/>

These consensus estimates do have long run effects.

- Earnings Drifting
 - The propensity for price to follow what side earnings represented over the course of the next quarter.
 - This is contrary to the efficient market hypothesis.



What should be monitored going into earnings? (Continued)

You should also have an understanding of where you expect figures to land.

- If you expect an earnings beat compared to guidance and consensus estimates, you might want to make play off of earnings and vice versa.
- The more information you have, the better prepared you are to respond should you believe the market over or under reacted to earnings.



What should be monitored going into earnings? (Continued)

- Competitors earnings can provide insight into the company you hold.

Walmart presented earnings a couple of weeks ago and beat on all metrics except future guidance. It was for all intents and purposes its best quarter ever and it proceeded to drop about 5% that day.

Target presented earnings yesterday.

They also beat on every metric, but refused to provide guidance as the pandemic made things “difficult” to project, and they proceeded to drop about 7%



Implied Volatility Before Earnings.

This only really works on heavily traded companies. Small cap companies often don't have the daily volume to accurately give implied volatility.

Black Scholes Model

$$c = S_0 N(d_1) - K e^{-rT} N(d_2)$$

$$p = K e^{-rT} N(-d_2) - S_0 N(-d_1)$$

where
$$d_1 = \frac{\ln(S_0 / K) + (r + \sigma^2 / 2)T}{\sigma\sqrt{T}}$$

$$d_2 = \frac{\ln(S_0 / K) + (r - \sigma^2 / 2)T}{\sigma\sqrt{T}} = d_1 - \sigma\sqrt{T}$$

Mar 05	10.40	-3.08 ▼	9.20	10.10	1	2	317.50
Mar 05	8.05	-2.95 ▼	6.95	8.10	106	130	320.00
Mar 05	6.80	-3.73 ▼	6.25	6.70	480	26	322.50
Mar 05	5.20	-2.35 ▼	5.10	5.25	1663	104	325.00
Mar 05	4.30	-1.67 ▼	4.10	4.30	415	63	327.50
Mar 05	3.40	-1.30 ▼	3.25	3.50	1138	1447	330.00

In essence, you take the

- The underlying stock price.
- The strike price.
- The time to expiration.
- The risk-free interest rate.

And fill it into Black Scholes and back solve for the volatility. You can use this figure to project expected movement in equity prices.

Earnings Presentations and Earnings Calls



What are they?

On a quarterly basis every company has an earnings call to go over their financial results and answer questions analysts have about the company. The company can offer forward looking statements and any strategy they feel is relevant.

Earnings Presentations are more uncommon. They often times are in conjunction with in conjunction with investor day conferences. They tend to be more strategy focused.

Why Do Earnings Calls Matter?



It's quite simple: Forward looking statements.

The company offers context, color, and forward looking statements that allow analysts to complete more accurate projections in these calls.

You can also gain some understanding about how excited an executive is about a company which can be helpful in developing an opinion on the company.

Where can you find these earnings calls and investor presentations?

On almost any investor relations website for the company.

However, The Market Often Times Makes No Sense



Real-life example with a current portfolio company

- Portfolio company Enviva (EVA) released earnings last week
 - Growth measures met, but failed to exceed expectations on a yearly basis
 - Quarterly net income dipped back to a slight loss for Q4 despite record EBITDA margins
- Investors responded fairly negatively to this news
 - Down ~10% over the past week
 - Down ~5.5% today
- Listen to the first ~9 minutes of their earnings call
 - Notice the flow of presentation and what key findings are shared first
 - Full call included in copy of this presentation and on Enviva's website



Deciphering what a company releases during earnings

- Companies will often post brief financial highlights in either an online dashboard, press release, shareholder call/presentation, or all three
 - Generally, these sources include very base-level and unadjusted measures
 - Paint the company in the best possible light, “snapshot” of current performance
 - “EBITDA margins grew by 23% year-over-year!” → What does that mean in context?
- Financial statements and reports provide a clearer picture of how a company is doing
 - Required to disclose all relevant and material events and some potential events
 - Reports reduce information asymmetry between companies and investors
 - Auditors make sure financial statements are presented fairly and accurately

The meat and potatoes of earnings announcements: Financial Statements

- Companies are required to file financial reports with the SEC
 - Quarterly: 10-Q
 - Annually: 10-K
 - We are in the Q4 earnings season, companies releasing 10-Qs for Q4
 - Many companies with fiscal years ending December 31 also reporting annuals during this time
- Within these filings, companies disclose LOTS of important information
 - Financial performance for the current period via financial statements
 - Forward-looking projections for growth in revenue, margins, etc.
 - Strategies employed to enhance shareholder value (focus on M&A, high leverage, etc.)
 - Assessment of risk factors
 - Management's discussion of current operations

Important questions to answer with a company's financials

1. How did this company perform over the measured period?
2. How did this company perform on a year-over-year basis for the period?
3. How did this company perform on a quarter-over-quarter basis?
4. In what direction are revenues and costs of revenue trending?
5. Is the company increasing cash as a result of continuing operations?
6. What events had a material impact on the financial statements?

...among numerous other questions that deal with specific accounts

Financial metrics used to assess performance

- Price
 - P/E, P/S, P/B, P/FCF
 - Divide current market capitalization by a performance or value measure
 - Searching for undervaluation
 - All measures are best assessed when compared with historical company data and industry peers
- Margins
 - EBITDA/Sales
 - Assesses profitability
 - Looking for stability

More financial metrics used to assess performance

- Dividend payout
 - Dividend/NI
 - Indicates how much of earnings are paid out to investors vs reinvested into the company
- Debt
 - D/E
 - Defines a company's capital structure, leveraging, and associated risk
 - Important to interpret in context:
 - Is this company financing high levels of income growth?
 - How does this company compare to its industry peers on the basis of capital structure?

Interpreting risk factors

- First key part of every risk factor section: disclosures of potential litigation
 - Not always valued → recommended to research potential financial impact of event
- Other key disclosures about business operations are provided
 - Inadequate liquidity
 - Operations do not generate sufficient cash
- Ask ourselves: are these observations part of a larger industry/market trend, or specifically related to problems within this company?

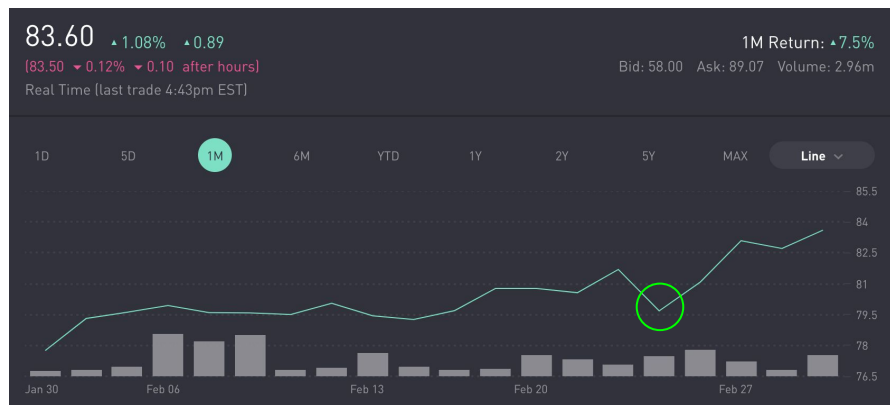
Other key disclosures

- Disclosures of certain events, risks, strategies, and activities are laced throughout financial statements in both dedicated sections and footnotes
- These disclosures provide a closer look at management activities and goals
 - Also uncovers potential problems with management → Disclosures related to internal controls, audits
- Management also provides space for their explanation of financial statements

Price theory and reactions to earnings reports

- Late 2020...
 - Companies release previous quarter earnings, provide guidance for remainder of 2020 and beyond
 - Financial analysts perform equity research, predict success/failure for earnings
- Early 2021...
 - Analyst estimates are compiled to form consensus estimates
 - Companies release previous quarter earnings and future guidance
 - Did this release succeed (surprise) or fail (disappoint)?
 - Theoretically, this information should cause investors to increase/decrease demand for the stock

Sometimes, it does!



Dell (DELL)

Surprised estimates for Revenue, Profitability

Renewed focus on storage product line

Shares climbed >5%



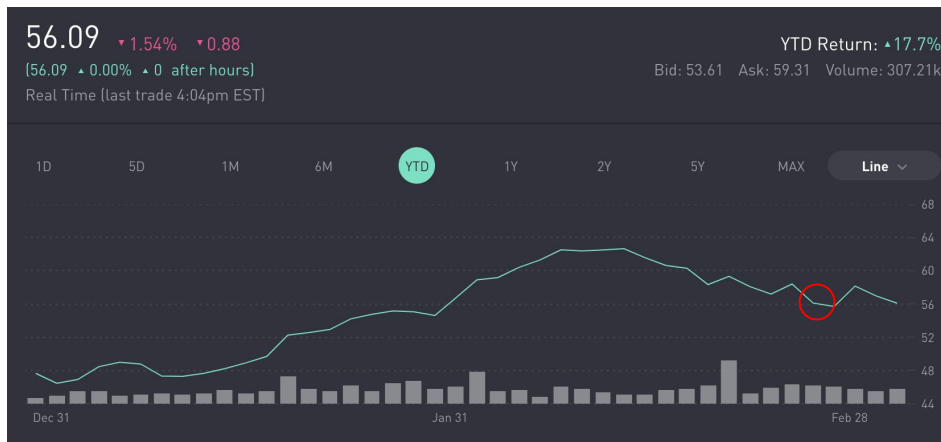
Target (TGT)

Slightly beat estimates for EPS, Revenue, Same-store Sales

Declined to give guidance (COVID), Investing more in online platforms

Shares fell >7%

Other times, not so much...



Perficient (PRFT) - Portfolio Company

Small surprise on estimates for EPS, Revenue

Released earnings amidst strong sell-off of tech stocks

Shares grow ~2% over the next week, mostly thanks to a strong open last Monday

Average Daily Returns, Excluding Monday Open Surge: (0.71%)

In short...

- Context is what really matters, don't get tricked into buying headlines
- These reactions were driven by:
 - Financial metrics compared against internal and consensus estimates
 - Shifting of operations as detailed by management
 - Investor sentiment on these developments

Resources for assessing earnings

- Follow Earnings Whispers (@eWhispers) on Twitter
- Bloomberg Functions
 - FA (Financial Analysis)
 - ERN (Earnings, Current and Historical Data)
 - EE (Earnings Projections)
 - EEO (Consensus Earnings Estimates)
 - SURP (Earnings and Revenue Surprises)
- Create watchlists on screening sites
 - Yahoo Finance
 - Koyfin

The image shows a screenshot of the Earnings Whispers website. The main heading is "Most Anticipated Earnings Releases for the week beginning March 1, 2021". The content is organized into a grid by day of the week: Monday, Tuesday, Wednesday, Thursday, and Friday. Each day's section is further divided into "Before Close" and "After Close" releases. The logos of various companies are displayed in a grid format, including well-known names like Amazon, Microsoft, Google, and many others. The bottom of the page includes a copyright notice for Earnings Whispers, dated 2021.

Monday		Tuesday		Wednesday		Thursday		Friday
Before Close	After Close	Before Close	After Close	Before Close	After Close	Before Close	After Close	Before Close
WALGREENS	NIO	TARGET	fubo TV	DOLLAR TREE	snowflake	Kroger	Costco	BIG DOTS
BREXIDEN TECHNOLOGY	zoom	SEA	veeva	AMGEN	MARVELL	BFB	fulgent	DEERE & CO
TEGNA	amazon.com	TherapeuticsCO	IKP	EES	splunk	purple	smile	腾讯控股
GENTHERM	Lemonade	KOHL'S	NORDSTROM	optinose	vroom	Michaels	SouthPeak	RUTH'S CRISP BREADS
Stratys	Alkermes & Fick	AMERICA'S FISH	Arbitria	EndoPharm	okta	adaptHealth	BROADCOM	ABB Corporation
Amicus	NOVAVAX	KOPIN	Health Research	ENERGY	AMGEN	ciena	TURTEL	GLOBAL
nrg	inovio	LL Flooring	AMEREN	AMEREN	AMEREN	BAO ZUN	OptiMaze	OCULUS VR
Clearway Energy	inseego	Boji Group	OPDCORP	ITURAN	Trip.com	SCHROEDINGER	Gap Inc.	STANLEY BLACK & DECKER
Dentply Sirona	SAREPTA	amyris	LANX	TransAlta	yext	Canadian Natural	slack	imara
Novanta	Clover	nanox	box	TransAlta	yext	Canadian Natural	Arbutus	Immersion

TRI Point Group (TPH)

- Share Price: \$18.67
- Market Cap: 2.226B
- Diluted EPS: \$2.17



Valuation

Key Multiples

- PE: 8.60x
- PB: 0.94x
- Forward PE: 6.44x
- Price/Sales: 0.69x
- Current Ratio: 12.06x
- Quick Ratio: 2.30x

DCF Sensitivity

Long-Term Growth Rate

	% Upside	2%	2.25%	2.50%	2.75%	3%
WACC	9.41%	36.21%	40.55%	45.26%	50.29%	55.70%
	9.51%	33.96%	38.19%	42.74%	47.62%	52.87%
	9.61%	31.82%	35.94%	39.80%	45.05%	50.13%
	9.71%	29.73%	33.74%	37.98%	42.53%	47.46%
	9.81%	27.69%	31.55%	35.73%	40.12%	44.88%

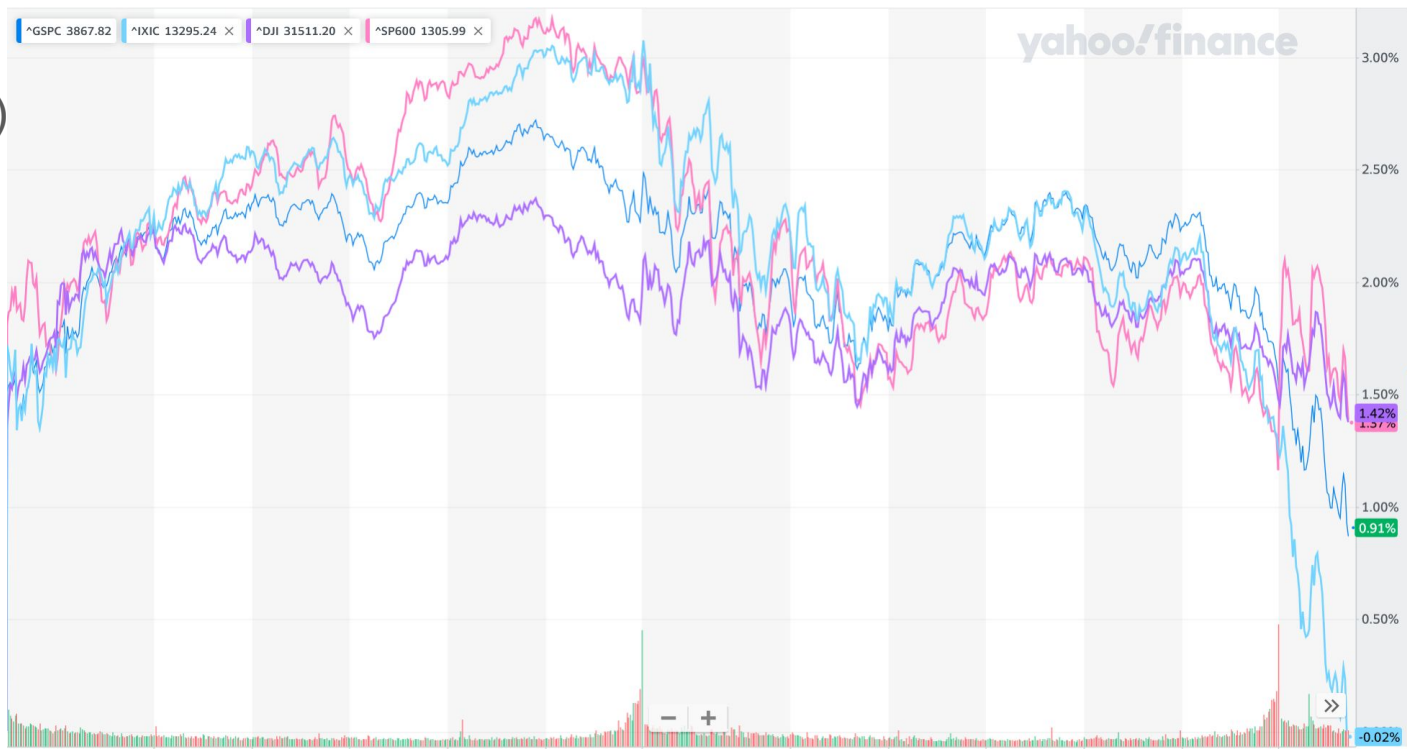
Tri Pointe Homes Voting

- Head to the website
- Link on today's event page (right below where you entered for attendance)



Market Update
March 3rd, 2021

Market Returns Have Been Positive So Far This Week (Monday to about 9:10 AM today)



Dow Jones (+1.42%)

S&P 500 (+0.91%)

NASDAQ (-0.02%)

S&P 600 (+1.37%)

Google to Stop Tracking Individuals Across Multiple Websites to Sell Ads

“If digital advertising doesn’t evolve to address the growing concerns people have about their privacy and how their personal identity is being used, we risk the future of the free and open web,” David Temkin, the Google product manager leading the change, said in a blog post Wednesday.



https://www.wsj.com/articles/google-to-stop-selling-ads-based-on-your-specific-web-browsing-11614780021?mod=hp_lead_pos1

Analyst Remains Bullish on Apple Due To Services

“Amit Daryanani wrote in a research note Tuesday that Apple App Store revenue grew 30% in February for “another strong month.” He estimates that App Store developer revenue was \$4.4 billion in the quarter, up 30%, after gains of 40% in January and 31% in December.”

He also expects Apple Arcade and Apple TV+ to gain transaction over the next five years, with 80 million to 90 million subscribers each. At \$100 billion, he adds, services would be 30% of Apple’s overall revenue and 45% of gross profit.

https://www.barrons.com/articles/apples-services-business-could-surprise-investors-once-again-51614715532?mod=hp_DAY_7



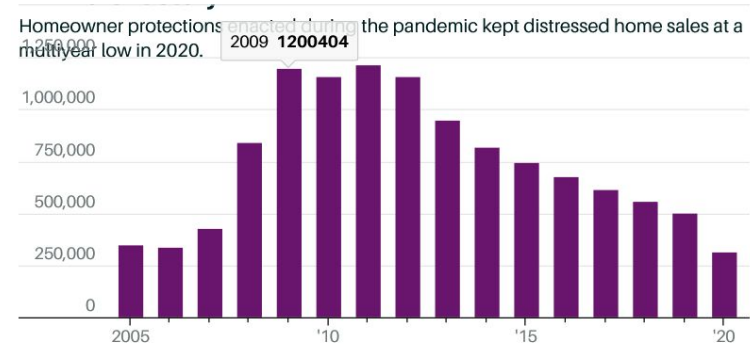
We Likely Won't Have a Foreclosure Wave.

- 2.1 Million Americans are seriously behind on their mortgages
- FHFA extends eviction moratorium to June, 30th and forbearance allowances up to 18 months.



“There’s a morphine drip into the body economic that is so powerful that you have no idea what the underlying condition of the patient is,” William R. Emmons, an economist at the Federal Reserve of St. Louis, told *Barron’s*. “We have no idea what the true state of the housing market is—or would be, hypothetically—because we’ve hit it with such a huge dose of morphine.”

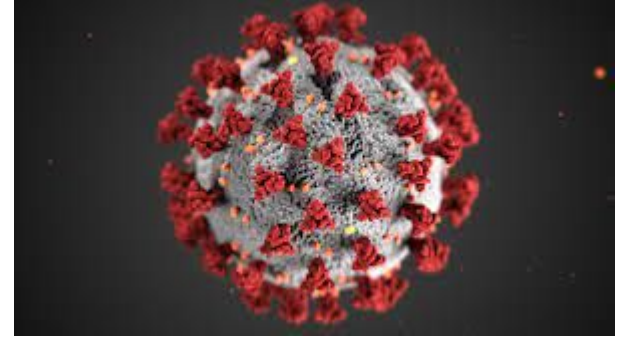
https://www.barrons.com/articles/there-probably-wont-be-a-post-covid-wave-of-foreclosures-heres-why-51614717019?mod=hp_LEAD_1



COVID-19 Vaccines For Everyone (By the end of May)

- President Biden has come out and said that there should be enough vaccines for every adult by the end of May. This is an increase from the previous timeline of some time in June.

<https://www.npr.org/sections/coronavirus-live-updates/2021/03/02/973030394/biden-says-u-s-will-have-vaccine-supply-for-all-adults-by-may-prioritizes-teache>



U.S. vaccinations >

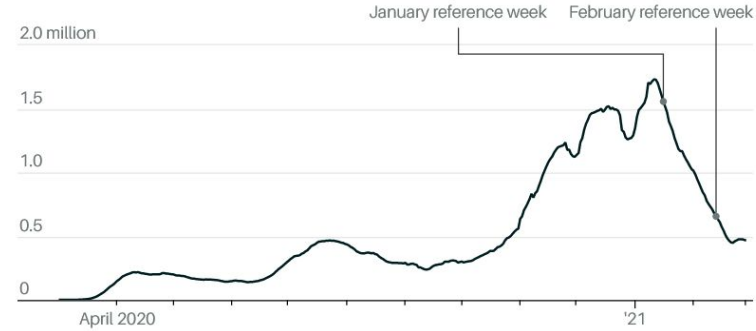


Jobs Report on Friday

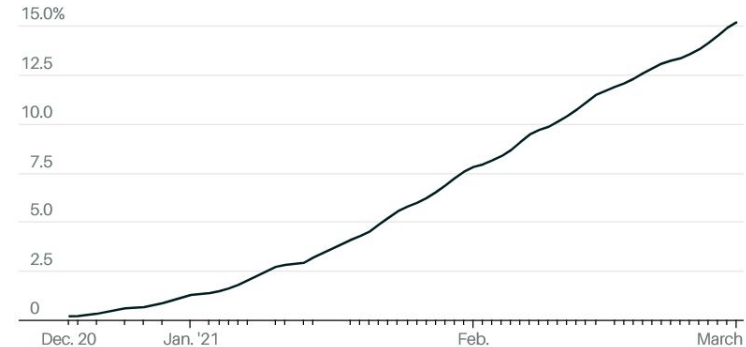
- The latest jobs report will come out on Friday.
- Look for recovery after dismal numbers the past two months.

https://www.barrons.com/articles/in-fridays-jobs-report-look-for-signs-of-health-after-the-winter-virus-wave-51614724495?mod=hp_LEAD_2

Number of new confirmed cases of Covid-19 per week



Share of U.S. population that has received at least one coronavirus vaccine dose



Private Payrolls Disappoint With 117,000 Jobs

"The modest 117,000 gain in the ADP measure of private payrolls for February, down from an upwardly revised 195,000 increase the month before, is a disappointment given that the drop-off in coronavirus case numbers and the resulting lifting of containment measures should be giving the economy a bigger shot in the arm," Paul Ashworth, chief U.S. economist for Capital Economics, wrote in a note Wednesday morning."

<https://finance.yahoo.com/news/adp-private-employment-payrolls-change-february-2021-131527071.html>



48,000 in trade, transportation and utilities industries.

Education and health services payrolls rose 35,000 payrolls

Leisure and hospitality jobs rose by 26,000.

Manufacturing and Construction lost 3,000 and 4,000 respectively.

Bond Yields Caught Federal Reserve governor Lael Brainard' Eyes

“I am paying close attention to market developments,” Ms. Brainard said in a video appearance. “Some of those moves last week and the speed of the moves caught my eye,” the official said, adding, “I would be concerned if I saw disorderly conditions or persistent tightening and financial conditions that could slow progress towards our goal.”



<https://www.wsj.com/articles/fed-s-brainard-economy-remains-far-from-achieving-fed-job-inflation-goals-11614708361>

Monday

Tuesday

Wednesday

Thursday

Friday

Before Open

After Close

Before Open

After Close

Before Open

After Close

Before Open

After Close

Before Open

 WORKHORSE	 NIO
 BERKSHIRE HATHAWAY	 zoom
 TEGNA	 mercado Libre
 GENTHERM	<i>Lemonade</i>
 Stratysys	 BOBSYSTEMS
 Amicus Therapeutics	 NOVAVAX
 nrg	<i>inovio</i>
 Clearway Energy	<i>inseego</i>
 Dentsply Sirona	 SAREPTA THERAPEUTICS
 Novanta	Clover

<http://eps.sh/cal>

 TARGET	 fubo TV
 sea	<i>veeva</i>
TherapeuticsMD	 P&G
 KOHL'S	NORDSTROM
Abercrombie & Fitch	 Ambarella
 KOPIN	 Hewlett Packard Enterprise
 LL Flooring LUMBER LIQUIDATORS	 BIG 5
 AutoZone	 GROCERY OUTLET <i>Spring Market</i>
<i>amyris</i>	 URBN <small>URBAN OUTFITTERS INC.</small>
<i>nanox</i>	box

 DOLLAR TREE	 snowflake
 The Wendy's COMPANY	 MARVEL
 BBB	<i>splunk</i>
<i>optinose</i>	vroom
<i>ENDEAVOUR</i> <small>SOLVED</small>	okta
 COREENERGY <small>Infrastructure Trust, Inc.</small>	 AMERICAN EAGLE OUTFITTERS
 evogene	 AVINO SILVER & GOLD MINES LTD.
 ITURAN <small>Location & Control Ltd</small>	Trip.com
TransAlta	<i>yext</i>
 CARGILL	 SQM

 Kroger	 COSTCO WHOLESALE
 BJ'S	 fulgent
<i>purple</i>	smile
<i>Michaels</i>	 Smith & Wesson
<i>adapthealth</i>	 BROADCOM
ciena	 TURTLE BEACH
 BAO ZUN <small>baozun.com</small>	 OpenTable.com
SCHRÖDINGER	Gap Inc.
 Canadian Natural	 slack
 Arbutus BIOPHARMA	<i>immersion</i>

 BIG LOTS!
 HIBBETT SPORTS
 GSX Techedu Inc.
 RUTH'S HOSPITALITY GROUP
<i>inTEST Corporation</i>
 GLOBAL
 INCOLYTICS <small>PLASMA INC.</small>
 SILVERCREST <small>ASSET MANAGEMENT GROUP</small>
 imara

Warren Buffett Quote

"Buy a stock the way you would buy a house. Understand and like it such that you'd be content to own it in the absence of any market."



Portfolio Update

- View our Portfolio dashboard under the “Education” tab on the website!

\$450,427 Total Holdings

- Up 8.21% Since Jan 1
- Up 2.91% Month-Over-Month
- Beat S&P 500 by 0.25% so far this week

Biggest Winners:

GLUU - 32.3%

CENTA - 22.7%

PRFT - 19.5%

Announcements!

- **Upcoming Event: Bowling @ East Campus Union Lanes on Saturday!**
 - 4:30 - 6:30 PM
 - Register for your spot on our website today, space is limited

- **Investopedia Competition going on now! Here are the current leaders:**

CURRENT RANK	PREVIOUS DAY'S RANK	ACCOUNT VALUE (USD)	TODAY'S CHANGE IN VALUE	OVERALL%
1. jheglin13 (history)	1	\$106,392.49	-\$800.25 ↓	+6.39% ↑
2. bwarrick2 (history)	2	\$100,652.50	-\$124.00 ↓	+0.65% ↑

- Sign up on the website, under the event's link tree
- We like Feedback! Please fill out this google form <https://bit.ly/3uNjr2R>

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