NIC Undergrad Review

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NIC

— Undergraduate Division —



Editor's Note.

Dear reader,

Firstly, I would like to start by expressing my excitement as I take on the role of editor-in-chief for the academic year of 2023/2024. I'm honoured to take on this challenge and committed to preserving the excellent work done on the oldest first student-run business magazine in Portugal.

I am pleased to bring you the first NUR edition of this academic year. In light of our commitment to deliver high-quality content, the newspaper has undergone a restructuring process. Going forward we will publish trimestrally, providing you with a set format with recurring articles and segments. We believe this new approach will enhance your reading experience and allow us to deliver more in-depth analysis and insights.

Every edition will start with a retrospective look into the Iberian financial markets and M&A deals around the world. Followed by an industry overview and a company deep dive from that sector. In this edition, you will dive into the world of Fast-Moving Consumer Goods, with an analysis of the Procter & Gamble Company. In addition, you will find an in-vogue discussion on how AI is changing the financial markets. The last article presents a lesser-known framework for evaluating businesses. To conclude this issue, we bring you a peek at our delightful talk with António de Pinho, a NIC alumni, in an exclusive interview - a segment we will keep.

I extend my deepest gratitude to our dedicated teams of writers, Matilde Oliveira, Gabriel Dépraz, Francisco Bragança, Alexandre Sacavém, Madalena Morgado, Afonso Freitas, Beatriz Almeida and Pedro Rebelo, whose effort and support was crucial in putting this newspaper together.

Warm regards,

Rita Fernandes

Editor-in-chief





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Quick Take on Iberian Markets



Matilde Oliveira

Portuguese banks are experiencing historic levels of profitability. The national banking sector is experiencing a period unlike any in recent history, with a return on equity reaching 13.71% in the first half of the year—nearly double the Eurozone average. The net interest margin also set a record at 2.38 times the banks' assets. This surge is attributed to a wider spread between interest rates on loans and deposits. The banking sector faces challenges due to concentration in real estate and debt securities, but Credit rating agencies Fitch and DBRS anticipate that European banks will continue to grow next year despite the expected decline in interest rates.

Greenvolt Next completes the acquisition of Ibérica Renovables. The Portuguese renewable energy company has completed the acquisition of a 75% stake in Ibérica Renovables, a Spanish company specializing in photovoltaic solutions. The purchase, announced in August, has received approval from the Competition Authority. Ibérica Renovables, based in Seville, installed a total of 184 MWp in Portugal and Spain in 2022, focusing on self-consumption plants and large-scale solar projects. The acquisition is expected to enhance Greenvolt's capacity to deliver renewable energy solutions and meet the growing demand for distributed generation systems.

Vodafone is selling business in Spain to British fund Zegona. The British fund has secured a 5000-million-euro deal, encompassing the license to utilize the Vodafone brand in Spain for up to ten years. The transaction, subject to approvals, is expected to be completed in the first half of 2024 and is considered a strategic move to optimize the group's portfolio for growth. Leadership at Vodafone Portugal has emphasized the operational independence of the Portuguese branch from events in Spain, explicitly stating that the two are separate entities and assuring that there are no plans to sell the Portuguese operation. Meanwhile, Vodafone Portugal has a proposal to acquire competitor Nowo, currently awaiting approval from the Portuguese Competition Authority within Portugal and retain the current workforce.

Portugal and Spain have decided against seeking an extension for the Iberian energy mechanism. Initially implemented in response to the energy crisis and the Ukraine war, Spain withdrew its intention to extend the Iberian energy mechanism beyond December 31, 2023, citing changed market conditions and decreased gas prices. Despite earlier speculations about a possible extension, Portugal has confirmed it has no plans to request an extension. The European Commission had also expressed reservations, highlighting the altered context. The mechanism, designed to control electricity prices during periods of high gas prices, has been inactive since February. Its extension would require coordinated efforts between Portugal and Spain's governments.

Political transformations unfold. After securing an amnesty deal for Catalan separatists, Pedro Sánchez was re-elected as Spain's Prime Minister, obtaining an absolute majority within the Congress of Deputies. Despite the People's Party winning the elections, Sánchez formed a coalition government with a diverse range of left and right-wing parties. In Portugal, the Prime Minister resigned amid a corruption scandal involving businesses related to lithium, green hydrogen, and data. Following this, the President of the Republic decided to dissolve the parliament. Despite the political turmoil, the state budget was still approved, and new elections are scheduled for March 2024. The PSI 20 was affected by this event but has since recovered.

Mutares completes the purchase of Efacec. Almost 3 years after its nationalization, The Portuguese Ministry of Economy announced the sale of its majority stake in Efacec, which operates in the energy, engineering, and mobility sectors to a German fund. As per the agreement with Mutares, the government will inject an additional €160 million into Efacec, following the €200 million provided in recent months, used to cover salaries and other fixed costs. Mutares will invest €15 million in Efacec immediately and provide €60 million in guarantees. The agreement includes a commitment not to sell the company for 3 years along with a commitment to sustain Efacec's operations.

M&A Analysis



Gabriel Dépraz

Are sector dynamics and economic conditions shaping a promising Outlook for 2024?

Overview

With the end of 2023, it is time to draw conclusions about M&A activity this year and what is expected to come. M&A volumes and values decreased during the first half of 2023 by 4% and 12% compared to the end of 2022. The technology, media and telecommunications sector had the largest volume in the first half of 2023 (with a 26% share of all activity). However, in terms of value, the two leading sectors were the industrial manufacturing and automotive sector (IM&A) with a 25% share, and the energy, utilities and resources (EU&R) sector with 21% of total deal value. Knowing that the EU&R industry volume of M&A deals accounts for only 9%, contrasting with the 21% in terms of value, it shows how investors are attracted by substantial investments in the energy transition.

There is no doubt that the current macroeconomic conditions will continue to influence dealmaking activity. A more stable interest rate environment (the Federal Reserve increased the interest rates by 25 basis points since the beginning of the year) will make it easier for dealmakers to price transactions. On one side, companies with tremendous cash reserves (like ExxonMobil) can take advantage. As history indicates, winners don't pause M&A during downturns, they use the opportunity to reshape their industries. Furthermore, down cycles and uncertainty forces companies to reevaluate their portfolios under new scenarios, so it is a great opportunity for these companies to make new M&A deals.

On the other side, the cost of capital is extremely high for non-liquid companies, and this has a negative impact on the number of M&A deals because the current uncertain macroeconomic conditions make it hard for board members to establish a proper plan to follow with all the variables and the potential negative consequences. However, according to experts, 2024 will be a solid year. Indeed, it will be easy to surpass 2023 numbers. According to the Federal Reserve's statements, there should be a price conversion leading to the gap between the price expectations of sellers and buyers to narrow.

Finally, AI will cause disruption in a lot of industries. AI offers productivity and efficiency gains through automation that will make it interesting for companies to acquire it, for example, Airbnb with GamePlanner.

Most relevant deals in the second semester of 2023

Announced Date	Target	Buyer	Target Region	Target Industry	Value
22/11/2023	VMware	Broadcom	US	Technology	$69 billion
11/10/2023	Pioneer Natural Resources	ExxonMobil	US	Energy	$59,5 billion
23/10/2023	Hess Corp	Chevron	US	Energy	$53 billion
21/09/2023	Cisco	Splunk	US	Technology	$28 billion
06/10/2023	Horizon Therapeutics	Amgen	US	Pharmaceutical	$27,8 billion

Pioneer Natural Takeover by ExxonMobil

The Rationale

On October 11th, ExxonMobil Corp announced the acquisition of Pioneer Natural Resources. Exxon is the biggest US oil company. Pioneer is the largest oil producer in Texas. The Permian Basin (located in Texas) is the largest shale oil-producing basin in the US. After steep cost inflation, there was a period of consolidation as Exxon faced its first annual loss in over a decade in 2020, reaching $22 billion. Furthermore, investors' demands for returns have shrunk for production growth in 2023 in the Permian basin, with production planned to rise by only 430'000 barrels per day (bpd), which is well below the 1 million-bpd gain in 2019. ExxonMobil had a fixed objective of producing over 1 million bpd by 2027. Now, thanks to this acquisition, Exxon will more than double its production "instantly" passing from less than 600'000 bpd to approximately 1.33 million bpd. In the Permian Basin, Pioneer has the lead position, representing 9% of gross production, while ExxonMobil represents 6% (in fifth position). This deal underlines Exxon's status as the dominant player in the US fracking industry. After higher energy prices due to the war between Russia and Ukraine, ExxonMobil made a record-high annual profit of $55.7 billion, and it was able to create $29.5 billion in cash reserves, which could be ideal for doing acquisitions or other investments.

Deal Structure

It is an all-stock deal, meaning that no cash will be used for the transaction despite the nearly $30 billion cash reserves. Indeed, in an all-stock deal, the acquiring company (ExxonMobil) gives a portion of its shares to the shareholders of the acquired company (Pioneer). In this case, Pioneer shareholders will receive 2.3234 ExxonMobil shares for each share they own, corresponding to a 16% premium on the closing price on October 5th. The growth expectations are representative of the 2024E EV/EBITDA ratio. Indeed, it passed from 5.4x (pre-acquisition) to 6.5x (post-acquisition). Among all the advisors, Citi acted as the lead financial advisor to ExxonMobil, while Goldman Sachs and Morgan Stanley (among others) acted as financial advisors to Pioneer.

Market Reaction

From the figure above, after the announcement, Pioneer and Exxon's stock volumes were multiplied by 8 and 4, respectively, which shows market interest in these two companies. This announcement also triggered concerns about whether it would be authorized because, over the last few years, the White House asked the Federal Trade Commission (FTC) to scrutinize deals in the Oil and Gas sector. However, according to experts, the FTC should not be apt to prevent this deal from happening.

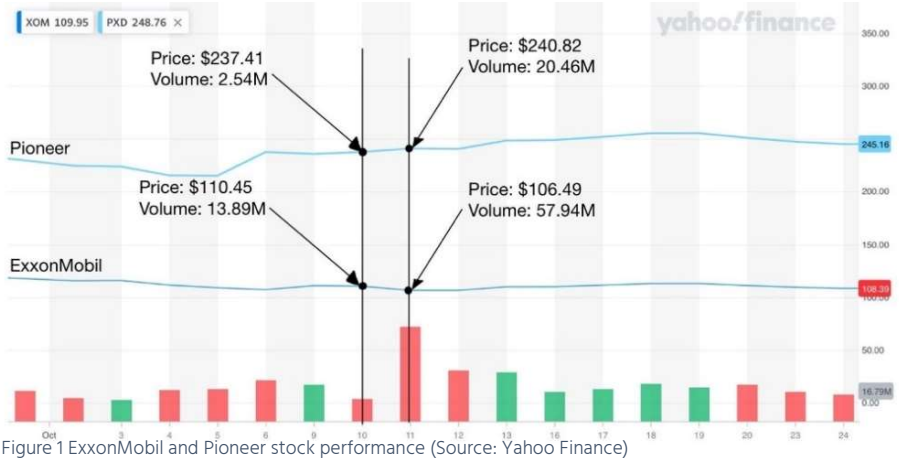


Figure 1 ExxonMobil and Pioneer stock performance (Source: Yahoo Finance)

Industry Overview:
Fast Moving Consumer Goods



Francisco Bragança

Behind the scenes of your favourite products

Have you ever found yourself standing in the snack aisle, torn between Ruffles, Lays, or maybe some Cheetos or 3D? Well, join the club! Turns out, we've all been part of a snacking illusion. Those TV ads made it seem like these brands were fierce rivals, but guess what? The reality is that they're all on the same team, united under the umbrella of the Consumer Goods giant PepsiCo..

It's marketing and it's just the tip of the iceberg . Did you know that most of the products lining supermarket shelves belong to a few mega-companies? In this article, we're diving into the captivating realm of the Fast-Moving Consumer Goods (FMCG) sector.

Understanding Fast-Moving Consumer Goods (FMCG)

Have you noticed how some items disappear from store shelves in the blink of an eye? Fast-Moving Consumer Goods (FMCG) constitute a category of products characterized by very high turnover and relatively low costs. Referred also to as consumer-packaged goods , these items are usually the type of goods sold in the supermarket which possess a brief shelf life, driven either by intense consumer demand, as seen with soft drinks and confections, or their inherent short life nature, exemplified by food, dairy products, and baked goods.

Historical context

Until the 19th century, goods were mainly produced and traded locally, relying on personal connections and community-based exchanges. The Industrial Revolution in the late 19th and early 20th centuries marked the adoption of railways and the usage of machinery in the production of new goods, a significant transformation, giving rise to Fast-Moving Consumer Goods (FMCG) companies like Procter & Gamble and Unilever. This era witnessed a shift towards mass production of essentials such as canned foods and soap, accompanied by the introduction of advertising and branding.

Initially, advertising for FMCG products was focused on mass media, such as television and print, to reach as many people as possible. The messages were straightforward, highlighting the benefits and features of the product, aiming to drive sales through mass distribution. One classic example of early FMCG advertising is Coca-Cola's "Drink Coca-Cola" campaign, which was first launched in 1886. The advertisements used simple illustrations and taglines to promote the refreshing taste of Coca-Cola and encouraged consumers to drink it whenever they felt thirsty.



Post-World War II, economic growth fuelled demand for diverse packaged goods, defining the FMCG landscape. The late 20th century witnessed globalization, as companies like Nestlé, Pepsi and Coca-Cola expanded internationally. Technological advancements transformed operations, while the 21st century brought digital transformation and a focus on sustainability.

FMCG Landscape

Segment and growth outlook

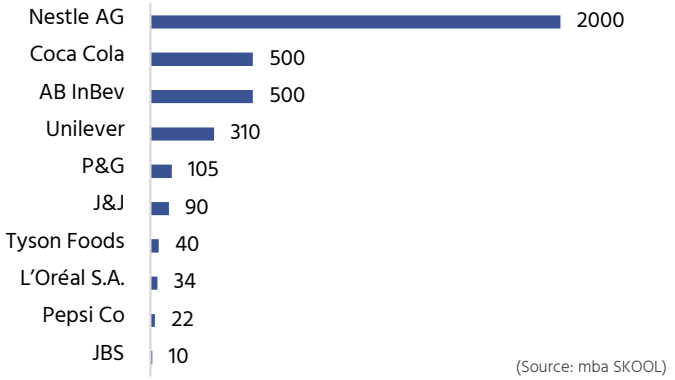
The FMCG sector, ranked as the fourth largest, is predominantly categorized into three segments:

• Food and beverages (19%): includes packaged foods, snacks, dairy products, carbonated and non-carbonated;

• Healthcare (31%): comprises cosmetics, pills, medicine skincare items;

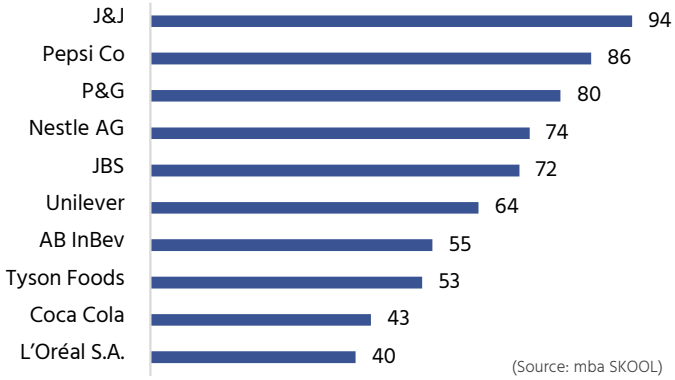
• Household and Personal Care (50%): covers cleaning supplies, laundry detergents, insecticides, and other essentials.

FMCG Companies by Number of Brands in 2023



(Source: mba SKOOL)

FMCG Companies by Revenue in 2023, in billions $



(Source: mba SKOOL)

Characteristics of FMCG Companies

Fast-Moving Consumer Goods companies navigate a competitive landscape, and their success hinges on various characteristics that define their approach to product, operations, marketing and strategy.

Product Characteristics

FMCG products are characterized by quick turnover and high-volume sales. Their short shelf life necessitates rapid turnover to maintain freshness and quality. Despite low-profit margins on individual sales, the substantial volume of sales ensures a stable revenue stream. These products often feature a low unit price, emphasizing affordability as a key factor influencing consumer purchasing decisions. In addition to quick turnover and high-volume sales, FMCG items are typically mass-produced with a focus on standardization to ensure consistency in quality. This standardization not only helps maintain brand integrity but also fosters the appearance of synergies. Moreover, brand loyalty is a prevalent feature in the FMCG sector, with successful brands investing in building and sustaining a positive brand image. Consumer preferences play a significant role in shaping the strategies of FMCG companies, highlighting the importance of understanding and catering to the evolving needs and desires of their target audience.

Marketing

FMCG companies invest significantly in building and maintaining a positive brand image . In fact, Selling, General, and administrative expenses (SG&A) represent one of the main costs of these companies.

SG&A can reach up to 30% of Revenues and to maintain a strong market share they often focus on unique and innovative positioning strategies to differentiate their products. For instance, Coca-Cola and Pepsi have engaged in decades-long marketing battles, creating a perceived rivalry that encourages consumers to pick a side. This strategy, known as "cola wars", generates buzz and brand loyalty. FMCG companies frequently use limited-time offers and promotions to stimulate demand. For example, seasonal promotions for chocolates and candies during holidays or limited-edition flavours of snacks like Lay's or Doritos create a sense of urgency and exclusivity, driving sales

Offering product samples is a widely used strategy, allowing consumers to experience the product

before making a purchase. FMCG companies, such as Nestlé or Unilever, often conduct experiential marketing campaigns where consumers can interact with the product in a memorable way, fostering positive associations. FMCG companies leverage media platforms for interactive campaigns. Brands like Red Bull have run successful campaigns that encourage user engagement, such as creating unique recipes or participating in challenges. These campaigns not only boost brand visibility but also foster a sense of community among consumers.

Strategy

Consumer packaged companies typically orient their strategy in two primary directions: one is cost reduction through the enhancement of synergies, and the other involves market expansion through the introduction of new products or strategic acquisitions. The lower financial leverage in the FMCG sector implies a lower risk of financial distress, highlighting a conservative financial strategy compared to sectors that might use more leverage for expansion or investment.

FMCG companies commonly focus on a particular range of products, like beverages or personal care products, aiming to establish a near-monopoly in their target markets. However, when these companies introduce a new product, they often face erosion—a decrease in sales of other products within the same category. This phenomenon illustrates the difficulty of sustaining market share and consumer interest when diversifying product portfolios.

Mergers and acquisitions provide opportunities to realize cost synergies by streamlining operations. When Kraft Foods Group merged with H.J. Heinz to form Kraft Heinz (2015), the integration allowed for significant cost reductions through supply chain optimization and operational efficiencies. Acquiring complementary brands can enhance a company's overall portfolio. The acquisition of Ben & Jerry's by Unilever in 2000 is a prime example. Unilever benefited from the addition of a premium and socially conscious brand, diversifying its portfolio, and appealing to a broader consumer base.

Operations

A hallmark of FMCG operations is their close association with prominent retailers. These companies forge substantial contracts and partnerships with major retail chains, ensuring widespread availability of their products. The distribution of these products spans multiple channels, including supermarkets, hypermarkets, grocery stores, speciality outlets, and e-commerce platforms. The large-scale retail relationships contribute significantly to their market reach and consumer accessibility.

A notable characteristic of operations in the FMCG sector is the involvement of a large number of stakeholders, encompassing a diverse range of participants, including raw material suppliers, manufacturers, distributors, wholesalers, retailers, and end consumers. Financial considerations are paramount, with FMCG companies navigating intricate transactions involving accounts receivable, supplier relationships, and financial planning. Compliance with stringent food safety regulations is a constant focus, demanding robust quality control measures to ensure the integrity and safety of their products.

Business Models

FMCG companies typically operate through two primary business models: Business-to-Consumer (B2C) and Business-to-Business (B2B). B2C models involve direct sales to customers, yielding higher profit margins at the expense of lower sales volumes. Conversely, B2B models involve sales to retailers, resulting in lower profit margins but higher sales volumes.. Conversely, B2B models involve sales to retailers, resulting in lower profit margins but higher sales volumes. Some companies adopt premium service models, prioritizing customer loyalty, scale enhancement, and achieving higher profit margins with lower sales volumes.. Normally, FMCG companies tend to adopt a B2B business model, although some may also choose to sell directly to the end consumer. Coca-Cola is an example, as it also follows a B2C model, distributing its beverages directly to consumers through various channels, including

vending machines, convenience stores, and online platforms. Nowadays, it's typically incorporated in these business strategies to move its operations to sell to the end-consumer directly.

Packaged Food Financial Metrics

EQ Valuation Ratios

	P/E TTM	P/Sales TTM	P/FCF TTM	P/Book	EV/EBITDA TTM	EV/Sales TTM	Market Cap	Enterprise Value
Median	17.67	1.03	23.17	2.22	13.77	1.53	5.90B	9.01B
Average	23.62	1.33	32.12	2.87	13.59	1.78	13.09B	17.59B

Operating Ratios

	Sales Growth Yoy (%)	EBITDA Margin (%)	Sales 5Yr CAGR	SG&A as % Sales	ROIC	WACC
Median	9.48%	12.21%	6.38%	20.38%	7.24%	7.42%
Average	11.88%	9.08%	7.05%	23.08%	5.74%	7.60%

Balance Sheet Ratios

	Debt/EBITDA TTM	Debt/EBITDA TTM	Debt/EV	Debt/Capital	EBITDA/Interest Expense
Median	3.3	2.98	0.23	48.14%	7.97
Average	4.05	3.36	0.3	48.22%	106.23

Profitability Ratios

	Gross Margin TTM	EBITDA Margin TTM	Operating Margin	Profit Margin TTM
Median	29.15%	11.45%	8.66%	4.69%
Average	27.64%	9.42%	5.03%	2.61%

Risk and Catalyst

.Future Growth Factors

Fast-Moving Consumer Goods (FMCG) companies are strategically aligning with key market trends to meet evolving consumer demands. The rising consumer focus on health and wellness is driving a surge in demand for products that promote well-being, influencing FMCG companies to expand their portfolios with health-conscious offerings. Another significant trend is the increasing emphasis on eco-friendly packaging and sustainable practices, as environmentally conscious consumers seek products with minimal environmental impact. E-commerce adoption is reshaping the retail landscape, prompting FMCG companies to optimize their online presence and explore direct-to-consumer channels. Personalization and customization have become paramount, with companies leveraging data to tailor products and enhance consumer experiences. Lastly, there's a notable shift towards data-driven decision-making and analytics, making their products more targeted to a specific audience.

Moreover, this industry experiences the highest growth in developing countries, particularly in Asia and Africa, and is expected to grow by a CAGR of 5 to 15% until 2028. The increasing populations in these regions contribute significantly to the industry's success. As people in Asia and Africa see rising incomes, there is a growing demand for everyday products like food and personal care items. This demographic trend allows FMCG companies to thrive by reaching a larger and more diverse consumer base, driving sales and overall industry expansion. The dynamic interplay between population growth and economic progress in Asia and Africa underscores the FMCG industry's success in these developing regions.

Challenges and Focus Area

Fast-Moving Consumer Goods companies face a myriad of challenges in their operations. High inventory and the constant threat of being out of stock pose significant risks, requiring careful supply chain management to balance demand fluctuations. These companies often depend heavily on accounts receivable and customer contracts, making them susceptible to economic downturns and changes in consumer behaviour. Additionally, CPG businesses face with the challenge of minimizing product waste, necessitating efficient production processes and inventory turnover. The issue of packaging waste further adds to their concerns, as increasing environmental awareness prompts the need for sustainable packaging solutions . Addressing these challenges demands strategic planning, innovative solutions, and adaptability to ever-evolving market dynamics.

Investing in FMCG

CPG operates in a dynamic market with a significant turnover rate, characterized by both size and intense competition. These products are distributed in large quantities, establishing a dependable revenue stream for companies, albeit with relatively narrow profit margins. Despite the prospect of slower growth, investing in FMCG stocks is considered a secure option, offering predictable margins and stable returns. It is essential to note that consumer demand for FMCG can vary based on economic conditions. Economic upswings often see increased demand for higher-end products, while economic downturns prompt consumers to prioritize value-centric options. Furthermore, Investors often choose to invest in consumer goods as a strategy to combat inflation and leverage market power. Consumer goods are considered a resilient investment during inflationary periods due to the consistent demand for essential products. When inflation occurs, the prices of goods and services generally rise, but consumer goods maintain their demand because they are necessities that people continue to purchase.

Conclusion

The FMCG sector holds a significant role in consumer spending, providing essential products consumed daily. Despite potentially low-profit margins, FMCG stocks offer stability and predictable returns. As the industry evolves, companies must maintain a keen focus on understanding and meeting consumer preferences, crafting innovative marketing strategies, and adapting to shifting market dynamics. A thorough comprehension of the characteristics, market dynamics, and future trends in the FMCG sector empowers investors and businesses to make well-informed decisions in this rapidly changing and competitive environment.



Business Deep Dive
Protector & Gamble



Alexandre Sacavém

Procter & Gamble, known as P&G, is an American multinational corporation and a key player in the Fast-Moving Consumer Goods (FMCG) sector, headquartered in Cincinnati, Ohio. Founded in 1837, P&G's extensive product range includes well-known brands like Tide, Pampers, and Gillette, covering beauty, healthcare, and home care segments. Led by CEO Jon R. Moeller, the company operates globally and is renowned for its focus on quality and innovation. Employing over 100,000 people worldwide, P&G has been listed on the New York Stock Exchange since 1890, with the symbol PG.

Markets

Since the 1970s, P&G has seen significant growth, with its stock price increasing more than 17880.5% from $0.82 to $147 in 2023. P&G has also become the company with the 2nd largest market cap in the FMCG sector, at $ 344.25 billion, only behind LVMH. Key acquisitions have played a vital role in this expansion, with the purchase of Gillette in 2005 for $57 billion being one of the most significant expanding P&G's range into new product categories. P&G's shares are mostly held by institutional investors, largely by Blackrock (6.5%) and Vanguard (9.6%), rather than individuals. Institutional ownership amounts to 66.78% of the outstanding shares.

During the COVID-19 pandemic, while many competitors faced economic challenges, P&G's share price saw a significant increase, mainly due to the increase in demand for hygiene products. Starting from around $94 on March 15, 2020, the stock reached heights of about $146 by February 2023. This growth underscores the company's strong market position and the consistent demand for its products, even in uncertain economic times. Since then, P&G's stock price has experienced consistent growth, with the 52-week range standing at $135.83 for the low and $158.38 for the high as of December 24th, 2023.

Company Data	
Price	$145.37
YTD Performance	1.71%
52-week Range	$135.83 - $158.38
Shares Outstanding (bn)	2.36
Market Cap (bn)	$342.41
Enterprise Value (bn)	$369.37

Source: Yahoo (note: market data from 24/12/2023

Price Performance



Business Model

From its several key segments ranging from Health Care to Beauty, its Fabric and Home Care segment is the major revenue driver, contributing about 35% to the company's total revenues, followed closely by the Baby, Feminine & Family Care segment (25%). Most of its revenues come from two geographical areas: Europe and North America.

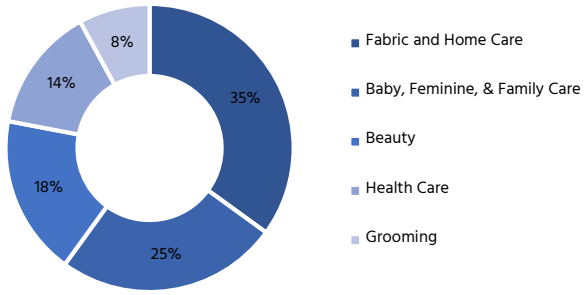
P&G's portfolio encompasses a wide range of renowned brands such as Tide, Pampers, Gillette, Oral-B, and Pantene, among many others. The company focuses on continuous improvement through crowdsourcing, more specifically, by initiating their "Connect + Develop" concept, inviting people to submit their innovative ideas. Through this approach, the company is exploring solutions and innovations in packaging, design, marketing models, research methods, engineering, technology, etc., as a way to gain an edge in its highly saturated market.

P&G's approach to growth has been to focus on strong brand building, product innovation, and operational efficiency. The company invests heavily in research and development to keep its products both innovative and relevant to modern consumers. For instance, in the fiscal year 2020, P&G spent approximately $2 billion on R&D, which is pivotal in maintaining its competitive edge. Moreover, to market its brands, P&G is known for using the "barter" strategy which comprises collaborating with radio stations and TV networks to trade sponsorship or funding for the creation of entertainment content, improving product visibility and advertising.

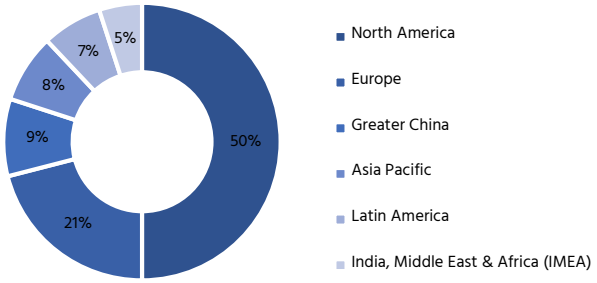
Underpinning P&G's strategy is a deep involvement in its supply chain, ensuring quality control and efficient distribution. The company operates a 'synchronized supply chain', reducing costs and improving customer responsiveness. P&G maintains a delicate balance between meeting consumer demand and managing inventory levels to avoid over-saturation in the market, protecting itself from the high costs of storing inventory associated with this industry.

Unlike companies that frequently fluctuate with market trends, P&G focuses on long-term brand value and customer loyalty. Its business decisions often prioritize maintaining brand integrity and customer trust over short-term gains. This approach, much like Warren Buffett's value investment strategy at Berkshire Hathaway, involves nurturing brands with a lasting appeal and a strong market presence.

2023 Net Sales By Business Segment



2023 Net Sales By Geographic Region



Peer Analysis

Worldwide, the leader in the FMCG industry is Nestle, with the largest market share, net sales revenues, largest customer base as well as employees. In the United States, Johnson & Johnson, holding a significant share in personal care, and Colgate-Palmolive, with a notable presence in oral care, are also significant players in the Health Care segment of P&G's operations. Newer entrants such as Dollar Shave Club and Honest Company have also disrupted the market, especially in personal care segments, by leveraging direct-to-consumer models and emphasizing sustainability and transparency. Outside the USA, peers such as Guangzhou Liby Enterprise Group in China, and Hindustan Unilever Limited, in India, are worth considering due to their growing presence in several FMCG categories such as household cleaning.

It is also important to note that digital transformation and e-commerce platforms like Alibaba and Flipkart are reshaping the competitive landscape, especially in Asia, enabling smaller brands to challenge traditional players like P&G. Also, while P&G seems to be along the industry average in ratios such as Return-on-Equity (22.69%) and Dividend Yield (2.59%), it differentiates itself through its return on capital employed of 23% compared to the industry average of 15%. This reveals to investors that P&G is more efficient at generating these higher revenues, while not needing to make any additional investments, a highly attractive measure.

Risk and Catalyst

Risks

• Fluctuations in exchange rates for foreign currencies reduce the U.S. dollar value of sales, and increase supply costs in those markets, hence negatively impacting P&G's international competitiveness.

• The Russia-Ukraine war led to the discontinuation of P&G's new capital investments and suspended media, advertising, and promotional activity in Russia. Moreover, two of P&G's manufacturing facilities in Ukraine have been physically destroyed, impeding operations until the war is terminated. The war is also linked to disruption in the foreign exchange market and the supply chain.

• High dependence on customer perception, relationship, and demand. If there is a significant shift in any of these aspects, P&G could incur major losses.

Catalysts

• Global Presence: With its products being available in over 180 countries, the company's global footprint allows it to leverage economies of scale and reach a diverse customer base, spreading risks regarding local volatility.

• Innovation: Continuous product innovation and research and development are cornerstones of P&G's business model. P&G is also heavily investing in e-commerce and digital marketing opportunities, allowing it to reach consumers more directly and personalize marketing efforts..

• Supply Chain Efficiency: P&G operates a sophisticated and integrated supply chain network that ensures the efficient flow of goods from suppliers to manufacturing facilities and from these facilities to distribution centers and retailers.

Valuation and Outlook

P&G's revenue growth in 2023 has continued at a steady pace, with its revenue for the quarter ending September 30, 2023, having a 6.11% increase year-over-year, and its annual revenue for 2023 having a 2.27% increase from 2022. In its 3rd quarter earnings report of 2023, P&G exceeded most of the analyst expectations, namely beating the prediction for Earning per Share by $0.10, maintaining its trend of reliable financial performances. Yet, as consumer spending patterns shift due to economic headwinds and a decrease in the general purchasing power, there is a watchful eye on how these broader market conditions may impact P&G's diverse portfolio. Furthermore, it is estimated that P&G's stock price will end in the year 2023 below its predicted price of $150.07, which could be a discouraging factor for shareholders.

Economic pressures pose a challenge for P&G, especially as global inflation and supply chain constraints could affect both operational costs and consumer demand. Additionally, the evolving regulatory landscape around environmental sustainability and consumer privacy may require P&G to adapt its business practices, potentially impacting margins and growth strategies.

P&G's enduring advantage lies in its commitment to innovation, both in product development and in market strategy. The company's ability to deliver new, compelling products that resonate with evolving consumer needs and leverage its expansive global distribution network remains critical. Continued innovation and adaptability will be essential for P&G to navigate competitive pressures and sustain its market leadership position

How is AI reshaping the Finance World?



Madalena Morgado

Introduction

The rise of artificial intelligence (AI) to public awareness has raised questions about a future dominated by AI. Will AI transform industries? Can AI contribute to increased efficiency and productivity in business processes? Will it create better or worse outcomes? To respond, it is imperative to comprehend first the nature of AI.

AI is an area of computer science that emphasizes the creation of intelligent machines that work and perform tasks like humans. These machines can teach themselves, organize, and interpret data to make predictions based on this information by processing and recognizing patterns in data.

Generative AI is a subset of AI that specifically deals with the creation of content or data. It is a set of algorithms, capable of generating seemingly new, realistic content - such as text, images, or audio - from training data, such as ChatGPT, which is receiving so much attention right now. These algorithms can process vast amounts of data with remarkable speed and accuracy. Generative AI tools like ChatGPT and DALL-E (a tool for AI-generated art) have the potential to change how jobs are performed. The full scope of that impact, though, is still unknown, as are the risks.

Therefore, AI has become an essential part of technology in the Banking, Financial Services, and Insurance Industry, changing how products and services are offered. AI will change the way we work, communicate, make decisions, and perceive the world.

Implications

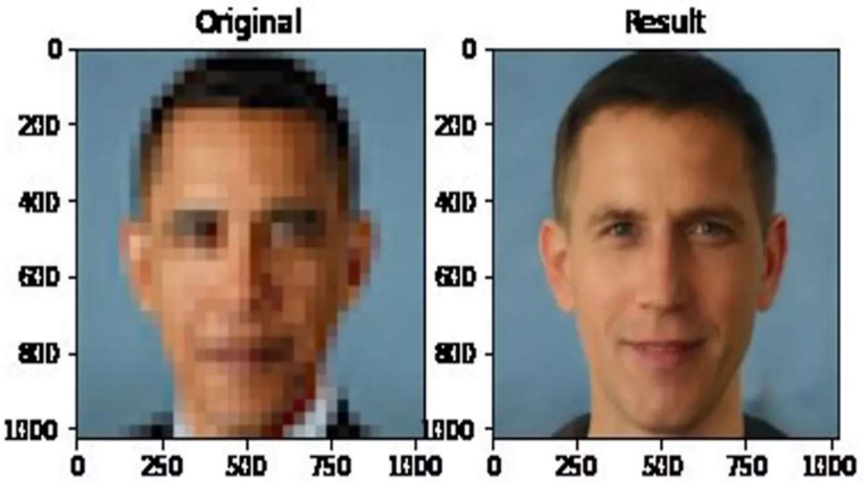
Artificial Intelligence has pushed the boundaries of the way computer machines are operated and function to make human lives easier.

AI has massive implications for business leaders. Weaving together strategy, process redesign, and technical capabilities, we create the fabric of an AI-driven organization, enabling the outcomes that drive businesses forward and contribute to their success.

Within the dynamic landscape of contemporary business, the integration of this technology confers substantial economic benefits. AI becomes a potent economic catalyst that fuels innovation, elevates productivity, and secures a competitive advantage. Its profound impact on work processes enhances efficiency and drives strategic initiatives, positioning companies at the forefront of their industries. Companies experience increased output without proportionate increases in costs, which leads to impressive economic growth.

However, it is essential to consider the potential risks and challenges associated with their widespread adoption.

The principal challenge of AI lies in ensuring ethical and unbiased implementation. AI systems often acquire biases from their training data, potentially leading to discriminatory outcomes. For example, one task artificial intelligence can perform is translating a low-resolution image into a high-resolution image. Yet, we can see that it transformed a low-resolution image of Obama into an image of a white man.



These biases can influence decision-making processes, presenting significant ethical and social concerns and necessitating careful oversight and regulation. A potential danger is when the public accepts AI-derived conclusions as certainties.

This is not the only challenge we face with artificial intelligence. Privacy concerns arise as AI processes immeasurable amounts of personal data, necessitating strict data protection regulation. Job displacement is also a substantial risk as automation can lead to workforce restructuring, potentially increasing unemployment (although there is evidence that AI and other emerging technologies will create more jobs than it eliminates). Furthermore, technical limitations are also a risk, as AI errors can have economic consequences. In addition, this method only benefits wealthy individuals and corporations, due to the high initial costs for AI implementation, training, and maintenance.

The most extreme risk of all would be the loss of control. Uncontrolled AI systems can perform autonomous and unintended actions or make decisions that conflict with human values. As it becomes more powerful and autonomous, there is a growing concern regarding AI control and the potential risks it poses to humanity.

This concern was illustrated by Nick Bostrom, a philosopher at the University of Oxford, in an experiment called paperclip thought. In this scenario, a superintelligent AI, which was set with the goal of producing as many paper clips as possible, decided that killing all humans was pivotal to its mission, pursuing all means necessary to get the job done. This was absurd, of course, but exemplifies a troubling problem: AIs don't "think" like us, it is designed to achieve what is specified, not what is intended. To prevent these risks, it is important to encourage responsible AI development. Countries should work together and make agreements on how AI can be used in defense.

AI Safety Summit

On November 1st and 2nd, 2023, the UK hosted a summit to discuss the risks and opportunities posed by artificial intelligence. The summit was attended by other countries' leaders and by tech bosses such as Elon Musk and Sam Altman (CEO of OpenAI). There were twenty-eight countries represented, such as the US, France, Singapore, Italy, Japan, and China.

As we saw previously, frontier AI models hold enormous potential to power economic growth, drive scientific progress and wider public benefits, while also posing potential safety risks if not developed responsibly. Rishi Sunak, the prime minister of the UK, warned in a speech that "humanity could lose control of AI completely" if the technology is not given proper oversight. There were discussed numerous risks of AI that pose a threat to humanity to prevent them from happening. Among other considerations, it was suggested that models must be proven to be safe before they are implemented, with a presumption that they are otherwise dangerous.

The twenty-eight countries at the summit pledged to work together to ensure artificial intelligence is used in a "human-centric, trustworthy and responsible" way.



Impact on Financial Markets

AI has a profound impact on various industries, and the financial market is not an exception. AI is changing how the finance industry works and is opening the door to entirely new operating models. As the financial industry embraces technological advancements, AI has become a driving force in reshaping how investments are made, risks are managed, and customer experiences are enhanced.

One of the most notable applications of AI in financial markets is algorithmic trading. AI algorithms swiftly process extensive market data, spotting patterns and executing trades within milliseconds. This high-speed trading allows financial institutions to be more efficient, minimizing human errors. AI also plays a pivotal role in risk assessment and management. Therefore, financial institutions can make more informed investment decisions, reducing risks and optimizing portfolio performance.

Furthermore, customer service in the financial industry has also been significantly enhanced by AI. With the help of chatbots and virtual assistants powered by AI, it has the power to add an individualized touch to all consumer interactions. Financial companies provide customers with a financial concierge, which gives them a detailed review of how much they should spend, save, and invest.

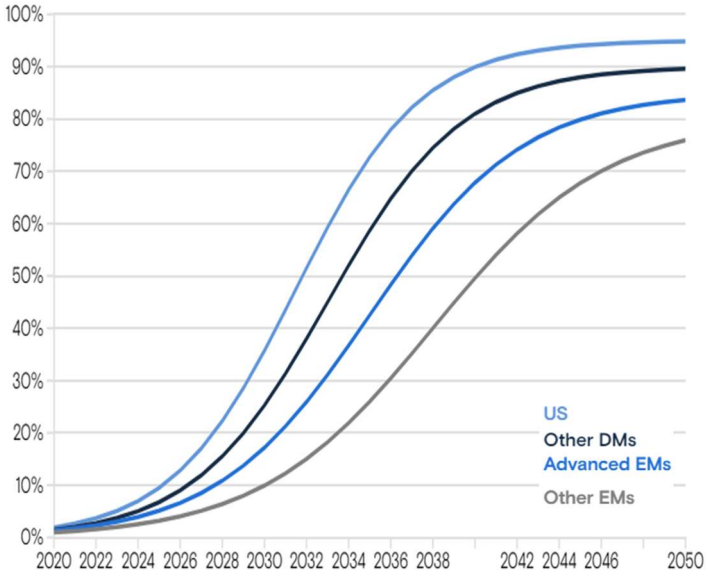
But these are not the only AI applications: another one is sentiment analysis. It analyzes news and social media sentiment to predict potential impacts on stock prices, which provides valuable insights to traders and investors. Also, all online transactions involving money and personal information must be safe to earn the consumer's confidence. AI can assist in making the environment safe and secure.

Due to all these factors, generative artificial intelligence is set to boost productivity over the next decade, which will have a positive impact on major economies. McKinsey & Company estimates that AI could potentially deliver an additional economic output of around $13 trillion by 2030, boosting global GDP by about 1.2 per cent a year. McKinsey Global Institute finds that generative AI would increase the value of productivity by 15% to 40% and it has the potential to generate value equivalent to $2.6 trillion to $4.4 trillion in global corporate profits annually. In banking, for example, the technology could create an additional $200 to $340 billion a year if all use cases were implemented.

Goldman Sachs Group Inc. also predicts this growth for the US and other major economies. Goldman sees the US as the market leader for adoption, once it is American companies that lead the world in AI innovation (more than 57% of the most popular AI tools are from the United States). AI is set to add a 0.1 percentage point bump to GDP gains in 2027 and a 0.4 percentage point boost in 2034. Also, its influence leads Goldman to project a 2% growth in the US GDP for 2027 and to a 2.3% by 2034. However, the US is not the only economy that is expected to grow. The euro area will also have a boost in productivity, having an expansion rate at a 1.4% pace. Goldman sees an increase to 0.1 percentage point in 2028 and 0.3 percentage point in 2034. Also, China and Japan will reach a 0.2 and a 0.3 percentage point lift by 2034, respectively.

According to the Goldman economists, AI's economic benefits are tied to efficiency gains. Therefore, generative AI could automate about 25% of work tasks in major developed economies and 20% of work in emerging markets.

AI scenarios: cumulative adoption



(Source: Goldman Sachs Research)

Thus, the growth will be very significant. The global AI market was valued at approximately $119.78 billion, and it is projected to reach $1597.1 billion by 2030, with an annual growth rate of 38.1% from 2022 to 2030.

Leading Technology Companies in the World

Companies with access to extensive data collections to power AI models are leading the development of AI. GAFAM (Google, Apple, Facebook, Amazon, and Microsoft), BAT (Baidu, Alibaba, and Tencent), early-mover IBM, and the two hardware giants Intel and Nvidia are some of the top players within AI. However, more recently, OpenAI (collaborator with Microsoft) has become the most important company in AI today, due to the creation of Chat GPT.

Some of these companies also profit directly from AI by selling hardware, software, services, or expertise that the technology needs. The three best AI stocks to invest in 2023 are Nvidia, Microsoft, and Adobe.

Due to its high-performance graphics processing units (GPUs), Nvidia's stock price performed extremely well in 2023. It has risen by an astonishing 180%. This achievement has allowed the stock to easily surpass the US stock benchmark index.

Microsoft's partnership with OpenAI could mean billions of dollars a year in new revenue as workloads pile up in Azure. Workloads are typically managed and executed on cloud platforms like Microsoft Azure, Amazon Web Services (AWS), or Google Cloud Platform. However, Microsoft is gaining market share from other cloud service providers. For instance, Google Cloud reported a disappointing 22% revenue growth.

Finally, Adobe has also incorporated AI and machine learning capabilities into its products and services, becoming an investment favourite. Adobe has been very consistent and has managed to maintain respectable growth levels. In the third quarter of fiscal 2023 (ended Sept. 1), Adobe's revenue grew 10% to $4.89 billion.

However, we ought to be cautious about investing in AI companies. AI technology is still in its nascent days, and the industry is developing. Therefore, AI companies are going to have to spend a lot of money on proving their technology before they can start generating profits. And the higher interest rate environment is going to make that more challenging.

Conclusion

AI set off the fourth industrial revolution, offering tremendous opportunities and economic growth potential, being, therefore, a promising investment. However, investors can not let AI blind them to fundamental investing principles. They should always consider a company's market position and growth prospects outside of AI. Investing in AI stocks, like all investment decisions, should be made with careful consideration, research, and a clear comprehension of one's risk tolerance.

While AI can simplify our lives and reshape all industries, it is essential to acknowledge the associated risks. As Elon Musk emphasized at the AI Safety Summit, "AI is one of the biggest threats to humanity.". So, responsible and informed AI utilization is crucial, and we must learn how to use it to our benefit.

Measuring the Moat



Afonso Vieira
de Freitas

A model for success

In the realm of investment strategy, identifying companies with enduring competitive advantages has become a cornerstone of success. The concept of a "business moat," popularized by investment legends such as Warren Buffett and Peter Lynch, is a compelling framework that transcends market fluctuations. This article seeks to unravel the complexities of business moats, providing investors with an in-depth roadmap to assess and leverage these strategic advantages.

This article is inspired by Credit Suisse's paper "Measuring the Moat: Assessing the Magnitude and Sustainability of Value Creation" by Michael J. Mauboussin, Dan Callahan, CFA, and Darius Majd, published on November 1, 2016.

Defining the Business Moat

The metaphorical fortress of a business moat serves as a shield against competitive onslaughts, enabling a company to maintain superior profitability and market dominance over the long term. Analogous to a medieval castle's protective trench, the business moat encapsulates unique attributes that set a company apart from its competitors.

Warren Buffet's Perspective

Warren Buffett, often dubbed the Oracle of Omaha, masters the business moat concept. His investment philosophy revolves around identifying companies with durable competitive advantages, which he aptly terms as economic moats. According to Buffett, a robust moat is essential for a company to not just survive but consistently thrive, delivering returns that surpass the cost of capital.

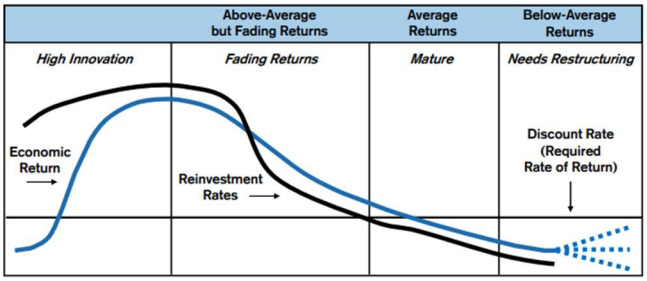
Furthermore, Buffett believes that it's preferable to choose companies by their competitive advantage and its duration among its peers, rather than trying to predict how that company or industry will change society.

Evaluating the Moat

Firms' Competitive Life Cycle

Embarking on moat analysis necessitates a deep dive into a company's competitive life cycle. Understanding the journey from the innovation phase to potential subpar performance unveils crucial insights into the sustainability of a company's competitive advantage. Investors must discern whether a company is navigating its early-stage phase, contending with intense competition, or enjoying stability in a mature market.

Identifying the firm's competitive life cycle may be useful to further identify different investment opportunities.



Source: Credit Suisse HOLT

Industry Analysis

The dynamics of the industry form a pivotal backdrop for assessing the strength of a company's moat. Scrutinizing factors like industry growth, market share evolution, and entry and exit barriers provides a panoramic view of the competitive landscape. This table may help investors in identifying promising opportunities within specific industry phases.

Moat Measures

"If you're an Apple user and somebody offers you $10,000, but the only proviso is they'll take away your iPhone and you'll never be able to buy another, you're not going to take it." - Warren Buffet

I find this sentence from Warren Buffett truly amazing. It shows, in a very practical and direct way, the depth of Apple's indirect high switching cost, sticking customers very easily with them. This also can be a good sign of Apple's moat power.

Also, an excellent moat analysis necessitates a consideration of multifaceted measures:

• Level of Industry Growth and Market Share Evolution: Assess whether the company is positioned in a burgeoning industry and scrutinize the evolution of its market share.

• Vulnerability to Disruptive Innovation: Gauge the company's agility in adapting to and innovating amidst technological disruptions.

• Specificity of Assets: Examine the uniqueness of a company's assets that contribute to its competitive advantage.

• Source and Longevity of Added Value: Uncover the source of the company's value proposition and assess its sustainability.

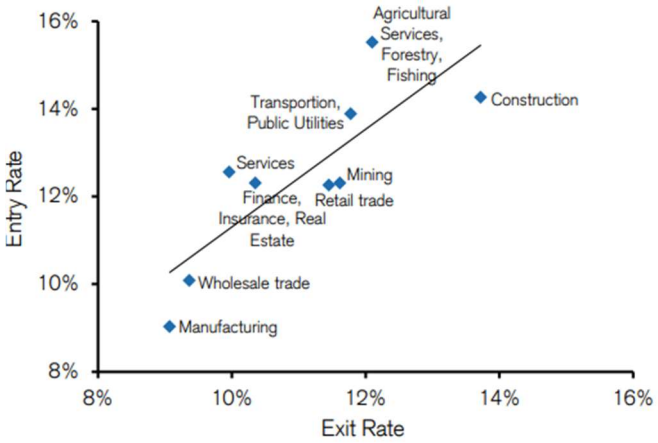
• Product Differentiation Possibilities: Analyze the potential for the company to differentiate its products or services.

• Customer Lock-in and Switching Costs: Consider the extent to which customers are tethered to the company's offerings.

Reality

Integrating wisdom from Warren Buffett and the iconic ABBA song, "The Winner Takes It All," underscores the paramount importance of customer loyalty and the formidable challenges faced by new entrants. These insights emphasize that authentic economic moats are constructed on the bedrock of customer satisfaction and unwavering brand loyalty.

The graph below shows the annual average rate of entry by sector in the U.S from 1977-2014, which can give us an idea of which industries can possibly accumulate companies with yearly increases in their market share, revenues, and possibly the creation of oligopolies and monopolies.



Source: U.S. Census Bureau, Center for Economic Studies, Business Dynamics Statistics; Credit Suisse.

Conclusion

From my point of view, this article may open new horizons for investors interested in fundamental analysis and who believe in strategies such as Value Investing. In addition, the ideas stated in this article could add tremendous value when analyzing new companies and, consequently, lead to a more accurate analysis resulting in better decision-making.

Interview with



António de Pinho

/in/antoniodepinho90/

António de Pinho is a versatile and accomplished professional with a diverse background.

He graduated from Nova SBE with a bachelor's degree in economics in 2019. After completing his studies, he secured a summer internship with Bain & Company in Madrid as well as a full-time position with Morgan Stanley in London.

After two years, António transitioned to the other side of the table, joining Providence Equity Partners, where he currently holds an associate position.

Q : Why did you decide to choose a career path in Finance?

I always felt fascinated by businesses in general, from a financial perspective as well as operational. So, I wanted to do something related to it. I also liked science and all analytical disciplines. I believe in interdisciplinarity, and I always try to stay at the intersection of what are analytical skills and business skills. Studying at Nova really opened doors for me. Particularly being part of NIC as the older members were much more knowledgeable of the finance world which for me was still a bit blurry and unclear when I joined. I soon realized that this would be a great career path because of the learning experience and exposure to businesses so early in a career in finance or consulting, which is somehow comparable.

Q : You worked for two years at Morgan Stanley as an investment banking analyst and are now an associate at Providence Equity Partners. Can you guide us through a typical day working in IB and in PE?

Both roles, analyst in investment banking and associate in private equity, are junior analytical roles. In IB the role of an analyst is to be a reliable and dependent person that knows all the numbers and does the marketing materials. The analyst is responsible for crunching all the data and producing the materials, which is in a sense the output of what you do as an investment banker. Then the seniors will be doing the negotiating and driving the transaction. Another important responsibility is to keep up with the news of publicly listed companies in the sector of coverage because those companies are our clients. It's crucial that to keep track of everything happening with the clients, to be precise with the numbers, and to understand all of the accounting of the companies you cover, every quarter. Not from an equity research perspective, but from an IB perspective: will these people bridge convenience; do they need some sort of restructuring; is there an M&A opportunity between two players?

PE usually don't get interns or analysts - some funds do, particularly more venture capital funds. You get your training in banking and then you move to PE. Your role still is to know all the numbers with a key difference that you act as a principal in the transaction, as opposed to advisor. The role involves analysing a panoply of data from companies we want to invest on, making sense of everything and trying to come up with the key questions to be asked. Then the team elaborates an investment thesis with what we like or don't like about the investment opportunity and the reason why we think this could be a good investment. On a typical day in PE, during a live transaction, there will be lots of interactions with consultants and with the sell side banks. We are going to ask questions to make sure we know all the numbers going through the P&L, line by line. The commercial part is also very important, we will typically receive support from consultants assessing the commercial questions of the deal, the market, potential growth opportunities, etc. That's the investment process. When not investing, we are typically working with our portfolio companies. I work with three technology and education companies now. They have their own challenges – how to scale, facing cost inflation and headwinds in their markets. All of these are issues that we get at the board level discussions, and that we need to understand and know how to tackle. We face these on a daily basis for the companies we work with.

Q : Can you talk to us about a project you worked on that you found particularly interesting and/or challenging?

The projects I did before are different from what I do now because I changed the industry and my role in each transaction. One of the most notable projects I did in my days in investment banking was a public-to-public takeover in the Germany residential for rent real estate market, which, in Germany, is most of the housing market. This transaction was back in 2020. A €30 billion takeover that took 3 rounds and 5 years. I was lucky enough to be involved in the team that executed the transaction at last. It was very complex transaction, because of the size but also because of being two direct competitors in a highly regulated market, very sensitive to political and social stimulus. It was highly confidential, everything needed to be done to detail, and involved a large team with very complex operations. It was key to ensure the interests of all stakeholders, which were the tenants, the local government as well as the shareholders. It was a big challenge to make it clear to all stakeholders that, despite the resulting competitive dynamics, this was a surplus generating combination for the consumers themselves. This was the most interesting project I worked on from a banking perspective.

From PE perspective, now my goal is to buy companies that are valued at €500 million to a 1 billion with potential to double or triple in value over the course of 5 years. We recently looked at a company that did tax software for governments. This was kind of my own project because I originated and nurtured the relationship with the team for several months to the point that I would visit the headquarters and know the whole team by their names. Unfortunately, we ended up missing out on the deal to another PE fund. We didn't win, but it was a great experience for me since I had the chance to take ownership of the project. In the end, it just didn't happen. Nevertheless, it was an experience of taking real ownership of the process at a junior level. These opportunities are super rewarding and insightful because your capabilities grow at a speed you are not expecting.

Q : You have been working in London for the past 4 years. Did you always ambition to work there? How do you find working in London different from other countries?

London is one of the most international businesses centres in the world. Because the teams in London reach pretty much the whole globe, it is very international and diverse. People from everywhere come to work in London, and all large enterprises have teams there. In my opinion, the attractiveness of London is being this hotspot for business and talent, or for the finance industry at least. That is what captivates me professionally to be there. In addition, London is also a hotspot for art and cultural events. If you want to go to a concert or watch a theatre show, chances are that it is in London, at some point. For people with an appetite for culture and a diverse international business environment, then London is a great city.

Q : Right after finishing your Bachelor's at Nova, you spent 3 months at Bain &Company. With a career in banking, how was the experience of working in a consultant firm different?

Back then, I was looking for opportunities in all three main industries, and it was a stroke of luck to have offers for private equity, banking, and consulting, after finishing my Bachelor's. I decided to take the Bain & Company internship to learn about the consulting world, and it was a great experience. First of all, it was in a different geography for me— I worked in Madrid— and at a company known for its ethics and culture, as I can confirm, at least for the people I worked with. The job itself was very stimulating. Consultants are usually paid to answer various questions, which can be of several natures, such as related to markets and potential entries, operations, or even profitability and business planning. Essentially, consultants support clients by finding detailed ways or models to answer these not so obvious questions. This develops problem-solving skills, mental models on how to think about systems, market sizing, optimizing, controlling manufacturing lines, etc., and is also very helpful for personal skills since consultants communicate a lot both inside the teams and outside, mainly with clients. It is a dynamic and interesting job. I can say that what I learned in consulting is very relevant in private equity. The main difference is due to the fact that I am now working with consultants as a client making the questions.

Q : Could you discuss your choice of not pursuing a master´s degree? What is your opinion on the importance of doing one?

I didn't do a master's because I had a full-time offer from Morgan Stanley, which I wouldn't let go. I had an opportunity which didn't know I would get two years

later after I finished a master's. So, I decided to just skip it for the time being. My view is that education is always highly important, particularly, if you have the chance of combining it with international experience. After a masters a student will typically be more mature and prepared when the time comes to interview and star a career. So, I think there is value in a master´s. For people who have the chance to start their careers after bachelors, I think they should consider it, but also don't regret if they decide on doing a master's first.

Can you provide us with some insights into the application process both for Morgan Stanley and Providence Equity Partners?

I'll give you my experience with Morgan Stanley, which is very common across the IB industry: two rounds of two interviews, via Zoom, associates and VPs. The interviews are back-to-back and are usually set up in four parts. The first part is typically about background or "walk me through your CV" question. The idea is that in two minutes you can display your academic prowess and internship experiences. So, find a way to be clear and concise and give a breath of who you are. The second part is motivational. Here you don't want to sound generic. Make sure you have a reason for wanting this firm or industry. Find something you can personalize and make it differentiated at the motivational level. The third section will typically be situational: "Tell me a time when you demonstrated leadership or managed a discordance with your seniors". For those, my recommendation is to have in your mind 3 or 4 occasions in your academic career or internships to give as examples, and then you can hopefully adapt those to the questions asked. Don't underestimate these questions, they are probably the most important part of the interview. The idea here is that you can show your personality, your values and your approach to work without being asked directly. The last part will be the technical questions. The technical questions won't land you a job but will be a cut-off. If you don't get it right, you won't pass. If you get it right then, you need to differentiate yourself in the other parts. there are plenty of resources online to prepare for these questions. Make sure you are familiar with all the potential questions and are comfortable with accounting and valuations. When the time comes, you can stay relaxed and answer without hesitations.

After passing the first interviews, you move to the next stage where, typically similar format interviews but with Managing Directors. Finally, you will have an assessment centre where everyone goes to London to the office and does several hours of interviews and case studies. Some will be in team setting, some will be individual work. There will several interviews with the same format as the first round, and some written tests as well. These are written tests with general finance questions, such as calculating valuation multiples, doing a simple merger model, estimate synergies, etc.

For PE the process is different. Candidate usually have been working in IB for two years. There are other paths, but this is the most typical. Candidates get approached by head-hunters. These are specialized firms that recruit on behalf of a PE firm or a fund. There is a CV screening phase preceding the interviews. These interviews will be maybe less personal and more technical (at least in my experience). In PE, people tend care more about what you know and less about who you are because it is a given that if you have made it to banking, you are hardworking and have strong, ethical, professional values. The interviewers will also ask personal questions but, most of it will be technical. There are long case studies, usually lasting up to 6 hours to put together an LBO model that present to a jury or investment committee.

It is a more demanding process, but the odds are also higher. Banks receive thousands of applicants. In PE, fewer people recruit but they are highly qualified, so the dynamics change. It is possible to do PE from consulting or directly from university, but these are less common paths to my understanding.

Q : Tell me about a mentor or influential figure in your academic journey or career who has made a significant impact on your professional growth. What valuable lessons did you learn from them?

I had two influential figures/entities in my life. One is my family: my parents, grandparents, etc. They are very important to me, and I learned very crucial values from them. They are very hard-working, transparent, and choose to do the right thing every single day. When it came to joining this demanding industry, the hardworking values, the "doer" attitude, and the learn-by-doing skills were already instilled in me, from my family background.

From an academic/professional perspective, I was lucky enough to meet several accomplished people in the industry. When was studying, I interned in a small fund that was just starting, in Lisbon. The founders were highly educated figures who mentored me throughout my academic journey, the early stages of my career, and still today. They provided me with very experienced views of how the corporate world works. The fact is that nothing and no one prepares you for how to navigate the corporate world, so having this highly experienced figures as mentors gave me some very good insights that don't come in in the books.

Q : The highly demanding setting of this industry makes dedication one of the most imperative and obvious characteristics one must possess to succeed. Besides that, what characteristics would you say are the most underrated yet crucial for a successful career?

Perseverance and tenacity are probably the most important characteristics in this industry. Mainstream media will tell you that it involves long hours and a lot of hard work, and you need to be able to stand up to the challenge. Sometimes this is exaggerated, but in other instances it's true. Although you might have to work on tasks you may not enjoy, or you might be asked to perform a task that is so monumental that you think you won't be able to complete it within the given deadline, you have to stay motivated and learn from the experience. Perseverance is also important because it allows you to stay long enough to reap the benefits. You're not going to learn much in months, although after some years, you start to understand how it works. After 4/5 years, I feel like my hard work is paying off. I know I still have a long way to go if I want to have a senior career, but now, at least, I understand the industry and can take more responsibilities, which makes it much more interesting.

Another characteristic that I think is very underrated is intellectual curiosity. As a junior analyst, you need to be dependable and reliable, and people need you to do your tasks very well. But if you are curious, you will be able to take the extra step, add a conclusion, and reflection that was not obvious, and gain a richer perspective of what exactly you are doing.

The final characteristic, also very underrated, is being humble. You need to be open to learning and humble enough to admit when you don't know what you are doing yet.

Q : This sector can be very challenging. If you could choose just one piece of advice to give to someone who is starting now and is having trouble finding their personal work-life balance, what would you say?

The best way to navigate the corporate world is to be someone that people can rely on. If people can rely on, trust you and, on top of that, like you as a person, chances are that you are doing a good job, and you'll find it easy to grow in the industry. Particularly as an analysts, if people see you as reliable, rigorous and diligent with your work, over time they will rely on you more. That can take you one year or a bit longer, but after that, everything becomes easier, communication and efficiency improves, and you will have more flexibility in your work. To summarize, keep a positive attitude, be diligent with your work and be reliable.



Beatriz Almeida



Pedro Rebelo



Rita Fernandes

Message from the Co-presidents.

Dear reader,

I trust this message finds you well and eager to dive into the latest edition of our club's magazine. We're thrilled to present this new edition, and we hope you enjoyed the fresh style we've embraced.

The purpose behind this new aesthetic is to provide you with a more contemporaneous look, one that captivates your interest from the very first glance and creates a reading experience that resonates with the energy of our club.

We're also pleased to announce that our magazine will now be released quarterly. This deliberate decision allows us to dive deeper into the content, offering more in-depth insights into the various topics covered and providing you with a more thoughtful and enriching reading experience.

Thank you for being part of our community. We hope this new edition adds a spark of excitement to your reading experience.

Best regards,

Miguel Pereira

Co-President NIC-UD



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