

The Gutenberg Financial Modeling Virtual Intern Program

Join us in Disrupting the Traditional Wall Street Internship Experience



Program Overview Brochure

PROGRAM OVERVIEW

Our website, GutenbergResearch.com, provides earnings models for publicly traded companies to our community of users. The Financial Modeling Intern Program is the cornerstone of our commitment to modeling education. It is a part-time, virtual internship, which simulates the experience one would receive working as a sell-side Research Associate at an investment bank. We teach our interns how to use models to estimate a company's future earnings, and publish their work to showcase their modeling skills to future employers.

Our intern program has adapted into its current form over the last few earnings seasons. In the initial rounds, our interns created full earnings models on their own, including the Balance Sheet, Cash Flow Statement, and Income Statement, and calculated estimated share valuation targets based on the earnings model. This proved to be an overwhelming experience for most, as just 10% of the interns were able to complete the exercise. Under the new program format, interns will instead be entering their own forecast into an existing model before the subject company reports earnings, and then checking how close their forecast was after the company reports. Each cohort of interns will create a forecast for the same subject company.

- **First Quarter 2019 Earnings Season:** Facebook Inc (NASDAQ:FB). Session completed April '19.
- **Second Quarter 2019 Earnings Season:** Starbucks Corp (NASDAQ:SBUX). Runs from June to July '19.
- **Third Quarter 2019 Earnings Season:** Tesla Inc (NASDAQ:TSLA). Runs from August to October '19.
- **Fourth Quarter 2019 Earnings Season:** Home Depot Inc (NASDAQ:HD). Runs from November-2019 through January-2020.

What is in-Scope/Out-of-Scope: This program is now designed to be an introduction to earnings modeling. We will therefore be focusing on basic modeling methodologies, and forecasting strategies. Valuation, regression analysis, Balance Sheet and Cash Flow Statement modeling will be out of scope for this program.

How The Program Works: As a “virtual” program, our interns work on their own for the most part, or in small groups if they sign-up as a team with classmates. We hold larger team meetings periodically to answer questions, and kick-off each earnings season round. These meetings take place at our New York office at 450 Lexington Avenue, where interns may attend in person if they prefer, or online using Google Hangouts/Meet video conferencing with screen sharing demonstrations. These meetings are optional, as the intern training and demonstration videos contain all the information required to complete the program.

The intern program consists of the following steps:

Step 1—Read the curriculum from the intern training website: This PDF-book covers two sections: an introduction to financial modeling, and a section on forecasting and calibration. The text comes directly from two of the chapters in our Financial Modeling Course, which uses FedEx Corp (NYSE:FDX) as a subject company. The idea is to give our interns some background information and things to think about when entering a forecast into the Facebook/Starbucks/Tesla/Home Depot earnings models. While not

all of the concepts which are relevant for FedEx will be relevant for the other companies, a successful Intern/Analyst should be able to apply the subject matter from the text to a forecast for nearly any company.

*Please note that all of our intern training materials **are provided for free**. There is no need to purchase our textbook or training course to participate in the intern program. In addition we provide our interns with coupon code credits which allow each intern to download three of our premium models for free.*

Step 2—Take the intern exam: We have created a short exam to give our interns the opportunity to demonstrate their understanding of the curriculum. This is really for the benefit of our interns as it adds validity to the program. The exam is administered online, and is available on-demand, whenever our interns choose to take it. The questions are adapted from the questions at the end of each section in the text. A score of 70% or above is required to pass the exam.

Step 3—Create an earnings model forecast: An earnings model for each subject company is included on the intern training page. The training page also includes important links to relevant data for the company, consensus estimate data, and other useful resources. We have also created demonstration videos which will walk through how to create a forecast, step-by-step.

Step 4—Submit model for review: Model's must be submitted at least one week before the subject company reports earnings. The submission should include either a brief summary of the forecast, or an article (optional).

Step 5—Create a Bio page where the model will be published: The intern program is complete after the model has been published. Here are some Bio examples from past interns:

Example 1 <https://www.gutenbergresearch.com/lindsey-yonishs-contributor-page.html>

Example 2 <https://www.gutenbergresearch.com/roman-kanyukas-contributor-page.html>

Confirming Experience: In the past we have confirmed the intern experience for background checks from new employers, and will continue to do so if. This topic is discussed further during our intern meetings.

Endorsements and Recommendations: For any students interested, we will be happy to endorse you for Financial Modeling and give you a recommendation on LinkedIn, after you complete the program. There is an option to request an endorsement on the model submission form.

BACKGROUND INFO

About the Instructor—John Moschella, CFA, CPA



I have spent nearly 15 years analyzing companies in various capacities. After earning a BSBA in Finance, MS in Accounting and MBA from Northeastern University, I began my professional career at PricewaterhouseCoopers (PwC) in New York as an Assurance Associate in the Financial Services practice. During my time at PwC I participated in a rotational assignment within the Financial Service Research Institute at PwC where I studied bank mergers throughout the financial crisis, drawing on my experience as an intern bank examiner with the Federal Deposit Insurance Corporation (FDIC) during my undergraduate career.

After PwC, I spent five years at UBS Investment Bank where I worked first as a Capital Specialist, and then as an Equity Research Associate. In my research role I built and maintained earnings models, contributed to research reports, and participated in client conferences, covering the Semiconductor and Semiconductor Capital Equipment Industries.

I then moved to General Electric Capital Corp in 2014 as a Risk Analyst where I built regression models to predict asset losses based on various macroeconomic scenarios. After the sale of the majority of GE Capital's assets, I started a consulting firm which provides capital planning support to banks, in addition to running Gutenberg Research.

Why Spend So Much Time on the Intern Program for Free?

I see the intern program as a “win-win” for interns and Gutenberg. Interns “win” by gaining access to free modeling training, having the ability to publish work, and improving their resumes. Gutenberg “wins” by accomplishing our goal of spreading financial modeling to the masses, and of course, by increasing our website traffic. This is designed to be a fun and rewarding experience, for all of us who participate.

Thoughts on Modeling

I believe modeling is about educating ourselves on the potential prospects of a particular company. This education is derived through the consideration of past events, as well as potential upside and downside possibilities which could change the company's financial path. Our modeling efforts represent an attempt to organize the chaos of variables and forces which drive our theories of the future. At the center of modeling and forecasting, is the concept that as research market participants, we seek to have a reasonable basis for our ideas, whether we use them to make investment decisions, publish articles, communicate in an interview, or blog a comment.

I am confident that anyone can create a model. In fact, we all model everyday. Whether we formalize it in a spreadsheet is a separate point. When someone asks your opinion about a product, another person, or a company, in your mind you will consider the different aspects which go into forming your opinion, before giving your response. This is what modeling means to me. The spreadsheet simply acts as a vessel for the various factors we have used to form our opinions.

My modeling approach does not encompass advanced spreadsheet features or automation. Nor do I employ complex quantitative theories. I believe these tools drive people away from modeling, which contradicts the natural progression of knowledge. We all benefit from inclusion. Mankind's greatest achievements have come from many people

collectively looking at the same problem (in this case the future prospects for a company). The collective thought and effective challenge is what enables us to reach a more accurate answer as a community of researchers.

I believe in simplicity over complexity. Sometimes we fall trap to the fallacy that complexity equals certainty. It does not. After reading through all the steps in my modeling approach, you may begin to believe that I have violated this basic concept; however, the detail used in my models is in fact relatively simple compared to the models of sell-side analysts at investment banks. After our model has been created, it will empower us to cut through the noise, and draw very simple conclusions about whether we expect a company's earnings and cash flows to grow or shrink in the future, and how that will compare to competitors or the broader market. These are the simple answers we seek. How we decide to achieve them is up to us individually.

Thoughts on Equity Research

Over time the Equity Research Industry has adapted to changing circumstances. In the early 2000s information equality took a leap forward with the passing of Regulation Fair Disclosure (Reg FD), which prohibited the dissemination of material information to select analysts or investors. This changed the nature of the relationship between analysts and the companies they cover. At the same time technological advances continued to progress, making it easier for companies to communicate directly to investors, analysts, and news outlets. In general, the availability of data has also come a long way in the last 10-20 years, which has led to the advent of contributor-based stock analysis websites, investment blogs, and even crowdsourced earnings estimate services.

The latest development in sell-side research at investment banks has come in the form of a required change in pricing. Banks typically package their research products with equity trading services. Now regulators in certain markets are pushing to break the services apart, in an effort to improve cost transparency.

With the pricing change comes new pressure to cut research costs at banks. As market forces act on the industry, the quality of research, which has already declined relative to what is currently available free of cost, will continue its descent. Equity research reports are beginning to blend together, and it is getting more and more difficult to recognize the value proposition of multiple identical reports that track the earnings preview/review cycle. Analysts are to some extent incentivized to follow the pack in order to protect a stable, yet unremarkable, career. The pricing change will amplify this effect as many cling to a bygone era of growth and prosperity in research.

These forces have led the industry to become reactive instead of proactive. There is nothing more frustrating than watching all analysts cut their earnings and price targets *after* company management has decreased their guidance. ***What is the value in this research, when clients had no chance to execute on the recommendation prior to the announcement.***

The improvement in information flow, rise of the independent blog-style stock analyst, and changing price environment for sell-side research, has brought the Equity Research Industry to a pivotal point in its history. ***I believe that the market for equity research will shift to favor those who are best suited to provide it.*** In many cases this will remain top sell-side analysts whose research is valued at or above the equilibrium point of its cost. However, sell-side research must shift to providing only primary high-value research, and leave the lower-end earnings preview/review style reporting to firms that can provide it at the lowest cost possible.

I believe these developments will drive ***the age of the truly independent analyst.*** While individuals have already proved successful in gaining recognition through investment articles and blogs, the next logical step is to move up the traditional equity research value chain, and add the sell-side's most valuable tool to the mix: earnings models.

About Gutenberg Research

Gutenberg Research will facilitate the next leg of the equity research transformation. Our consensus-based models will provide the basis for discussion, while our contributors will provide the voices, and the best analysts will rise to the top.

Gutenberg is creating the platform for analysts, regardless of where they come from, to be recognized in all aspects of their work: Written reports/articles, backed by detailed analysis within their models, and explained in commentary.

- **Our Purpose:** is to drive the evolution of equity research through financial modeling.
- **Our Goal:** is to make earnings models for all publicly traded companies available to all research participants.
- **Our Vision:** is an ultra-efficient research market where all participants are able to contribute their opinions in a challengeable environment backed by both qualitative and quantitative support.

- **Our Mission:** is to grow the Gutenberg community, seeking out like minded analysts who share our vision for the future of research, and educate and empower those who wish to join our efforts.

The Gutenberg name and philosophy are inspired by the fifteenth century visionary and inventor of the printing press, Johannes Gutenberg. Gutenberg's press forever altered the state of communication and flow of information through the mass production of books, changing literacy from a luxury of an elite few, to a right of all people. Now, taking a page from Johannes Gutenberg's book, we are making earnings models available to the masses, rather than tools available only to the highest paying clients.

We believe that our community's collective knowledge will provide the best forecasting insight; however, the complexity of hundreds of forecasting possibilities, coupled with thousands of different investing theories must be tamed to facilitate the discussion among analysts. To maintain order and cut through the convoluted web of potential forecasting approaches, we provide spreadsheet templates for analysis: *our consensus-based earnings models* which represent a "base-case" scenario. Our community members can then download these base-case scenario spreadsheets, and input their own assumptions to add their opinion related to a particular stock's earnings and valuation prospects.

Our ultimate goal is to have an inventory of models for all publicly traded companies with many variations of bull- and bear-cases for each. At the heart of our goal, is the commitment to financial modeling education. Our Virtual Intern Program, textbook "*Financial Modeling for Equity Research*", and *Certificate in Financial Modeling Program*, drive the execution of this educational effort.

We are growing our network of contributors, first seeking out those with prior modeling experience to assist in the build of our consensus-based model inventory, and then expanding the network to capture the opinion of a wide group of market participants. We have a long road ahead of us, but we are off to a great start...stay tuned!

Gutenberg Research Structure: Our parent company, Gutenberg Research LLC, operates under three segments:

- **GutenbergResearch.com:** Internet-based community of financial modeling contributors. Members can access our consensus-based models, and share their model forecasts on our site. The Gutenberg Financial Modeling Virtual Intern Program also runs on GutenbergResearch.com, providing a modeling introduction to students interested in fundamental analysis, and creating a platform for modelers to showcase their skills to prospective employers.
- **The Equity Research Institute at Gutenberg Research:** Provides live classroom and virtual modeling training including the Certificate in Financial Modeling program.
- **Gutenberg Publishing Company:** Publishes and distributes course content and the *Financial Modeling for Equity Research* textbook.

Join Our Team of Interns

If you would like to sign-up for our Virtual Intern Program, please use the link below. If you have any questions about the program, feel free to reach out to me anytime: john.moschella@gutenbergresearch.com

Intern Program: <https://www.gutenbergresearch.com/gutenberg-virtual-intern.html>