



DCM Stock Pitch: Guideline and Checklist

Instructions:

General: This document serves as a guide to stock pitch best practices. It is intended for full length stock pitches (~30 min + Q&A). Abbreviated pitches should include the same Executive Summary. Other sections should be shortened/omitted. In all cases, the focus should be on the investment theses and valuation (absolute and comps).

Checklist: Prior to a pitch, teams are required to submit this document with all items checked off to ensure there are no missing elements. If an item is not checked, an explanation should be provided (ex: data not available , not relevant for our company , or only in appendix as not crucial for investment theses).

Note: Pitches have to satisfy maximum time requirements, so some/many slides may need to be moved to the Appendix.

Analyst confirmation:

We confirm that all items in this guide have either been included in the stock pitch and checked accordingly in this document, or if an item is not checked, an explanation has been provided. Next to your signature, indicate the sections (by number corresponding to the guidelines) that you were responsible for. You may list multiple sections as appropriate.

Stock Name: _____

Sector Name: _____

Fund Name: _____

Presentation Date: _____

Analyst 1 Name: _____ Signature: _____ Sections: _____

Analyst 2 Name: _____ Signature: _____ Sections: _____

Analyst 3 Name: _____ Signature: _____ Sections: _____

Analyst 4 Name: _____ Signature: _____ Sections: _____

Analyst 5 Name: _____ Signature: _____ Sections: _____

Analyst 6 Name: _____ Signature: _____ Sections: _____

CONTENT

1) Slide 1: Cover slide

- a. Includes sector name, stock name, date, and group member names []

2) Slide 2: Executive Summary

- a. Note: the DCM disclaimer is at the very end of the presentation, not the start []
- b. Note: The Executive Summary slide is before the Agenda/Outline []
- c. The title of the slide is Executive Summary []
- d. Includes a clear and brief introduction to the company []
- e. Lists Market Cap or EV and (orally) puts this in the context of the sector ex second biggest transportation company []
- f. Lists current stock price and briefly mentions (orally) past YTD or one year performance and puts this into context of the subsector ex is up YTD on strong revenue growth, representing an 8% outperformance of the Hardware subsector []
- g. Specifies one valuation metric (EV/EBITDA, EV/EBIT, etc...) and explains briefly (orally) where this positions the company compared to peers ex trades at a slight/significant premium discount to peers and how you think it should be trading instead []
- h. Lists the reasons why the stock is mispriced, and why (investment theses) using appropriate language (orally) that makes it clear that those views/insights are not already priced in the market []
- i. Specifies a target price and upside % from current price (with time frame mentioned orally) []
- j. Highlights one key risk factor []
- k. States your recommendation Buy or Sell
- l. If pitching a Buy, the upside should be at least 20% []

Note: All of the above information is on one slide and the slide cannot be too crowded. As usual it should be in point form, and you expand orally. After hearing your executive summary, the audience should have an excellent idea of what your stock pitch is all about. The Executive Summary can also be thought of as an Elevator Pitch You meet a company CIO in the elevator and they ask you for a stock pitch. You mention all the above points in 1-2 mins and get offered the job on the spot.

3) Agenda:

The agenda is clear, without too much text, presented briefly, and is not skipped over don

Note: For each of the above, the focus should be on why it matters for valuation and/or your investment theses. For example: geographic

- vi. For each of the above, clear explanation of why (and why in comparison to peer performance, in particular for outliers) []
- e. Stock and financial performance during 2008 financial crisis []
- f. Students were able to emphasize those points that were most relevant to valuation and the investment theses. []
- g. Current balance sheet information (leverage and liquidity ratios, price-to-book ratios

9) DCF Valuation:

- a. A clear DCF analysis was performed (and/or NAV and/or other model, where appropriate) []
- b. Driving factors in the model were highlighted. This is where you explain the key factors that will affect future company cash flows (ex: macro factors, price of copper, % of clients who switch over to subscription model, market share, new stores, same-stores growth, size of market) []
- c. Assumptions underlying the model were clearly summarized on one or two slides, and clearly explained, including:
 - i. Assumptions behind driving factors []
 - ii. revenue projection []
 - iii. costs and/or margins []
 - iv. depreciation []
 - v. working capital []
 - vi. capex []
 - vii. exit multiple []
 - viii. terminal growth rate []
 - ix. tax rate []
 - x. WACC and details on how it was calculated (make sure you know: how you got your beta, is it adjusted or raw beta, the beta is with respect to which market, what market risk premium you used (you can use 5%, which is fairly standard, or you can use a model-derived number, in which case you should be familiar with the model; do not use the return of the market over the past year, which is a mistake I have seen come up; did you make adjustments for country risk, size)
 - xi. A sensitivity analysis was included in the Appendix []

It is common to include a scenario analysis, with 3 columns: Bull case, Base case, Bear case, where outcomes for various scenarios are considered. For example, Bull case could be that 4 of 5 new drugs will be approved, and drug pricing will increase by 10%. Bear case could be 2/5 drugs get approval and prices are cut by 30%. Base case could be 3/5 new Drugs and no change in pricing. In some cases, if appropriate, the Base case can be a weighted average of the Bull and Bear cases. Note the difference between a scenario analysis and a sensitivity analysis. Scenario analysis is linked to a tangible scenario or outcome, whereas a sensitivity analysis tweaks parameters up and down slightly.

10) Comparables Valuation:

- a. A comparables analysis was clearly presented []
- b. Students demonstrated an expertise in the peer companies and were able to discuss why some companies might trade at higher/lower multiples (differences in growth rate, beta, treatment of depreciation, capital intensity, etc []
- c. If there are differences in rankings for things like EV/EBIT and EV/EBITDA, a very clear explanation was provided []
- d. If applicable, clear explanation and analysis of sector specific multiples []
- e. Some quantitative analysis was performed to support point b above: example: Regression of EV/EBITDA on past or future EBITDA growth, or regression EV/Sales on margins or on percent of revenue coming from division X (even if you don't get any interesting results, it's still important to do the analysis. In this case, you may consider simply stating that you didn't find any interesting relationships between the above variables, and leave the charts/analysis in the appendix []
- f. A discussion on earnings quality was presented []

11) Takeover target (if relevant):

- a. Discussion of likelihood the company could be taken over, and by whom, and why (Note: you may need to refer to the literature to look at some factors that increase/decrease the likelihood a company is acquired) []
- b. Detailed knowledge of prior deals, how they worked out in the long run, and the multiples those deals were closed at []

12) Other Risk Factors and Catalysts:

- a. Students were able to identify and assess risk factors facing the company and their investment theses. The likelihood and impact of risk factors were quantified []

Note: In some cases a risk factor may qualify as entire investment thesis. It could be that you think the market is overestimating the likelihood/impact of the risk factor. You may address risk factors to your theses in the investment theses section, and reiterate them briefly here.

- b. There was discussion of timing of potential catalysts that could unlock value []
The timing of catalyst may have also been discussed in the investment thesis section, in which case it may not be necessary to repeat it.

13) Other

a. Are company insiders buying or selling their company's stock, and is this unusual activity that might be relevant? []

b.

17) Oral Presentation:

a. Students were appropriately dressed (business casual) []