# Introduction to Stock Pitching

September 2022





- I. Background context
- II. Picking a stock
- III. Writing the pitch
- IV. 2-minute pitch
- V. Resources





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# I. Background context

### Why do I care about stock pitching? When will I use it?

- > Bread-and-butter in the investment management ("IM") industry
  - Often paid on how well invested ideas perform
  - Get other investors to invest with you
  - Helps organize and refine your thinking
- > IM interviews
- > IM curriculum at CBS
  - Applications for the Value Investing Program, and some IM courses (Advanced Investment Research, Mental Models, Compounders, etc.); within select courses (Applied Security Analysis, Applied Value Investing, etc.); select CSIMA AVP interviews, etc.

- ➤ Networking with investors, alumni
  - Conversation topic
  - Add value to others, if the idea's good





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# II. Picking a stock (1/5)

### How do I come up with a stock idea? From Prof. Tano's slides:

### Normal times

Newspapers, periodicals, industry magazines, academic research, ...

**13Fs**, other investors' ideas, industry contacts, . . .

**Screens**, local search

# Special situations

Financial crises, sovereign debt crises, political crises pandemics ...

Spin-offs, distress, mergers, manager turnover, regulatory changes, industry overcapacity

...

Less to more structure





# II. Picking a stock (2/5)

### How do I come up with a stock idea? Tips:

- Companies / industries you already know
  - Best way to demonstrate credibility behind variant view
  - Easier / faster: leverage previously completed research
- > <u>Thematic</u>: beneficiary / loser as a result of trend
  - e.g., COVID, inflation, electric vehicles
- > Review professional investors' portfolios
  - Longs: Which investors do you admire? Check their investor letters, 13Fs (Whale Wisdom). What do they own and why? What positions are they initiating / adding to? Are there other public companies with similar qualities?
  - Shorts: Same as above. Some EU exchanges report short sellers, some publish on own websites. Best to use only as reference as most investors will know about public shorts.
- > Stock pitch forums
  - Value Investors Club ("VIC" (<a href="https://www.valueinvestorsclub.com/">https://www.valueinvestorsclub.com/</a>), Sumzero, Seeking Alpha (lower quality), Google (pitches online); don't steal work, use as reference only

Presenter: Shalin Doshi

Think about timing / shelf life of the pitch by considering catalysts





# II. Picking a stock (3/5)

### How do you screen?

- ➤ Consider purpose of pitch when constructing screen
  - What type of competition or fund are you pitching it to (e.g., ESG / tech PM / distressed)
  - Make sure company size and trading volume work for audience
- > Filter by geography, sector, financial metrics
- ➤ What metrics? Depends on type of company desired
  - Long-term compounder (e.g., high historic & projected growth)
  - Traditional value stock (e.g., valuation metrics, ROIC / ROE)
  - Short-term mispricing / potential shorts (valuation metrics, recent meaningful movements in share price, management changes, etc.)
- > Screening tools: Capital IQ, Bloomberg, <a href="https://finviz.com/">https://finviz.com/</a>, etc.
- Use screens to narrow your universe of stocks before you dive deeper





# II. Picking a stock (4/5)

### What qualities to look for in stocks?

- > Industry level analysis:
  - <u>Barriers to entry:</u> e.g., scale, customer captivity, network effects, regulation, access to unique resources, etc. Read: Competition Demystified, Curse of the Mogul
  - Addressable market and growth: volume / value; key growth drivers, trends vs history
  - <u>Competitive dynamics:</u> how concentrated? Modes of differentiation among players? Disruptive forces?
- > <u>Company</u> level analysis:
  - Business model and value chain
  - Financial metrics
    - Growth, margins, returns
    - Cash generation, use of cash
    - Leverage
  - Management, shareholder structure
- > How "researchable" is the idea? How much of the story is micro vs macro driven?

Presenter: Shalin Doshi

> Is the idea too complicated for the audience to understand?





# II. Picking a stock (5/5)

### What qualities to look for in stocks?

- > Valuation
  - Absolute: DCF, multiples (shorthand DCFs; most common), LBO-type IRR calcs
  - <u>Relative:</u> Comparable company analysis (use relevant metric: EV/FCF, P/E, EV/Sales, EV/NOPAT, etc.), precedent transactions
  - Bear / bull case scenarios are helpful
- > Other considerations
  - <u>Geography:</u> in which countries does the Company operate? Country-specific issues to be mindful of (FX? Government intervention?)
  - <u>Cyclicality</u> and commodity dependence
  - <u>Catalyst:</u> future hard (fraud) or soft catalysts (loss of share)?
  - <u>Short Ideas</u>: cost of borrowing? Liquidity of the stock? Meme-stock risk?

There are many considerations; do what makes sense to you





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# III. Writing the pitch (1/5)

### What is a good pitch?

- "Tells a story" of investment opportunity, long (buy) or short (sell)
- > <u>Concise</u> and <u>clear</u> that is supported with quantitative information, when possible

### What is the typical structure of a stock pitch memo?

- ➤ Depends ranges from 1-pagers to 50+ slide decks for competitions
- > We will focus on pitch format that can be used in interview or Investment Ideas Club ("IIC")

### What is IIC?

- > IIC is a monthly pitch night hosted by CSIMA designed to develop student's pitching skills
  - > Take it seriously a way to practice presenting as if you're in an interview
  - > Get feedback from practicing investors, alumni; good way to polish pitches before recruiting
  - > Relatively judgement-free
  - > Encouraged to participate: pitches don't have to be perfect (don't let good be the enemy of great)

- > Helps with your Value Investing Program application (if you want to apply)
- > First sessions will be on September 27-28





# III. Writing the pitch (2/5)

 Formats vary, one potential structure is below (try not to vary too far from it)

Presenter: Shalin Doshi

### 1 Tables

- Stock summary
  - Current share price
  - 52-week high / low range
  - Target price & % upside / (downside)
  - Market cap, net debt, EV
  - Short interest
- Summary financial forecasts
- Stock price chart with annotations

### 2 Introduction

- <u>Brief</u> statement of recommended action (long / short, not hold)
- Price target and implied potential upside
- Key thesis points, so audience knows where you're going
- Quick line <u>simply</u> explaining high-level what the company does
  - If confusing company, may want to provide additional context





# III. Writing the pitch (3/5)

### 3 Investment Thesis

- Top <u>3</u>-5 qualities telling story why the audience will make money executing on your recommendation
  - If you can't state your idea in 3 points, it's not that interesting or you don't know it well enough Ole Andreas Halvorsen
  - Variant view: buying / selling a stock is an arrogant decision Seth Klarman; what is the market missing? Why?

- What upcoming catalysts will show the market it's wrong and re-rate / change its mind?
- Include quantitative support throughout
- Make sure three points flow well





# III. Writing the pitch (4/5)

## 4 Financials / Valuation

- What are you projecting? How are you different from consensus? Why (make sure this fits your story)?
- How you arrived at your price target
  - Can support with absolute valuation method and relative valuation
- Breakdown the value drivers
  - How much is coming from (1) topline growth, (2) margin expansion, (3) multiple increase / decrease, etc.?

# 5 Risks & Mitigants

- Identify key risks that would disprove your investment thesis
  - All investments have risks
  - Briefly mention key risks and why
  - Most commonly asked in Q&A
- Be able to explain why the risk is mitigated
  - If have space can included in the document. If not, have answers ready for Q&A
- Be honest

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 Risks help in Q&A by showing judges you thought the idea through downside





# III. Writing the pitch (5/5)

### Where should I gather information?

- 1) <u>10-Ks, 10-Qs, press releases:</u> special attention to business description / risk factors / MD&A; any key recent events
- 2) <u>Investor presentations:</u> good resource when starting work on a company; check for any Analyst Days held in past 5 years
- 3) <u>Conference call transcripts:</u> recent (last 3-4) calls; read Q&A to see what analysts are focused on
- 4) <u>Sell-side reports:</u> check reputable initiation reports for context on company, industry, competitive landscape, etc. and a few recent reports; don't base your story on these alone
- 5) <u>CD&A section of proxy:</u> management's incentives (what metrics do they care about? Revenue / EBITDA / ROIC / stock price? Any recent changes to comp structure?)
- 6) <u>Tegus:</u> transcripts from expert calls
- 7) <u>Google:</u> recent news, management's background, etc.

Primary research often sets you apart: can try interviewing industry veterans, customers / clients, competitors, **former (12 months+)** employs, etc.

Obviously, do not include inside information

In all circumstances, the work you present should be your own





RH (NYSE: RH) Industry: Retail Date: January 2, 2022

#### 2. Introduction

Shalin Doshi SDoshi23@gsb.columbia.edu

Buy: \$1,040 PT (+94% upside/+25% IRR to Dec-24)

#### Overview

- RH (formerly, Restoration Hardware) is a \$12bn market cap lux retailer in the home furnishings industry. The company of products and services both direct-to-consumer and through its Galleries in North America and 14 Waterworks showrooms.
- Recommend LONG, price target \$1,040 (+94% upside/+28 IRR): based on 2025 valuation, including 25x P/E multiple (~ line with history, discount to luxury peers), above-consen earnings estimates, modest assumptions for international expansi
- Thesis: RH is a long-term compounder a unique retail busin that is growing rather than decreasing sq. ft. per store, with doub digit revenue growth, operating margins of 25%+, and ROIC 30%+. RH achieves this by targeting a high-spending lux customer with no major competitors in its price segment.
- RH is a solid business but also an attractive investment at curr levels, with upside to street's estimates driven by the following:
  - 1. RH's ability to attract, retain, and monetize high-end custom despite no social media spend is underappreciated and w drive sustained low-teens% EBIT growth over the next 5 ye
  - 2. Expanding TAM through international and luxury experience - viable long-term opportunities to further monetize a stro brand that are not fully priced in
  - 3. Visionary CEO with solid track record in brand building give greater confidence in success of growth initiatives compensation aligned to company's future; buybacks likely
- Multiple expansion: Opportunity to achieve a more luxury multipl as investors appreciate the resilience of RH's earnings and returns Catalysts: International gallery openings; guidance upgrades (a done in recent quarters); share repurchase announcements
- Risks: Housing market dependence; key person risk; in-perso experience; new ventures could be dilutive to margins and returns

Period end:	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	Jan-2
Financial Summary (US\$ mn)	2018	2019	2020	2021E	2022E	2023E	2024E	2025
RH North America	2,375	2,514	2,729	3,637	4,061	4,499	4,953	5,424
Nigrowth	2%	6%	9%	32%	12%	22%	30%	209
Waterworks	130	133	119	149	155	161	168	174
% growth	2%	2%	-10%	25%	**	4%	4%	-
RH International					21	85	246	516
Nigrowth						200%	189%	2209
Net Revenue	2,506	2,647	2,849	3,786	4,237	4,745	5,367	6,114
% growth	2%	6%	2%	32%	12%	12%	13%	249
% vs consensus				0%	2%	6%		
Adj. Operating Income	309 60%	395	646 686	966	1,089	1,244	1,424	1,641
% growth	12%	196	22%	20%	206	20%	27%	279
% margin % ya consensus	2276	1000	230%	0%	1%	4%	2776	278
Adi. Net income	204	276	463	685	776	893	1,032	1,197
Naj. Net income Signowth	204 276	276	686	42%	12%	15%	1,002	1,197
% vs consensus		20.00		-11%	0%	6%		
Diluted EPS (S/share)	\$7.70	\$11.37	\$16.95	522.84	\$26.26	\$30.63	\$35.87	\$42.11
% growth	117%	400	496	35%	196	17%	17%	179
Current P/E		-	31.6c	23.9c	20.4r	17.5x	14.9v	12.7
Free Cash Flow	111	181	320	422	528	626	743	880
Current FCF Yield			1	4%	5%	596	6%	89
Net Debt/EBITDA	2.4x	1.8c	0.7x	0.1x	-0.2x	-0.4x	-0.7x	-0.9
Adj. ROIC	15%	17%	7%	-	36%	37%	38%	30%
Price Target		share						
Current Price (31-Dec-21)	\$5	35.94	1 (		al. C			
Target Price (31-Dec-24)	\$1.0	39.64	т. 3	σιΟί	・ ト・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・ス・	um	ma	ı۷
Total Uoside	*-,-	94%						•
IRR		25%						



#### Background

History: RH was establish appointment of Gary Fried brand's financials; phase the addressable market

3. Company Background thentic period hardware and lighting fixtures. In 2001, after a home furnishings brand: Phase 1 (2000s) was stabilizing th / Recent Events ory within home improvement; phase 3 (2020s) is broadenin auonal and luxury experiences. The company IPO'd in 2012 and changed its name to RH effective 2017

Gallery conversions: The key EBIT driver for RH in recent years has been closing legacy mall stores and opening new free-standing multi-stor galleries in their place, generating both better revenue per store (higher volumes through higher foot traffic and incremental D2C sales) and bette margins (lower occupancy costs and capex, using capital light leasing deals funded by landlords and sale-leaseback transactions). See exhibit 6

RH Members Program: Introduced in March 2016, with customers paying \$150 (\$100 before Jul-21) annually to get 25% discounts on all product plus special services. RH Members allows the company to (1) avoid seasonal discounting and promotions, improving gross margins (better pricing inventory management) and opex (no need to adjust staff levels); (2) better monetize its customer base, with >95% of RH's sales over 2017-2 coming from its 400k+ Members; and (3) collect more refined data on customer preferences, resulting in lower cancellations and returns.

#### estment Thesis

1 Underappreciated ability 4. Thesis RH is well-positioned to leverage

tize high-end customers despite low CAC – key driver of over 30% ROIC

furnishing industry and grow EBIT at 13% CAGR over 2021-25E led by growth in both pricing and customers. The company's underappreciated strength lies in its ability to capture, retain, and grow spend from wealthy customers despite little marketing expenditure.

RH's core customer is in the top 0.5%, or households that earn well over \$500k/year on average. To target this attractive customer segment, the company has taken a more product-centric approach to marketing, investing in the products rather than "posting online about ourselves". RH's advertising expense was only 2% of sales in 2020 (~3-4% historically), with the majority of that for printing of Source Books while the company has no social media presence or spend. Despite this, RH continues to steadily grow the number of RH Members, driven by organic popularity due to high quality products and new launches, as well as improving its core Gallery experience. A notable example of organic popularity has been the cloud couch, which has been a viral phenomenon on TikTok and endorsed by celebrities (social media mentions below). This ability to attract high-end customers (avg. Member spends ~\$6k/year) through innovative products and despite no advertising on social media is unlike most consumer-facing products and is a key strength of the brand that will support Member growth - I expect low-single digit % growth (exhibit 4).

Social media	#restoration	#cloudcouch	#crateand	#ethan	#pottery
tags/mentions:	hardware	welloudecodell	barrel	allen	barn
Instagram (posts)	348.4k	3.3k	194.9k	93.3k	614.9k
TikTok - tags (views)	43.8M	13.9M	12.4M	0.1M	43.4M
THE TALL SHOW HAVE A STREET	F4 014	715 514			CT 014

From survey of classmates personal are off the top of your head

I love the cloud couch!

Creative research The company noted it say

encouraged; not a must

nes in customers, so the remaining comes in the form of pricing Gallery footfall has also been enhanced through the introduction

Google Search Trends for 'Cloud Couch

(mid-single digits) and spa of restaurants/cafes, which has increased the frequency of visits and customer retentio. A survey of my classmates revealed that they visit the RH gallery once every 1-2 months, mainly to dine at the rooftop restaurant, and make a purchase roughly once an year. Glass roofs, trees and large spaces are not sustainable in cost/sq. ft. for a freestanding restaurant but these are only fractional additions to a Gallery (avg. 33k sq. ft.).

RH enjoys strong pricing power, as evidenced by the recent hike in membership fee to \$150 (from \$100) in July 2021 (this hike alone should add \$22m in annual revenues if members remain constant) as well as the consistent growth in spend per customer over the last 3 years (exhibit 4). RH has also monetized its stores/space/services very well, with a higher \$ per sq. ft. compared to even luxury peers (exhibit 7). The average spend per customer continues to grow every year, led by price increases, new design launches (Contemporary Source Book to be launched in Spring 2022, first in 2+ years), and increasing uptake of services such as RH Interior Design and RH Architecture. RH has found that Members' buying patterns had become less volatile and with higher average ticket sizes, so having 97% of sales from its Members allows better pricing control.

My revenue estimates are above consensus, but achievable, since annual 4-5 gallery conversions should account for high-single digit growth (as denced in recent years and guided by the company) along with price growth of ~4% should support overall low-teens annual revenue growth.

2 Expanding TAM through international and luxury experiences – viable long-term optionalities that are not fully priced in

International: RH will open galleries in Europe and UK in 2022 and targets International to eventually contribute \$15-20bn sales. I believe this is achievable in the long run (10+ years), with a large TAM (Wayfair estimates European Home Furnishings to be \$300bn industry) and a potential white space in the luxury segment given a fragmented industry set-up (exhibit 8) operating usually as smaller stores (not gallery-style like RH). Additionally, the company already has a host of designer tie-ups from Europe, notably Timothy Oulton (London designer who conceptualized the Cloud Couch), which should make the integration easier even with slightly different product tastes in Europe. RH's target \$15-20bn International sales at its North American level of margins and multiple, i.e., ~30% EBITDA margins and a 15x multiple, would theoretically imply \$67-90bn in value. My base case estimates have International reaching only ~\$0.5bn sales by 2025 at lower margins (~15%), while street/sell-side models have not all factored them in due to the longer-dated returns, so there is a large upside opportunity if RH executes better than expected.

Luxury Experiences: RH is launching several business lines targeting the luxury customer, moving from selling product to selling spaces. RH enters the \$200bn hotel industry with Guesthouse, while also launching Residences, and other services. Wealthy customers that have developed trust in RH's aesthetic could be patrons, with each venture a pilot-style project (low investment) and expected to be profitable. RH is unlikely to these sufficiently in the next 10 years, so these are not in my (or street's) valuation, but still a sound strategic move to leverage the brand.

3 Wisionary CEO with solid track record in brand building; compensation aligned to company's future; buybacks likely

Gary Friedman is the Chairman and CEO of RH. He has a 30-year track record of leading home furnishing retailers from obscurity to scale having grown Pottery Barn (Williams Sonoma) and Restoration Hardware to large brands across leadership stints. He takes a long-term approach to strategy, as evidenced by creating a unique upscale brand in home furnishings, and the introduction of RH Members program. He is also the largest individual shareholder of the company, and more than 90% of his wealth is in RH shares. The CEO's 2020 Stock Option Award (worth up to \$560m over 4 years) is based on pri ove the closing price on December 31, 2021, representing sufficient incentive l allocator and aggressive share repurchaser, buying back 48% and 25% of to keep driving the company forward 5. Valuation outstanding shares in 2017 and 2018, t of his current and future wealth is tied up in RH shares, it can be expected that the company continue to embasis our chase programs as the capital return mode of choice, particularly given the net cash position.

#### Valuation – Deserves a luxury multiple

The company trades at a 1-year forward consensus P/E multiple of 20x, which is higher than its domestic household retail peers, yet below global luxury peers (exhibit 3) and even the S&P 500. RH's business more closely resembles a luxury retailer than a discretionary household retailer in terms of returns, margins, growth, and customer mix. I believe multiple expansion is likely over the next few years as investors appreciate RH's luxury goods-like business model including sustainably high margins, high returns and strong FCF generation, and expanding market opportunity as the company scales. For my base case target price of \$1,040 per share (exhibit 1), I have used a 2025E P/E multiple of 25x, slightly higher than historical levels (avg. of 23x since IPO, exhibit 2) but below luxury comparable average of 30-35x

#### Risks to Thesis and Mitigants

- Housing market dependence Brings cyclicality wi Exposure to a high net-worth custome
- 6. Risk & Mitigants

wer) homes are purchased/renovated

- Brick-and-mortar/in-person experience exposure Focu However, the company claims it is channel-neutral, with <1% of purchases in-store - this allowed maintaining strong sales during 2020.
- Key person risk RH has achieved new heights under Gary Friedman's leadership, but he is now 64 years old. Some of the growth strategies are longer dated with a CEO succession plan unclear. The risk will be more pronounced when the CEO is closer to retiring.
- New ventures could be dilutive to margins and returns initiatives could require higher capex or longer time to reach mature margins. However, these are unlikely to be scaled significantly, with modest upfront investments, which mitigates risk of shareholder value loss.









Exhibit 3: Peer Comparable Multiples (1Y = 1xr forward)																
			P/	/E	EV/E	BITDA	EV/S	sales	EPS G	rowth	Sales 6	rowth	<b>EBITDA</b>	Margin	FCF '	field
Name	Ticker	MCap US\$bn	1Y	2Y	1Y	2Y	1Y	2Y	1Y	2Y	1Y	2Y	17	2Y	1Y	2Y
RH	RH	11.5	20.3x	18.8x	10.8x	9.7x	3.1x	2.9x	18%	8%	13%	8%	29%	30%	7%	8%
US Home Furnishing Retailers 8	& Manufactu	rers														
Williams-Sonoma Inc	WSM	12.3	12.0x	11.8x	8.2x	8.2x	1.5x	1.5x	504	1%	6%	3%	19%	18%	8%	9%
Wayfair Inc	w	19.9	102.1x	41.5x	36.2x	21.3x	1.4		110%	146%	9%	18%	4%	6%	2%	4%
Ethan Allen Interiors Inc	ETD								5%	na	4%	na	16%	na	na	na
MillerKnoll Inc	MLKN	1 .							34%	36%	56%	9%	10%	12%	6%	11%
La-Z-Boy Inc	LZB	<b>1</b> 1	<sup>2</sup> eer	· an	a ni	stor	ıcaı		30%	5%	12%	0%	12%	na	496	4%
Bed Bath & Beyond Inc	BBBY	- 1							54%	47%	-12%	2%	6%	7%	6%	6%
Home Depot Inc/The	HD	4 C	omp	ns ca	an h	<b>6</b> 119	sefu	ıl	8%	7%	4%	3%	17%	17%	4%	4%
Lowe's Cos Inc	LOW	17	7111F	,, ,,	**** •	C u.	, C. I G	''	12%	10%	2%	3%	14%	15%	5%	5%
MEDIAN									21%	10%	5%	3%	13%	13%	5%	5%
Global Home Furnishing Retails	ers															
Roche Bobois SAS	RBO FP	0.4	18.5x	na	7.3x	na	1.4x	na	-1%	na	6%	na	19%	na	13%	na
Global Luxury Goods & Retailer	S															
LVMH Moet Hennessy Louis V	MC FP	417.8	31.0x	27.9x	17.5x	15.8x	5.7x	5.3x	25%	11%	26%	8%	33%	34%	3%	na
Kering SA	KERFP	100.4	23.9x	21.3x	13.8x	12.4x	5.0x	4.6x	11%	12%	19%	9%	36%	37%	4%	5%
Hermes International	RMS FP	184.6	62.7x	56.0x	36.6x	32.7x	15.6x	14.2x	15%	12%	24%	11%	43%	43%	196	na
PRADA SpA	PRP GF	15.8	38.0x	29.4x	14.2x	12.2x	4.4x	3.9x	na	29%	24%	11%	31%	32%	496	na
	MONCIM	19.9	35.7x	31.0x	19.1x	16.9x	7.7x	6.9x	17%	15%	42%	12%	40%	41%	3%	3%
Salvatore Ferragamo SpA	SFER IM	4.3	47.9x	37.6x	13.0x	11.7x	3.3x	3.0x	9%	28%	16%	8%	25%	26%	3%	4%
Tapestry Inc	TPR	11.2	10.9x	9.8x	8.3x	7.8x	1.9x	1.8x	16%	11%	11%	4%	23%	24%	8%	8%
MEDIAN			35.7x	29.4x	14.2x	12.4x	5.0x	4.6x	16%	12%	24%	9%	33%	34%	3%	4%

Exhibit 4: RH Member Growt		er Member 1 18 2019	Estimate: 2020	2021E	2022E	2023E	2024E	2025E	Exhibit 6: Unit Eco	Legacy Gallery	Large Format Gallery
# of RH Members %growth % of total RH sales from members	Can a	add d	etail	ed f	inan	cial	pro	jectio	ons here	12,500 7500 0 7500	\$31,050 45500 10500
Net Sales from Members (\$ mn) % growth Membership Fee (\$)				if y	ou v	van	t.			\$1,308 10.5%	56000 \$1,975 6.4%
Annual Spend per Member (\$) % growth	Ma	any ju	dge	ap	prec	iate	an l	IRR b	ridge.	\$174.40	\$36
Exhibit 5: Transcript of Inter		Reme	mbe	r to	incl	ude	fore	ecast	s vs	2,942 23.5%	\$8,700 28.0%
"Gary has been one of the long-term. Is he generally	со	nsens	us s	ome	ewhe	ere i	n yc	our m	iemo.	50% 16.0%	50% 15.6%
So do I think Europe is goir not. Do I think 15 years fro	g to be accre	ave to men	earning	e menue	- ше пек	ı year	. A030	rutery	Landlord Contribution Inventory Investment Not RH Investment Payback period (years)		\$19,500 (\$15,000) \$1,000 \$5,500 0.6
Exhibit 7: RH has Better Sale vs Furniture and Luxury Reta		EXI	ibit 8: E		High-En	d Furnit	are Peer	s from Roc	tourse. Corpusy reports and JPNe based the Bobois's IPO Pro		

vs Furniture and Luxury Retail Peers	Player has S		gn-£па г і	rnuure Fee	rs jrom Ko	iche Booots	SIFOFR	ispecius (20.	10) - Snows A	io single
Revenue per Sq. Pt. (\$'000s / sq.ft.) 3.0 TVMH (ex Wines BH (RH					L	issey			High-	rad
& Spirits) - Nr (in Segment)  2.0 WSM Segment)			Poltrons Frau (including Cassina)	Minotti	Malteni Group	B&B Italia (including Maxalt o)	Groupe Roset	Kasil	Dosign Within Reach (Herman Miller, Inc)	Restoration Bardware, Inc.
0.0 2018 2019 2020	Overview	rochebobols	Cassina	Minotti	Mshmi&C	B&B MATALID	Cin <u>ná</u>	Knoll	DESIGN WITHIN BESCH	RH
	Revenue year	2017	2016	2016	2016	2015*	2016	2016	2016	2016
EBIT per Sq. Ft. (\$'000s / sq.ft.) 0.60 LVMH (ex Wines &	Revenue	£212m	6277m	€101m	€136m	€165m	€115m	\$1,164m	\$2,278.2m	\$2,135m
0.40 Spirita) Segment)	Distribution network			Franchiso / Resoller	Owned / Reseller	Owned / Roseller	Owned / Randler		Owned / Resolve	Owned / Roselle
0.20 44344	Online sales	From 2019	No	No	No	No	Yes	Yes	Yes	Yes
0.00 2018 2019 2020	Geographic presence	Europe, USA, RaW	Europe, USA, RoW	Europe, USA, ReW	Europe, USA, RoW	Europe, USA, RoW	Europe, USA, BaW	USA, Camada, Europic	USA, Casada, Mexico	USA

Exhibits to support your theses / help explain business model





- I. Background context
- II. Picking a stock
- III. Writing the pitch
- IV. 2-minute pitch
- V. Resources





# IV. 2-minute pitch (1/4)

### What should I expect at IICs?

- > 2 minutes to present and judges ask questions for ~5-8 minutes
- > Judges typically have reviewed write-ups before the event (why they're due in advance)
- > Re-starting in-person IICs from this semester; in-line with interview format
- > IIC VPs / AVPs will keep time, moderate the sessions

### What should I say in the 2-minute pitch?

- > Follow structure of pitch
- > Introduction: recommended action, price target, upside, one line on company, if possible
- > Step through 3 thesis points
- > If have time, quickly mention projections
- ➤ If have time, mention headline risks
- > Close with a summary sentence highlighting the returns / favorable risk-reward / why you are excited about this investment opportunity





# IV. 2-minute pitch (2/4)

### How to prepare?

- > Practice, practice, practice
  - Time yourself in advance (you will be cutoff if you go over)
  - 2-minutes goes by fast; you do not have time to go into detail, so save information for Q&A

- Use a friend to practice together (if you are comfortable)
- > Pre-empt potential questions and construct your responses
  - Have data/figures to reference in appendix





# IV. 2-minute pitch (3/4)

### What are best practices for Q&A?

- > Digest the questions first, then get to the point
  - Step back and think about what the judges are asking, then answer. <u>Be specific</u>
  - Back up your views with evidence
- > If you don't know the answer, it is okay to say so
  - Let them know what diligence you plan to do to uncover it
  - Follow up with judges once you have a better idea
- ➤ Relax!!
  - IIC is a low-risk environment and judges know this (most have been CBS students)

- The point is to work out the kinks and improve
- Control the pace of your pitch and don't speak too quickly





# IV. 2-minute pitch (4/4)

### What should I not do during the pitch? IIC VPs can share anecdotes...

- > Ramble
  - Be concise with your statements and answers
  - You have 2 minutes to pitch and 5 minutes to answer questions
- > Avoid reading a script word by word
- > Get aggressive in defense
  - Sometimes judges will not share your view and will press you
  - You can defend your work, but also want to show your teachable / don't have commitment bias
  - Lean on support and facts for your responses
- > Steal others' work
  - Damage your reputation, lose potential friends, reduce value proposition of CSIMA for yourself and others, potentially hurt your chances of getting an internship / job, etc.





- I. Background context
- II. Picking a stock
- III. Writing the pitch
- IV. 2-minute pitch
- V. Resources





# V. Resources (1/2)

### If this is interesting to you, join CSIMA!

### Resources by CBS, CSIMA

- ➤ Library databases (IBISWorld, Euromonitor)
- > Bloomberg terminals on 6<sup>th</sup> floors of Kravis and Geffen
- > Capital IQ works remotely
- > Investext/Mergent and Refinitiv for sell-side equity research

Presenter: Shalin Doshi

- > Tegus, Canalyst subscriptions
- ➤ Network of peers, alumni

### Recommended classes (for 1st years)?

- > Security Analysis Chris Begg
- > Earnings Quality
- > Spring semester
  - Applied Security Analysis
  - Advanced Investment Research





# V. Resources (2/2)

Prioritize pitching rather than reading at this time, but some well regarded books are below:

### Recommended Reading

- Analyst's Cookbook
- Graham & Doddsville
- Investor Letters
- Value Investors Club
- Industry news: Wall Street Journal, Barrons, etc.
- Calculating Return on Invested Capital (Michael Mauboussin)

### **Recommended Books**

- The Essays of Warren Buffett (Buffett/Cunningham)
- Common Stocks & Uncommon Profits (Phil Fisher)
- Competition Demystified (Greenwald)
- Value Investing (Greenwald)

- The Intelligent Investor (Graham)
- Margin of Safety (Seth Klarman)
- Pitch the Perfect Investment (Sonkin/Johnson)
- You Can Be a Stock Market Genius (Greenblatt)
- The Little Book That Beats the Market (Greenblatt)
- Five Rules for Successful Stock Investing (Pat Dorsey)





# AVP applications

- Taking 3 in fall term
- Responsibilities
  - > Facilitating IIC events, interacting with judges
- Value add
  - ➤ Learn more about pitching and develop your skills it's a gating item in the interview process
  - > Meet more people in the class
  - > Get access to all pitches
  - > Meet judges
- If want to apply, please submit the below to Joy (SHe23), Zhaohan (ZZhang23), Bryden (RNugent23) and Jason (JLai23) with the subject line "AVP IIC Application"

- > Resume
- > Statement of interest (200 words max)
- > A written stock pitch (same format per above)





# Appendix

## Try to answer the four key issues

What the Portfolio Manager is Thinking		Variant Framework	The Perfect Pitch
How much can I make?	<b></b>	Is your view different from consensus?	Compelling return
How much can I lose?		Are you right?	Accuracy of analysis
Is it too good to be true?	<b></b>	What is the market missing?	Justify mispricing
How will the next guy figure it out?	<b>→</b>	When and why will the situation change?	Identify catalyst





# Questions?



