PITCH GUIDELINES

The bullet points appearing on the grading rubric that follows are neither exhaustive nor entirely mandatory. In other words, you might not necessarily cover all of them; conversely, you may cover points or offer approaches not listed. Those bullet points, and the narrative below, are intended to be thought-provoking and suggestive. On the website, we list a number of references offering advice or examples on how to pitch a stock. Again, they are meant to generate ideas. While there is no singularly "right" way to pitch a stock, there are certain elements that are considered basic and absolutely necessary. Those basic elements form the grading **categories** on the rubric.

Introduction

This is just a couple of sentences summarizing the reasoning behind your "buy" recommendation. "This opening statement needs to combine your qualitative appraisal of the business with your quantitative thoughts on valuation. An opening statement that is only qualitative ('the company is well positioned so you should buy it') or only quantitative ('the stock is cheap at 10x P/E,' without context) is inadequate."[1]

Company Overview

Here you will probably want to offer a brief history of the company and a quick look at current company management. Other points that may be appropriate would include:
- company's standing within its industry; e.g., market share
- core competencies
- brief summary of financials/key ratios
- stock price history

Industry Overview

You may want to utilize Porter's Five Forces to provide a brief analysis of the industry, focusing on its attractiveness and competiveness.

What is the current general condition of the industry? Can you offer an outlook for the industry? What does the future hold for the industry as a whole, and where does your company fit within that vision?

Investment Thesis/Rationale

The key question you want to address in this section is, "Why now?" What current conditions exist, or what impending occurrences are on the horizon that suggest the timing is ripe for investing in this company? What circumstances have aligned themselves so as to indicate to you that this stock will outperform the market in the next six to 12 months? The Motley Fool defines an investment thesis as, "either a long-term trend that's playing out or a short-term event that may occur."

- Is the stock currently undervalued? (You'll want to be able to prove this in the next section.)
- Are there extraordinary growth drivers or catalysts in play that will soon boost stock price? (If so, what effect will that have on the next section's valuation calculations?)
- Has the company recently gained some competitive advantage?
- How can this investment generate value?
- Basically, your thesis will focus on one or more of the following: big upside potential, low valuation, or low risk.

Valuation

Your pitch will have more substance and credibility if you can establish/document the company's current value and translate that into a stock price at which the equity should currently be trading. If, in fact, the stock is currently trading below that price, investing in it could represent a value play. On the other hand, if it's trading near that price, perhaps your thesis focuses on growth.

There is a broad choice in terms of either absolute or relative valuation methods, but the most popular are:
- Discounted Cash Flow Model
    - Free Cash Flow
    - Dividend Discount Model
- Residual Income Model
- Asset-Based Model
- Comparables Analysis (valuation multiples)

Demonstrate your confidence in your valuation calculations by going out on a limb and forecasting a six to 12-month price target! The more specific you can be—with valid assumptions, estimates, and calculations to validate your price target—the more respect your pitch will likely garner from the judges. So, a broadly sweeping prediction stating that the equity will be trading "between $52 and $110" isn't going to be nearly as impressive as a narrow price target range of "between $67 and $80."

Keep in mind that our time horizon is six to 12 months. While you may have a price target for eventually exiting the position that is significantly higher and extends beyond that horizon, we are looking for the level of outperformance you expect in the next six to 12 months. You may state the price target as a range expressed in terms of dollars, percentages, or rates of return. In reality, they're all the same.

Also remember that faculty and investment professionals will be sitting on the judging panels. While the advice above recommends you be more specific rather than broad, the judges will be quite qualified to determine whether your predictions and estimates are realistic. It will not be to your benefit to merely conjure up a tight price range that has no basis in fact and reason.

Risks

Risk can present itself macroeconomically, within the industry, and/or within the company's operations. In effect, the first would be considered systematic risk while the latter two would be of an unsystematic nature.

Be objective and straightforward in discussing potential risks, and provide assurance that the price you will be paying for the stock appropriately accounts for those risk factors.

Conclusion

Tie it all together and briefly summarize the rationale behind making this particular investment at this point in time.

Q&A

While a practiced, rote presentation may mask any informational gaps you might have, your deficiencies can be easily exposed upon "direct examination" by the judges. Guard against that circumstance by becoming intimately and thoroughly knowledgeable about your proposed company and its industry.

Presentation Skills

Effective presentation skills are essential to clearly communicating all the above components. Do not underestimate the importance of volume, enunciation, and animation with regard to speech. Enthusiasm breeds enthusiasm. Avoid constantly saying "umm," "like," and "you guys." A professional demeanor suggests credibility and fosters confidence.

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[1] "Must-Haves in Investment Write-Ups," http://clubs.london.edu/imc/spc-2/. Click on "Guidelines."

	Poor → → → → → → Excellent				
	1	2	3	4	5
Introduction					
Company Overview • Financials • Key ratios • Stock price history • Management • Core competencies/business model					
Industry Overview • Porter's Five Forces • General conditions & outlook • Competitive dynamics • Future industry changes & effects on company					
Investment Thesis/Rationale • Undervaluation • Growth opportunities • Catalysts that will raise stock price • Special competitive advantage					
Valuation • Comparables Analysis • Discounted Cash Flow • Other Model/Method • Price target (in the next 6-12 months)					
Risks					
Conclusion					
Ability to answer judges' questions satisfactorily					
Presentation Skills • Quality/Clarity/Attractiveness of Slides • Were the presenters articulate? • Volume, speed, voice projection • Overall quality of presentation					