



LBS Student Investment Fund

Guidance Notes for Investment Write-Ups, October 2013

Must-Haves in Investment Write-Ups

Opening statement (“15-second pitch”): ‘I think that XYZ Corp is a BUY/SELL because... [couple of sentences, no more]’ **This opening statement needs to combine your qualitative appraisal of the business with your quantitative thoughts on valuation.** An opening statement which is only qualitative (“the company is well positioned so I want to buy it”) or only quantitative (“the stock is cheap at 10x p/e”, without context) is inadequate.

Summary financials:

- Stock price
- Shares out
- Market cap
- Net debt
- Enterprise value
- EBIT (ltm)
- EBIT (2014 projection)
- EV/EBIT (ltm and projected)
- eps (ltm)
- eps (2014 projection)
- p/e (ltm and projected)

What you think that the stock is worth, and why.

Most importantly, please try to convey a sense of the business *as a business*. This is not a spreadsheet exercise or an antiseptic business school case study. This is you trying to convey to a group of people why you think they should invest their *actual money* into your investment suggestion. You need to develop and communicate a tangible sense of the business in just the same way as if you and a group of friends were investing a big chunk of your net worths into a rental property, or a gas station, or the Windsor Castle pub.

In addition please ensure that your write-up covers:

- Why me? What is the general market misperception that’s allowing me to buy this cheaply or sell this expensively? What is my *variant perception*?
- How do XYZ Corp’s current operating margins compare to its own history and to those of its peers? What explains any significant changes or differences?



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- How does XYZ Corp's current return on tangible capital compare to its own history and to its' peers? What explains any significant changes or differences?
- How much stock and options does management own? Have they been buying or selling over the last year, and at what prices?
- If the company generates free cash, what have they spent it on over the last 5 years (stock buybacks, acquisitions, divis, additional capex, debt repayment etc.)?

Your write-up should be at most three sides of A4. In addition please attach more detailed financials as a short appendix, including:

- Latest balance sheet
- Up to 10 years history of income statement, operating cash flow, capex, return on tangible capital, return on equity & operating margin

We have attached an old Value Investors Club write-up of Autozone from 2005 that we think is good, as an example. It is actually of professional standard, but we hope to get the best out of you!