

Components of a Stock Pitch

QWFM Education Team



Company Overview



The company overview should aim to help the reader understand how the business operates and what they do. Here are some ideas of what you could include, but ultimately you'll have to use your own judgement:

Qualitative Factors: Product/ Service Overview, Points of Differentiation, Growth Strategies, Management Team and Experience, Company History, Geography of Operations, Revenue Drivers

Quantitative Factors: Key Stats (Margins, Ratios, Growth Rates), Annotated Price/ Volume Chart, Revenue Segmentation, Market Share, Historical Growth Rates, Ownership Summary, Capitalization Table

Where to look: Investor presentations, Annual reports, Industry specific reports, Company websites



The Company Overview should aim to help the reader understand **how the business operates** and **what they do**.

Ex: Apple (AAPL)





Qualitative Factors

- Product/ Service Overview
- Points of Differentiation
- Growth Strategies
- Management Team and Experience
- Company History
- Geography of Operations
- Revenue Drivers

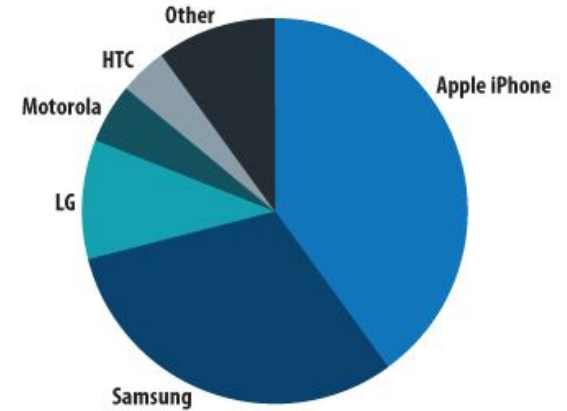


Quantitative Factors

- Key Stats (Margins, Ratios, Growth Rates),
- Annotated Price/ Volume Chart,
- Revenue Segmentation,
- Market Share,
- Historical Growth Rates,
- Ownership Summary,
- Capitalization Table

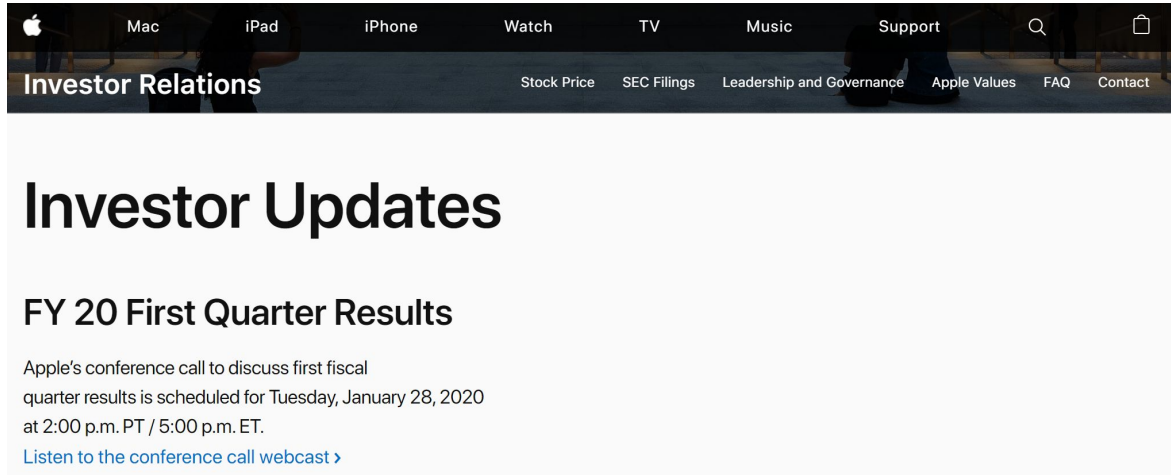
Smartphone Brand Market Share

Smartphone Owners in U.S.
Broadband Households



Where to find this info?

- Investor presentations
- Annual reports
- Industry specific reports
- Company websites



The screenshot shows the top navigation bar of Apple's Investor Relations website. The navigation bar is dark with white text. On the left is the Apple logo. To its right are links for Mac, iPad, iPhone, Watch, TV, Music, and Support. On the far right are a search icon and a shopping bag icon. Below the navigation bar is a secondary navigation bar with the text "Investor Relations" on the left and links for Stock Price, SEC Filings, Leadership and Governance, Apple Values, FAQ, and Contact on the right. The main content area has a white background. At the top is the heading "Investor Updates" in a large, bold, black font. Below it is the sub-heading "FY 20 First Quarter Results" in a bold, black font. The text below reads: "Apple's conference call to discuss first fiscal quarter results is scheduled for Tuesday, January 28, 2020 at 2:00 p.m. PT / 5:00 p.m. ET." At the bottom of this section is a blue link that says "Listen to the conference call webcast >".

Mac iPad iPhone Watch TV Music Support

Investor Relations Stock Price SEC Filings Leadership and Governance Apple Values FAQ Contact

Investor Updates

FY 20 First Quarter Results

Apple's conference call to discuss first fiscal quarter results is scheduled for Tuesday, January 28, 2020 at 2:00 p.m. PT / 5:00 p.m. ET.

[Listen to the conference call webcast >](#)

Industry Overview



The industry overview seeks to illustrate and explain the environment in which the company conducts business. You may find it more logical to present industry overview by grouping macro and macro items. Here are some ideas to get started!

Outlook: Industry News, Secular Trends, Historical Growth, Industry Life Cycle, Emerging Technologies, Expected Future Growth, Major Markets/ International Trade, Product Quality vs. Quantity Growth

Competition: Industry Fragmentation, Product Homogeneity, Key Success Factors, List of Competitors, Barriers to Entry, Saturation

Industry Drivers: Consumer Price Sensitivity, Seasonality/ Cyclicalities, Demand Determinants, Foreign Investment, Capital Intensity, Regulations

Investment Theses



The investment thesis is the most important part of any stock pitch. It describes to potential investors what makes a company great. A good investment thesis requires you to see something that the market doesn't see.

Stock underpricing can occur from the following:

- Market Overestimating Risk/ Beta (Underpricing Stock)
- Failing to Understand Business (Poor Comparables)
- Market Underestimating Cash Flow (Not Factoring Growth)
- Market Overreaction (Information/ News)

Your investment thesis is the heart of your stock pitch, and is the compelling reason(s) to buy your security over other options.

- Typically pitches have between 1 to 3 investment theses
- You must communicate why this stock specifically
- Numbers speak louder than vague statements



Common Investment Theses

Barriers to Entry:

At the foundation of any great company are durable competitive advantages, critical for minimizing competition and generate above average returns.

- Intangible Assets
- Economies of Scale
- Legal or Regulatory
- Switching Costs
- Network Effects



Financials:

A company with strong financial performance metrics often has the ability to effectively manage and use capital to produce consistent returns over the long term.

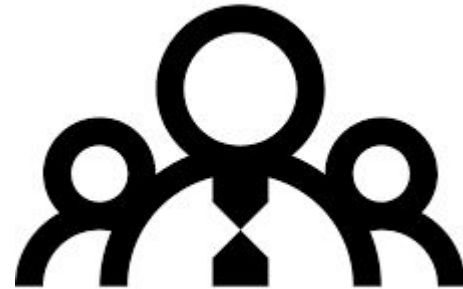
- High ROIC
- Stable Cash Flows
- Recurring Revenue
- Attractive Cost Structure


$$\text{ROIC Formula} = \frac{\text{Net Operating Profit after Tax}}{\text{Total Invested Capital}}$$


Management:

A strong leadership team is crucial for the strategic and tactical direction of any company. Even the greatest companies will fail with poor guidance from management.

- Proven Track Record
- Aligned Incentives
- Superb Capital Allocation
- Displaced M&A Strategy



Runway for Growth:

A company with attractive growth opportunities will have the ability to deploy capital to initiatives that will compound value over time by retaining and reinvesting earnings.

- New Products
- New Markets
- New Technologies





Where to find this info?

- Investor presentations
- Industry presentations
- Equity research
- Company filings
- Company news

Morgan Stanley | RESEARCH

August 1, 2018 02:18 AM GMT

Apple, Inc.

A Clean Beat on the Path to \$1 Trillion

📄 Stock Rating | 👁️ Industry View | 🎯 Price Target
 Overweight | Attractive | \$232.00

We see more upside than downside risk to the upcoming iPhone product cycle and a building Services narrative. Even if device revenue growth slows, Services and Wearables can pick up the slack, delivering 7% revenue and 21% EPS growth annually through CY20, supporting our SOTP-driven \$232 PT.

UPDATE

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Apple, Inc. (AAPL.O, AAPL.US)				
IT Hardware / United States of America				
Stock Rating	Overweight			
Industry View	Attractive			
Price target	\$232.00			
Shr price, close (Jul 31, 2018)	\$190.29			
Mkt cap, curr (mm)	\$929,948			
52-Week Range	\$195.96-148.13			
Fiscal Year Ending	09/17	09/18e	09/19e	09/20e
ModelWare EPS (\$)	9.21	11.75	14.12	16.49
Prior ModelWare EPS (\$)	-	11.45	14.00	16.06

Catalysts and Risks



Catalysts

It is imperative to differentiate between investment theses and catalysts.

- An investment thesis states the underlying reasons an investor may hold a stock.
- A catalyst is a revelation or event that helps propel the share price.

Potential Catalysts:

- Lawsuits
- Activist Investors
- Product Launches

Risks

Risks, in the context of a stock pitch relates to anything that might hinder the investors' investment thesis to materialize or negatively impact the share price.

Potential Risks:

- Rising Costs
- Volatility Risk
- Market Risk
- Interest Rates
- Legislation
- New Entrants
- Lack of Diversification
- Geopolitics

The image features a solid orange background. In the top-left corner, there are three vertical bars of varying heights, each composed of several overlapping semi-transparent circles. In the bottom-right corner, there are four vertical bars of increasing height from left to right, also composed of overlapping semi-transparent circles.

Thank You!



Feedback - Erica

Overall great content its very very strong!!!

Most feedback comes in w formatting; just try to break stuff up and explain lingo as may not be first nature to everyone

Split up sections w a slide to allow people to discuss examples for each; could be a huge help w interaction levels; see my slides for example of this

When prepping presentation, plan to go deeper into explanation beyond the slide content while keeping the slide itself more simplistic