PowerPoint + Stock Pitch Overview

NME Week 2

Titles & Takeaways

Title

- Contains key assertion
- If I read the titles, I should know everything I need to

"Introduction"
"Data"
"Conclusion"

▶

"Smartphone market is decreasing in the U.S."

Takeaway

- Slide in one bullet

E.x.: The U.S. has witnessed a 20% decrease in smartphone sales over the past decade

Purpose

- Skimming
- Certain parts read

Ticker

Purpose

Previewing structure & identifying location within the presentation

Agenda

Investment Thesis

Industry & Company Overview

Catalysts

Risks and Mitigants

Valuation

Final Recommendation

To an **investment banker**, what is the purpose of finding a valuation?

To an **investor**, what is the purpose of finding a valuation?
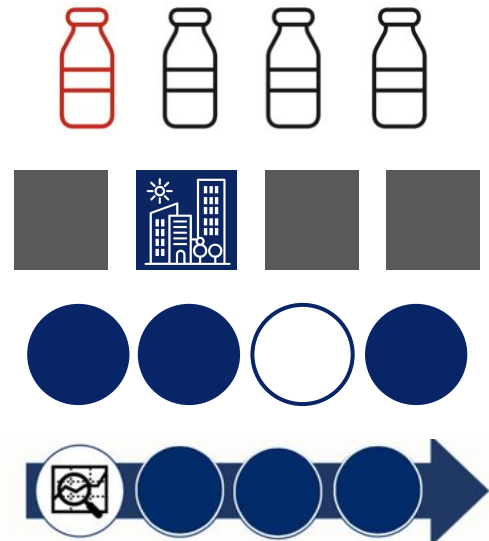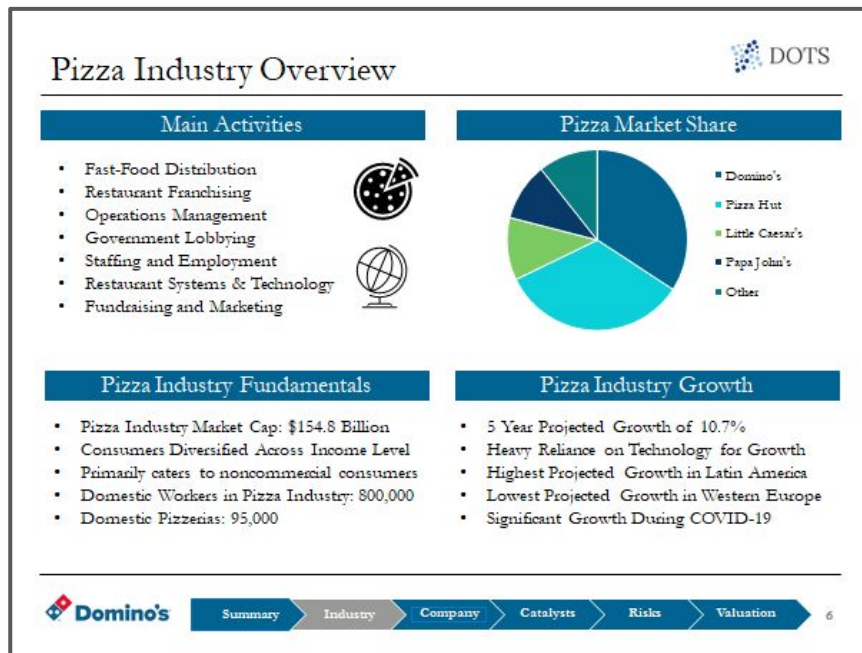
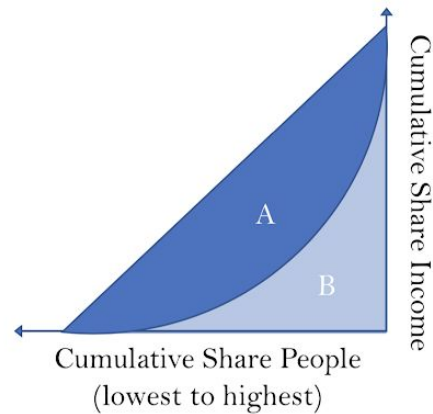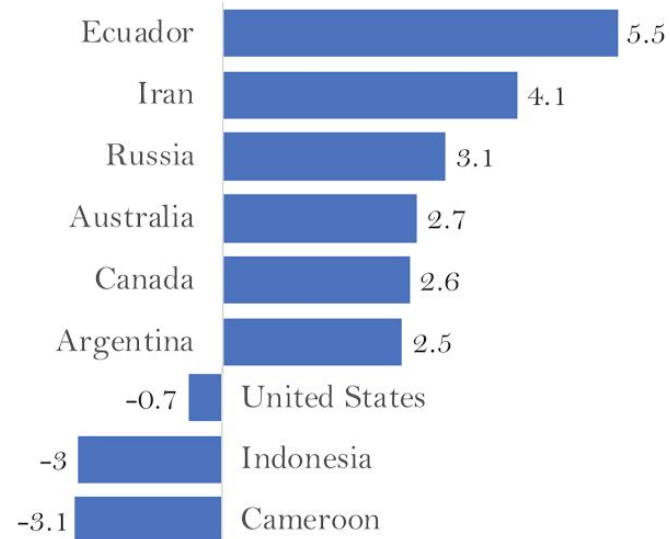| Overview | Market Cap | Equity Value | Enterprise Value | Recap |

Ticker

Example of Takeaways

Change in Income Distribution From 2008 – 2018

The Gini Coefficient

Cumulative Share Income

A

B

Cumulative Share People
(lowest to highest)

US income is increasingly concentrated
with the wealthy

Ecuador 5.5
Iran 4.1
Russia 3.1
Australia 2.7
Canada 2.6
Argentina 2.5
-0.7 United States
-3 Indonesia
-3.1 Cameroon

Examples of Titles and Takeaways

DELOITTE

ERNST & YOUNG

Creating a Master Slide

GOOGLE SLIDES

View > Theme Builder
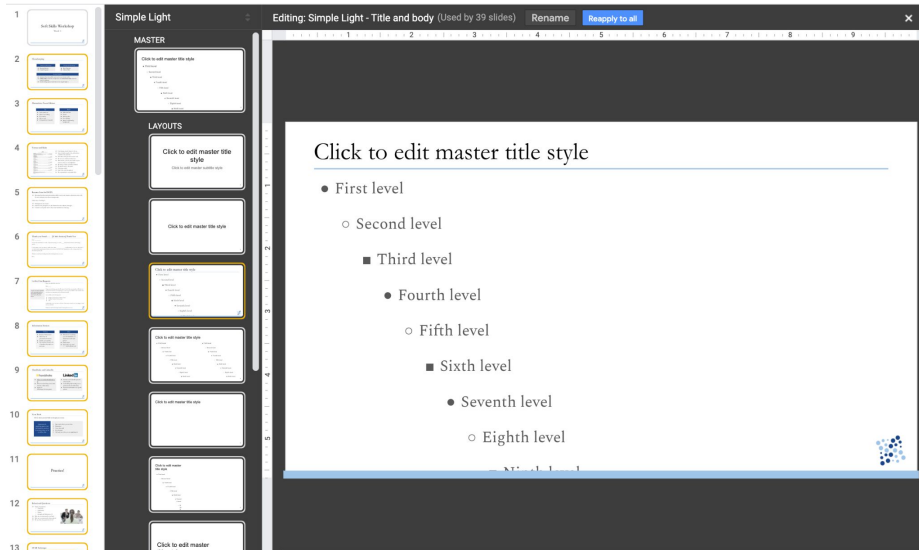
POWERPOINT

View > Master > Slide Master
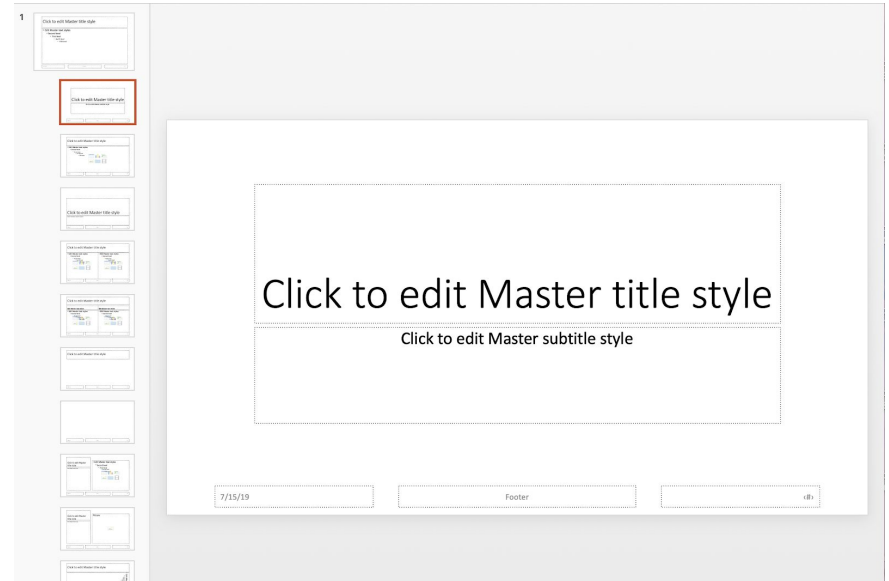
Creating a Master Slide

To Ensure Consistency

Edit font color, size, spacing

Page Numbers

Titles

Line on the bottom

Logos

Ticker

IMPORTANT NOTE: If on Master Slide, will be on every template slide (even the title page). To avoid this, you can use one of the template slides.

Aligning Information

Red tells you about alignment
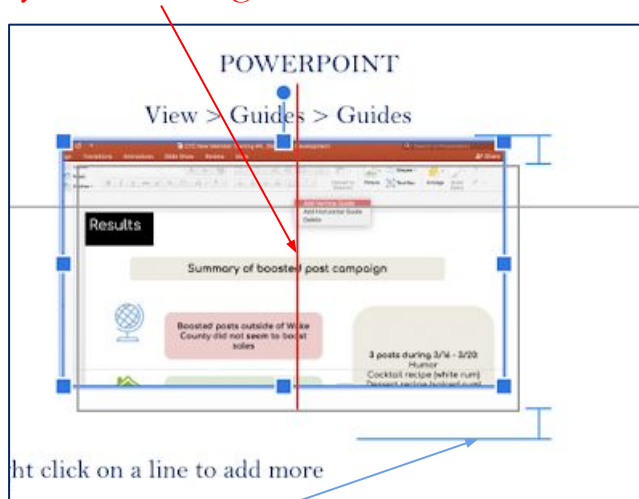
Blue tells you about spacing

Powerpoint
The Arrange Button
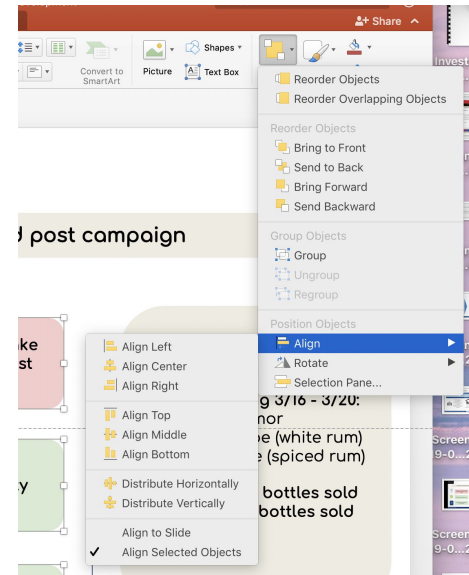
Laying out Information Within a Slide

Our eyes go from left to right

HALVES

Social Impact is Magnified When Activities are Based on the Core Business

CORE BUSINESS · SOCIAL IMPACT → CORE BUSINESS · SOCIAL IMPACT

Traditional model
Social impact unrelated to core business

New model
Growing the core business, more impact

Source: BCG analysis
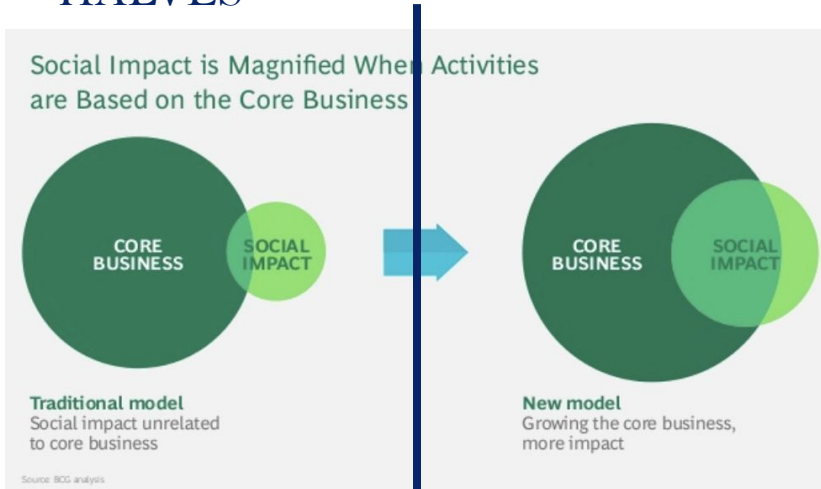
THIRDS

Resources

Sample Resume | Interview Guides | Cornell Affinity Groups

Laying out Information Within a Slide: QUARTERS

Company Overview

DOTS

Executive Team

Jay L. Schottenstein
CEO and Executive
Chairman

Robert L. Madore
CFO

Differentiators

American Eagle enables self-expression and empowers customers to celebrate their individuality

"We aren't just passionate about making great clothing, we're passionate about making real connections with the people who wear them."

Strategies

- Strengthening its financial discipline including inventory and expense management, delivering profitable revenue growth and focusing on high return investments
- Leveraging its omni-channel capabilities and customer information to gain market share and provide industry leading customer experiences
- Accelerating Aerie's growth as a leading intimates brand in the marketplace

Recent Performance of Stock Price

Sources: Macrotrends.net, AEO 10K

| Summary | Industry | Company | Catalysts | Risks | Valuation |

THE PROBLEM: Garnier's US sales and market share are declining in an increasingly segmented industry with many niche products

L'Oréal's Goals

ACHIEVE DOUBLE-DIGIT MARKET SHARE

BECOME A LEADER IN PRODUCT PERFORMANCE AND EXPERIENCE

ACCELERATE L'ORÉAL'S OVERALL POSITION IN THE US

GROW OVERALL BEAUTY CATEGORY

Breaking the Rules?

Catalyst #3: #AExME

New Spring 2019 Campaign

- #AExME brings to life American Eagle's commitment to provide its community with a platform for self-expression and empowerment
- All cast members were discovered solely through social media increasing AE's presence online
- The cast is seen in their own personal environments to showcase the endless possibilities in which the AE community can define their individual style

Instagram's Effect on Purchasing Decisions

1 in 3

respondents stated they have used Instagram inside a retail store to help their

purchase decision.

INSTA-PURCHASE INFLUENCE BY GENERATION

33% MILLENNIALS
28% GENERATION X
16% BABY BOOMERS

Growth Factors

Bringing light to the drivers of fashion: the youth
- AEO has styled and creatively directed ten authentic Gen-Z cast members with significant Instagram followings in order to expand presence and following on the platform
- Sharing real stories of teens celebrates freedom, inclusion, and empowerment that resonate with important values to youth today as well as AEO

Ne(X)t Level Jeans
- In order to drive sales, AEO is associating #AExME campaign with a new line of jeans, Ne(X)t Level Jeans
- The new line is focused on comfort and will drive jean sales to outperform previous quarters where jeans have been a consistent high-performing growth factor for AEO's revenue

Utilizing Instagram as a Marketing Channel
- "Up to 35 percent of consumers indicate that they rely on recommendations from social networks."

Source: www.mckinsey.com www.businesswire.com

Summary › Industry › Company › **Catalysts** › Risks › Valuation

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Ways to Break Down a Problem

Segmentation		
Age Group	Location	Substitutes

Key Stats

US Population: 300 million
NYC Population: 8 million
World population: 7 billion

Average Household: 3

Life Expectancy: 80 years
Under the Age of 18: 23%
Over the Age of 65: 13%

Career Overview › Frameworks › Example › Market Sizing › Example

Gridlines

Google Slides

View > Guides > Show Guides
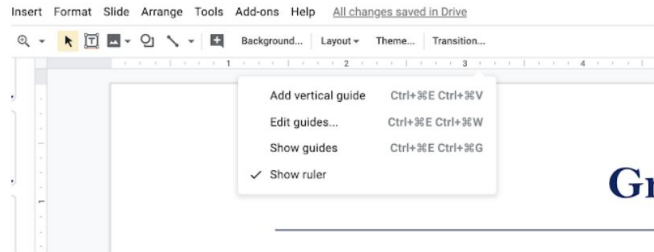
PowerPoint

View > Guides > Guides
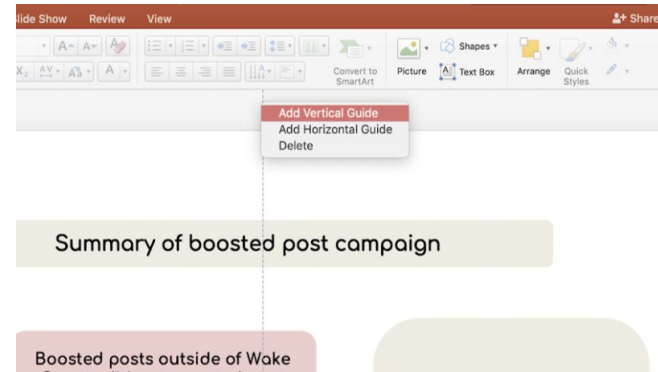
Once you have a guide, you can right click on a line to add more

Icons and Charts

https://thenounproject.com/ → Consistency

Lower Operating Costs Than Seattle
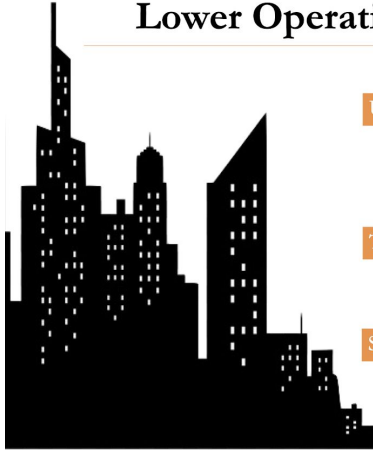
	Busan	Seattle
Utility Expenses	✓	
Heating, Gas, etc.	**$111.86**	$154.05
Phone Expense	**$0.09**	$0.12
Internet Expense	**$24.43**	$64.31
Tax Expense		✓
Corporate Tax	25%	**21%**
Social Security Tax	10.4%	**7.65%**
Salary Expense	✓	
Monthly Salary	**$1,200**	$3,713

Sources: Numbeo

The Commercial Jet Market
attributes of the commercial jet market

AIRBUS

Resources

Capital & Labor intensive
Expensive equipment

Aircrafts

■ Small Regional Jets   ■ Large Aircraft

Competition

BOEING

AIRBUS

Smart Art vs. Original Template

Quality of Life

Economic

Hygienic

Social

High Purchasing Power

Low Cost of Living

Terrific access to Education

Extraordinary Healthcare

Low Crime Rates

Incredible recreational outlets

Source: Busan.org
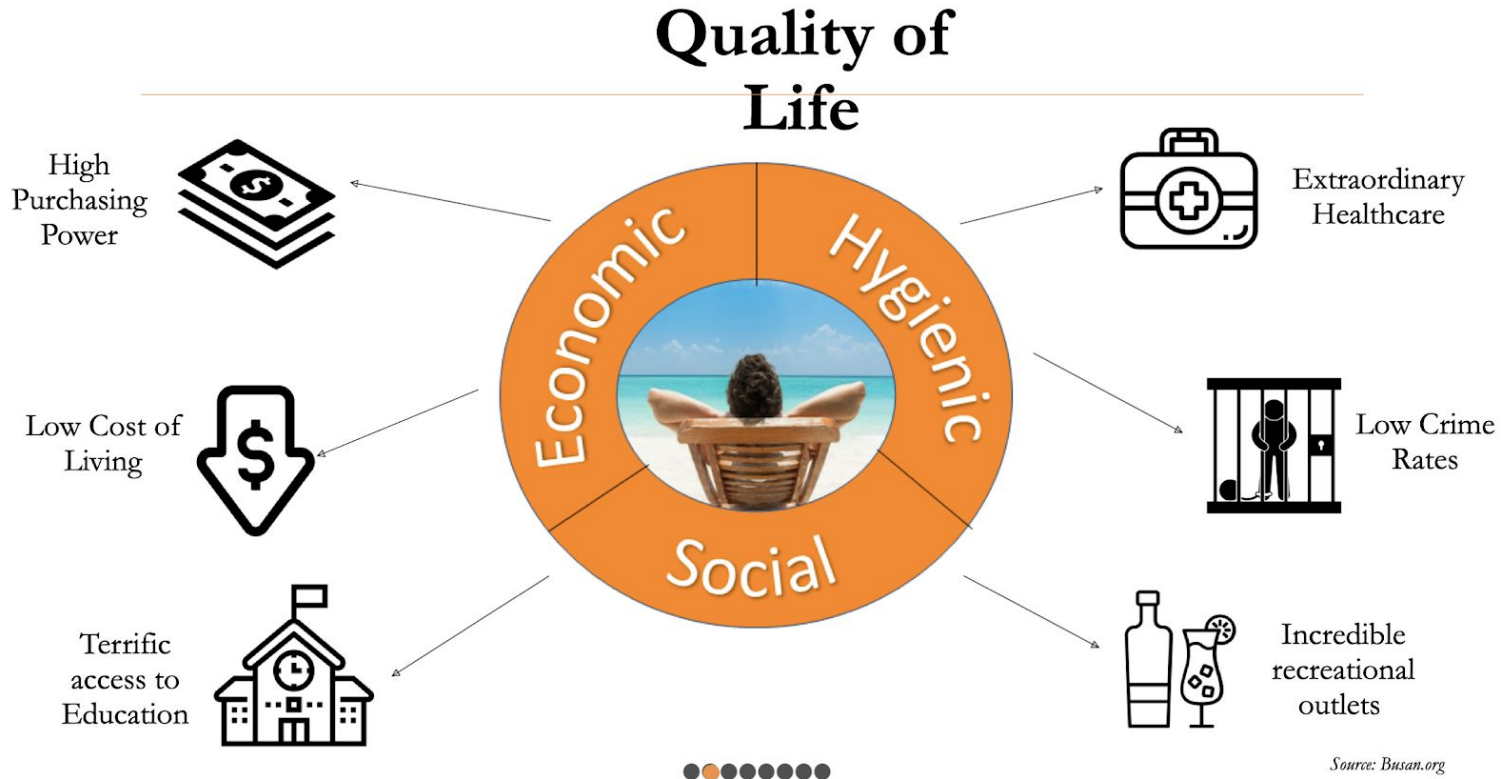
Smart Art vs. Original Template

MARKET SIZING: HISTORIC & PROJECTED GROWTH

Industry Revenue Growth (%)

Confectionery industry revenue percent change: 2010-2024

Decreased domestic consumer demand and production in last 5 years

The market is expected to grow annually by 1.6% (CAGR 2019-2023), equivalent to US$628.7m over the next 5 years

Consumer demand is expected to grow by US$300m by 2023

Sugar exports expected to rise at an annual rate of 4.2% over the next 5 years

Low revenue volatility

Market Drivers | Segmentation | Operational Overview | Competition | Market Sizing

Graphs

With a purpose	Consistent, contrasting colors	Consistent headings	Takeaways

DEMOGRAPHICS: CUSTOMER SEGMENTATION

Market Segmentation by Age

- Children (0-12)
- Teens (13-17)
- Adults (>17)

16.7%
13.9%
69.4%
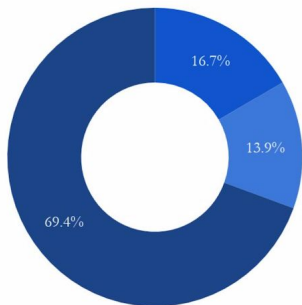
Segmentation by Product Type (Billions USD)

Chocolate Candy Mint Gum
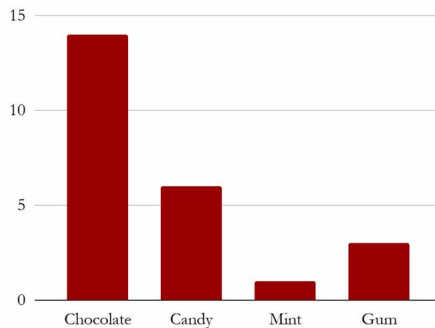
Consumers buy chocolate more than other confectionery products, with adults making most of the purchases

Tertiary School Enrollment, gross %

Egypt   Panama (2015)   Poland   Canada   Finland   South Korea
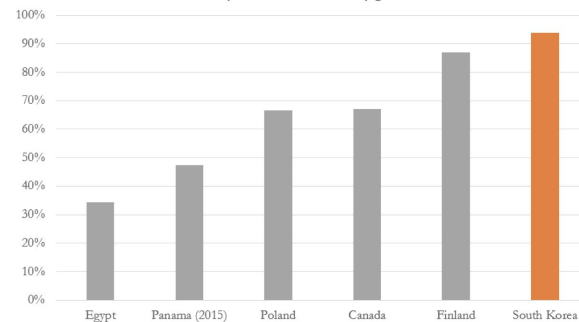
United States LED Industry Trends

Revolution Lighting

$ Revenue in Billions

2015   2016   2017   2018   2019   2020

■ Backlight ■ Mobile Devices ■ Automotive Lighting ■ Signage ■ Lighting ■ Others

Consistent increase in general lighting.
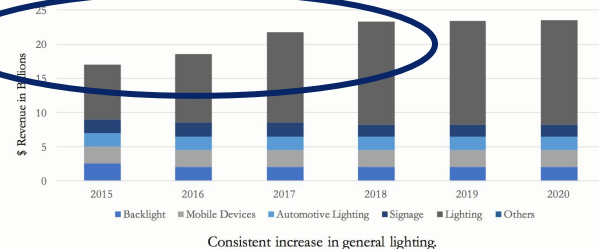
The DOTS Template

Color

HEX: #20498b
RGB: (32,73,139)

HEX: #9fc7e8
RGB: (159,199,232)

Icon

Logo

DOTS

Fonts

Heading

Subheading

Text/**Text**

Other Tips

- Executive Summary
- Concise (20% rule)
- Consistency (placement, color size)
- No typos (print it out)
- The title should the largest text on slide
- No vertical text
- Relevant jargon
- Font size: 14-18
- Colors: Limit to 2-4
- Fonts: Garamond (Serif, print), Arial (Sans Serif, pres)

- No redundancies
- Everything should add value
- No block of text, backgrounds
- Only use bullets if more than one point being addressed
- Slides should have margins
- Don't start with a template
- Remove space after paragraph (go over spacing)
- Create graphs and charts from scratch
- Even spacing
- Minimalism

What is in a stock pitch?

- Executive Summary
- Industry Overview
- Company Overview
- Catalysts
- Risks & Mitigating Factors
- Valuation
- Appendix

Executive Summary

- Brief company overview and key financial statistics
- Football field showing valuation range
- List of at least 3 catalysts
- Current share price, target share price, implied upside, and investment horizon
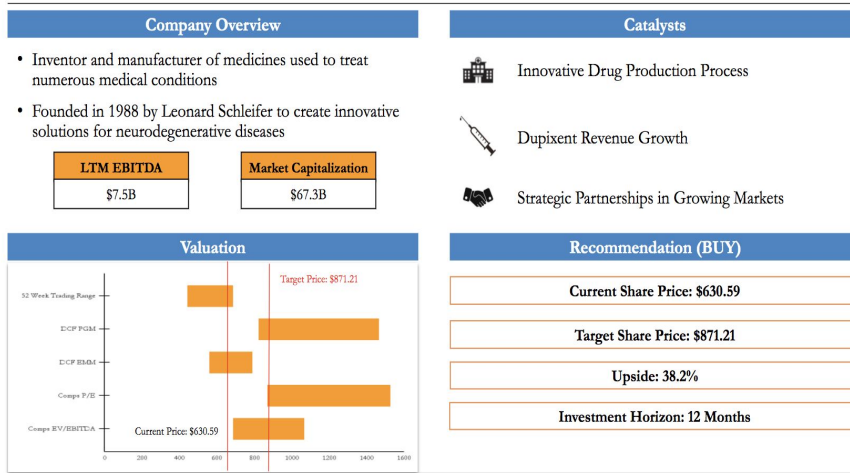
Industry Overview

- Description of key industry characteristics (purpose, size, fragmented/consolidated, drivers of growth, other interesting facts)
- Logos of main competitors
- Statistics (current market size, CAGR, future estimates)
- Major industry trends
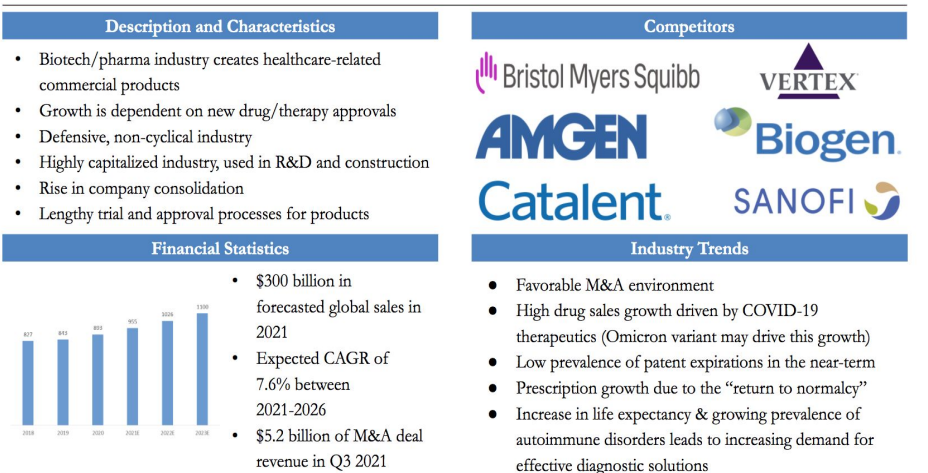
Company Overview

- Company background (history, # of employees, basic description & characteristics)
- Leadership (CEO & CFO)
- Business model and strategies moving forward
- Stock price chart
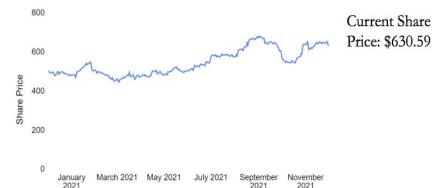
Catalysts

- Catalysts are events/actions the company is taking/will take that will cause a change in the stock price
- Make sure that these are NOT priced in
  - This means that this news/event should not be reflected in the current stock price
- Tips
  - Find unique events that are not in the spotlight
  - Do not discuss things that have happened in the past since that is already priced in

Example

Catalyst #3: Strategic Partnerships in Growing Markets

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Gene editing

- Gene editing therapies have broad applications in many diseases
- Recently gained approval to advance past preclinical stages

CRISPR technology: global market forecasts from 2017 to 2023

Partnered with **Intellia Therapeutics** to explore novel CRISPR-Cas9 gene editing therapies

Macular Degeneration

- EYLEA is Regeneron's most profitable drug
- Macular Degeneration patients are projected to increase by 92M by 2040 due to aging population
  - Highest growth in Asia

Partnership with **Bayer** to market and commercialize EYLEA globally

Immunotherapy

- Immunotherapy market has an expected CAGR of 22.5% through 2027

Partnerships with **BioNTech** & **Bluebird** on cancer immunotherapies to add to portfolio of immunotherapies

Risks & Mitigating Factors

- Risks are factors/events/things that could have a NEGATIVE impact on your investment thesis
- Mitigating factors are ways that the company will offset/prevent the risks outlined in the investment thesis
- Include at least 3 in the presentation

Example

Risks and Mitigants

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Risks	Mitigants
Supply Chain Difficulties	**Value Chain Strategization**
• **COVID-19 pandemic** and **climate change** harms supply chain operations • **Potential risks** related to development, manufacturing, and and commercialization	• Company engaging with vendors and collaborators to **secure value chain** and **strengthen resiliency** • Risks are common among similar businesses - Regeneron engaging in **strategic purchasing**
Commercialization Issues	**Sourcing Capabilities**
• Substantially **dependent** on the success of EYLEA, Dupixent and Libtayo • Sales of products dependent on availability and extent of reimbursement from third-party payers	• Expanding into **high-growth** areas • Pre-existing expenditure on resources to support drug creation and pipelines - **$2.7 billion in 2020**
Substantial Competition	**R&D and Proprietary Technology**
• **Strong competitors** in biotechnology and pharmaceutical space from respective companies • Significant considerations for EYLEA, Dupixent and Libtayo in the marketplace	• Company has **unparalleled R&D spending** (30% of sales) • **VelociSuite** technology and partnership engagement will allow for continuous innovation

Valuation

- Summary of the results obtained from DCF and Comps models
- Sensitivity tables for DCF
- Outline valuation metrics
- List of companies used in comps model and the multiples they trade at
- Implied share prices for the company being evaluated based off of relevant multiples (EV/Revenue, EV/EBITDA, P/E, etc)

Example

Discounted Cash Flow Analysis

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Projected Free Cash Flows

CAGR=12.7%

2021E	2022E	2023E	2024E	2025E
444	7,010	3,211	3,937	4,794

Valuation Metrics

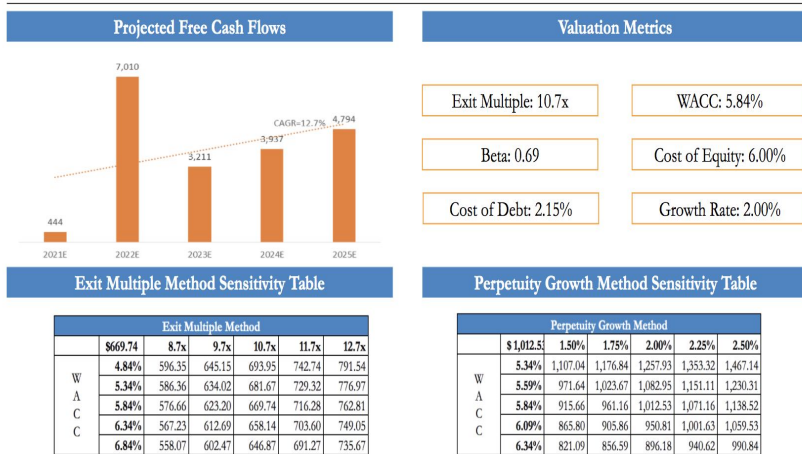|	
Exit Multiple: 10.7x	WACC: 5.84%
Beta: 0.69	Cost of Equity: 6.00%
Cost of Debt: 2.15%	Growth Rate: 2.00%

Exit Multiple Method Sensitivity Table

Exit Multiple Method					
$669.74	8.7x	9.7x	10.7x	11.7x	12.7x
4.84%	596.35	645.15	693.95	742.74	791.54
5.34%	586.36	634.02	681.67	729.32	776.97
5.84%	576.66	623.20	669.74	716.28	762.81
6.34%	567.23	612.69	658.14	703.60	749.05
6.84%	558.07	602.47	646.87	691.27	735.67

(W A C C)

Perpetuity Growth Method Sensitivity Table

Perpetuity Growth Method					
$1,012.5	1.50%	1.75%	2.00%	2.25%	2.50%
5.34%	1,107.04	1,176.84	1,257.93	1,353.32	1,467.14
5.59%	971.64	1,023.67	1,082.95	1,151.11	1,230.31
5.84%	915.66	961.16	1,012.53	1,071.16	1,138.52
6.09%	865.80	905.86	950.81	1,001.63	1,059.53
6.34%	821.09	856.59	896.18	940.62	990.84

(W A C C)

Overall, the Discounted Cash Flow Analysis results in an average valuation of **$841.14**

Comparable Companies Analysis

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LTM Comps Analysis			
Ticker	P/E	EV/EBITDA	EV/EBIT
Tier 1: Direct competitors, same end markets and geographies			
SNY	17.7x	10.7x	13.9x
AMGN	21.2x	11.8x	16.2x
BMY	--	8.2x	18.2x
Tier 2: Related companies operating in similar industries and geographies			
CTLT	36.3x	23.7x	33.7x
GILD	11.4x	7.0x	8.1x
BIIB	25.3x	14.3x	16.9x
VRTX	21.7x	15.0x	15.7x
REGN	9.4x	7.6x	7.9x

Five Number Summary			
	P/E	EV/EBITDA	EV/EBIT
Low	--	7.0x	13.9x
Bear	13.9x	9.1x	15.0x
Base	17.7x	10.7x	16.2x
Bull	24.4x	14.8x	17.2x
High	36.3x	23.7x	18.2x

Implied Share Price for REGN			
	P/E	EV/EBITDA	EV/EBIT
Bear	$868.60	$685.30	$1,044.38
Bull	1,527.45	$1,067.28	$1,183.92
Base	1,103.98	$792.81	1,118.84

Overall, the Comparable Companies Analysis results in an average valuation of **$948.40**

Appendix

- Additional information used in valuation
  - Operating model showing FCF projections, WACC calculation, terminal value calculation, etc

Appendix A: Discounted Cash Flow, FCF Projection

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REGN Unlevered Free Cash Flow Projections										
$ in millions, except per share data										
	Historical Period					**Projection Period**				
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenue	4,860	5,872	5,146	6,558	7,940	15,086	12,069	13,276	13,940	14,637
Revenue Growth %	N/A	20.8%	-12.4%	27.4%	21.1%	90.0%	-20.0%	10.0%	5.0%	5.0%
EBIT	1331	2080	2553	2245	3295	8297	5431	5310	5576	6586
EBIT Margin %	27%	35%	50%	34%	41%	55.0%	45.0%	40.0%	40.0%	45.0%
Tax Rate	32.7%	42.3%	4.3%	12.9%	7.8%	14.2%	14.92%	14.3%	14.3%	14.3%
Depreciation & Amortization	105	146	148	210	236	302	302	266	279	329
D&A % Revenue	2.2%	2.5%	2.9%	3.2%	3.0%	2.0%	2.5%	2.0%	2.0%	2.3%
Capital Expenditures	512	273	383	430	615	603.45	603.45	531.03	529.71	559.85
Capex % D&A	488.9%	187.4%	258.5%	204.6%	260.5%	200.0%	200.0%	200.0%	190.0%	170.0%
Net Working Capital Calculation										
Current Assets	3,180	4,335	6,448	7,689	9,779	18,580	14,864	16,351	17,168	18,027
Growth Rate YoY	N/A	36%	49%	19%	27%	90%	-20%	10%	5%	5%
Current Liabilities	1,242	1,136	1,443	2,097	2,697	5,125	4,100	4,510	4,736	4,972
Growth Rate YoY	N/A	-9%	27%	45%	29%	90%	-20%	10%	5%	5%
Net Working Capital	1,939	3,200	5,005	5,593	7,082	13,455	10,764	11,841	12,433	13,054
Change in Net Working Capital	-	1,261	1,805	588	1,489	6,374	(2,691)	1,076	592	622
NWC % Revenue	39.9%	54.5%	97.3%	85.3%	89.2%	42.2%	-22.3%	8.1%	4.2%	4.2%
Free Cash Flow	**488**	**(188)**	**403**	**1,148**	**1,170**	**444**	**7,010**	**3,211**	**3,937**	**4,794**
FCF Growth %	N/A	-138%	315%	185%	2%	-62%	1479%	-54%	23%	22%

Appendix C: Discounted Cash Flow, WACC Calculation

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REGN WACC Calculation	
Capital Structure	
Proportion of Debt	3.80%
Proportion of Equity	96.20%
Debt	
Cost of Debt	2.15%
Tax Rate	14.27%
After-Tax Cost of Debt	1.84%
Equity	
Risk Free Rate	1.54%
Market Risk Premium	6.46%
Levered Beta	0.69
Cost of Equity	6.00%
WACC	**5.84%**

Attendance