

## Kairos Research Competition Rules and Guideline

Springboard Talent Management LLP (“Springboard”) and Kairos Research (“Kairos”) is collaborating on regular equities research challenge aimed to increase SpringBoard's interns exposure as a research analyst and value add to our partner’s work.

**Springboard** is a mentoring platform for ambitious individuals who wish to become junior investment analysts.

**Kairos** is a private group of professional analysts who gather regularly to brainstorm equity investment ideas.

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## Objective

- To put SpringBoard's interns to the test in their fundamentals research\* skills and build up interns competency
- To become a hiring arena for hiring managers from both buy-side and sell-side
- Expose participants to real life work in the investment industry and prepare participant for a front office job
- To determine competency amongst Springboard's intern to facilitate job referral and allocation of training opportunities
- To provide team of Kairos Research investment ideas

## Judges & Ranking

- At least three professional analysts, from buy-side and/or sell-side.
- At least one professional analyst from Springboard team
- Hiring managers who is looking for talents
- Each judge will provide scores for each contestant. A simple average will be applied to obtain contestants' score, for final ranking.
- Champion will be announced during debrief.

## Timeline

- On Date 1 [TBC]: Research competition guideline and list of stocks to be distributed to participants
- On Date 2 [TBC]: Participant to respond to competition committee his/her pick of stock. Within 7 days of his/her idea submission, SpringBoard will respond if the idea is not qualified, in terms of liquidity and quality of the idea.
- By 12:00PM on Date 3 [TBC]: Participant to send in his/her investment summary, limited to 4 pages
- On Date 4 [TBC]: Presentation by participants, followed by Q&A

## Preparation work

- An investment summary should be preferably no longer than 4 pages, excluding financial details and management Q&A at the back. We will **ONLY** print four pages plus financials for our judges.
- A different set of presentation slide should be prepared to be used during the competition.
- A presentation to the judging committee is limited to **7 min** per candidate with an additional **10-15 min** for Q&A.
- Please refer to later section for guideline for investment summary and presentation slides.

## Restrictions on Report, Presentation and Stock Selection

### Report

**Length.** Research Summary should NOT be longer than 4 pages, key financial ratios and management Q&As are exempted from page limit. If your report is longer than 4 pages, we will ONLY print 4 pages.

**Format.** Font size 10pt for body, single line spacing within paragraph. Kindly use report template provided in our website.

**Deadline.** Research Summary must be submitted TWO days before competition day. We will communicate the cut off day and time for submission via email.

### Presentation

**Length.** You will have 7 min to do your presentation. There are no restrictions to number of slides that you prepare. We will cut off strictly at 7 minute.

**Deadline.** You don't have to submit your presentation before hand. You just need to bring a softcopy and copy to the PC/Laptop for presentation.

### Stocks

Unless otherwise stated in each particular season, which would override general restriction stated below

- **Rating.** >20% upside is required for a Buy rating and similarly >20% downside is required for a Sell rating. Rating should not be based solely on technical analysis.
- **Market cap and liquidity.** Implementation considerations for Institutional Investors: at least USD 500m market cap AND at least USD 5m 1month average daily volume. Please refer to appendix for instruction of checking market cap and liquidity.
- **Short Interest** (SI) data available on Bloomberg, i.e. feasible to SHORT will sometimes be applicable depending on each season's requirement. Please refer to appendix for instruction of checking short interest.
- **Geo/Industry.** We do not impose any geographical and/or industry restrictions but the pick is ONLY limited to equity. ie Preferred shares, convertible bonds will not be eligible.
- **Information used.** Candidates may only use **publicly available information** for their due diligence process
  - Info from management/investor relations interviews is allowed (*minutes should be attached to Appendix*);
  - Info from financial data providers is allowed (ie Bloomberg, ThomsonReuters, FactSet, etc);
  - Info from 3<sup>rd</sup> party industrial consultant is allowed (ie CBRE, Euromonitor, Business Intelligence). However, participant needs to inform the committee when he/she is using it.
  - Info from channel checks.

### What do we look out for?

We will provide report template that covers the following:

- Three aspect of analysis: qualitative, quantitative, and valuation
- Explain your investment ideas: Value play; cycle play; contrarian play; event play.
- Company background
  - Including company's business model: what does the firm do and how they derive their revenue source(s). How do they create value for shareholder.
- In-depth analysis of the industry and the firm's relative position to the industry
- Peer comparison(s) analysis including key financial ratios

- Explain why the company should be a **[BUY/HOLD/SELL where applicable]** recommendation:
  - Provide a few reasons to support his/her recommendation
  - The recommendation must be able to show the firm's competitive edge
  - Why do you pick this company in the industry
  - Give us the story
- Valuations, assumptions and a margin of safety should be reasonable and logical
- Investment risks and catalysts for potential upside
- Detailed analysis of risks that could affect your investment outcome
- Full-statement financial models are not necessary. However, a sound model will value add to his/her job search.
- We want to see a clear analysis of the company and not just reporting of the facts (*i.e. no plagiarizing nor cut & paste*)
- The key factor is to be able to convince us why the company is a **[BUY/HOLD/SELL where applicable]**
- Time horizon for the investment to pan out (ie 1 month, 3 months, 6 months, 1 year) & the risk during holding period
- How's your valuation/rating compared to the street? (ie. Look at Bloomberg ANR screen)

## Guideline for Investment report

For details please refer to Investment report template.

## Guideline for Presentation

### Content and sequence of slide

You should include at least:

- 1<sup>st</sup> slide: Summary of your investment idea, your call, upside/downside to your target and why you think it is a buy/sell.
- 1-2 slides: Short description of company, business model, competitive advantage/disadvantage, comparison of operation statistics with its peers (details are provided in research template)
- 1-3 pages: Catalyst & growth drivers
- 1-3 slides: Short description of industry, value chain, players, trends, supply/demand
- 1-2 slides: each for 2-3 main points on why is it a BUY/SELL. This is very important.
- 1-2 slides: valuation (Do not use DCF as your primary), Upside vs. Downside, especially when your valuation is above 20x forward PER. Expected returns and investment horizon.
- 1-2 slides: Risks and your analysis
- A few slides: Appendix that you can include financial numbers and ratios and your assumptions in forecasting.

**Do not make the presentation too wordy, less is better.** Remember you only have 7 min to communicate. We will cut off strictly at 7 minute

### 7 min presentation

- Do not read your slide. You should present your ideas and stories.
- Do not dig into too much details of your model and valuation during your presentation. Spend more time presenting your idea. Judge will look at your research summary.
- Justify your margin of safety. (Upside vs. Downside)
- Cover areas of 1) qualitative, 2) quantitative and 3) valuation analysis

- Show how your channel checks/conversation with investor relation helps you in your research

## Appendix: Judging your work

We refer to judging criteria used by CFA Research Competition with customization whereby we put more weighting on value add ideas. Please refer to below table for our criteria. However, note that we reserve the right to change the score card.

Note that if you failed to contact management, you will have demerit of 20 points.

RESEARCH REPORT EVALUATION FORM		
Section	Max Points	Comments
<b>Name of contestant -&gt;</b>		
<b>Business Description</b>	5	<ul style="list-style-type: none"> <li>Company background</li> <li>How does the company generates its revenue &amp; its business model</li> <li>Breakdown of Sales/Op Profit by segment/geographic</li> <li>What's the growth strategy of the company (organic/inorganic)?</li> </ul>
<b>Industry &amp; Peer Comp, Competitive advantage/disadvantage</b>	20	<ul style="list-style-type: none"> <li>How does the industry operate</li> <li>What's the driver of the industry</li> <li>Peer comparison analysis (operation data, financial data)</li> <li>Firm's relative position in the industry</li> <li>What's the Company's edge</li> </ul>
<b>Investment thesis</b>	25	<ul style="list-style-type: none"> <li>Well communicate your investment thesis (Growth story, Asset play, Franchise business at a fair value, etc)</li> <li>BUY/HOLD/SELL recommendation with the ability to substantiate</li> </ul>
<b>Valuation &amp; financial analysis</b>	20	<ul style="list-style-type: none"> <li>How proficient financial model is built to support the thesis</li> <li>Method of valuation (i.e. DCF, relative valuation, SOTP or liquidation basis)</li> <li>How logical the assumptions are used for valuation</li> <li>If it is a BUY, have a margin of safety</li> <li>What is the valuation multiples - PER, EV/EBITDA, Dividend yield, ROE</li> </ul>
<b>Risks analysis</b>	10	<ul style="list-style-type: none"> <li>Explain the downside risks inherent to the company</li> <li>What could go wrong, against your recommendation?</li> </ul>
<b>Questions</b>	10	<ul style="list-style-type: none"> <li>Ability to answer effectively and confidently</li> </ul>
<b>Presentation &amp; Report quality</b>	10	<ul style="list-style-type: none"> <li>Report is succinct and well-structured</li> <li>Able to present confidently and drive investment idea across to judges</li> </ul>
<b>Total - basic</b>	<b>100</b>	
<b>Due diligent</b>	20 10 0	<ul style="list-style-type: none"> <li>- 20pt for candidates having called up company/competitors and recorded Q&amp;A</li> <li>- 10pt for candidates having called up company/competitors but failed to get reponse</li> <li>- 0 pt for candidates failing to reach out to company/competitors</li> </ul>
<b>Bonus Point - Under covered stock with convincing BUY/SELL call</b>	20	<ul style="list-style-type: none"> <li>Stocks are under covered by the street</li> <li>Contenstant is able to provide a convincing Buy rating</li> <li>This is a binary option. The participant will either get 0 or full points</li> </ul>
<b>Final points - max</b>	<b>140</b>	

## Appendix: Ensure your stock's market cap and liquidity in Bloomberg

Let's take SMM SP Equity for example. Assuming you are in front of a Bloomberg terminal.

Step 1: Type SMM SP Equity <GO>

Step 2: Type DES <GO>

You will see below screen, with market cap in local currency. Thus SMM's market cap is S\$8.2bn divided by USDSGD exchange rate of 1.25 = US\$6.56bn.



Step 3: Type HP <GO>

Change the range to be one calendar month

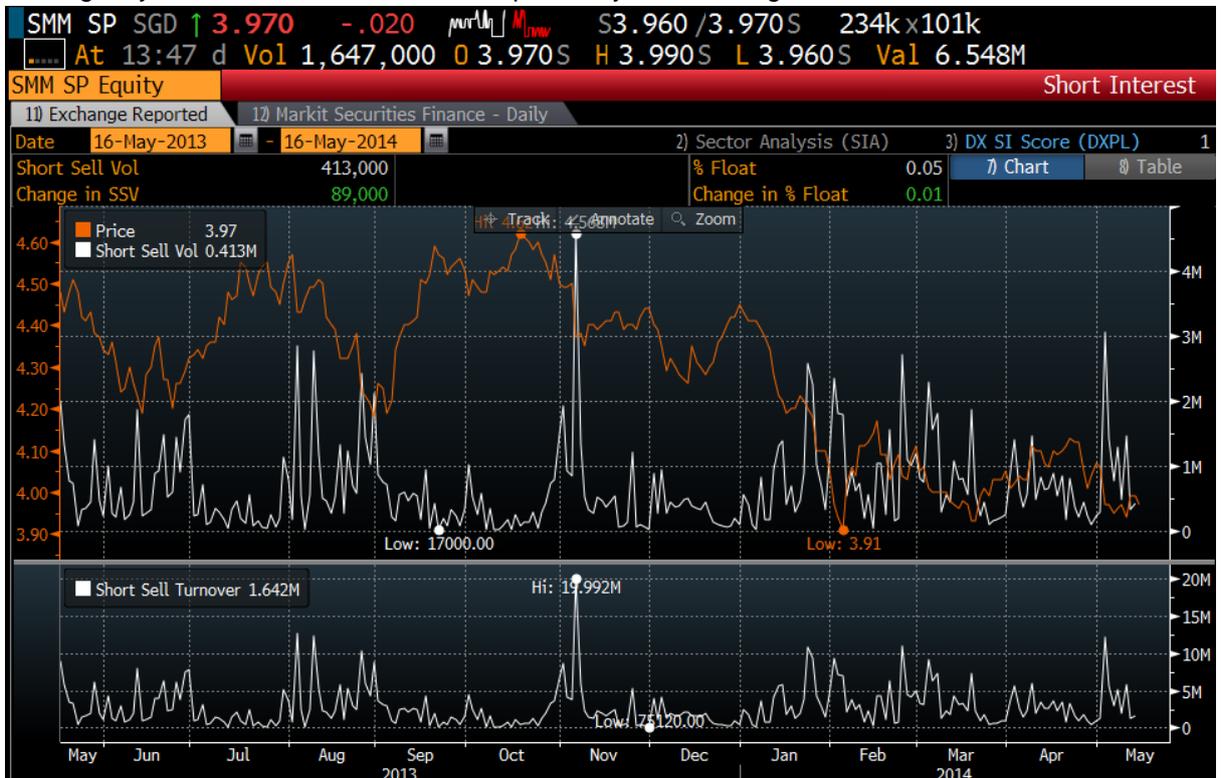
Change the currency to be USD

SMM has Avg price of US\$3.21 and avg daily volume of 2.6m during the period. Thus liquidity is roughly US\$8m per day.

SMM SP SGD ↑ 3.970 - .020 <i>month</i> <i>low</i> 53.960 / 3.970S 234k x 101k																																																																																																																																																																											
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Step 4: Type SI <GO>

So long as you can see charts, it indicates possibility of borrowing.



## Appendix: Screening in Bloomberg

I provide a basic way of screening in Bloomberg  
Type EQS <GO>

You will see below screen without 53) and 54).

In the "Add Criteria" section, you can add market cap requirement. Remember to choose "USD" as currency at the end.

You can continue to add more criteria such as Country, Sector, PB, PER, growth, depending on your screening methodology.

<HELP> for explanation.  
1<Go> for Results,89<Go> to see last unsaved screen

98) Formula    99) Actions    Equity Screening  
As Of 05/16/2014

My Recent Screens

- 11) ASEAN 500 Plus
- 12) ASEAN250 INDONESIA
- 13) ASEAN 2000 Plus
- 14) ASEAN 250 Plus
- 15) Indo Developers
- 16) ASEAN 1000 Plus
- 17) hongkong1000
- 18) HK1000
- 19) HK2000
- 20) All Saved Screens

Popular Screens

- 21) ETFs 52w High
- 22) Global Companies ...
- 23) High CDS Spreads
- 24) Insider Buyers
- 25) Quality Screen
- 26) Value Screen
- 30) More Screens

Screening Criteria

- 31) Exchanges
- 32) Sectors
- 33) Country of Domicile
- 34) Indices
- 35) Portfolios/Monitors
- 36) Security Types
- 37) Security Attributes
- 38) Trading Status
- 39) Multi-Listed
- 40) State of Domicile
- 41) Debt Distribution
- 42) Company Description
- 43) Product Segments
- 44) Geographic Segments
- 45) Collapse Categories

Add Criteria

<Type screening criteria and select from the suggested fields>    3) Fields

Selected Screening Criteria	Matches	
Security Universe	691248	
51) Trading Status: Active	170788	⊗
52) Security Attributes: Show Primary Security of company only	67630	⊗
53) Current Market Cap [USD] >= 500M	11194	ⓘ ⊗
54) Short Interest Ratio > 0	4399	ⓘ ⊗
55) Click here to add screening criteria		

1) Results