BIG CHALLENGE.
BIGGER OPPORTUNITY.
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KAPLAN

SCHWESER

Bloomberg
CFA Society Orange County is Pleased to Bring You the CFA Institute Research Challenge
CFA Institute Research Challenge

- Worldwide intercollegiate competition between teams of students
- Unique educational opportunity to apply what you have learned in the classroom to real-world practice in equity research
- Organized by local CFA Society volunteers
- Winners from the local competitions advance to one of the three regional competitions, culminating in a global final
How it Works

1. Local CFA Society volunteers work in conjunction with participating local universities to assemble teams of 3–5 business and finance students

2. Each team works directly with a mentor to research and prepare an equity research report on a publicly traded company

3. Team findings are locally evaluated by high-profile panels of heads of research, portfolio managers, and chief investment officers from some of the world’s top firms

4. Local champions advance to regional competitions in the Americas, Asia Pacific, and EMEA, and then to the global final
Benefits

• Real-life learning experience as an Equity Analyst
• Get in-depth training in company analysis and presentation skills
• Develop your resume/CV
• Get hands-on mentoring
• Network with professionals and peers to make inroads within the industry
• Travel to regional and global competitions, if you advance
Global network of the world’s top business and finance students
2018 Research Challenge Recap

- Students: 5,700+
- Universities: 1,100+
- Volunteers: 4,000+
- Local Challenges: 112
- CFA Societies: 150+
- Countries: 85
2018 Research Challenge Results

112 Local Challenges

5 Regional Champions
- Sunway University, Malaysia
- University of Lausanne, Switzerland
- BI Norwegian Business School, Norway
- Jacksonville University, United States
- University of Minnesota Duluth, United States

2018 Global Champions
- University of Lausanne
  Representing CFA Society Switzerland
2019 Regional and Global Competitions

Winners from the local competitions this year will advance to one of three regional competitions hosted in New York, Sydney or Switzerland, culminating in a global final in New York City.

Americas Regional and Global Final
23-25 April 2019
New York, USA

Asia Pacific Regional
28-29 March 2019
Sydney, Australia

EMEA Regional
10-11 April 2019
Zurich, Switzerland
## PARTICIPATING TEAMS

<table>
<thead>
<tr>
<th>University</th>
<th>Faculty Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Polytechnic, Pomona</td>
<td>Majed Muhtaseb, CFA</td>
</tr>
<tr>
<td>California State University, Fullerton</td>
<td>Michael Milligan</td>
</tr>
<tr>
<td>California State University, Long Beach</td>
<td>Peter Ammermann, PhD</td>
</tr>
<tr>
<td>Chapman University</td>
<td>Fadel Lawandy</td>
</tr>
<tr>
<td>University of California, Irvine</td>
<td>Todd Richey, CFA</td>
</tr>
<tr>
<td>University of California, Riverside</td>
<td>Jean Helwege</td>
</tr>
<tr>
<td>Azusa Pacific University</td>
<td>Kevin Kurimoto, CFA</td>
</tr>
<tr>
<td>California Baptist University</td>
<td>Adele Harrison, PhD</td>
</tr>
<tr>
<td>La Verne University</td>
<td>William Hippler, PhD</td>
</tr>
<tr>
<td>University of Redlands</td>
<td>Renee Hall</td>
</tr>
<tr>
<td>Today</td>
<td>Kick-Off</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Next 10 days</td>
<td>Preliminary Research</td>
</tr>
<tr>
<td>November 9, 2018</td>
<td>Register with CFA Institute</td>
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<tr>
<td>TBD</td>
<td>Company Presentation</td>
</tr>
<tr>
<td>TBD</td>
<td>1st Draft Due to Mentor</td>
</tr>
<tr>
<td>February 8, 2019</td>
<td>Final Report Due</td>
</tr>
<tr>
<td>Interim</td>
<td>Report Grading</td>
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<tr>
<td>March 1, 2019</td>
<td>Local Final Presentations</td>
</tr>
<tr>
<td>April 23-24, 2019</td>
<td>Regional Final</td>
</tr>
<tr>
<td>April 25, 2019</td>
<td>Global Final</td>
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</table>
Rules Overview

• Each team consists of 3-5 students (undergraduate or graduate)
• Universities may form up to two teams each, depending on Local Host rules
• Students must be enrolled in the university they represent and registered for at least a part-time course load at the time of the kickoff meeting
• Reports and presentations must be the students’ original work
• Students may not have contact with the subject company outside of organized events
• Students may not enlist the help of any professionals other than the mentor or faculty advisor

• Mentors and faculty may NOT contact the company
• Mentors, faculty, and subject company may NOT provide material non-public information
• Written reports must conform to the guidelines set forth by CFA Institute and include the cover and back pages provided by CFA Institute
• Teams may not use props in their oral presentations
• Students, mentors, and faculty must all agree to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct
Advisor and Mentor Involvement

**Faculty Advisor**
- Insight and guidance on research methods and tools as taught in academia
- 10 hours *maximum* of productive time
- Access to faculty for other projects unrelated to the Research Challenge is permitted
- All work must be the original work of the students

**Industry Mentor**
- Insight and guidance on industry practice
- 6 hours maximum of productive time
- Face to face or virtual
- Company management question development
- Review first draft of research report
- Presentation development assistance
Ethics Resources

• Ethical Standards for Investment Professionals: An Interactive Case-Based Course
• Ethics Course Module 2: Standard II—Integrity of Capital Markets
• Ethics Course Module 3: Standard III—Duties to Clients
• Ethics Course Module 6: Standard VI—Conflicts of Interest
• Ethics Course Module 7: Standard VII—Responsibilities as a CFA Institute Member or CFA Candidate
This report is published for educational purposes only by students competing in The CFA Institute Research Challenge.

**University of Waterloo Student Research**

Retail Sector, Consumer Discretionary Industry  
Toronto Stock Exchange ("TSX")

**Canadian Tire Corporation**

Closing Price: $129.00  
C$1.00:US$0.75  
Recommendation: Buy (16.5% Total Return)  
Target Price: $148.00 (US$111.00)

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**Figure 1: Summary of Market, Financial, and Valuation Data**

<table>
<thead>
<tr>
<th>Market Data</th>
<th>Common</th>
<th>Class A</th>
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<tbody>
<tr>
<td>Closing Price</td>
<td>$200.00</td>
<td>$129.00</td>
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<tr>
<td>Avg. Daily Vol.</td>
<td>449</td>
<td>300.914</td>
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<tr>
<td>Shares O/S</td>
<td>3,423,356</td>
<td>71,630,368</td>
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<tr>
<td>Market Cap. (mm)</td>
<td>$9,912</td>
<td></td>
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<tr>
<td>P / E (LTM)</td>
<td>15.8x</td>
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<tr>
<td>Enterprise Value (mm)</td>
<td>$16,278</td>
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<td>EV / EBITDA (LTM)</td>
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<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2010</th>
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<th>2012</th>
<th>2013</th>
<th>2014</th>
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<td>Rev. Growth</td>
<td>6.1%</td>
<td>12.7%</td>
<td>10.0%</td>
<td>3.1%</td>
<td>5.7%</td>
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<tr>
<td>Gross Margin</td>
<td>30.3%</td>
<td>29.5%</td>
<td>30.6%</td>
<td>31.6%</td>
<td>32.5%</td>
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</tbody>
</table>

**Executive Summary**

Canadian Tire Corporation, Limited ("CTC" or the "Company") is a Canadian retailer, real estate owner-operator, and financial services provider. These three businesses form CTC’s reportable operating segments: Retail, CT Real Estate Investment Trust ("CT REIT"), and Financial Services ("CTFS").

**Investment Recommendation**

We issue a Buy recommendation on CTC with a 12-month target price of $148.00 / Class A non-voting share with a projected total return of 16.5% from its December 4, 2015 closing price of $129.00. Our target price is calculated by (1) using a Sum-of-the-Parts approach to arrive at an implied share price valuation for the Class A non-voting shares, and (2) forecasting the 12-month target price by CTC’s cost of equity. Our recommendation is driven by our:

**Investment Thesis and Outline**

Backed by a stable industry outlook, CTC is well positioned for growth and further market penetration of the Canadian retail sector. The combined result of the Sum-of-the-Parts valuation and current market value of CTC’s dual share class structure suggests that the Class A non-voting shares are presently undervalued. The undervaluation of the Class A non-voting shares represents an opportunity to invest in highly complementary businesses in the Canadian retail sector. After determining CTC’s exposure.
## Report Scoring

<table>
<thead>
<tr>
<th>Section</th>
<th>Maximum Points</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Business Description</td>
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<tr>
<td>Industry Overview &amp; Competitive Positioning</td>
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<tr>
<td>Investment Summary</td>
<td>20</td>
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<tr>
<td>Valuation</td>
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<td></td>
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<tr>
<td>Financial Analysis</td>
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<td>Investment Risks</td>
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<td>Corporate Governance</td>
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<td><strong>Total</strong></td>
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</table>
**Conclusion**

1. Strong Competitive Positioning
2. Growth Potential
3. Focus on Profitability

$150.00

**UNDervaluation**

14.8% TOTAL RETURN\(^1\)

**BUY**

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\(^1\)Total return is calculated based on the share price appreciation (13.1%) and forecasted annual dividend (1.7%).
Presentation Scoring

**Financial Analysis**
- How thorough was their analysis of the industry, company, and competitors?

**Valuation**
- Were the valuation methodologies appropriate and detailed?

**Presentation**
- How effective/convincing was their presentation? Was it logical and did the facts support the recommendation?

**Question & Answer**
- Were they able to answer the questions effectively and with confidence?

**Team Involvement**
- Team involvement in the presentation/questions and answers

**Materials**
- Quality of slides

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Maximum Points</th>
<th>Notes</th>
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<tr>
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<tr>
<td>How thorough was their analysis of the industry, company, and competitors?</td>
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<tr>
<td>Valuation</td>
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<td></td>
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<tr>
<td>Were the valuation methodologies appropriate and detailed?</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Presentation</td>
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<td></td>
</tr>
<tr>
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<tr>
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<tr>
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<td>Quality of slides</td>
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</tr>
<tr>
<td>Total</td>
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Subject Company

Cubic Corporation (NYSE: CUB) is a market-leading, technology provider of integrated solutions that increase situational understanding for transportation, C4ISR and training customers worldwide to decrease urban congestion and improve the militaries’ effectiveness and operational readiness. Cubic Transportation Systems is a leading integrator of payment and information technology and services to create intelligent travel solutions for transportation authorities and operators. Cubic Mission Solutions provides networked Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) capabilities for defense, intelligence, security and commercial missions. Cubic Global Defense is a leading provider of live, virtual, constructive and game-based (LVC-G) training solutions for the U.S. and allied forces.

Website: https://www.cubic.com/
Founded: 1951
Fulltime Employees: Nearly 5,500
CEO: Brad Feldmann

Interacting with Cubic
• Designated officers ONLY
• Organized communications ONLY
• Industry mentor or faculty advisor must be present for all student-subject company interactions
• Students may contact and survey company suppliers, customers, vendors, etc.
Up for the Challenge?

1. Visit the CFA Institute Research Challenge website: www.cfainstitute.org/researchchallenge

2. Register for the competition
   • Students | Faculty/Mentors
   • Peruse educational materials selected specifically for participants
   • Watch videos of past presentations
     • Americas 2018 | Global 2018
     • View past reports from winning teams

3. To be eligible to travel to the Regional Challenge students MUST register on the CFA Institute website using the registration information above.
Questions?