CFA INSTITUTE RESEARCH CHALLENGE
Hosted by
CFA SOCIETY ITALY
What is Involved?

- Interviews with Company Management
- Mentoring by a CFA Charterholder
- Analysis of a Publicly-traded Company
- Presentation of Research
- Report Writing

THE CHALLENGE OF A LIFETIME.
THE CHANCE OF A LIFETIME.
CFA Society Italy 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

5,700+ Students
4,000+ Volunteers
150+ CFA Societies

1,100+ Universities
112 Local Challenges
85 Countries
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
2018 CFA Italian Research Challenge
Milan, 12 March 2018 – PwC
Building a New Generation of Investment Professionals

Agenda

17:30 Welcome remarks
17:45 The Challenge – Competing teams
  • Politecnico di Milano
  • Università Ca’ Foscari Venezia
  • Università Cattolica del Sacro Cuore Milano
  • Libera Università di Bolzano
  • Università degli Studi di Brescia
  • Università degli Studi di Modena e Reggio Emilia
  • Università degli Studi di Pavia
  • Università degli Studi di Trieste
  • Università Politecnica delle Marche
20:00 Awards Ceremony and Cocktail

This event is supported by

In collaboration with
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Today</td>
<td>Kick-Off</td>
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<tr>
<td>End of October</td>
<td>Subject company announced</td>
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<td></td>
<td>Mentors assigned to teams</td>
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<tr>
<td>Mid December</td>
<td>Competition begins</td>
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<tr>
<td>Begining of February</td>
<td>Company Presentation</td>
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<tr>
<td>Interim</td>
<td>Final Report Due</td>
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<tr>
<td>End of February</td>
<td>Report Grading</td>
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<tr>
<td>10-11 April 2019</td>
<td>Local Final Presentations</td>
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<tr>
<td>23-25 April 2019</td>
<td>Regional Final</td>
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<td>Global Final</td>
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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
# 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 view 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

## Table: 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>$129.00</td>
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<tr>
<td>Avg. Daily Vol.</td>
<td>449</td>
<td>305,914</td>
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<tr>
<td>Shares O/S</td>
<td>3,423,366</td>
<td>71,530,598</td>
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<tr>
<td>Market Cap. ($ mm)</td>
<td>$9,912</td>
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<td>P / E (LTM)</td>
<td></td>
<td>11.0x</td>
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<tr>
<td>Enterprise Value ($ mm)</td>
<td>$16,278</td>
<td></td>
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<tr>
<td>EV / EBITDA (LTM)</td>
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## Financial Data

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<tr>
<th>Year</th>
<th>Rev. Growth</th>
<th>Gross Margin</th>
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<tr>
<td>2010</td>
<td>6.1%</td>
<td>30.3%</td>
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<td>2011</td>
<td>12.7%</td>
<td>29.5%</td>
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<tr>
<td>2012</td>
<td>10.0%</td>
<td>30.6%</td>
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<tr>
<td>2013</td>
<td>3.1%</td>
<td>31.9%</td>
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<tr>
<td>2014</td>
<td>5.7%</td>
<td>32.5%</td>
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## Report Scoring

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<thead>
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<th>Section</th>
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<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>
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<td>Valuation</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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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

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Past Subject Companies

- Piaggio (2011)
- Luxottica (2012)
- Autogrill (2013)
- Yoox.com (2014)
- Datalogic (2015)
- Campari (2010)
- Poltrona Frau (2009)
- Moncler (2018)
- DiaSorin (2016)
- Recordati (2017)
Up for the Challenge?

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

2. Register for the competition
   • Peruse educational materials selected specifically for participants
   • Watch videos of past presentations
   • View past reports from winning teams

3. Students MUST register on the CFA Institute website using the registration form provided by the local host.
Opportunity Starts Here