Quick Reference Card (QRC)

Utilize ADViCE™ Template to Maximize Message Delivery Impact

Answer the following questions before proceeding to "Level 1" of the table on page 2

1. Do you have a price target for the stock? If so, proceed to the next step. If not, ask how your intended communication will add value to investment professionals seeking to generate alpha.
2. Complete the table below to illustrate the unique elements of your price target (based on the FaVeS™ framework):

	Example	Your Stock	Item #
1. Current data			
Current stock price	$96.00		A
Next 12-month ("NTM") consensus EPS forecast at present (we call this "Year 1")	$5.80		B
Stock's current valuation multiple based on Year 1 EPS (divide row A by row B)	16.6		C
Current market multiple (for the broad market such as the S&P 500)	15.0		D
Stock's current premium or discount to the market multiple	10%		E
2. Change from consensus EPS between Year 1 and Year 2			
NTM consensus in Year 2 (i.e. forecast at beginning of Year 2 for Year 2)	$6.20		F
Difference between Year 2 and Year 1 consensus forecasts (divide row F by row B)	7%		G
Item #2 above is due to passage of time while #3 and #4 below are influenced by the analyst			
3. Change due to analyst's financial forecast differing from consensus			
Analyst's NTM EPS forecast in one year (i.e. forecast for Year 2)	$7.00		H
Premium or discount of analyst's EPS estimate in Year 2 compared to consensus' (divide row H by row F)	13%		J
4. Change due to analyst's future valuation multiple differing from current multiple			
Analyst's estimate of market multiple at beginning of Year 2 (typically keep same as present)	15.0		K
Analyst's estimate of stock's premium or discount to market multiple at beginning of Year 2	10%		L
Valuation multiple used for price target at beginning of Year 2 (multiply row K x (1+row L))	16.6		M
Difference between analyst's future multiple and stock's current multiple (row M ÷ row C)	0%		N
5. Price target	$115.86		O
Change from current price (row O ÷ row A)	21%		P

3. Using the letters in the right-most column above, review your answers in rows J (a unique forecast) and N (a unique valuation method/multiple).
   a. If either of the figures exceed your materiality threshold (e.g. 10%), then proceed.
   b. If not, ask yourself how your intended communication will add value to investment professionals seeking to generate alpha (if J and N above are in-line with consensus, then why bother communicating your message?).
4. If J or N exceed your materiality threshold:
   a. What is the critical factor(s) that drives your out-of-consensus thinking?
   b. What research do you have to show that your view is more than a guestimate?
5. What is the catalyst that will cause consensus to come to your view and when will it likely occur?
6. What are your upside and downside scenario forecasts and valuation multiples and the assumptions driving those scenarios?

After you have completed the table and answered the questions above, proceed to the table on pages 2 and 3

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Element	Wording	Why important	Portion of ADViCE™ framework
Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)			
Brief Conclusion	We are or I am… • recommending the purchase of… • upgrading/downgrading… • more bullish/more bearish towards… • raising/lowering our estimate/price target for… • reinforcing/revisiting our positive/negative view towards… [AND] …[stock name(s) followed by ticker(s)] because… • our work shows/suggests… • we can now conclude… • we have discovered… [AND] …[the critical factor(s)] is/will likely… • be better/worse than consensus/we expected • not in consensus expectations • occur sooner/later than consensus/we expected	Allows others to decide if they want to spend more time consuming your message	Conclusion-oriented
Price target math	Applying a X [valuation multiple] multiple on our/my XX.00 [EPS, CFPS, BV] estimate for 20XX [time period], results in a year-end/six-month/one-year price target of XX, which is XX% above yesterday's close.	Provides the elements of your price target and return	Conclusion-oriented
FaVeS™ element that is being changed (be brief)	Our/my view about [critical factor] compels/allows/motivates us/me to… [here is where you briefly discuss the change in your superior view, as defined by at least one of the following 1) a superior forecast 2) superior valuation method/multiple; or 3) superior short-term read of sentiment] • …raise/lower our/my earnings/cash flow/growth rate forecast for this year/next year from X to Y, which puts us/me XX% higher/lower than consensus. • …justify a valuation multiple of XX, which is XX% above/below its current/historical level. • …expect the stock to move XX% up/down in the near-term [only use this option if you have a superior view toward the short-term sentiment towards the stock]. [You may want to explain the FaVeS™ element you are not changing, such as "we assume the stock continues to trade at its current relative valuation multiple."]	Briefly highlights your a) superior forecast (vs. consensus); and/or b) superior valuation method/multiple; and/or c) superior read on short-term sentiment towards the stock	Aware (if you are disclosing a change in thinking) Differentiated
Research to support unique FaVeS™ element	[If there is more than one critical factor driving the story, you may want to communicate this element and the one directly below for each critical factor at a time] Our/my conclusion/above/below-consensus estimate is based on… • our/my analysis of… • discussions with… • data we/I collected from… • our/my unique modeling of…	Validates view based on fundamental research and not just a hunch or guestimate	Differentiated Validated

Quantify unique FaVeS™ element	Specifically, we/I believe this results in $XX/XX%…
	• higher/lower EPS/CF/BV…
	• faster/slower EPS/CF growth rate…
	…for 20XX [time period] than…
	  o current consensus expectations**
	  o our/my prior estimate
	AND/OR
	• expansion/contraction of the stock's relative/absolute valuation multiple from X to Y
		Answers "materiality" question by quantifying how your view differs from consensus	Differentiated
			
			 Conclusion-oriented

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Element	Wording	Why important	Portion of ADViCE™ framework
When and why will consensus adopt your view?	We/I… • differ from consensus because… • believe consensus does not understand/appreciate… [reason why consensus hasn't come around to your way of thinking yet]. [AND] We/I believe consensus will adopt/understand our/my view by [specific quarter or time of year] due to [catalyst that will drive the market to your way of thinking].	Explains how view of the catalyst(s) differs from the consensus thinking and when it will become clear to the market	Differentiated Conclusion-oriented
What could go wrong?	We/I have a high/low/modest degree of conviction/confidence in our/my call because [explain why your analysis above is valid or uncertain]. Our/my downside scenario results in a stock price of XX (XX% below yesterday's close) and our/my upside scenario is XX (XX% above yesterday's close).	Conveys your conviction level and provides alternative scenarios to demonstrate you're not oblivious to where you could be wrong	Aware

Level 2* (page 2 of report or additional slides for detailed presentation)

Element	Wording	Why important	Portion of ADViCE™ framework
More detailed discussion to support unique FaVeS™ element	Further support to justify your assumption that a critical factor will be (or is) different than consensus expectations • Without divulging proprietary sources, provide information/data from at least one informed, independent, and reliable source (preferably two or more if it's critical to your call) to validate your out-of-consensus thesis • Quantify the materiality of your out-of-consensus view • Provide a historical context, but only if it helps to understand the future	Shows the level of work conducted to draw the out-of-consensus conclusion	Validated
More detailed quantification of scenarios	Quantification and discussion about the upside/downside price targets, specifically: • The critical factor(s) impacted by your assumptions • Assumptions under each scenario • Valuation multiple used for each scenario • Future price under each scenario • Conviction level for the major assumptions	Provides more details to understand your way of thinking, which can be more valuable than your rating or price target	Aware

* For the "Level 2" portion above, you may want to organize the information in an alternative manner; by having a discussion around the research you've conducted to justify your scenarios followed by a discussion to quantify valuation and price targets.

** For the "Quantify unique FaVeS™ element" above, it is often much better to show comparisons of new estimates vs. prior estimates or vs. consensus in a table format such as below:

Company	Our Former Estimate for 201X	Our New Estimate for 201X	Change in Our Estimate	Current Consensus for 201X	Our New Estimate vs. Consensus for 201X
ABC	$1.00	$1.35	35%	$1.10	23%
XYZ	$2.00	$1.80	-10%	$2.10	-14%