CFA INSTITUTE

RESEARCH CHALLENGE

2018

HOSTED BY CFA SOCIETY CZECH REPUBLIC

CFA Institute

Tomáš Hrbáček
University Outreach Chair,
CFA Society Czech Republic

10 October 2017
<table>
<thead>
<tr>
<th></th>
<th>Agenda Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CFA Institute</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>CFA Society Czech Republic</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>CFA Research Challenge Introduction</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>CFA Research Challenge Prizes</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>CFA Research Challenge Rules</td>
<td>26</td>
</tr>
<tr>
<td>6</td>
<td>Where to begin</td>
<td>38</td>
</tr>
</tbody>
</table>
CFA Institute

► Global association of investment professionals
► CFA charter – ‘the gold standard among the countless degrees around the world’ (FT)

Mission:
“To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.”

Current situation
► Over 145,000 members from 150 countries
► Over 164,000 candidates from 167 countries
► Growing membership in Asia and Europe
About CFA Program

► Emphasizes the **highest ethical and professional standards**
► **Strong foundation** of real-world investment analysis and skills
► To earn the CFA charter:
  ► pass of 3 exams
  ► 4 years of qualified investment work experience
  ► become a member of CFA Institute

► Only 20% of enrolled candidates complete the program
CFA Society Czech Republic

► Non-profit organization
► Encourages professional development through the CFA Program and facilitates the open exchange of information and opinions within the investment and financial community through the events that organizes in the Czech Republic
► Founded in May 2002
► www.czechcfa.cz

Members’ profile

► 160 members and 1000 candidates
► Charterholders hold mid/senior executive positions
CFA Society Board of Directors

► Marek Jindra, CFA, FCCA, ASA, President – Partner, EY
► Jan Brázda, CFA, Vice President – Director, PwC
► Lubomír Vystavěl, CFA, Advocacy Chair – Senior, Moneta
► Jana Jandová, CFA, Treasury – Senior Manager, Deloitte
► Matěj Turek, CFA, Employer Outreach – Meridon Funds
► Martin Fischer, CFA, Programming Chair - Trader
► Tomáš Hrbáček, University Outreach – Analyst
CFA Research Challenge Introduction
CFA Institute Research Challenge - Get involved and help shape the future of finance!
2017 Research Challenge

Local 2017 Challenge Winners

Universitas
Masarykiana Brunensis

CFA Institute
CFA Institute Research Challenge 2017 Winners

Barna Business School
The Research Challenge is an international student competition which promotes financial best practices, research skills, stock analysis, financial report writing, and presentation skills **in action**.

**Unique opportunity for students**
- Learns students how to conduct research, analyze data, write and present a recommendation in stock analysis
- Not based on the performance of a stock

**Investment professionals involved**
- Grading reports and evaluating presentations
- Each team will be assigned a mentor

**Not just an exercise**
- Held to the standard of the CFA Institute Code of Ethics and Standards of Professional Conduct
The Investment Research Challenge 2017 will stretch over the entire winter semester:

1. **Registration & Introduction**
   - Kick off presentation (10 Oct 2017)
   - Teams selected by the participating institutions & student registration (25 Oct 2017)

2. **Research, Analysis & Report Writing**
   - Subject company presentation (2 Nov 2017)
   - Q&A Session/Analyst call (24 Nov 2017)
   - Final Drafts of Written Reports submitted to Industry Mentors (6 Dec 2017)
   - 23:59 Written Reports Due (21 Dec 2017)

3. **Presentation**
   - Announcement of the Teams (10) advancing for a final presentation (6 Jan 2018)
   - RC Local Semi-Final & Final in Prague (6 Feb 2018-TBC)
   - RC EMEA Final in Dublin (4-5 Apr 2018)
   - Global Final in TBD (20 Apr 2018)
Final round
- Local Final: 4 best teams
  - Local winner only based on the score from presentation!

Semifinal round
- Semifinal A: 5 teams based on the WR score
- Semifinal B: 5 teams based on the WR score

Grading
- Randomly selected into 2 groups

WR writing
- 10 teams from 14 universities (1 team per university)
CFA Institute Research Challenge provides a global network of 15,000 students from more than 1,000 universities. One of the great aspects of this program is its global reach.
The target company is leading European-based technology group for construction services.

**STRABAG SE**

- technology group for construction services, leader in innovation and financial strength
- STRABAG’s services span all areas of the construction industry – designing, planning, construction, operation, demolition
- Main regions: Germany, Austria, CEE, Rest of Europe, World
- 2016 Rev. 12,400.46 mEUR, EBITDA margin 6.9 %, Net Income 282 mEUR, EqR 31.5 %
- Shares listed on the Vienna Stock Exchange

The subject company will make a presentation to students (2 Nov) and provide a Q&A call (24 Nov).

During the company’s presentation, students will be also allowed to ask questions.
BENEFITS FOR STUDENTS

► A public recognition of the Research Challenge
► Great recognition for winners
► Real-life learning experience as an Equity Analyst
► Access and exposure to leading industry professionals
► Professional report and experience to use on resume/CV and job interviews
► Experience presenting to top financial professionals
► Network of over 10,000 students and volunteers worldwide
### Industry Mentors
- Lukas Brych, CFA
- Daniel Gladis, CFA
- Jan Hajek, CFA
- Jan Harrer
- Marcel Imrisek, CFA
- Daniel Karpisek, CFA
- Pavel Kopecek, CFA
- Matus Kubala, CFA
- Michal Mares, CFA
- Katarina Scecinova, CFA
- Michal Stupavsky, CFA
- Matej Turek, CFA

### Report Graders
- Pavel Cermanek, Meridon Funds
- Michal Durica, CFA, IaD investments
- Martin Fischer, CFA, Trader
- Miroslav Fliega, CFA, ING
- Ondrej Klecka, BCG
- Boris Tomciak, CFA, FInlord
- Vladimir Valach, CFA, Univerzita Komenskeho

### Judges – Panelists
- Jiri Benes, CFA, 3TS Capital
- Tomas Krsicka, CFA, Accredio
- Petr Kubovy, ISS
- Karel Tregler, CFA, PPF Banka
- Patrick Vyroubal, CFA, CSOB Asset Management
CFA Research Challenge Prizes
Czech CFA Society would like to award the winners with the following prizes (1/2):

**Invitation for the Regional Competitions**
- Chance to compete with other local winners in Dublin (EMEA region)
- Event organised by CFA Institute

**CFA exam scholarship**
- The winning team will obtain Access scholarship for CFA Level 1 exam.

**Invitation for CFA Forecasting Dinner 2017**
- The Research Challenge award ceremony will be part of the CFA Forecasting Dinner 2017.
Czech CFA Society would like to award the winners with the following prizes (2/2):

**Recognition letter from Industry Mentor**
- Can be used as an attachment to CV
- Conditioned by cooperation of the team with IM

**Collection of leading economic journals**
- Annual subscription of Ekonom business weekly (finalists)
- Current edition of Ekonom, & HN (others)

**Job opportunity**
- First half of teams (based on WR) may provide their CVs
- CFA Society will contact leading local finance employees for current job openings

**Other prizes**
- Meal voucher to restaurant
- Sporty T-shirts (finalists)
### Participating Institutions – Local Round (14)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Faculty Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Economics, Prague</td>
<td>Bohumil Stadnik – Asisstant Professor</td>
</tr>
<tr>
<td>Institute of Economic Studies, Charles University, Prague</td>
<td>Jiří Novák – Deloitte Corporate Chair, Tanweer Ali – Lecturer</td>
</tr>
<tr>
<td>University of New York, Prague</td>
<td>Miroslav Svoboda</td>
</tr>
<tr>
<td>Anglo-American University, Prague</td>
<td>Yulia Sheveleva – Career Service Manager</td>
</tr>
<tr>
<td>CERGE-EI, Prague</td>
<td>Dagmar Linnertová – Assistent Professor</td>
</tr>
<tr>
<td>Masaryk University, Brno</td>
<td>Svatoopluk Kapounek – Vice-Dean</td>
</tr>
<tr>
<td>Mendel University, Brno</td>
<td>Jozef Glova (Faculty Advisor) – Assistant Professor</td>
</tr>
<tr>
<td>VSB-TU Technical University, Ostrava</td>
<td>Kateřina Kořená – Assistant Professor, Petr Gurny – Assistant Professor (Faculty Advisor)</td>
</tr>
<tr>
<td>Tomas Bata University, Zlin</td>
<td>Jana Vychytilova – Assistant Professor</td>
</tr>
<tr>
<td>Comenius University in Bratislava – Faculty of Mathematics, Physics and Informatics</td>
<td>Zuzana Chladna – Assistant Professor</td>
</tr>
<tr>
<td>University of Economics, Bratislava</td>
<td>Marian Smorada – Vice-Dean</td>
</tr>
<tr>
<td>The School of Management &amp; City University of Seattle, Bratislava</td>
<td>Martina Bernhauerova – Academic Office Coordinator</td>
</tr>
<tr>
<td>Matej Bel University in Banska Bystrica</td>
<td>Jan Sebo – Professor</td>
</tr>
<tr>
<td>Technical University of Kosice</td>
<td>Jozef Glova (Faculty Advisor) – Assistant Professor</td>
</tr>
</tbody>
</table>
The registration process will be administered by each participating institution.

Qualifying conditions

► No teams with less than three and more than five members.
► All team members are students of the participating institution
► Teams (max 1 per university) are selected at discretion of the participating institutions
► Participants have to complete the official registration on CFA Institute Research Challenge website until 2 weeks from the date of Kick-off meeting

Teams need to be registered by 25 Oct 2017. Registration link will be sent to Faculty Advisors, who will distribute it to you.

To participate on behalf of your university – you must contact your Faculty Advisor/Faculty Contact person!!!
► he/she will inform you about the selection process at your university.
Travel & accommodation costs for non-PRG students will be reimbursed.

**Travel expenses**
- The ticket has to be on the date of the company and final presentations and the Forecasting dinner.
- Trains allowed in 2nd class and categories SC/IC/EC/R
- Any type of bus allowed
- Cars will be reimbursed at CZK 5.00/km, up to the max of the equivalent bus/train tickets for those travelling together

**Accommodation**
- Accommodation will be arranged for the night following the final presentation in rooms for two or three

All the costs will be reimbursed in by bank transfer to the team representatives afterwards. Expenses shall be summarized in excel format and original receipts send to the CFA Society Czech Republic.
Teams

- Number of team members can drop below 3 only for extra circumstances (e.g. visa denial, serious illness/injury)
- Students may not have been or currently be employed in a role whose primary duty involves fundamental company analysis; except short-term internships
- CFA Charterholders are not eligible to participate
- Students must disclose any ownership position in the securities of the subject company and any conflict of interest.
- Undergraduate and Graduate students (including PhD candidates) are eligible for competition
Company

- No contact to target company is allowed after presentation and analyst call.
- The subject company will not provide any non-public information to students.
- Each team will submit five questions for management before the analyst call.
- Students will be allowed to ask additional questions during the Q&A session.
**Research Process**
- Students may use only publicly available information
- All information sources must be mentioned in written reports
- No help of investment professionals is allowed except mentors or faculty advisors
- **PLAGIARISM WILL RESULT IN AN IMMEDIATE DISQUALIFICATION.**

**Primary Research**
- Teams may contact the Company’s customers, competitors, former employees, and suppliers in conducting research, including surveys, but **MUST disclose participation in the CFA RC.**
- Mentors, faculty, and subject company may **NOT provide material non-public information.**
CFA Institute Research Challenge

Rules - Extract

**Mentors**
- Not to exceed **6 hours total**
- Any phone call(s) or e-mails are included in these 6 hours
- Mentors will be allowed to review students’ written work and provide **comments only**
- Mentors will not be allowed to perform any research or write any portion of the report
- Company and its distributors, suppliers, competitors can by reached by mentors except the context of the Challenge
- No participation in the final presentation.
- No material non-public information can be discussed with mentors
- Mentors may not ask any questions to or provide any opinions of the company

**Faculty Advisor**
- Insight and guidance on research methods and tools as taught in academia
- 10 hours maximum of productive time
Reports

- Reports and presentations must be the students’ original work.
- Reports must conform to the format of the Research Challenge Template.
- Reports **should not exceed 10 pages**, including an investment summary.
- Additional charts and graphs will be included in the appendix.
- There is **no limit to the length of the appendix**.

Written reports **must be submitted by the deadline**, otherwise they may impose penalties for late submissions. (e.g. point deductions or disqualification)
Team D, Student Research

Recommendation: BUY

Date: 17/12/2015
Ticker: UNPF:PR (Reuters), UNPE CP (Bloomberg)

Unipetrol: From ashes like a phoenix!

We issue a BUY recommendation on Unipetrol with a 12-month target price of CZK 206.0, obtained as an equally weighted average of discounted free cash flow and multiples-based peer group valuation. This offers a 28% upside to the closing price of CZK 160.1 as of December 17, 2015. The main value driver is the downfall of crude oil price. Additionally, Unipetrol benefits from an acquisition of 100% stake in Česka rafírna refinery, strong GDP growth in the Czech Republic, increased interest of its parent PKN Orlen, and positive FX momentum. Due to a recent accident in Litvinov refinery, the share is currently traded at 41% of EV/Sales compared to peer group median versus a long-term average of 99%. However, we see that the market significantly overreacted and created a significant space for growth.

Highlights

When Oil Price Declines, Unipetrol Grows | Decline of average crude oil price to the level of 52.5 USD/bbl (-47% y/y) in 2015 positively affects the refining margins (+3.3 USD/bbl y/y in 3Q2015) and petrochemical margins to the level of 942 EUR/t (+43% y/y in 3Q2015). Taking into account current oil oversupply, demand dynamics and geopolitical situation, we expect further minor decrease of oil prices in 2016 and 2017, followed by a rebound to the level of 56 USD/bbl in 2020. Petrochemical product prices are expected to follow the price of the inputs and decline.

Stronger by M&A Activities | In 2015, Unipetrol acquired 100% stake in Česka rafírna refinery and increased its production capacity from 5.9 mt/y to 8.7 mt/y. The Company is about to buy 70 fuel filling stations from OMV and gain additional 5% market share in retail business. Higher volumes along with high margins have already been reflected in this year’s strong interim results.

Positive FX Momentum | Strengthening dollar motivates foreign investors to enter the Czech market. Especially, given the 27 EUR/USD floor held by the Czech National Bank until the end of 2016, foreign investors can expect additional profits from FX rate in the near future. We see the Unipetrol’s cost and revenue structures to be further benefitting from future FX rates.
Presentations

- Presentations are in front of the panel of experts selected by the Society
- Each presentation will last 10 minutes with 10 additional minutes of Q&A
- Teams may not use props in their oral presentations
- The presentations and Q&A will be timed, and teams may not exceed the time allotted
- Teams may not conduct practice presentations in front of one or more professionals (e.g. mock judging panels)
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
Assessment

- Based on the written reports
- Graders selected by the Society
- Grading is a blind process with unknown identity of the teams
- A winner selection is based on the combined scores for the written reports and the presentations
- The scores will be weighted 50% for the written report and 50% for the oral presentation
- If tied, winner is team with the higher score on the presentation
### Research Report Evaluation Form

<table>
<thead>
<tr>
<th>Section</th>
<th>Maximum Points</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Description</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Industry Overview &amp; Competitive Positioning</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Investment Summary</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Valuation</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Financial Analysis</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Investment Risks</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
# CFA Institute Research Challenge

## Presentation Scoring Sheet

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Maximum Points</th>
<th>Points</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Analysis</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presentation</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question &amp; Answer</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team Involvement</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Team:________________________  Judge:________________________
WHERE TO BEGIN
WHERE TO BEGIN?

► Visit the CFA Institute Research Challenge websites

► Get in touch with your Faculty Advisor / Research Challenge Coordinator
► He/she has to appoint the team to represent your university in local round

► Register for the competition
  • Educational materials selected specifically for participants
  • Videos of past presentations
  • Past reports from winning teams
  • You MUST register on the CFA Institute website
CFA Institute Research Challenge official websites

http://www.cfainstitute.org/community/challenge/Pages/index.aspx

► Find all necessary information about RC

Czech CFA Society Research Challenge websites

http://www.cfasociety.org/czechrepublic/Pages/ResearchChallenge.aspx

► Reports and presentations from previous RC winners
► Official Rules, Code of ethics and standards, Expense sheet, Participation agreement
► Educational resources
Universities:  
VSE Praha – bohumil.stadnik@email.cz  
FSV UK - novakji@fsv.cuni.cz,  
CERGE-EI – Yulia.Sheveleva@cerge-ei.cz  
UNYP – tali@faculty.unyp.cz  
AAU Praha – peter.bolcha@aauni.edu  
MU Brno – dagmar.linnertova@seznam.cz  
MZLU Brno – kapounek@mendelu.cz  
VSB Ostrava – petr.gurny@vsb.cz, katerina.korena@vsb.cz  
TBU Zlin – vychytilova@fame.utb.cz  
CU Bratislava – zuzana.chladna@fmph.uniba.sk  
UE Bratislava – marian.smorada@euba.sk  
SoM&CU Bratislava – mbernhauerova@vsm.sk,  
MB Banska Bystrica - jan.sebo@umb.sk  
TU of Kosice – jozef.glova@tuke.sk  

Organization and CFA related Qs:  
Jakub.Jurga@czechcfa.cz, Tomas.Hrbacek@czechcfa.cz,  

Web pages:  
www.cfainstitute.org  
www.czechcfa.cz
Organizing the RC would not be possible without our corporate partners.

Local RC Sponsor

Society Sponsor

Local RC Partners

Global RC Sponsors
WE ARE LOOKING FORWARD
TO SEE YOU IN
FINALS

Czech CFA Society
c/o EY, Marek Jindra
Na Florenci 2116/15
110 00 Praha 1 - Nové Město
Czech Republic

Mobile: +420 603 489 663
E-mail: info@czechcfa.cz
www.czechcfa.cz