# DRAFT - FIS ‘One Pager’ Research Notes

**The aim of the one pager**  
  
The aim is to convey to the reader how well a stock fits our investment style and the analyst’s view of the balance of risks to market expectations.

**The users of the one pager**

The key users are the portfolio teams. This means that the one pagers should normally be written on the presumption that the reader has a reasonable knowledge of the stock.

The one pagers are seen by a wide audience, including others in FIS, consultants and clients. Care should therefore be taken to avoid language that is too colourful, or which includes relatively obscure jargon.

**When should a one pager be done?**

* All new holdings require a one pager as part of the due diligence process. This needs to be completed before a firm order in the stock is placed.
* All large cap holdings in the portfolios require a one pager that has been updated within the last 12 months.
* Where the analyst wishes to change the stock rating, an updated one pager is required. It should be made clear why the rating has changed.
* When there is significant change in the outlook for a stock that is likely to be relevant to the portfolio teams, an update should be made to the one pager.

**Guidelines for completing the one pagers**  
The following general points apply:-

1. Avoid too much detail  
     
   There is not room on the one pager for substantial detail on the company’s operations, nor is that the intended purpose of the one pager. If you feel that this is required (e.g. a company that is new to you or one that is likely to be difficult for others to understand), then it should be covered in a separate, more detailed, note.
2. Emphasis on integrating facts  
     
   Be careful to avoid simply relaying too many facts, without sufficient integration of those facts into the points being made.
3. Feedback before issuing   
   Get a colleague to read through a draft of the one pager – this should help ensure that you are getting across the message that you want.

The one pager should be run past the research co-ordinator for the team, or their alternate, before issuing.

1. Freeze the one pager.  
     
   Ensure that when the one pager has been completed, it is frozen on CoRes.

The one pager format is shown overleaf, with specific guidelines for completing certain sections.

|  |  |  |  |
| --- | --- | --- | --- |
| COMPANY |  | Date | See 1 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Analyst’s Assessment | | | Style fit | See 2 | | | Balance of Risks | | See 3 |
| See 4 | | | | | | | | | |
| Analyst |  | Current rating | | | See 5 | Previous rating | |  | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector** |  | **Country** |  |
| **FIS Category** | See 6 | **Last seen** |  |
| **Business** |  | | |
| **Year End** |  | Price | See 7 |
| **Next Event /Catalyst** | See 8 | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **FY - 1** | **FY - 0** | **FY + 1** | **FY + 2** | **FY + 3** |
| **EPS** (See 9) |  |  | See 10 |  | See 11 |
| **Change (%)** |  |  |  |  |  |
| **P/E** |  |  |  |  |  |

\* FIS forecast

|  |
| --- |
| Assessment of Key Drivers |
| GROWTHSee 12 |
| BUSINESS MOMENTUM See 13 |
| CONSISTENCY See 14 |

|  |  |
| --- | --- |
| **Main Analyst Contacts** | Company Contacts |
|  |  |

**Specific Guidelines for completing one pagers**

1. The date should be the day of the note being issued and frozen on CoRes.
2. The style fit should reflect the extent to which the stock is expected to show the growth, business momentum and consistency characteristics that define our investment style.  
     
   This should be based on consensus expectations regarding the future rather than any non-consensus views of the individual analyst.  
     
   The style fit should be judged relative to the research universe for the relevant region (country in Pacific ex Japan). For UK Smaller Companies it is judged relative to the universe of UK stocks below the top 200.  
     
   The style fit should be assessed as one of the following:-  
     
   Very good  
   Good  
   Average  
   Poor  
   Very poor
3. ‘Balance of risks’ refers to the analyst’s view of the balance of risks to market expectations  
     
   This extent to which the judgement of the analyst is that the balance of risks to market expectations for the stock is on the upside or on the downside. This includes the risks to market expectations for both the short and long term profit progression and for any other factors that are considered important (eg potential industry consolidation).   
     
   The balance of risks to market expectations for the short term profits progression is more likely to be on the upside when the company has positive business momentum, and more likely to be on the downside when it has negative business momentum.  
   For the avoidance of doubt, a balance of risks to market expectations that is on the upside means that favourable outcomes are considered more likely, not that the risks will be higher.The ‘balance of risks’ should be assessed as one of the following, and indicated on the one pager by the symbol shown in brackets:-  
     
   Substantially on the upside (++)  
   Slightly on the upside (+)  
   Neutral (N)  
   Slightly on the downside (-)  
   Substantially on the downside (--)

How does valuation fit into this?

A stock’s valuation is a key indicator of the market’s longer term expectations for the profit progression of the company. It is therefore likely to play a role in the formation of the analyst’s view of the balance of risks to longer term market expectations.

# How do macroeconomic factors fit into this?

As a predominantly ‘bottom up’ house, macroeconomic factors are not normally the main drivers of our stock views. The points below indicate where a macroeconomic input might be incorporated in forming the analyst’s view.

* The stock assessment should not be driven by differences the individual analyst may have from consensus in their view of the outlook for major macroeconomic variables.
* Evidence of substantial changes in the macroeconomic environment may affect the style fit, especially for business momentum.
* Judging the balance of risks to market expectations may involve an assessment of whether the stock price has been slow to adjust to any major changes in the macroeconomic environment.

# The analyst’s assessment should summarise briefly how the assessment of the style fit was derived. The bulk of this section should focus on what has lead to the analyst’s view of the balance of risks to market expectations. There may also be a comment on future potential developments that could change the analyst’s view.

# The current rating should be based on the above assessment with the stock should be scored from 1 (extremely attractive) to 10 (extremely unattractive). The matrix for setting the ratings is shown below:-

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance of risks** | | | | |
|  |  | Substantially on the upside | Slightly on  the upside | Neutral | Slightly on  the downside | Substantially on  the downside |
|  | Very good | 1 | 2 | 3 | 4 | 5 or 6 |
|  | Good | 2 | 3 | 4 | 5 or 6 | 7 |
| **Style Fit** | Average | 3 | 4 | 5 or 6 | 7 | 8 |
|  | Poor | 4 | 5 or 6 | 7 | 8 | 9 |
|  | Very poor | 5 or 6 | 7 | 8 | 9 | 10 |

# Stocks should be placed into one of four FIS stock categories according to the answer to two questions:-

1. Is the secular growth in earnings per share expected to be above or below average in the future compared to the relevant research universe?
2. Is the progression in earnings per share in the future expected to show above or below average consistency (stability) compared to the relevant research universe?

The assessment should be made based on consensus expectations for the future, rather than any non-consensus views of the individual analyst.

|  |  |  |
| --- | --- | --- |
| **FIS Stock Category** | Growth | **Consistency** |
| Growth | Above average | Above average |
| Cyclical/Volatile Growth | Above average | Average or below average |
| Defensive | Average or below average | Above average |
| Other | Average or below average | Average or below average |

1. This should be the price just before the one pager is frozen and issued.
2. This should describe the next important event for the company and/or the next expected catalyst for a possible change in rating.
3. These will either be consensus figures, or the forecast of the analyst. Where it is the FIS analyst’s forecast an asterisk should be used to denote this. Where the company makes no profits, a sales based figure may be considered more useful. If this is used, it should be clearly indicated on the note.  
     
   The FIS analyst may chose to use their own forecast where they felt that they could improve on consensus. As examples, the consensus number may be felt to be inappropriate where there are some sell side analysts that have very old forecasts, or where forecasts are felt to be very optimistic.  
     
   A FIS analyst’s estimate is likely to be formed with reference to sell side estimates or models.
4. FY+1 refers to the current financial year for the company in question.
5. FY+3 figures will sometimes be unavailable, and can be left blank if this is the case.
6. The ‘growth’ section is looking primarily at the expected ‘long term’ growth rate of the appropriate measure of profit per share. The long term growth rate is a prospective one (typically looking 5 years forward) and should look through any cyclical influences or recovery element. The expected long term growth rate should be at least 10%p.a. to be considered meaningfully ‘above average’.   
     
   An assessment of the long term growth prospects will generally include considering the factors below. The text in the one pager should focus on the more important ones for the company concerned.

* Long term growth prospects for the industry
* Competitive position within industry
* Management’s ability to deliver future growth
* Historic record of generating profits growth and shareholder value
* Expected organic sales growth
* Scope for margin expansion

# The ‘business momentum’ section focuses on whether the prospects for the company are currently improving or deteriorating. It will generally focus on developments over the last six months and the expected developments over the next six months. Although the focus is on developments over a relatively short time period, it is the relevance of these developments to the company’s longer term prospects that is key. Are they the start of a significant trend, or are they just short term ‘noise’? An assessment of the business momentum will generally include the factors below. Only the more important ones should be covered in the text.

* Changes in industry prospects
* Changes in competitive position
* Effect of changes in the macroeconomic environment
* Recent results
* Estimate revisions
* Change in return on invested capital

# The ‘consistency’ section looks at how stable the future profits progression is likely to be typically looking forward over at least the next 5 years. It should always include a comment on the level of economic sensitivity and will normally include the more relevant of the following:

* Level of pricing power
* Scope for major changes in competitive position
* Earnings visibility
* Free cash flow generation
* Interest cover
* Balance sheet strength
* Historic earnings stability