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INTERVIEW GUIDE 10

Public Markets and the Stock Pitch

The roles, the analysis and a worked example of
the stock pitch that hedge fund, asset
management and research interviews all require.

How to use this guide

Public markets interviews ask you to pitch a stock and defend it. This guide covers how to analyse one, structure the pitch, and handle the questions that follow.

Most questions have two layers. **What to say** is a short answer you could give in an interview. The notes underneath explain why it is right, so you can handle the follow-up.

Do not memorise answers word for word. Learn the logic, then practise saying it out loud.

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A note on conventions

Worked examples use a 25% tax rate unless the question states otherwise. Where U.S. GAAP and IFRS differ in a way interviewers ask about, the guide says so. Most African markets report under IFRS; U.S. firms will expect U.S. GAAP. Say which you are assuming.

The public markets landscape

Hedge funds, asset managers and equity research all ask the same thing in interviews: pitch me a stock. This guide covers the roles, the analysis and how to deliver a pitch that holds up to questioning.

Role	What you do	What interviews test
Equity research (sell side)	Cover 10 to 20 stocks in a sector, publish estimates and recommendations, talk to institutional clients and company management	Sector knowledge, modelling, writing, a stock pitch
Long-only asset management	Manage funds against a benchmark for pensions and retail investors; long holding periods; fundamental analysis	Stock pitch, valuation, investment philosophy, temperament
Long/short equity hedge fund	Buy stocks expected to rise and short those expected to fall; often sector specialists; shorter horizons, more catalysts	Two pitches, one long and one short, with catalysts; variant view; risk management
Event-driven / special situations	Trade around mergers, spin-offs, restructurings and index changes	Deal maths, probability thinking, M&A knowledge
Macro and multi-strategy	Rates, currencies, commodities and equities driven by economic views	Economics, markets awareness, quantitative comfort

Sales and trading

Execute and make markets for clients; less about single-stock analysis

Market awareness, mental arithmetic, composure

1.1 What is the difference between the buy side and the sell side?

What to say

The sell side, banks and brokers, produces research and executes trades for a commission. The buy side, funds, manages money and makes the actual investment decisions. Sell-side analysts publish; buy-side analysts recommend to a portfolio manager who decides.

1.2 What is alpha, and what is a variant perception?

What to say

Alpha is return above what the market or benchmark delivered for the same risk. To earn it, you need a variant perception: a view about a company that differs from what the market currently believes, plus a reason to believe you are right and the market will come around. "It's a good company" is not a pitch; "the market thinks margins peak this year and I think they expand for three more" is.

1.3 What does a good investment philosophy sound like?

What to say

Specific and consistent with the fund you are talking to. Quality-growth investors look for durable competitive advantages and reinvestment at high returns and will pay up for them. Value investors look for a gap between price and intrinsic value and a catalyst to close it. Say which you lean towards, give one example of a stock that fits, and admit the weakness of your approach.

Analysing a stock

THE FOUR QUESTIONS

What the market believes, and why it is wrong

1. **What does the business do and what makes it good or bad?** Unit economics, competitive position, returns on capital, management quality and capital allocation.
2. **What is priced in?** Reverse the current price into implied growth and margins. Read the consensus estimates.
3. **Where do you differ, and why?** The variant view, with evidence: channel checks, data, industry work, a misread of accounting, a mispriced event.
4. **What will make the market agree with you, and when?** Catalysts. Without them you may be right and still lose money for years.

2.1 Which numbers do you look at first?

Measure	What it tells you
Revenue growth, organic vs. acquired	Is the business actually growing or buying growth?
Gross and operating margins, and their trend	Pricing power and operating leverage
Return on invested capital	Whether growth creates value; compare with the cost of capital
Free cash flow conversion	How much of profit is real cash; watch working capital and capitalised costs
Net debt / EBITDA	Balance sheet risk
Share count trend	Buybacks or dilution; stock compensation

2.2 What is a P/E ratio really telling you?

What to say

How many years of current earnings you are paying for, or inverted, the earnings yield. A high P/E means the market expects earnings to grow, or considers them unusually safe, or both. It is only meaningful relative to growth and risk, which is why analysts also use PEG ($P/E \div \text{growth}$) and compare with peers and history.

2.3 Why might two companies with similar growth trade at different multiples?

What to say

Different quality of earnings: recurring versus cyclical, cash versus accrual. Different capital intensity and returns on capital. Different balance sheets. Different management credibility. Sometimes simply different investor attention, which is the opportunity.

2.4 What are common signs of earnings quality problems?

- Net income rising while operating cash flow falls.
- Receivables or inventory growing faster than revenue.
- "Adjusted" earnings far above reported, year after year.
- Capitalised development costs rising; depreciation lives lengthening.
- Frequent one-off charges, acquisitions that obscure organic trends, auditor changes.

2.5 How do you think about a short?

What to say

A short needs a reason the stock falls, not just a high valuation: a deteriorating business, an accounting problem, a structural threat or an event. The risk is asymmetric, since losses are unlimited if the stock rises, so shorts need tighter risk control, awareness of borrow cost and short interest, and a clear catalyst and time frame.

In African markets

Liquidity, not analysis, is often the binding constraint: many listed companies trade too thinly for a fund to build or exit a position. Currency and capital controls can matter more than company fundamentals for a dollar-based investor. Sectors with the most listed depth are banks, telecoms, consumer staples and cement. If you pitch an African stock, address liquidity and FX in the first minute.

The stock pitch

Two minutes, then ten minutes of questions. The structure below works for a long or a short, spoken or written.

Element	Content	Time
Recommendation	Ticker, long or short, current price, target price and upside, time frame. One sentence.	10 sec
Business	What it does and how it makes money, in two sentences.	20 sec
Thesis	Two or three points, each stating what the market believes and why you disagree, with evidence.	60 sec
Valuation	How you get to the target: the multiple or DCF, the key assumptions, and what the market is implying instead.	20 sec
Catalysts	Two or three events in the next 6 to 18 months that should make the market re-rate the stock.	15 sec
Risks	The two things most likely to make you wrong, and why you still like the trade.	15 sec

3.1 Worked example: a fictional long pitch.

EXAMPLE PITCH

Long Kilima Foods (fictional)

Recommendation. Long at \$60, 12-month target \$83, about 37% upside.

Business. Kilima makes packaged staples sold through 40,000 informal retailers across three East African countries. Revenue \$900m, operating margin 12%, net cash.

Thesis. First, the market treats Kilima as a low-growth staples company at 12x earnings, but 30% of revenue is now a direct-to-retailer distribution platform growing 25% a year with higher margins. Second, consensus assumes margins stay at 12%; a new plant that removes third-party co-packing comes online next quarter and management has guided to 14% by 2028, which our channel work supports. Third, the two listed regional peers trade at 15x with slower growth.

Valuation. 2027 EPS of \$5.50 on my numbers, versus consensus of \$5.00. At 15x, in line with peers, the target is \$82.50. The current price implies EPS growth of roughly 3% a year, which is below inflation in its markets.

Catalysts. Q3 results showing the plant's margin effect; a possible segment disclosure for the distribution business at the capital markets day in November; a dividend increase supported by net cash.

Risks. Currency depreciation reducing dollar earnings, mitigated by local sourcing and a dollar-linked export line; a delay in the plant ramp, which would push the thesis out by two quarters rather than break it.

Why it works. Every thesis point names what the market believes and what you believe instead. The valuation is simple enough to check in your head: $\$5.50 \times 15 = \$82.50$. The catalysts have dates. The risks are real and you have thought about them.

3.2 What questions will follow, and how do you handle them?

Question	What they want
Why does the market get this wrong?	A mechanism: it is small, complex, misclassified, recently disappointed, or the change is new

What if margins do not expand?	Your downside case and what the stock is worth in it
What does the sell side say?	That you have read the consensus and know where you differ
How would you size the position?	Conviction and downside; a starting position of 2% to 4% of a portfolio is typical for a new idea
What would make you sell?	Target reached, thesis broken, or a better idea; never "if it goes down 20%"
Who is on the other side of this trade?	Understanding of who owns the stock and why they might be selling

3.3 How do you choose a stock to pitch?

- Mid-cap, not a mega-cap everyone has a view on and not a micro-cap the fund cannot trade.
- A sector you can talk about for twenty minutes.
- A thesis you can explain in one sentence.
- Not one the fund already owns in size unless you have something new to say. Check their filings.
- Prepare a long and a short. Prepare a second long in case they own the first.

Portfolio and risk

4.1 What is beta, and how do long/short funds use it?

What to say

Beta measures how much a stock moves with the market. A long/short fund netting its longs against its shorts can run low net exposure, so returns depend on stock selection rather than market direction. Gross exposure is longs plus shorts; net exposure is longs minus shorts. A fund with 130% long and 70% short is 200% gross and 30% net.

4.2 How do you think about position sizing?

What to say

Size to conviction and to downside, not to upside. A position where I could lose 40% if wrong should be smaller than one where the downside is 10%, even if the upsides are the same. Concentration increases both returns and risk; most fundamental funds hold 20 to 60 positions with the top ten making up a large share.

4.3 What is the difference between fundamental and technical analysis?

What to say

Fundamental analysis values a company from its business and financials. Technical analysis studies price and volume patterns to infer supply and demand. Fundamental investors may still use price action to time entries and understand positioning, but the thesis is about the business.

4.4 Are markets efficient? Where is your edge?

What to say

Large liquid markets are mostly efficient, so an edge must come from somewhere specific: doing more work on smaller or complex companies, a longer time horizon than most holders, better industry knowledge, or discipline when others panic. Say which of these you believe in and give an example.

4.5 How do you read the current market environment?

What to say

Know the policy rate and its expected path, the level and valuation of the main index, where credit spreads sit, and the two or three themes driving flows. Then connect it to your pitch: "in a market paying up for growth, a cheap staples company with an under-appreciated growth segment is where I would look."

4.6 What is a stock that has taught you something?

What to say

Have one ready, ideally a mistake. Describe the thesis, what happened, and the rule you now follow because of it. Investors trust people who can describe their own errors precisely.

Modelling a stock

A pitch is only as good as the numbers behind it. You do not need a 40-tab model; you need a revenue build you believe, an estimate that differs from consensus, and a range of outcomes.

5.1 What does a working single-stock model contain?

Block	Contents
Revenue build	By segment, geography or product, driven by volume and price, or by units and average revenue per unit. Never one blended growth rate if the disclosure allows better
Margins	Gross margin and operating margin with the cost lines that actually move: input costs, labour, marketing, freight
Below the line	Interest on the debt schedule, tax at the company's guided effective rate, minorities
Share count	Buybacks and stock compensation. Companies grow EPS through the denominator more often than candidates model
Cash flow and balance sheet	Enough to test whether the plan is self-funding and whether leverage constrains buybacks
Estimates versus consensus	Your revenue, EBIT and EPS for the next two years next to the consensus figures, with the gap explained in one line
Valuation and scenarios	Bull, base and bear: each with its own EPS and multiple, giving a price and a probability-weighted expected value

5.2 How do you set a target price you can defend?

What to say

Next year's earnings or cash flow times a multiple I can justify from the company's own history and its peers, adjusted for where I think the business is going. State both inputs: "14x my 2028 EPS of \$5.50", not "a \$77 target". Then say what the market is currently implying, so the interviewer can see the gap.

5.3 How do you use scenarios and expected value?

A stock trades at \$48. You see three outcomes over 18 months.

Scenario	Probability	Price	Return
Bull: margins expand and the segment is disclosed separately	30%	\$75	+56%
Base: plan delivered, multiple re-rates modestly	50%	\$63	+31%
Bear: plant ramp delayed, currency pressure	20%	\$38	-21%
Expected value		\$61.60	+28%

The discipline is in the bear case. If your downside is \$38 you can size the position honestly; if you have not written a bear case, you are not sizing, you are hoping.

5.4 What is a consensus estimate, and how do you use it?

What to say

The average of sell-side analysts' forecasts. It is a proxy for what is priced in, though the buy side's expectations, sometimes called the whisper number, can differ. You use it to locate your variant view: being 10% above consensus on next year's EBIT is a thesis; being in line is not.

Sector frameworks

Each sector has its own vocabulary and its own two or three numbers that decide the outcome. Know the sector you pitch in properly, and know the basics of the rest.

6.1 Banks

What to say

A bank earns net interest income, the spread between what it charges on loans and pays on deposits, plus fees, less operating costs and credit losses. Key measures: net interest margin, cost-to-income ratio, cost of risk (provisions as a share of loans), non-performing loans and coverage, CET1 capital ratio, and return on equity. Valuation is price to book or price to tangible book, cross-referenced with return on equity: a bank earning above its cost of equity should trade above book.

Africa-specific: many listed banks earn a large share of income from government securities, so earnings track policy rates and sovereign risk as much as lending.

6.2 Consumer and retail

What to say

Like-for-like or same-store sales growth split into volume, price and mix; gross margin and its exposure to input costs and currency; store economics, meaning sales per square metre, new store payback and cannibalisation; and inventory days. Watch for growth that comes only from new stores while like-for-like declines.

6.3 Telecoms

What to say

Subscribers, average revenue per user, churn, data usage growth, and mobile money or fintech revenue where relevant. Capital intensity is the swing factor: capex as a share of revenue and spectrum costs decide how much EBITDA becomes free cash flow. Valuation on EV/EBITDA and free cash flow yield.

6.4 Industrials and materials

What to say

Order book and book-to-bill, capacity utilisation, incremental margins, and where the company sits in the cycle. For cement and steel, the numbers are capacity, utilisation, price per tonne, energy cost per tonne and freight, because these are regional businesses protected by transport costs.

6.5 Miners and energy

What to say

Production volumes, reserve life, all-in sustaining cost per unit and position on the cost curve, plus the commodity price assumption that drives everything. Value on net present value per share at a given price deck, and on EV/EBITDA at spot and at consensus prices. The honest answer to "is this a good miner?" starts with where it sits on the cost curve, because low-cost producers survive the trough.

6.6 Software and internet

What to say

Recurring revenue growth, net revenue retention, gross margin, sales efficiency and the Rule of 40; then the cash conversion, because stock compensation and capitalised development can make GAAP profit and cash flow diverge. Valuation on EV/revenue or EV/gross profit adjusted for growth, and on free cash flow once the company matures.

6.7 REITs and real estate

What to say

Funds from operations rather than earnings, because depreciation distorts property accounting; occupancy, rent per square metre, lease expiry profile and releasing spreads; net asset value per share and the premium or discount to it; and loan-to-value with debt maturities. Cap rate is the yield on a property: net operating income divided by value.

Capital allocation and forensics

7.1 How do you judge a management team's capital allocation?

What to say

Look at what they did with cash over ten years: organic investment, acquisitions, dividends, buybacks and debt repayment, and the return each earned. Did they buy back shares when the stock was cheap or when it was expensive? Did acquisitions raise or lower returns on capital? Is incremental capital earning above the cost of capital? Capital allocation, not the operating plan, is where most long-term value is created or destroyed.

The test that matters: return on incremental invested capital. If a company invests \$100m and EBIT rises \$25m, incremental return is 25%, and growth is worth paying for. If EBIT rises \$5m, growth is destroying value even though revenue is rising.

7.2 When is a buyback good, and when is it not?

What to say

Good when the shares trade below intrinsic value, the balance sheet can afford it, and there is no better internal investment. Poor when it is funded with debt at a stretched multiple, when it exists only to offset dilution from stock compensation, or when it is running at a record pace at a record share price, which is the historical pattern.

7.3 What forensic checks do you run before pitching a long?

- Cash conversion: cumulative operating cash flow against cumulative net income over five years. Persistent gaps need an explanation.
- Days: receivables and inventory days versus history and peers. Rising days with flat revenue means the channel is full.
- Adjusted versus reported earnings, and what is being excluded each year.
- Capitalisation policy: development costs, contract costs, interest.

- Related-party transactions and off-balance-sheet obligations, including leases, guarantees and factoring of receivables.
- Auditor, audit fee and any change in either. Restatements, late filings and CFO turnover.
- Segment disclosure changes, which often precede bad news.

7.4 What makes a good short candidate?

What to say

Deteriorating fundamentals the market has not priced, aggressive accounting, a structurally threatened business model, a stretched balance sheet with near-term maturities, or a valuation that requires an outcome that cannot happen. Then the practical checks: is there stock to borrow, at what cost, how crowded is the short, and is there a catalyst within a sensible time frame.

The classic short mistake is being right too early. A cheap-to-borrow, uncrowded short with a dated catalyst is worth more than a better thesis with no clock.

Event-driven situations

8.1 How does merger arbitrage maths work?

A target is bid for at \$50 a share in cash, expected to close in six months. The shares trade at \$48. Before the bid they traded at \$35.

Measure	Calculation	Result
Gross spread	$(\$50 - \$48) \div \$48$	4.2%
Annualised	4.2% over six months	about 8.3%
Downside if the deal breaks	$(\$35 - \$48) \div \$48$	-27%
Break-even probability of closing	$13 \div (13 + 2)$	86.7%

So the market is implying roughly an 87% chance of completion. The work is in forming a better estimate: antitrust risk, regulatory approvals in every jurisdiction, financing conditions, shareholder votes, and whether the buyer has a record of walking away. A wide spread usually means the market sees a real risk, not a free lunch.

8.2 What other events create opportunities?

Event	Why it can be mispriced
Spin-offs	Shareholders receive an unwanted small-cap and sell indiscriminately; the new company is under-covered and often improves once separately managed
Index additions and deletions	Forced buying and selling by passive funds around the effective date
Rights issues	Technical selling pressure and complexity around the subscription price

IPO lock-up expiries	A known supply of stock arrives on a known date
Post-restructuring equity	Creditors who received shares are not natural equity holders and sell; the business is often cleaner than the story suggests
Dual-listed and holding company discounts	A holding company trades below the sum of its listed stakes; the question is whether the discount can close

8.3 How would you think about a stock after a profit warning?

What to say

Separate the one-off from the structural. Ask whether the miss was demand, cost, execution or accounting, whether it is likely to repeat, and whether the market has reset expectations too far. Then look at the balance sheet, because a warning matters much more when debt maturities are near. The best long opportunities come from a fixable problem in a good business; the worst come from assuming every fall is temporary.

Risk, factors and the written pitch

9.1 What are factors, and why do they matter to a stock picker?

What to say

Factors are shared drivers of returns: value, growth, quality, momentum, size, and sector or country exposure. A portfolio of individually-researched stocks can still be one big factor bet, so funds measure exposure and hedge it. In interviews, the useful point is awareness: "my thesis is idiosyncratic, but the position is long a rate-sensitive consumer name, so I would size it knowing that."

9.2 How is performance measured?

Measure	Definition
Alpha	Return above the benchmark, adjusted for risk taken
Sharpe ratio	$(\text{Return} - \text{risk-free rate}) \div \text{volatility}$. A 12% return with 10% volatility and a 4% risk-free rate gives 0.8
Maximum drawdown	The largest peak-to-trough loss; what investors actually experience
Hit rate and slugging ratio	How often you are right, and how much you make when right versus lose when wrong. The second matters more
Attribution	Splitting returns between stock selection, sector allocation and market exposure

9.3 What is crowding, and why care?

What to say

When many funds hold the same position, an exit by some forces losses on the rest, so correlated selling hurts even when the thesis is intact. Check ownership filings, short interest and borrow cost. A good idea that everyone already owns has less upside and more downside than the fundamentals suggest.

9.4 What does a written one-page pitch look like?

Section	Content
Header	Company, ticker, long or short, price, target, upside, market cap, average daily volume
Summary	Three bullets: the recommendation and the two strongest thesis points
Business	Three lines on what it does and how it makes money, with a revenue split
Thesis	Two or three numbered points, each with the market's view, your view, and the evidence
Numbers	A small table: revenue, EBIT, EPS for the last year and your next two, next to consensus
Valuation	Multiple applied, the comparable set, and the implied upside; plus a bear-case price
Catalysts and risks	Dated catalysts; two risks with your response to each

One page, no more than two. Funds hire people who can compress; a five-page write-up signals the opposite.

9.5 What do you say when you do not know?

What to say

Say so, then say how you would find out and what you would expect to find. "I do not know their contract renewal profile. I would look at the disclosure in the annual report and ask the company; if renewals are concentrated in the next 18 months, that changes the risk materially." Bluffing is the fastest way to lose a markets interview.

Test yourself

#	Question
1	A stock trades at \$48 with EPS of \$4. What is the P/E and the earnings yield?
2	EPS is expected to grow 16% a year. What is the PEG ratio from question 1?
3	Your target is 14x next year's EPS of \$4.50. What is the target price and the upside from \$48?
4	Market cap \$2bn, net debt \$500m, EBITDA \$300m. What is EV/EBITDA?
5	A fund is 120% long and 80% short. What are gross and net exposure?
6	Free cash flow \$150m, market cap \$2bn. What is the FCF yield?
7	Give three reasons a stock could be cheap and still be a bad long.
8	A short at \$50 rises to \$75. What is your loss as a percentage of the initial position?

ANSWERS

Answers

#	Answer
1	P/E 12x. Earnings yield 8.3%.
2	$12 \div 16 = 0.75$.
3	\$63. Upside 31%.
4	$\text{EV } \$2.5\text{bn} \div \$300\text{m} = 8.3\text{x}$.
5	Gross 200%. Net 40%.
6	7.5%.
7	Examples: earnings are about to fall so the multiple is misleading; the balance sheet is stretched; the business is being disrupted; there is no catalyst and it can stay cheap indefinitely; the cheapness reflects poor governance or capital allocation.
8	50%. You owe shares now worth \$75 that you sold for \$50.

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