

The main objective behind the Business Checklist is two-fold

1. To understand the company's business model, including its basic financials, and
2. To assess the company's competitive landscape, and its sustainable competitive advantage.

We proceed to describe the 8 questions in the Business Checklist.

Q1 ? What is the history of the company and management?

Objective:

This is the starting point of all research on a company. A sense of history is vital before embarking on work related to the future.

What to look for:

- ◆ What's the company's business?
- ◆ What is its business infrastructure? – no. of plants/branches/depots/ retail outlets, etc
- ◆ Has the company explicitly articulated its vision and values?
- ◆ What is the age of the company? (also see Framework #5)
- ◆ Who is the owner of the company?
- ◆ What is the composition of its Board of Directors? Does it appear to be fairly broadbased?
- ◆ Is the company owner-managed or professionally managed?
- ◆ How's the basic financial and stock market performance of the company and its group companies?

Data/information sources:

- ◆ Visit the company website; read background information on the company, and also download relevant material like Annual Reports, investor presentation and concall transcripts.
- ◆ Read the company's Annual Reports for the last 5 years at least.
- ◆ Browse through the media coverage of the company, whether print/ TV/online (e.g. CEO's interview on YouTube).
- ◆ If there's access, read the company profile on some paid service providers such as Bloomberg.
- ◆ Read broker reports on the company.

Framework #5

Lindy Effect

This framework has been popularized by Nassim Nicholas Taleb in his book, *Skin In The Game*. Lindy is a café in New York, frequented by Broadway actors. Gossiping over time, they discovered that Broadway shows which lasted, say, a hundred days, had a better chance of lasting another hundred days, than a show which has been running, say, for the last 10 days.

Says Taleb, "That which is Lindy is what ages in reverse, i.e. its life expectancy lengthens with time, conditional on survival. Only the non-perishable can be Lindy. When it comes to ideas, books, technologies, procedures, institutions, and political systems under Lindy, there is no intrinsic aging and perishability."

Relevance of Lindy to stocks

Going by the Lindy Effect, investors should tend to look at older companies much more favorably than younger ones. This is because the older companies have been through all kinds of adversities and survived. Hence, given Lindy Effect, their chance of surviving and thriving in the future is that much higher

