LCA-Vision Inc. (NASDAQ: LCAV) Memo

Date:	11/28/10	Company:	LCA-Vision Inc.
Price:	$5.17	Analyst:	Zhengwei (Will) Liang

11/28/2010 Price	52-Week Range	Market Cap
$5.17	$3.94 - $9.40	$96.72M

Equity Value	$96,720
Net Debt	($45,330)
TEV	$51,390
P/E Multiple (ttm)	*n/a*
Short Interest (% of Float)	4.10%

(In thousands)	**2009A**	**2010E**	**2011E**	**2012E**	**2013E**
Revenue	129,213	98,716	127,829	180,201	224,665
Growth	*-37%*	*-24%*	*29%*	*41%*	*25%*
EBITDA	(22,287)	(12,366)	(639)	21,624	42,686
Margin	*-17%*	*-13%*	*-0.5%*	*12%*	*19%*
Net Income	(33,244)	(18,161)	(8,258)	10,542	28,328
EPS	$-1.79	$-0.97	$-0.44	$0.56	$1.51
Growth	*n/a*	*n/a*	*n/a*	*n/a*	*169%*
P / E	*n/a*	*n/a*	*n/a*	*9.4x*	*3.5x*
EV / EBITDA	*n/a*	*n/a*	*n/a*	*2.49x*	*1.26x*

Business Description:

LCA-Vision (LCAV) is a leading provider of laser vision correction (LVC) services. It performs LASIK, PRK and monovision treatment to correct nearsightedness, farsightedness, astigmatism and reduce the effects of presbyopia. LCAV opened operations in 1991 and currently operates 60 centers across 28 US states under the *LasikPlus* brand. LCAV has performed over 1.1 million procedures in the United States and Canada since 1991. Since 1997, LASIK has been the most common procedure performed by LCAV.

Investment Thesis:

LCAV is a 2-4 year long because it's the **leading provider** of a **valuable service** with **great mid to long-term growth prospects**. As a large player in an otherwise fragmented market, LCAV benefits from **cost advantages** and a **strong brand image**. LCAV is **grossly undervalued** because the **nearsighted market has overracted** to the stock's volatility and recent net losses due to the economic recession. **Pent-up demand** and **efficiency improvements** position LCAV for a **faster and stronger return to profitability**.

Misperception:

LCAV has **gone out of favor** with many investors, especially institutional, who have relatively short time horizons and are concerned with volatility and weak demand. LCAV has a beta of 2.5 and hasn't turned a profitable quarter since '08. An analyst at Raymond James, one of only 2 who cover LCAV, has an "underperform" rating, stating that a **rebound in LASIK volumes is more of a longer-term event**.

As the market has let this Fortune top 5 "fastest-growing" company of '06 **slip under the radar**, value-minded investors with longer-term time horizons have an opportunity to purchase LCAV at a **significant discount from intrinsic value**. My fundamental research and VAR show that the market is **mispricing the long-term secular growth prospects of LVC services and LCAV's leadership position**. VAR also indicates that the **recovery of procedure volume will exceed analyst expectations**.

Most Compelling VAR:

Free Consultation Visit to Richmond, VA *LasikPlus* Center: Yi McGill, *Center Director*, LasikPlus

- **Pent-up demand** from the economic recession is **beginning to surface** and procedure volume **recovery will exceed expectations**.
    - *LasikPlus* centers **know approximately how many procedures** they will be performing in upcoming months.
    - Our **unique edge** is that I can go to a center to ask what their **upcoming procedure schedule** looks like, **while this information doesn't reach sell-side analysts and most other investors until LCAV reports earnings**.
    - The Richmond center performs up to 25 procedures on 5 days each month. According to Ms. McGill, there's been an **increasing number of fully scheduled days**, especially this **October, November and now even December**.
    - The center's **volumes increased from around 70 in September to over 90** in both November and December.
    - The Richmond center's performance is **not a perfect proxy** for all *LasikPlus* centers. However, this is still a **great sign for Q4 '10 and beyond**, especially if other centers are experiencing a similar trend.

Key Thesis Points

- **Laser vision correction (LVC) is a valuable service that's poised for growth:** **Over 182 million Americans** wear eyeglasses or contact lenses to correct vision problems. **64 million of these individuals are candidates** for LVC. LASIK is currently the **best commercial solution** available for the **permanent treatment** of refractive errors. The **painless** procedure takes **15 minutes**, there is almost **no recovery time**, and negative **side effects are generally mild and rare**. Although the upfront cost of LASIK is considerable ($2,000 - $4,000), research shows that the **procedure pays for itself in only a few years** due to savings related to glasses or contacts (See Exhibit 2). **Conversations with 3 LASIK recipients** confirm the benefits of the procedure. New bladeless technology makes LASIK **safer than ever**. Procedure volume will **grow steadily** as LASIK continue to gain **mainstream approval**.

- **Growth in LVC market will accelerate due to demographic trends related to "Generation Y":** "Generation Y" represents the children of the Baby Boomers (born between 1977 and 1995). At 78-82 million Americans, this generation is **similar in size to the Boomer generation**. A survey conducted by an industry source shows that **adults between the ages of 18 and 34 are 3 to 10 times more likely to have LASIK** than other age groups. The key point here is that the **majority of "Generation Y" is currently moving into this age group**. In addition, research shows that "Generation Y" individuals are on average **more conscious of appearance** and **bigger on discretionary spending**. A **convenience sample survey of 20 college students** indicated that almost **80% (11 out of 14)** who have vision problems are at least **considering the possibility of getting LASIK** in the future.

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- **LCAV benefits as the clear leader in a fragmented market:** In the LVC industry, **experience is the key differentiator**. LCAV has performed laser eye surgeries **since 1991**. When LASIK was approved in 1997, LCAV benefitted from a **first mover advantage** because it was already well established in a directly related segment. LCAV's **surgeons are some of the most experienced** in the industry. Dr. Wills, the surgeon I spoke to at the Richmond, VA location, has performed over **50,000 procedures with *LasikPlus* over the course of 10 years**. LCAV leads the industry with a **market share of approximately 10%.** Its closest competitor, TLC Vision (entered Chapter 11 bankruptcy in 2009), has a similar market share, but the rest of the market consists of **fragmented local providers** such as individual opticians, hospitals and universities. As a large player in an otherwise fragmented market, LCAV has **scale and brand advantages over competitors**. LCAV's **costs per procedure are approximately 20% lower** than the industry average due to the scale of its operations. One of the main reasons is that LCAV has **strong bargaining power** with its 2 laser equipment suppliers, AMO and McKesson. VAR with a TLC employee showed that one of the key **reasons TLC entered bankruptcy in '09 was because it couldn't control costs** the way LCAV did during times of weak demand. The fact that ***LasikPlus* is one of the only well-recognized brands in the industry** helps LCAV reach a **broader base of customers**.

- **There is a significant amount of pent-up demand from the economic recession:** Procedures dropped from **1.4 million from the years '05-'07 to 749,000 in '09** due to the economic recession. The interesting thing is that from '05-'07, an average of **approximately 1.2% of the total potential market** for LVC procedures was **served each year**. However, in '09, this figure was **cut in half to approximately .59%**. Potential customers put off LVC procedures because it's **expensive** and **completely discretionary**. This has created **pent-up demand** that the **market is underestimating** given LCAV's current valuation. Based on the level of annual demand from '05-'09, the pent-up demand from '08 and '09 **could be over 1 million procedures**.

- **Efficiency improvements position LCAV for a faster and stronger return to profitability:** LCAV has relatively **high operating leverage** due to significant fixed costs, which is a **double-edged sword**. When procedure volumes are high, revenues flow straight to the bottom line. However, having **high operating leverage hurt LCAV significantly during the recession**. LCAV was forced to **cut costs** dramatically in order to **prevent the bankruptcy fate of TLC Vision**. SG&A expenses were **reduced by more than 35% since '07**. LCAV was also able to **renegotiate laser costs** with its 2 suppliers due to its bargaining power. Although LCAV has closed 12 stores since '07, VAR shows that **almost all of these closures were consolidations**, where there was previously more than 1 store in a given market. The cost savings that come with these consolidations greatly outweighs the loss of potential customers. The cost cutting efforts of management has **lowered the cash flow break-even** number of procedures **from 170,000 in '07 to 73,000 in '11**.

- **An insurance coverage change for eye exams is an additional potential upside:** One of the key benefits of *LasikPlus* is that customers can have **annual follow-up exams with the same optometrist** who performed the surgery. However, most customers currently **return to their normal optometrist** for annual eye exams instead **because insurance companies don't cover eye exams performed by LCAV**. LCAV is working to achieve the status where their eye exams would be treated in the same way as those offered by individual optometrists. An ophthalmic medical technician I spoke to during my **VAR visit to the Richmond *LasikPlus* location suggested that the status could soon be achieved**. This will bring **additional revenues** to LCAV both from **relationships with previous customers** and **new potential customers** who simply chose LCAV for eye exams.

- **LCAV is grossly undervalued:** Prior to the recession, LCAV consistently traded at a **P/B ratio of around 7**. Currently, **this ratio is at 2.5**. Today, LCAV's market cap is **10% of what it was in '06**. With an **EV/Revenue multiple of .53**, LCAV is **valued like a company close to financial distress**. However, LCAV has **$54.38 million in cash vs. $9.05 million in debt**. Considering **solvency is unlikely to be an issue**, the market is clearly **underappreciating LCAV's future earnings power**. I built a financial model for LCAV that incorporates **top down revenue projections** with **conservative assumptions**. Based on this model, LCAV will **return to profitability in 2012** (See Exhibit 3). If the share price remains the same, LCAV will trade at an **EV/EBITDA multiple of 1.26x in 2013**. A DCF analysis yields an **implied share value of $11.12, a 110% upside from the current price**. My model **does not account for the additional upside** that could materialize from **insurance coverage changes with eye exams**.

How it Plays Out:

- The **surfacing of pent-up demand** will cause **procedure volumes to exceed expectations**.
- LCAV's **cost cutting** and **store consolidations** during times of weak demand will **accelerate the return to profitability**.
- My projections show that **LCAV will beat analyst estimates in '10 Q4** with an **EPS of $-0.26 vs. analyst estimate of $-0.42**.
- **Market perception** regarding LCAV's valuation **will change** as more investors realize its **future earnings power**.
- **Secular growth trends** related to **demographics** and **mainstream acceptance of LASIK** will **drive LCAV in the future**.

What Would Make us Wrong (i.e. risks)? Other Considerations?

- Prolonged weakness in consumer confidence: If weak demand extends beyond '12, LCAV may face issues with generating enough cash flow to maintain operations. However, LCAV has greatly reduced its breakeven number of procedures since '07.
- Increasing competitive pressures within industry: The LVC industry is competitive, and competition will likely intensify as procedure volumes recover. However, LCAV does have significant cost advantages over its fragmented competitors.
- The emergence of better alternatives to laser vision correction procedures: There are alternatives procedures on the market, such as implantable lenses, that permanently treat vision problems. These procedures could outpace LVC in gaining mainstream acceptance.
- Issues regarding the long-term effects of LASIK: The long-term effects of LASIK are still not fully understood, as the procedure has only been around for 14 years. Although research shows that LASIK is safe, it's still possible that issues will emerge in the long-term.

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Exhibit 1: 5-Year stock chart and comparison of book value vs. market cap show the decline of LCAV's valuation

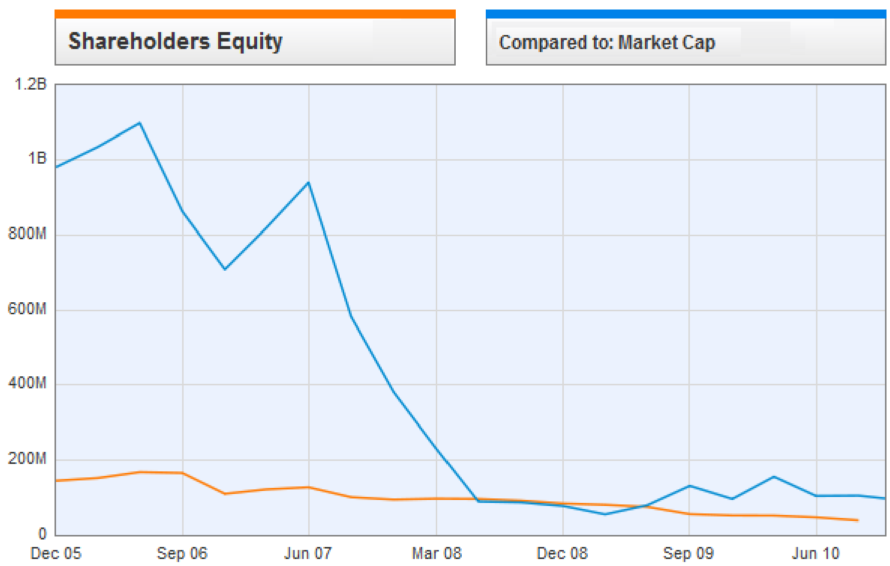

Exhibit 2: LASIK procedures are of significant value to customers

Est. Avg. Costs of Eye Care

	Recurring?	Cost
Prescription Glasses	Every 2 Years	$200
Prescription Sunglasses	Every 2 Years	$350
Contact Lenses	Every Month	$40
Contact Supplies	Every Month	$12
LASIK Eye Surgery	No*	$3,000
Annual Exam	Every Year	$105

Source: http://www.davisvisionmd.com/lasik-costs/lasik-vs-glasses-contacts/

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Exhibit 3: Financial analysis supports fundamental research

Financial Model (Base Case)

	Projected FYE December 31								
(Numbers in thousands, except per share and ASP)	**2005A**	**2006A**	**2007A**	**2008A**	**2009A**	**2010E**	**2011E**	**2012E**	**2013E**
Total Procedures in North America:									
Potential Market Size (# of eyes) (beginning of year)	100,000	120,000	120,000	113,000	128,000	131,069	134,434	137,774	140,985
% of Market for which Procedures were Performed During the Year	*1.40%*	*1.17%*	*1.17%*	*0.90%*	*0.59%*	*0.42%*	*0.50%*	*0.65%*	*0.75%*
Total Procedures Performed	1,400	1,400	1,400	1,016	749	550	672	896	1,057
Potential Market Size (# of eyes) (end of year)	98,600	118,600	118,600	111,984	127,251	130,518	133,762	136,879	139,928
% Market Size Growth from End of Previous Year to Current Year	*n/a*	*21.7%*	*1.2%*	*-4.7%*	*14.3%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Procedures Performed by LCAV:									
Total Procedures Performed	1,400	1,400	1,400	1,016	749	550	672	896	1,057
LCAV Market Share (%)	*10.1%*	*13.2%*	*13.7%*	*11.3%*	*9.7%*	*10.0%*	*10.5%*	*11.0%*	*11.5%*
LCAV Procedures Performed	142	185	192	115	73	55	71	99	122
% Growth	*n/a*	*30.5%*	*3.7%*	*-40.1%*	*-36.8%*	*-24.4%*	*28.2%*	*39.6%*	*23.4%*
Average Selling Price	$ 1,246	$ 1,290	$ 1,523	$ 1,782	$ 1,775	$ 1,793	$ 1,811	$ 1,829	$ 1,848
% Growth	*n/a*	*3.5%*	*18.1%*	*17.0%*	*-0.4%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Revenues	$ 176,874	$ 238,925	$ 292,635	$ 205,176	$ 129,213	$ 98,716	$ 127,829	$ 180,201	$ 224,665
Cost of Services	88,451	120,566	146,735	119,271	92,325	70,088	86,284	104,516	119,073
Gross Profit	88,423	118,359	145,900	85,905	36,888	28,628	41,544	75,684	105,593
% Margin	*50.0%*	*49.5%*	*49.9%*	*41.9%*	*28.5%*	*29.0%*	*32.5%*	*42.0%*	*47.0%*
Selling, General & Administrative	45,834	69,127	89,126	72,691	50,285	38,499	42,183	54,060	62,906
Special Items	-	-	-	3,476	8,890	2,494	-	-	-
EBITDA	42,589	49,232	56,774	9,738	(22,287)	(12,366)	(639)	21,624	42,686
% Margin	*24.1%*	*20.6%*	*19.4%*	*4.7%*	*-17.2%*	*-12.5%*	*-0.5%*	*12.0%*	*19.0%*
Depreciation	7,636	8,453	11,209	17,972	14,198	12,778	12,778	12,778	12,778
EBIT	34,953	40,779	45,565	(8,234)	(36,485)	(25,144)	(13,417)	8,846	29,908
Non-operating Income	3,860	6,901	6,160	(1,024)	2,292	3,638	3,638	3,638	3,638
Pre-tax Income	38,813	47,680	51,725	(9,258)	(34,193)	(21,506)	(9,780)	12,484	33,546
Taxes	15,832	19,310	19,221	(2,623)	(949)	(3,345)	(1,521)	1,942	5,218
% Rate	*40.8%*	*40.5%*	*37.2%*	*28.3%*	*2.8%*	*15.6%*	*15.6%*	*15.6%*	*15.6%*
Net Income	$ 22,981	$ 28,370	$ 32,504	$ (6,635)	$ (33,244)	$ (18,161)	$ (8,258)	$ 10,542	$ 28,328
% Growth	*n/a*	*23.4%*	*14.6%*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*168.7%*
Diluted Shares	21,492	21,235	19,858	18,526	18,594	18,707	18,707	18,707	18,707
EPS	$ 1.07	$ 1.34	$ 1.64	$ (0.36)	$ (1.79)	$ (0.97)	$ (0.44)	$ 0.56	$ 1.51
% Growth	*n/a*	*24.9%*	*22.5%*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*168.7%*
P/E						**n/a**	**n/a**	**9.40x**	**3.50x**
EV/EBITDA						**n/a**	**n/a**	**2.49x**	**1.26x**
EV/Revenues						**0.55x**	**0.42x**	**0.30x**	**0.24x**

Pent-up Demand

Steady Secular Growth

Cost Reductions

Operating Leverage

Location Consolidations

Scenerio Analysis

P /E				
Worst	***n/a***	***n/a***	**13.04x**	**5.09x**
Base	***n/a***	***n/a***	**9.40x**	**3.50x**
Best	***n/a***	***n/a***	**6.94x**	**2.66x**
EV/EBITDA				
Worst	***n/a***	***n/a***	**2.97x**	**1.67x**
Base	***n/a***	***n/a***	**2.49x**	**1.26x**
Best	***n/a***	**16.75x**	**2.07x**	**1.01x**
EV/Revenues				
Worst	**0.61x**	**0.47x**	**0.36x**	**0.32x**
Base	**0.55x**	**0.42x**	**0.30x**	**0.24x**
Best	**0.51x**	**0.34x**	**0.25x**	**0.19x**

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Exhibit 4: Discounted Cash Flow (DCF) analysis shows that LCAV is undervalued

Discounted Cash Flow (DCF) Analysis (Base Case)

		Projected FYE December 31				
(Numbers in thousands, except per share and ASP)		**2009E**	**2010P**	**2011P**	**2012P**	**2013P**
Continued from base case financial model:						
EBIT		(36,485)	(25,144)	(13,417)	8,846	29,908
% Margin		*-28.2%*	*-25.5%*	*-10.5%*	*4.9%*	*13.3%*
Less: Cash Taxes @	*17.23%*	(949)	(4,332)	(2,312)	1,524	5,153
Tax-Adjusted EBIT		$ (35,536)	$ (20,812)	$ (11,106)	$ 7,322	$ 24,756
Plus: Depreciation		14,198	12,778	12,778	12,778	12,778
Less: Capital Expenditures		240	1,974	3,835	5,406	8,987
Less: Change in Net Working Capital		(5,202)	(2,136)	(2,765)	(3,898)	(4,860)
Unlevered Free Cash Flows	From Bloomberg	$ (16,376)	$ (7,872)	$ 603	$ 18,593	$ 33,408

Weighted Average Cost of Capital	16.50%

NPV of Unlevered Free Cash Flow	$ 23,582
PV of Terminal Free Cash Flow	139,039
Enterprise Value	$ 162,621
Less: Debt	9,050
Add: Cash	54,380
Equity Value	$ 207,951
Diluted Shares	18,707
Equity Value Per Share	$ 11.12
Margin of Safety	**110%**

Terminal EBITDA (2013P)	$ 42,686
Exit Multiple	**6.00x**
Terminal Value	$ 256,119
Implied Perpetuity Growth	3.1%

Sensitivity Analysis

		Exit Multiple		
	$ 11.12	4.00x	6.00x	8.00x
WACC	15.5%	8.86	11.42	13.99
	16.5%	8.64	11.12	13.59
	17.5%	8.43	10.82	13.21

Exhibit 5: Q4 2010 earnings could be a near term catalyst

Quarterly Earnings Analysis (Base Case)

	2010				
(Numbers in thousands, except per share)	**Q1A**	**Q2A**	**Q3A**	**Q4E**	**YearE**
Revenues	$ 34,013	$ 26,290	$ 20,263	$ 18,150	$ 98,716
% Growth (yoy)	*-29%*	*-17%*	*-27%*	*-17%*	*-24%*
Cost of Services	21,451	18,879	16,465	13,293	70,088
Gross Profit	12,562	7,411	3,798	4,857	28,628
% Margin	*36.9%*	*28.2%*	*18.7%*	*26.8%*	*29.0%*
EBITDA	568	(2,960)	(6,391)	(3,583)	(12,366)
% Margin	*1.7%*	*-11.3%*	*-31.5%*	*-19.7%*	*-12.5%*
EBIT	(1,974)	(5,414)	(8,770)	(8,986)	(25,144)
Net Income	$ (564)	$ (4,287)	$ (8,440)	$ (4,870)	$ (18,161)
Diluted Shares	18,633	18,678	18,703	18,707	18,707
EPS	**$ (0.03)**	**$ (0.23)**	**$ (0.45)**	**$ (0.26)**	**$ (0.97)**
Analyst Estimate (1 Analyst)	**$ (0.12)**	**$ (0.29)**	**$ (0.31)**	**$ (0.42)**	**$ (1.14)**
Difference	**$ 0.09**	**$ 0.06**	**$ (0.14)**	**$ 0.16**	**$ 0.17**

Projected to beat earnings

Exhibit 6: Value added research provides an edge on the market

Name	**Position**	**VAR Insight**	**Contact Method**
Yi McGill	Center Director, *LasikPlus*	Procedure volumes	In Person (*LasikPlus:* Richmond, VA)
Neil Wills	Ophthalmologic Surgeon, *LasikPlus*	Pros vs. Cons of LASIK	In Person (*LasikPlus:* Richmond, VA)
Vanessa Rodriguez	Ophthalmic Medical Technician, *LasikPlus*	*LasikPlus* advantages	In Person (*LasikPlus:* Richmond, VA)
Judy Linn	Ophthalmic Medical Technician, *LasikPlus*	Eye exam insurance	In Person (*LasikPlus:* Richmond, VA)
2 Individuals	Considering LASIK procedure	LASIK considerations	In Person (*LasikPlus:* Richmond, VA)
Melissa	Recently received LASIK procedure	LASIK testimonial	In Person (*LasikPlus:* Richmond, VA)
Mike	Customer Care Representative, *LasikPlus*	*LasikPlus* Consolidations	1-866-724-4534
Christian	Customer Care Representative, *TLC Vision*	Competitor	1-877-852-2020
Mark Witten	Ophthalmologic Surgeon, *TLC Vision*	Competitor	1-804-527-5273
Jordan Rosen	Optometrist, *Midlothian Optometric Center*	Alternatives to LASIK	In Person (Midlothian, Va)
Shan Gao	LASIK recipient in 2007	LASIK testimonial	1-804-739-6399
Dongmei Yuan	LASIK recipient in 2009	LASIK testimonial	1-804-379-8889
Convenience survey of 20 college age individuals		Generation "Y" LASIK interest	Email

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Ideas for the Club

1. **Restructure levels of involvement:** With the new membership system in place, we need to restructure the levels of involvement in order to get the most out of each member. Formerly, the analyst was essentially the base level of involvement. Now that all members are required to be somewhat involved, we should assign more responsibilities to the analyst role.

2. **Ideas for increasing analyst involvement:** Managers should work actively with analysts to increase the number of ideas. Often times, managers have multiple ideas that could be interesting, but simply don't have the time to research all of them. By having an analyst take over the research on an idea that a manger has, the analyst is able to learn and we increase the number of quality ideas in consideration.

3. **Continue to invite relevant guest speakers and sponsor career related events:** Holding events with interesting guest speakers or employers increases the reputation of MII. Many individuals this have come up to me and asked about how to become involved MII after seeing me at an open event sponsored by our club. Increasing our visibility on grounds will greatly increase the quality of our membership and the reputation we have with potential employers.

4. **Conduct more diligence on current positions:** Managers are often busy with administrative tasks and new positions that we overlook current positions. Instead of having only associates monitor existing positions, each manager should be assigned to provide updates on 1-2 portfolio positions at each week's manager meeting. We should make sure that all positions are thoroughly discussed by the management team at least once every month.

5. **Get MII alumni more involved:** I feel that our event with Joel Ramin this semester was one of the best. MII alumni best understand what type of knowledge will benefit MII members the most. The way Joel shared his experience was very applicable to what we do in MII and a real value-add to members who are working to improve their research skills. I would propose that we hold at least one event per semester with a former MII manager. This is not only good for the education of our members, but also strengthens the network that MII has built over the years.

6. **Quarterly report committee:** Putting a report together every quarter is no easy task. I have doubts about continuing this practice. However, if we do continue with quarterly reports, we must make sure the process of producing these reports is more structured. Currently, there are 3 managers with no administrative duties. The president and these 3 managers could head up a small committee with a few more active MII members to put together the quarterly reports. This would make the job a lot more feasible than if the president has to do it on his own.

7. **Stock pitch competition:** I would like MII to build off the success of the 2010 Stock Pitch Competition, and hold something larger next year. MII can collaborate with another organization, such as AKPsi, that also has experience with stock pitch competitions to increase the scale of the event. We will definitely seek out a corporate sponsor and work to make next year's competition intercollegiate.

8. **Increase short exposure:** This sounds like a broken record, but it's definitely something that MII needs to continue to work on. As a long-short fund, we have the luxury of being able to hedge out a lot of our market risk with quality shorts. However, our shot exposure is always low. My solution is for each manager to present one short idea per semester. Shorts are inherently more risky and require research that is more thorough. Therefore, it makes sense for the most experienced MII members to focus on researching good short ideas.