

IPG Photonics NASDAQ: IGP

Analyst: Mark Gruber
Sector: Consumer
Discretionary

Long on IPG Photonics Corporation

Price Target:

Key Statistics as of 4/29/2016

Market Price:	\$84.60
Industry:	Semiconductor Equipment
Market Cap:	4.47 Billion
52-Week Range:	\$70.21-\$102.90
1 Year Beta:	1.95

Thesis Points:

- Overreaction to missed Q1 earnings dropped stock over 19%
- Best fiber optics in a growing industry with \$2 billion revenue by 2020
- “Greener” than conventional lasers and non lasers tools

Company Description:

IPG Photonics is the leading manufacturer of high performance fiber lasers and fiber amplifiers. Some products that are created from IPG fiber lasers include razor blades, cars, computers, and magazines amongst other products. They are headquartered in Oxford, Massachusetts. They were founded in 1990 and went public in 2006. They have a global presence currently have manufacturing facilities in the US, Germany, Russia, and Italy, while having sales offices in Japan, Korea, India, and the United Kingdom.

Thesis

IPG Photonics just recently had their Q1 earnings report. In that report they missed expectations by 6 cents per share. Although they did miss expectations they increased year-over-year revenue by 4%. They also have the best fiber optics in the industry, which is less costly than others in the industry. They are much more efficient than traditional lasers which helps to reduce maintenance costs and creates less downtime. Lastly they are taking a “green” approach, with some of the most environmentally friendly fiber lasers in the industry. Fiber lasers have lower electrical consumption and are up to 15x more efficient than conventional lasers. They also have lower cooling time. IPG Photonics has a laser savings calculator on their website where people can see how much money they can actually save.

Promotions

Industry Outlook

The fiber lasers industry is a highly specialized industry with not many current competitors. IPG focuses on optical fiber-based lasers whereas most companies focus on the traditional lasers. This helps IPG get a clear competitive advantage over their competition.

Financials

BJ’s Restaurant has seen their revenues steadily increase over the last few years. They have gone from 775.1 million in 2013 to 919.6 in 2015. They have also increased their gross margin and ebitda margin over the last few years.

	2012	2013	2014	2015
EBITDA, Adj	84.5	81.0	95.2	122.5
Margin %	11.9	10.5	11.3	13.3

In 2014 the company decided to take on debt.

They had 58 million in 2014 and the number grew to 100.5 million in 2015. The biggest reason for them taking on this much debt, is because they are planning on growing 18 stores in the next year, and they needed more cash to be able to finance these new buildings. They have also steadily been increasing their earnings per share and net income over the past few years. They have also been steadily creating additional value as shown by the graph below.

	2011	2012	2013	2014	2015
ROIC/WACC Ratio	0.80	0.78	0.58	1.13	1.26

Management

IPG Photonics is led by CEO and founder Valentin P Gapontsev. Gapontsev has been CEO since 1990, when the company was started. Prior to that Gapontsev served as the senior scientist in laser material physics and head of laboratory at the Soviet Academy of Science’s Institute of Radio Engineering and Electronics in Moscow. In 2006 Gapontsev was awarded the Ernest & Young Entrepreneur of the Year Award. In 2009 he was awarded the Arthur L Schawlow Award and in 2011 he received the Russian Federation National Award in Science and Technology. Eugene Scherbakov, Senior Vice President and Managing Director of IPG Laser GrbH, has been with the company since 1995 where he served as the technical director. In 2000 he was named the managing director of IPG Laser GmbH and in 2013 he was named the Senior Vice President of Europe. Prior to working at IPG, he worked at the Russian Academy of Science in Moscow, where he was a senior scientist in fiber optics and head of the optical communications department.

Porters Five Forces

Conclusion

Bj's Restaurant has been expanding rapidly for the past few years, with an average of 8 stores per year. They have 60 stores in over 35 states, but there is still room for growth. They are expecting to grow 18 stores in 2016, and that number should increase in 2017. They also have some of the best margins in the industry thanks to their beverage sales. They also have exclusive items that you can only get there, such as some of their brews, which will help get customers to come back.

BJ's Restaurants, Inc. (BJRI)

CENTER FOR GLOBAL FINANCIAL STUDIES

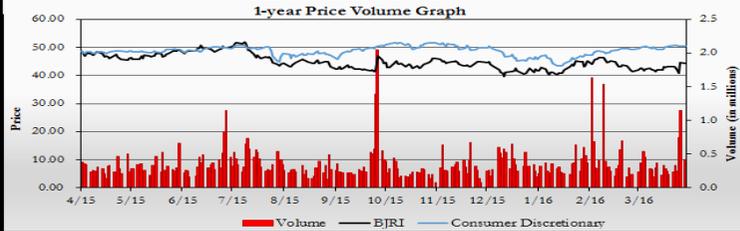
BULLISH

Analysis by Mark Gruber
4/28/2016

Current Price: **\$44.63**
Divident Yield: **0.0%**

Intrinsic Value: **\$54.78**
Target Price: **\$60.39**

Target 1 year Return: **35.33%**
Probability of Price Increase: **100%**



Description
BJ's Restaurants, Inc. owns and operates casual dining restaurants in the United States.

General Information

Sector	Consumer Discretionary
Industry	Hotels, Restaurants and Leisure
Last Guidance	November 3, 2015
Next earnings date	July 21, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	44%

Market Data

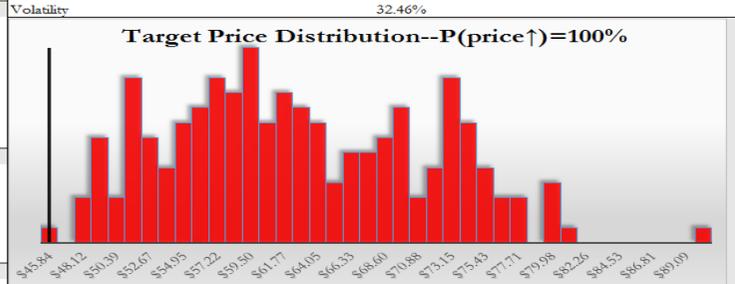
Market Capitalization	\$1,073.57
Daily volume (mil)	0.07
Shares outstanding (mil)	24.13
Diluted shares outstanding (mil)	25.67
% shares held by institutions	78%
% shares held by investments Managers	67%
% shares held by hedge funds	20%
% shares held by insiders	3.97%
Short interest	5.13%
Days to cover short interest	3.26
52 week high	\$52.37
52-week low	\$38.49
Levered Beta	1.00
Volatility	32.46%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
3/31/2015	-2.78%	4.45%
6/30/2015	-4.05%	0.08%
9/29/2015	-0.64%	-0.33%
12/29/2015	-3.72%	-0.06%
3/29/2016	-1.85%	-1.48%
Mean	-2.61%	0.53%
Standard error	0.6%	1.0%

Peers

Dunkin' Brands Group, Inc.
Buffalo Wild Wings Inc.
The Cheesecake Factory Incorporated
Texas Roadhouse, Inc.
Sonic Corp.
Panera Bread Company
Darden Restaurants, Inc.
Dave & Buster's Entertainment, Inc.

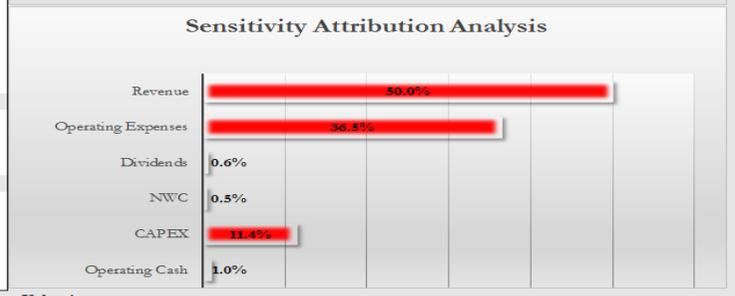


Management

Management	Position
Trojan, Gregory	Chief Executive Officer, Pre
Levin, Gregory	Chief Financial Officer, Pri
Ledwith, Lon	Executive Vice President of
Lynds, Gregory	Chief Development Officer an
Krakower, Brian	Chief Information Officer an
Miller, Kendra	Senior Vice President, Gener

Total compensations growth

-9.68% per annum over 4y
9.77% per annum over 5y
20.06% per annum over 3y
5.13% per annum over 5y
-100% per annum over 1y
N/M



Profitability

	BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
ROIC	7.2%	8.35%	26.95%
NOPAT Margin	6%	6.67%	12.2%
Revenue/Invested Capital	1.23	1.25	2.21
ROE	9.1%	9.55%	34.37%
Adjusted net margin	5%	6.30%	9.1%
Revenue/Adjusted Book Value	1.73	1.52	3.77

Invested Funds

	BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
Total Cash/Total Capital	4.1%	4.5%	15%
Estimated Operating Cash/Total Capital	4.1%	3.8%	N/A
Non-cash working Capital/Total Capital	0.0%	-5.7%	-13%
Invested Capital/Total Capital	100.0%	99.1%	89%

Capital Structure

	BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
Total Debt/Common Equity (LTM)	0.40	0.27	0.30
Cost of Existing Debt	2.54%	2.60%	3.79%
Estimated Cost of new Borrowing	2.87%	2.70%	3.79%
CGFS Risk Rating	A	A	B
Unlevered Beta (LTM)	0.83	0.90	0.90
WACC	7.97%	8.45%	8.93%

Revenue growth

Period	Revenue growth
Base Year	8.5%
3/29/2017	9.6%
3/29/2018	9.9%
3/29/2019	9.0%
3/29/2020	8.2%
3/29/2021	7.3%
3/29/2022	6.4%
3/29/2023	5.6%
3/29/2024	4.7%
3/29/2025	3.9%
3/29/2026	3.0%
Continuing Period	2.1%

Invested Capital

Period	Invested Capital
Base Year	\$554.77
3/29/2017	\$603.70
3/29/2018	\$664.45
3/29/2019	\$716.84
3/29/2020	\$762.11
3/29/2021	\$851.57
3/29/2022	\$867.71
3/29/2023	\$927.41
3/29/2024	\$1,027.79
3/29/2025	\$1,121.66
3/29/2026	\$1,214.41
Continuing Period	

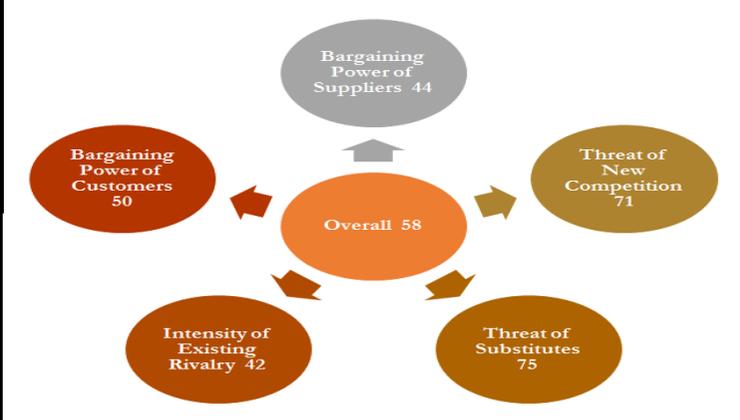
Valuation

	NOPAT margin	ROIC/WACC
5.8%	0.90	
6.0%	0.90	
5.9%	0.98	
6.8%	1.15	
7.5%	1.25	
8.3%	1.35	
9.1%	1.45	
9.7%	1.40	
10.4%	1.49	
11.1%	1.58	
11.8%	1.66	
12.5%	1.73	

Net Claims

	Price per share
\$460.06	\$54.61
\$451.90	\$59.03
\$426.80	\$65.75
\$429.47	\$72.74
\$415.43	\$80.04
\$387.44	\$87.66
\$463.22	\$95.75
\$388.96	\$104.65
\$288.31	\$113.99
\$159.93	\$123.70
\$3.07	\$133.73

Porter's 5 forces (scores are out of 100)



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