Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+4.79%	-6.23%
Dow Jones Industrial	+4.67%	-5.93%
NASDAQ Composite	+5.57%	-10.04%
Russell 2000	+5.87%	-11.11%
VIX	-26.83%	+13.07%

Positive sentiment finally made a comeback in the markets last week, after terrible selling pressure in January sent most equity benchmarks in correction territory. The S&P 500 recorded three consecutive days of gains for the first time in the year, finishing the week on a gain of 2.85%. Small caps slightly outperformed large caps last week, with the Russell 2000 recording a 3.97% gain, while the Dow Jones finished the week 2.61% higher. The markets were helped by slightly better than expected economic data, calming fears that U.S economic growth is slowing down. The rebound was also helped by a bounce in oil prices after several OPEC countries agreed on principle to freeze output at January levels. The commodity continued on its very volatile streak, logging two consecutive days of double-digit percentage changes, to finish the week almost unchanged. WTI crude closed up 1.43% at $29.86, while Brent lost -0.27% at $33.27. The improvement in equity markets caused a sharp decrease in volatility as measured by the VIX, which fell 26.83% last week after increasing almost 40% year-to-date. Despite the rally in equities, gold remained relatively steady, recording a gain of 1.91%, while silver was almost unchanged at +0.88%. The week ahead is packed with several important economic releases, starting with the release of the February manufacturing PMI on Monday. On Tuesday, the consumer confidence report and existing home sales figures will both be released at 10, followed by new home sales on Wednesday at 10. On Thursday, the weekly jobless claims will be announced at 8:30 as well as durable goods orders, and fourth quarter preliminary GDP figures will be published on Friday before markets open.

S&P 500, DJIA, NASDAQ Composite, Russell 2000 5-day chart.

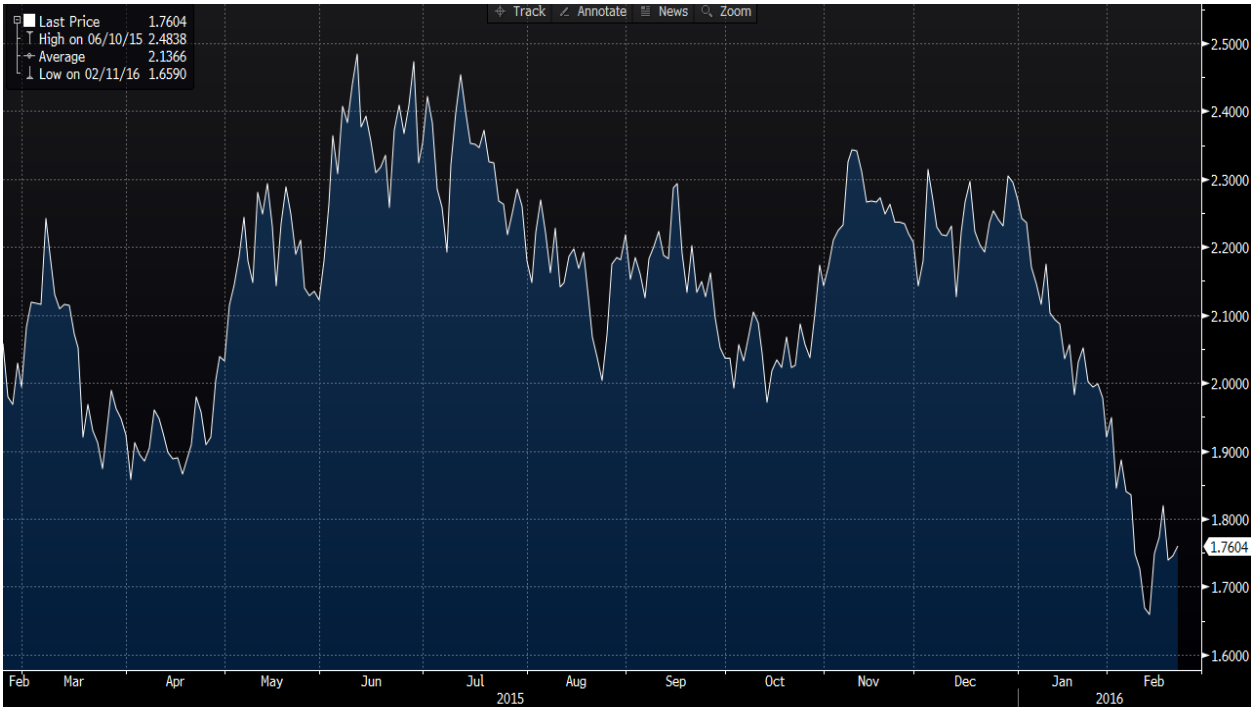
International Markets

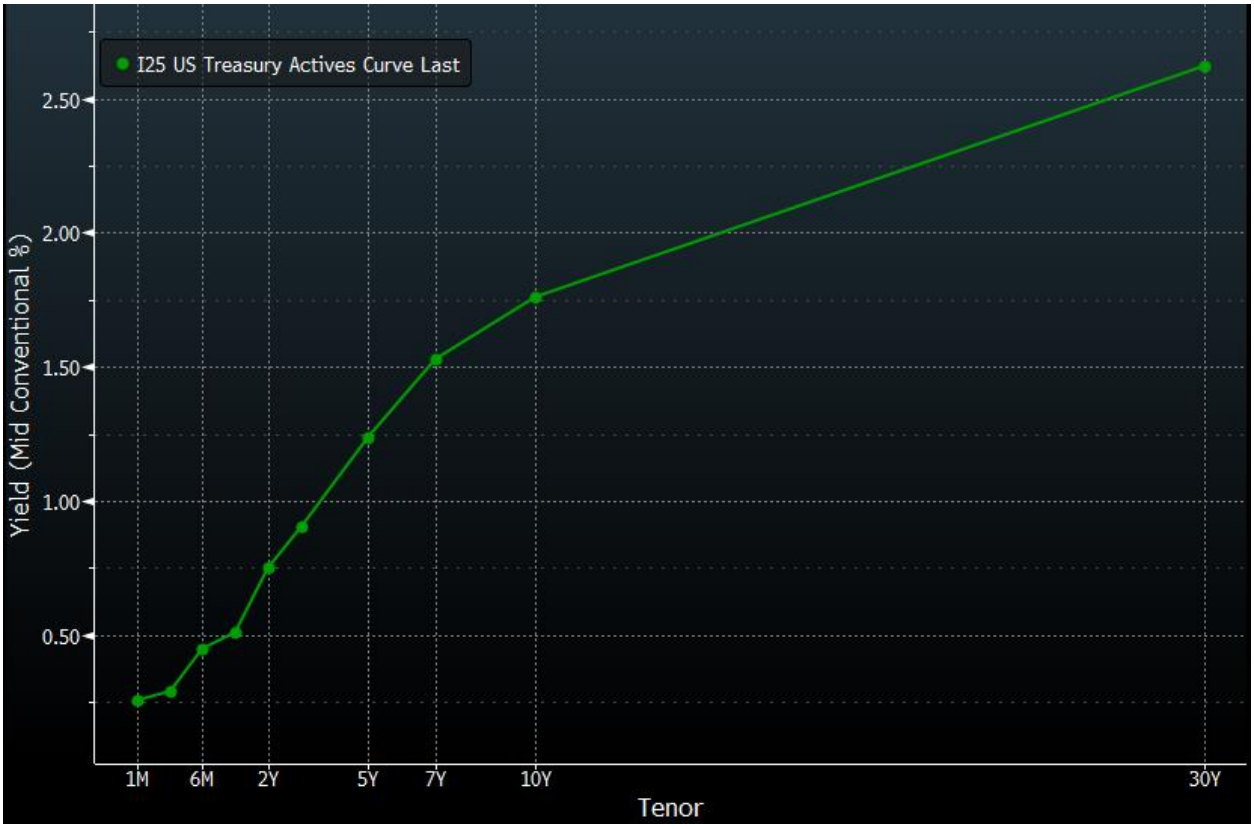
Index	Weekly % Change	YTD % Change
BE 500	+4.53%	-10.88%
Stoxx Europe 600	+4.47%	-10.78%
DAX	+4.69%	-12.61%
FTSE 100	+4.25%	-4.68%
CAC 40	+5.71%	-8.93%
Nikkei 225	+6.79%	-16.11%
Shanghai Composite	+3.49%	-19.19%
Shenzhen Composite	+5.7%	-19.85%

International equity markets experienced the same rebound as their American counterparts, especially the Nikkei 225 which had been badly hit since the start of the year. The index recorded a 6.79% gain last week, but is still down over 16% year-to-date. In China, sentiment also improved modestly, and the Shanghai and Shenzhen Composite indices posted gains of 3.49% and 5.7% respectively. European stocks also performed well, especially French stocks, which took the CAC 40 up 5.71% and back above the psychological 4,000 level. European equities received a boost from ECB chair Mario Draghi's comments on Monday that additional stimulus measures might be put in place later in the year. The DAX index of German stocks gained 4.69%, while England's FTSE rose 4.25%, and the broader Stoxx Europe 600 and Bloomberg Euroean 500 posted gains of 4.47% and 4.53% respectively.

Bond Report

This Week, The US Treasury market continued to be a haven for investors since the strong dollar offers returns that other government-bond cannot provide. On Wednesday, treasury prices declined, which drove the yields higher as both the oil price and the rally in equity encouraged them to sell their bonds, in order to invest in riskier assets. Later that day, yields declined a little bit as FED officials were worried about a weak stock market. This les investors to sell their risky assets in favour of safer assets, such as government bonds, while the market is volatile. On Thursday, the stock market and the oil rally started to slow down, leading investors to buy mostly government bond, pushing yields lower. This is the result in a rise of concerns that the FED will hold off before increasing its interest rates for 2016. Indeed, after the release of the FED's minutes on Wednesday, some FED's president discussed the idea that rate should not be raised immediately because of the weak stock market. The CME Group Fedwatch toll calculated the probability of a rate hike in the current year at 42% on Wednesday morning, and readjusted its probability to 39% after the minutes. This stopped the Treasury selloff which lasted for the last three business days. Yields would not increase too much as the strong dollar and the sentiment of feeling in security with government bonds could not result in a long selloff. Over the weak, the 10-year Treasury note fell 2 bps to 1.76%. The 2-year Treasury note moved to 1.57% to 1.51% this week and finished Friday at a level of 1.53% which is the same level as last Friday. Among longer maturities, the 30-year bond yield lost 3 bps and finished the week at 2.61%.





What's next and key earnings

On Tuesday February 23rd, the Consumer Confidence index will be released. Surprisingly, despite a weak stock market and the current discussion about recession, consumers' confidence remain constant. For the month of February, we are expecting to see a slightly decline with a consensus at 97.2 from 98.1. Later that day, the existing home sales report will be released. The consensus is a 5.32 million annualized rate for the month of January compared to 5.46 million in December.

On Wednesday February 24th, the new home sales report will be released. As existing home sales, we are expected to see a decline in sales for the month of January from 544,000 in December to 520,000. Later on, the EIA Petroleum status report will be released. As any other, product, its price is determined by supply and demand. However, oil is an important part of the economy and can help to determine the trend of inflation, which makes this report important for economists.

On Thursday, February 25th, the durable goods orders will be released. We should see a rare increase of new orders of 2.0% for the month of February. Ex-transportation orders are expected to stay at their last levels.

On Friday, February 26th, the second estimate for 4th-quarter GDP will be released. It is expected to see an increase of 0.4% compare to a 0.7% increase. This is the reflexion of lower inventories and lower readings in terms of both non-residential and residential investment. Consumer spending was the big highlight of the previous estimate, which increased at a 2.2% (annualized rate) into Q1 2016.

SIENAcollege

Siena Market Line
3rd week of February 2016

WebMD Health Corp.

NASDAQ:WBMD

Analyst: Dylan Cirrilla
Sector: Healthcare

Long

Price Target: $69.86

Key Statistics as of 2/19/2016

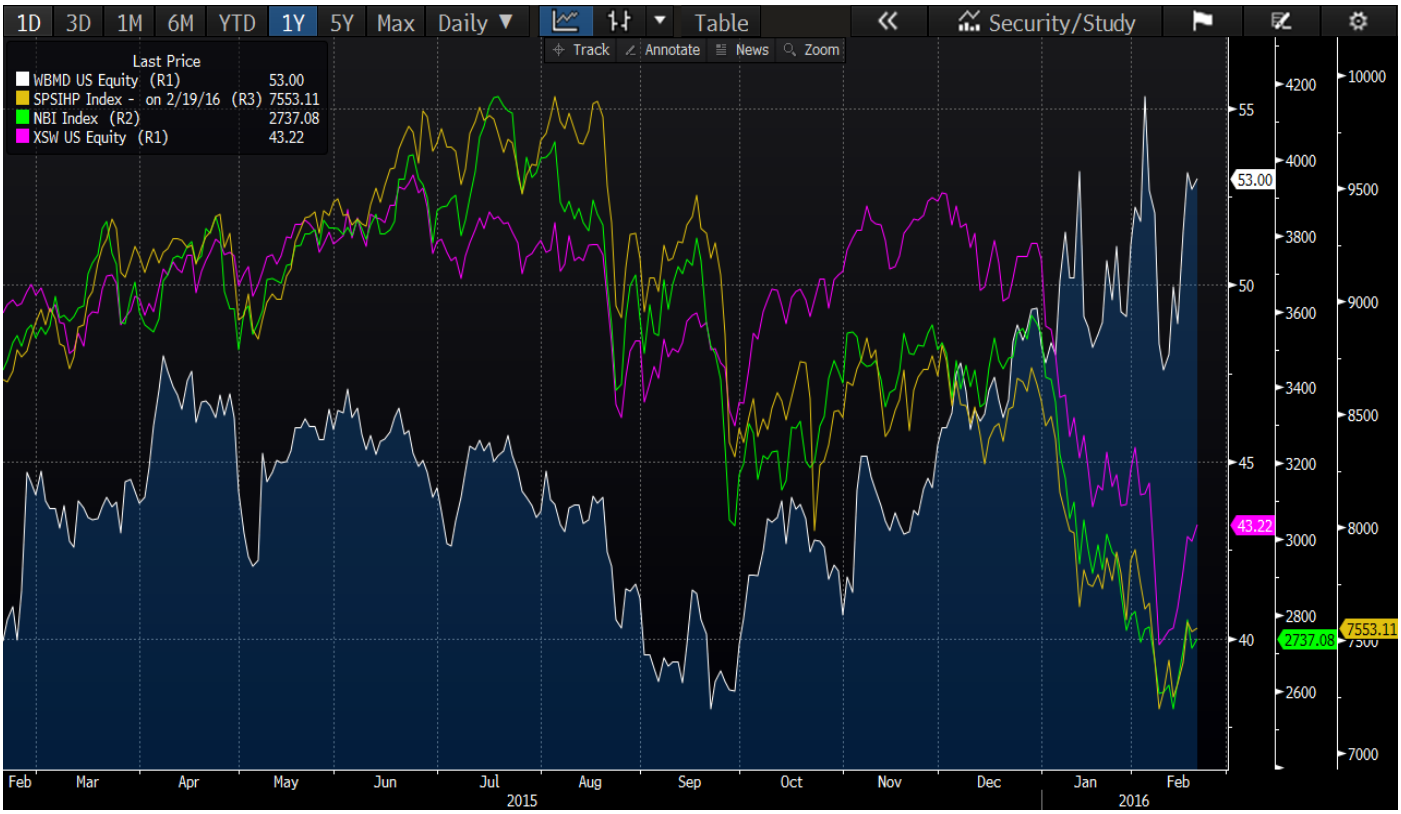
Market Price:	$53.00
Industry:	Internet
Market Cap:	$1986.43m
52-Week Range:	$58.25 – $37.57
Beta:	0.98

Thesis Points:

- Growth piggybacked from growth in other industries
- Targeted and efficient marketing
- General market excitement

Company Description:

WebMD Health Corp. provides health information services to consumers, physicians, healthcare professionals, employers, and health plans. The company provides its services through its public and private online portals and health-focused publications. WebMD's first IPO was in September of 2005. Since then, WebMD has experienced fluctuations in price, trending with the industry, until the previous year where WebMD outperformed SPSIHP (-15% vs. 20%). Advertising for pharmaceuticals makes up approximately 79% of WebMD's revenue with the remainder coming from private portal services and other informational services. WebMD WebMD's private portal service provides information to employers and their employees on health plan options, medication facts, and other healthcare related questions. This also plays as an advertising space. WebMD's marketing is more efficient than traditional methods because the audience, physicians and concerned "patients", are more attentive and knowledgeable.



Thesis

WebMD Health Corp. is the leader of online health and medical knowledge. While functioning as an online database of ailments and pharmaceuticals, WebMD has developed efficient marketing with precise targeting. As CEO David Schlanger has stated, WebMD markets to knowledgeable physicians and concerned patients who are both highly focused and generally keen to the information they are viewing. This differs from traditional marketing on social media or another platform as these potential buyers are focused and attentive, showing a positive future for WebMD's advertising revenue. The large upside that WebMD possesses has been noticed by UnitedHealth Group and Walgreens Boots Alliance as both firms attempted to enter acquisition negotiations with WebMD. These negotiations were stomped out by WebMD executives but the market responded well. With acquisition talks and an upgrade in outlook by Cowen & Co. helped WBMD spike in late 2015 and continues to provide high trade volume for the stock. WBMD traded at a low of 64,044 shares on 11/27/15 and a high of 7.123 million shares on 1/14/16. WebMd is a standout stock in all of the industries it may fall into. YTD WBMD shows a return of 32% compared to an average YTD return of -17.1% in biotech, healthcare services, and biopharmaceuticals. Long-term prospects of revenue growth with a modest escalation of CAPEX and Operating Costs show a large upside to WebMD.
A recommendation of a buy is made for WebMD with a one-year target price of $69.86. At the current price of $53.00 this shows a potential 31% upside.

Industry Outlook

WebMD is classified in the US Life Sciences & Health Care industry by Deloitte. Because of WebMD's unique market position of straddling technology and healthcare, both industries will affect the outlook and going concern of the company. Healthcare, in WebMD's largest market the US, has seen considerable growth and promises to sustain or better that growth in the coming years. With the passage of the Affordable Care Act and other groundbreaking healthcare legislation, nearly all Americans are covered under expensive health insurance. The increasing average cost of health insurance plans has created a paradigm shift in healthcare to focus more on value than on volume. The shift to "bang for buck" treatments, pharmaceuticals, and physicians will create an attractive marketing space for WebMD. A highly interested and concerned pool of patients will continue to grow the marketing revenue of WebMD and their physicians will continue to look towards trusted sources of treatment and pharmaceutical information, such as the information found on WebMD. The technology industry shows similar trends. As computing power and the potential for big data analytics continues to improve, online marketing and data mining are becoming a lucrative and efficient business. WebMD will benefit from improvements to these technologies as their main source of revenue is advertising to physicians and potential patients. The sale of data as well as mining of data is essential to effectively market to these populations. This task will be made easier and more efficient by the macro-level growth of the technology industry.

Business Model

WebMd holds a simple business model. The main website holds a database of treatments, pharmaceuticals, physicians, and other health questions that the public may have. This is an advertising space for WebMD where they are paid by advertisers on a Click Per Minute (CPM) basis. This is the meat of WebMD's revenue. WebMD also offers an online portal, Medscape, to physicians that holds forums, pharmaceutical information, and relevant news. This requires a login, but is free. This allows for another advertising space with the potential for data collection as logins are required. Aside from the major advertising business, WebMD also produces publications, such as WebMD the Magazine, that is distributed throughout the United States' physician waiting rooms. The final piece of WebMD's model is the private portal offered to employers to encourage the release and availability of information. These portals are targeted to be sold to employers with employees in mind. They provide information on health plans, pharmaceuticals, and physicians. This is a paid service. WebMD's revenue is broken down as follows: advertising and sponsorship from biopharma, about 57% of revenue; advertising and sponsorship for over-the-counter and consumer packaged goods, about 22% of revenue; private portal services, about

18% of revenue; information services, about 4% of revenue.

People

WebMD's CEO, David Schlanger, has been a part of the company since 1995 and has a strong M&A background as a participant in the Healtheon merger that established WebMD. The other executives share the common characteristics of being extremely well-educated (nearly all have a JD) and having been with WebMD for a long period of time. Most of the company's shares are owned by institutional investors. However, about 5% of WebMD's shares are held by insiders. The majority of these insider shares are held by Chairman Martin Wygod.

Product Differentiation

WebMd is the first, and to this day, only true competitor in this unique industry. As directly considered by consumers, WebMD is a massive database of extensive healthcare and medical knowledge. This database can be accessed anywhere with an internet connection as WebMD's mobile app exceeds 5 million downloads. The vast majority of WebMD's services are free and extensive, without a true competitor matching on any level of user-friendliness, exhaustion, or ease of access. The professional portal that WebMD has developed also provides a unique space for physicians to engage in conversation via forums and discussion boards and utilize a similar database to the often seen public webpage. WebMD's private portals have adopted the same philosophy. The portals are accessible via mobile app as well as desktop, are simple and friendly interfaces, and are available at a low cost to the employers that wish to purchase it. The publications that WebMD distributes throughout the country to physician's offices are supplemental to the core drivers of revenue in advertising through professional and public databases.

Financials

WebMD has performed positively in recent years with attractive trends forecasted for the future. For background, YTD growth has been exceptional for WebMD at about 32%. This growth has been sustained through a diversification of services and revenue as the company is able to straddle different industries. This growth has been contrast with the fall of indexes in biopharma, healthcare information, and software/services by over 17%. This growth will be sustained by proper management of operation costs, revenue growth, and modest capital expenditures. These factors have been recognized as the key determinants of stock price through a Crystal Ball sensitivity analysis. Revenue growth is forecast to have steady and substantial growth throughout the next five years, averaging about 8% per annum. This is believed to be a result of more efficient marketing and an expansion of marketing opportunities as a product of growth in the biopharmaceutical sector. Operating costs are expected to remain constant relative to revenue for the next five years. This consistency is rationalized through a lack of expansion in R&D expenses and a lack of necessity to expand operations as organic growth in other industries, like biopharma, will result in growth for the main revenue driver of WebMD. WebMD's next earnings call is confirmed for 2/23/2016.
Proforma forecasts and assumptions have an intrinsic value of $56.11 and a one-year target price of $69.86; a 24.5% upside.

Conclusion

WebMd is a unique healthcare information company that has a strong position in the online and tangible market. Through extensive, free, and user-friendly databases, WebMD has built an unmatched rapport with a massive consumer base, reaching both physicians and patients. These attentive consumers have created a highly efficient marketing space for WebMD which is supplemented by publications and private services. Organic growth of the biopharmaceutical and healthcare industry as a whole will result in large growth for WebMD in the coming years. Fast-growing revenue, consistent operating costs, and modest capital expenditures show true long-term value in WebMD.

WebMD Health Corp. (wbmd)

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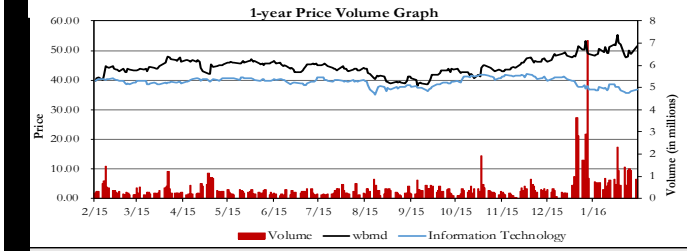
BULLISH

Analysis by P.C. Principal	Current Price:	$52.72	Intrinsic Value	$69.49
2/19/2016	Divident Yield:	0.0%	Target Price	$69.86

Target 1 year Return: 32.51%
Probability of Price Increase: 99.86%

1-year Price Volume Graph



Description

WebMD Health Corp. provides health information services to consumers, physicians and other healthcare professionals, employers, and health plans through its public and private online portals, mobile platforms, and health-focused publications in the United States.

General Information

Sector	Information Technology
Industry	Internet Software and Services
Last Guidance	November 3, 2015
Next earnings date	February 23, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	28%

Market Data

Market Capitalization	$1,944.53
Daily volume (mil)	0.67
Shares outstanding (mil)	36.88
Diluted shares outstanding (mil)	48.28
% shares held by institutions	62%
% shares held by investments Managers	42%
% shares held by hedge funds	29%
% shares held by insiders	4.75%
Short interest	13.90%
Days to cover short interest	6.08
52 week high	$58.25
52-week low	$37.57
Levered Beta	0.93
Volatility	43.25%

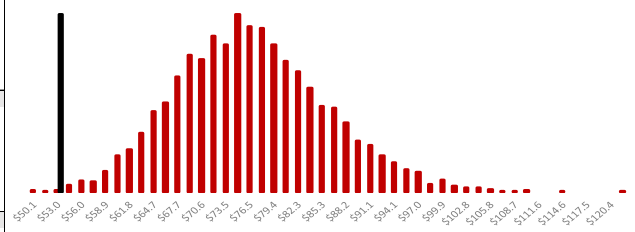
Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2014	0.13%	-21.13%
12/31/2014	0.97%	-12.08%
3/31/2015	0.93%	-17.05%
6/30/2015	0.81%	-14.79%
9/30/2015	1.28%	-12.85%
Mean	0.82%	-15.58%
Standard error	0.2%	1.6%

Peers

Yelp Inc.
Quality Systems Inc.
Monster Worldwide, Inc.
Web.com Group, Inc.
Allscripts Healthcare Solutions, Inc.
Angie's List, Inc.
VeriSign, Inc.
Zillow Group, Inc.

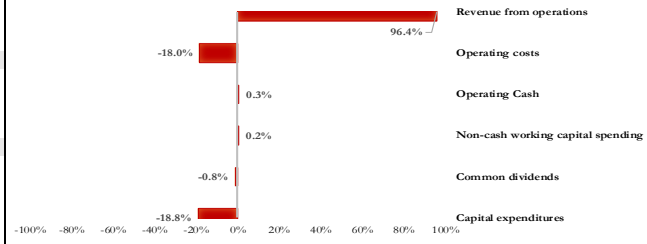
Target Price Distribution--Prob(Price Increase)= 100%



Management	Position	Total compensations growth	Total return to shareholders
Schlanger, David	Chief Executive Officer	-85.38% per annum over 1y	0.13% per annum over 1y
Zatz, Steven	President	18.02% per annum over 5y	3.41% per annum over 5y
Anevski, Peter	Chief Financial Officer and	-82.52% per annum over 1y	0.13% per annum over 1y
Wamsley, Douglas	Executive Vice President, Co	N/M	0% per annum over 0y
Glick, Michael	Executive Vice President and	N/M	0% per annum over 0y
Leicher, Lewis	Senior Vice President, Compl	N/M	N/M

Profitability	wbmd (LTM)	wbmd (5 years historical average)	Industry (LTM)
ROIC	15.3%	34.17%	13.19%
NOPAT Margin	19%	30.02%	17.1%
Revenue/Invested Capital	0.82	1.14	0.77
ROE	24.9%	43.44%	14.12%
Adjusted net margin	16%	27.47%	16.1%
Revenue/Adjusted Book Value	1.55	1.58	0.88
Invested Funds	**wbmd (LTM)**	**wbmd (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	39.3%	50.2%	68%
Estimated Operating Cash/Total Capital	3.5%	2.9%	N/A
Non-cash working Capital/Total Capital	0.3%	-0.2%	-13%
Invested Capital/Total Capital	50.0%	39.5%	46%
Capital Structure	**wbmd (LTM)**	**wbmd (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.59	0.75	0.09
Cost of Existing Debt	2.63%	9.72%	3.78%
Estimated Cost of new Borrowing	3.83%	3.86%	3.78%
CGFS Risk Rating	BB	B	BB
Unlevered Beta (LTM)	0.65	0.55	1.10
WACC	5.69%	6.27%	9.33%

Sensitivity Analysis



Valuation

Period	Revenue growth	ROIC/WACC	Invested Capital	Net Claims	Price per share
Base Year			$405.17	$502.99	$70.02
9/30/2016	11.0%	3.03	$548.61	$352.55	$75.94
9/30/2017	8.4%	3.29	$597.29	$162.77	$82.67
9/30/2018	11.5%	3.64	$680.22	-$60.01	$90.11
9/30/2019	12.1%	3.87	$742.46	-$319.20	$98.24
9/30/2020	10.8%	3.81	$778.94	-$613.26	$107.00
9/30/2021	9.5%	3.65	$823.03	-$930.65	$116.29
9/30/2022	8.2%	3.44	$875.51	-$1,374.34	$128.02
9/30/2023	6.9%	3.22	$948.09	-$1,717.62	$137.61
9/30/2024	5.6%	3.02	$1,038.88	-$2,074.44	$147.44
9/30/2025	4.3%	2.82	$1,134.62	-$2,440.53	$157.46
Continuing Period	3.0%	2.64			

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Siena Market Line
18 February 2016

Spirit Airlines, Inc.

NASDAQ GS:SAVE

Analyst: Joseph Gonyeau
Sector: Services

BUY

Price Target: $57.64

Key Statistics as of 2/18/2016

Market Price:	$46.75
Industry:	Airlines
Market Cap:	$3,344.8M
52-Week Range:	$39.73 – 82.49
Beta:	0.97

Thesis Points:

- Has managed to undercut competitors by offering value flights.
- Record low oil prices have helped keep Spirit Airline's operating costs down.
- Q4 2015 Earnings signal strong financial and operational performance for the coming year.

Company Description:

Spirit Airlines, Inc. is an American low-cost carrier headquartered in Miramar, Florida. Spirit operates 385 daily flights throughout the U.S. as well as the Caribbean, Mexico, and Latin America, with major focus cities including For Lauderdale, Dallas, Detroit, Las Vegas, Chicago, Houston, and Atlantic City. Spirit Airlines basic service combines with a range of optional services for additional fees. Most of their revenue comes from ticket sales; however, a large portion of revenues come from non-ticket extras such as checked baggage. Their intensive focus on costs has enabled them to undercut many legacy airlines and increase their market share. Spirit Airlines has seen shares drop by around 45% over the last year due predominantly to price competition and uncertainty over the price of oil; however, a new CEO and very strong Q4 2015 results show that the stock is very bullish.

Thesis

Spirit Airlines, Inc. is one of the leaders in U.S. ultralow-cost airline carriers, having more than quadrupled their earnings since their initial 2011 initial public offering to $317 million last year. On top of this, revenue has double to $2.14 billion and they have also encouraged a U.S. imitator, Frontier Airlines. Although the stock price has tumbled as of late, Spirit Airlines is a value company that earned $4.38/share in 2015, which is a growth of 42.2% from 2014. Also, low fuel prices have helped Spirit Airlines decrease its biggest negative value driver, operating costs. With strong Q4 earnings, low operating costs, and a recent drop in price, now is the perfect time to enter a long-term position on a value creating company.

Industry Outlook

2015 was a record year for the air travel industry, due in large part to the decrease in the price of oil. Last year the airline industry saw a record year in profitability, with profits of $33 billion, and has been growing at a rate of 6-7% above the historic norm. As oil prices are expected to stay low, the airline industry could see a boost well into 2017, with expected industry profits of $36.3 billion in 2016. To make matters better, return on capital in the industry is reaching close to 8.6%, the best it has been in over a decade. The airline industry is rather cyclical and responsive to macroeconomic trends, and the current economic landscape is not entirely certain. With the FED recently increasing interest rates to a range of .25% to .5%, it seemed to be a sure sign that the economy has all but healed from the Great Recession. These rate hikes are not promising for the capital intensive airline industry, which relies heavily on debt financing for the purchase and maintenance of planes. Regardless, there is still an astonishing 3.8 billion anticipated airline passengers in 2016, placing Spirit Airlines and its low-cost strategy in a perfect position to navigate the market.

Business Model

Spirit Airlines operates an ultralow-cost business model, driven by a low-cost structure. This model allows Spirit Airlines to offer significantly cheaper airline tickets as opposed to its competitors, enabling it to achieve a relatively high profit margin. Their strategy revolves around unbundling traditional airline packages, removing things such as check-in baggage and advanced seat selection, and allowing its passengers to select and pay for only the services that they desire. The services aside from the base price of the ticket are ultimately recorded as non-ticket revenue. This strategy has proven to be successful thus far as they have been able to quickly increase their market share since 2011. Spirit Airlines targets price sensitive leisure travelers, who pay for their own travel. Its low fares attract travelers, and increase passenger volume, allowing them to also bolster non-ticket revenue on their flights. With passenger volume and non-ticket revenue increasing, Spirit Airlines is able to reduce its base fare even further, stimulating additional demand.

People

Spirit Airlines recently underwent a change in leadership, replacing their former CEO Ben Baldanza with Robert Fornaro. Fornaro is an industry veteran who has been a part of Spirit's board since 2014. Mr. Farnaro brings years of experience with him to his new leadership role, having previously held senior position at two large full-service airlines, and then as the CEO of AirTran Airways. Mr. Fornaro ultimately oversaw the sale of AirTran to the largely successful Southwest Airlines in 2011. His successful history with mergers and acquisitions could prove useful to shareholders in the event of future industry consolidation. During a recent interview, Mr. Fornaro explained his goals for the company, which included more transparency regarding prices and fees, reducing the number of daily hours that Spirit Airline's planes fly during peak periods, as well as dialing growth to a steady 15-20% per year.

Product Differentiation

As opposed to airlines such as Delta or American Airlines which focus on offering a more high-end passenger experience, Spirit Airlines offers its fairs below the rest of the market to attract cost conscious customers in underserved markets. These are price

sensitive customers who may be travelling for either leisure, or to visit family and friends, and are flying for the destination, not the airline. By separating its base ticket fare form ancillary services such as check-in baggage, free drinks, and the option to choose seats, Spirit Airlines is able to allow customers to pay for what they need. This ultralow-cost business model can be expected to flourish in the United States, especially as not all are confident that the increase in interest rates truly signifies the return of the post-recession economy. As the airline industry is cyclical, Spirit Airlines can be expected to profit in the event of an economic downturn, as passengers seek to save on travel.

Corporate Responsibility

Under new CEO Robert Fornaro, Spirit Airlines Corporate responsibility revolves around transparency. Ultralow-cost airline carriers have often had the reputation of surprising passengers with expensive last minute charges, and have been among the nation's leaders in complaints. Fornaro hopes to change this reputation by making it very clear through the company website, and the websites that partner with Spirit Airlines, what passengers will and will not be charged for.

Financials

Although it posted strong earnings growth each quarter, 2015 was a difficult year for Spirit Airlines as it was forced to lower its margin guidance twice. As a result, its stock price plummeted nearly 50% during the year. However, strong Q4 results and a likely decrease in operating costs prove that Spirit Airlines is on an upswing in 2016. First, after their earnings report there was a notable increase in earnings per share to $4.38, up 42% from 2014. Spirit Airlines also posted a 37% YoY drop in fuel cost per gallon for Q4, and released positive guidance, anticipating 20% YoY average seat mile growth, as well as a continued decrease in fuel costs per gallon for 2016. Using the Proforma valuation, and the anticipated increase in revenues and decrease in operating costs, we were able to determine the fair price of Spirit Airlines to be $57.64. Revenue growth was adjusted from 8.2% to about 8.80% in 2016 based on Bloomberg estimates as well as the Q4 release and anticipated increase in average seat mile growth. Furthermore, growth was adjusted up to 17.91% in 2017, and down to 15.75% in 2018, before converging to 3%. I also rearranged the operating costs to revenue to reflect the decrease in oil price. We can expect operating costs to revenue to be around 66% in 2016, as the airline saves money on fuel; however, we can expect the percentage to increase to around 67% by 2018, and slowly converge to 74% by 2025, bit below their traditional operating costs to revenue. Also, the company bought back $99m in stock last year and still has $100m authorization to buy back more of its shares, showing that the company itself believes that it is undervalued. Finally, based on the UFCF and EVA valuation methods commonly used for capital intensive companies, Spirit Airlines is underpriced and poised to create substantial value in 2016, making now a perfect time to buy the company at a discount.

Conclusion

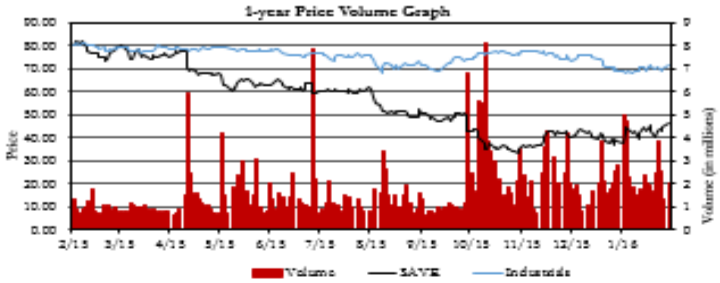
Spirit Airlines ultralow-cost business model provides significant profit margins for a company in a capital intensive industry, allowing it to undercut large competitors. As the price of oil remains low, profit margins will continue to grow and the airline industry as a whole will be on pace to set historic profitability records. Spirit Airlines is expecting to see a large decrease in operating costs to revenue, as well as a considerable increase in revenue as YoY average seat mile growth is expected to be around 20% in 2016. For these reasons, the price of Spirit Airlines is significantly undervalued, giving us the opportunity to buy a very bullish stock at a significant discount.

Spirit Airlines, Inc. (SAVE)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by P.C. Principal	Current Price:	$46.75	Intrinsic Value	$64.15	Target 1 year Return: 51.26%
2/19/2016	Divident Yield:	0.0%	Target Price	$70.71	Probability of Price Increase: 99.



Description

Spirit Airlines, Inc. provides low-fare airline services.

General Information

Sector	Industrials
Industry	Airlines
Last Guidance	November 3, 2015
Next earnings date	February 19, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	22%

Market Data

Market Capitalization	$3,344.81
Daily volume (mil)	1.16
Shares outstanding (mil)	71.55
Diluted shares outstanding (mil)	72.43
% shares held by institutions	64%
% shares held by investment Managers	81%
% shares held by hedge funds	13%
% shares held by insiders	0.42%
Short interest	6.50%
Days to cover short interest	2.16
52 week high	$83.45
52-week low	$32.73
Levered Beta	1.01
Volatility	0.00%

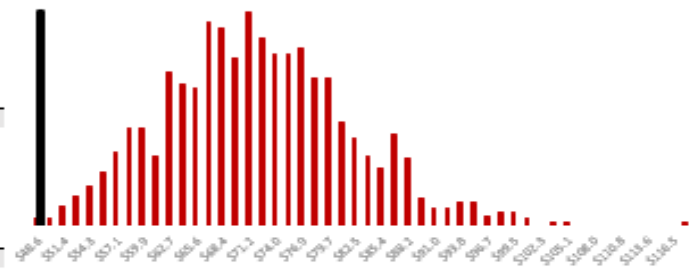
Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2014	-0.26%	-33.43%
3/31/2015	-0.37%	-31.01%
6/30/2015	0.03%	-22.33%
9/30/2015	0.52%	-22.25%
12/31/2015	-0.04%	-26.31%
Mean	-0.02%	-27.07%
Standard error	0.2%	2.3%

Peers

Virgin America Inc.
Hawaiian Holdings Inc.
Allegiant Travel Company
Alaska Air Group, Inc.
JetBlue Airways Corporation
Copa Holdings SA
SkyWest Inc.
Southwest Airlines Co.

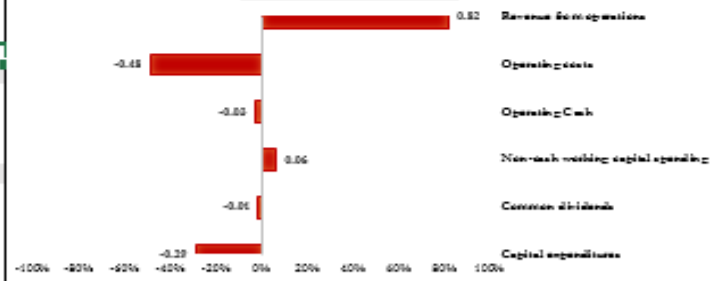
Target Price Distribution--Prob(Price Increase)= 100%



Management	Position	Total compensation growth	Total return to shareholders
Fornaro, Robert	Chief Executive Officer, Pre	N/M	0% per annum over 0y
Christie, Edward	Chief Financial Officer and	-24.74% per annum over 2y	106.46% per annum over 2y
Bondaroitir, John	Chief Operating Officer and	-17.99% per annum over 1y	66.44% per annum over 1y
Canfield, Thomas	Senior Vice President, Gener	27.3% per annum over 5y	N/M
Schroeter, Robert	Vice President of Consumer M	N/M	0% per annum over 0y
Sturirky, Hilton	Chief Information Officer an	N/M	N/M

Profitability	SAVE (LTM)	SAVE (5 years historical ave	Industry (LTM)
ROIC	30.5%	20.02%	19.30%
NOPAT Margin	37%	19.19%	10.5%
Revenue/Invested Capital	0.83	1.04	1.83
ROE	39.8%	35.43%	26.76%
Adjusted net margin	35%	17.05%	9.9%
Revenue/Adjusted Book Value	1.13	2.08	2.71
Invested Funds	**SAVE (LTM)**	**SAVE (5 years historical ave**	**Industry (LTM)**
Total Cash/Total Capital	19.2%	21.5%	24%
Estimated Operating Cash/Total Capital	4.6%	7.1%	N/A
Non-cash working Capital/Total Capital	-4.6%	-7.1%	-34%
Invested Capital/Total Capital	85.4%	85.7%	93%
Capital Structure	**SAVE (LTM)**	**SAVE (5 years historical ave**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.92	0.58	0.45
Cost of Existing Debt	3.34%	3.52%	4.71%
Estimated Cost of new Borrowing	3.84%	4.03%	4.71%
CGFS Risk Rating	BB	B	BBB
Unlevered Beta (LTM)	0.84	1.09	0.71
WACC	7.31%	7.15%	6.59%

Sensitivity Analysis



Valuation

Period	Revenue growth	ROIC/WACC	Invested Capital	Net Claims	Price per share
Base Year			$1,100.95	$2,010.78	$51.86
12/31/2016	8.8%	1.97	$1,143.74	$2,181.29	$57.64
12/31/2017	17.9%	2.00	$1,415.93	$2,143.26	$63.69
12/31/2018	15.8%	1.99	$2,165.49	$2,316.50	$70.11
12/31/2019	8.6%	1.72	$2,586.94	$2,396.45	$76.96
12/31/2020	7.8%	1.55	$3,566.65	$2,284.73	$84.19
12/31/2021	7.0%	1.45	$4,238.87	$2,153.47	$91.69
12/31/2022	6.2%	1.35	$4,782.09	$1,999.91	$99.48
12/31/2023	5.4%	1.26	$5,607.30	$1,820.55	$107.55
12/31/2024	4.6%	1.17	$6,337.16	$1,611.97	$115.94
12/31/2025	3.8%	1.13	$6,877.35	$1,342.45	$124.67
Continuing Period	3.0%	1.08			

SIENAcollege

Siena Market Line
3rd week of February 2016

PLUG POWER, Inc.

NASDAQ:PLUG

Analyst: Michael Post
Sector: Energy

BUY

Price Target: $2.40

Key Statistics as of 2/17/2016

Market Price:	$1.79
Industry:	Renewable Energy (Equipment)
Market Cap:	$339M
52-Week Range:	$1.30-3.38
Beta:	1.2

Thesis Points:

- Plug Power is a leader in the hydrogen energy materials market with dominant market share including multiple fortune 500 customers
- Plug Power products are proven to save customers money, increase efficiency, and decease carbon footprint
- Plug Power has established a clear path to profitability by the end of 2016.

Company Description:

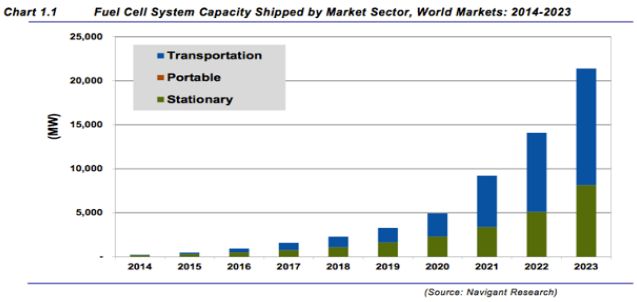
Plug Power Inc. was founded in 1997 and is headquartered in Latham, New York. It began as a R&D company with only a lot of potential and high expectations. 17 years later Plug Power is now an alternative energy technology provider that engages in the design, development, manufacture, and commercialization of fuel cell systems for the industrial off-road markets worldwide. It focuses on proton exchange membrane (PEM) fuel cell and fuel processing technologies, and fuel cell/battery hybrid technologies. Plug Power Inc. commercialized in 2014 and since then has matured into a full service company that builds infrastructure, sells fuel cells, and provides continuous service for after installation needs such as refueling and maintenance. They reached 100 million for revenue in 2015 and project 50% revenue growth in 2016.

Thesis

Plug Power is currently the leader in off-road industrial alternative energy technology and is still exponentially expanding its market share. Through cultivating current customers, contracting new companies, and expanding into other new markets, Plug Power foresees revenue growing upwards of 50% for the next few years. Recently acquired customers in the past 2 years include Walmart, Home Depot, Nike, FedEx, Kroger, Uline, AT&T, Sprint, Verizon, and many others. At this point, Plug Power is now expanding their product line for all of these companies, and solidifying long-term multisite contracts for future business. Their rapid growth can be attributed to their highly effective products. Through field comparison tests Plug Power products are proven to save customers money, increase efficiency, and decease carbon footprint. Once seen in action, customers have not hesitated to say yes to Plug Power products and this trend will continue as more companies witness the value that these products add. It is important to also note that Plug Power only commercialized 2 years ago. At first, operating costs vastly surpassed revenue and Plug Power was far from achieving profitability. However, in less than 2 years Plug Power has established more efficient processes for their installation and servicing operations and is now only slightly below break even. With a clear line of site towards continuing improved margins in years to come, Plug Power is proving they will become profitable as they gain more experience and continue to grow.

Industry Outlook

The renewable energy hydrogen industry has doubled for over 3 consecutive years according to energy.gov and reached over 2.2 billion in 2014. The U.S. Department of Energy predicts this upward trend will continue for over a decade and beyond the year of 2030.



There are a few major factors contributing to the rapid growth of this industry. State incentives, such as tax credits, drove large fuel cell deployments in mainly western states but many other states in the Northeast area now support fuel cell spending in their future budget plans as well. Major corporations deployed fuel cells at retail, corporate, and warehouse facilities, many in multiple locations. Municipalities installed fuel cells at facilities that provide critical city and county services, such as administrative centers, jails, and wastewater treatment plants. Internationally, Japan and South Korea continued their strong support of fuel cell technology as well. Customer sales surpassed 115,000 units in Japan in 2014, and Korean utilities continued to construct larger and larger multi-megawatt (MW) fuel cell power parks to generate grid power. The bigger plan for the hydrogen industry future however is automobiles. Hydrogen refueling stations have become a priority in California and millions of dollars will be provided annually until a base of 100 refueling stations exist in their state alone. Expect other states to follow this effort and slowly witness the infrastructure of gas and oil be replaced by hydrogen within the century.

Business Model

Plug Power has a very extensive business model that allows customers to switch infrastructures to hydrogen-powered machinery very easily. They install refueling stations and hydrogen tanks, manufacture and deliver fuel cells or install fuel cells to already operating machinery, train personal for their customers to properly use and refuel their products, provide ongoing monitoring and service maintenance, and provide hydrogen fuel for storage tanks on a periodic as needed basis. This all inclusive business model makes Plug Power very attractive to potential buyers because customers will receive a complete package that will immediately improve their operations and save them money while simultaneously remaining eco-friendly.

People

Plug Power is led by CEO Andrew March, and accompanied by CFO Paul Middleton and COO Keith Schmid. Andy Marsh became Chief Executive Officer and President of Plug Power in April 8, 2008. Before this, Marsh Co-Founded Valere Power Inc. in 2001 and served as its President and Chief Executive Officer until June 2007. A misleading social misunderstanding is that Andrew March is a liar because he proclaimed Plug Power would achieve profitability in 2015 and they did not. A more appropriate label for Andrew however would be overly optimistic. After commercializing in 2014 and foreseeing the upcoming demand for Plug Power, he believed that 50% revenue growth would lead to profitability. Unfortunately, he and CFO Paul Middleton underestimated operating costs due to the lack of operational experience that Plug Power had and forced a bad perception upon them selves. Despite this short fall, Andrew and his team have met all other expectations for 2015 and announced that they now have a better understanding of their operations and can better forecast more accurate future financials.

Product Differentiation

Plug Power's product line includes GenKey, a turn-key solution for transitioning material handling vehicles to fuel cell power; GenDrive, which is a hydrogen fueled PEM fuel cell system that provides power to material handling vehicles; GenFuel, a hydrogen fueling delivery system; GenCare, which is an ongoing maintenance program for GenDrive fuel cells and GenFuel products; and ReliOn, a stationary fuel cell solution that provides scalable and modular PEM fuel cell power to support the backup and grid-support power requirements of the telecommunications, transportation, and utility sectors. The company sells its products to businesses and government agencies and differs itself from competition by providing that all inclusive service model previously mentioned before. With proven reliability and productivity, along side their extensive service, Plug Power's products seem to be superior to competition and delivered in the most user friendly system imaginable.

Corporate Responsibility

Plug Power prides itself on providing an efficient and effective alternative energy that produces no emissions and therefore improves the environment on a daily basis. On their company website they state multiple times that improving the future of the environment starts today and begins with small changes. They even conduct research to measure how much cleaner their products are to the ones their replacing in addition to the cost savings. This lets customers know that they are making an effort to reduce the carbon footprint of their company and become more socially responsible. Plug Power is enabling companies to be more socially responsible and they want people to know that this is their mission.

Financials

As of Q3, 2015, Plug Power posted record revenue for the quarter of 31.4 million, which represented about a 58% increase year over year from 2014. Revenue could be broken down to 1,221 GenDrive units and seven hydrogen installation sites compared to 835 GenDrive units and three hydrogen installations in the third quarter of 2014. There were approximately $60 million in orders in the third quarter of 2015 and ended the quarter with approximately $234 million in backlog. Plug posted a loss of -.06 per share and cash burn of 13 million as a result of increased R&D, SG&A, and service costs from stack failures. They addressed this problem however and stated that the issue had been resolved by replacing the cooling technology within the fuel cells and this strategy conveniently also lowered operating costs in their new class 3 fuel cell models. Plug ended the quarter with over $115 million in cash, cash equivalents, and restricted cash that protects itself from losses in upcoming quarters in case they occur. GenDrives achieved a positive margin of 17% and are projected to increase to 25% in the Q4 of 2015. Service margins fell from -33% Q2 to -17% in Q3 and showed strong signs of improvement going forward into Q4 as well. Plug Power says that as they gain experience they are learning how to simplify their products and reduce overall operating costs. Their newer product models have higher profit margins and much more of these will be shipped starting Q4 and going forward. They made a statement that they have met all of 2015 expectations and this is a great sign for confidence going forward with this company. I believe they now have a strong understanding of operations and will achieve profitability by the end of 2016 or sooner.

Conclusion

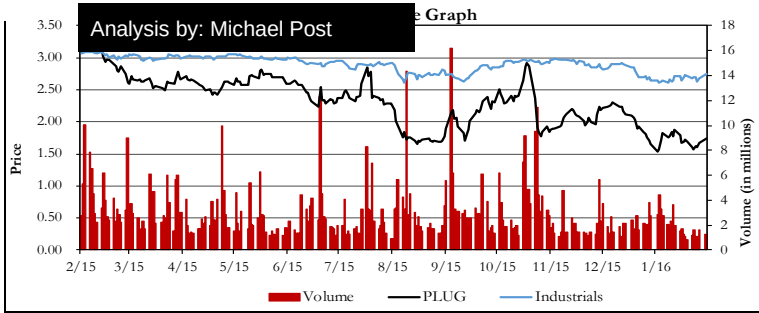
Plug Power has positioned itself as a leader in the material handling market in a rapidly growing industry that is both effective and environmentally friendly. With government support continuing to provide very

large tax break incentives, I expect their growth to continue as projected. Assuming that operating costs continue to decline while revenue exponentially grows as planned, I rate Plug Power a buy with a 3-month price target of $2.40, which represents a 33% upside in the short term.

Plug Power Inc. (PLUG) — CENTER FOR GLOBAL FINANCIAL STUDIES — NEUTRAL

Analysis by P.C. Principal	Current Price:	$1.79	Intrinsic Value	$2.40	Target 1 year Return: 18.04%
2/18/2016	Divident Yield:	0.0%	Target Price	$2.84	Probability of Price Increase: 98%

Analysis by: Michael Post



Description

Plug Power Inc., an alternative energy technology provider, engages in the design, development, manufacture, and commercialization of fuel cell systems for the industrial off-road markets worldwide.

General Information

Sector	Industrials
Industry	Electrical Equipment
Last Guidance	November 3, 2015
Next earnings date	March 16, 2016
Estimated Country Risk Premium	6.67%
Effective Tax rate	36%
Effective Operating Tax rate	36%

Market Data

Market Capitalization	$329.37
Daily volume (mil)	0.54
Shares outstanding (mil)	179.98
Diluted shares outstanding (mil)	174.37
% shares held by institutions	N/M
% shares held by investments Managers	15%
% shares held by hedge funds	0%
% shares held by insiders	0.85%
Short interest	19.09%
Days to cover short interest	16.90
52 week high	$3.38
52-week low	$1.30
Levered Beta	1.89
Volatility	110.10%

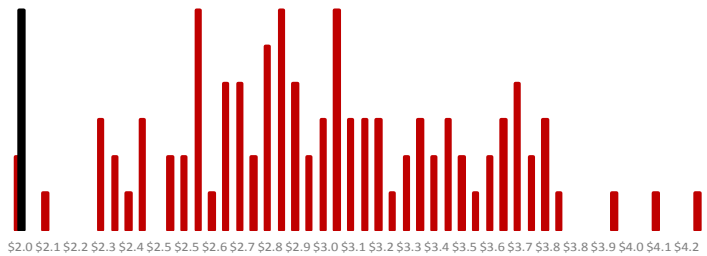
Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2014	-18.41%	-339.60%
12/31/2014	-18.43%	-325.02%
3/31/2015	-45.26%	-245.07%
6/30/2015	-4.85%	-202.86%
9/30/2015	2.38%	-270.33%
Mean	-16.91%	-276.58%
Standard error	8.1%	25.3%

Peers

Capstone Turbine Corp.
FuelCell Energy Inc.
Hydrogenics Corporation
SolarCity Corporation

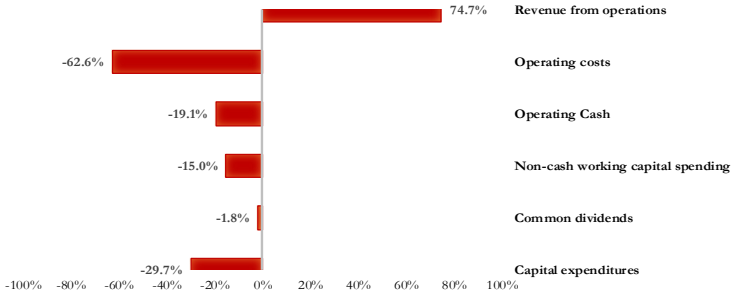
Target Price Distribution--Prob(Price Increase)= 98%



Management	Position	Total compensations growth	Total return to shareholders
McNamee, George	Co-Founder, Chairman and Mem	4.29% per annum over 5y	-15.48% per annum over 5y
Marsh, Andrew	Chief Executive Officer, Pre	61.39% per annum over 5y	-15.48% per annum over 5y
Garberding, Larry	Co-Founder, Independent Dire	9.73% per annum over 5y	-15.48% per annum over 5y
Middleton, Paul	Chief Financial Officer and	N/M	0% per annum over 0y
Schmid, Keith	Chief Operating Officer and	1173.48% per annum over 1y	93.55% per annum over 1y
Conway, Gerard	Senior Vice President, Gener	43.95% per annum over 5y	-15.48% per annum over 5y

Profitability	PLUG (LTM)	PLUG (5 years historical average)	Industry (LTM)
ROIC	-20.2%	-55.48%	12.86%
NOPAT Margin	-21%	-66.47%	11.1%
Revenue/Invested Capital	0.95	0.83	1.16
ROE	-20.5%	-66.99%	15.14%
Adjusted net margin	-22%	-68.46%	10.1%
Revenue/Adjusted Book Value	0.94	0.98	1.50
Invested Funds	**PLUG (LTM)**	**PLUG (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	33.6%	42.1%	22%
Estimated Operating Cash/Total Capital	4.7%	4.8%	N/A
Non-cash working Capital/Total Capital	9.9%	11.2%	12%
Invested Capital/Total Capital	66.4%	58.5%	78%
Capital Structure	**PLUG (LTM)**	**PLUG (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.07	0.15	0.22
Cost of Existing Debt	13.85%	11.34%	3.70%
Estimated Cost of new Borrowing	1.13%	12.94%	3.70%
CGFS Risk Rating	AAA	C	BB
Unlevered Beta (LTM)	1.88	1.16	1.19
WACC	15.53%	10.98%	10.34%

Sensitivity Analysis



Valuation

Period	Revenue growth	ROIC/WACC	Invested Capital	Net Claims	Price per share
Base Year			$35.28	-$41.20	$2.24
9/30/2016	50.0%	0.27	$39.69	-$26.67	$2.68
9/30/2017	45.0%	0.56	$24.48	-$4.74	$3.12
9/30/2018	40.0%	0.70	$23.64	$19.51	$3.66
9/30/2019	35.0%	0.82	$105.23	$46.85	$4.31
9/30/2020	30.0%	0.92	$168.04	$63.89	$5.08
9/30/2021	25.0%	1.02	$214.64	$75.78	$5.95
9/30/2022	20.0%	1.10	$267.32	$71.75	$6.91
9/30/2023	15.0%	1.15	$336.26	$31.60	$7.96
9/30/2024	10.0%	1.21	$424.73	-$44.94	$9.04
9/30/2025	5.0%	1.27	$521.19	-$161.04	$10.11
Continuing Period	5.0%	1.39			

SIENAcollege

Siena Market Line
3rd week of February 2016

Dril-Quip, Inc.

NYSE: DRQ

Analyst: Senan Lonergan
Sector: Energy

SELL

Price Target: $46.37

Key Statistics as of 2/17/2016

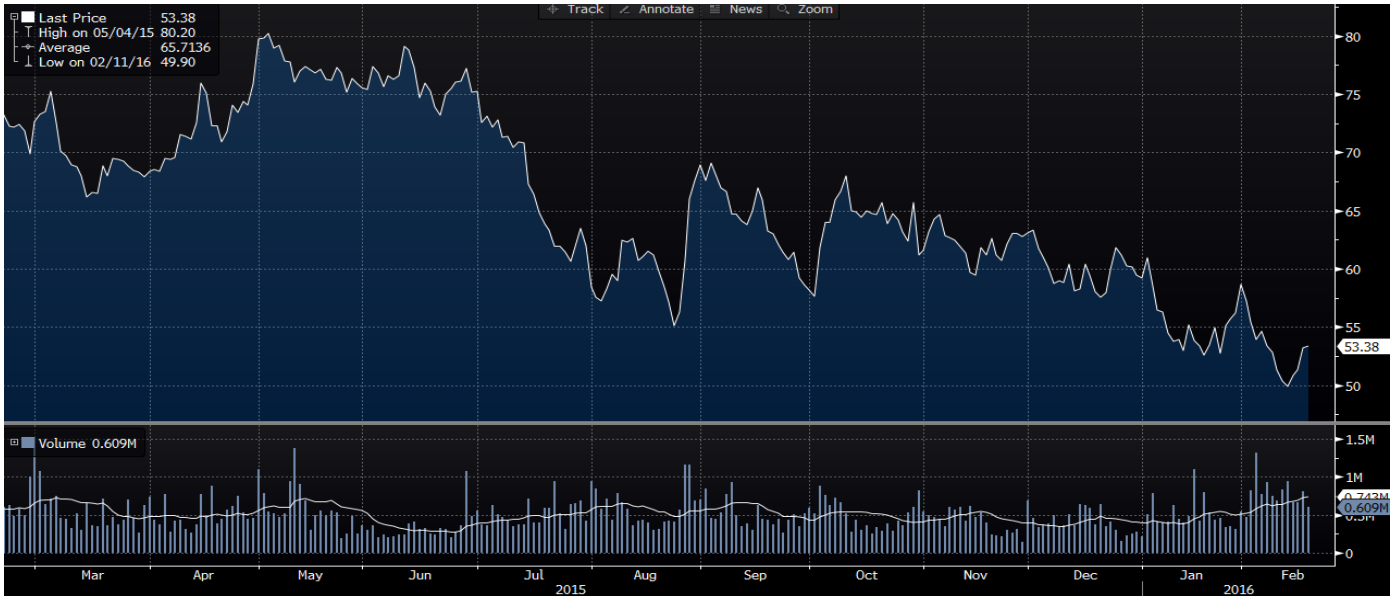
Market Price:	$53.38
Industry:	Oil/Gas Drilling and Exploration
Market Cap:	$2.05B
52-Week Range:	$48.88 - $81.78
Beta:	0.21

Thesis Points:

- Recent oil supply freezes will significantly impact revenue growth
- Market is optimistic about oil futures and is overvaluing DRQ
- Recent jump in stock price presents an ideal entry point

Company Description:

Dril-Quip, Inc., together with its subsidiaries, designs, manufactures, sells, and services engineered offshore drilling and production equipment for use in deep-water, harsh environment, and severe service applications worldwide. The company operates through three segments: Western Hemisphere, Eastern Hemisphere, and Asia-Pacific. Its principal products comprise subsea and surface wellheads, subsea and surface production trees, subsea control systems and manifolds, mudline hanger systems, specialty connectors and associated pipe, drilling and production riser systems, liner hangers, wellhead connectors, and diverters. The company also provides technical advisory services, and rework and reconditioning services, as well as rental of running tools for use in the installation and retrieval of its products. Its products are used for drilling and production of oil and gas wells on offshore platforms; tension leg platforms, which are floating production platforms connected to the ocean floor via vertical mooring tethers; Spars, a floating cylindrical structure; and floating production, storage, and offloading monohull moored vessels, as well as to explore for oil and gas from offshore drilling rigs, such as floating rigs and jack-up rigs. The company sells its products directly through its sales personnel, independent sales agents, and representatives to integrated, independent, and foreign national oil and gas companies, as well as offshore drilling contractors, and engineering and construction companies. Dril-Quip, Inc. was founded in 1981 and is headquartered in Houston, Texas.

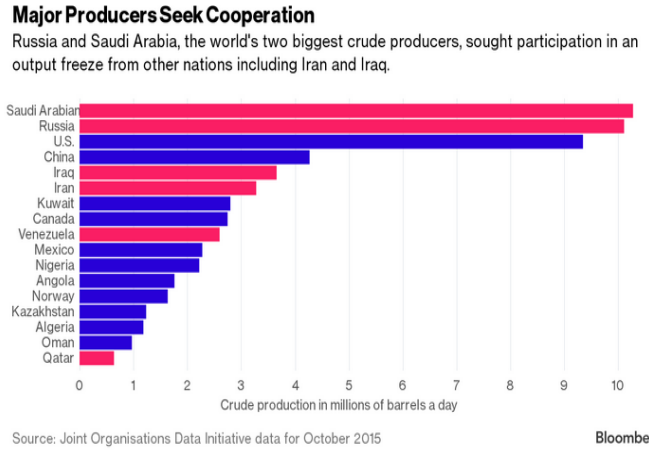


Thesis

The macro environment and the overvaluation by the market provide investors with an opportunity to profit from a short sell of DRQ. With oil prices seemingly to have bottomed, the upcoming years do not present an optimal environment for DRQ. The company relies on the demand of its offshore drilling equipment, as well as its service and maintenance. The combination of oil prices hovering $30 a barrel and the significant decline in drilling for 2016, will decline revenue growth by 25%. Furthermore, the recent jump in oil prices have carried DRQ's stock price by nearly 6%. While DRQ is prone to moving with sudden changes in oil prices, a stable low price will expose the company and allow its stock price to fall. Ultimately, the current $53.38 a share provides an optimal entry point for a short sell.

Industry Outlook

On 2/16/2016, Iran agreed to join Saudi Arabia, Russia, Qatar, Venezuela, and other OPEC members in capping their supply to stabilize global oil markets. The collaboration of OPEC, the organization that controls more than 80% of the world's oil, and Russia, the world's second biggest crude producer, will ultimately halt the decline of crude prices. However, capping the supply does not mean an increase in oil prices. With global production reaching the greatest barrels per day since 2008, the markets will have a surplus for years to come. Although oil has increased to over $30 this week, analysts do not expect a significant incline for some time. U.S. companies have been decreasing production since April 2015, and still there is an incredible surplus. The energy sector, particularly companies with high D/E ratios, will continue to lag, and equipment and services providers, such as Dril-Quip, will have declining revenue growth.



Business Model

The company has a very strong global presence, as well as a wide range of customers and competitors. While the Company is not dependent on any one customer or group of customers, the loss of one or more of its significant customers could, at least on a short-term basis, have an adverse effect on the company's results of operations. Approximately 54% of Dril-Quip's business comes from the U.S., Mexico, and Canada, while the remainder comes from OPEC and other Eastern hemisphere companies. The company's principal customers are major integrated, large independent and foreign national oil and gas companies. Offshore drilling contractors and engineering and construction companies also represent a minor customer base. DRQ's customers are generally oil and gas companies that are well-known participants in offshore exploration and production such as Exxon Mobile, Chevron, Shell, BP, Hess and many others. Furthermore, Dril-Quip faces significant competition from other manufacturers and suppliers of exploration and production equipment. Several of its primary competitors are diversified multinational companies such as AkerSolutions, FMC Technologies, OneSubsea, and GE Oil and Gas. While DRQ does hold a significant market share for subsea drilling equipment sales, the overall microenvironment continues to hurt their customers, and consequently, hinder the company's growth.

People

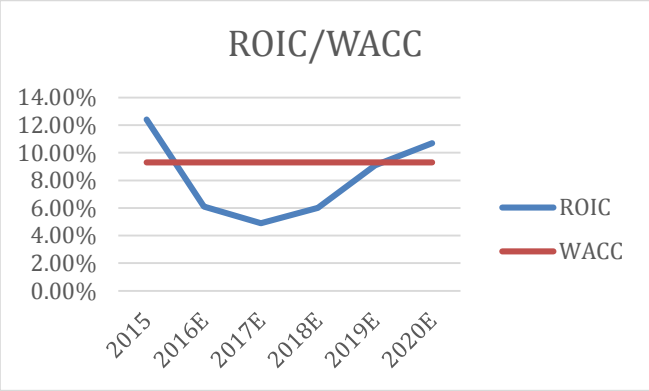
While DRQ has been given a short sell recommendation, it is not at the fault of management. The company is managed by a professional team of individuals, all of whom have considerable experience in their field. Blake T. DeBerry was appointed President and Chief Executive Officer in October 2011, prior to which he was Senior Vice President – Sales and Engineering. James A. Gariepy was appointed Senior Vice President and Chief Operating Officer in October 2011 as well. Jerry M. Brooks, Vice President of Finance and Chief Financial Officer, has been Chief Financial Officer since March 1999. Lastly, James C. Webster, Vice President of General Counsel and Secretary, joined the Company in February 2011.

Product Differentiation

FY 2014 demonstrates that over 83% of DRQ's sales come from drilling equipment, while the remainder is attributed to service. Their product line includes 17 internally developed products in which they are all vertically integrated into manufacturing operations. The company has very reliable subsea control systems, as well as 19 floating production platforms worldwide. Moreover, DRQ has been recognized on several cases for innovation in their industry. They were the first company to perform a full-scale system level validation test on a Subsea Wellhead System, and also the first to fully implement Advanced Product Quality Planning (APQP). However, while DRQ is diversified in location, their focus on drilling equipment and services specifically makes them very susceptible to oil prices.

Financials

From 2010 until 2014, Dril-Quip grew substantially. With U.S. and global customers drilling at an exceptionally high rate, DRQ's revenue grew by nearly 65%. In addition, as a result of sufficient management, operating costs were able to remain relatively stable. As a result, the company's EBITDA grew by just under 82%. However, the slowdown in drilling has severely impacted DRQ; revenue fell by 1% and EBITDA by 5%. Estimates for 2016-2019 are pessimistic and WAAC is expected to far exceed ROIC in the following years. The company will survive the market conditions, as it has nearly a 0 D/E, but the next 2-3 years are expected to be turbulent and each year will eat away at its value. Further research demonstrates that the main driver for a decline in the stock price is accredited to revenue and operating cost changes. Operating costs/revenue are expected to remain relatively stable, around 72%, but revenue will decline. A sensitivity analysis shows that 74.9% of stock price changes is attributed to revenue by operations. For FY2016, revenue is expected to decrease by 25%, followed by another 16% decrease in 2017.



Conclusion

In conclusion, DRQ is recommended as a short-sell for reasons largely attributed to macro-environment factors. With oil prices to seemingly have bottomed, the company's revenue is expected to decrease by 25% in 2016. With WAAC far exceeding ROIC, DRQ's stock price will decrease, presenting short selling investors with an opportunity to profit. The very recent rise in oil prices has brought up DRQ by nearly 6% this week- an ideal entry point for a short. An intrinsic value target price, based off of invested capital, is set at $46.37.

SIENAcollege

Siena Market Line
3rd week of February 2016

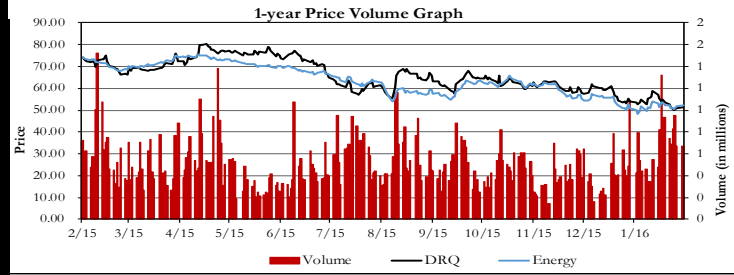
Dril-Quip, Inc. (DRQ)

CENTER FOR GLOBAL FINANCIAL STUDIES

BEARISH

Analysis by P.C. Principal	Current Price:	$53.38	Intrinsic Value	$8.27	Target 1 year Return: -80.82%
2/21/2016	Divident Yield:	0.0%	Target Price	$10.24	Probability of Price Increase: 0%

1-year Price Volume Graph



Description

Dril-Quip, Inc., together with its subsidiaries, designs, manufactures, sells, and services engineered offshore drilling and production equipment for use in deepwater, harsh environment, and severe service applications worldwide.

General Information

Sector	Energy
Industry	Energy Equipment and Services
Last Guidance	November 3, 2015
Next earnings date	February 27, 2016
Estimated Country Risk Premium	7.28%
Effective Tax rate	34%
Effective Operating Tax rate	35%

Market Data

Market Capitalization	$2,047.43
Daily volume (mil)	0.61
Shares outstanding (mil)	38.36
Diluted shares outstanding (mil)	38.95
% shares held by institutions	64%
% shares held by investments Managers	100%
% shares held by hedge funds	3%
% shares held by insiders	0.49%
Short interest	4.53%
Days to cover short interest	3.47
52 week high	$81.78
52-week low	$48.88
Levered Beta	0.88
Volatility	33.85%

Past Earning Surprises

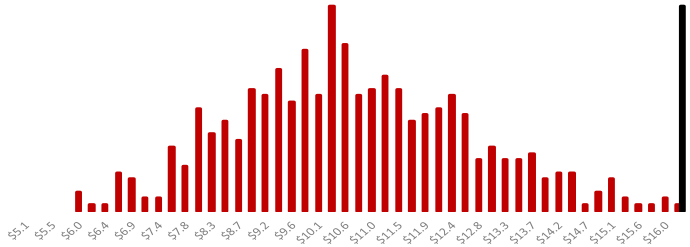
Quarter ending	Revenue	EBITDA
9/30/2014	0.76%	4.35%
12/31/2014	3.00%	10.47%
3/31/2015	1.61%	17.63%
6/30/2015	-3.67%	-14.36%
9/30/2015	-4.48%	7.02%
Mean	-0.56%	5.02%
Standard error	1.5%	5.3%

Peers

Forum Energy Technologies, Inc.
Oil States International Inc.
FMC Technologies, Inc.
Newpark Resources Inc.
Superior Energy Services, Inc.
RPC Inc.
Helix Energy Solutions Group, Inc.
TETRA Technologies, Inc.

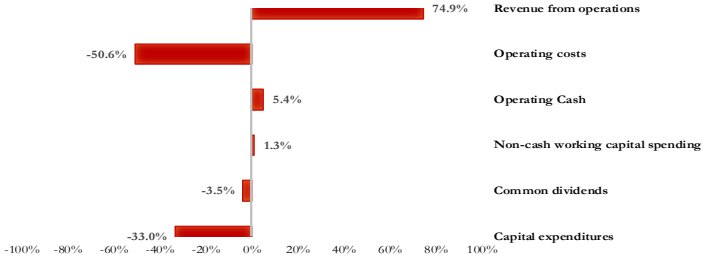
Management	Position	Total compensations growth	Total return to shareholders
DeBerry, Blake	Chief Executive Officer, Pre	18.01% per annum over 3y	4.39% per annum over 3y
Brooks, Jerry	Chief Financial Officer, Pri	23.49% per annum over 5y	5.94% per annum over 5y
Gariepy, James	Chief Operating Officer and	16.5% per annum over 3y	4.39% per annum over 3y
Webster, James	Vice President, General Coun	13.29% per annum over 3y	4.39% per annum over 3y
	0 0	N/M	N/M
	0 0	N/M	N/M

Target Price Distribution--Prob(Price Increase)= 0%



Profitability	DRQ (LTM)	DRQ (5 years historical average)	Industry (LTM)
ROIC	12.4%	14.64%	6.17%
NOPAT Margin	21%	22.76%	11.3%
Revenue/Invested Capital	0.59	0.64	0.55
ROE	12.5%	14.77%	9.14%
Adjusted net margin	21%	22.73%	9.9%
Revenue/Adjusted Book Value	0.59	0.65	0.92
Invested Funds	**DRQ (LTM)**	**DRQ (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	24.6%	23.3%	17%
Estimated Operating Cash/Total Capital	22.2%	21.5%	N/A
Non-cash working Capital/Total Capital	38.4%	37.9%	13%
Invested Capital/Total Capital	97.6%	98.1%	82%
Capital Structure	**DRQ (LTM)**	**DRQ (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.02	0.01	0.86
Cost of Existing Debt	1.25%	1.29%	4.12%
Estimated Cost of new Borrowing	1.16%	1.16%	4.12%
CGFS Risk Rating	AAA	AAA	B
Unlevered Beta (LTM)	0.87	1.58	1.02
WACC	9.32%	14.66%	9.42%

Sensitivity Analysis



Valuation

Period	Revenue growth	ROIC/WACC	Invested Capital	Net Claims	Price per share
Base Year			$931.39	$9.32	$44.63
9/30/2016	-25.0%	0.66	$1,040.59	-$433.39	$49.15
9/30/2017	-16.0%	0.53	$1,286.52	-$684.20	$52.70
9/30/2018	1.0%	0.64	$1,453.39	-$770.66	$56.03
9/30/2019	10.0%	0.98	$1,525.26	-$805.51	$59.55
9/30/2020	12.5%	1.15	$1,575.60	-$832.21	$63.55
9/30/2021	10.9%	1.25	$1,243.40	-$882.31	$68.08
9/30/2022	9.3%	1.28	$1,054.87	-$954.56	$72.97
9/30/2023	7.7%	1.27	$1,033.68	-$1,048.42	$78.10
9/30/2024	6.2%	1.25	$1,098.46	-$1,164.57	$83.38
9/30/2025	4.6%	1.22	$1,205.07	-$1,303.83	$88.74
Continuing Period	3.0%	1.20			