

Company Description: Alarm.com Holdings, Inc. provides cloud platform solutions for both residential and commercial properties in the US and internationally. They offer cloud based solutions for homes and businesses including: interactive security, video monitoring, intelligent automation, and energy management. Included are: door locks, motion sensors, thermostats, garage doors, video cameras, and video alerts. Added to the security solutions are energy management solutions which adjust thermostat schedules, responsive savings/comfort, and energy usage and environmental monitoring. The company provides training services, installation, and support tools- to both residential and business subscribers. Alarm.com Holdings, Inc. was founded in 2000 and is headquartered in Tysons, Virginia.

BUY

Current Price:	\$37.99
Target Price:	\$52.25
Market Cap:	1.8B
WACC:	11.1%
ROC GAAP:	51.3%
Revenue Growth:	8%
52wk High/Low:	\$49.49/\$29.70
Daily volume:	0.40M
Float:	64%
EBITDA Margin:	16%
D/E:	3.7%

ALRM:1Y Comps: SOXX, SKYY



Thesis:

Alarm.com Holdings, Inc. is uniquely positioned within the growing market of cloud technology. The integration of their security solutions provides extensive application to residential, commercial, and international properties. Their strong CF and profitability has fostered a powerful competitive advantage with in the industry where many are switching from traditional security solutions, to the smart home. Alarm has proven themselves quarter after quarter that they are the leaders in this industry, and will continue to provide value to their shareholders, both short and long-term.

Catalysts:

- **Short Term(within the year):** Highly scalable platform with strong cash flow, margins, and profitability
- **Mid Term(1-2 years):** High SaaS and license recurring revenue model, renewal rates of 93%, strong competitive advantage
- **Long Term(3+):** Increasing demand/shift to smart home security, replacing traditional security solutions (residential, commercial & international)

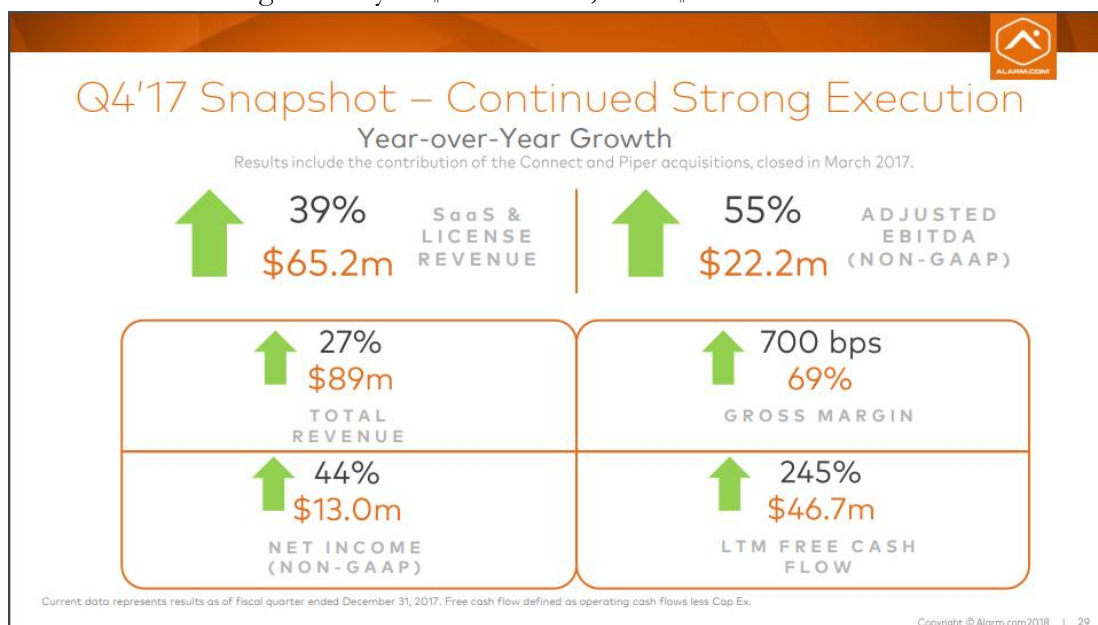
Earnings Performance:

Alarm.com Holdings, Inc. has set an ambitious agenda over the last year. They have worked to strengthen their lead as the innovative service provider of smart security systems for both residential and commercial properties. Over the last year they have enhanced their video service, expanded their security platform, and increased intelligent and adaptive capabilities through data analytics, as well as acquired smaller business units *Connect* and *Piper*. Alarm's management team has successfully integrated these businesses into their operations as well as increased R&D and distribution capacities for further expansion.

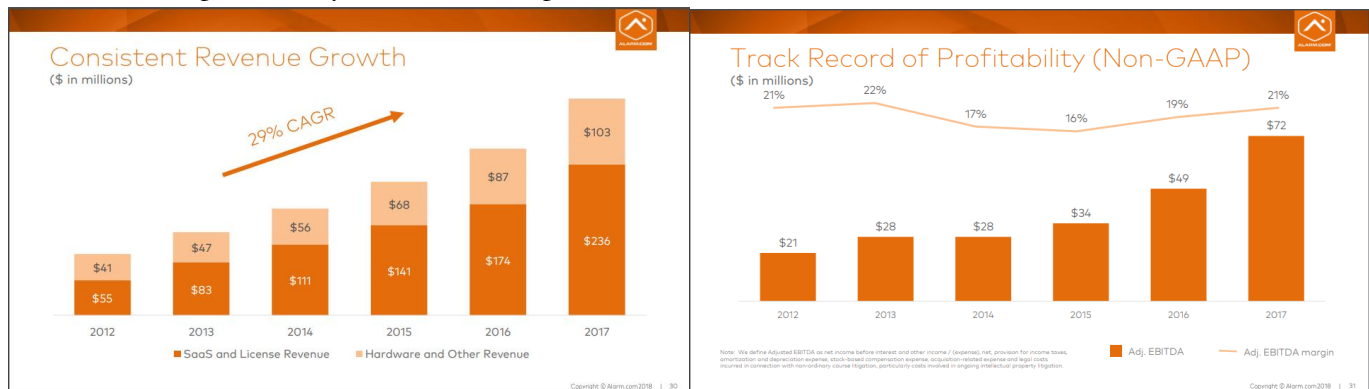
Last quarter, SaaS (Software as Service- applications made available over the internet) grew by 39% y/y to \$65.2 million. And SaaS and license revenue grew 36% from 2016 to \$236.3 million, the revenue renewal rate on SaaS and license revenue remains extremely high, hovering around 94%. Hardware and other revenue also grew last quarter to \$23.6 million, up from \$22.9 million. Total revenue is growing at a fast past, last quarter they saw an increase of 30% reaching \$338.9 million. Margins have been the main driver of revenues. Gross margins for SaaS and license revenue was up 350 bps y/y, gross margins for hardware were up 150bps y/y, and total gross margins were up over 700bps y/y. These higher margins in SaaS and license revenue accounted for 73% of total revenue, up from only 67% of total revenue in 2016.

Turning to Alarm's operating expenses. R&D expense last quarter was 21% of total revenue at \$18.9 million, from \$12 million in 2016. In 2016, the R&D Department had only 320 employees, they now have 447 employees. This shows massive growth. Sales and marketing expenses were 12% of total revenue compared to 14% of total revenue in 2016. However, they expect to increase marketing spending in 2018 as they transition Ann Ferguson to VP of Marketing. Ann has led the partner marketing team since 2011, and has a strong reputation within the industry. Alarm views this transition as an additional growth driver.

Non-GAAP adjusted EBITDA increased to \$22.2 million for the first quarter, which was up 55% y/y, adjusted EBITDA was \$71.6 million for 2017 which was up 46% from 2016. With the new tax law they will be taxed at 21%, down from 35%. This will have a strong impact on their net income and further solidify their strong balance sheet. Alarm ended the fourth quarter with \$96.3 million of cash and cash equivalents. For 2017, they generated nearly \$58 million in cash flow from operations, which is way up from \$22.6 million in 2016. Free cash flow has increased significantly to \$46.7 million, from \$13.5 in 2016.

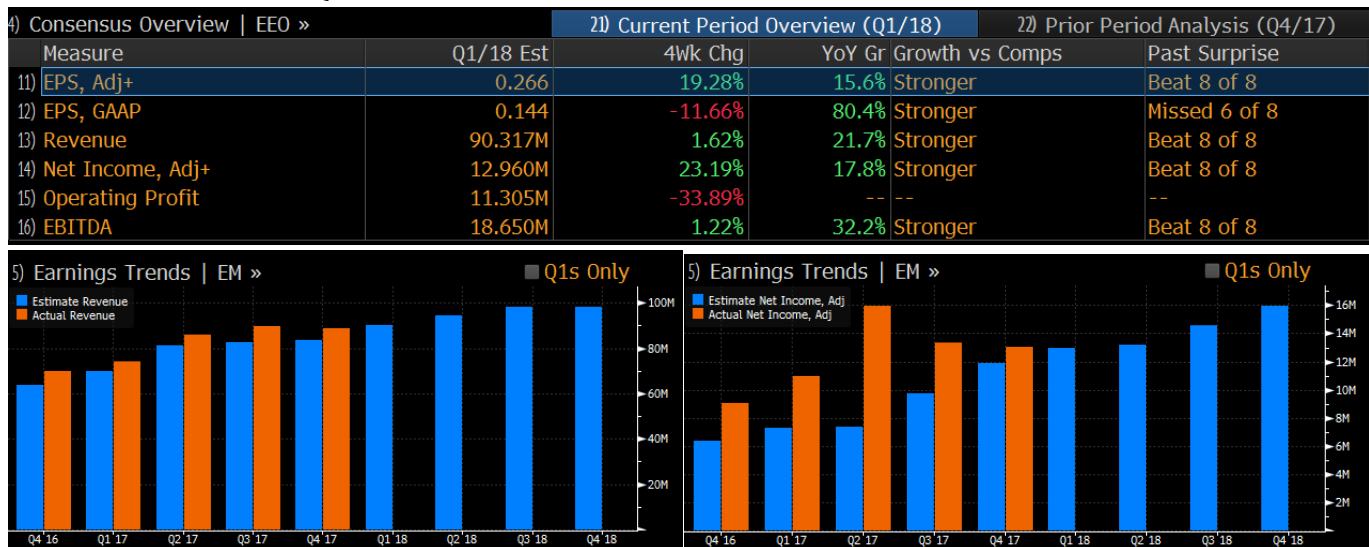


Turning to the 2018 financial outlook, Alarm expects SaaS and license revenues of \$283 million, representing a growth of 20% y/y. Total revenue is projected to be \$382 million (hardware will make up \$100 million of this). This is slightly lower than 2017 (below), due to market shift in manufacturing that will lower the cost for subscribers. Over the last 5 year period, Alarm has a CAGR of 29% in revenue growth and a strong track record of profitability over that same period.



Alarm has maintained an adjusted EBITDA margin between 21% and 16% over the last 5 years. From 2016 to 2017 EBITDA increased by \$23 million. The estimates for 2018 are that adjusted EBITDA reach \$82 million. Alarm is well positioned build upon this expanding market in smart properties, both residential and commercial. Alarm will continue to deliver strong financial results.

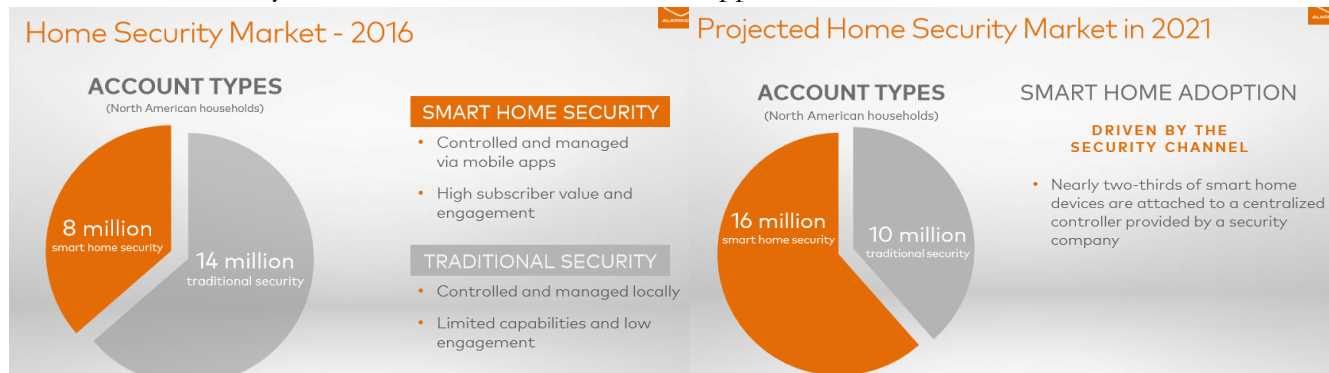
Below are the earnings consensus overview as well as the earnings trends. Alarm has strong y/y growth in all measures, notably revenue and EBITDA. They are stronger than comps and have beat 8 of their last 8 on nearly all measures as well. Their earnings trends also paint a similar picture, revenues and net income have beat estimates over the last 5Qs.



Evolving Industry:

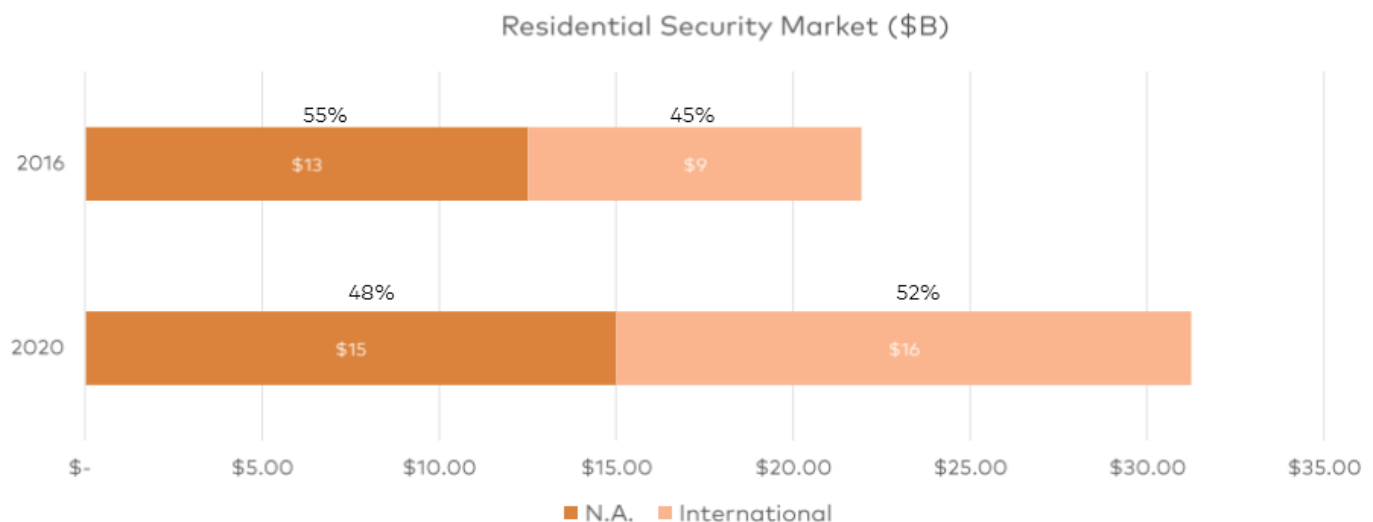
If we just focus on North America, there are approximately 22 million residential households with either some form of smart home security, or a traditional security platform. Of these only 8 million households have some sort of smart home security in 2016. This is projected to increase to 16 million households by 2021, driven by the increase in millennial first time home buyers and the integration of technology into the common household. Most of the traditional systems were deployed by dealers that actually partner with Alarm, which

provides Alarm with a strong advantage since there is already an existing relationship here. The growth is shown below. This adoption has already begun to take place. Alarm is built to integrate with almost all third party equipment including the Amazon Echo, Schlage locks, Apple devices, android devices, and Google Play and allows for control of your entire house from the mobile app.



This growth is also projected to continue internationally as well as commercially. The demand for home security devices has grown internationally, and Alarm has targeted various areas internationally to expand to. The cheaper labor costs in many of the regions that they targeted cause buyers to prefer partners of Alarm. Below is a chart outlining the projected international growth into 2020.

Residential Security Projected to Grow Globally



The overall market size of residential home security is estimated to be around \$22B in 2016, growing to over \$31B by 2020, shown with a significant mix of the international markets as well. These numbers show huge growth potential, but don't even include commercial properties. There are approximately 4 million commercial properties in the United States alone (that are less than 10,000 sqft) that are the primary candidates for security provided by Alarm. Alarm even reported that business activations have grown over 200% since 2015, which shows the tremendous growth opportunity here.

The last area in which Alarm has shown plans to enter are vacation/ rental properties. This industry consists of nearly 45 million single/ multi-family rentals and vacation homes. The use of the Alarm security cloud would be critical in terms of property managers reducing risk in their investments as well as cutting costs, i.e. being able to adjust thermostats, security of property, flood sensors, water valves etc. Owners of the property would have remote access to all of these aspects for monitoring vacant properties.

Competitor Analysis:

Alarm.com does not cost the customer much at all for peace of mind and security. Typically, there is an upfront charge between \$100-200 for a smart home security system, followed by the monthly subscription payments of \$40-60 for the life of the contract. Alarm allows for state of the art systems, professional installation and support without investing thousands of dollars upfront. Alarm even allows for compatibility with old security systems. They are compatible with DSC, GE Security, Interlogix, Qolsys, and 2GIG. Alarm sells their devices, technology, and service through dealers. This is the competitive advantage and differentiator of Alarm versus DIY service providers. They provide their product through more than 7,000 service providers that take care of subscriber acquisition, installation and ongoing support. Most end users don't even know they are using Alarm's platform. The distribution channel provides access to brands such as ADT and Monitronics- who hold most of the market share in this industry. Competitors have a riskier business model with high CAC costs (Customer acquisition costs) and they do not provide professional installation. Customers prefer a "do it for me" solution. They would prefer a relationship with a person, to maintain the apparatus installed in their home. They want to make sure that the carbon monoxide detector installed in the baby's room is installed correctly, and more importantly is always going to work- and if it is not operational someone will come to their home to fix it.

The majority of the market for home security is fragmented with thousands of smaller shops that own more than 50% of the market. This actually works to Alarm's advantage since they are the leading provider of smart platforms to most of these dealers, since they are so small and can't afford to develop their own softwares. ADT also owns about 27% of the market share, Monitronics 4%, and Alarm Force 1%- adding to a total of 88% of the market share, of which all are customers of Alarm. The other competitors (Simplisafe, Abode, Ring and Nest) all don't compete with Alarm's target market. Although Honeywell, Telular, and Secure Net offer their platforms to smaller dealers, they don't have even close to the penetration that Alarm has.

Below is a relative equity chart outlining where Alarm stands in comparison to their competitors. Alarm has very strong revenue growth and NI/Profit growth over the past year- revenue growth of nearly 30%. EBITDA margins are just below the average, however these comps include companies that don't just specialize in cloud security, and have a diversified business. Most notably Alarm's Free Cash Flow growth over the past year is incredible, almost 245%, and the FCF/Share growth over the past year is 238%. Alarm also has great inventory turnover in comparison to the industry.

	Name	Mkt Cap[(USD)	Rev Gr Adj YoY:Y	T12M NI / Profit - 1 Yr Gr	ROIC:Y	EBITDA Mrgn Adj:Y	Inv Turnover:Y	FCF 1Yr Gr	FCF/Sh Gr:Y	NOPAT:Y
	Median	7.50B	7.61%	7.63%	13.67%	23.34%	5.98	12.08	12.41%	571.30M
100)	ALARM.COM HOLDINGS INC	1.87B	29.81%	48.05%	17.88%	19.23%	9.40	244.95	237.81%	30.28M
101)	HONEYWELL INTERNATIO...	113.56B	3.13%	7.63%	14.79%	23.34%	6.14	12.08	12.41%	880.26M
102)	BCE INC	38.82B	4.60%	0.31%	8.92%	40.76%	33.97	15.74	12.48%	2.81B
103)	ASSA ABLOY AB-B	24.03B	6.79%	5.00%	12.55%	18.26%	4.86	3.90	3.90%	1.06B
104)	TELUS CORP	21.20B	3.95%	2.01%	8.50%	36.93%	17.05	85.44	85.13%	1.46B
105)	ALLEGION PLC	8.22B	7.61%	22.28%	24.37%	23.88%	5.81	-11.07	-10.42%	342.28M
106)	ADT INC	6.77B	46.30%	--	5.04%	51.73%	8.30	171.10	61.19%	800.31M
107)	DORMAKABA HOLDING AG	3.33B	19.10%	7.42%	36.52%	15.65%	3.73	-7.78	-7.90%	282.71M
108)	AXIS COMMUNICATIONS AB	2.79B	16.48%	14.24%	28.55%	13.83%	4.34	-26.80	-26.80%	86.49M
(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)									10 Analyze List	

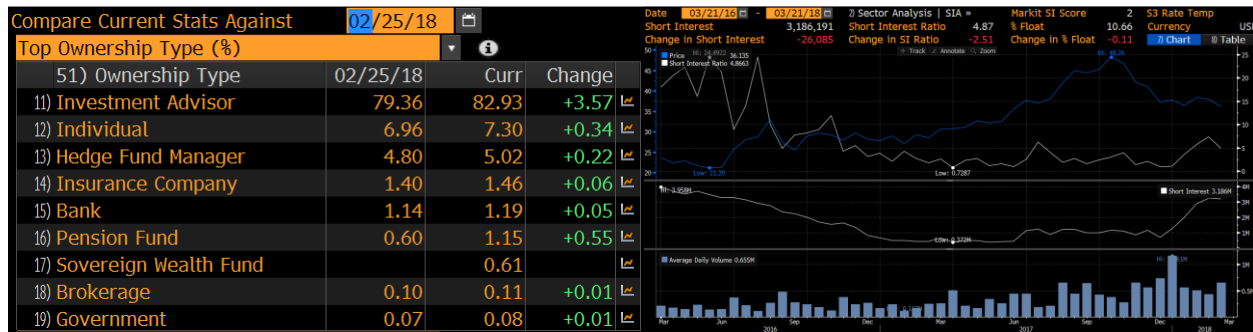
Profitability:

Below shows Alarm's profitability over the past few years. There has been increasing revenue growth, gross profit, EBITDA, and net income. Alarm's revenue growth rate of nearly 30% will trail off to around 13% for the forecasted periods to 2020. Alarm.com Holdings Inc. is still in the early growth stages of the company, and as outlined earlier they have tremendous room for growth within the evolving industry. Free Cash Flow has increased dramatically to \$47 million, while CAPEX remains the same. Alarm shows great profitability.

Alarm.com Holdings Inc (ALRM US) - Adj Highlights							
In Millions of USD 12 Months Ending	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	Current/LTM 12/31/2017	FY 2018 Est 12/31/2018	FY 2019 Est 12/31/2019	FY 2020 Est 12/31/2020
Revenue, Adj	208.9	261.1	338.9	338.9	381.3	427.5	474.5
<i>Growth %, YoY</i>	24.8	25.0	29.8	29.8	12.5	12.1	11.0
Gross Profit, Adj	131.5	161.7	222.7	222.7	260.2	298.8	345.9
<i>Margin %</i>	63.0	61.9	65.7	65.7	68.2	69.9	72.9
EBITDA, Adj	31.0	49.9	65.2	65.2	82.2	98.3	125.0
<i>Margin %</i>	14.9	19.1	19.2	19.2	21.6	23.0	26.3
Net Income, Adj	-2.6	30.1	40.9	46.3	56.7	68.1	85.7
<i>Margin %</i>	-1.3	11.5	12.1	13.6	14.9	15.9	18.1
EPS, Adj	-0.11	0.63	0.83	0.95	1.13	1.34	1.69
<i>Growth %, YoY</i>	—	—	32.1	45.5	36.9	18.4	25.6
Cash from Operations	28.0	22.6	57.2	57.2			
Capital Expenditures	-10.3	-9.1	-10.5	-10.5	-11.4	-12.6	
Free Cash Flow	17.7	13.5	46.7	46.7	47.0	58.0	
Source: Bloomberg							

Management/Ownership:

The ownership chart for Alarm is shown below. Most of the shares are held by investment advisors at 82.93%, followed by individuals at 7.30%, and Hedge Fund Managers at 5.02%. All ownership types have increased their investment in Alarm over the last 25 days. Technology Crossover Management VII holds 27.79% of shares outstanding within investment advisors, followed by Blackrock and Vanguard. Next to this chart is the short interest chart. The short interest days to cover is 4.87 days. This has increased lately, mostly due to lack of volume since Alarm is a relatively low traded stock. There has also been a decline in short interest of 26,085 shares to 3,186,191 shares.



Mr. Stephen S. Trundle has been President and CEO at Alarm.com Holdings, Inc. since 2003. Mr. Trundle has been at Alarm since 1994, and before that he worked as a consultant with MicroStrategy. The Chief Product Officer of Alarm is Mr. Daniel Kerzner. He has been with Alarm since 2013 and is also a Venture Partner at NextGen Venture Partners. Previously he was CEO of Emotive Communications Inc., as well as SVP and GM at MicroStrategy. Below is a chart outlining the management compensation from 2013-2016. Over this period the stock went public at the end of June 2015, and to the end of 2016 the stock had a total return of 219.66% while compensation hardly changed. Alarm's management team is dedicated to growing their company and not their own salaries. The company is growing much faster than their compensation. Mr. Trundle also owns 5.59% of the total shares outstanding.

Name	Title	Sort by Rank	FY 2013 (USD)	FY 2014 (USD)	FY 2015 (USD)	FY 2016 (USD)
Kerzner, Daniel	Chief Product Officer		-	468,091	519,263	505,500
Trundle, Stephen S.	Chief Executive Officer, President and Director		450,500	450,559	675,991	448,000
Valenzuela, Steve	Chief Financial Officer		-	-	-	119,942

Valuation:

Below outlines a valuation done by Value Alpha, from Seeking Alpha. Outlined is a valuation based on multiples of revenue for the next twelve months- since most of the comps are companies that have not reached a steady EBITDA level, and are still in providing strong growth. The average multiple is 10.7x, but since Alarm is on the lower end of these growth rates, an estimated 6-7x multiple can be used.

ALRM Comps			
Company	Market Cap (\$B)	2018E Revenue Growth	EV/NTM Revenue
Adobe	104	23%	11.2x
Salesforce.com	86	19%	6.8x
Workday	30	28%	10.4x
ServiceNow	30	34%	11.1x
Shopify	14	45%	13.7x
Veeva	10	18%	11x
Average		28%	10.7x

ALRM Valuation based on comps	
2018E Revenue (\$M)	381
Applicable Multiple	7x
EV (\$M)	2,667
Less: Net Debt	(25)
Equity Value (\$M)	2,692
Shares Outstanding (M)	49.3
Value Per Share	\$55
<i>Upside from current price</i>	<i>41%</i>

By using a multiple of 7x, and the estimated revenue of \$381 million for 2018, you arrive at a current Value Per Share of \$55. This gives Alarm a 41% upside from their current price of \$37.99. If a 6x multiple was used with a 12% growth rate (compared to 14%) the Value Per Share comes out to \$47, which still is a 27% upside from the current market price. If an 8x multiple was used with a 14% growth rate in revenue the Value Per Share comes out to be \$63, which is a 70% return from the current market price.

Citations:

<http://investors.alarm.com/static-files/7572b0f2-f834-4666-a0b2-be91ab7a3cc6>

<https://seekingalpha.com/article/4155489-alarm-com-well-protected-vs-diy-invasion-along-many-growth-catalysts>

Conclusion:

Overall, Alarm.com Holdings, Inc. is uniquely positioned within a growing market. They are well protected against serious competition, or have a strong competitive advantage. The company has been leveraging many different avenues of growth by not only growing their revenue base but also having a 93% renewal rates of service. Their expanding margins make for a great investment opportunity. The most recent pullback was due to investor fear surrounding DIY competitors, however there is no traction to this. The stock is currently undervalued, with 1YR target returns over 35%. Alarm will continue to expand globally and foster strong relationships, through targeted marketing and awareness for their top of the line cloud security solutions.

Alarm.com Holdings, Inc.

(ALRM)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Al Capone

3/21/2018

Current Price:

\$37.99

Intrinsic Value

\$46.09

Target 1 year Return: 37.54%

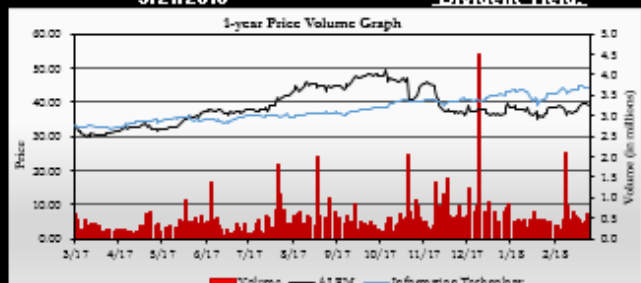
Dividend Yield:

0.0%

Target Price

\$52.25

Probability of Price Increase: 100%



Description	
Alarm.com Holdings, Inc. provider cloud-based software platform solutions for smart residential and commercial properties in the United States and internationally.	
General Information	
Sector	Information Technology
Industry	Internet Software and Services
Last Guidance	February 12, 2018
Next earnings date	May 9, 2018
Market Assumptions	
Estimated Equity Risk Premium	5.08%
Effective Tax rate	21%

Market Data	
Market Capitalization	\$1,837.72
Daily volume (mil)	0.40
Shares outstanding (mil)	47.21
Diluted shares outstanding (mil)	49.15
% shares held by institutions	109%
% shares held by investment managers	54%
% shares held by hedge funds	4%
% shares held by insiders	3.29%
Short interest	6.75%
Days to cover short interest	5.11
52-week high	\$49.49
52-week low	\$29.70
Volatility	0.00%

Quarter ending	
12/31/2016	9.19%
3/31/2017	6.91%
6/30/2017	6.55%
9/30/2017	9.25%
12/31/2017	6.59%
Mean	7.70%
Standard error	1.1%

Part Earning Surprises	
Revenue	13.76%
EBITDA	-8.67%
	12.06%
	-2.77%
	-4.59%
	1.96%
	5.0%

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--0	
Quality Ranking Description--0	
Short Score--2	
Market Signal Probability of Default % (Non-Rating)--0.279%	
Credit Model Score (Non-Rating)--bb-	

Management	
Trundle, Stephen	Chief Executive Officer, President and Director
Valenzuela, Steve	Chief Financial Officer
Kornier, Daniel	Chief Product Officer
Martin, Jean-Paul	Co-Founder and Chief Technology Officer
Slavin, Aliran	Co-Founder and Senior Vice President of Great
Gallinger, Allan	Principal Accounting Officer and Controller

Partitions	
Chief Executive Officer, President and Director	-22.7% per annum over 3y
Chief Financial Officer	0% per annum over 0y
Chief Product Officer	27.99% per annum over 2y
Co-Founder and Chief Technology Officer	-100% per annum over 1y
Co-Founder and Senior Vice President of Great	66.85% per annum over 1y
Principal Accounting Officer and Controller	

Industry and Segment Information	
LTM Revenue by Geographic Segment	United States--100%
LTM Revenue by Business Segment	Alarm.com--94%
	Other--7%
	Intersegment--1%
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Profitability	
Return on Capital (GAAP)	51.3%
Operating Margin	26%
Revenue/Capital (GAAP)	1.95
ROE (GAAP)	21.1%
Net margin	16.5%
Revenue/Book Value (GAAP)	1.28

ALRM Historical	
27.41%	
16.02%	
1.71	
19.9%	
13.2%	
1.51	

Peers' Median (LTM)	
27.89%	
5.68%	
4.91	
-25.3%	
4.3%	
-5.89	

Invested Funds	
Carh/Capital	22.3%
NWC/Capital	3.3%
Operating Assets/Capital	59.8%
Goodwill/Capital	14.7%

ALRM Historical	
37.6%	
6.2%	
44.6%	
11.6%	

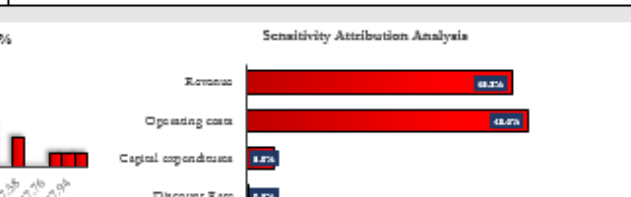
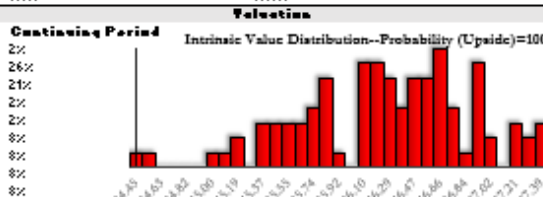
Peers' Median (LTM)	
56.2%	
-16.6%	
54.0%	
6.3%	

Capital Structure	
Total Debt/Market Capitalization	0.22
Cost of Debt	5.7%
CGFS Rating (F-rare, Z-rare, and default Probability: BBB	
WACC	11.1%

ALRM Historical	
0.10	
3.8%	
7.8%	

Peers' Median (LTM)	
0.21	
5.8%	
10.7%	

Forecast Assumptions	
Revenue Growth CAGR	8%
Average Operating Margin	25%
Average Net Margin	24%
Growth in Capital CAGR	12%
Growth in Claims CAGR	5%
Average Return on Capital	14%
Average Return on Equity	16%
Average Cost of Capital	8%
Average Cost of Equity	8%



January 2, 2018

Fresh Del Monte Produce Inc. (NYSE:FDP)

Eric Bjorklund

Sector: Food, Beverage and Tobacco

Industry: Consumer Staples

Current Price: \$47.85

Target Price: \$60.98

Fresh Del Monte Produce Inc. is one of the largest, most innovative, fresh fruit and vegetable producers worldwide. While specializing in bananas, it has seen gains in the pineapple, avocado, other fresh produce and prepared food segments.

BUY

Current Price: \$47.85

Target Price: \$60.98

Market Cap: 2.30B

Beta: .71

Other key Metrics/Ratios

Gross Margin 8.08

Operating Margin 3.83

ROA 4.46

ROE 6.79

Current Ratio 2.59



Thesis:

Fresh Del Monte Produce Inc. is a produce company that is coming off a globally rough year in the industry. With prices set to rebound, as well as future diversification of their product line, FDP stands to improve their margins substantially. This combined with a recent acquisition of Mann Packing will allow FDP to achieve synergies reflected in horizontal integration to match their heavily hedged and vertically integrated company.

Catalysts::

- Short Term (within the year): Global Banana Market Rebounding
- Mid Term (1-2 years): Mann Packing acquisition synergies coming to fruition
- Long Term (3+): Diversification of product line hedging against poor performance

Earnings Performance:

FDP has reported EPS (diluted) of \$2.44 in 2017 compared to \$4.74 in 2016. This is due in part to a stock buyback program the company has started. In 2017 Q4, 987,000 shares for \$45,750,000 were repurchased. Other reasons for the drop in EPS were lower profits due to a depressed banana market, a product in which FDP heavily relies on to produce good margins. 43% of their business revolves around the banana trade. Net sales were \$954mm in 2017 Q4 compared with \$955mm in 2016. Gross profit of \$51mm in 2017 Q4 and \$55mm in 2016 Q4 were achieved. There was a net loss of \$4mm in 2017 Q4 compared with net income of \$14mm in 2016 Q4. Historically, Q3 and Q4 produce the lowest amount of revenues due to smaller farms, particularly in North America growing competing products for relatively cheap, thus saturating the market with produce. Primary gains are made in Q1 and Q2, where crops can only be grown in the Latin American countries in which FDP has most of their production facilities. FDP is down 24% compared to 1 year ago, mainly due to macro effects, which makes it a cheap company, and the time to strike is now.



Business Strategy:

FDP has made it clear that its strategy consists of several synergistic entities. Leveraging their assets, diversifying their product mix, and investing in joint ventures all join together to paint a promising future for the company.

Leveraging Assets

FDP owns a lot of land, and leases much more. This allows them the flexibility to grow many different products to suit their needs and satisfy demand. This graphic taken from the 2017 annual report shows the breakdown of their productive land. While much of it is located in Central America, mainly Costa Rica, there is also significant production in many other regions. This hedges against a catastrophe wiping out all of their production.

Location	Acres Under Production		Products
	Acres Owned	Acres Leased	
Costa Rica	44,463	5,901	Bananas, Pineapples, Melons
Guatemala	9,131	4,917	Bananas, Melons
Brazil	2,402	—	Bananas, Other Crops
Chile	3,934	2,041	Non-Tropical Fruit
Kenya	—	11,488	Pineapples
Philippines	—	19,395	Bananas, Pineapples
Uruguay	4,169	—	Citrus
Nicaragua	—	—	Bananas, Pineapples
United States	4,223	4,067	Melons, Tomatoes and Other Crops

FDP also possesses a lot of logistical assets including refrigerated ships, trucks and containers, and distribution centers that cover much of the U.S., its largest market. Their plan is to improve the supply chain dynamic so that high margin products essentially “ride for free” thus driving down overall COGS. They plan to streamline the distribution centers for easy integration of new products especially with the recent acquisition of Mann Packing. Their sales capacity also allows them to reach a wider area for all of their products and will be used tactically in the coming years to target the most profitable customers.

Diversification

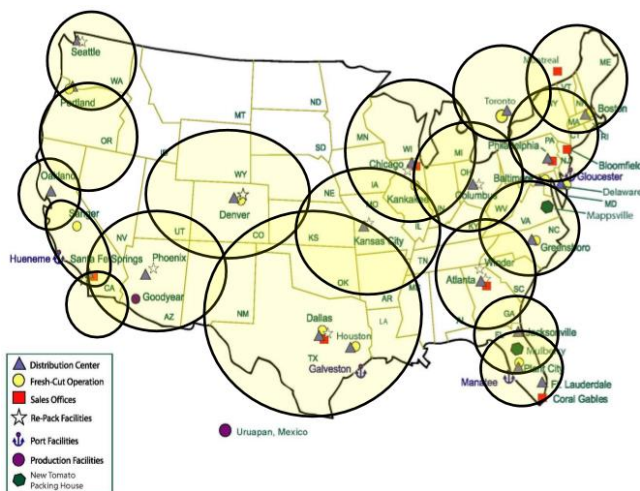
Currently 43% of FDP’s business relies on the banana trade. Management has realized this and recently began efforts to diversify the product mix. FDP is #3 in banana production worldwide, #1 in pineapples worldwide and the #1 producer of fruit in the USA. Part of their diversification initiative is to minimize exposure to a depressed banana market, much like what was seen in 2017. The 2017 banana market is viewed by experts as the bottom floor, so it will go up in the near future, but additional steps must be taken to minimize risk in the

future. This includes growing more pineapples, avocados and other high margin products that are in public favor at the moment. FDP also plans to diversify its global footprint by moving into new international markets. They plan to attack this channel with a fresh cut initiative, as opposed to a canned line in order to break into emerging markets.

Joint Ventures

FDP is in the process of investing in joint ventures with other companies to tap untapped markets. One of the main initiatives is small stands/stores that sell strictly FDP products. These are mainly located in airports, schools and hospitals to target the on the go, healthy shopper. The avocado and guacamole market is growing at a rate of 227% CAGR over the past 10 years. This opens up a market for FDP to capitalize on, being that they are a leading producer of Avocados in America. Other ventures FDP plans to advance on are chilled juice and refrigerated fruit.

Vertical Integration:



lines year round, while taking on extra capacity during seasonal high demand periods, mainly the first 2 quarters of the calendar year. This is effective in reducing ocean freight costs and mitigating exposure to the charter shipping market. Logistics is the second largest cost next to cost of products, so FDP pays close attention to every optimization they can implement. FDP ships its products to retail stores, foodservice operators, wholesalers and distributors in over 80 countries, so the complexity of logistics is made easier by the amount of control FDP maintains through their assets.

FDP prides itself on a highly vertically integrated operation. This enables them to control costs, increase efficiency, and preserve a fresh product for delivery. FDP owns 11 cargo ships and charter 7 for delivery all over the world. 4 of the ships are refrigerated and 3 ships with capacity for refrigerated containers. FDP operates a fleet of approx. 6,000 refrigerated containers, 98% of which are leased. 2 new ships are under contract to be delivered in 2020 which will expand their distribution capabilities. The mix of ownership and chartered shipping allows FDP to maintain shipping



Mann Packing Acquisition:

Mann Packing Co. was acquired in February 2018 for a price of \$361mm. Their annual sales were \$535mm in 2017. Due to the already established nature of this brand, we can expect to see benefits in time for the next earnings call on May 2, 2018. This acquisition has the potential to be accretive to FDP in that it is in line with every aspect of their strategy. Mann Packing specialized in prepackaged, on the go, healthy alternatives to snacking through vegetables. This also allows FDP to break into the vegetable market of the produce consumer, whereas in the past they have focused on fruit. Mann has a diverse customer base that ranges from every day consumers, to food service and distributor companies. This allows it to blend in line with FDP's current market and will make the transition smooth and non-disruptive. Their products are simple, but due to clever packaging and design, they are high margin. For example, they pre-tray vegetables with dips in order to appeal to on the go customers. This is simply to cost of packaging added onto the cost of vegetables and logistics, but they can charge a premium and no one will bat an eye. Mann's sales are primarily on the west coast and northern US, so FDP's dominance in southern territories will allow a larger reach for the products. Mann has a history of innovation, which will also help FDP to realign their products correctly to target the most profitable customer. Mann's fresh cut vegetables complement FDP's fresh cut fruit in a way that will allow them to immediately start reaping the rewards of the acquisition.



Segment Analysis:

Bananas <ul style="list-style-type: none"> 2017 Q4 sales are at \$421mm, down from 2016 Q4 \$431mm Due in part to lower sales in the Middle East and Asia Overall volume is down 6% Worldwide pricing is up 4% Worldwide Unit Cost up 2% Gross profit is \$15mm in 2017 Q4 compared to \$5mm in 2016 2017 was viewed as the bottom floor of banana pricing, it can only go up 	Avocados <ul style="list-style-type: none"> Sales are up \$8mm (13%) in 2017 Q4 Higher volume due to increased demand Volume increased 20% in Q4 Pricing is down 6%, unit cost down 3% 277% CAGR over past 10 years in U.S. avocado consumption
Pineapples <ul style="list-style-type: none"> Patent on extra sweet pineapples since the 90s Sales in 2017 Q4 up \$4mm Overall volume increased 7% Unit price down 4%, Cost down 2% 	Fresh Cut <ul style="list-style-type: none"> Sales up 6% 2017 Q4 Increase in volume and price 3% Unit price up 3% and cost up 9% Shift in production towards Fresh Cut in strategic plan
Non Tropical <ul style="list-style-type: none"> Sales down \$4m in 2017 Q4 Volume down 13% in Q4 Pricing up 6%, unit cost 5% 	Prepared Foods <ul style="list-style-type: none"> Mann synergies play into this segment Lower selling prices in industrial pineapple line decreased gross profit \$9mm in Q4

Other Fresh Produce <ul style="list-style-type: none"> Net sales up \$14mm compared to Q4 2016 Gross profit down \$7mm compared to Q4 2016 	Macro Costs <ul style="list-style-type: none"> Banana fruit cost increased 1% worldwide and represented 30% of total cost to sales Carton cost increased 11% and amounted to 4% of TC/Sales Bunker fuel cost/ton increased 25%, representing 2% of total costs Total Ocean Freight Cost was 7% lower Ocean freight represented 9% of total cost of sales in 2017 Q4
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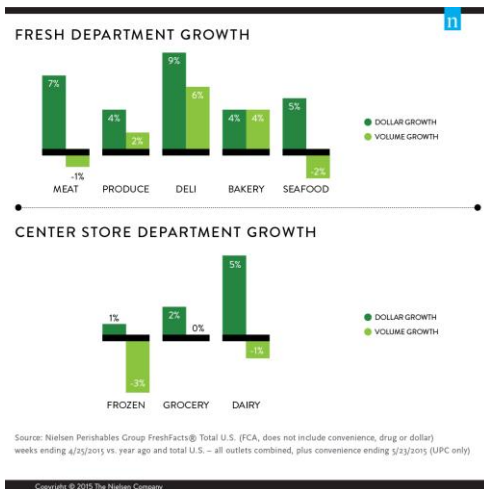
Customers:

Retailers	                    
Foodservice	     
Warehouse & Club Stores	      
Casual Dining & Quick Serve	           
Convenience Stores	       

Ownership:

Compare Current Stats Against 04/05/17		04/02/17	Curr ↓	Change	
Ownership Type					
11)	Investment Advisor	61.10	67.34	+6.24	<input checked="" type="checkbox"/>
12)	Individual	32.66	29.26	-3.40	<input type="checkbox"/>
13)	Hedge Fund Manager	3.53	1.21	-2.32	<input type="checkbox"/>
14)	Pension Fund	1.00	0.98	-0.02	<input type="checkbox"/>
15)	Sovereign Wealth Fund	0.94	0.46	-0.48	<input type="checkbox"/>
16)	Bank	0.04	0.24	+0.20	<input type="checkbox"/>
17)	Insurance Company	0.33	0.20	-0.13	<input type="checkbox"/>
18)	Other	0.09	0.13	+0.04	<input type="checkbox"/>
19)	Government	0.10	0.09	-0.01	<input type="checkbox"/>
20)	Brokerage	0.17	0.05	-0.12	<input type="checkbox"/>
21)	Unclassified	0.03	0.03	0.00	<input type="checkbox"/>

Fresh Healthy Foods in the U.S.



- Consistent shift to organic, fresh foods in U.S. purchasing
- Driven by Millennials
- 88% of people are willing to pay more for healthier foods
- Consumers want healthy, convenient, on the go products
- FDP is able to provide basic produce to companies, or process into their own unique product
- FDP has distribution centers covering most of the continental U.S.

Conclusion:

FDP can be expected to return much better margins by the May 2 earnings call. This coincides with a rebound of markets, specifically bananas, as well as the historically strong Q1 effect the company realizes every year. Currently, FDP is cheap due to some uncertainty of the market, but due to FDP's unique strategy, they are more than able to come back and prosper even if the banana market does not rebound. Their acquisition of Mann Packing allows them to diversify as well as innovate their products to meet an ever growing healthy, on-the-go consumer market. The similarity of the two companies will provide tangible synergies within the next quarter. Del Monte Fresh Produce has a strong balance sheet with a healthy cash flow in order to support growth. The management team is confident and adept at executing their strategic plan for the company. FDP maintains a solid market share of the produce industry in North America and other regions around the world, supported by their vertically integrated supply chain. This company is hedged against negative downturns in most of their dealings, and with the banana market at its floor, it can only recover and subsequently grow FDP's price. FDP is a strong buy at \$47.88 with plenty of upside in the near and distant future.

Fresh Del Monte Produce Inc. (FDP)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Eric Bjorklund
4/5/2018

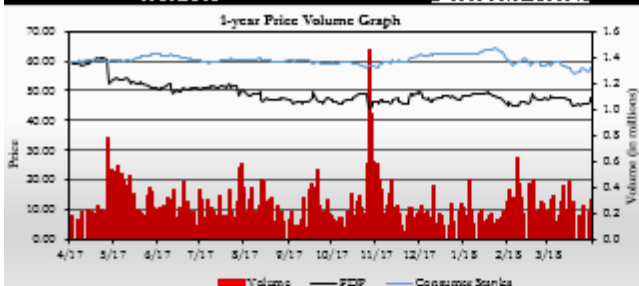
Current Price:
Divident Yield:

\$47.88
1.3%

Intrinsic Value
Target Price

\$56.31
\$60.98

Target 1 year Return: 28.61%
Probability of Price Increase: 100%



Description	
Fresh Del Monte Produce Inc., through its subsidiaries, producer, marketer, and distributor of fresh and fresh-cut fruits and vegetables worldwide.	
General Information	
Sector	Consumer Staples
Industry	Food Products
Last Guidance	February 12, 2018
Next earnings date	April 27, 2018
Market Assumptions	
Estimated Equity Risk Premium	5.83%
Effective Tax rate	24%

Market Data	
Market Capitalization	\$2,327.26
Daily volume (mil)	0.14
Shares outstanding (mil)	48.61
Diluted shares outstanding (mil)	50.59
% shares held by institutions	109%
% shares held by investment managers	60%
% shares held by hedge funds	1%
% shares held by insiders	38.57%
Short interest	4.51%
Days to cover short interest	9.08
52-week high	\$61.98
52-week low	\$43.02
Volatility	22.40%

Quarter ending	
12/30/2016	-0.02%
3/31/2017	-1.61%
6/30/2017	N/A
9/29/2017	N/A
12/29/2017	2.10%
Mean	0.49%
Standard error	0.8%

Part Earning Surprises	
Revenue	EBITDA
12/30/2016	11.96%
3/31/2017	-27.13%
6/30/2017	N/A
9/29/2017	N/A
12/29/2017	N/A
Mean	-7.59%
Standard error	VALUE!

Market and Credit Scores	
Recommendation (STARS) Value--0	Recommendation (STARS) Description--0
Quality Ranking Value--NR	Quality Ranking Description--Not Ranked
Short Score--1	Market Signal Probability of Default % (Non-Rating)--0.514%
Market Signal Probability of Default % (Non-Rating)--0.514%	Credit Model Score (Non-Rating)--bbb

Management	
Abu Ghazaleh, Mohammed	Chairman & CEO
Canter, Richard	Senior VP & Chief Financial Officer
Lazopoulos, Emanuel	Senior Vice President of North America Sales
Rice, Paul	Senior Vice President of North American Operations
Zakharin, Youssef	President & COO
Cannella, Christine	Assistant Vice President of Investor Relations

Paritina	
Chairman & CEO	10.54% per annum over 5y
Senior VP & Chief Financial Officer	8.11% per annum over 5y
Senior Vice President of North America Sales	9.42% per annum over 2y
Senior Vice President of North American Operations	-100% per annum over 4y
President & COO	
Assistant Vice President of Investor Relations	

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segment
North America--58%	Banana--43%
Europe--16%	Other Fresh Produce--49%
Middle East--13%	Prepared Food--8%
Asia--11%	
Other--1%	

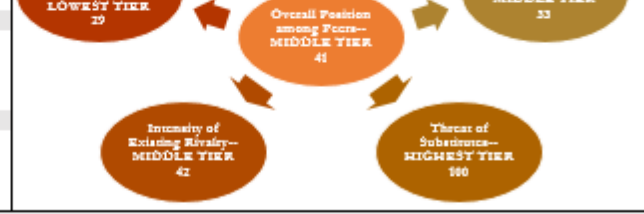
Profitability	
Return on Capital (GAAP)	5.0%
Operating Margin	4%
Revenue/Capital (GAAP)	1.26
ROE (GAAP)	5.6%
Net margin	2.5%
Revenue/Book Value (GAAP)	2.27

FDP (LTM)	
FDP Historical	Peers' Median (LTM)
5.47%	6.68%
4.34%	8.05%
1.26	0.83
6.9%	21.5%
3.0%	5.7%
2.29	3.80

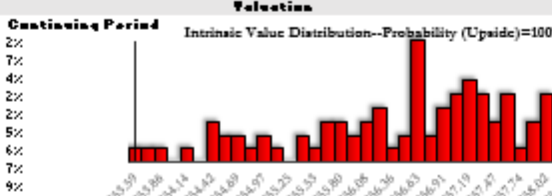
Peers	
Cannella Brand, Inc.	Total Produce plc
Campbell Soup Company	
The Hain Celestial Group, Inc.	
TreeHouse Foods, Inc.	
Dean Foods Company	

Invested Funds	
Carh/Capital	1.0%
NWC/Capital	23.7%
Operating Assets/Capital	65.2%
Goodwill/Capital	10.2%

FDP (LTM)	
FDP Historical	Peers' Median (LTM)
1.4%	4.3%
23.3%	9.2%
61.6%	56.4%
13.7%	30.2%



Capital Structure	
Total Debt/Market Capitalization	0.30
Cost of Debt	2.5%
CGFS Rating (F--score, 2--score, and default Probability)	BB
WACC	7.1%



Sensitivity Attribution Analysis	
Revenue	28.7%
Operating costs	18.0%
Capital expenditures	18.0%
Discount Rate	8.7%

Penumbra (PEN)

Theodore Wind

Sector: Healthcare
Industry: Medical Device
Current Price: \$119.95
Target Price: \$142.95

Penumbra designs, develops, manufactures, and markets medical devices. The company specializes in peripheral vascular and neurovascular devices for stroke victims and those diagnosed with other neurovascular diseases. Penumbra products are sold in the United States, Europe, Canada, Australia and Japan.



BUY

Current Price: \$119.95
Target Price: \$142.95
Market Cap: 4.04B
Beta: 1.24
Cash ROC/WACC: 1.09
WACC: 11.8%

Catalysts:

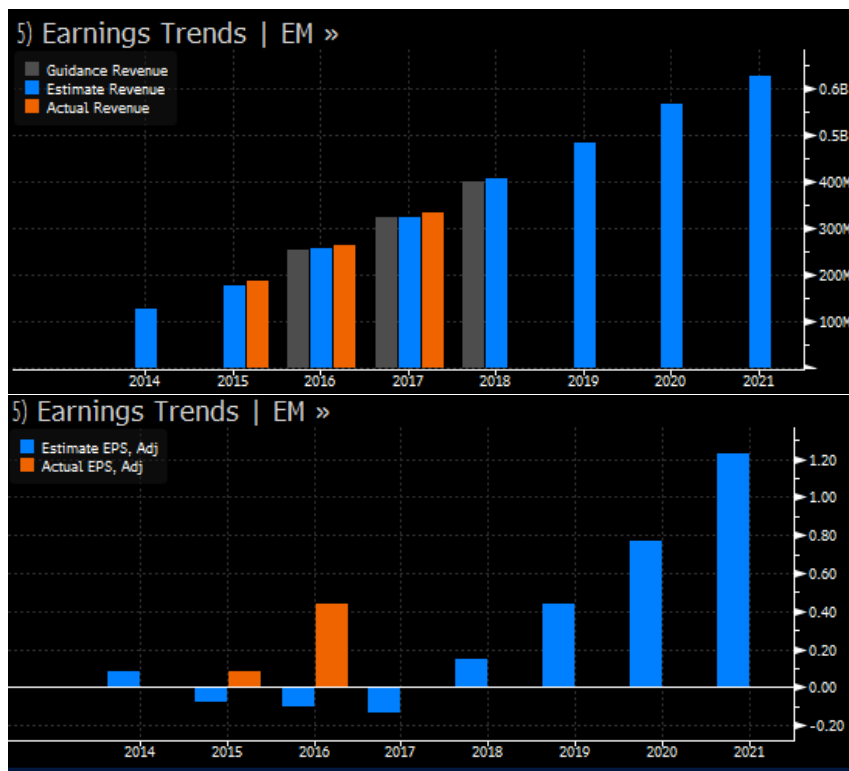
- Short Term(within the year): New aspiration system being released in 2018
- Mid Term(1-2 years): Continued R&D as well as more states continuing to adopt stroke legislation. Virtual Reality.
- Long Term(3+): Aging population as well as states continuing to pass legislation

Thesis: Penumbra is an innovative medical device company that is focused on improving the outcome of strokes by making the procedures faster and safer. They have had year over year revenue growth of 26.75% as well as growth into more markets such as Japan. Penumbra has also been able to improve their gross profit from 2016. Penumbra is on the cutting edge of stroke treatment and has continued to invest in R&D to stay ahead of the competition. They have a joint venture with MVI Health, a company using virtual reality to help clinical conditions. Penumbra also has a new aspiration system coming out in 2018 that investors are very excited about for this year. Penumbra is a buy because of the exciting growth prospects and ability to control costs as well as their proven success and reputation in the stroke treatment area.

Earnings Performance:

Penumbra is a company that is in its growth stage, and as a result, they are mostly concerned with revenue growth of the company. From 2015 to 2017 they have grown their revenue from \$186 million to \$333 million with 2018 guidance to increase their revenue to \$406 million. They have been very successful in the neuro and peripheral vascular segments. The neuro segment grew 25.3% from 2016 and the peripheral segment grew 30.3%. As you can see in the picture below, Penumbra has been able to outperform the market estimates as well as their own guidance in both full years since they went public in 2015. This shows that they are effectively able to market and sell their products as better than their competitors.

The second table shows the adjusted EPS estimates over the last 3 years since they went public. This graph is especially important for shareholders because of the positive EPS surprise. Estimates for the last two years and 2018 have them projecting negative earnings per share, however they have been able to return positive earnings to shareholders. In their conference call, they were asked if they plan to remain profitable for the foreseeable future, and management was adamant that they would be able to achieve profits while still increasing their R&D to continue producing the best and most effective products.

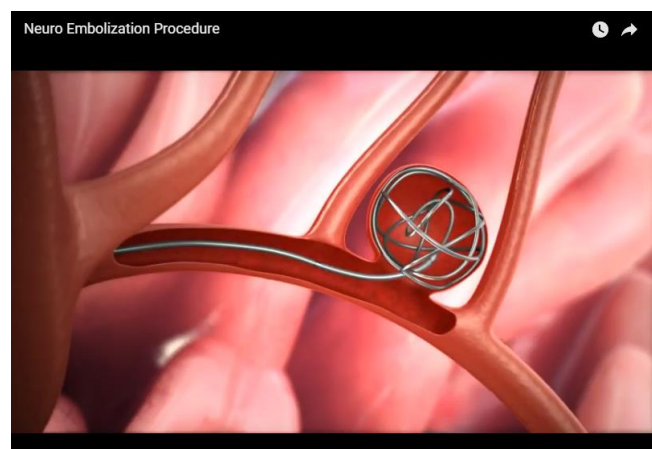
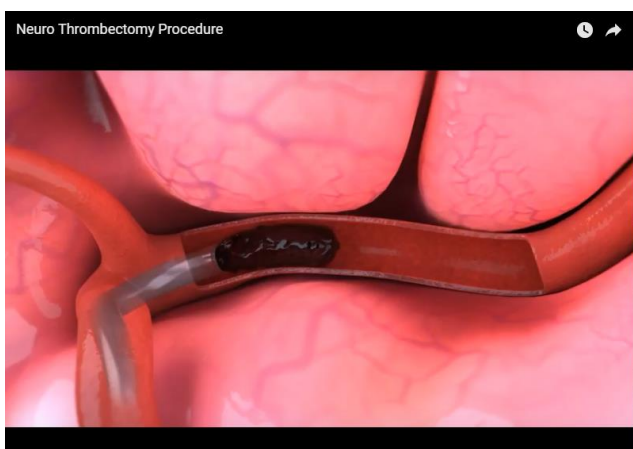


Products:

Penumbra operates in basically two segments of the medical field. The first is neurovascular devices. The Penumbra system has been FDA approved since December 2007 when they first received their 501(k). Their family of neuro products consists of many products. A few of the most popular include the ACE Family, 3D Revascularization Device, Max Family, and the Velocity products. The Max Family and Velocity products are simply catheters that deliver their aspiration devices to the neuro area. The 3D Revascularization Device is a technologically advanced structure designed to capture as much of the blood clot as possible to successfully treat large vessel occlusion. This is the removal of the blood clot from a large blood vessel near the brain. The ACE Family of products is the newest and most effective family of products by Penumbra. It is used for the revascularization of patients with acute ischemic stroke secondary to large vessel occlusion disease. This is Penumbra's most powerful and trackable. It is designed to navigate tortuous vessels to facilitate removal of a clot quickly and reliably. Penumbra specializes in removal of blood clots by aspiration. This is the total removal of the blood clot from the body as opposed to other techniques where a balloon is used to push the blood clot and break it, or using blood thinners. Studies have shown that the total removal is more effective and safer for the patients. The picture below on the left will help to visualize the products.

Penumbra's second segment of products is their peripheral segment. This segment is their family of products that remove blood clots in other parts of the body. This is especially important because while the blood clot is still problematic in other areas of the body causing lack of blood flow it is much better than having the clot reach the brain causing a stroke. Therefore, these products need to remove the entire clot to ensure it does not remain in the body. For the peripheral division they have two products the Indigo System CAT and the Indigo System Separator. These are their two main products that remove clots from the other parts of the body. These products offer physicians the options to decide the size of the catheter they want to use depending on the size of the blood vessel impacted. This also is an aspiration system that works similar to the neuro systems however these products are designed to be able to reach more parts of the body with often smaller blood vessels.

They also offer products to help patients recover from aneurysms. However this a smaller segment of the business. These products look like a wire that they can use to fill in the cavity that caused the aneurysm. A picture below on the right is provided to get a better idea of what their product looks like in the body.



Growth:

Penumbra is constantly trying to push the boundaries of medical devices and this led them to a recent joint venture announcement. On January 4, 2018 Penumbra announced that they would be engaging in a joint venture with MVI Health for the purpose of bringing virtual reality technology, provided by Sixense Enterprises, to the healthcare field to explore potential applications. The CEO of Sixense, Amir Rubin, was very excited about the joint venture saying “We have long believed in the tremendous potential of immersive, full-presence virtual reality to help improve lives through better healthcare and Penumbra is the perfect partner for us to collaborate with in this vision, We believe that by combining our unique immersive computing platform with Penumbra’s innovative approach to development and commercialization of medical products, MVI Health can establish itself as a leading digital health platform.”

The second thing investors were excited about in the quarter four conference call was the expected release of a new complete aspiration system in 2018. This is something that investors were not necessarily expecting to be announced this early. This shows that Penumbra is still able to push out new products and their increased investment in R&D has paid off. This new aspiration system will be on the cutting edge and allow for faster and more effective clot removal.

As far as segment growth in the quarter four conference call the CFO, Sri Kosaraju, stated that he expects the same quantity of neuro patient growth over the next year as in 2017. They had a 5000 patient increase in 2017 which led to a little over a 20% growth, and that same 5000 patient growth would lead to a 2018 growth rate of a little under 20%. They do not believe this is a negative sign because a constant year over year 20% growth rate is unattainable in any business. On the peripheral side it is a similar story. From 2016 to 2017 they saw growth in the high twenties, approaching 30%. They reached revenues on this side of over \$100 million and the CEO still believes they is more market share that can be had however he doesn’t expect the same 30% growth rate.

State legislation on primary care stroke centers is also essential to the growth of Penumbra. As of right now according to the conference calls only about half of the states in the United States have fully equipped stroke primary care centers. This is extremely concerning because stroke victims need to be treated as fast as possible restore oxygen to the brain, so it is only a matter of time until state’s pass legislation on the matter. This will facilitate long-term growth for Penumbra because they will supply these states with their equipment.

Another long term potential for growth comes from the aging population as strokes are more likely in people over the age of sixty. With the baby boomers starting to reach that age the potential for an increase in stroke victims also increases.

Competitors:

Below shows the list of competitors in the medical device industry, however not all of these are direct competitors with Penumbra because they make different devices. I tried to look at the device companies with the most comparable market caps. Penumbra is very focused on revenue growth at this point in its life cycle therefore; I looked at year over year revenue growth for my first metric. Penumbra was right at the median however, I believe this is a little misleading due to the fact that one competitor had a 240% growth and another had 43%. I believe that Penumbra has been able to generate a revenue growth that can be nearly repeated in 2018 based on their own recent estimates.

The second metric I looked at was the gross margins. Penumbra was once again about at the median, at 65% as compared to the median at 67%. I believe this is a good sign for Penumbra because even though they are not focused on improving their margins right now, they will need to in the future, and being around the median to start is a positive sign for the company.

Name	Ticker	Mkt Cap	Rev - 1 Yr Gr:Y	GM:Y
Median		4.15B	26.75%	67.05%
100) PENUMBRA INC	PEN US	4.15B	26.75%	65.06%
101) MASIMO CORP	MASI US	4.39B	14.90%	67.05%
102) GLOBUS MEDICAL INC - A	GMED US	4.83B	12.76%	76.62%
103) ICU MEDICAL INC	ICUI US	5.15B	240.72%	38.09%
104) NUVASIVE INC	NUVA US	2.80B	7.01%	73.87%
105) FOUNDATION MEDICINE I...	FMI US	2.66B	30.84%	44.23%
106) NEVRO CORP	NVRO US	2.61B	42.96%	69.70%

Short Interest/Ownership:

The ownership type is interesting for Penumbra, but I believe it can be explained with the help of the short interest graph. The first thing I notice is the fact that hedge fund managers are decreasing their position in the company. However, we do not know if this is a short or long position. When looking at the short interest graph below, however I would guess that the hedge fund managers are getting out of short positions because the short interest peaked about a year ago and is now

Top Ownership Type (%)				
54) Ownership Type	03/26/17	Curr	Change	
41) Investment Advisor	69.87	83.20	+13.33	↗
42) Individual	21.19	9.44	-11.75	↘
43) Hedge Fund Manager	7.69	5.41	-2.28	↘
44) Sovereign Wealth Fund		0.57		↗
45) Pension Fund	0.64	0.54	-0.10	↘
46) Insurance Company	0.17	0.34	+0.17	↗
47) Government	0.17	0.21	+0.04	↗
48) Bank	0.10	0.19	+0.09	↗
49) Brokerage	0.16	0.07	-0.09	↘

currently decreasing again. The other thing that I notice is the fact that investment advisors are increasing their positions a great deal in Penumbra. This is very positive because it is an over 13% increase and they can only invest long for their portfolios. Therefore, this proves that investors believe that Penumbra is a buy right now for a long term play. I believe this ownership table proves investors like Penumbra's prospects as a buy.



The above graph shows the short interest in Penumbra over the past 12 months. When we look at this graph we can see that Penumbra had a short interest of 33 in July of last year. This is very high and would be very concerning if they were still around those high figures. Currently they are down to around 8, and for the first time we can see the divergence from the price which is a good sign. When the price is increasing and the short interest is decreasing it means that investors do not believe the stock is being overvalued as it continues to climb. I believe the short interest was so high because they had only been public for two years at the time and medical device companies can be difficult investments, however I believe they have proven they are a solid company with products that are beneficial to their users. They are continue to look for ways to advance their company to keep up with the technology as can be seen with their recent joint venture with MVI Health and Sixense.

Conclusion:

In conclusion, I believe that Penumbra is a buy because of the devices they offer and the growth opportunities associated with the company. Their products are on the cutting edge for medical technology and they are investing heavily in R&D, which is a positive sign. They have also proven to be successful and timely with introducing new products. They have a completely new aspiration device coming in 2018 that investors are extremely excited about. They have also partnered with MVI Health and Sixense to bring virtual reality to the medical device field to look for potential applications. This should also be extremely exciting for investors as Penumbra is showing they are embracing and planning for the future of the medical device market and not sticking to what they know because it is the “safer” option. Penumbra has also been able to grow revenue over 20% year over year and looks to continue to do the same in 2018. They have been able to return positive earnings per share to shareholders, when estimates had them returning negative EPS. Finally, Penumbra has seen a large decrease in their short interest over the last year which is a very positive sign that investors are embracing the company and believe it is not overvalued in the market. I believe Penumbra is a buy now with all the potential for growth that is currently posses as well as being a financially smart company, shown by returning positive profits against analyst estimations.

Penumbra, Inc. (pen)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Al Capone
4/6/2018

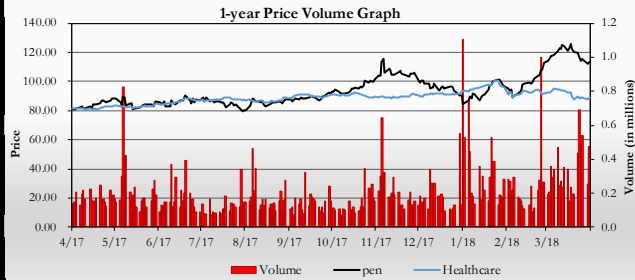
Current Price:
Dividend Yield:

\$118.40
0.0%

Intrinsic Value
Target Price:

\$39.64
\$142.95

Target 1 year Return: 20.74%
Probability of Price Increase: 0%



Description	
Penumbra, Inc. designs, develops, manufactures, and markets medical devices in the United States, Europe, Canada, Australia, Japan, and internationally.	
General Information	
Sector	Healthcare
Industry	Healthcare Equipment and Supplies
Last Guidance	February 12, 2018
Next earnings date	May 8, 2018
Market Assumptions	
Estimated Equity Risk Premium	5.33%
Effective Tax rate	22%

Market Data	
Market Capitalization	\$4,041.11
Daily volume (mil)	0.40
Shares outstanding (mil)	34.13
Diluted shares outstanding (mil)	35.32
% shares held by institutions	109%
% shares held by investments Managers	66%
% shares held by hedge funds	7%
% shares held by insiders	10.35%
Short interest	7.39%
Days to cover short interest	8.44
52 week high	\$127.40
52-week low	\$77.75
Volatility	0.00%

Past Earning Surprises		
Quarter ending	Revenue	EBITDA
12/31/2016	8.63%	-13.69%
3/31/2017	3.26%	N/A
6/30/2017	5.93%	32.28%
9/30/2017	6.36%	20.43%
12/31/2017	9.40%	43.83%
Mean	6.72%	20.71%
Standard error	1.1%	#VALUE!

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--0	
Quality Ranking Description--0	
Short Score--2	
Market Signal Probability of Default % (Non-Ratings)	--
CreditModel Score (Non-Ratings)--N/A	

Industry and Segment Information	
LTN Revenues by Geographic Segments	LTN Revenues by Business Segments
United States--66%	Design, Development, Manufacturing and Marketing of Innovative Medical I
Japan--10%	--
Other International--24%	--
--	--
--	--
Peers	
Nevro Corp.	Boston Scientific Corporation
Cardiovascular Systems, Inc.	AngioDynamics, Inc.
AtriCure, Inc.	ABIOMED, Inc.
Edwards Lifesciences Corporation	Endologix, Inc.
CryoLife, Inc.	Stryker Corporation

Management	Position
Elssesser, Adam	Co Founder, Chairman, Chief Executive Officer a
Bose, Arani	Co-Founder, Chief Innovator and Director
Kosaraju, Sridhar	Chief Financial Officer and Head of Strategy
Rothman, Lynn	Chief Business Officer and Executive Vice Presi
Davis, Daniel	Chief Commercial Officer & President of North A
Powers, Ryan	Vice President of Operations

Total Compensation Growth	Stock Price Growth During Tenure
-8.75% per annum over 4y	18.57% per annum over 1y
-61.91% per annum over 3y	
-7.47% per annum over 4y	
37.32% per annum over 4y	

Profitability	pen (LTM)	pen Historical
Return on Capital (GAAP)	14.6%	86.72%
Operating Margin	10%	11.65%
Revenue/Capital (GAAP)	1.43	7.44
ROE (GAAP)	4.6%	105.6%
Net margin	4.2%	10.4%
Revenue/Book Value (GAAP)	1.10	10.20

Peers' Median (LTM)
9.14%
10.69%
0.86
8.9%
9.2%
0.97

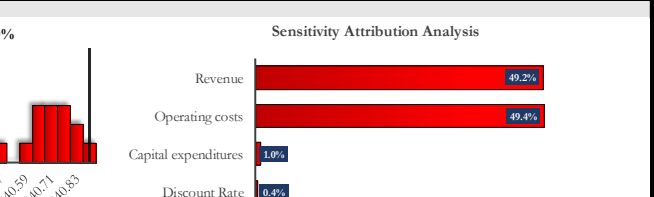
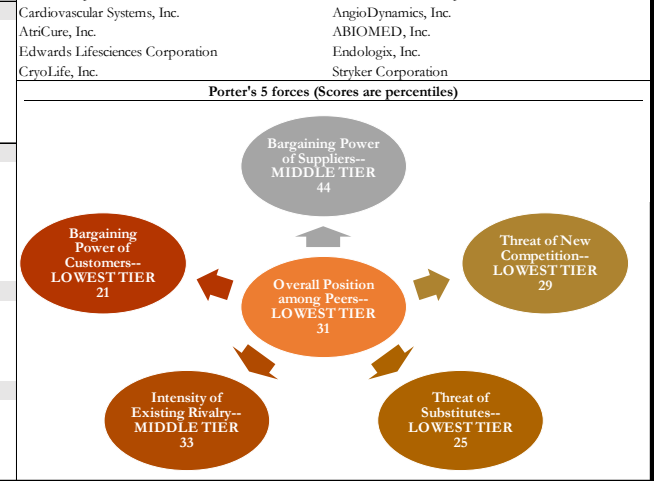
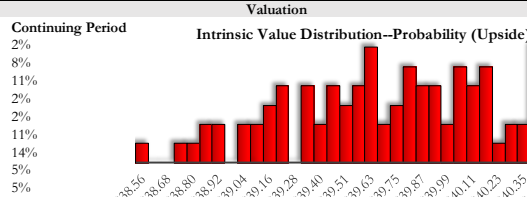
Invested Funds	pen (LTM)	pen Historical
Cash/Capital	34.9%	160.9%
NWC/Capital	23.7%	30.8%
Operating Assets/Capital	39.6%	-91.6%
Goodwill/Capital	1.7%	0.0%

Peers' Median (LTM)
23.9%
8.6%
40.5%
27.0%

Capital Structure	pen (LTM)	pen Historical
Total Debt/Market Capitalization	0.05	0.06
Cost of Debt	3.7%	3.7%
CGFS Rating (F-score, Z-score, and default Probability)	AA	
WACC	5.2%	9.0%

Peers' Median (LTM)
0.29
4.8%
9.3%

Forecast Assumptions	Explicit Period (12 years)	Continuing Period
Revenue Growth CAGR	18%	2%
Average Operating Margin	8%	8%
Average Net Margin	11%	11%
Growth in Capital CAGR	14%	2%
Growth in Claims CAGR	19%	2%
Average Return on Capital	12%	11%
Average Return on Equity	14%	14%
Average Cost of Capital	5%	5%
Average Cost of EquityKe	5%	5%



April 6, 2018

GoDaddy Inc. : GDDY

Zachary DeLeonardo

Sector: Information Technology

Industry: Internet Based Services

Current Price: \$59.86

Target Price: \$73.52

GoDaddy Inc. is an internet solutions and services company that provides domain names, online presence management, social media management, online marketing, online business management with a partnership with Microsoft Suite, and website security. The company is best in class as a domain registrar with live auctions and domain brokers. GoDaddy's goal is to provide customers with wholesome website management to increase customer's online presence.



BUY

Current Price: \$59.86

Target Price: \$73.52

Market Cap: 10.2B

Debt Rating: b+

WACC: 10.5%

ROIC: 4.22%

Catalysts:

- Recent acquisition of Main Street Hub to expand customer base and add to their suite of online solutions
- Close out of previous acquisition in August of 2017, pushing their international presence specifically in Europe

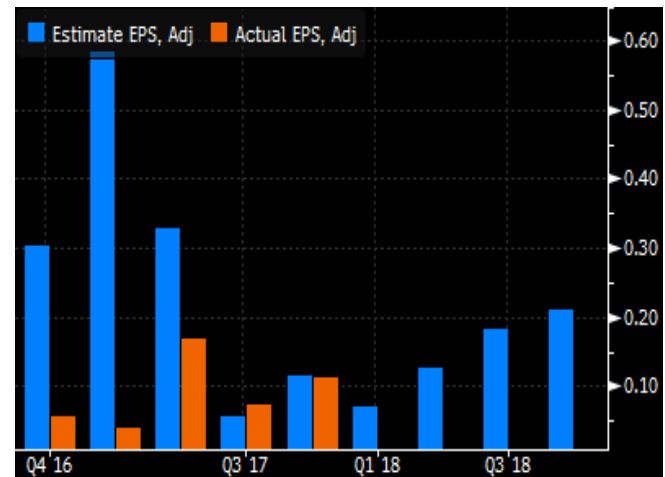
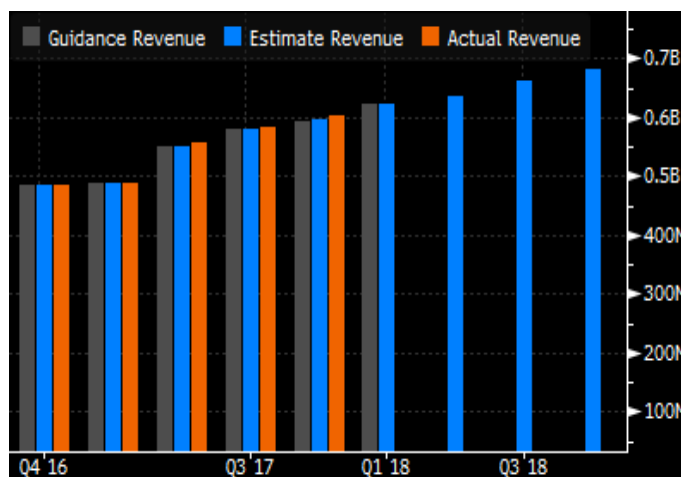
Thesis:

GoDaddy is the world's number one domain registrar with over 17 million customers and growing. They have consistently driven revenue since their first pricing date in April of 2015 through strategic and aggressive acquisitions coupled with proper management of costs to drive margins. Revenue growth YoY for 2015, 2016, and 2017 were 15.9%, 15.0%, and 20.8%, respectively. This history of strong revenue growth bodes well for future growth potential as long as they're conscious of their SG&A spend, with cost of goods being extremely low (~34.7% of revenue).

Earnings:

GoDaddy was first priced in Q2 of 2015 with data only back to Q4 of 2016. In terms of revenue, GoDaddy has matched the guidance and analyst estimates up until Q2 of 2017, where the company started to outperform both guidance and analyst estimates slightly. The company reported 27.1% YoY growth in revenue for Q4 with full year YoY growth of 20.8%. The company is highly sensitive to shifts in revenue, with low cost of goods sold and the bulk of their costs in operating expenses. To combat this, GoDaddy focuses on an intense marketing strategy to build on top of their already 17M strong customer base. The marketing spend is directed on new customer acquisition since GoDaddy customers create a lifetime value of ~10 times the cost to acquire them (Q4 2017 Earnings Call). Investment into international markets such as Asia, India, and Europe are also contributing to strong revenue growth; international revenue grew 53% YoY for Q4. The 2016 acquisition of Host Europe Group (HEG) was closed out in August of 2017. HEG is the largest web service provider in Europe and was acquired for \$1.79B, 35% paid to shareholders and the remaining 65% in net debt. This acquisition will be discussed in greater detail later on, but is noteworthy in terms of a revenue driver for the company's international presence – U.S. makes up 67.4% while international accounts for the remaining 32.6%, up from 26.9% in 2016.

In terms of adjusted EPS, analyst estimates were completely misguided for the company's first full year on the market. Starting in Q3 of 2017, estimates started to become more realistic as the company settled into the NYSE; also in Q3 2017 actuals outperformed the estimates and matched the estimates in Q4 2017. Forward



looking, estimates start to ramp up favorably since the company is now highly correlated to their adjusted EPS estimates with a minor dip in Q1 for 2018.

Products:

GoDaddy products are a slew of internet solutions for companies of all sizes. Their main product is domains, where they sell domain names and hold an online marketplace for them where future customers can auction for desired names. Along with auctioning new domain names, they also provide services to transfer previously held domains, provide domain extensions (to reach other markets such as adding to a .com a .net), and a domain value appraisal where domain names can be valued for resale.

Trust us with all the details.

GoDaddy didn't get to be the world's largest registrar by accident. We can handle all your domain needs.



Transfer your domains to us

Simplify your life – transfer all your domains to GoDaddy. A few steps is all it takes and help is available 24/7.

[Learn More](#)



Buy domains in bulk

Search for as many as 500 domains – and dozens of domain extensions like .com, .net and .org -- at one time with our bulk search tool.

[Learn More](#)



Get the one you really want

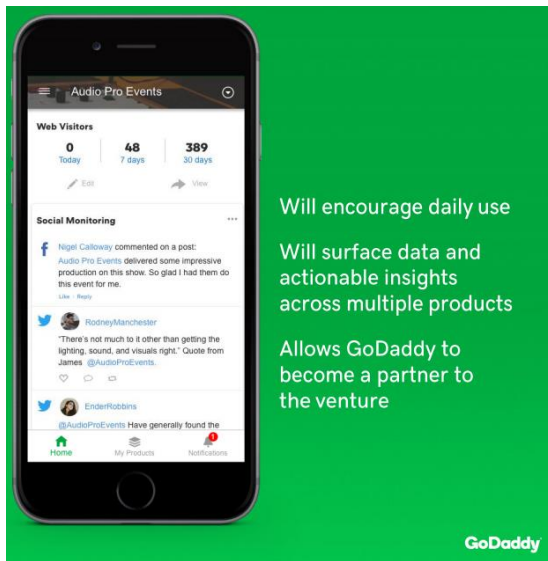
If your perfect domain is already registered to someone else, a GoDaddy broker can help get it for you.

[Learn More](#)

After a domain is acquired, GoDaddy also does website building and designing. With their massive customer base, they have past templates to choose from along with premium templates for sale. They're also partnered with WordPress, the leading online blogging software for blog designs and functionality. If templates don't suffice, usually for larger companies, web design experts can be hired from GoDaddy or sourced locally to completely customize a website.

To power these websites, the company provides web hosting in three different forms. The first is shared web hosting, where the website is a part of a shared server and targeted for smaller companies or websites that don't handle too much traffic. The second is a slightly less shared server called Virtual Private Server (VPS) that adds more power and flexibility. Lastly is a dedicated server, the most expensive option that holds your website alone; this is directed at larger companies that handle a high volume of traffic.

Promotional tools for online marketing serve to put out local business listings, search engine visibility, email marketing, and social media engagement. With a recent acquisition of Main Street Hub that is expected to close out in late Q2 of 2018, GoDaddy will increase their social media management with active employees assigned to companies, providing full social media management for a company.



Will encourage daily use

Will surface data and actionable insights across multiple products

Allows GoDaddy to become a partner to the venture

GoDaddy is also partnered with Microsoft, to allow online use of the full Microsoft suite which is paid for per user a month. This product is priceless to companies due to its ability to provide professional email access, cloud storage for data, and with advanced packages, archiving and encryption.

To protect these products, GoDaddy offers web security to combat against viruses and hackers through SSL certificates to boost a site's Google rank and McAfee Secure Trustmark (online web security rating tools).

These products can be easily managed and monitored via a mobile app. This app allows customers to look at how many hits their site is getting, what's going on with their social media presence, and manage their products listed on the website.

Competitors:

GoDaddy is best in class when it comes to internet based solutions. In terms of revenue growth, GoDaddy outperforms its' competitors median by about 1.77% while growing their EBITDA by 35.06% in the last year while the peers median sits at 14.76%. Strong growth in EBITDA can be attributed to their heavily increasing revenue from \$1.8B in 2016 to \$2.2B in 2017 while maintaining low cost of goods resulting in a ~\$30M increase in operating income from 2016 to 2017. As a result, GoDaddy is able to stay ahead of the median in terms of revenue growth along with heavily beating the EBITDA growth percentage for the year.

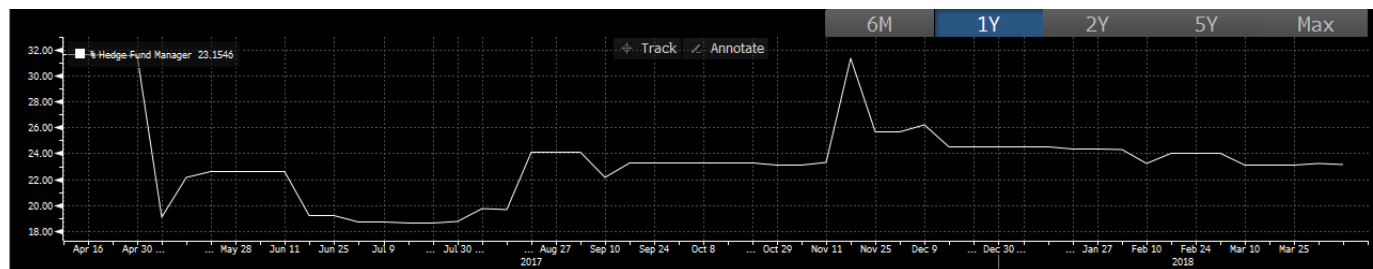
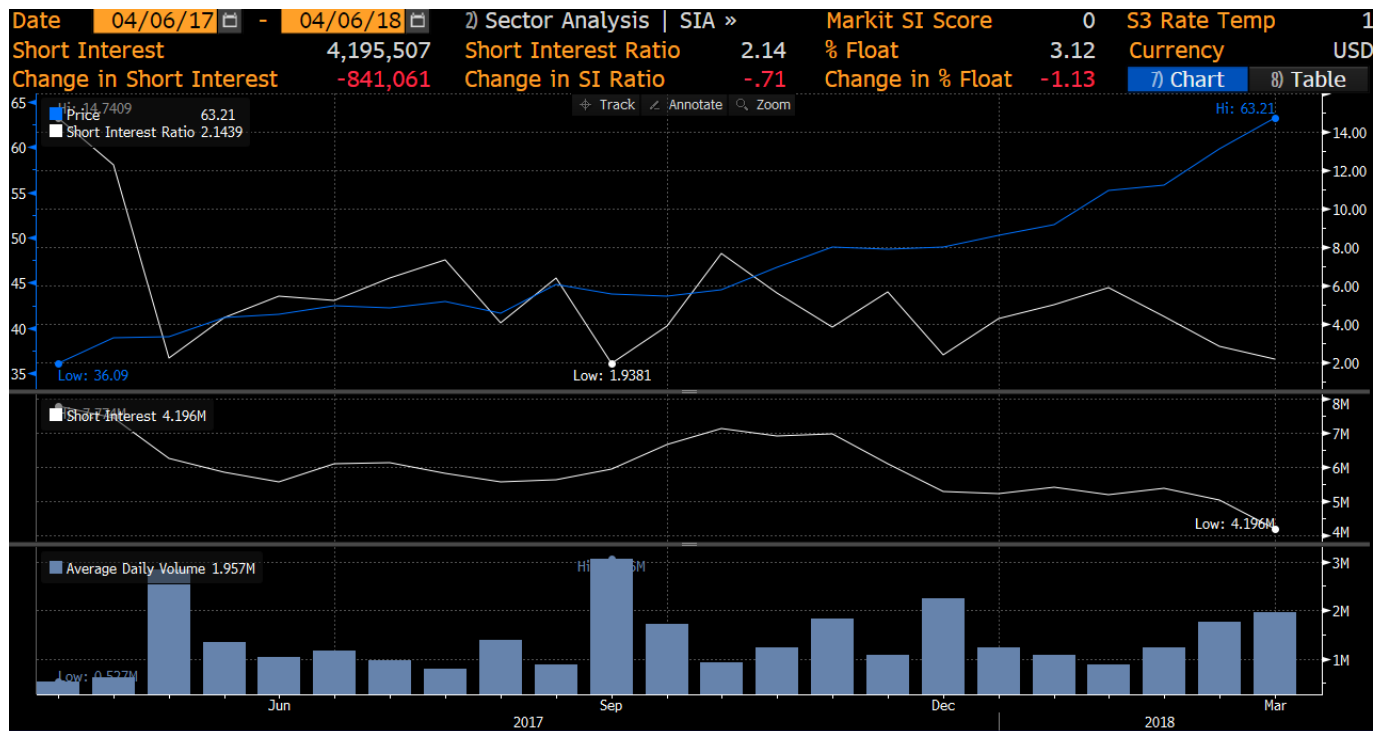
GoDaddy uses Danica Patrick as the face of their marketing campaigns, something the competition has yet to do at the level that GoDaddy does. She's in their commercials and all over their website, branding GoDaddy to Danica Patrick so when you think about one, you think about the other.

Name	Sales Growth (%)	EBITDA Growth (%)	T12M EBITDA Mrgn:Q	ROIC/WACC Ratio	Return on
Median	19.01%	14.76%	15.48%	0.43	8.08%
100) GODADDY INC - CLASS A	20.78%	35.06%	13.43%	0.43	11.13%
101) VERISIGN INC	2.01%	0.33%	64.13%	4.62	--
102) GRUBHUB INC	38.46%	25.65%	22.27%	0.63	6.76%
103) ZILLOW GROUP INC - A	27.19%	83.99%	11.93%	-0.22	0.17%
104) MATCH GROUP INC	19.01%	13.91%	30.05%	1.77	87.35%
105) TRIPADVISOR INC	5.14%	-11.65%	15.10%	0.12	3.73%
106) EXPEDIA GROUP INC	14.66%	14.76%	15.48%	0.37	9.40%

Ownership/SI:

The short interest for GoDaddy is highly favorable. The short interest ratio is currently at 2.14 after a steady decrease in the about the last month. The divergence of the increasing price to short interest ratio displays confidence in GoDaddy's ability to create value in the future. Days to cover is currently 2.1 and averages very high volume at 1.957M. In terms of ownership, the second graph is a one year historical chart of hedge fund manager's percentage of ownership. It's been relatively constant in 2018 due to the continued growth in price

which hedge managers are riding out. Overall, with low short interest and steady hedge fund involvement, its evident GoDaddy will create value in the future.



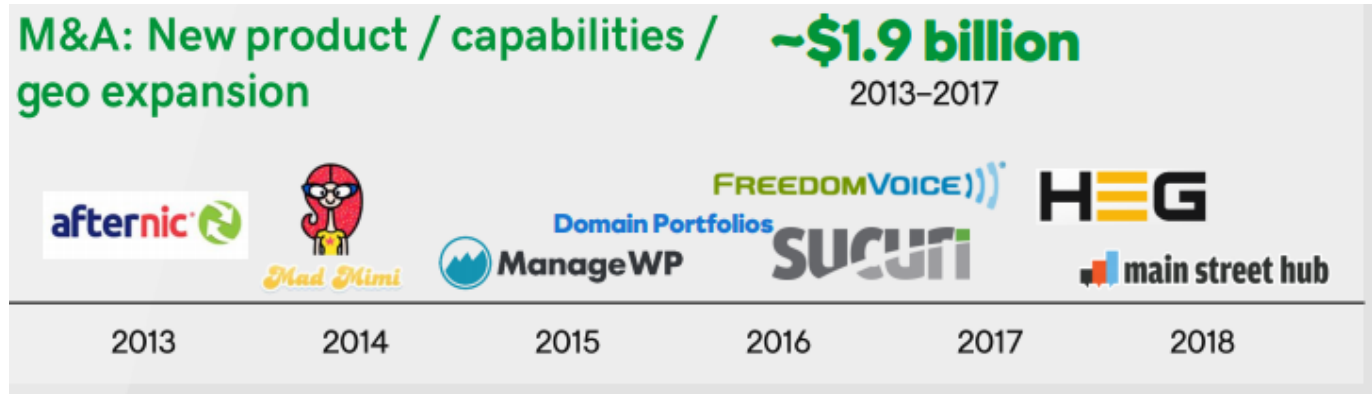
M&A:

GoDaddy has an aggressive M&A strategy as illustrated on the timeline below of their acquisitions over the last 5 years. The two most notable acquisitions are their most recent of Host Europe Group and Main Street Hub. HEG is Europe's largest web service provider as mentioned previously. This acquisition is geographically centered since GoDaddy has expanded their international business to 56 global markets in the last four years. The purchase price was reportedly for 11 times HEG's 2016 adjusted EBITDA including anticipated annual synergies (GoDaddy Press Release). This strategic acquisition is not only for international expansion purposes but also due to the parallel strategic alignment of the companies. HEG customers will now be aware of the various solutions offered by GoDaddy and vice versa.

The most recent acquisition of Main Street Hub is estimated to close late in Q2 2018. Main Street Hub will add to GoDaddy's social media solutions and specifically hands free management of a customer's social media accounts. Main Street Hub includes branding experts and workflow technology to actively maintain

accounts (Q4 2017 Earnings Call). The transaction is for \$125M in cash plus up to \$50M in potential future earn outs, with no EBITDA multiple disclosed (TechCrunch Article).

GoDaddy's acquisition strategy sets them apart from their peers. Acquiring companies that are so correlated to GoDaddy's technology stack along with business strategy allows smooth integration of new solutions and continually provides existing and prospective customers with everything they need online.



Conclusion:

GoDaddy Inc. is a buy at its current price of \$59.86. The company is pushing their presence globally and driving strong revenue growth through strategic acquisitions that will not only add to their 17M customer base but provide their wholesome approach to internet solutions with new product lines. With an extremely low cost of goods, GoDaddy is able to spend more on their unique marketing campaigns, such as Danica Patrick and their controversial commercials that viewers don't forget. GoDaddy is best in class because they do everything a customer may need in terms of online presence through their aforementioned array of solutions from domain names to web design to social media management.

GoDaddy Inc. (GDDY)

CENTER FOR GLOBAL FINANCIAL STUDIES

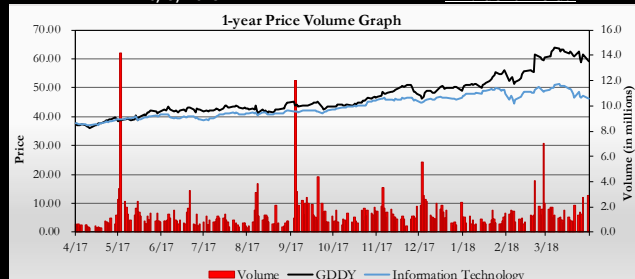
BULLISH

Analysis by Zachary DeLeonardo
4/6/2018

Current Price: **\$59.25**
Dividend Yield: **0.0%**

Intrinsic Value
Target Price: **\$60.64**
\$73.52

Target 1 year Return: 24.08%
Probability of Price Increase: 89.67%



Description
GoDaddy Inc. designs and develops cloud-based technology products for small businesses, Web design professionals, and individuals in the United States and internationally.

General Information
Sector: Information Technology
Industry: Internet Software and Services
Last Guidance: February 12, 2018
Next earnings date: May 7, 2018

Market Assumptions
Estimated Equity Risk Premium: 5.33%
Effective Tax rate: 22%

Market Data	
Market Capitalization	\$8,695.28
Daily volume (mil)	1.45
Shares outstanding (mil)	146.76
Diluted shares outstanding (mil)	177.05
% shares held by institutions	109%
% shares held by investments Managers	52%
% shares held by hedge funds	25%
% shares held by insiders	0.18%
Short interest	2.86%
Days to cover short interest	3.02
52 week high	\$64.49
52-week low	\$36.02
Volatility	0.00%

Past Earning Surprises		
Quarter ending	Revenue	EBITDA
12/31/2016	0.14%	-34.28%
3/31/2017	0.35%	-66.95%
6/30/2017	1.14%	-50.95%
9/30/2017	0.45%	-100.00%
12/31/2017	1.27%	-25.90%
Mean	0.67%	-55.61%
Standard error	1.0%	2.5%

Management	Position	Total Compensations Growth
Wagner, Scott	Chief Executive Officer	-48.18% per annum over 3y
Parsons, Robert	Founder & Non-Employee Director	-12.94% per annum over 3y
Winborne, Raymond	Chief Financial Officer	
Kelly, Nima	Executive VP & General Counsel	0% per annum over 0y
Rechterman, Barbara	Chief Marketing Officer	0% per annum over 0y
Carroll, James	Executive Vice President of Global Platform Dev	10.18% per annum over 3y

Profitability	GDDY (LTM)	GDDY Historical	Peers' Median (LTM)
Return on Capital (GAAP)	9.6%	-1.25%	64.20%
Operating Margin	10%	-5.88%	24.12%
Revenue/Capital (GAAP)	0.92	0.21	2.66
ROE (GAAP)	14.9%	2.1%	15.0%
Net margin	8.2%	1.5%	23.3%
Revenue/Book Value (GAAP)	1.82	1.36	0.64

Invested Funds	GDDY (LTM)	GDDY Historical	Peers' Median (LTM)
Cash/Capital	14.6%	8.0%	62.5%
NWC/Capital	-27.7%	-18.0%	-26.2%
Operating Assets/Capital	42.1%	59.8%	-11.6%
Goodwill/Capital	71.0%	50.3%	75.2%

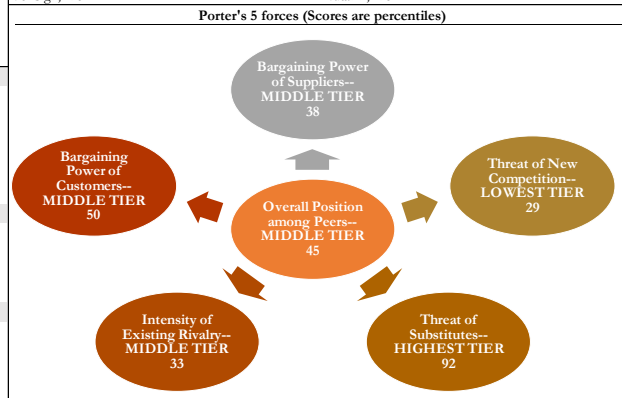
Capital Structure	GDDY (LTM)	GDDY Historical	Peers' Median (LTM)
Total Debt/Market Capitalization	0.70	0.39	0.52
Cost of Debt	4.5%	5.6%	5.2%
CGFS Rating (F-score, Z-score, and default Probability)	CCC		
WACC	11.3%	8.9%	10.2%

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--0	
Quality Ranking Description--0	
Short Score--0	
Market Signal Probability of Default % (Non-Ratings)	-0.36%
CreditModel Score (Non-Ratings)--b+	

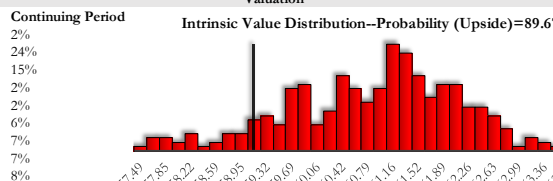
Stock Price Growth During Tenure	
0% per annum over 0y	
0% per annum over 0y	
0% per annum over 0y	

Industry and Segment Information	
LTM Revenues by Geographic Segments	LTM Revenues by Business Segments
United States (U.S.)--67%	Internet Software & Services--100%
International--33%	--
--	--
--	--
--	--

Peers	
--	--
--	Zillow Group, Inc.
--	GrubHub Inc.
--	Shopify Inc.
--	LogMeIn, Inc.
--	VenSign, Inc.
--	Nutanix, Inc.



Forecast Assumptions	Explicit Period (10 years)	Continuing Period
Revenue Growth CAGR	7%	2%
Average Operating Margin	24%	24%
Average Net Margin	14%	15%
Growth in Capital CAGR	8%	2%
Growth in Claims CAGR	0%	2%
Average Return on Capital	9%	6%
Average Return on Equity	14%	7%
Average Cost of Capital	7%	7%
Average Cost of EquityKe	8%	8%



Sensitivity Attribution Analysis	
Revenue	46.1%
Operating costs	45.1%
Capital expenditures	8.4%
Discount Rate	0.3%