Stock	Buy / Sell	Thesis	Current Price	Target Price
FIVE	Buy	Five Below Inc. is one of the fastest growing retailers in the United States; the company's business model will continue to offer profitable and valuable opportunity. Though US consumer spending was low, Five Below Inc. did not lose sales and has always generated revenue growth year over year.Besides, Five Below Inc. financial performance is a key driver of their success. In fact, Five Below success is principally based on expansion and revenue growth, which is achievable due to high level of financial flexibility. Since 2013, the numbers of stores within the United States doubled while strengthening its leading position in existing market and implementing in the same time its shopping experience in new market. Finally, the company's marketing strategy towards the development of technological tools, such as ecommerce, TV advertising, and social media, will add value to the company as it will increase market visibility and so attract a broader range of customers.	$ 36.33	$ 44.49
LMOS	Buy	Next earning call will beat analyst estimates due to consistent revenue growth. Once 5G network begins Lumos has more potential clients. Stock is completely undervalued by analysts for unjustified reasons. Business to consumer segment of business will increase due to customer first focused approach.	$ 14.06	$ 21.66
PRMW	Buy	Primo Water Corporation (PRMW), a leading provider of multi-gallon purified water bottles, dispenser, and self-service refill is the new way of giving great premium taste to families nationwide. As America's #1 Water Dispenser Brand, Primo has created innovation, styles, and high quality dispensers to knock out any competitors. They have recently made a deal with Glacier Water Services in which Primo will acquire all outstanding shares. That being said, Primo is looking at nothing but positive earnings going forward along with they're excellent quarterly results climbing.	$ 13.05	$ 15.15

SHOO	Buy	Steve Madden, Ltd. started as a home-grown company from a whopping $1,100. Steve Madden, founder and former CEO started selling shoes out of the trunk of his car in 1990. Now the company is a powerhouse in the textiles, apparel and luxury goods industry. For the fiscal year 2015, Steve Madden reported $1.41 billion in revenue. Through the acquisitions of other companies, such as Dolce Vita and Blondo, the company continues to not only increase its revenues but also increase its product diversification. Dolce Vita alone experienced a 50% sales growth increase in Q2. Blondo, Inc. was acquired by Steve Madden in early January, 2015 and Dolce Vita Holdings, Inc. was acquired in August, 2014. Since its initial public offering in 1993, Steve Madden has been a significant player in the industry. Although revenues for its wholesale footwear segment have continued to increase over the years, there has definitely been a slowdown of growth. That being said, other segments such as first cost and licensing have taken off, and are continuing to grow, therefore providing Steve Madden with even more revenue. The company has historically outperformed its competitors and there are many reasons for that trend to continue.	$ 34.04	$ 38.09
VA	Buy	Ranked as the number 1 performing U.S airline from 2013-2016 according to an airline quality rating report, Virgin America has provided their customers with an innovative and unusual travel experience. Welcomed with mood-lit cabins, custom-designed seats, and the most advanced entertainment systems in the skies, VA is staying up to date with their client needs. From providing the ability to charge electronic devices, to the possibility of ordering food/drink via touch screen, VA is keeping up to date with the latest trends and technological advances. In the future, Virgin America plans to expand their travel destinations which can aid in outperforming their competitors in the upcoming years. They're financially stable and their margins continue to grow. I assume this will continue into the 2017 year.	$ 54.45	$ 59.35

WING	Short	Wingstop Inc. is a small player in a dying industry. In one recent week alone three restaurants filed for chapter 11 bankruptcy. Those companies were: Cosi Inc., Rita Restaurant Corp., and Garden Fresh Corp. All these companies are small players and contributors to the restaurant industry. Compared to larger companies in the same industry, WING has similar margins. WING has an EBITDA margin of 28.7% while a larger company such as Dave & Buster's Inc. has an EBITDA margin of 24.8%. Wingstop Inc. has been operating as efficiently as competitors, but for how long? In addition, in August 2016 Roark Capital Group lowered their position in WING by 6 million shares. This creates less capital for WING to operate with, and also may lower its efficiency. With the combination of being in an increasingly competitive and dying industry, and losing capital from their main investors, I would consider WING a SHORT. A target price of $16.11 and a potential of approximately 34% can be realized.	$ 26.99	$ 16.11
WSM	Buy	The stock price has suffered from a weak retail environment since early 2016, but the outlook for the industry is positive for both brick-and-mortar retail as well as for the e-commerce. In spite of the outlook, Williams-Sonoma managed to show positive revenue growth and above-average operating profits, and is currently consenting to financial discipline and supply chain restructuration that will positively impact profit margins in the future, in addition to stronger revenue growth. The company wanting to sustain strong revenue growth is acting aggressively (expansion and diversification of services), and would benefit from opportunities such as Restoration hardware.	$ 46.33	$ 53.94

Macroeconomic Overview

U.S. Markets

	Index	Weekly % Change	YTD % Change
SPX Index	S&P 500	-0.70%	4.03%
INDU Index	Dow Jones Industrial	0.10%	4.22%
CCMP Index	NASDAQ Composite	-1.30%	3.65%
RTY Index	Russell 2000	-2.50%	4.55%
VIX Index	VIX	23.21%	-11.09%

U.S. Equity markets were mostly mixed this week with the Nasdaq and the Russell taking the brunt of the losses. Analysts suggest that the markets are responding to the inability of the SPX to consistently deliver consecutive daily gains in over a month. Besides the Dow's marginal gain, weekly figures across the board bear an opposite trend compared to last week's report, which can be seen directly with the volatility index reporting 23.21% change over five days. This can be partly attributed to the upcoming holiday season, and more importantly, the election. Despite the obvious macro indicators that will undeniably affect the markets, other segments of GDP point to a more optimistic future of economic growth. This is seen in the private sector as a spike in the M&A market proves to be active, whereas the IPO market lacks luster. Businesses are merging as smaller ones struggle to become pubic, partly due to barriers in accessing credit. These businesses are unable to replace those on the acquired side of M&A deals and investors seek more than what the recent IPOs have been delivering. Expectations of growth have been reinforced thanks to the Commerce Department's report on Friday indicating an advanced estimate of 2.9% economic expansion in the third quarter. This estimate outperforms the overall pace for the year. One of the most pertinent outliers impeding economic growth, business investment, is expected to increase as the energy sector begins to gain momentum again. If economic growth was finally able to gain the friction that businesses need to expand, more attractive margins could be seen within overall markets and on business' balance sheets.

Commodities: Oil futures for delivery in December dropped .45% to under $50, specifically at $48.48 a barrel following last week's tumble to monthly lows. The recent figures paired with the skepticism of the effectiveness of OPEC's limit proposal keep investors wary. Nations' individual quotas won't be finalized until November 30. Gold saw a 1% increase this week following a seven point drop in response to the new GDP data, but managed to quickly recover. Silver also saw an increase, closing 25 basis points above its opening on Friday, again despite the adverse data usually suggesting the inverse relationship of the price of precious metals and economic expansion. Their futures will likely be shifted by the Fed's decisions whether or not to raise rates.

Specific news: GDP growth estimates topple previous performances at 2.9%, the best seen since the third quarter of 2014. The positive data weighed on bond prices as yields rise on intermediate and long-term treasuries. The proposed AT&T and Time Warner merger influenced other tech yields as the deal faces issues concerning regulatory barricades. Regulators continue to review potential effects on the broader telecommunications sector in the event of AT&T's increased market cap.

Next week ahead: The Federal Reserve is to hold a meeting on Wednesday concerning the issue of raising interest rates before the December FOMC meeting. Analysts are skeptic of their decision to change their current rate policy decided in last December's meeting in light of the upcoming election. On Friday, the October jobs report will also be released.

International Markets

	Index	Weekly % Change	YTD % Change
BE500 Index	BE 500	-0.99%	-7.37%
SXXP Index	Stoxx Europe 600	0.52%	-6.84%
DAX Index	DAX	-0.14%	-0.44%
UKX Index	FTSE 100	-0.34%	12.08%
CAC Index	CAC 40	0.28%	-1.91%
NKY Index	Nikkei 225	1.52%	-5.44%
SHCOMP Index	Shanghai Composite	0.43%	-12.27%
SZCOMP Index	Shenzhen Composite	-0.03%	-11.13%

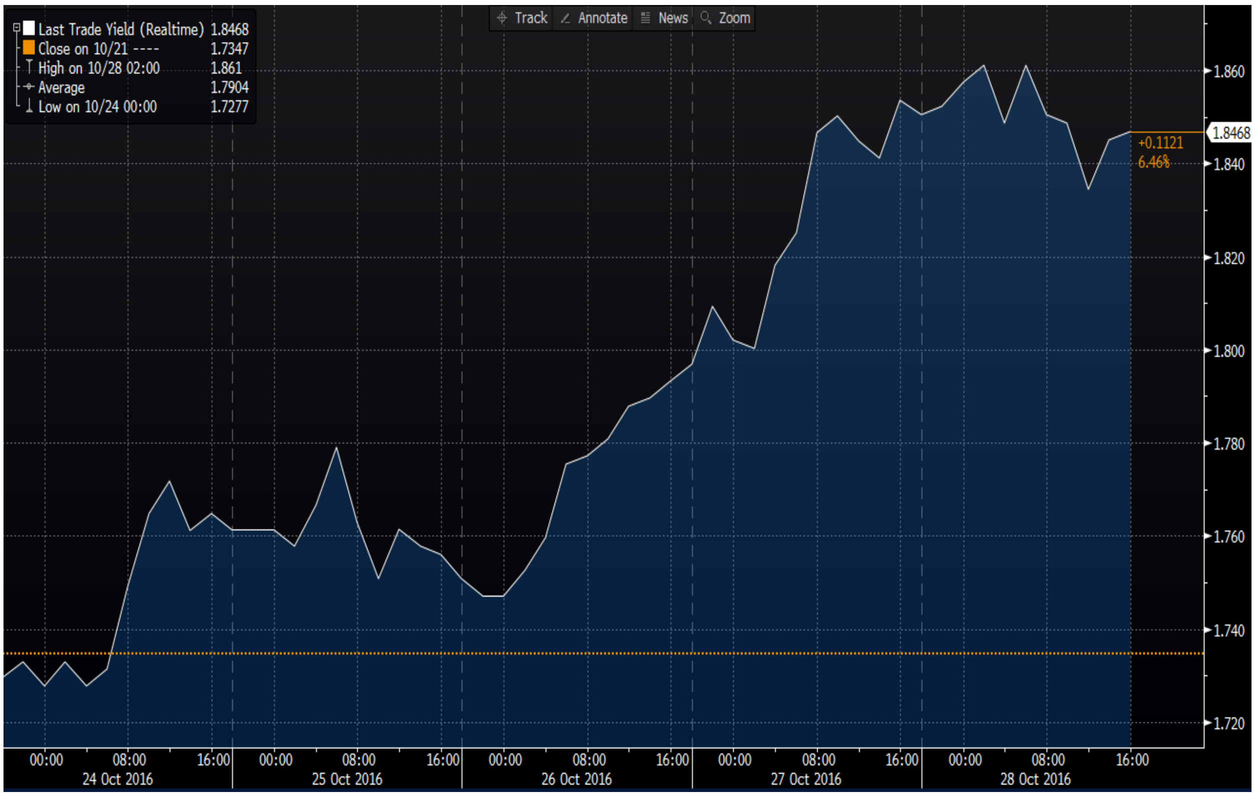
Europe: European markets experienced a mixed performance week with marginal gains and losses throughout. The most notable being the Stoxx 600, where Bank of America Merrill Lynch quoted that 60% of the firms that reported earnings this season have outperformed their respective EPS forecasts, marking the second-best quarter since the financial crisis. Of more importance, banks were the top sector on EPS beats with 85% leaping over expectations.

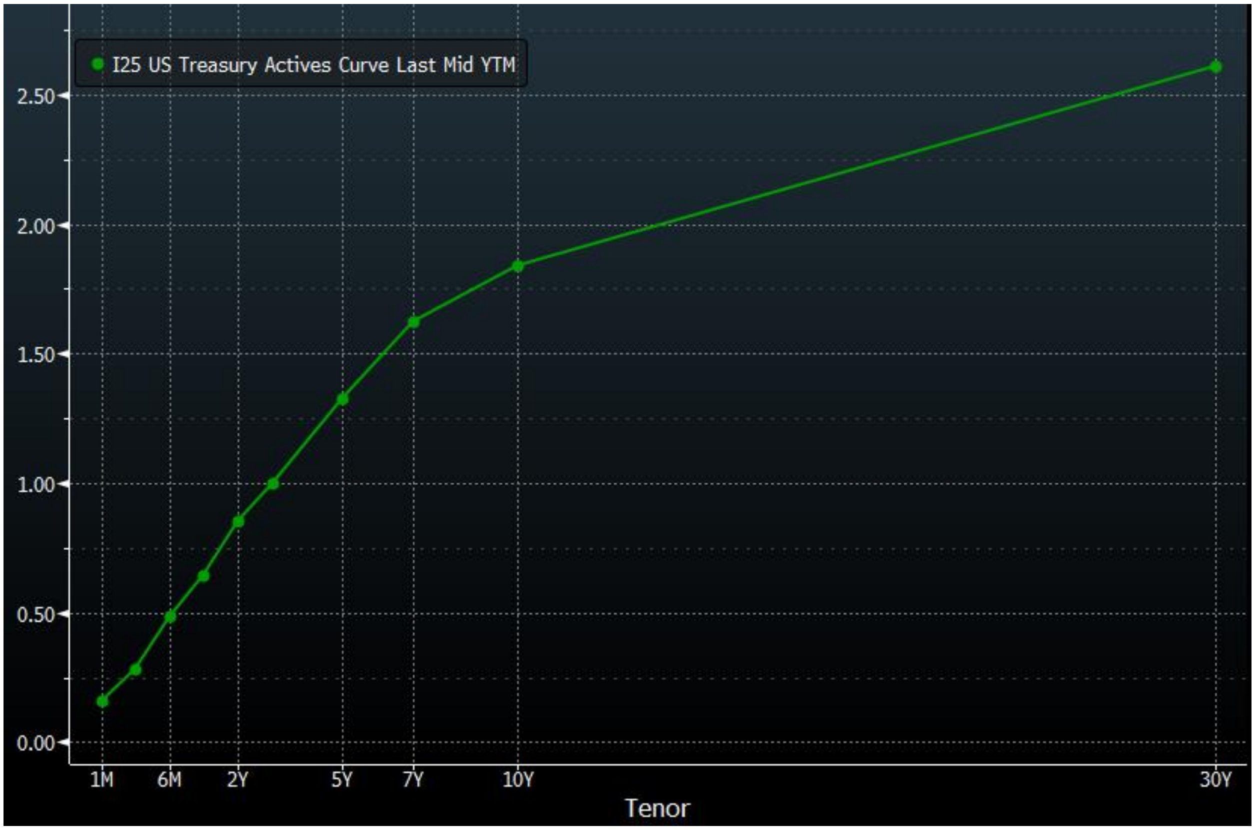
Asia: Japan's NKY Index rose 1.5% this week, hitting its highest performance in six months thanks to increased earnings acquired from exports due to weakening currency exchange rates. The Yen continues to fall against the dollar due to inflation data that lacks luster and will take time to accelerate to the 2% target.

The Yuan hit a six year low against the dollar last week. On one hand, this seems like an opportunity for a stimulus directed to ignite the slowing economy, but the other reveals a level of contentment on behalf of policymakers. Conflict is seen within the agenda of the Chinese government to weaken the currency in order to influence Asian competition to take measures to devalue their currencies. Meanwhile, the Chinese government blames the increasing strength of the dollar.

Bond Report

Early in the week, Strong U.S economic data, better than expected earnings, and the announcement of a few large M&A deals drove the prices of treasury notes down. Continuing the trend later in the week, longer term yields rose above 1.77% and short term yields also have increased but not at the same rate of long term yields. Investors are still expecting a rate high in December and expect Hillary Clinton coming out on top in the upcoming election which aided in the increasing yields. Also, there is still confidence in the performance of equities over debt securities which is overall reducing the demand for Government bonds driving prices lower. Later in the week we saw a drop in yields once the FBI announced that they were looking into the latest of Secretary Clinton's emails that they have recovered from a separate case. These emails might contain information that may materially change the outcome of the FBI's decision to proceed with the case.





What's next and key earnings

In the coming week we can expect to see data on Motor Vehicle sales and Construction spending on Tuesday along with continued earnings. Wednesday, November 2nd is a busy day with MBA mortgage application data, ADP Employment Report, and the FOMC meeting announcement coming. Thursday the Chain Store Sales data comes out in the morning and should give us an idea of consumer spending trends. Jobless claims are also released in the morning along with Productivity and costs. Later in the day we can expect to see the Money Supply report (M1/M2) and the Fed Balance Sheet. At the end of the week non-farm payrolls and the unemployment rate will be in the spotlight along with the trade deficit.

Five Below, Inc.

NASDAQ:FIVE

Analyst: Cindy Missaoui
Sector: Consumer Disc.

BUY

Price Target: $44.49

Key Statistics as of 10/27/2016

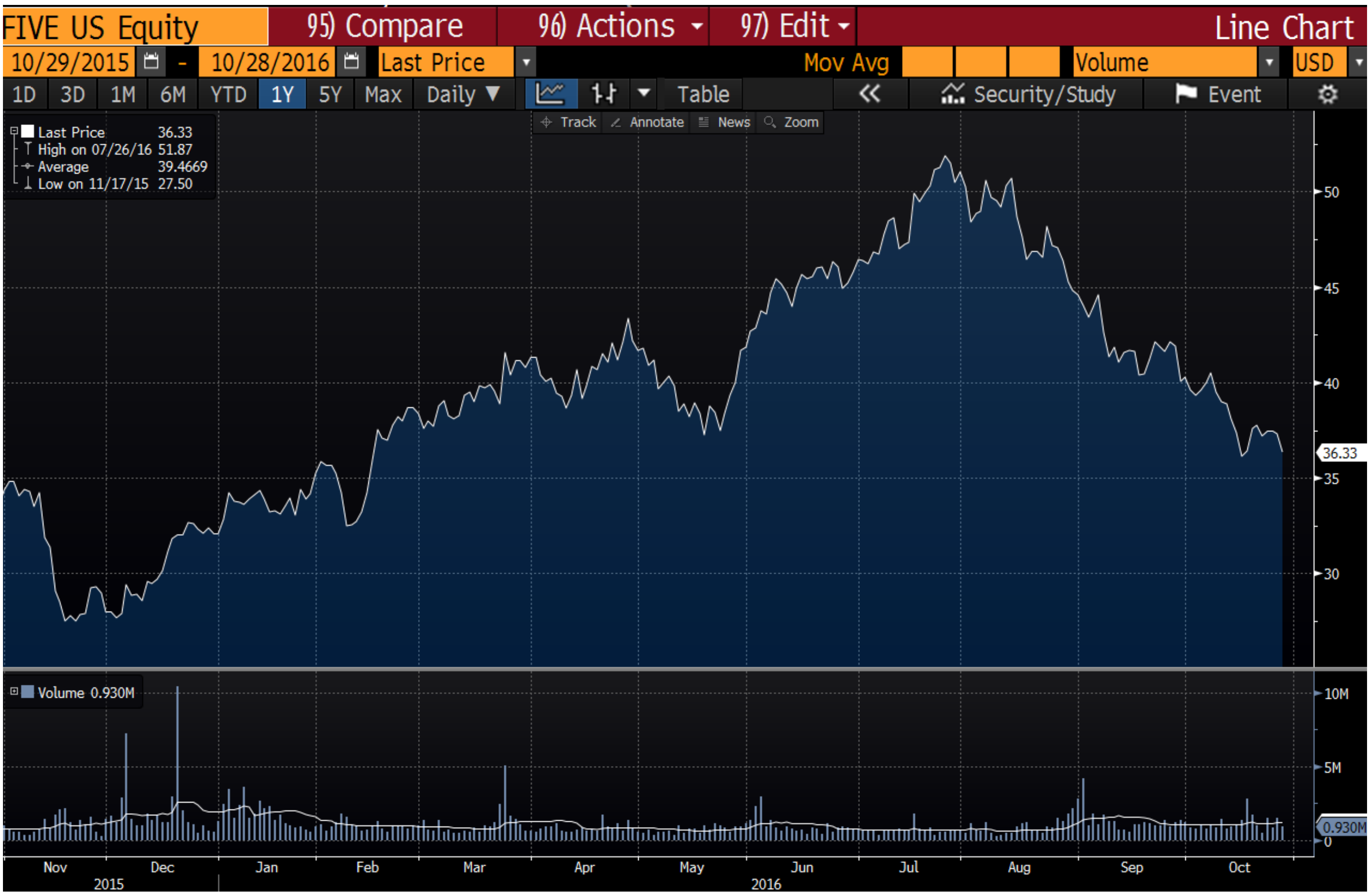
Market Price:	$36.33
Industry:	Specialty Retail
Market Cap:	$1.9B
52-Week Range:	$26.95-52.70
Beta:	0.89
NOPAT Margin:	11%.
ROIC:	14.7%
ROE:	22.9%

Catalysts:

- Increase store base to more than 2,000 locations. (1+ years)
- Earnings release – November 30th
- Above average revenue and earnings per share growth (1+ years.)

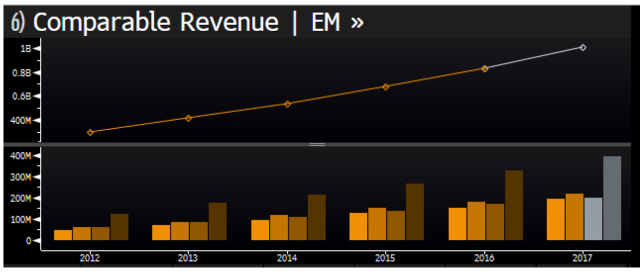
Company Description:

Five Below Inc. operates as a specialty value retailer. The company, created in 2002 by David Schlessinger and Thomas G. Vellios is headquartered in Philadelphia, PA. The company offers a large variety of products under $5 including sporting goods, games, fashion, accessories, jewelry, bath and body, candy, snacks, room decor, video games accessories, books, and DVD for pre-teens and teens. Five Below is one of the fastest growing retailers and serves its customers through more than 500 stores throughout the United States.



Thesis

Five Below Inc. is one of the fastest growing retailers in the United States; the company's business model will continue to offer profitable and valuable opportunity. Though US consumer spending was low, Five Below Inc. did not lose sales and has always generated revenue growth year over year.

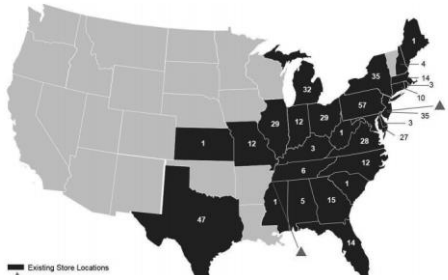


Besides, Five Below Inc. financial performance is a key driver of their success. In fact, Five Below success is principally based on expansion and revenue growth, which is achievable due to high level of financial flexibility. Since 2013, the numbers of stores within the United States doubled while strengthening its leading position in existing market and implementing in the same time its shopping experience in new market. Finally, the company's marketing strategy towards the development of technological tools, such as e-commerce, TV advertising, and social media, will add value to the company as it will increase market visibility and so attract a broader range of customers.

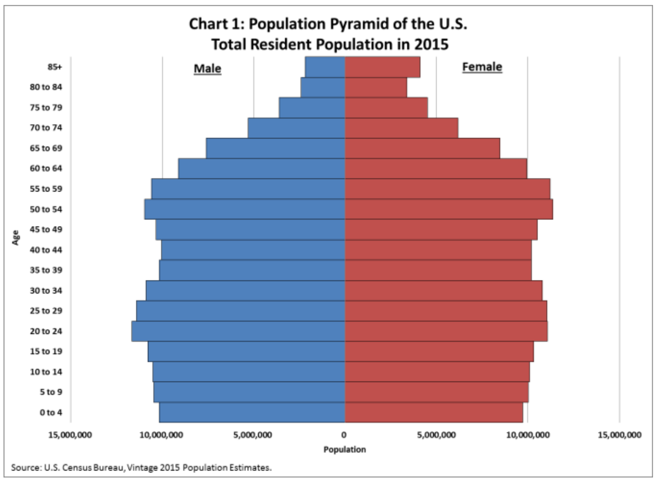
Analysts estimate the stock to reach $50 - I recommend that we buy Five Below Inc. stock which is currently undervalued. I expect the price to rise in the future around $45 - $50.

Growth Strategy

Five Below success can be explained by its expansion strategy in the United States; from 244 stores in 2013 to more than 2000 over time. The strategic goal of FIVE is to expand into new markets, such as California in 2017, and to expand the store densification in existing markets.



By doing so, the company enhances brand awareness and achieves operational efficiencies. In fact, Five Below Inc. expands its customer base and promotes brand awareness through newspaper, local media and social media. In addition to that, because Five Below principal customers are teens and mid-teens the company decided to put in place a multi-channel marketing strategy in order to capture a wide range of targeted audience. As a matter of fact, Five Below started to strengthen its presence on social media and TV advertisement by increasing its digital marketing strategy expense up to 25%. The company also invests tremendous amounts for its e-commerce brand that helps the company to target new customers and increase its in-store experience. Finally, Five Below Inc. market opportunity is significant even if it only focuses on teens and mid-teens. In fact, according to the United States Census, 23% of the US population were under 18 years old as of 2015, which represents an important opportunity for the company which only offers products under $5. As reported in the 10-K, in FY2015 sales increased by 23% and earnings per share grew by 50% its most important gain in three years. Through this growth strategy Five Below succeeded to become unavoidable in its targeted market.



Services and Product Mix

Five Below stores provide a large variety of products (from leisure, fashion and home, to party and snacks…) at a low price. By doing so, Five Below has the capacity to increase its competitive advantage by attracting a large variety of customers. Five Below offers a different shopping experience and takes advantage over its competitors which mainly attract adults only. Besides, Five Below Inc. fresh and attractive mix products make it easier to increase sales and growth forward. In fact, the company succeeds to adapt its products to current trends and offers in-demand products given news, events, and trends.

On a strategic and cost effective point of view, the company's ability to provide services and product mix, allow then to reduce significant risks such as inflation or products costs. In fact, as reported in the annual report, Five Below works with 800 different suppliers, with no single vendors representing more than 7% of the purchases in fiscal year 2015, which gives leverage to the company as they do not want to depend on exclusive supplier. They do have the possibility to avoid important risk factors by diversifying their products sourcing.

Aggressive Strategy

Five Below mains competitors are Dollars Tree Inc. and Tractor Supply Company which are the pioneers on the discount stores. At a first glance, Five Below is much smaller than its peers, but its fast-growing strategy allows the company to become more popular and attractive than Dollar Tree Inc. and Tractor Supply Company. Because the company succeeds to capitalize on its value-focused offering, it rapidly becomes attractive for customers and for investors. In fact, 14 years after the first store opening in Wayne, PA, the company announced on August 2016 the opening of its 500th stores. Its rapid-growth allows the company to outperform its peers, and proves that it has the possibility to create more growth in the future.

	FY 2013	FY 2014	FY 2015	FY 2016
Number of Locations	244	304	366	437
Number of Locations Opened	60	62	71	85
Number of Locations Closed	0	0	0	0

Indeed, on the announcement date, the stock price soared 4.5% from \$48 to \$51. Even though the competition on the retail industry is fierce, Five Below succeeded, throughout its strategy and financial results to differentiate itself from others, and attract investors as they believe in the company's capacity of growth.

Finally, when looking at the industry revenue, Five Below is ranked 11th with a FY Revenue of \$835.95M right after Wal-Mart, Target, and Dollar General. Globally, Five Below business model leads to strong growth, but also strong financial performance and efficiency.

Financials

Five Below Inc. strong financial performance year over year can be seen in multiple areas. First, Five Below revenues grew by 117% from 2013 to 2016 (\$418.8 to \$908.9), and estimates for 2017 and 2018 are respectively \$1,007 and \$1,223.1. Second, Five Below has a healthy EBITA Margin of 11.1% while the competitors' average is 9.0%.

EBITA Margin		
	History	*LFY*
Five	10.7%	11.1%
Competitors	10.4%	9.0%

When analyzing the performance of the ROIC ratio, which is more than twice bigger than competitors, Five Below is efficiently generating returns above its competitors, meaning that the existing and new stores opened add value and have been successful and profitable. As explained in the 10-K, new stores have achieved average payback period of less than one year, which reinforced even more the company's expansion desire, strength and growth capacity.

ROIC	History	LFY
Five	32.0%	30.5%
Competitors	18.1%	12.0%

ROIC /WACC	History	LFY
Five	2.66	3.30
Competitors	0.67	1.38

Five Below type of management can be seen as conservative as the company is debt free. Five Below used to fund capital expenditure with cash hand while generating positive free cash flow. By using no debt Five Below is also less risky than its competitors.

Capitalization (Debt/Equity)	History	LFY
Five	0.00	-
Competitors	0.10	0.17

Being debt-free in these economic conditions, allows Five Below to increase security, have a better financial health, and get rid of interest expenses.

As a matter of fact, Five Below stock price is likely to rise in the future. In fact, its growth expansion will continue on the short term and long term, as the company plans to open 85 new stores by the end of 2017, which would boost sales, add value to the company and so increase its market price. Finally, its financial efficiency and financial flexibility ensure the company's success and profitable growth on the long-term.

Porters Five Forces

Bargaining Power of Suppliers: High – 63

Because Five Below belongs to the specialty retail industry, it highly depends on suppliers. However, the company's policy for suppliers is quite different from others, as they do not want to depend on unique and exclusive suppliers so that they can have leverage.

Bargaining Power of Customers: Low – 36

When it comes to price, customers does not have a lot of bargaining power. However, they have the power to buy items from competitors if prices do not please them. By offering pricing discounts, customers' are highly attracted by Five Below products.

Intensity of Existing Rivalry: Medium - 50

Five Below mains competitors are Dollar Tree, General Dollar and Tractor Supply Company. It succeeds to differentiate itself from its peers through shopping experience, products mix, and marketing strategy. Even if the company is one of the newest in the discount store market, it can be seen as a retail winner with a strong competitive advantage.

Threat of Substitutes: Medium – 58

On the retail industry, customers have access to a diversified choice of substitutes. One of the major issue associated with goods substitutions is the fact that customers can choose to purchase the substitutes instead of the industry's product, which can drive the price and so profitability down.

Threat of New Competition: Medium - 58

Five Below faces many competitors on the market for goods and services. However, its business model and strategy helped the company to become unavoidable in the discount chain market.

Important Dates and Catalysts

On September 2016, the company announced first stores opening in Minnesota along with Brooklyn Center and Osseo; in 2017 the company plans to open more than 80 stores. Moreover, the company has announced Q3 2017 Earnings call on November 30th.

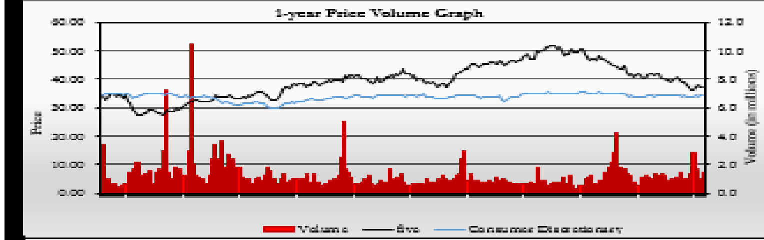
Summary

Five Below. Inc has been growing during the last six years. Regarding its current situation, a potential future growth is more than predictable. Several opportunities such as stores expansion, product mix, and new shopping experience will help the company to achieve strong revenue and profitable growth on the short and long term. The company knows how to create value and its ambition to conquered the market will help the company going forward towards that path while improving the process.

CENTER FOR GLOBAL FINANCIAL STUDIES

Five Below, Inc. (five) — **BULLISH**

Analysis by Cindy Missaoui	Current Price: $36.33	Intrinsic Value $39.82	Target 1 year Return: 22.46%
10/28/2016	Divident Yield: 0.0%	Target Price $44.49	Probability of Price Increase: 94



Description

Five Below, Inc. operates as a specialty value retailer in the United States.

General Information	
Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	December 2, 2016
Estimated Country Risk Premium	6.25%
Effective Tax rate	40%
Effective Operating Tax rate	40%

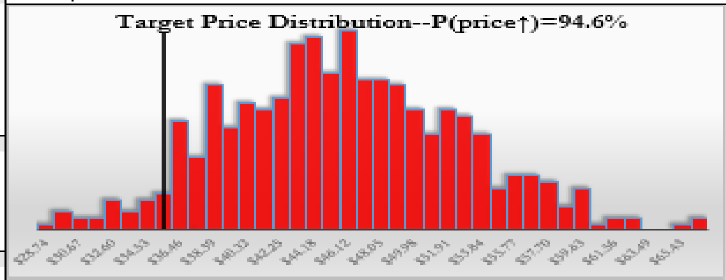
Market Data	
Market Capitalization	$1,993.41
Daily volume (mil)	0.93
Shares outstanding (mil)	54.87
Diluted shares outstanding (mil)	54.94
% shares held by institutions	113%
% shares held by investments Managers	100%
% shares held by hedge funds	10%
% shares held by insiders	2.54%
Short Interest	17.91%
Days to cover short interest	8.71
52 week high	$52.70
52-week low	$26.95
Levered Beta	0.89
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
8/1/2015	-2.57%	-7.34%
10/31/2015	0.05%	0.71%
1/30/2016	-0.23%	-0.34%
4/30/2016	0.90%	8.88%
7/30/2016	-0.48%	0.31%
Mean	-0.47%	0.44%
Standard error	0.6%	2.6%

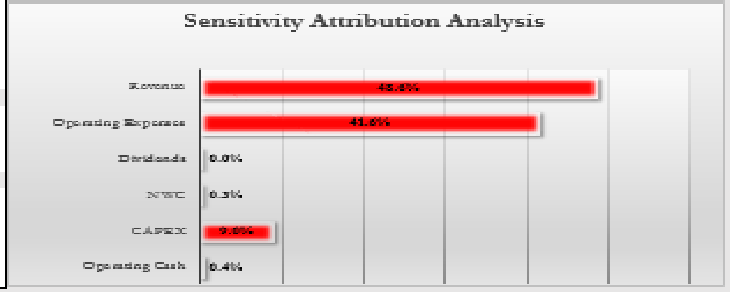
Peers

Dollar General Corporation
Dollar Tree, Inc.
Tractor Supply Company

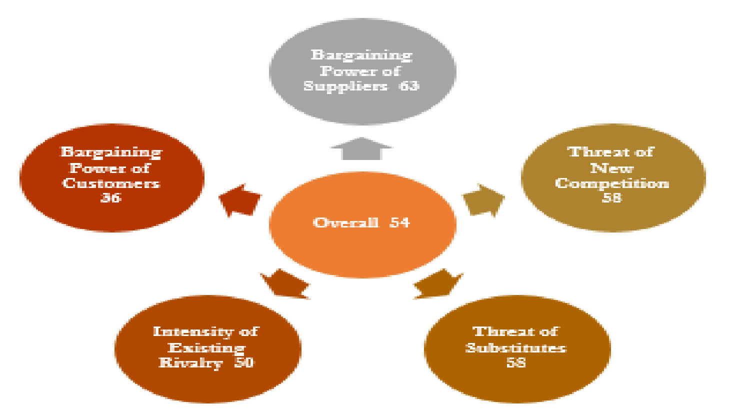


Management	Position	Total compensation growth	Total return to shareholders
Vellios, Thomas	Co-Founder and Executive Cha	-100% per annum over 4y	N/M
Anderson, Joel	Chief Executive Officer, Pre	-100% per annum over 1y	5.73% per annum over 1y
Bull, Kenneth	Chief Financial Officer, Sec	-100% per annum over 4y	N/M
Specter, Eric	Chief Administrative Officer	-100% per annum over 1y	5.73% per annum over 1y
Romanko, Michael	Executive Vice President of	-100% per annum over 1y	5.73% per annum over 1y
Baradino, Eugene	Senior Vice President of Sup	N/M	N/M

Profitability	five (LTM)	five (5 years historical aver	Industry (LTM)
ROIC	14.7%	20.87%	20.39%
NOPAT Margin	11%	10.45%	7.0%
Revenue/Invested Capital	1.40	2.00	2.91
ROE	22.9%	2.21%	24.36%
Adjusted net margin	9%	9.15%	6.3%
Revenue/Adjusted Book Value	2.50	0.24	3.85
Invested Funds	**five (LTM)**	**five (5 years historical aver**	**Industry (LTM)**
Total Cash/Total Capital	11.9%	13.8%	19%
Estimated Operating Cash/Total Capital	8.3%	10.4%	N/A
Non-cash working Capital/Total Capital	10.2%	10.3%	19%
Invested Capital/Total Capital	96.4%	96.6%	82%
Capital Structure	**five (LTM)**	**five (5 years historical aver**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.15	0.10	0.25
Cost of Existing Debt	6.49%	11.52%	7.32%
Estimated Cost of new Borrowing	6.08%	10.94%	7.32%
CGFS Risk Rating	D	F	D
Unlevered Beta (LTM)	0.80	1.46	0.94
WACC	8.76%	12.53%	9.56%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	23.2%	10.5%	1.68
7/30/2017	21.2%	11.3%	1.77
7/30/2018	20.8%	12.0%	2.01
7/30/2019	21.7%	12.0%	1.95
7/30/2020	22.4%	12.1%	1.99
7/30/2021	19.8%	12.1%	1.96
7/30/2022	17.2%	12.0%	1.89
7/30/2023	14.5%	12.0%	1.81
7/30/2024	11.9%	11.9%	1.73
7/30/2025	9.3%	11.9%	1.65
7/30/2026	6.7%	11.9%	1.57
Continuing Period	4.1%	11.8%	1.49

Period	Invested Capital	Net Claims	Price per share
Base Year	$174.55	$402.05	$39.60
7/30/2017	$291.90	$353.35	$44.02
7/30/2018	$382.42	$371.69	$49.07
7/30/2019	$456.24	$355.67	$54.67
7/30/2020	$650.62	$343.98	$60.86
7/30/2021	$779.14	$328.98	$67.70
7/30/2022	$865.24	$285.25	$75.24
7/30/2023	$1,065.81	$202.46	$83.48
7/30/2024	$1,265.27	$61.48	$92.60
7/30/2025	$1,513.90	-$127.03	$102.22
7/30/2026	$1,804.52	-$380.94	$112.48
Continuing Period			

Lumos Networks Corp.

NASDGS:LMOS

Analyst: David Itoafa
Sector: Telecommunication

Buy

Price Target: $21.66

Key Statistics as of 10/28/2016

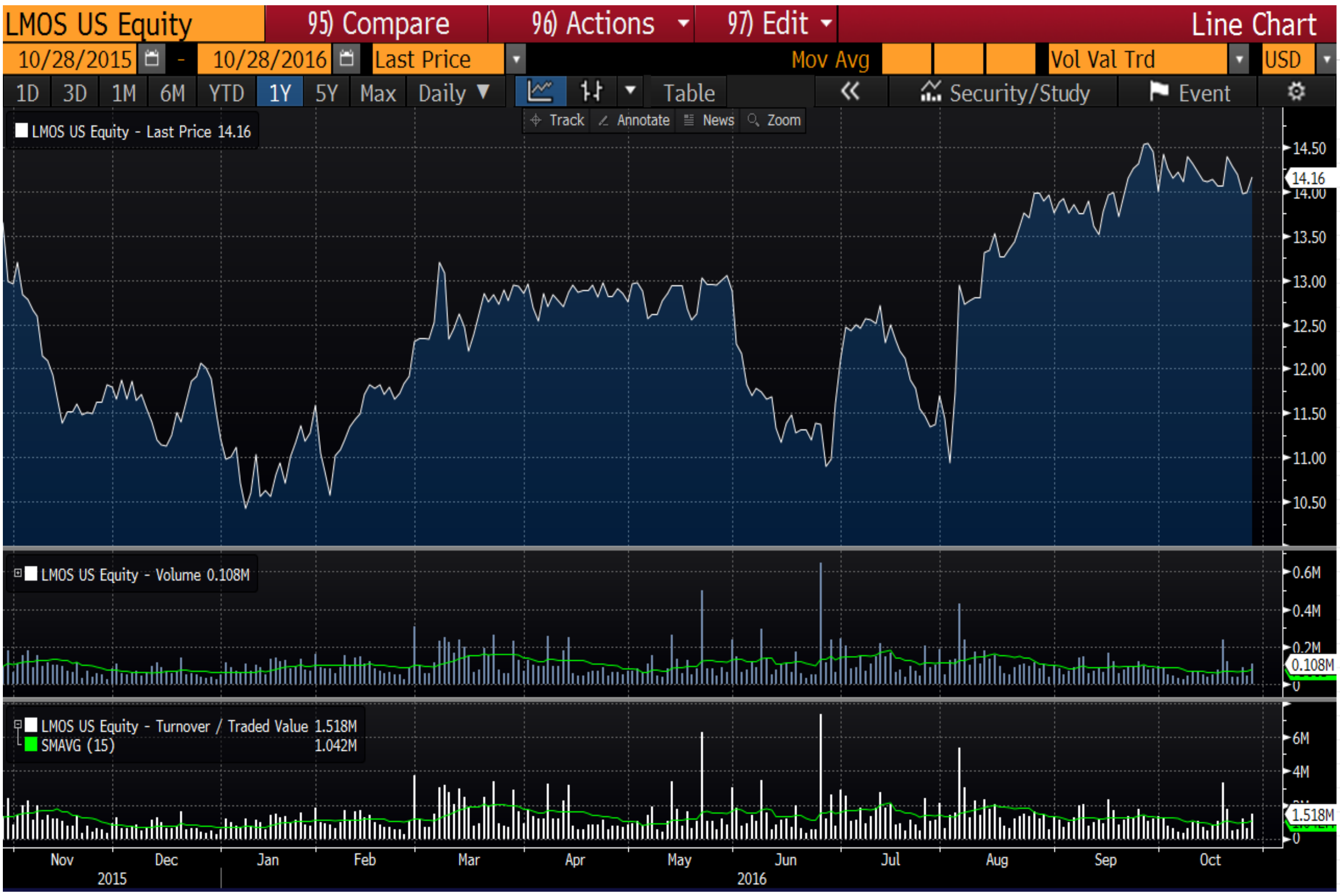
Market Price: $14.06
Industry: Wired Telecommunication Services
Market Cap: $328.03M
52-Week Range: $10.18-$14.70
Beta: .77

Catalysts:

- Q3 Earning Call on November 9th
- 5G Network Fast Approaching

Company Description:

Lumos Networks Corp, is a fairly new fiber optic data, broadband, IP, and voice service provider. The company was founded in 2011 and as its headquarters in Waynesboro VA. Lumos operates solely in the U.S and conduct most of its business in the state of Virginia. The business has 3 main components: Data, Residential, and small business. The data component is the most significant and is where the Lumos generates the majority of its revenue, these are enterprise data, transport, and FTTC groups. Most of the company's enterprise clients are healthcare providers, state and local government agencies, financial institutions, and educational instructions with long lasting contracts ranging from 3 to 10 years. Most of the products offered on the Small Business and Residential side are voice products like local lines, long distance, primary rate interference, etc. Another essential component to Lumos is their rural local exchange carrier segment, which allows carrier customers access to switched access services.



Thesis

- Next earning call will beat analyst estimates due to consistent revenue growth.
- Once 5G network begins Lumos has more potential clients.
- Stock is completely undervalued by analysts for unjustified reasons.
- Business to consumer segment of business will increase due to customer first focused approach.

Timothy G. Blitz A CEO in Control

Analysts have undervalued Lumos because of the potential risks related to their operating expenses. As stated in the most recent earnings call the majority of the increase to operating expenses is of non-recurring expenses associated with market studies. Operating expenses incurred by 1.1 million this quarter will not happen again in the future. The money was mainly used for project clarity because Tim states that their intention is to maximize shareholder value. Analysts predict an increase in operating cost in relation revenue on the basis of the number and not the actual reason for increase last quarter. Analysts will be surprised with the results in the upcoming quarter and 2017. The biggest driver of the price is revenue, which also has major potential in the future.

Revenue Potential in The Future

Revenue growth has been a problem for Lumos since they were founded in 2011; however, over the past 5 years there is a major difference from year to year as seen below:

Revenue, Adj	206.9	207.5	201.5	204.3	206.1	208.8	215.0
Growth %, YoY	-0.3	0.3	-2.9	1.4	1.7	2.2	3.0

The reason why revenue growth will explode is because most of their contracts range from 3 to 10 years. Since they are constantly signing new deals and their contracts are already so long there is room to revenue to keep growing. Moreover, they recently have had success resigning their fiber optic clients due a new way in which Lumos utilizes a network recycling program so that customers continue to use their products after their contracts run out. This enables them to renew their contract for a similar price and not completely spike up the price like most of its competition. Another major player in future revenue growth is the expansion of the 5G network and the idea that more people in Virginia will switch to fiber optic network and phone in the future because they want the fastest possible network, which fiber optic providers offer. Another aspect worth noting is that they have a very low cost of revenue to revenue ratio.

COR/Revenue		
	History	*LFY*
LMOS	20.0%	18.1%
Competitors	49.9%	47.5%

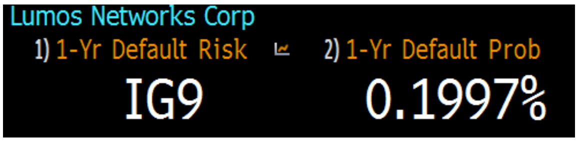
As seen in the graph, there are doing much better in terms of cost of revenue to revenue then their competitors. There revenue has not been anything to outstanding up to date, and with future revenue growth they will be able to further push past their competitors.

Product Differentiation

The main way that their product differs from their competitors is the ability to connect with their customers. Companies like Verizon and Time Warner do conduct similar forms of business in different areas, but cannot have the same affect that a small company like Lumos does. Lumos only has a total of 593 employees and operates in only one country. Therefore, they have a small area to manage and do not get overwhelmed. They also customize each of their network experiences for each of their customers enabling them to create long lasting relationships so that when it is time to renew contracts with previous clients there are no issues. This is how Lumos differentiates it products form its competitors and continue to gain track in the state of Virginia.

Risks

One of the few potential problems with Lumos is that they do have a substantial amount of debt, which is making certain analysts skeptical. This is because they do not believe in their business model and future revenue growth. They have a high rate of default as seen below:



20% is very high, but is justified because they own 100% of their infrastructure. One very positive debt aspect of this company is the major reduction in short term debt and an increase in long term debt. Blitz has done a very good job of recovering from a very bad start of debt financing for their towers and other assets. They no longer need to use short term debt to finance their operating expenses. Which means, in the long run their cost of debt will decrease as they stabilize

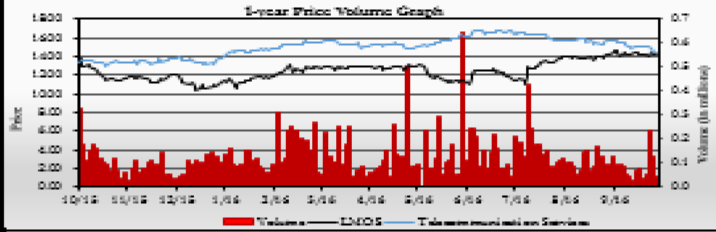
Summary

Lumos has potential to take off in the long run for three main reasons. Blitz's ability to manage and direct the company in the correct direction is a major component that will propel Lumos upwards. Also, Operating expenses will not consistently decrease in the future. Revenue will continue to grow due to opening of new markets, the 5G network rapidly approaching, and most importantly their ability to create long lasting connections with big time customers. There are some risks associated with Lumos, but their positives outweigh the negatives. Lumos is well positioned to take advantage of the 5G network because it will increase the potential for future customers. Revenue is the main influence on the price of this company; therefore, when revenue growth spikes from the 5G network and all other aspects of their business, there is no stopping Lumos.

CENTER FOR GLOBAL FINANCIAL STUDIES

Lumos Networks Corp. (LMOS) — **BULLISH**

Analysis by David Itoafa	Current Price:	$14.16	Intrinsic Value	$19.18	Target 1 year Return: 54.01%
10/27/2016	Divident Yield:	1.0%	Target Price	$21.66	Probability of Price Increase: 99.8%



Description

Lumos Networks Corp., through its subsidiaries, provides fiber-based bandwidth infrastructure and service in the Mid-Atlantic region.

General Information

Sector	Telecommunication Services
Industry	Diversified Telecommunication Services
Last Guidance	November 3, 2015
Next earnings date	November 3, 2016
Estimated Country Risk Premium	7.00%
Effective Tax rate	40%
Effective Operating Tax rate	30%

Market Data

Market Capitalization	$332.25
Daily volume (mil)	0.11
Shares outstanding (mil)	23.46
Diluted shares outstanding (mil)	22.95
% shares held by institutions	83%
% shares held by investments Managers	63%
% shares held by hedge funds	16%
% shares held by insiders	4.52%
Short interest	3.98%
Days to cover short interest	3.27
52 week high	$14.71
52-week low	$10.10
Levered Beta	0.14
Volatility	0.08%

Past Earning Surprises

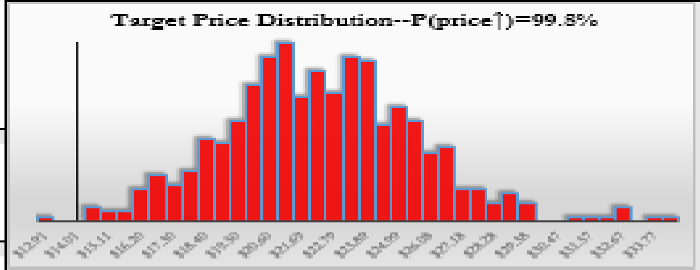
Quarter ending	Revenue	EBITDA
6/30/2015	0.66%	-10.10%
9/30/2015	-0.06%	-12.52%
12/31/2015	0.16%	-4.70%
3/31/2016	-2.69%	-26.52%
6/30/2016	0.51%	-6.53%
Mean	-0.29%	-12.15%
Standard error	0.6%	3.3%

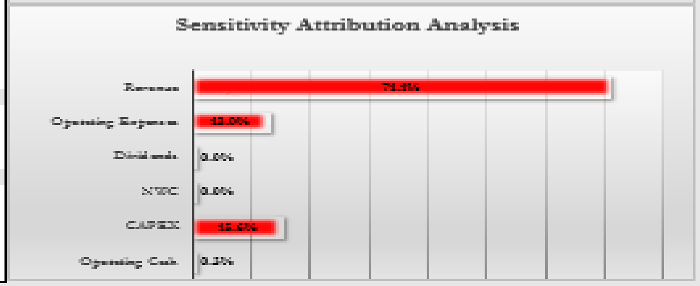
Peers

Cogent Communications Holdings, Inc.
Zayo Group Holdings, Inc.
Level 3 Communications, Inc.
Inteliquent, Inc.
Consolidated Communications Holdings Inc.
Shenandoah Telecommunications Co.

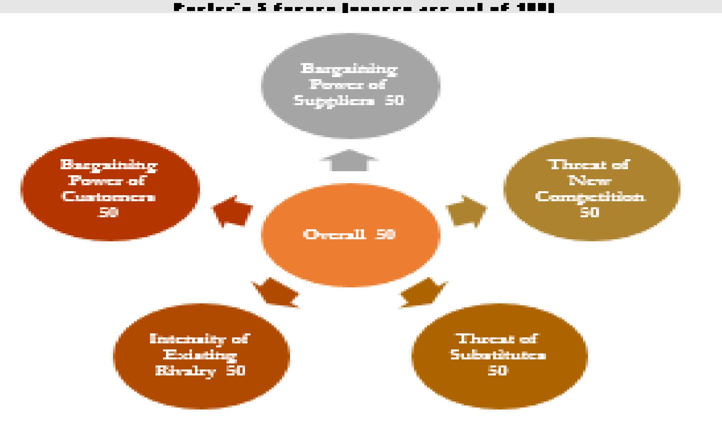
Management	Position	Total compensation growth	Total return to shareholders
Biltz, Timothy	Chief Executive Officer, Pre	-3.14% per annum over 3y	16.3% per annum over 3y
Broadhagen, Johan	Chief Financial Officer, Chi	-10.36% per annum over 1y	-33.41% per annum over 1y
McDermott, Mary	Senior Vice President, Gene	-3.07% per annum over 3y	N/M
Miller, Jeffrey	Senior Vice President of Rev	-65.77% per annum over 1y	-33.41% per annum over 1y
Anderson, Diego	Senior Vice President and Ge	-15.37% per annum over 1y	-33.41% per annum over 1y
Ferry, Thomas	Chief Technology Officer and	N/M	N/M

Profitability	LMOS (LTM)	LMOS (5 years historical average)	Industry (LTM)
ROIC	4.3%	11.02%	6.57%
NOPAT Margin	15%	27.11%	13.3%
Revenue/Invested Capital	0.29	0.44	0.43
ROE	4.5%	20.52%	10.40%
Adjusted net margin	7%	22.52%	10.5%
Revenue/Adjusted Book Value	0.65	1.26	0.33
Invested Funds	**LMOS (LTM)**	**LMOS (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	10.0%	7.0%	3%
Estimated Operating Cash/Total Capital	1.0%	1.5%	N/A
Non-cash working Capital/Total Capital	-1.4%	-1.1%	-4%
Invested Capital/Total Capital	31.0%	33.7%	33%
Capital Structure	**LMOS (LTM)**	**LMOS (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	1.71	1.31	1.31
Cost of Existing Debt	5.33%	4.53%	6.10%
Estimated Cost of new Borrowing	3.74%	4.00%	6.10%
CGFS Risk Rating	BB	B	BB
Unlevered Beta (LTM)	0.06	-0.06	0.47
WACC	4.00%	3.70%	5.00%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	1.7%	14.7%	1.06
6/30/2017	4.0%	7.5%	0.25
6/30/2018	4.0%	9.0%	0.36
6/30/2019	4.5%	12.2%	0.40
6/30/2020	4.0%	14.1%	0.53
6/30/2021	4.0%	15.1%	0.60
6/30/2022	4.0%	16.1%	0.70
6/30/2023	4.0%	17.1%	0.90
6/30/2024	4.0%	18.1%	1.05
6/30/2025	4.1%	19.1%	1.29
6/30/2026	4.1%	20.1%	1.47
Continuing Period	4.1%	21.1%	1.79

Period	Invested Capital	Net Claims	Price per share
Base Year	$483.52	$424.36	$18.00
6/30/2017	$523.34	$335.40	$21.51
6/30/2018	$613.01	$357.53	$24.62
6/30/2019	$620.60	$310.46	$27.04
6/30/2020	$700.47	$251.70	$31.15
6/30/2021	$747.12	$187.40	$34.51
6/30/2022	$723.37	$116.03	$37.31
6/30/2023	$702.61	$33.20	$41.35
6/30/2024	$670.63	-$45.65	$44.01
6/30/2025	$647.63	-$133.14	$48.27
6/30/2026	$613.47	-$240.82	$51.63
Continuing Period			

Primo Water Corporation

NASDAQ:PRMW

Analyst: Peter Gadze
Sector: Consumer Staples

Buy

Price Target: $15.15

Key Statistics as of 10/27/2016

Market Price:	$13.05
Industry:	Water Services
Market Cap:	$360.78 M
52-Week Range:	$7.39 – 14.99
Beta:	0.23

Catalysts:

- Acquiring Glacier Water Services, Inc.

Company Description:

Primo Water Corporation is a provider of multi-gallon purified bottled water, water dispensers, and self-service refill water. Their products are sold through various retailers in the United States and Canada. The Operations are divided into two segments, which are Primo Water (water) and Primo Dispensers (dispensers). The Water segment consists of two sets of sales; multi-gallon purified bottled water and self-service drinking water. The Dispenser segment sells water dispensers designed by Primo and other dispenser bottled water. Billy Prim found Primo Water Corporation in 2004 in North Carolina.

Thesis

Primo Water Corporation (PRMW), a leading provider of multi-gallon purified water bottles, dispenser, and self-service refill is the new way of giving great premium taste to families nationwide. As America's #1 Water Dispenser Brand, Primo has created innovation, styles, and high quality dispensers to knock out any competitors. They have recently made a deal with Glacier Water Services in which Primo will acquire all outstanding shares. That being said, Primo is looking at nothing but positive earnings going forward along with they're excellent quarterly results climbing.

People

Billy D. Prim serves as the Chief Executive Officer and Chairman of the Board of Primo Water Corp. Previously he had served as Chairman of the Board for two companies, Blue Rhino (he founded) and Ferrellgas Partners who acquired his company. Mr. Prim has extensive business and managerial leadership from his experience starting from the early 1990s. In 2004, Mr. Prim successfully started Primo Water Corp.
Matthew T. Sheehan is the President and Chief Operating Officer and had a very similar experience to Mr. Prim. He had previously worked for Redbox, which then got acquired by Coinstar. There he was given the position of Vice President in Sales and Business Development.
Mark Castaneda is the Chief Financial Officer and Assistant Treasurer of Primo Water Corp. Prior to joining; he was in the same position at Tecta Company. He also worked alongside with Mr. Primo at Blue Rhino Corporation in the mid1990s.

Industry Overview

- Primo believes that there has been an increase in people wanting to live a better and healthier lifestyle. Consumers are increasing their consumption of water for their well-being.
- The Quality of Water is very important in Primo's Corporation. Many people go to stores to buy bottled waters because of the chemical contaminants that dissolve in the water through household pipes. They're concern regarding this is that they want consumers to have quality water that is purified.
- Primo Water builds there company off of the environmental impact as well. There has been an increase in consumer behavior mindsets to "reuse, recycle, and reduce."

Competition

Competition can either be beneficial for a company or dreadful. Competitors cause each other to increase the quality of goods and services, lower cost, or anything that would help each other's corporation grow. But having a competitor that is always ahead, can cause them to slightly overpower and increase their ability to diminish their competition. For Primo Water, they don't have any competition. There aren't any companies that have a similar market cap of $360.78 million that can compete with them. There are only a few companies that have a ridiculously high market cap in the billions that make Primo Water a small corporation. But Primo is a strong small cap stock and other companies are only in the low millions.

Operating Segments

The Operating System is divided into two segments; Primo Water and Primo Dispensers.
In the Primo Water Segment, it consists of the selling of multi-gallon purified bottled water and self-service refill system. Retailers throughout the US and Canada offer Primo Water by displaying them on racks or self-serve filter displays.
In the Primo Dispenser Segment, they are designed to dispense Primo Water and other compatible bottled water. These dispensers generate their sales through major US retailers. Before they are sealed and put on display, Primo makes sure each dispenser passes inspection to get certification.

Strong 2nd Quarter Results

According to Primo Water Corporation, the 3rd Quarter Earnings Call will be on November 1st.
Primo Water Corporation had strong results at the ending of the 2nd Quarter on June 30th. There was an increase in net sales growing at a rate of 6.14%. Net

Sales of $32.4 million grew to $34.39 compared to the previous year period. Gross Profit increased as well starting at $8.19 million at the last year's quarter to $10.42 million. Along with that, they're EBITDA increased by 39.05%.

Long Term Plan

- Increase Relationship Status with Retailers and develop Relationships with "New" Retailers
- Increase locations from 50,000 retail stores to 60,000
- Developing and installing new hydration solutions that would increase centralized cost in the short run. This will make the corporation more environmental friendly and economical.

Revenue Growth	7% - 15%
Gross Profit % in Revenue	30% - 35%
Adjusting Selling, General, and Admin.	10% - 12%
Adjusted EBITDA	17% - 20%

Catalysts

Acquiring Glacier Water Services, Inc. is a tremendous step for Primo Water's future. Already being known as a powerful leader in North America, the addition of Glacier Water will be effective. That's one less competitor for Primo Water and combining them will surely make their business grow. Some financial benefits are:

- Primo's revenue, operating income, and EBITDA will be doubled, increasing long-term growth.
- Greater Diversification in revenue and cash flow with the combined companies
- Creation of Synergy expects to generate $6 -$7 million in annual operations
- Cross Selling Opportunities are expected to increase in retailer partnerships
- Being able to De-Leverage, the selling of one's assets to decrease debt

Summary

Primo Water Corp. doesn't have competitors that have a market cap similar to there $360.78 Million. Nor are their any companies growing at a fast rate to compete with them in North America. Primo continues to grow gradually and nothing but huge impacts can happen after they acquired Glacier Water Services, Inc. Gross Profit, Net Sales and EBITDA increased and they've been having successful quarterly earnings the past year. I would urge the decision to buy PRMW and hold onto it for the long run. There aren't any drivers that would cause it to go for a lower price.

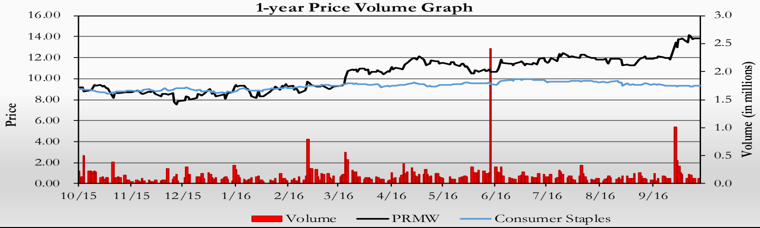
Siena Market Line
4th week of October 2016

Primo Water Corporation (PRMW)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Peter Gadze	Current Price:	$13.05	Intrinsic Value	$13.20	Target 1 year Return: 16.08%
10/27/2016	Divident Yield:	0.0%	Target Price	$15.15	Probability of Price Increase: 88.8%



Description

Primo Water Corporation, together with its subsidiaries, provides multi-gallon purified bottled water, self-service refill water, and water dispensers in the United States and Canada.

General Information

Sector	Consumer Staples
Industry	Beverages
Last Guidance	November 3, 2015
Next earnings date	November 1, 2016
Estimated Country Risk Premium	7.47%
Effective Tax rate	39%
Effective Operating Tax rate	39%

Market Data

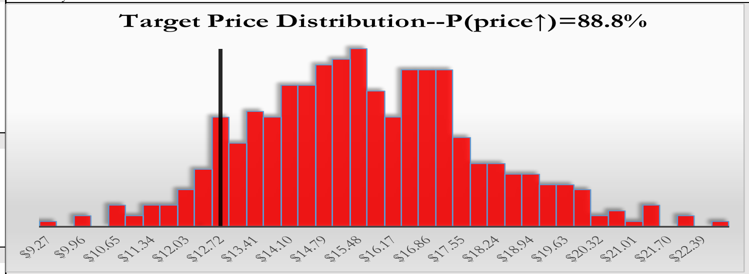
Market Capitalization	$339.70
Daily volume (mil)	0.1037
Shares outstanding (mil)	26.03
Diluted shares outstanding (mil)	28.63
% shares held by institutions	53%
% shares held by investments Managers	40%
% shares held by hedge funds	23%
% shares held by insiders	13.41%
Short interest	2.42%
Days to cover short interest	4.58
52 week high	$14.99
52-week low	$7.39
Levered Beta	0.79
Volatility	58.15%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2015	5.88%	-6.12%
9/30/2015	4.52%	-6.38%
12/31/2015	2.86%	-5.17%
3/31/2016	4.52%	-9.98%
6/30/2016	0.54%	-2.02%
Mean	3.66%	-5.93%
Standard error	0.9%	1.3%

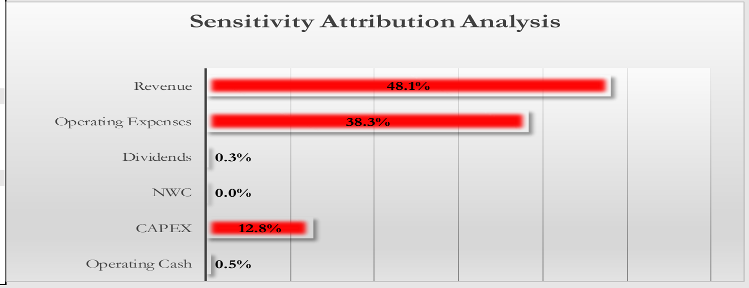
Peers

Crystal Rock Holdings, Inc.
Coffee Holding Company, Inc.
National Beverage Corp.
Coca-Cola Bottling Co. Consolidated
Dr Pepper Snapple Group, Inc.
Pepsico, Inc.

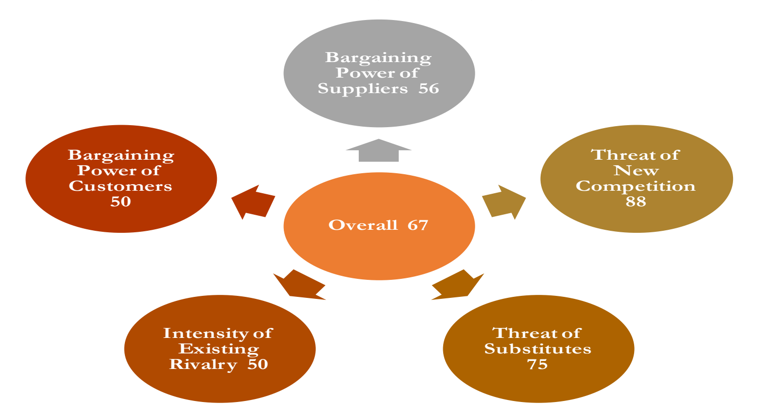


Management	Position	Total compensations growth	Total return to shareholders
Prim, Billy	Founder, Chairman and Chief	15.29% per annum over 5y	-28.31% per annum over 5y
Sheehan, Matthew	President and Chief Operatin	74.29% per annum over 3y	56.79% per annum over 3y
Castaneda, Mark	Chief Financial Officer and	-4.44% per annum over 5y	-28.31% per annum over 5y
Granger, Jamila	Vice President, General Coun	N/M	N/M
Mills, David	Vice President of Finance an	N/M	N/M
	0 0	N/M	N/M

Profitability	PRMW (LTM)	PRMW (5 years historical average)	Industry (LTM)
ROIC	4.0%	0.29%	12.21%
NOPAT Margin	6%	0.48%	15.3%
Revenue/Invested Capital	0.68	0.61	0.80
ROE	3.7%	-1.35%	13.97%
Adjusted net margin	5%	-2.09%	13.5%
Revenue/Adjusted Book Value	0.80	0.65	1.03
Invested Funds	**PRMW (LTM)**	**PRMW (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	0.8%	0.4%	18%
Estimated Operating Cash/Total Capital	0.8%	0.4%	N/A
Non-cash working Capital/Total Capital	2.4%	1.1%	8%
Invested Capital/Total Capital	100.0%	100.0%	76%
Capital Structure	**PRMW (LTM)**	**PRMW (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.09	0.52	0.17
Cost of Existing Debt	8.04%	16.17%	3.13%
Estimated Cost of new Borrowing	6.08%	5.92%	3.13%
CGFS Risk Rating	D	#N/A	B
Unlevered Beta (LTM)	0.73	1.16	0.58
WACC	9.34%	14.66%	7.97%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	12.3%	5.8%	0.42
6/30/2017	30.0%	8.8%	0.77
6/30/2018	40.3%	10.1%	1.07
6/30/2019	36.3%	10.1%	1.20
6/30/2020	32.2%	10.2%	1.30
6/30/2021	28.2%	10.2%	1.35
6/30/2022	24.2%	10.3%	1.40
6/30/2023	20.2%	10.4%	1.44
6/30/2024	16.1%	10.4%	1.45
6/30/2025	12.1%	10.5%	1.45
6/30/2026	8.1%	10.6%	1.44
Continuing Period	4.1%	10.7%	1.41

Period	Invested Capital	Net Claims	Price per share
Base Year	$179.98	$51.48	$12.92
6/30/2017	$280.05	$52.91	$14.69
6/30/2018	$193.12	$57.62	$16.74
6/30/2019	$191.55	$62.37	$19.11
6/30/2020	$192.82	$68.05	$21.86
6/30/2021	$200.02	$60.23	$25.05
6/30/2022	$225.97	$35.71	$28.70
6/30/2023	$266.13	-$5.81	$32.84
6/30/2024	$316.04	-$69.84	$37.45
6/30/2025	$378.77	-$158.15	$42.53
6/30/2026	$441.91	-$275.10	$48.11
Continuing Period			

Steve Madden, Ltd.

NASDAQ:SHOO

Analyst: Kara Carman
Sector: Consumer Disc.

BUY

Price Target: 38.09

Key Statistics as of 10/28/2016

Market Price:	$34.04
Industry:	Textiles, Apparel and Luxury Goods
Market Cap:	2.00B
52-Week Range:	27.80 – 38.48
Beta:	0.77
P/E:	17.91

Catalysts:

- Quarter 3 Earnings Announcement – November 1, 2016
- Cold weather months
- Shift in fashion trends
- Improved relationships with Amazon and Zappos

Company Description:

Steve Madden, Ltd. (SHOO) began as a $1,100 investment and is now one of the most well-known footwear brands. The company primarily designs, manufactures, and sells footwear for women, men and children. Aside from its wholesale footwear segment, Steve Madden also operates through wholesale accessories, first cost, retail and licensing. Its shoe brands include Steven and Dolce Vita, and its accessory brands include Betseyvill and Luv Betse. Steve Madden operates a majority of its 170 retail stores in urban street locations while maintaining a presence in shopping malls. The wholesale segment consists of designing, sourcing and marketing its brand to department stores, luxury retailers, national chains, online retailers, etc. Steve Madden brands are sold in over 80 countries across the world. Some notable competitors include Sketchers, Crocs, Footlocker and Rocky Brands.

Thesis

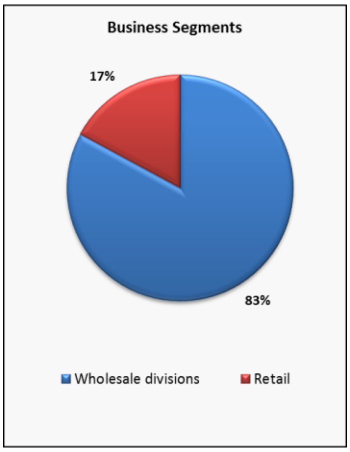
Steve Madden, Ltd. started as a home-grown company from a whopping $1,100. Steve Madden, founder and former CEO started selling shoes out of the trunk of his car in 1990. Now the company is a powerhouse in the textiles, apparel and luxury goods industry. For the fiscal year 2015, Steve Madden reported $1.41 billion in revenue. Through the acquisitions of other companies, such as Dolce Vita and Blondo, the company continues to not only increase its revenues but also increase its product diversification. Dolce Vita alone experienced a 50% sales growth increase in Q2. Blondo, Inc. was acquired by Steve Madden in early January, 2015 and Dolce Vita Holdings, Inc. was acquired in August, 2014. Since its initial public offering in 1993, Steve Madden has been a significant player in the industry. Although revenues for its wholesale footwear segment have continued to increase over the years, there has definitely been a slowdown of growth. That being said, other segments such as first cost and licensing have taken off, and are continuing to grow, therefore providing Steve Madden with even more revenue. The company has historically outperformed its competitors and there are many reasons for that trend to continue.

Industry Outlook

In September the total United States footwear sales fell 5% year over year, amounting to $2.4B. Footwear stocks are said to have "gone in reverse" potentially due to warmer weather delaying the purchase of fashion shoes. Although the industry faced a major decline, Steve Madden didn't decline as much as some of its competitors. However, on the upside, millennial demand has helped uplift the footwear industry. A continuing trend that has been observed is the increased spending by millennials on footwear in comparison to other retail segments. That being said, millennials tend to show a higher loyalty to power brands such as a Steve Madden brand, or Nike. The fashion industry tends to be cyclical in nature, causing an uncertainty about demand for the products and the industry's performance as a whole.

Business Model

The company performs operations under five separate business segments. The wholesale footwear segment's operations include designing, manufacturing, and distributing various Steve Madden brands to retailers such as department stores, national chains, online shopping sites, and luxury stores. These brands include Dolce Vita and Madden Girl. The wholesale accessories segment operates similarly, but includes products such as scarves, handbags, and other fashion accessories. Steve Madden stores make up their own segment, the retail segment. Not only are there physical store locations but there are internet shopping sites for brands such as Steve Madden and Betsey Johnson. Another operation includes licenses the Steve by Steve Madden and its Steve Madden for the manufacturing of luxury goods such as bedding, jewelry, luggage, watches, etc. The first cost segment's operations include acting as an agent for the buying of footwear products under private labels. In doing so, Steve Madden earns commission from mid-tier retailers such as Kohl's and Payless. When analyzing Steve Madden, the primary segments are broken into wholesale divisions and retail.



People

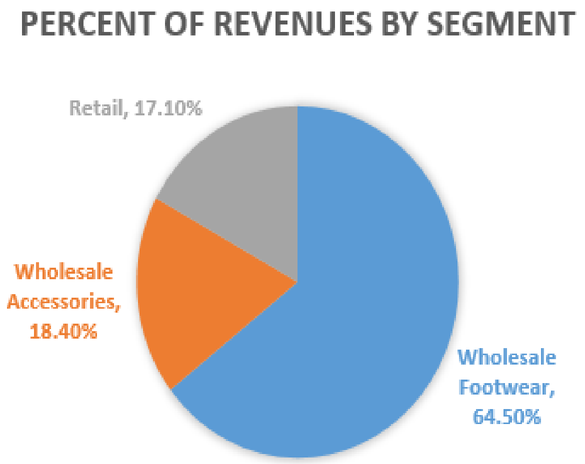
Steve Madden, the founder of the company was forced to resign as the CEO and from the board of directors after being convicted of stock manipulation and money and securities fraud. Four years later, Steve Madden, Ltd. Was named "Company of the Year" at the Footwear News Achievement Awards after increasing revenues by approximately $100 million. After Jamieson Karson resigned as CEO, Edward Rosenfeld was named interim CEO. Prior to being named interim CEO, Rosenfeld was the executive vice president of strategic planning and finance. As the Vice President of Peter J. Solomon Company, Mr. Rosenfeld has plenty of relative experience in the retail and apparel industries

Product Differentiation

What separates Steve Madden is its business model and the products offered. Although the company is primarily known for its footwear products, it is sufficiently diversified in other apparel markets giving them a competitive advantage over other companies in the industry. Steve Madden also offers products that other brands don't, such as fashion sneakers or open toe dress "booties". This is pertinent to Steve Madden's product differentiation because the demand for such fashions have grown immensely, especially amongst younger women. The switch from a demand for tall shaft boots to casual and dress "booties" creates a significant opportunity for Steve Madden to further its growth.

Financials

Revenue growth was about 5.3% from year 2014 to year 2015. The growth from 2014 to 2015 was significantly larger than the year prior. This can partially be attributed to acquisitions made in 2014 and 2015. Revenues for the wholesale footwear segment grew almost 3% in 2015 and accounted for about 64.5% of net sales, while the wholesale accessories segment grew about 5% and accounted for about 18.4% of net sales. The accessories segment is a young, growing business, therefore still growing and has major drivers such as the success of Betsey Johnson and private label handbags. The retail segment experienced a major growth from 2014 to 2015 of 15.9% and accounted for 17.1% of net sales. The growth experienced by the retail segment is driven by an increase in fashion trends, a further increase in product assortment and the changes in conversion rate. On top of that, the company opened nine additional stores in 2015. The growth of revenues from the licensing segment was even greater than that of the retail segment amounting to a 35% growth. The cost segment's revenues only grew about 5.5%. In 2015 cost of sales was 64.4% of net sales which is .5 percentage points lower than that of the previous year. The decrease in cost of sales, although it may appear small, is significant because it suggests that the company is managing operating costs more efficiently. This can be partially be attributed to Steve Madden's growth through product diversification. When acquiring another firm, a company has the ability to expand its products while maintaining similar operating costs. What we can make out of this is that the wholesale footwear continues to consistently grow but the company's other segments are continuously evolving and expanding therefore spiking revenues even further. The company's operating income margin is 12.17%, almost three percentage points higher than that of its competitors. Steve Madden generates a majority of its cash from operations suggesting that it operates a healthy business.



Important Dates and Catalysts

The Q3 earnings announcement and earning call are set to take place on November 1, 2016. It is expected that the earnings call will include the success of Nordstrom's anniversary sale and the impact on Steve Madden and its subsidiaries and the continuous improvement of relationships with Amazon and Zappos. With colder weather months approaching, the shift in demand for high-shafted boots and luxury fashion booties will be on the rise. Although there is some skepticism about the demand for high fashion footwear and other products that are offered by Steve Madden and its subsidiaries, it has been proven that the demand for millennials for luxurious fashion trends has been continuously on the rise. With that being said, improved relationships with Amazon and Zappos are crucial and will certainly have an effect on how the company continues to grow. For a price conscious shopper or a shopper looking for convenience, an e-commerce site such as Zappos or Amazon will drive their likeliness of purchasing products designed by Steve Madden.

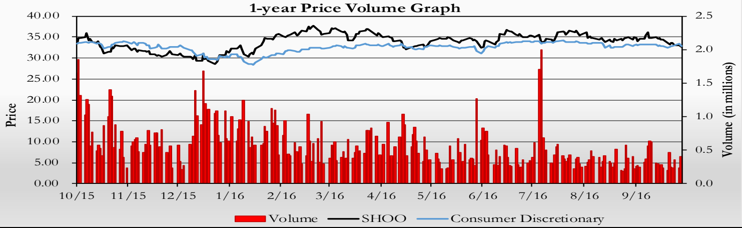
Summary

Since its IPO, Steve Madden has been a continuously strong company. Of course with the cyclical nature of the industry, there have been some down times. The increasing demand for luxury footwear by millennials and the continuous loyalty to Steve Madden brands provide the assurance that the company will continue to perform not only with, but above the industry. On top of that, the Q3 earnings announcement and earning call are set to take place on November 1, 2016. It is expected that the earnings call will include the success of Nordstrom's anniversary sale and the impact on Steve Madden and its subsidiaries and the continuous improvement of relationships with Amazon and Zappos. We are approaching colder weather months therefore the demand for fashion tall-shafted boots and booties.

Steven Madden, Ltd. (SHOO) | **CENTER FOR GLOBAL FINANCIAL STUDIES** | **NEUTRAL**

Analysis by Kara Carman	Current Price:	$33.96	Intrinsic Value	$34.00	Target 1 year Return: 12.17%
10/28/2016	Divident Yield:	0.0%	Target Price	$38.09	Probability of Price Increase: 87.2%

1-year Price Volume Graph



Description

Steven Madden, Ltd. designs, sources, markets, and sells fashion-forward name brand and private label footwear for women, men, and children.

General Information

Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	November 3, 2015
Next earnings date	November 1, 2016
Estimated Country Risk Premium	6.68%
Effective Tax rate	38%
Effective Operating Tax rate	38%

Market Data

Market Capitalization	$1,995.54
Daily volume (mil)	0.36
Shares outstanding (mil)	61.27
Diluted shares outstanding (mil)	60.01
% shares held by institutions	96%
% shares held by investments Managers	91%
% shares held by hedge funds	6%
% shares held by insiders	10.30%
Short interest	4.36%
Days to cover short interest	6.50
52 week high	$38.48
52-week low	$27.80
Levered Beta	0.90
Volatility	27.18%

Past Earning Surprises

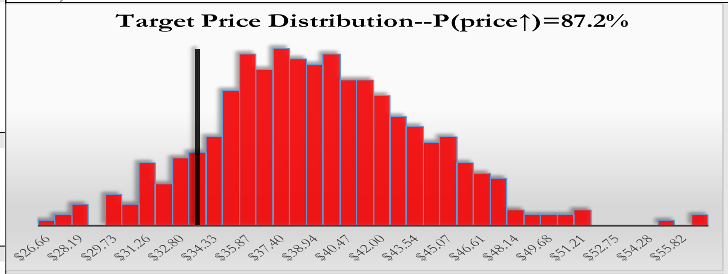
Quarter ending	Revenue	EBITDA
6/30/2015	0.77%	2.76%
9/30/2015	-3.50%	6.55%
12/31/2015	-4.88%	-0.16%
3/31/2016	-0.25%	-2.22%
6/30/2016	-2.95%	-7.67%
Mean	-2.16%	-0.15%
Standard error	1.1%	2.4%

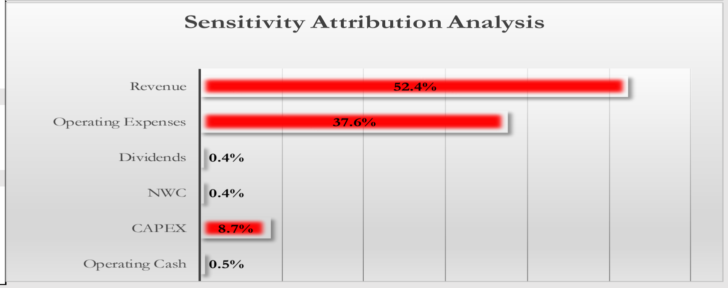
Peers

Deckers Outdoor Corp.
Wolverine World Wide Inc.
Crocs, Inc.
Finish Line Inc.
Skechers U.S.A., Inc.
DSW Inc.
Kate Spade & Company
Genesco Inc.

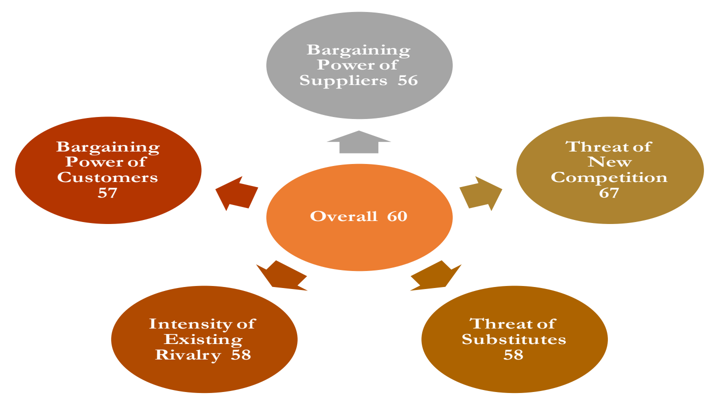
Management	Position	Total compensations growth	Total return to shareholders
Rosenfeld, Edward	Chairman and Chief Executive	44.27% per annum over 5y	5.76% per annum over 5y
Varela, Amelia	President and Director	-7.64% per annum over 5y	5.76% per annum over 5y
Dharia, Arvind	Chief Financial Officer, Chi	7.9% per annum over 5y	5.76% per annum over 5y
Sinha, Awadhesh	Chief Operating Officer	-22.02% per annum over 5y	5.76% per annum over 5y
Frieders, Karla	Chief Merchandising Officer	N/M	0% per annum over 0y
Madden, Steven	Founder and Creative & Desig	N/M	N/M

Profitability	SHOO (LTM)	SHOO (5 years historical average)	Industry (LTM)
ROIC	17.9%	29.79%	13.72%
NOPAT Margin	10%	13.76%	8.4%
Revenue/Invested Capital	1.80	2.17	1.63
ROE	21.9%	33.86%	15.52%
Adjusted net margin	9%	13.38%	7.7%
Revenue/Adjusted Book Value	2.35	2.53	2.02
Invested Funds	**SHOO (LTM)**	**SHOO (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	8.7%	12.9%	17%
Estimated Operating Cash/Total Capital	6.1%	8.6%	N/A
Non-cash working Capital/Total Capital	14.9%	14.1%	26%
Invested Capital/Total Capital	68.3%	64.6%	81%
Capital Structure	**SHOO (LTM)**	**SHOO (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.15	0.12	0.16
Cost of Existing Debt	4.98%	4.83%	3.92%
Estimated Cost of new Borrowing	4.80%	4.80%	3.92%
CGFS Risk Rating	CC	CC	CC
Unlevered Beta (LTM)	0.82	1.35	0.79
WACC	9.11%	12.80%	8.91%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	2.2%	10.0%	1.96
6/30/2017	1.6%	8.6%	1.58
6/30/2018	5.5%	8.8%	1.58
6/30/2019	5.3%	9.1%	1.64
6/30/2020	5.2%	9.4%	1.70
6/30/2021	5.0%	9.7%	1.75
6/30/2022	4.9%	10.0%	1.80
6/30/2023	4.7%	10.2%	1.85
6/30/2024	4.5%	10.5%	1.90
6/30/2025	4.4%	10.8%	1.95
6/30/2026	4.2%	11.1%	2.00
Continuing Period	4.1%	11.3%	1.92

Period	Invested Capital	Net Claims	Price per share
Base Year	$479.81	$239.18	$33.36
6/30/2017	$556.08	$173.40	$37.05
6/30/2018	$667.17	$55.09	$41.18
6/30/2019	$697.18	-$91.48	$45.78
6/30/2020	$786.79	-$219.61	$50.19
6/30/2021	$853.60	-$357.60	$54.76
6/30/2022	$927.93	-$505.93	$59.50
6/30/2023	$972.82	-$665.09	$64.39
6/30/2024	$1,016.80	-$835.54	$69.44
6/30/2025	$1,068.49	-$1,017.71	$74.64
6/30/2026	$1,120.80	-$1,212.02	$79.97
Continuing Period			

Siena Market Line
4th week of October 2016

Virgin America, Inc.
NASDAQ:VA

Analyst: Thomas Marano
Sector: Industrials

BUY

Price Target: $59.35

Key Statistics as of 10/27/2016

Market Price:	$54.45
Industry:	Airlines
Market Cap:	$2,432.66M
52-Week Range:	$26.30-56.54
Beta:	1.0

Catalysts:

- Alaska Air Merge
- Soles4Souls
- Seasonal Flight deals

Company Description:

Founded January 1st 2004 Virgin America is a California-based airline that began operation on August 8th 2007. With an overall mission of making the flying experience for their customers enjoyable again. With brand new planes, low competitive fares, new and interesting technology, and a plethora of new fun innovative services they are reinventing the customer travel experience. Virgin America flies throughout various area within the United States, Hawaii, and Mexico. The airline provides a new and exciting travel experience that will differentiate themselves from the traditional airline experience.

Thesis

Ranked as the number 1 performing U.S airline from 2013-2016 according to an airline quality rating report, Virgin America has provided their customers with an innovative and unusual travel experience. Welcomed with mood-lit cabins, custom-designed seats, and the most advanced entertainment systems in the skies, VA is staying up to date with their client needs. From providing the ability to charge electronic devices, to the possibility of ordering food/drink via touch screen, VA is keeping up to date with the latest trends and technological advances. In the future, Virgin America plans to expand their travel destinations which can aid in outperforming their competitors in the upcoming years. They're financially stable and their margins continue to grow. I assume this will continue into the 2017 year.

Industry Outlook

In the United states alone roughly 2 million people travel each day by airplane. Therefore, the competition within the United States airline industry is extremely competitive. The customer's differentiate airlines due to various personal criteria. Perhaps some customers search for the lowest prices, the most comfortable seats, best deals, or the quickest flight. Leading to increased rivalry among the industry.

The industry as a whole must also consider economic variables. Such as but not limited to, disastrous weather, terminal disease, terrorism, or any other variables that could impact the decision to travel.

With the fuel source for airplanes low, the airline profitability and demand within the industry is estimated to continue to improve. However the presidential election, along with "Eco friendly" alternatives may pose as a threat. The election of our next presidential candidate could potentially grow stronger or weaker ties with our business partners that provide the united states with the oil to fuel our aircrafts. Which could in turn lead to a shortage in oil. Which could lead to increase in ticket prices.

From an environmental point of view, many individuals believe that planes emit too much carbon dioxide into the atmosphere when they fly, contributing to the "global carbon footprint". Potentially shifting their decision to fly or find an alternative form of transportation.

Business Model

Virgin American airline is the only airline based out of Silicon Valley, and therefore does not compete in the same discount space as competitors such as, Southwest and Spirit Airlines, INC. They offer three classes onboard, First class, Main Cabin Select, and Main Cabin. All come with a unique set of inclusions. With an overall emphasis on customer treatment and experience. Virgin American airlines overall mission is to make flying good again. VA wants their customers to feel relaxed and enjoy the experience of being on their brand new planes.

Porters Five Forces

Bargaining Power of Suppliers: **Medium-50**
Virgin America scored a neutral 50 in this category. Although the airline industry is so diverse and the thought is that there are other options, VA constructs their planes with specific parts from a specific supplier. Therefore VA will have to pay what their suppliers request in order to maintain that their planes run and keep up with safety regulations.

Threat of New Competition: **High-71**
Entering the airline industry is extremely competitive. Although there are many airline companies, the barriers to enter the airline industry are extremely high. VA competitors have stayed the same each year. However, there is no other airline currently offering all the amenities that Virgin America does. That is why they are not face a huge threat of new competition.

Threat of Substitutes: **Medium-58**
Virgin America scored a neutral 58 in this category. The airline industry is extremely diverse. With each airline offering different services, destinations, prices, and travel experiences. Virgin Americas unique travel experience along with their low prices appeal to many consumers looking to travel. They hit a possible downside due to their limited travel destinations.

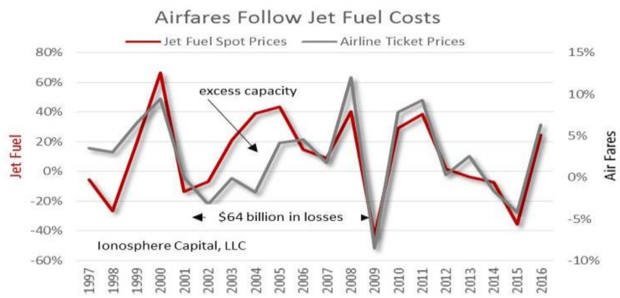
Intensity of Existing Rivalry: **Medium-67**
Currently Virgin Americas existing rivalry is medium. They compete against many airlines in general but their niche is being a low-cost provider of premium services. There is not much rivalry for Virgin America because there are not many competitors that can provide a low cost product while also providing high quality services with high quality amenities.

Bargaining Power of Customers: **Low-43**
Bargaining powers over Virgin America is the lowest of porter's five forces. Customers have very high power over airlines due to the ability to easily switch from one carrier to another. Although there may be a cancelation fee, customers can easily take their business elsewhere if they're not satisfied.

Product Differentiation

With approximately 631,939,829 plus people traveling by plane each year the airline industry is extremely competitive. Each airline company must be unique in order to differentiate itself from the competition and Virgin American airlines does an outstanding job setting themselves apart. From the moment you enter a Virgin American plane to the moment you leave your experience will be like no other airline. Visually, the pane has a new abstract look complemented by mood-lit cabins and sleek leather seats. Once onboard, Virgin America offers a plethora of inflight amenities. Such as a Brand new in-flight entertainment system "Red", a touch screen system that allows customers to browse through top movies, satellite television, music videos, video games, and even create their own music playlist. On top of that, not only does Virgin America offer their customers Wi-Fi, each seat also comes with a USB cord and power plug to ensure that the customer does not lose battery high in the sky. Which is useful for anyone flying who needs immediate use of their electronic devices once exited. But in my opinion the most innovate service they have is the "Seat-to-Seat delivery + Chat" system. This new systems allows users to communicate on the plane via chatroom or send a meal, drink, or snack to another seat. This is extremely useful for anyone who is flying with a business partner or potential business partner. This system can allow them to communicate via chat in preparation for any meeting they may have. I believe that Virgin Americas technology is way above any other airline currently flying. Thus, keeping true to their overall goal of making flying enjoyable again.

Financials



As you can see from the above graph which represents the Airlines industry as a whole, fuel costs and air fare costs move together simultaneously. As the cost of jet fuel increase, the air fare increases, and vice versa. The price of fuel is **very** important to airlines. If fuel becomes too expensive, this could potentially cause a decrease in revenue due to high air fare costs. Which could potentially lead to a decrease in ticket purchases.

Virgin America is a financially health company. With revenue steadily increasing over the past years. I will speak of this later in the report, but the possibility of a $2.6 billion merge with Alaska Airlines will combine them to become the 5th largest U.S. airline. Which will overall add to their value as a company.

ROIC /WACC		
	History	*LFY*
VA	1.01	0.69
Competitors	0.60	1.35

Even though VA has historically outperformed their competition in this comparison, As shown above they're currently underperforming in this ratio. This is due to an extremely low ROIC. Historically they have had an ROIC of 16.5% compared to the industry 8.8%. This year ROIC has dropped to 10.9% while the industry has rose to 20.8%.VA WACC is even with their competitors. I believe that perhaps they've not done as well this year due to the low amount of times they travel per day in comparison to their competitors. Due to the extensive technology of each plane, they have less amounts of planes flying daily. Therefore, they're making less trips per day in comparison to their competition.
Since 2010, Virgin America has had a steady increase in both EBITA Margin and Operating Margin. The increase in EBITA Margin is showing that VA is slowly

lowering the operating expenses compared to revenue. This will lead to more profitability. The increase in operating margin shows sign of growth, meaning the company is earning more per dollar of sales. The growth of these two margins together shows strong signs for Virgin Americas future.

Virgin America met a number of set Bloomberg criteria. Outside of a comparison with their competition and according to Bloomberg, VA has an ROIC/WACC of 2.79, their price as of one day ago has been greater than 1, and their latest FY Net Debt is less than 0 million. I believe that due to the criteria and the Proforma, Virgin America is financially a solid company.

Ownership

54) Ownership Type	10/23/16	Curr	Change
41) Hedge Fund Manager	36.71	36.55	-0.16
42) Holding Company	28.96	28.83	-0.13
43) Investment Advisor	28.34	28.19	-0.15
44) Individual	2.48	2.47	-0.01
45) Pension Fund	1.39	1.86	+0.47
46) Bank	1.25	1.24	-0.01
47) Insurance Company	0.63	0.63	0.00
48) Brokerage	0.11	0.11	0.00
49) Corporation	0.05	0.05	0.00

Important dates and Catalysts

Important dates and catalyst's for Virgin America is the possible upcoming merge with Alaska Airlines, possible launch of a shoe, and the extended seasonal flight prices.

For quite some time Alaska Air Group has been attempting to merge under an agreement where Alaska Air Group will acquire Virgin America. The deal has not been made and is going through regulations within the United States. I believe the deal will get done early 2017. If the acquisition goes through, this will allow the combined airline to fly into more destinations, increasing revenue and competition, and the acquisition will lead the combined airline company to becoming the 5th largest U.S airline. The deal will combine the two airlines that are both known for their low prices and outstanding service.

Outside of their normal services, Virgin America recently released news that they may be revealing a new shoe. The shoe will be hand crafted in Milan with Italian white leather and feature mood-lighting, video display, USB compatible charging station, rechargeable battery pack, and Wi-Fi enabled hotspot. The proceeds will be donated to Soles4souls, a nonprofit charity's whose mission is distributing clothing and shoes to people of poverty. They currently have one pair bidding on EBay with bids exceeding $10,000. The possibility of Virgin America releasing the shoe publicly has the potentially to definitely set the stock price in an upward trend.

Finally, Virgin America recently announced that they will be extending their seasonal promotion deals on the east coast into the winter season. With flights to Fort Lauderdale and Palm Springs. Flights starting at $99 one way. I believe that this deal can potentially increase their revenue which is overall good for their finances and Virgin America as a whole.

Summary

In conclusion, I believe that Virgin America is a buy. Due to upcoming catalysts in 2017 and how they differentiate themselves from their competition. I believe that as they increase their travel destinations they will attract more customers which will in turn increase revenue. They are constantly updating their technological features to please their customers. As they move into 2017 I believe they will continue to grow in revenue and size, which will increase the value of Virgin America, leading to an increase in stock price. Overall Virgin America has done an exceptional job keeping up with their mission statement of making the customer travel experience enjoyable again.

Siena Market Line
4th week of October 2016

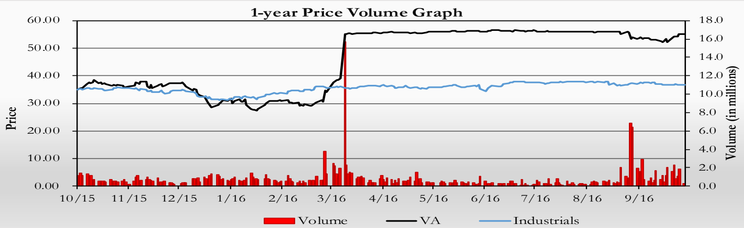
Virgin America Inc. (VA)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Thomas Marano	Current Price:	$54.45	Intrinsic Value	$14.63	Target 1 year Return: 8.99%
10/27/2016	Divident Yield:	0.0%	Target Price	$59.35	Probability of Price Increase: 87.8%

1-year Price Volume Graph



Description

Virgin America Inc. provides scheduled air travel services.

General Information

Sector	Industrials
Industry	Airlines
Last Guidance	November 3, 2015
Next earnings date	November 5, 2016
Estimated Country Risk Premium	31.32%
Effective Tax rate	40%
Effective Operating Tax rate	19%

Market Data

Market Capitalization	$2,432.66
Daily volume (mil)	0.78
Shares outstanding (mil)	44.68
Diluted shares outstanding (mil)	44.58
% shares held by institutions	43%
% shares held by investments Managers	18%
% shares held by hedge funds	41%
% shares held by insiders	32.64%
Short interest	13.18%
Days to cover short interest	6.62
52 week high	$56.54
52-week low	$26.30
Levered Beta	1.00
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2015	0.40%	-37.56%
9/30/2015	0.14%	-38.18%
12/31/2015	-0.89%	-82.41%
3/31/2016	0.06%	-51.94%
6/30/2016	-6.54%	-47.00%
Mean	-1.37%	-51.42%
Standard error	1.3%	8.2%

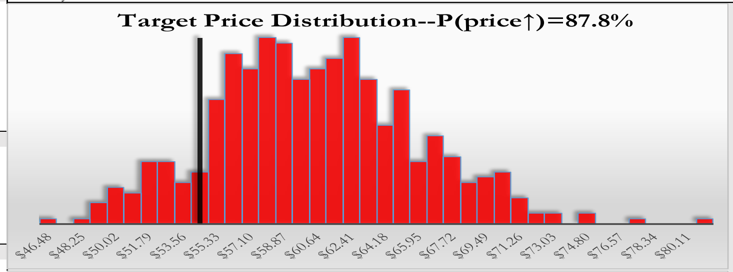
Peers

Spirit Airlines, Inc.
Allegiant Travel Company
Alaska Air Group, Inc.
Hawaiian Holdings Inc.
JetBlue Airways Corporation
Southwest Airlines Co.
American Airlines Group Inc.
United Continental Holdings, Inc.

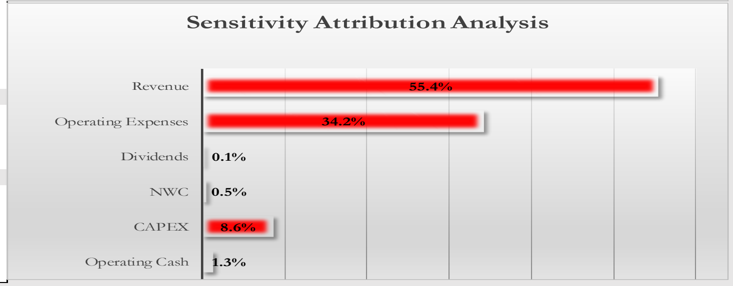
Management	Position	Total compensations growth	Total return to shareholders
Cush, C.	Chief Executive Officer, Pre	71.33% per annum over 2y	N/M
Hunt, Peter	Chief Financial Officer and	36.53% per annum over 2y	N/M
Forte, Stephen	Chief Operating Officer and	29.48% per annum over 1y	-16.74% per annum over 1y
Varley, John	Senior Vice President, Gener	36.9% per annum over 2y	N/M
Fiorillo, E.	Senior Vice President of Peo	34.06% per annum over 2y	N/M
Cookson, Dean	Chief Information Officer an	N/M	N/M

Profitability	VA (LTM)	VA (5 years historical average)	Industry (LTM)
ROIC	10.1%	3.46%	18.18%
NOPAT Margin	14%	3.26%	11.4%
Revenue/Invested Capital	0.70	1.06	1.60
ROE	25.1%	-55.36%	25.76%
Adjusted net margin	11%	-2.99%	10.5%
Revenue/Adjusted Book Value	2.36	18.49	2.44
Invested Funds	**VA (LTM)**	**VA (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	22.0%	16.9%	32%
Estimated Operating Cash/Total Capital	14.8%	12.0%	N/A
Non-cash working Capital/Total Capital	-14.8%	-12.2%	-41%
Invested Capital/Total Capital	92.8%	95.5%	93%
Capital Structure	**VA (LTM)**	**VA (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.78	0.50	0.48
Cost of Existing Debt	5.99%	12.96%	4.20%
Estimated Cost of new Borrowing	6.08%	9.32%	4.20%
CGFS Risk Rating	D	D	BB
Unlevered Beta (LTM)	0.60	0.91	0.66
WACC	18.73%	32.40%	22.21%

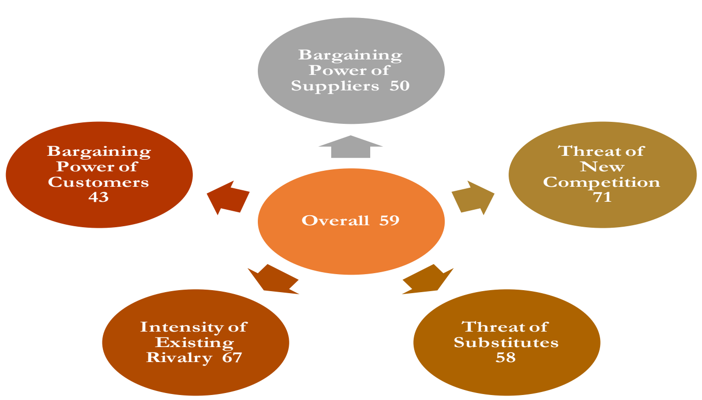
Target Price Distribution--P(price↑)=87.8%



Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	5.8%	14.5%	0.54
6/30/2017	7.4%	17.8%	0.62
6/30/2018	10.1%	19.4%	0.76
6/30/2019	3.0%	17.6%	0.62
6/30/2020	3.1%	17.8%	0.65
6/30/2021	3.2%	18.2%	0.70
6/30/2022	3.4%	18.7%	0.74
6/30/2023	3.5%	19.2%	0.79
6/30/2024	3.7%	19.5%	0.83
6/30/2025	3.8%	20.0%	0.88
6/30/2026	3.9%	20.4%	0.92
Continuing Period	4.1%	20.8%	0.87

Period	Invested Capital	Net Claims	Price per share
Base Year	$949.15	$1,737.72	$1.65
6/30/2017	$1,247.82	$1,507.61	$6.57
6/30/2018	$1,592.79	$1,529.47	$13.37
6/30/2019	$2,069.04	$1,262.13	$21.17
6/30/2020	$2,279.92	$922.84	$29.19
6/30/2021	$2,535.19	$609.57	$37.29
6/30/2022	$2,477.99	$280.61	$45.70
6/30/2023	$2,819.43	-$66.24	$54.45
6/30/2024	$2,828.98	-$470.18	$63.43
6/30/2025	$2,774.48	-$851.25	$72.56
6/30/2026	$2,766.52	-$1,252.71	$81.91
Continuing Period			

Siena Market Line
4th week of October 2016

Wingstop Inc.

NASDAQ:WING

Analyst: Brandon Casey
Sector: Consumer Disc.

SHORT

Price Target: $16.11

Key Statistics as of 10/26/2016

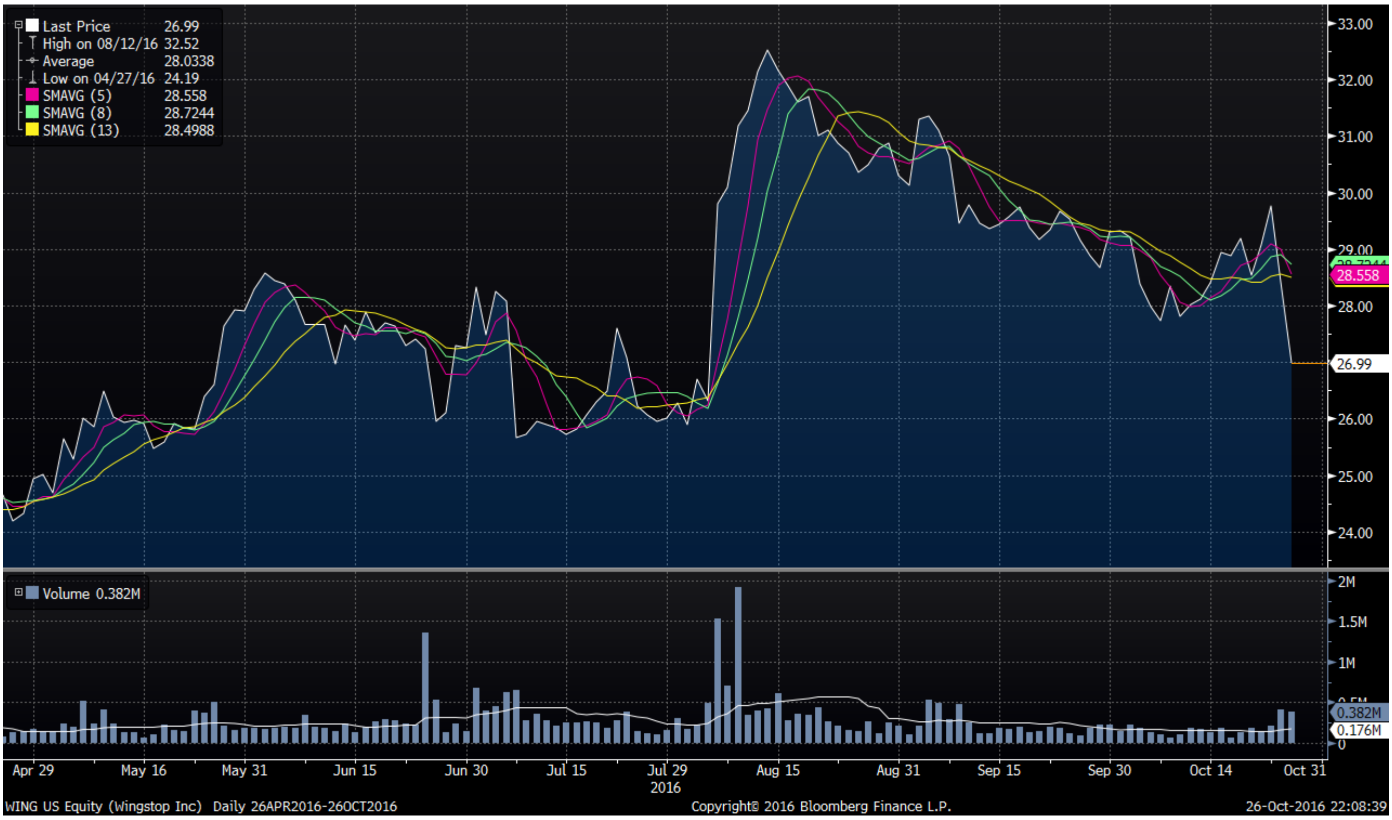
Market Price:	$26.99
Industry:	Hotels, Restaurants and Leisure
Market Cap:	$775.38M
52-Week Range:	$20.31-33.10
Beta:	N/A

Catalysts:

- Short run: Q3 Earnings Nov. 1st
- Mid run: Efficiency of expansion
- Long run: Oversupply of restaurants (industry outlook)

Company Description:

Wingstop Inc. (WING) is a fast-casual restaurant that specializes in serving wings as a main course. They offer 11 flavors of bone-in and boneless wings. WING is headquartered in Dallas, Texas and their store locations are mainly south and west North America, with 33% of all stores located in Texas and 22% of all stores located in California. Food sales generate approximately 90% of revenues. The CEO Charles R. Morrison has been in charge since June 2012, and the CFO Michael F. Mravle has been with the company since 2014. Both had positions at other companies prior to joining Wingstop Inc.

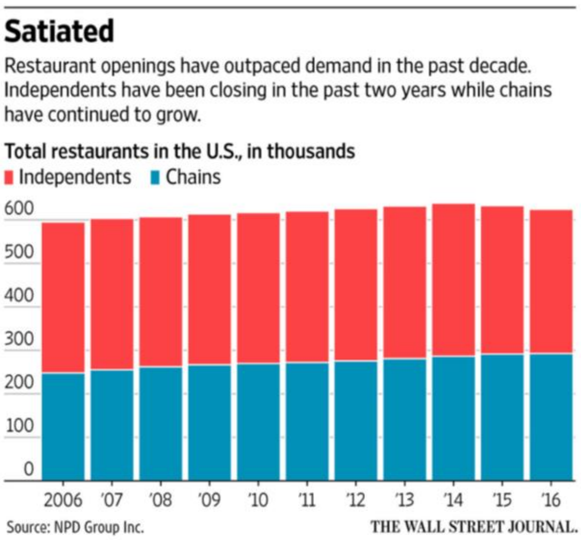


Thesis

Wingstop Inc. is a small player in a dying industry. In one recent week alone three restaurants filed for chapter 11 bankruptcy. Those companies were: Cosi Inc., Rita Restaurant Corp., and Garden Fresh Corp. All these companies are small players and contributors to the restaurant industry. Compared to larger companies in the same industry, WING has similar margins. WING has an EBITDA margin of 28.7% while a larger company such as Dave & Buster's Inc. has an EBITDA margin of 24.8%. Wingstop Inc. has been operating as efficiently as competitors, but for how long? In addition, in August 2016 Roark Capital Group lowered their position in WING by 6 million shares. This creates less capital for WING to operate with, and also may lower its efficiency. With the combination of being in an increasingly competitive and dying industry, and losing capital from their main investors, I would consider WING a SHORT. A target price of $16.11 and a potential of approximately 34% can be realized.

Industry Outlook

As stated before, the restaurant industry is slowly dying. This is because there is an oversupply of restaurants throughout the United States.



As seen in the picture above, from 2006 to the peak in 2014 restaurants grew at 7.3%. In that same time span, the United States population only grew 6.9%. Since the industry peak in 2014 the amount of restaurants in the United States decreased by about 624,000.

Experts believe that the decrease is not only explained by oversupply, but by customers being drawn away from traditional restaurants. Meal-kit delivery services and prepared meals are what have been taking away these customers. According to government data, in grocery stores food is at its cheapest point relative to restaurants since the 1980s. Americans are realizing that it is not only easier to shop for meals but also cheaper. Overall the restaurant industry is showing its instability. In one recent week three companies; Cosi Inc., Rita Restaurant Corp., and Garden Fresh Corp., filed for bankruptcy. Some restaurants are closing store locations. In August 2016, Ruby Tuesday announced it had plans to close around 100 stores, and Bob Evans Farms Inc. closed 27 restaurants. Management for restaurants are also being shaken up. Famous Dave's of America Inc. has had four CEOs in the last four years, and it has been closing many stores of late. Wingstop could be compared to the industry through its management. CEO Charles R. Morrison was introduced to the company in June 2012, while CFO Michael F. Mravle has only been with the company since 2014. Since both have been at different companies prior to Wingstop Inc., they have realistically only worked together for two years.

Investors

Wingstop Inc. has a relatively small market cap of $775.38 Million compared to competitors. In other words, they thrive off of investors since they need capital to compete efficiently with competitors. One of their main investors recently in August lowered their position in WING by 6 million.

ext Search | Holder Group All Holders | Allocate Multi-
4) Color Legend | Shrs Out 28.7M | % Out 23.56 | % Float 74.27 | SI %

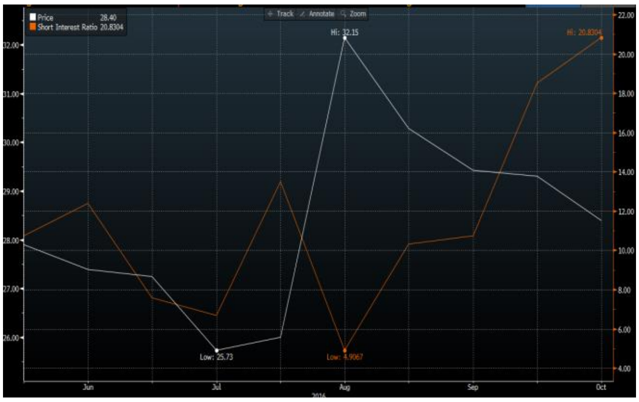
	Holder Name	Portfolio Name	Source	Opt	Position	% Out	Latest Chg
			Mixed	All			
1	ROARK CAPITAL GROUP INC		Form 4		6,765,858	23.55	-6,000,000
1	STATE STREET GLOBAL ADV UK	SPDR RUSSELL 2000 U.S. SM	ETF		2,259	0.01	0
1	BLACKSTONE GROUP LP	BLACKSTONE ALTERNATIVE	MF-USA		200	0.00	0

Roark Capital Group is considered to be the parent company of Wingstop Inc. because of how heavily Roark invested in WING. Roark Capital Group is headquartered in Atlanta, GA. They have raised about $6 billion in equity capital. Their portfolio consists of food and restaurants, specialty retail, health and wellness, healthcare, and education. However their largest sector of ownership is the food and restaurant sector, in which they have invested in 19 companies.

Based on Roark's history of ownership, it is fair to say they have a lot of experience in the restaurant industry. Since Q4 2015 Roark Capital Group had 19 million invested in WING. As of late, they are down to about 7 million. Roark must have lost some faith in the once promising fast-casual restaurant. It may be because of the deteriorating industry. Or they may have disagreements with management's operation ideologies. Nonetheless, if a parent company decreases its position from 19 million to 7 million, it speaks volumes to how they forecast the company's future.

Short Interest

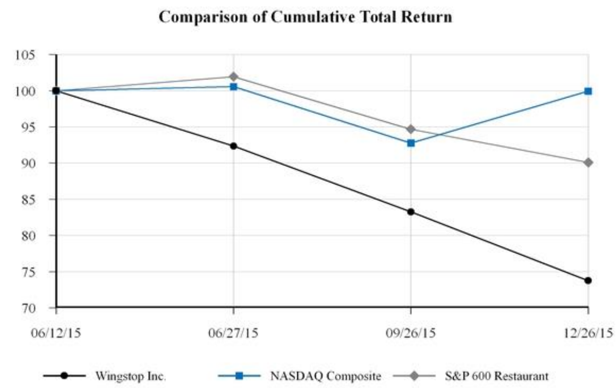
There is another shocking parameter as why I consider WING a short. Before Roark Capital Group decreased their position in Wingstop Inc. the short interest ratio was at a yearly low of about 4.9%.



Once August came, the short interest ratio of WING doubled in one month and has been increasing ever since. Now the short interest ratio is about four times more than what it was in August, to be exact it is at 20.8%. Ironically, the increase in short interest occurred at about the same time Roark Capital Group lowered their position by 6 million shares. Many investors now understand that the lack of support from Wingstop Inc.'s parent company means that in the long run they will not be able to grow as planned, thus limiting efficiency.

Competitors

Since their IPO, Wingstop Inc.'s cumulative returns on their stock has been steadily decreasing. In comparison, NASDAQ has remained somewhat constant (despite some fluctuations) and the S&P 600 Restaurant has also declined.



This shows us two things. Since the S&P 600 Restaurant is declining, we can see that the market is outperforming the restaurant industry as a whole. In addition, WING is actually being outperformed by the industry. So this graph shows us that WING is not only in a deteriorating industry, it is also not keeping up with the industry. In the future, Wingstop Inc. has realized that there is opportunity for them to acquire a total of 2,500 stores in the United States. They have a lot of expanding to do since they only own 786 American stores to date. In order to become a country-wide brand name like they hope, they will need to tak eon a lot of debt. Since they've recently lost an immense portion of their capital from Roark Capital Group, expansion will only be more difficult and less efficient.

Conclusion

At a price of $26.99 I would strongly consider a SHORT on Wingstop Inc. The restaurant industry is going to get increasingly competitive. Smaller restaurants will only be able to compete with bigger brand names for so long. WING has lost a significant amount of capital from their main investor Roark Capital Group. This loss of capital may urge many current owners to sell off the stock. In addition, WING now has significantly less capital to operate and expand with. Since their long run goal is to obtain around 2,500 stores in the United States, they will have a tough time expanding as efficiently as they have. Margins may start to decrease, competitors will start to outperform, and in the long run I believe Wingstop Inc. will fall victim to the deteriorating restaurant industry.

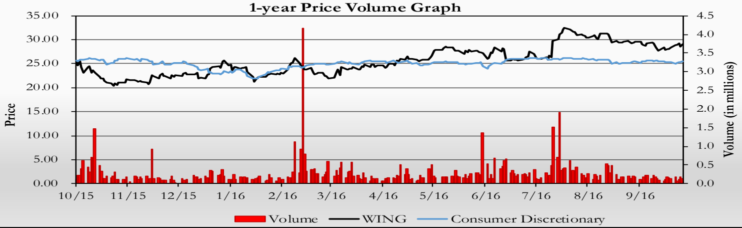
Siena Market Line
4th week of October 2016

CENTER FOR GLOBAL FINANCIAL STUDIES

Wingstop Inc. (WING) — **BEARISH**

Analysis by Brandon Casey	Current Price:	$26.99	Intrinsic Value	$16.47	Target 1 year Return: -34.07%
10/26/2016	Divident Yield:	6.2%	Target Price	$16.11	Probability of Price Increase: 0%

1-year Price Volume Graph



Description

Wingstop Inc., together with its subsidiaries, franchises and operates restaurants under the Wingstop brand name.

General Information	
Sector	Consumer Discretionary
Industry	Hotels, Restaurants and Leisure
Last Guidance	November 3, 2015
Next earnings date	November 1, 2016
Estimated Country Risk Premium	5.98%
Effective Tax rate	39%
Effective Operating Tax rate	40%

Market Data	
Market Capitalization	$775.38
Daily volume (mil)	0.38
Shares outstanding (mil)	28.73
Diluted shares outstanding (mil)	28.95
% shares held by institutions	67%
% shares held by investments Managers	60%
% shares held by hedge funds	14%
% shares held by insiders	1.11%
Short interest	10.70%
Days to cover short interest	10.94
52 week high	$33.10
52-week low	$20.31
Levered Beta	1.00
Volatility	0.00%

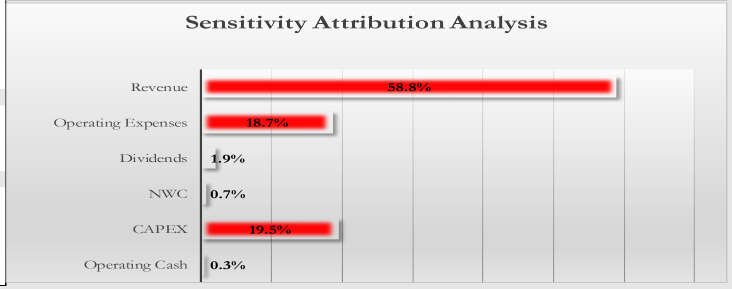
Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/27/2015	4.52%	13.95%
9/26/2015	-0.19%	6.99%
12/26/2015	0.74%	-29.62%
3/26/2016	-0.49%	4.49%
6/25/2016	0.99%	0.12%
Mean	1.12%	-0.81%
Standard error	0.9%	7.5%

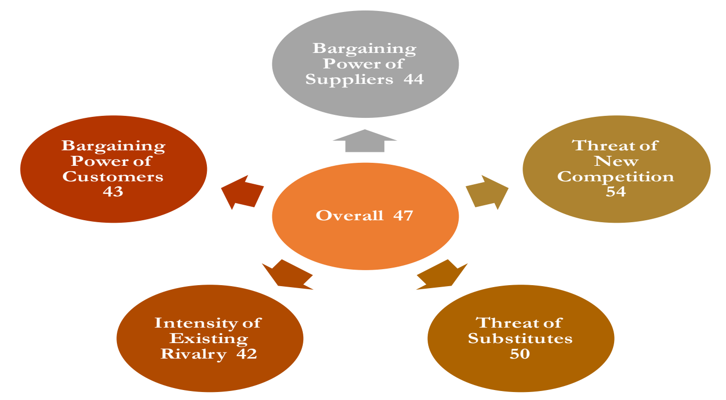
Peers
Buffalo Wild Wings Inc.
The Cheesecake Factory Incorporated
Flanigan's Enterprises Inc.
Famous Dave's of America Inc.
Jamba, Inc.
Darden Restaurants, Inc.
BJ's Restaurants, Inc.
Texas Roadhouse, Inc.

Management	Position	Total compensations growth	Total return to shareholders
Morrison, Charles	Chief Executive Officer, Pre	56.22% per annum over 1y	N/M
Mravle, Michael	Chief Financial Officer	-41.06% per annum over 1y	N/M
Kruguer, Lawrence	President of International	N/M	0% per annum over 0y
Peterson, Stacy	Chief Information Officer	N/M	N/M
Marsch, Darryl	Senior Vice President, Gener	N/M	N/M
Vernon, David	Chief Development Officer	N/M	N/M

Profitability	WING (LTM)	WING (4 years historical average)	Industry (LTM)
ROIC	56.8%	314.94%	20.24%
NOPAT Margin	22%	#DIV/0!	12.0%
Revenue/Invested Capital	2.54	#DIV/0!	1.69
ROE	-23.2%	277.46%	26.73%
Adjusted net margin	20%	#DIV/0!	9.7%
Revenue/Adjusted Book Value	-1.17	#DIV/0!	2.77
Invested Funds	**WING (LTM)**	**WING (4 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	7.4%	6.4%	21%
Estimated Operating Cash/Total Capital	5.8%	4.5%	N/A
Non-cash working Capital/Total Capital	-2.5%	-2.7%	-29%
Invested Capital/Total Capital	27.4%	24.2%	87%
Capital Structure	**WING (LTM)**	**WING (4 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.13	0.04	0.36
Cost of Existing Debt	3.34%	6.23%	3.98%
Estimated Cost of new Borrowing	4.17%	4.23%	3.98%
CGFS Risk Rating	B	B	CCC
Unlevered Beta (LTM)	0.91	1.00	0.80
WACC	8.89%	10.04%	8.01%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	16.2%	22.3%	6.39
6/25/2017	10.9%	21.5%	6.07
6/25/2018	12.2%	22.8%	8.55
6/25/2019	11.3%	22.5%	8.05
6/25/2020	10.4%	22.5%	8.47
6/25/2021	9.5%	22.3%	8.19
6/25/2022	8.6%	22.1%	7.90
6/25/2023	7.7%	21.9%	7.61
6/25/2024	6.8%	21.7%	7.32
6/25/2025	5.9%	21.5%	7.04
6/25/2026	5.0%	21.3%	6.76
Continuing Period	4.1%	21.0%	6.01

Period	Invested Capital	Net Claims	Price per share
Base Year	$0.00	$123.52	$16.77
6/25/2017	$9.08	$151.25	$16.83
6/25/2018	$21.70	$186.65	$16.93
6/25/2019	$26.43	$218.14	$17.08
6/25/2020	$33.21	$250.35	$17.30
6/25/2021	$36.82	$279.53	$17.64
6/25/2022	$31.59	$304.40	$18.15
6/25/2023	$37.01	$323.64	$18.87
6/25/2024	$39.21	$310.91	$20.72
6/25/2025	$44.63	$315.05	$21.99
6/25/2026	$50.44	$316.44	$23.62
Continuing Period			

Siena Market Line
4th week of October 2016

Williams-Sonoma Inc.

NYSE:WSM

Analyst: Maxime Lattanzio
Sector: Consumer Disc.

BUY

Price Target: $53.94

Key Statistics as of 10/27/2016

Market Price:	$46.33
Industry:	Specialty Retail
Market Cap:	$4.102B
52-Week Range:	$45.96-$75.90
Beta:	0.83

Catalysts:

- Short-term: Q3-Q4 2017 Earnings Report
- Mid-term: Increased efficiency through broad supply chain reorganization
- Mid/long-term: Acquisition of Restoration Hardware and success of West Elm Hotels

Company Description:

Williams-Sonoma, Inc., is a retailer of home furnishing. It was founded in 1957 in Sonoma, California, and is nowadays headquartered in San Francisco. Even though the company's original goal was mainly oriented towards cooking hardware, it has diversified to general home furniture by acquiring companies such as Pottery Barn (itself divided into Pottery Barn, PB Teens, and PB Kids) and West Elm, and has acquired the lighting and hardware company Rejuvenation in 2011. West Elm just announced it will open a hospitality branch named "West Elm Hotels". Overall, the company operates mainly in the United States (95% of its revenue), but has operations in Canada, Puerto Rico, Mexico, Australia, UK, and has franchising agreements in the Middle East. The stock is currently trading at $46.33, close to its 52 week low of $45.96.

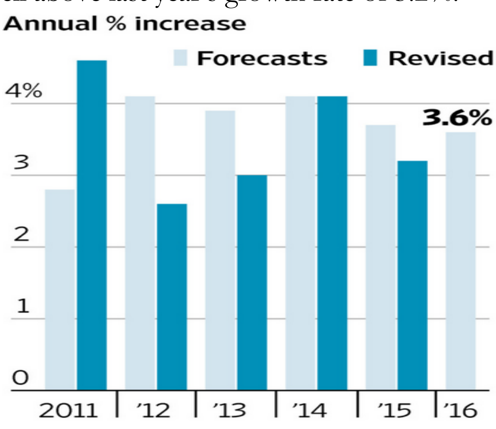
Thesis

- The stock price has suffered from a weak retail environment since early 2016, but the outlook for the industry is positive for both brick-and-mortar retail as well as for the e-commerce.
- In spite of the outlook, Williams-Sonoma managed to show positive revenue growth and above-average operating profits, and is currently consenting to financial discipline and supply chain restructuration that will positively impact profit margins in the future, in addition to stronger revenue growth.
- The company wanting to sustain strong revenue growth is acting aggressively (expansion and diversification of services), and would benefit from opportunities such as Restoration hardware.

Industry Outlook

The retail industry can be divided into two main segments: brick-and-mortar retail through physical stores, and online retail.

After several years of strong growth, the first half of 2016 has been challenging for the old-school segment of the industry. The main driver of this softening environment has been the net decline in mall traffic that has been observed in the whole country. However, solid job market and increased household spending, that likely improved consumer confidence, are expected to help sustain strong holiday sales. The most recent forecast from the National Retail Federation suggests that the annual increase is going to be around 3.6%, above the 2009 post-recession average of 3.4%, and well above last year's growth rate of 3.2%.



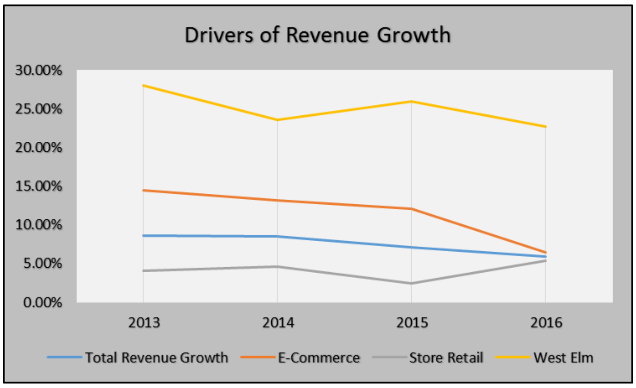
Source: National Retail Federation

Regarding the growing online retail segment of the industry, forecasts are optimistic on both short and medium term. The Online Retail Market in the United States is expected to grow at a compounded annual rate of more than 15% from 2016 to 2020.

Furthermore, the strong labor market and the only slow increase in interest rates from the Fed are expected to lead to another bullish year for the housing market. The Home Furnishing Retail Sub-Industry, heavily depending on the housing market and new home sales, is therefore going to benefit from this.

Driving Revenue Growth

The drop in Williams-Sonoma's stock price can be explained by the general concern of the market regarding the company's ability to generate strong revenue growth. As a matter of fact, the company's sales growth has been decreasing over time to fall below 6.0% for fiscal year 2016.



Store Retail sales have been growing at a slow 5% average rate for the past 5 years, and fell as low as 0.4% year-over-year for Q2 2017. E-commerce revenue, which had been growing at a solid double digit rate over the past years, has slowed down and recently dropped at a level equivalent to store retail's growth, around 6%. This means the company did not benefit from the fast-growing online retail market.

Management has understand these issues, and is planning to reallocate resources, especially marketing and advertising budgets directed towards digital, to boost online retail revenue growth. Strong focus is being put especially on sustaining strong growth, as the brand is aggressively directed towards e-commerce, and is already growing at a faster pace. 3 years ago, it only represented 10.6% of Williams Sonoma's revenue, and it weighed as much as 16.5% of the company's total sales at the end of fiscal year 2016, thanks to its CAGR of 25.0% over the last 4 years. The company believes West Elm has potential to become a "$2 billion brand", and past growth rate in addition to the aggressive e-commerce strategy wanted by management are likely to lead the brand to maintain this fast growth rate for the coming years. Overall, Williams-Sonoma knows that future success depends on online retail, and the revenue trends confirm that e-commerce has become as important as physical stores, and is soon to become the main source of revenue for the company. E-commerce represented barely 41.5% of the total revenue in 2011, and increased to represent 50.7% of total revenue in 2016. Management statements during earning calls make me believe that the trend will continue, and could even accelerate in the future, which will have a positive impact on the company's overall profitability, as explained in the next section.

Profit Margins

When it comes to profitability, Williams-Sonoma has been performing better than its peers overall. In the last 12 months, the company generated Gross Margin 70bps lower than its peers, but generated higher EBIT, EBITDA, and Net Income Margins than the average, outperforming almost all its competitors on EBITDA and Net Income. Moreover, when it comes to ROIC, Williams-Sonoma is by far the best in class with 25.58%, outperforming the second best (BBBY) by more than 6% on this matter.

Name (BI Peers)	Gross Margin	EBIT Margin (TTM %)	EBITDA Margin (TTM %)	Net Income Margin (TTM %)	Return on Invested Capital
Average	37.38%	6.03%	8.54%	3.18%	2.47%
WILLIAMS-SONOMA INC	36.68%	9.80%	13.10%	6.18%	25.58%
BED BATH & BEYOND INC	37.83%	10.51%	12.89%	6.15%	19.28%
RESTORATION HARDWARE...	33.82%	7.08%	9.38%	3.08%	6.08%
PIER 1 IMPORTS INC	36.40%	2.24%	5.43%	1.06%	5.58%
ETHAN ALLEN INTERIORS...	55.68%	10.95%	13.39%	6.85%	12.49%
WAYFAIR INC- CLASS A	23.87%	-4.37%	-2.93%	-4.27%	-54.19%

Regarding the low gross margins compared to the industry, the underperformance is largely due to a recent management decision to offer large discount in retail stores to reduce the total merchandise inventories and promote supply chain efficiency, which will be discussed in the very next section. Management has accepted temporary hit on margins to promote future efficiency, and has already reduced its inventory by 6.6% as of Q2 2017, which is likely to drive profitability up in the coming quarters and years.

Finally, the outlook for the industry, compared to revenue trends and management objectives make me believe that the company's general operating margins are going to increase drastically in the future. As written earlier, revenue from e-commerce is consistently outpacing brick-and-mortar retail revenue. As of FY2016, e-commerce accounted for 50.7% of total revenue and for as much as 70.1% of operating income. Indeed, most recent data indicates that e-commerce produces operating margins as high as 22.10%, almost 4 times more than retail's 5.90% margin in the last quarter. As the market for e-commerce is expecting to grow rapidly and constantly over the last 5 years, and management is targeting its marketing and operations to promote e-commerce growth over retail stores, I expect the general profitability of the corporation to tend towards higher values than its history and the industry average, that are around 14.0%. This will increase the cash flows to the company, and therefore the value of the enterprise.

Supply Chain Management

One of the struggles of the company has been the management of its supply chain. Customer reviews about deliveries regularly point out delayed deliveries. On the company side, the poor management of deliveries and inventory had induced higher freight costs, contributing to destroy profitability.

In addition to the inventory clearance, recent delivery improvements have increased on-time deliveries and reduced deliveries per order. However, the biggest improvement of the supply chain might not have happened yet. The company has recently opened a single distribution center in Georgia for the whole Southeastern part of the country. The center, working at only 50% of its maximal capacity as of Q2 2017, already handles 40% of the Southeastern volume, and made the average delivery time to customers in the region decrease by 3 to 5 days. Once the center works at full capacity, distribution will be even more efficient in the region, contributing to lower shipping costs and increased customer satisfaction, helping improving customer retention and profit margins even more. As a consequence, I expect top management to expand the use of this distribution model to other regions of the United States until it covers the whole country, which will make the whole company able to generate increased revenue and profits.

Store Efficiency

12 Months Ending	02/03/2013	02/02/2014	02/01/2015	01/31/2016
Same Store Sales %	–	–	–	–
Home Goods Stores	2.30	8.80	7.10	3.70
West Elm	17.40	17.40	18.20	14.80
Pottery Barn Kids	5.60	7.80	5.90	2.20
Pottery Barn	8.50	10.40	5.80	1.90
Williams-Sonoma	-1.10	1.50	3.80	1.10
PBteen	1.70	14.10	5.70	-2.70
Outlets	–	–	–	–

Since 2011, the company has constantly been posting positive organic growth. However, supplementary breakdown between different brands shows that most of the growth is attributable to West Elm. From year to year, same store sales growth is volatile. The company is opening stores (33 openings company-wide in FY2016 and 9 closings in Williams-Sonoma stores in the same year), but is not generating constant organic growth, thus not adding much value to the company. To remediate this, management is conducting audit of markets and stores to reposition those that are less efficient. The ultimate goal would be to drive more sustainable same store sales growth.

Expansion and Acquisitions

West Elm Hotels

To diversify its business, West Elm announced on September 26th it will open, jointly with DDK Hospitality Management, a hospitality branch focused on boutique hotels. While the company will manage the design and furnishing of the hotels, DDK will operate them. Upon announcement, the market was worried that it could be a diversion from the core business (Short Interest increased to tend towards 11%). However, DDK will bring the necessary knowledge to manage the hotels efficiently through its experienced executives. Moreover, West Elm already operates a hospitality branch, and Peter Fowler, head of the branch, stated that hotels will cost 40% less to construct and furnish compared to the average, thanks to existing vendor base.

Acquisition of Restoration Hardware

Restoration Hardware Holdings Inc. is a high-end furnishing company. After growing at a tremendous rate (over 20% in the last 7 years), has been having troubles capitalizing on its growth, and past year has been rough for the company (-35.6% EPS growth, Revenue growth of only 9.1%), as the company is having troubles upgrading its supply chain to its growing market shares, and has had several unsuccessful promotional campaigns over the last 2 years, leading to a -62.45% stock price change YTD. Many observers think RH could benefit from a merger with WSM as it would be able to use its supply chain and gain the efficiency it has been lacking in the last quarters. For Williams-Sonoma, the advantage would be penetrating the high-end furniture market.

On June 22nd, the sole rumor that the deal was bound to happen made WSM stock jump by 2.7% (and RH stock by 7%). The main obstacle for now is management reluctance to sell its company, but the increasing pressures on sales and profits might be likely to force Restoration Hardware to accept a deal in the coming years.

Financials and Multiples

Historically, Williams-Sonoma has had extremely low debt levels (both Long Term and Short Term) tending towards 0, well below its competitors. As of July 31st, it had only $125M of short-term debt, but still is more financially flexible than its competitors.

Capitalization (Debt/Equity)			Kd		
	History	*LFY*		*History*	*LFY*
WSM	0.00	0.03	WSM	3.0%	3.0%
Competitors	0.14	0.15	Competitors	13.4%	4.4%

Consequently, if the company ever had the opportunity to expand or acquire another company, it could take on debt at an affordable interest rate.

WACC			ROIC /WACC		
	History	*LFY*		*History*	*LFY*
WSM	12.5%	9.5%	WSM	1.82	2.65
Competitors	18.7%	9.8%	Competitors	0.91	2.32

Historically, has had lower WACC than the industry and its competitors. However, in the last year, competitors have lowered their Cost of Capital and are now close to WSM. However, given Williams-Sonoma low cost of debt, it has room to improve its capital structure to converge towards its optimal WACC.

Thanks to this low WACC and a higher ROIC than its competitors (discussed before), the company has been creating value historically, even when its competitors had been destroying value (added-value ratio<1). Now that all of the industry is performing on a value creation basis, WSM is creating even more value than competitors, being best in class. With the rapid growth of the profitable e-commerce segment, value creation is likely to keep on going the right path.

12 Months Ending	02/02/2014	02/01/2015	01/31/2016	10/24/2016
P/E	19.20	24.45	15.19	13.66
Average	21.12	23.76	23.41	
High	23.77	28.50	27.71	
Low	17.04	18.61	15.19	
EV/EBITDA	7.98	10.49	6.75	6.47
Average	8.91	9.95	9.96	
High	10.19	11.84	11.88	
Low	7.16	7.74	6.29	

Finally, when it comes to multiples, the company, like the industry, is trading at low multiples compared to its historical average: EV/EBITDA of 6.47 near its 3-year low, P/E of 13.66 near its 7-year low. All stocks in the industry have taken a hit since beginning of the year, but current value creation, profit margin and initiatives, growth potential of West Elm brand, and the macro-outlook for the coming years make me believe that Williams-Sonoma is going to bounce back from its current price 52-low.

Future Dates and Catalysts

In the near future, the price of the stock is likely to be moved significantly by earnings announcements for Q3 and Q4 2017. Even though the company has recently beaten estimates on Revenue and EPS (beat 5 and 7 out of 8 last estimates), the stock has suffered in Q2 2016 from weak retail traffic that has negatively impacted same store sales growth. However, the outlook is positive for the near future, and, as expectations for the back half of the year have been lowered, negative surprise is less likely. The main move will be in Q4, as this period is usually the company's more lucrative (+50% revenue than other quarters).

In the next year, significant effects of initiatives in supply chain management and e-commerce revenue growth on the company's results will be expected and will move the price.

Finally, in a longer range, first results of West Elm Hotels, which will have a strong impact on the brand's revenue growth, as well as the potential buyout of Restoration Hardware, will lead to significant changes in the stock price.

Summary

In conclusion, Williams-Sonoma is a strong opportunity for several reasons. It is currently trading at a really low price (on both historical and multiple grounds), and recent and current initiatives, segments growth, and profitability are indicators that the company is likely to perform better than its competitors in the future, driving the price of the stock closer to what it was a few years ago.

Siena College

Siena Market Line
4th week of October 2016

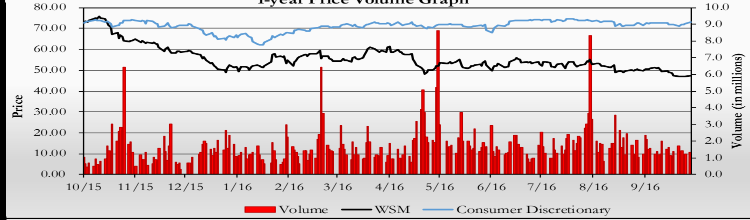
CENTER FOR GLOBAL FINANCIAL STUDIES

Williams-Sonoma Inc. (WSM)

NEUTRAL

Analysis by Maxime Lattanzio	**Current Price:**	$46.32	**Intrinsic Value**	$59.14
10/27/2016	**Divident Yield:**	3.2%	**Target Price**	$53.94

Target 1 year Return: 19.65%
Probability of Price Increase: 89.4%



Description

Williams-Sonoma, Inc. operates as a multi-channel specialty retailer of various products for home.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	November 19, 2016
Estimated Country Risk Premium	6.50%
Effective Tax rate	39%
Effective Operating Tax rate	38%

Market Data

Market Capitalization	$4,129.84
Daily volume (mil)	0.74
Shares outstanding (mil)	88.53
Diluted shares outstanding (mil)	90.67
% shares held by institutions	96%
% shares held by investments Managers	83%
% shares held by hedge funds	13%
% shares held by insiders	8.30%
Short interest	20.24%
Days to cover short interest	9.63
52 week high	$75.90
52-week low	$45.96
Levered Beta	0.99
Volatility	25.33%

Past Earning Surprises

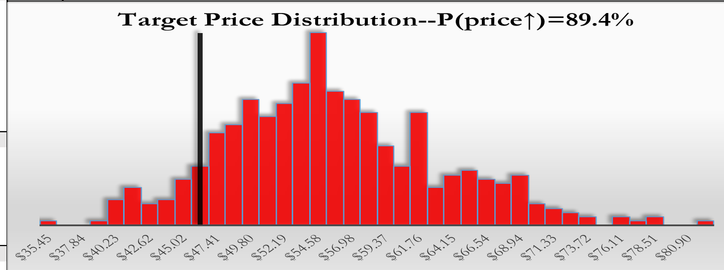
Quarter ending	Revenue	EBITDA
8/2/2015	-1.36%	-8.69%
11/1/2015	0.22%	-8.11%
1/31/2016	-5.01%	-9.37%
5/1/2016	0.44%	-1.27%
7/31/2016	-2.20%	-7.52%
Mean	-1.58%	-6.99%
Standard error	1.0%	1.5%

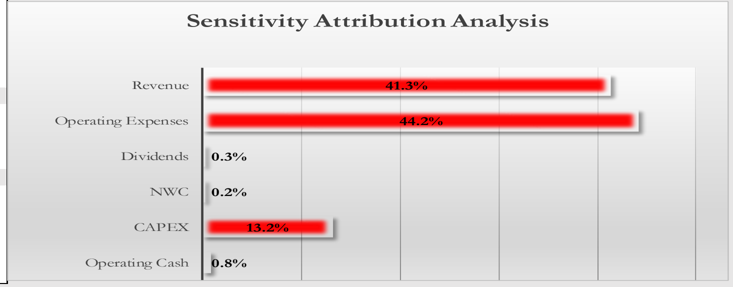
Peers

Bed Bath & Beyond Inc.
Tractor Supply Company
Pier 1 Imports, Inc.
Restoration Hardware Holdings, Inc.
Wayfair Inc.
Lowe's Companies, Inc.
The Home Depot, Inc.
Best Buy Co., Inc.

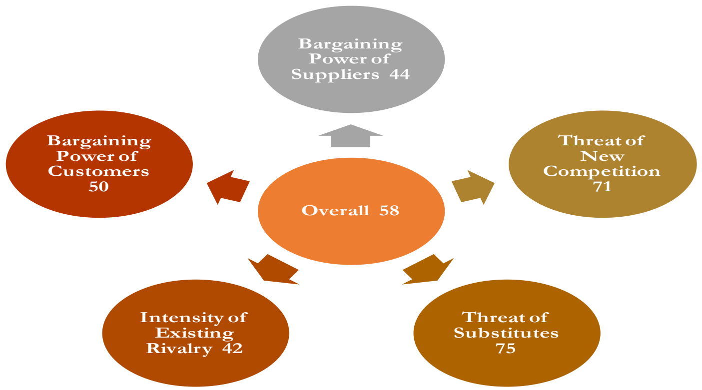
Management	Position	Total compensations growth	Total return to shareholders
Alber, Laura	Chief Executive Officer, Pre	-100% per annum over 4y	8.8% per annum over 4y
Whalen, Julie	Chief Financial Officer and	-100% per annum over 3y	7.21% per annum over 3y
Stangl, Sandra	President of Pottery Barn, P	-100% per annum over 4y	8.8% per annum over 4y
Hayes, Janet	President of the Williams-So	-100% per annum over 2y	-0.52% per annum over 2y
Brett, James	President of West ELM Brand	N/M	0% per annum over 0y
Miller, Dean	Chief Operating Officer and	N/M	N/M

Profitability	WSM (LTM)	WSM (5 years historical average)	Industry (LTM)
ROIC	17.3%	11.74%	20.68%
NOPAT Margin	9%	9.13%	7.1%
Revenue/Invested Capital	1.98	1.29	2.91
ROE	24.7%	15.74%	24.64%
Adjusted net margin	8%	8.06%	6.4%
Revenue/Adjusted Book Value	3.07	1.95	3.84
Invested Funds	**WSM (LTM)**	**WSM (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	3.4%	8.6%	19%
Estimated Operating Cash/Total Capital	3.4%	7.8%	N/A
Non-cash working Capital/Total Capital	10.3%	8.3%	19%
Invested Capital/Total Capital	99.5%	98.6%	82%
Capital Structure	**WSM (LTM)**	**WSM (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.32	0.22	0.24
Cost of Existing Debt	4.82%	8.48%	7.32%
Estimated Cost of new Borrowing	6.08%	7.70%	7.32%
CGFS Risk Rating	D	D	D
Unlevered Beta (LTM)	0.89	1.25	0.94
WACC	9.28%	11.81%	9.80%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	4.8%	8.7%	1.86
7/31/2017	3.0%	8.5%	1.53
7/31/2018	3.2%	8.7%	1.45
7/31/2019	3.3%	9.0%	1.48
7/31/2020	3.1%	9.4%	1.53
7/31/2021	3.2%	9.6%	1.54
7/31/2022	3.3%	9.7%	1.57
7/31/2023	3.5%	9.9%	1.61
7/31/2024	3.6%	10.1%	1.64
7/31/2025	3.8%	10.3%	1.68
7/31/2026	3.9%	10.5%	1.72
Continuing Period	4.1%	10.7%	1.76

Period	Invested Capital	Net Claims	Price per share
Base Year	$2,645.97	$1,578.56	$64.73
7/31/2017	$2,858.53	$1,569.01	$71.26
7/31/2018	$2,990.85	$1,335.29	$78.78
7/31/2019	$3,081.99	$995.10	$86.80
7/31/2020	$2,564.19	$687.94	$95.04
7/31/2021	$3,230.69	$308.22	$103.65
7/31/2022	$3,586.15	-$88.66	$112.59
7/31/2023	$3,779.17	-$504.07	$121.89
7/31/2024	$3,905.27	-$939.51	$131.54
7/31/2025	$4,086.50	-$1,396.61	$141.56
7/31/2026	$4,215.22	-$1,877.16	$151.94
Continuing Period			