Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+2.07%	+0.79%
Dow Jones Industrial	+2.5%	-0.99%
NASDAQ Composite	+2.97%	+6.25%
Russell 2000	+0.32%	-3.21%
VIX	-7.54%	-24.69%

U.S equities finished the week higher, and the S&P 500 finally climbed back into positive year-to-date territory after a 2.07% weekly gain through Friday. Trading action was divided not unlike last week, with minor losses through Wednesday erased by an end-of-week rally fuelled by strong earnings, central bank announcements, and positive U.S economic data. The NASDAQ Composite was once again the biggest winner of the week, gaining 2.97% thanks in part to strong earnings from Amazon (AMZN), Google holding company Alphabet (GOOGL), and Microsoft (MSFT) among others. The DJIA closed the week 2.5% higher at 17,646.7, but remains 0.99% away from year-to-date breakeven. Small cap stocks clearly underperformed the market last week as measured by the Russell 2000 Index, which only gained 0.32% and remains the biggest year-to-date laggard among the main benchmarks we track with a loss of -3.21%. The VIX Index of volatility recorded another consecutive week of decline, falling -7.54% to 14.46, a decrease of -47.67% since September 29. Gold finished almost unchanged, down -0.36% to $1,164.45 an ounce, and silver lost -1.4% to close at $15.82/oz. Crude oil recorded a second week of decline, with WTI and Brent losing -5.63% and -4.89% respectively after Iran's oil minister announced he was ready to increase his country's output by up to 500,000 barrels a day in the coming months. The past week was also marked by several positive economic releases, with the housing market index coming in at 64 on Monday, beating the consensus by 2 points. On Tuesday, September housing starts came in at 1.206 million, largely beating the 1.147 million consensus. Housing permits decreased in September compared to August, with 1.103 million permits issued, below the analyst consensus calling for 1.17 million. The most important piece of news came from central banks last week, with announcements from both the European Central Bank (ECB) and the People's Bank of China (PBOC). On Thursday, the ECB's Mario Draghi announced that he was committed to implement more stimulus and further cut the deposit rate, which is already at -0.20%. The next day, the PBOC announced another 25 bps cut in the 1-year loan and deposit rate to 4.35% and 1.5% respectively, as well as a reduction in the banks' reserve requirements of 50 to 100 bps depending on the type of institution. Next week's economic calendar is charged with several major events: September new home sales will be released on Monday, and on Tuesday the FOMC will start their meeting, which will be followed by the announcement on Wednesday at 2:00 PM. Preliminary GDP figures for the third quarter will be released on Thursday, with U.S growth expected to slow down from 3.9% to 1.7%, and we can expect that the reading will have a strong impact on the markets.

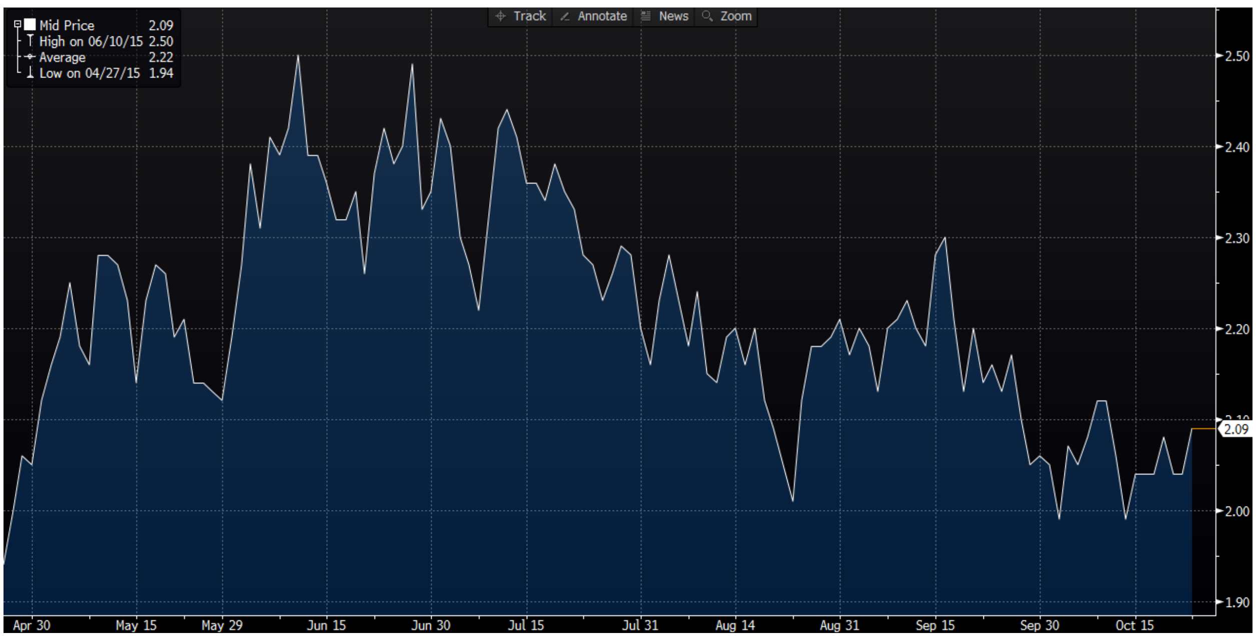
S&P 500, DJIA, NASDAQ, Russell 2000 5-day chart

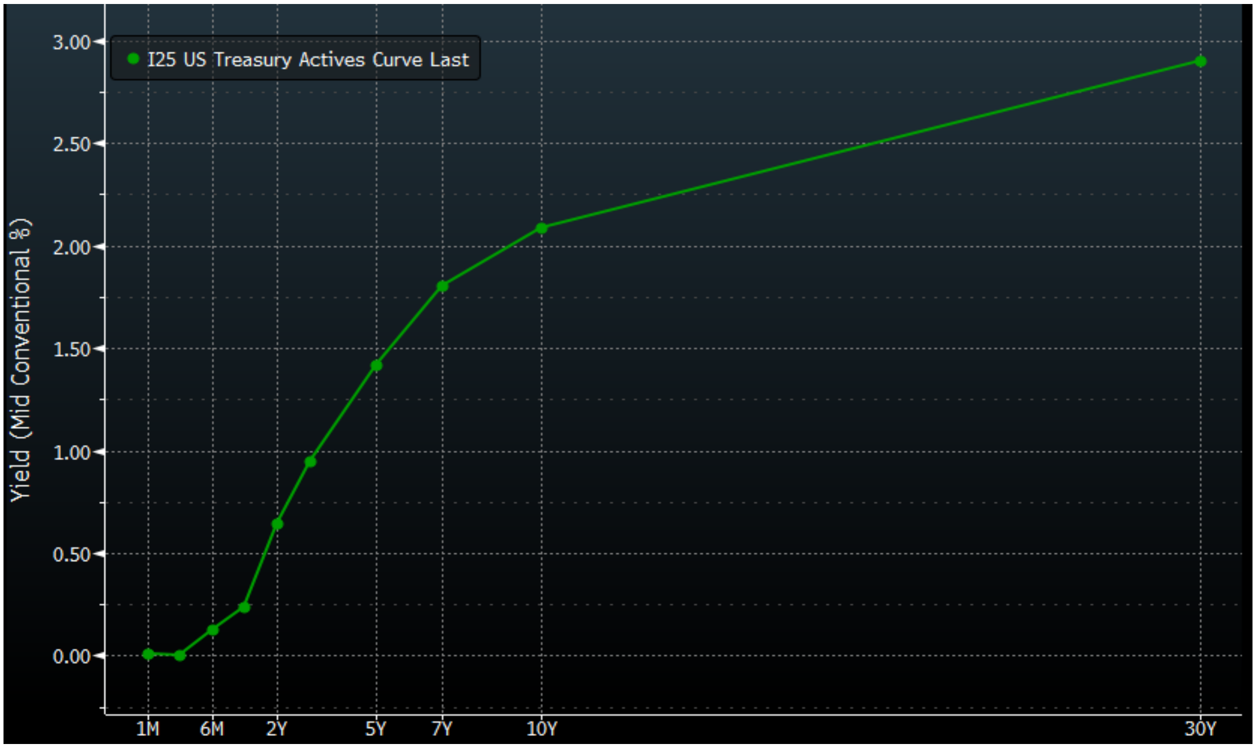
International Markets

International equity markets led last week's rally, with many European markets recording larger gains than their U.S counterparts. The German DAX Index gained 6.83%, while France's CAC 40 and Britain's FTSE 100 increased 4.7% and 1.04% respectively. The Bloomberg European 500 and Stoxx Europe 600 indices recorded gains of 3.63% and 3.92% respectively, while the MSCI Emerging Markets Index only appreciated 0.38%. Emerging markets performance was dragged down by China's announcement that it was now expecting more reasonable growth of 6 to 7 percent, after dipping below 7% for the first time in more than a decade. As a consequence, Chinese equity markets only recorded minor gains last week, with the Shanghai Composite and Shenzhen Composite posting gains of 2.53% and 0.62% respectively. Several major economic releases are expected abroad next week, with British Q3 GDP due on Tuesday at 9:30, and the release of the European commission's economic growth forecast on Thursday. On Friday, the Bank of Japan will hold its press conference and announce its decisions on monetary easing and interest rates, and Eurostat will release Eurozone CPI figures for October as well as September unemployment figures.

Bond Report

This Week, the yields rose as both comments from the ECB and the Chinese monetary easing made investors more confident to invest in riskier asset classes. The Chinese central bank decided to cut its interest rates to help the global stock market which made investors more likely to sell their US debt to buy stocks. On Thursday, Mario Draghi announced that the ECB will leave the interest rates unchanged and that it could implement more economic stimulus, in the ECB meeting, in December if the inflation is not robust enough in the Eurozone. The yields were also driven higher following the news that existing homes sales rose to the second highest monthly level since February 2007. If we take a look at the labour markets, the Labour Department stated that four week average people who ask for unemployment aids, fell drastically to its lowest level in forty years. These data released were considered as an indicator that the FED could raise its interest rates before the end of the year. The 10 year treasury note gained 5 bps from 2.03% to 2.08%. The 30-year Treasury note finished the week at 2.90% compare to 2.87% last week and among shorter maturities, the 2-year Treasury note increased by 3 bps from 0.61% to 0.64%.





What's next and key earnings:

On Monday October, 26th, the New Home Sales report will be released. We are expected a decrease of 0.6% in September since supply have been low at 4.7 months for the months of September. However, it does not decrease the outlook for what is expected to be a strong sector of the economy for the year 2016.

On Tuesday October, 27th, the Durable Good Orders will be released. It is expected to drop by 1% for the month of September. This would provide an estimation of the orders; a more complete report, the factory orders report, will be released early in November.

On Wednesday, October 28th, there will be the FOMC meeting announcement. This meeting happened approximately every 6 weeks and is very influential for the market. Indeed, it will determine the short-term interest rates, the fed rates, and the FED announcement concerning its policy decision.

On Thursday, October 29th, the GDP for Q3 will be released. It is expected to slow to a positive 1.7% after a 3.9% increase in Q2 since both net exports and non-residential fixed investment are expected to be negatives for this quarter. On the same day, the Jobless Claims report will be released. It is expected to see an increase to 265,000 from 259,000 in the October 17 week.

On Friday, October 30th, the Personal Income and Outlays report will be released. It is expected to slow from 0.3% to 0.2% for the month of September.

1-800-FLOWERS.COM Inc.

NasdaqGS: FLWS

Analyst: Ryan Burke
Sector: Consumer Discretionary

BUY (after earnings November 3).

Price Target: $14.67

Key Statistics as of 10/21/15

Market Price:	$9.40
Industry:	Online Florist & Gift Shop
Market Cap:	$611.29M
52-Week Range:	$7.05 – 13.46
Beta:	2.14143

Thesis Points:

- 1-800-FLOWERS.COM is midst of integration process with recent acquisition.
- In previous earnings report, management reacted evasively to all questions concerning short term growth.
- $15 million of Cost, Growth and Revenue Synergies have been identified over the next 3 years.
- Investments in targeted Marketing and recently launched multi-brand website will help achieve cross brand traffic this holiday season.

Company Description:

1-800-FLOWERS.COM, Inc. operates a florist and gift shop in the United States. The company operates in three segments: Consumer floral, Gourmet Food and Gift Baskets, and Bloomnet Wire Service. The subsidiaries that operate under the umbrella of 1-800-FLOWERS.COM, Inc. include Harry & David® (fruits & gourmet foods), The Popcorn Factory® (popcorn & specialty treats), Cheryl's® (cookies & baked treats), Fannie May® (chocolate & confectionary treats), 1-800- Baskets.com® (gift baskets), Wolferman's (English muffins & breakfast treats), FruitBouquets.com (fresh fruit arrangements), and Stock Yards® (steaks and chops). The Company's BloomNet® international floral wire service provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. 1-800-FLOWERS.COM's objective is to be the leading authority on thoughtful gifting, to serve an expanding range of our customers' celebratory needs, thereby helping customers express themselves and connect with important people in their lives.

Thesis

Once the storm of Quarter 1 passes on the earnings report November 3, 1-800-FLOWERS.COM is destined to blossom. First, As a provider of gifts to consumers and wholesalers for resale to consumers, 1-800-FLOWERS.COM Inc. is subject to changes in consumer confidence and the economic conditions that impact its customers. Demand for the company's products is affected by the financial health of their customers, which, in turn, is influenced by macro-economic issues such as unemployment, costs, availability of consumer credit, etc. While consumers appear more upbeat about the economy, during the recent economic downturn, the demand for products has been adversely affected by the reduction in consumer spending, and the company expects that its revenues will continue to be closely tied to changes in consumer sentiment.

The volatile nature of the economy this past quarter is not optimistic for a favorable earnings report on November 3rd. It is likely they will either scrape by or fall short of their expectations.

Secondly, in the previous earnings report, senior management was noticeably ambiguous concerning questions regarding short term growth and profit, but preached patience and organic growth further down the road. This is partly due to an acquisition of their former competitor, Harry & David, which closed this past fiscal year. This acquisition pushed revenues past the billion-dollar-threshold for the first time in company history, but back office integration is still in the works for 1-800-FLOWERS.COM as alluded to by management in the previous earnings report.

There are valuable revenue, cost, and growth synergies achievable by the creation of the company's new multi-branded-portal website and targeted marketing investments. Management believes these will begin to be fully realized heading into this holiday season. The future of 1-800-FLOWERS.COM is full of organic growth, but information points toward this earnings report as the close of an incubation period. The prudent long term investing choice is to invest after the Earnings Report November 3rd. Price of the stock will likely decline or marginally increase at best but the intrinsic value of the company has been calculated at $13.74 and the target value has been calculated at $14.76.

Brand Characterization

What defines the 1-800-FLOWERS.COM brand is 5 primary factors.

Convenience: All of the Company's product offerings can be purchased either via the web and wireless devices, or via the Company's toll-free telephone numbers, 24 hours a day, seven days a week, for those customers who prefer a personal gift advisor to assist them. The Company offers a variety of delivery options, including same-day or next-day service throughout the world.

Quality: High-quality products are critical to the Company's continued brand strength and are integral to the brand loyalty that it has built over the years. The Company offers its customers a 100% satisfaction guarantee on all of its products

Delivery Capability: The Company has developed a market-proven fulfillment infrastructure that allows delivery on a same-day, next-day and any-day basis. Key to the Company's fulfillment capability is an innovative "hybrid" model which combines BloomNet (comprised of independent florists operating retail flower shops, Company-owned stores, and franchised stores), with its manufacturing and distribution centers located in Florida, Illinois, Nevada, New York, Ohio, Tennessee and Oregon, and third-party vendors who ship directly to the Company's customers.

Selection: Over the course of a year, the Company offers more than 9,800 varieties of fresh-cut flowers, floral and fruit bouquets and plants, and more than 8,200 stock keeping units of gifts, gourmet foods and gift baskets, cookies and chocolates.

Customer Service: The Company strives to ensure that customer service, whether online, wireless, via the telephone, or in one of its retail stores is of the highest caliber. The Company operates customer service centers in Ohio and Oregon, while also utilizing a network of home agents and outsourcers to provide helpful assistance on everything from advice on product selection to the monitoring of the fulfillment and delivery process.

Porter's 5 Forces

Competitive Rivalry: 1-800-FLOWERS.COM's main competitors are FTD, Inc. and Teleflora LLC. FTD is owned by United Online (UNTD), which also partners with Interflora. FTD, Inc. offers floral arrangements, gourmet foods, greeting cards, balloons, candles, and etc. Teleflora LLC focuses on just floral arrangements and is a privately held company.

1-800-FLOWERS.COM also competes with local floral stores in people's neighborhoods and grocery stores. Many people buy their flowers from local flower shops in their city because of the convenience and price. To compete with the disadvantage of not being able to see the actual flowers before they arrive, FLWS guarantees that flowers will be fresh and customers have a 100% satisfaction guarantee or your money back.

Threat of Substitute Products or Services: The threat of substitutes is high. Customers have many options of places where to buy their floral arrangements or gifts from. There are other websites online where one can order flowers or gift baskets. Also they can even go to their local neighborhood flower shop and even grocery store. However 1-800-FLOWERS.COM's selection of 9,800 types of fresh-cut flowers is a difficult figure to compete with by a local florist. Not to mention the endless combination of complementary products available at the click of a mouse.

Bargaining Power of Buyers: The bargaining power of buyers is high. Floral arrangements and gift baskets are elastic. This makes them sensitive to prices and macro-economic conditions. If the economy is doing poorly, many people will be reluctant to spend money on flowers and gift baskets; however, when times are good in the holiday season, people are much more willing to spend money on consumer discretionary goods and services.

Bargaining Power of Suppliers The bargaining power of suppliers is low. 1-800-FLOWERS.COM works directly with professional florists who are part of their BloomNet wire service network. They work with premiere farms that follow safe environment practices and that are certified by industry leading agencies such as Fair Trade, Ascoflores, Green Label Program, and many more. 1-800-FLOWERS.COM works with farmers and to ensure sure quality control.

Barriers to Entry: The threat of entry is medium. It is very easy for a company to start up and sell flowers and gift baskets. However, 1-800-FLOWERS.com has a very strong brand image and have the advantage of convenience, economies of scale and cross-brand complimentary goods and services which makes their company valuable.

Opportunities for Synergy & Revenue

In the Earnings Report the senior Management of 1-800-FLOWERS.COM discussed the potential Growth, Revenue, and Cost Synergies that will actualize over the next 3 years. An estimated $15 million of synergies have been identified implementation is underway.

Additionally, the Company is working on revenue opportunities in areas such as

Combined Customer Database: new software tools that can help the Company to significantly enhance the relevance of their marketing messages to deepen and expand their relationships with customers in their *significant* database.

Multi-brand website: launched in fiscal 2015, the Company is not focusing marketing efforts on developing and growing its multi-branded customer, providing for increased customer counts and purchase frequency through increased penetration of its suite of floral and food gift products, including recently acquired Harry & David brand. Through the website the company is creating a one-stop shop featuring all brands with a single shopping cart. This will increase cross-brand traffic thereby increasing revenues.

Mass-channel Where the company can leverage its wholesale account relationships along with manufacturing capabilities and expanded production capacities to grow specific brands.

In the past year 1-800-FLOWERS.COM returned 6,249 basis points relative to the S&P 500, or 62.9% in absolute return. FLWS's revenue grew by 16.1% over the past 3 full fiscal years. Analysts forecast revenue growth in the neighborhood of 6.5% FY 2016 and 5.2% FY 2017 and EBIT margins to grow 4.3% FY 2016 and 5.2% FFY 2017. Ultimately, 1-800-FLOWERS.COM is financially healthy and has solid growth potential in the future.

Earnings Report Concerns

Despite the positive growth last year, the promising acquisition of Harry and David brand, and the favorable forecasts by analysts, Senior Management reacted evasively to questions concerning short term profit from there from their website for this upcoming quarter. When Don Kurnos of The Benchmark Company asked CEO & Chairman Jim McCann when investors can expect to see acceleration for the total business from Harry & David, Jim McCann meandered around the point stating that growth synergies will take some time to achieve and implied the holiday season is where the energy will be coming from. 1-800-FLOWERS.COM intends on slowly integrating Harry & Davids products into the stream of traffic on the website to prevent disruption in customer flow and consumer confusion. As the website integrates the new company, this new platform will lead to exposure that will result in cross-brand shopping. When 1-800-FLOWERS.COM sees that cross-brand engagement, they will see increases in retention, frequency, and average spend time both within brand and across brands. This growth will lead contribute to top and bottom line growth and an increase in value. Most of the integration occurred over this past semester. So only a small part of the growth will occur in the first quarter of the 1-800-FLOWERS.COM fiscal year. The real value will be realized in the upcoming second quarter, during the holiday season after the earnings report November 3.

Summary

Financial Analysis shows 1-800-FLOWERS.COM is an industry leader and a financially healthy company that exhibits potential for valuable growth in the future. However, recent macro-economic trends in conjunction with ambiguous responses by senior management raise a warning sign for the immediate future. There is a good probability that 1-800-FLOWERS.COM scrapes by or misses their earnings report this upcoming quarter, if this is the case, invest immediately after a drop. The revenue, cost, and growth synergies are expected to pick up this holiday season and the new investments in website design and targeted marketing will increase revenues in Quarter 2.

CENTER FOR GLOBAL FINANCIAL STUDIES

1-800-Flowers.com Inc.	flws	Analyst	Current Price	Intrinsic Value	Target Value	Divident	1-y Return: 52.49%	BULLISH
		Ryan Burke	$9.62	$13.74	$14.67	0%		

General Info

Sector	Consumer Discretionary
Industry	Internet and Catalog Retail
Last Guidance	August 27, 2015
Next earnings date	November 3, 2015

Market Data

Enterprise value	$731.57
Market Capitalization	$625.60
Daily volume	0.16
Shares outstanding	65.03
Diluted shares outstanding	67.60
% shares held by institution	37.72%
% shares held by insiders	59.27%
Short interest	4.22%
Days to cover short interes	7.68
52 week high	$13.46
52-week low	$7.05
5y Beta	2.10
6-month volatility	44.65%

Peers	Market Cap.
FTD Companies, Inc.	$827.04
PetMed Express, Inc.	$337.30

Current Capital Structure

Total debt/Common Equity (LTM	0.36
Cost of Borrowing (LTM)	3.37%
Estimated Cost of new Borrowing	5.22%
Altman's Z	3.71
Estimated Debt Rating	BBB
Current levered Beta	1.28
LTM WACC	8.19%

Management

Professional	Title	Comp. FY2013	Comp. FY2014	Comp. FY2015
McCann, James	Chairman of the Board, Chief Executiv	$2,208,868	$2,500,393	$0
McCann, Christopher	President and Director	$2,728,933	$3,311,720	$0
Shea, William	Chief Financial Officer, Senior Vice Pr	$675,480	$759,213	$0
Gallagher, Gerard	Senior Vice President of Business Aff	$771,121	$775,684	$0
Taiclet, David	President of Gourmet Food and Gift E	$635,118	$794,938	$0
Leap, Arnold	Chief Information Officer and Senior V	$0	$0	$0

Past Earning Surprises

	Revenue	EBITDA	Norm. EPS	Standard Error of "Surprise"
Last Quarter	-1.51%	NM	NM	NM
Last Quarter-1	-0.21%	NM	NM	NM
Last Quarter -2	-0.10%	-12.29%	3.75%	4.83%
Last Quarter -3	-2.61%	NM	NM	NM
Last Quarter -4	-2.78%	-11.73%	0.00%	3.54%
Standard error	0.6%	0.3%	1.9%	1.81%
Standard Error of Revenues prediction	0.6%			
Imputed Standard Error of Op. Cost pr	NM			
Imputed Standard Error of Op. Cost pr	1.9%			

Proforma Assumptions

nvergence Assumptio

All base year ratios linearly converge towards the Sub-industry ratios over an explicit period of 10 years

General Assumptions

Money market rate (as of today)	0.35%
Risk-Free rate (long term estimate)	2.92%
Annual increase (decrease) in interest rates	0.1%
Marginal Tax Rate	37.5%
Country Risk Premium	5.5%

Forecast Year	Revenue Growth Forecast	Revenue ($) Forecast
LTM		$1,121.51
FY2016	6.4%	$1,193.73
FY2017	5.5%	$1,259.24
FY2018	5.2%	$1,324.86
FY2019	4.9%	$1,390.25
FY2020	4.7%	$1,455.01
FY2021	4.4%	$1,518.77
FY2022	4.1%	$1,581.13
FY2023	3.8%	$1,641.68
FY2024	3.6%	$1,700.00
FY2025	3.3%	$1,755.70
Continuing Period	3.0%	$1,808.37

Items' Forecast Assumptions

	Base year (LTM)	nvergence period (Sub-industr	djustment per ye
Operating Cash/Rev.	0.00%	5.36%	0.6%
NWV/Rev.	2.05%	3.42%	0.1%
NPPE/Rev.	15.17%	7.01%	-0.8%
Dpr/NPPE	15.89%	15.89%	0.0%
NOPAT MARGIN	4.35%	5.00%	0.1%
Op. Exp./Rev.	91.65%	91.65%	0.0%
SBC/Rev.	0.53%	1.68%	0.1%
Rent Exp./Rev.	2.52%	0.95%	-0.2%
R&D/Rev.	3.06%	4.41%	0.1%
E&D/Rev.	0.00%	0.00%	0.0%
SG&A/Rev.	32.45%	30.08%	-0.2%
ROIC	35%	27.77%	-0.69%
EV/Rev.	0.68x	1.82x	0.11x
EV/EBITA	10.42x	9.86x	-0.06x
Debt/Equity	36%	74%	3.9%
Unlevered beta	1.07	1.07	0.00
Cost of Borrowing	5%	5%	0.0%
Dividends/REV	0%	2%	0.2%

Other Assumptions

Tobin's Q	80%
Excess cash reinvestment	Money market rate
Other claims on the firm's asse	$0.00

Capitalization

100% of all rent expenses are capitalized and amortized 'straightline' over 5 years
R&D expenses are not capitalized
E&P expenses are not capitalized
SG&A expenses are not capitalized

Valuation Focus

DCF Valuation	100%
Relative valuation	0%
Distress Valuation	0%

Monte Carlo Simulation Assumptions

Revenue Growth deviation	Normal (0%, 1%)
Operating expense deviation	Normal (0%, 1%)
Continuing Period growth	Triangular (5.335%, 5.5%, 5.665%)
Country risk premium	Triangular (2.91%, 3%, 3.09%)
Intrinsic value σ(ε)	$0.09
1-year target price σ(ε)	$0.10

Valuation

Forecast Year	ROIC	WACC	Invested Capital	Implied Enterprise Value	Claims on Assets and Dilution	Shares Outstandin	Price per Share
LTM	34.7%	8.2%	$260.45	$1,165.54	$263.38	65.03	$13.70
FY2016	22.2%	8.2%	$264.56	$1,207.59	$229.51	65.03	$14.69
FY2017	23.9%	8.2%	$265.19	$1,244.04	$207.07	65.03	$15.56
FY2018	25.9%	8.2%	$264.16	$1,276.87	$182.81	65.03	$16.44
FY2019	28.2%	8.3%	$261.40	$1,305.53	$156.76	65.03	$17.33
FY2020	30.8%	8.3%	$256.83	$1,329.45	$127.72	65.03	$18.23
FY2021	33.7%	8.4%	$250.40	$1,348.05	$83.96	65.03	$19.22
FY2022	37.1%	8.4%	$242.08	$1,360.74	$40.03	65.03	$20.21
FY2023	41.0%	8.4%	$231.87	$1,365.48	$8.65	65.03	$21.06
FY2024	45.6%	8.4%	$219.75	$1,362.93	-$23.75	65.03	$21.89
FY2025	51.0%	8.5%	$205.77	$1,352.48	-$56.34	65.03	$22.62
Continuing Period	27.8%	8.7%	$325.56				

Monte Carlo Simulation Results

The 3σ(ε)-adjusted intrinsic value is $13.74; the 3σ(ε)-adjusted target price is $14.67; and the analysts' median target price is $14.25

Sensitivity Analysis

Revenue growth variations account for 95.9% of total varian
Risk premium's variations account for 2.5% of total variance
Operating expenses' variations account for 1.4% of total vari
Continuing period growth variations account for 0.2% of tot

Crown Crafts, Inc.

CRWS:NASDAQ

Analyst: Matthew Schilling
Sector: Consumer Disc.

BUY

Price Target: $10.33

Key Statistics as of 10/21/2015

Market Price:	$8.27
Industry:	Textiles
Market Cap:	$84.6M
52-Week Range:	$7.07-$8.97
Beta:	0.49

Thesis Points:

- Positive Macroeconomic Outlook: The end of the "Baby Recession"
- Industry Leader in a Stable Retail Niche
- Income Opportunity in Dividend Yields

Company Description:

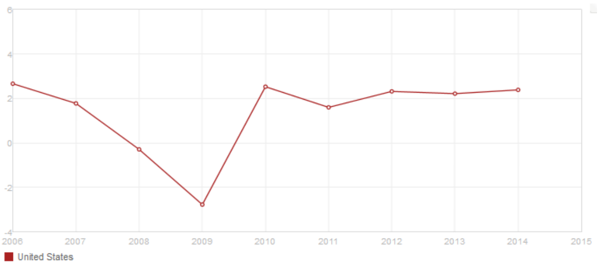
Crown Crafts, Inc. founded in 1957, is a retail company that designs, markets and provides home textile furnishings and accessories. The operate through their wholly owned subsidiaries, Crown Crafts Infant Products, Inc. and Hamco, Inc. Products of the subsidiaries include infant bedding, blankets, bibs, bath items and other nursery items.

Thesis

Crown Crafts, Inc. (CRWS), will become a beneficiary of a change in macroeconomic factors, specifically of sociocultural factors due to the positive growth in the economy of the United States. They are the industry leader in their niche retail industry due to their breadth of product lines, licensing agreements, product differentiation, relationships with buyers, and their financial position. Due to their lack of debt and a moderate cash balance they are in a financially flexible position which allows them to fund future growth projects and acquisition opportunities. In addition, Crown Crafts has a dividend yield of 3.9%, which resulted in a payment of $0.32 per share in 2014, making this investment an income stock with significant growth potential.

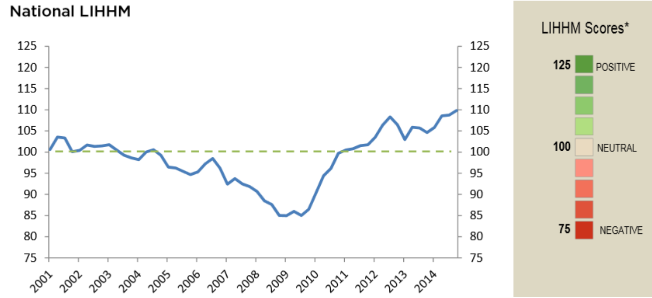
Macroeconomic Industry Overview

In 2007, the United States went into an economic recession stunting the economy as a whole causing negative growth in GDP in 2008 and 2009. Since the recession, the economy has recovered and consistently grown at a rate around 2% a year.

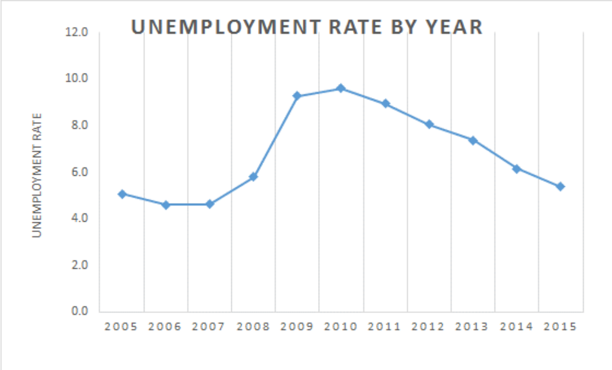


(GDP Growth % From 2006-2014)

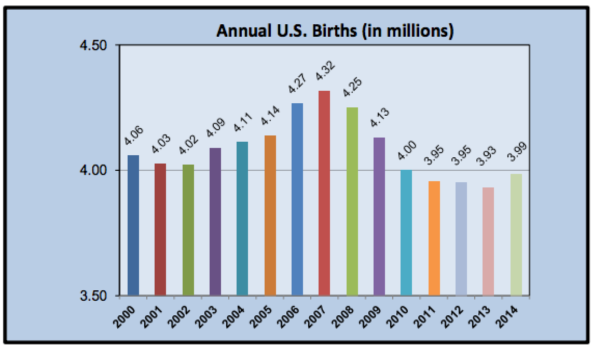
Real GDP growth estimates for the next fiscal year are projected to be over 2%, with estimates hovering between 2.4 and 2.7 percent. All indications point towards healthy economic growth as a whole which improves consumer confidence within the United States. Another key market that has recovered since the recession is the housing market. The Leading Index of Healthy Housing Markets (LIHHM) claims the market to be the healthiest it has been since 2001. In addition the LIHHM indicates stability within the market claiming that none of the 40 largest metropolitan statistical areas, or MSAs, are vulnerable to a housing downturn and just two MSAs are ranked negatively.



Furthermore, the LIHHM forecasts a slight increase in the markets' score, creating greater consumer confidence in a crucial family oriented market. The next macroeconomic factor is the unemployment rate within the United States. In 2009, the tail end of the recession, unemployment more than doubled from where it was in 2007 (4.6% to 9.3%). Since 2009, the rate has gradually decreased, reaching the current September rate of 5.1%.



The increase in employment directly related to GDP growth and the healthiness of many key markets. The increase is another factor that gives the macroeconomic outlook a more positive look, especially for consumers planning on starting a family. Along with employment rates, the national average salary has increased by 3.43% from 2013 to 2014. The stable growth of GDP, the healthiness of the housing market, the decrease in unemployment and the increases in average salaries make an ideal economic setting to start or extend a family. Growth in birth rates climbed to a high before the recession due to consumer confidence in the housing market and increases in disposable incomes.

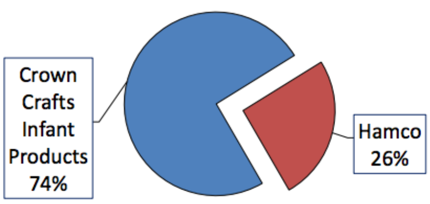


When the recession struck, the socioeconomic outlook on having children turned negative, as people felt they could not afford to have children during the time creating the "Baby Recession". The new macro outlook on the economy has changed that view, as birthrates experienced their first year of growth, between 2013 and 2014, since 2007 and rates are expected to continually increase. The increase in births will ultimately increase the demand for baby products, Crown Crafts' specialty.

Crown Crafts' Operations

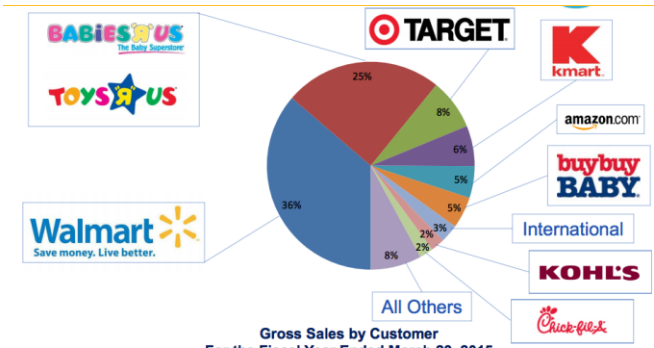
Crown Crafts has two wholly owned subsidiaries, Crown Crafts Infant Products, Inc. and Hamco, Inc.

Net Sales by Operating Subsidiary



Crown Crafts Infant Products, Inc. is based in Compton, California and mainly manufactures infant bedding, blankets and accessories to mass and specialty markets. Hamco, Inc. is the market leader of infant and toddler bibs and disposable products. Between the two subsidiaries, a wide variety of products are produced all targeted at infants and toddlers. One unique factor that separates their operations is the amount of quality production licenses they hold, licenses include huge brands like Disney.

These key licenses give them branding icons that are superior to that of their peers and create a competitive advantage for Crown Crafts. In addition, they have strong relationships with major retailers such as Walmart, giving them large arenas to generate sales revenue. All major customers of Crown Crafts' products are listed in the graph below.



Gross Sales by Customer
For the Fiscal Year Ended March 29, 2015
(Unaudited)

The strength of their relationships with retailers extends to having private label programs with Walmart ("Parent's Choice"), Target ("Circo") and Babies 'R' Us ("Koala Baby").

Benefits of Operating in this Niche Markets

Manufacturing infant and toddler based products creates a smaller, more selective, demographic. The main demographic is parents with children under or around the age of 5. With birth rates currently sitting around 4 million per year and increased projections in those rates demonstrates that it is relatively smaller than other markets but not so small where upside company growth is truncated. However due to its limited size the threat of new entrants is low because the industry is overlooked. The products being produced within this niche industry do not suffer from the threat of substitution. The products are essential to the wellbeing of an infant and once a child is born their parents must supply them with these products. Companies are also not affected by the bargaining power of suppliers. Most of the products being manufactured use basic raw materials that are not scarce and can made in numerous factories overseas. Threats of competition within the industry are somewhat high as companies fight for the limited market share. However, companies are able to gain a formidable advantage through product differentiation, an example would be product licensing. The main concern within this industry is the bargaining power of buyers. If large retail corporations decide to drop a product from their shelves or inventory, it could result in significant drops in sales revenues. Overall this niche industry is one that has limited risk to begin with and numerous opportunities to lower that risk.

Leader in Niche Industry

Main competitors of Crown Crafts, Inc. are typically, private, Nano-cap companies that manufacture one of the particular products that Crown Crafts makes.

Competitors ↓	Infant Bedding (27% of Sales)	Toddler Bedding (25% of Sales)	Bibs (16% of Sales)	Blankets (15% of Sales)	Accessories (10% of Sales)	Disposables (7% of Sales)	Main Product Focus
DEX Products			√		√		Infant Safety Items
Garanimals	√	√					Young Children Clothing
Graco Baby	√				√		Strollers, highchairs and car seats
Pampers						√	Diapers
Skip Hop				√	√		Baby Item accessories
Burt's Bees Baby (Ayablu)	√	√	√	√	√		Baby clothes and apparel
Just one you (Carter's)			√	√	√		Baby Apparel

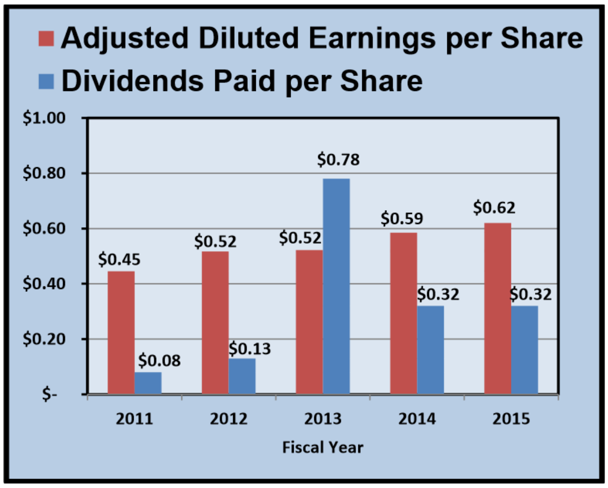
(Products sold by competitors that Crown Crafts current sells.)

An example of the fragmented market competition is DEX Products, they make infant products such as, baby sleep aids, baby bottle warmers, and safety items but they also make bibs. Technically they are competition but their smaller scale operation and lack of brand licensing creates a negligible effect on the overall sales revenue of Crown Crafts. These fragmented competitors lack the influential power of a larger consolidated firm. In addition, they have managed to differentiate their products, that have the same functionality of competitor's, by acquiring major licensing deals with heavily branded companies and by creating private brand labels with major retailers. These competitive advantages are the reason why they are more profitable than companies that compete more directly with Crown Crafts, companies like Burt's Bees Baby. The reviews of their manufactured goods on online sites are positive as they average between four and five stars.

The company's private brands also thrive, without the licensing icons, due to the quality of their products. Having many of their retail items reviewed as nearly 5-star products and best sellers after numerous reviews.

The company has managed to create these competitive advantages while eliminating all the debt from their balance sheet. Crown Crafts has visible indications of growth, the main one is in the growth of EBITDA, which is up from $10.4M in 2014 to $12.5M in 2015. EBITDA margins, earnings per share, and revenues are also increasing. They also have reported $8.2M in cash over the last twelve months positioning them to make a possible acquisition or to take on a project. Currently the company's focus is on organic growth, trying to grow the brands they already have by increasing the product variety. However, management made it clear to investors that they are willing to grow through acquisition but a point has been made that they will holdout on making a deal until they are sure it is profitable. In addition, they know this is an avenue to expand but they are not fixated on inorganic growth because they know there is stability in their current operations.

Income from Dividends



CRWS is a dividend paying stock opportunity that has significant growth potential. The company paid out $0.32 per share in dividends last year. The dividend yield on this stock is approximately 3.9%. If the stock continues their trend of steady, sustainable growth, which all indications are that it will, dividend payouts will continue at this rate, if not grow, resulting in a significant income for investors. In addition, the company currently holds $8.2M in cash for possible acquisitions. If the desired investment for management does not present itself, there is a possibility of cash being disbursed as a dividend. This is a dividend paying stock that has growth potential, making it ideal for investors that are looking for income on top of capital gains.

Conclusion

I am recommending a buy on Crown Crafts, Inc. There is an ideal macroeconomic outlook for their industry, one in which they will thrive. Due to their product differentiation and relationships with retailers, current threats within the industry are not strong enough to derail Crown Crafts. The financials of the company are rock solid due to their increasing EBITDA, lack of debt, and capacity to expand through acquisitions due to cash reserves. Enticing dividend payments of 3.9% plus the expected growth in stock price makes this stock a strong buy.

CENTER FOR GLOBAL FINANCIAL STUDIES

Crown Crafts, Inc.	CRWS	Analyst	Current Price	Intrinsic Value	Target Value	Divident Yield	1-y Return: 28.61%	NEUTRAL
		Matthew Schilling	$8.28	$10.33	$10.33	4%		

General Info

Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	February 11, 2015
Next earnings date	November 11, 2015

Market Data

Enterprise value	$76.44
Market Capitalization	$84.68
Daily volume	0.02
Shares outstanding	9.96
Diluted shares outstanding	10.10
% shares held by institutions	44.94%
% shares held by insiders	14.73%
Short interest	0.20%
Days to cover short interest	1.19
52 week high	$8.97
52-week low	$7.07
5y Beta	0.83
6-month volatility	20.30%

Peers	Market Cap.
CSS Industries Inc.	$238.67
Blyth, Inc.	
Dorel Industries Inc.	$1,026.08
Caleffi S.p.A.	$15.02
Omikenshi Co.,Ltd.	$5,030.43
KG Denim Ltd.	$1,313.48
Alps Industries Ltd.	$201.44
Döhler S.A.	$272.32
Shri Lakshmi Cotsyn Limited	$78.58
Shanghai Haixin Group Co., Ltd.	$1,449.27

Current Capital Structure

Total debt/Common Equity (LTM)	0.33
Cost of Borrowing (LTM)	0.00%
Estimated Cost of new Borrowing	0.00%
Altman's Z	6.71
Estimated Debt Rating	AAA
Current levered Beta	0.16
LTM WACC	3.38%

Management

Professional	Title	Comp. FY2013	Comp. FY2014	Comp. FY2015
Chestnut, E.	Chairman, Chief Executive Officer, President	$773,704	$1,809,916	$1,152,751
Elliott, Olivia	Chief Financial Officer, Principal Accounting (	$321,656	$554,934	$481,567
Freeman, Nanci	Chief Executive Officer of Crown Crafts Infa:	$362,106	$696,025	$621,109
Cowart, Kenneth	Director for Information Systems	$0	$0	$0
Bush, Mary	Director of International Sales	$0	$0	$0
Wagnon, Robert	Vice President and Controller	$0	$0	$0

Past Earning Surprises

	Revenue	EBITDA	Norm. EPS	Standard Error of "Surprise"
Last Quarter	11.49%	33.33%	28.57%	6.63%
Last Quarter-1	5.16%	-4.09%	-8.70%	4.07%
Last Quarter -2	12.19%	11.71%	11.11%	0.31%
Last Quarter -3	0.94%	-37.89%	-7.14%	11.83%
Last Quarter -4	-7.81%	-17.26%	-30.00%	6.43%
Standard error	3.7%	12.2%	9.9%	5.04%
Standard Error of Revenues prediction	3.7%			
Imputed Standard Error of Op. Cost predictio	11.6%			
Imputed Standard Error of Op. Cost predictio	NM			

Proforma Assumptions

Convergence Assumptions

All base year ratios linearly converge towards the Industry Group ratios over an explicit period of 10 years

General Assumptions

Money market rate (as of today)	0.28%
Risk-Free rate (long term estimate)	2.92%
Annual increase (decrease) in interest rates	0.1%
Marginal Tax Rate	37.5%
Country Risk Premium	6.5%

Forecast Year	Revenue Growth Forecast	Revenue ($) Forecast
LTM		$88.13
FY2016	4.5%	$92.10
FY2017	4.3%	$96.06
FY2018	3.7%	$99.56
FY2019	3.3%	$102.87
FY2020	3.2%	$106.13
FY2021	3.1%	$109.40
FY2022	3.0%	$112.72
FY2023	3.0%	$116.13
FY2024	3.0%	$119.62
FY2025	3.0%	$123.22
Continuing Period	3.0%	$126.92

Items' Forecast Assumptions

	Base year (LTM)	Convergence period (Industry Group)	Adjustment per year
Operating Cash/Rev.	0.00%	0.00%	0.0%
NWV/Rev.	27.55%	16.56%	-1.1%
NPPE/Rev.	0.57%	11.88%	1.1%
Dpr/NPPE	61.98%	25.12%	-3.7%
NOPAT MARGIN	9.37%	7.83%	-0.2%
Op. Exp./Rev.	86.08%	86.70%	0.1%
SBC/Rev.	1.02%	0.78%	0.0%
Rent Exp./Rev.	1.59%	2.35%	0.1%
R&D/Rev.	0.00%	3.10%	0.3%
E&D/Rev.	0.00%	0.00%	0.0%
SG&A/Rev.	14.64%	25.06%	1.0%
ROC	17%	12.49%	-0.47%
EV/Rev.	0.90x	1.03x	0.01x
EV/EBITA	6.48x	8.22x	0.17x
Debt/Equity	33%	94%	6.1%
Unlevered beta	0.13	1.01	0.09
Cost of Borrowing	0%	6%	0.6%
Dividends/REV	4%	2%	-0.2%

Other Assumptions

Tobin's Q	80%
Excess cash reinvestment	Money market rate
Other claims on the firm's assets	$0.00

Capitalization

100% of all rent expenses are capitalized and amortized 'straightline' over 10 years
100% of all R&D expenses are capitalized and amortized 'straightline' over 10 years
E&P expenses are not capitalized
SG&A expenses are not capitalized

Valuation Focus

DCF Valuation	100%
Relative valuation	0%
Distress Valuation	0%

Monte Carlo Simulation Assumptions

Revenue Growth deviation	Normal (0%, 1%)
Operating expense deviation	Normal (0%, 1%)
Continuing Period growth	Triangular (5.335%, 6.5%, 5.665%)
Country risk premium	Triangular (2.91%, 3%, 3.09%)
Intrinsic value σ(ε)	$0.02
1-year target price σ(ε)	$0.02

Valuation

Forecast Year	ROC	WACC	Total Capital	Implied Enterprise Value	Other Claims on Assets and Dilution Costs	Shares Outstanding	Price per Share
LTM	17.2%	3.4%	$51.01	$99.92	$2.12	9.96	$10.40
FY2016	17.4%	4.0%	$57.09	$101.15	$2.16	9.96	$10.38
FY2017	15.5%	4.6%	$63.41	$103.29	$2.19	9.96	$10.41
FY2018	14.0%	5.2%	$69.89	$106.30	$2.21	9.96	$10.52
FY2019	12.8%	5.9%	$76.56	$110.28	$2.22	9.96	$10.70
FY2020	11.7%	6.5%	$83.47	$115.35	$2.22	9.96	$10.96
FY2021	10.9%	7.1%	$90.69	$121.66	$2.22	9.96	$11.33
FY2022	10.2%	7.7%	$98.28	$129.38	$2.11	9.96	$11.81
FY2023	9.7%	8.3%	$106.33	$138.72	$1.76	9.96	$12.43
FY2024	9.2%	9.0%	$114.91	$149.95	$0.00	9.96	$13.21
FY2025	8.8%	9.6%	$124.12	$163.38	$0.00	9.96	$14.07
Continuing Period	12.5%	9.4%	$79.60				

Monte Carlo Simulation Results

The 3σ(ε)-adjusted intrinsic value is $10.33; the 3σ(ε)-adjusted target price is $10.33; and the analysts' median target price is $10.75

Sensitivity Analysis

Revenue growth variations account for 95.9% of total variance
Risk premium's variations account for 2.5% of total variance
Operating expenses' variations account for 1.4% of total variance
Continuing period growth variations account for 0.2% of total variance

FireEye Inc.

FEYE

Analyst: Kyle Ritchie
Sector: Information Technology

BUY

Price Target: $ 34.50

Key Statistics as of 10/21/15

Market Price:	$29.17
Industry:	Information Technology
Market Cap:	$4.58 B
52-Week Range:	$27.50 - $55.33
Beta:	1.51

Thesis Points:

- Increasing Threat of Cyber-Security Poses Major Opportunity
- Advanced Tech Continues Boosting Revenue
- Current Market Conditions Offer Favorable Buy

Company Description:

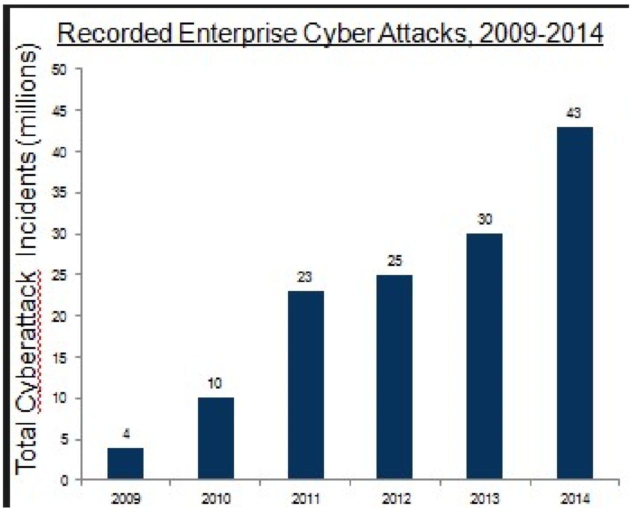
FireEye Inc. provides cyber-security solutions to enterprises across the globe. The company specializes in detecting cyber threats and providing real-time solutions to these attacks. FireEye has designed and implemented a virtual execution engine that utilizes threat intelligence in order to identify and prevent cyber-attacks before they occur. The technology being implemented by FireEye targets the next generation of cyber-attacks. Chairman and CEO David DeWalt has five quality years of previous experience as CEO of the security software giant McAfee from April 0f 2007 to May of 2012. FireEye competes with some of the major industry leaders in cybersecurity such as Palo Alto Networks, Oracle and IBM.

Thesis

Cyber-security software is a competitive sector yet FireEye differentiates itself with advanced, cutting-edge technology. Cyber-attacks are becoming a major concern for our government and the demand in growth for this next-generation technology will certainly increase. HACK, the Cyber Security ETF, is currently down 2.67%. FireEye is down 5.05% and hovering above its 52-week low. Recently this year, President Obama has made the strengthening of cyber-defenses a top priority for the country. The threat of advanced cyber-attacks continues to grow demonstrating the opportunity for FireEye to prove the capability of its technology. The growing attention to this industry demonstrates an opportune time to buy.

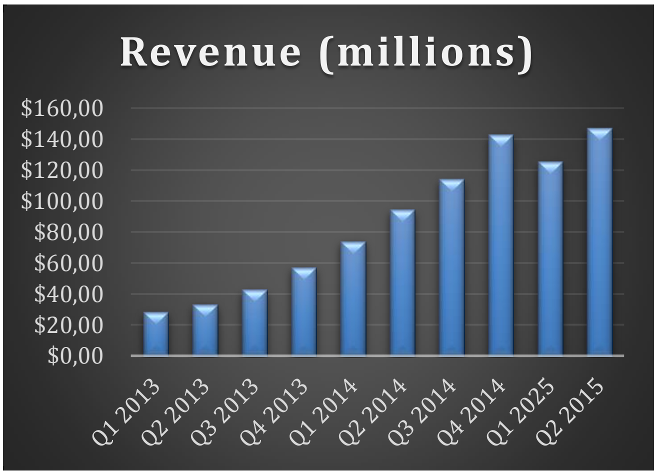
Threat of Cyber-Security/Opportunity for FireEye

The cyber security market is drastically growing due to the overall demand needed by companies to protect private information. The growth in demand of security software is directly influenced by the increasing number of cybercrimes. As technology continues to improve, the types of cyberattacks become more sophisticated and difficult to detect. The various forms of cybercrime include: government espionage, corporate espionage, stolen e-mail addresses with login credentials, stolen intellectual property, stolen medical-related data and most importantly, stolen credit card and financial data. Some of the major attacks on stolen credit card and/or financial data include Subway, VISA and MasterCard in 2012, Stardust and Target in 2013, and Home Depot along with Goodwill Industries in 2014. JP Morgan and Chase also announced a data breach in 2014 from a group of alleged Russian hackers. As these attacks become publicized, management boards and executive teams are becoming more aware of cyber threats thereby giving great incentive to increase security budgets. The result of one company increasing its security budget causes its business partners and even competitors to consider similar courses of action. This offers an immense opportunity for FireEye to expand its customer base and implement its technology. CEO David DeWalt stated, "Our customers include the governments of more than 60 countries now, hundreds of financial firms and critical infrastructure companies as well as retailers, healthcare providers, and now entertainment companies. We are even seeing small companies from hospitals, the law firms, to biotech, high-tech startups turning to FireEye to protect their critical assets and reduce their risk of cyberattacks." FireEye is focusing its efforts on eliminating cybercrime throughout all industries in the economy in order to ensure security and information protection. The graph below illustrates the increase in cyberattack incidents on enterprises along with the millions of dollars stolen and/or lost as a result since 2009.



Advanced Tech Boosts Revenue

What makes FEYE a unique pick compared to its competitors is the technology they are implementing into the market. The FireEye Multi-Vector Virtual Execution (MVX)-IPS takes a new approach to security protection. Unlike historical cyber-security softwares that learn from attacks and implement detection technology based on malware patterns, FireEye is implementing a whole new generation of security technology. The FireEye MVX-IPS is taking a new approach to IPS by extending the MVX technology to a new layer in the security stack, eliminating problems created by traditional IPS solutions. The unique architecture of the FireEye MVX-IPS validates attacks for which there is a signature using the MVX technology, thereby reducing alerts and allowing security teams to focus on serious threats. According to CEO David DeWalt, the FireEye MVX-IPS; reduces operation expenses, decreases overhead costs of managing multiple devices, consolidates threat defense for known and unknown threats, provides actionable threat intelligence to accelerate incident response time and increases the overall level of efficiency of threat protection. The security software that FireEye offers certainly differentiates itself from its competitors as you can see from the graph below illustrating revenue growth. The graph illustrates the increase in quarterly revenues since the beginning of 2014 as a result of this new technology.



Current Market Conditions Offer Favorable Buy

The current market conditions of the cyber-security sector offer an opportune time to buy. As mentioned, the demand for cyber-security software will only continue to increase in the upcoming months as well as many years to come. Analysts' coverage for the cyber-security sector have consistently reported that FireEye (FEYE), Palo Alto Networks (PANW), and Check Point Security (CHKP) are all top buys for 2016. The current analyst ratings for FEYE are split 50/50 between buying and selling which is a primary result of the time frame in which the stock was analyzed.

The Information Technology sector is a very volatile sector as stocks are drastically influenced by company filings and news reports. This is the key indicator of this sector and makes FEYE a promising buy as of the past few weeks. FEYE recently approached its 52-week low but the cyber-security market as a whole has seen a noticeable decline. But it is the substantial and sustainable growth in revenue that will fuel FEYE for the future. CHKP has consistently reported positive financial data and its stock price certainly demonstrates fairly constant growth. PAWN is another major and well-established corporation with credible financials but is an extremely expensive stock. CHKP and PAWN are priced at $82 and $166 respectively while FEYE is currently priced at $29.17. The graph below illustrates the fluctuation of FEYE stock price over the past two years.

Within the past month the stock price has been hovering above its all-time low since its IPO. Although the market sentiment on the stock is bearish, this offers a perfect opportunity for contrarian investors.
FireEye reported solid second-quarter results on July 30, 2015. The company reported a net loss of $0.78 which was lower than Zack's Consensus estimate of a loss of $0.84. Three out of the four past quarters resulted in positive earnings surprises. Investors should strongly consider the current low price and closing opportunity before FireEye announces its third quarter earnings on November 4, 2015.

Conclusion

I am recommending a buy on FireEye Inc. because of its substantial growth in revenue, the growth in demand for this sector and most importantly the quality of its product. The financial margins of FireEye are not yet profitable due primarily to the company investing heavily in R&D along with SG&A. It is clear though that this company is still operating in its explicit period and has promising long-term growth potential. The market is currently undervaluing this company due to not capitalizing SG&A and only its R&D expenses. The company has partnered and continues to join forces with major corporations within the past years such as VISA to work alongside against the ever-looming threat of cyber-attacks of today's world.

CENTER FOR GLOBAL FINANCIAL STUDIES

FireEye, Inc.	FEYE	Analyst	Current Price	Intrinsic Value	Target Value	Divident	1-y Return: 18.28%	NEUTRAL
		rPiq (1/2 man, 1/2 bear,	$29.17	$30.01	$34.50	0%		

General Info		Peers	Market Cap.
Sector	Information Technology	Fortinet Inc.	$7,172.96
Industry	Software	Splunk, Inc.	$7,060.99
Last Guidance	July 30, 2015	Palo Alto Networks, Inc.	$13,585.27
Next earnings date	November 4, 2015	Tableau Software, Inc.	$5,908.24
Market Data		Check Point Software Technologie	$14,500.95
Enterprise value	$4,084.20	Imperva Inc.	$1,788.81
Market Capitalization	$77.79	Proofpoint, Inc.	$2,217.45
Daily volume	0.02	Rovi Corporation	$923.05
Shares outstanding	159.42	ServiceNow, Inc.	$11,398.42
Diluted shares outstanding	149.65	VASCO Data Security International	$673.98
% shares held by institution:	21.62%	**Current Capital Structure**	
% shares held by insiders	10.32%	Total debt/Common Equity (LTM)	0.37
Short interest	12.61%	Cost of Borrowing (LTM)	0.00%
Days to cover short interest	3.72	Estimated Cost of new Borrowing	0.00%
52 week high	$55.33	Altman's Z	2.19
52-week low	$27.50	Estimated Debt Rating	D
5y Beta	0.45	Current levered Beta	1.64
6-month volatility	43.11%	LTM WACC	9.14%

Management

Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
DeWalt, David	Chairman of The Board and Chief Exec	$7,463,188	$371,177	$13,563,500
Aziz, Ashar	Founder, Vice Chairman of The Board,	$2,387,037	$452,869	$2,686,130
King, Alexa	Senior Vice President, General Counsel	$654,371	$658,722	$3,361,501
McGee, John	Senior Vice President of Worldwide Sa	$0	$0	$6,693,341
Williams, Jeffrey	Senior Vice President of Americas Sale	$686,202	$869,173	$4,903,471
Mandia, Kevin	President	$0	$0	$0

Past Earning Surprises

	Revenue	EBITDA	Norm. EPS	Standard Error of "Surprise"
Last Quarter	2.84%	NM	NM	NM
Last Quarter-1	4.01%	NM	NM	NM
Last Quarter -2	1.09%	NM	NM	NM
Last Quarter -3	-1.70%	NM	NM	NM
Last Quarter -4	4.78%	NM		NM
Standard error	1.2%	NM	NM	1.16%
Standard Error of Revenues prediction	1.2%			
Imputed Standard Error of Op. Cost pre	NM			
Imputed Standard Error of Op. Cost pre	NM			

Proforma Assumptions

onvergence Assumptio

All base year ratios linearly converge towards the Peers ratios over an explicit period of 10 years

General Assumptions

Money market rate (as of today)	0.28%
Risk-Free rate (long term estimate)	2.94%
Annual increase (decrease) in interest rates	0.1%
Marginal Tax Rate	37.5%
Country Risk Premium	5.5%

Forecast Year	Revenue Growth Forecast	Revenue ($) Forecast
LTM		$529.77
FY2015	20.9%	$685.80
FY2016	28.1%	$962.61
FY2017	20.8%	$1,210.73
FY2018	18.6%	$1,449.07
FY2019	16.4%	$1,686.00
FY2020	14.1%	$1,924.15
FY2021	11.9%	$2,153.12
FY2022	9.7%	$2,361.44
FY2023	7.5%	$2,551.46
FY2024	5.2%	$2,732.97
Continuing Period	3.0%	$2,815.31

Items' Forecast Assumptions

	Base year (LTM)	Convergence period (Peers)	djustment per yea
Operating Cash/Rev.	33.11%	21.89%	-1.1%
NWV/Rev.	0.00%	0.00%	0.0%
NPPE/Rev.	14.05%	6.37%	-0.8%
Dpr/NPPE	77.62%	33.21%	-4.4%
NOPAT MARGIN	28.29%	29.90%	0.2%
Op. Exp./Rev.	138.10%	72.09%	-6.6%
SBC/Rev.	36.75%	4.81%	-3.2%
Rent Exp./Rev.	2.02%	1.92%	0.0%
R&D/Rev.	36.45%	14.75%	-2.2%
E&D/Rev.	0.00%	0.00%	0.0%
SG&A/Rev.	87.08%	42.70%	-4.4%
ROC	9%	11.12%	0.25%
EV/Rev.	13.68x	4.56x	-0.91x
EV/EBITA	NA	9.53x	0.00x
Debt/Equity	37%	61%	2.4%
Unlevered beta	1.33	1.16	-0.02
Cost of Borrowing	0%	19%	1.9%
Dividends/REV	0%	0%	0.0%

Other Assumptions

Tobin's Q	80%
Excess cash reinvestment	Cost of capital
Other claims on the firm's asset	$0.00

Capitalization

100% of all rent expenses are capitalized and amortized 'straightline' over 10 years
100% of all R&D expenses are capitalized and amortized 'straightline' over 10 years
E&P expenses are not capitalized
40% of all SG&A expenses are capitalized and amortized 'straightline' over 10 years

Valuation Focus

DCF Valuation	100%
Relative valuation	0%
Distress Valuation	0%

Monte Carlo Simulation Assumptions

Revenue Growth deviation	Normal (0%, 1%)
Operating expense deviation	Normal (0%, 1%)
Continuing Period growth	Triangular (5.335%, 5.5%, 5.665%)
Country risk premium	Triangular (2.91%, 3%, 3.09%)
Intrinsic value σ(ε)	$0.03
1-year target price σ(ε)	$0.03

Valuation

Forecast Year	ROC	WACC	Total Capital	Implied Enterprise Value	Claims on Assets and Dilution	hares Outstandin	Price per Share
LTM	8.6%	9.1%	$3,834.71	$6,733.43	$1,017.92	159.42	$28.68
FY2015	11.6%	8.9%	$4,237.68	$7,289.44	$1,053.02	159.42	$33.23
FY2016	11.2%	9.0%	$4,697.04	$7,930.71	$1,121.06	159.42	$37.59
FY2017	12.6%	9.1%	$4,987.81	$8,349.50	$1,156.83	159.42	$41.17
FY2018	14.0%	9.2%	$5,403.27	$8,837.17	$1,169.52	159.42	$44.97
FY2019	14.9%	9.4%	$5,881.54	$9,343.67	$1,050.38	159.42	$49.22
FY2020	15.5%	9.4%	$6,285.42	$9,717.39	$1,024.88	159.42	$52.59
FY2021	16.0%	9.3%	$6,586.27	$9,917.87	$814.09	159.42	$55.71
FY2022	16.6%	9.3%	$6,910.07	$10,074.81	$470.21	159.42	$58.87
FY2023	16.9%	9.4%	$7,332.99	$10,275.15	$0.00	159.42	$61.61
FY2024	16.8%	9.4%	$7,908.00	$10,584.81	$0.00	159.42	$64.66
Continuing Period	11.1%	9.1%	$7,841.32				

Monte Carlo Simulation Results

The 3σ(ε)-adjusted intrinsic value is $30.01; the 3σ(ε)-adjusted target price is $34.5; and the analysts' median target price is $47.59

Sensitivity Analysis

Revenue growth variations account for 95.9% of total variance
Risk premium's variations account for 2.5% of total variance
Operating expenses' variations account for 1.4% of total varian
Continuing period growth variations account for 0.2% of total

Simulations Plus

SLP: NasdaqGS

Analyst: Peter Ostrowski
Sector: Information Technology

BUY

Price Target: $11.05

Key Statistics as of 10/21/2015

Market Price:	$9.30
Industry:	Software
Market Cap:	$159 Million
52-Week Range:	$5.52-10.27
Beta:	.47

Thesis Points:

- Acquisition of Cognigen
- Long Term Growth Opportunities
- Financials

Company Description:

Simulations Plus, Inc. develops and produces software for use in pharmaceutical research and for education, and provides consulting and contract research services to the pharmaceutical industry. It engages in the drug discovery and development simulation and modeling software, which is licensed to and used in the conduct of drug research by pharmaceutical, biotechnology, agrochemical, and food industry companies worldwide. The company also provides personal productivity software program called Abbreviate. Simulations Plus was founded by Walter S. Woltosz & Virginia E. Woltosz on July 17, 1996 and is headquartered Lancaster, CA.

Thesis

SLP is a leader in the development of simulation software; primarily in the healthcare industry. Since SLP had their inception in 1996 they have been able to formulate successful projects that have fortified their success in the software market. With the recent acquisition of Cognigen, SLP has been able to increase revenue and income. SLP's expanding portfolio of future and continued projects along with consistent profitability and liquidity, will lead to further growth of the company.

Acquisition of Cognigen

In 2014 Simulations Plus acquired Cognigen Corporation as a wholly owned subsidiary. Cognigen is a leading provider of population modeling and simulation contract research services for the pharmaceutical and biotechnology industries. The acquisition of Cognigen came with 48 active projects and increased the number of SLP scientists from 30 to 65. These projects offer simulations on clinical development. Before this acquisition; SLP mainly operated on preclinical development simulations. The addition of Cognigen scientists will allow SLP to enhance their ability to see things in different perspectives and propose new ideas to clients. The acquisition was done through $2.4 million in cash and $4.6 million in newly offered shares. This purchase has already proven to be profitable. Revenues increased in the third quarter by $2.2 Million or 58.9% as compared to the 3rd quarter of 2014. Cognigen accounted for $1.4 million of this increase in revenue. Net income and EBITA also increased as a result of this. Net income increased 41.7% or $545,000 to 1.85 million from 1.3 million in 2014. 47% of this increase was from Cognigen. Before this acquisition SLP mainly operated on preclinical development simulations.

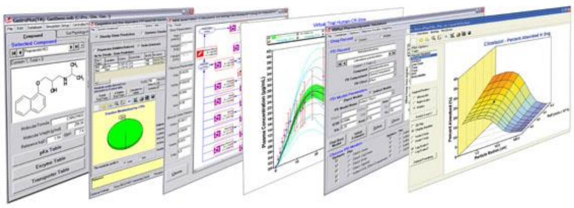
Cognigen's product KIWI is an innovative new outlook on cloud computing. "KIWI was created as a cloud-based, validated platform to efficiently and consistently organize, process, and communicate pharmacometric results and the story in front of the pharmacometric analyses." KIWI is releasing a beta for their update in November with the actual release taking place in January. SLP has a software renewal rate of 99%. This is expected to immediately generate revenue.

Long Term Growth Opportunities

SLP is primarily in the pharmaceutical market. This is highly important as pharmaceutical research and development spending is expected to have a 16% annual growth over the next four years. All top 20 pharmaceutical companies in the world hold product licenses in SLP. This is an immediate indicator of a high probability of increased sales during the next four years for SLP. It currently costs on average $350-900 million to bring a new drug to the market. As SLP already has licenses with the United States FDA, the Japanese FDA and the Chinese FDA; it is highly effective for companies to use SLP's simulation software as there is increasing pressure to reduce the use of animals in pharmaceutical research.

SLP was recently awarded $200,000 from the FDA office of generic drugs to develop improved modeling and simulation capabilities for dosage forms that are designed to be administered to the eye. This is a three year project that is only 3 quarters through. The importance of this is due to the significant growth in diseases of the eye. In 2012 the ophthalmic drug market was valued at $16 billion and is expected to grow to $21 billion in 2018. It is also expected that as companies develop drugs, the enhanced capabilities of SLP's program will help for both the development strategies of the drug and also the regulatory review of subsequent submissions that go into regulatory agencies.

SLP's flagship program GastroPlus™ has been a success since its inception. This is mainly due to its innovative ideology. "GastroPlus is a mechanistically based, PBPK modeling & simulation software package that simulates intravenous, oral, oral cavity, ocular, inhalation, and dermal/subcutaneous absorption, pharmacokinetics, and pharmacodynamics in human and animals." Gastroplus is able to show how quickly a drug will metabolize, understand appropriate dosage levels and understand food effects. This is the future of simulation technology as SLP continues to add to it with expansions and modules. Below one can see an example of the layout of the technology.



Two projects that are in the process of gathering funds and potential clients include Aeromodeller and MRImodeller. Aeromodeller is a different kind of project for SLP as it deals with simulating planes and missiles. It has the ability to predict aerodynamic force coefficients for missiles and can identify issues with planes before takeoff. SLP has used this product with NASA and the Airforce and was able to identify key issues in both. Aeromodeller is currently being shown in conferences across the globe as it is still very young. MRImodeller is another simulation project; it helps technicians to quickly run through MRI data to determine if a person is healthy or unhealthy. This project is currently waiting on funds to complete and begin marketing.

Financials

Simulations Plus maintains a strong cash position at \$7.7 million. This has allowed SLP to have the ability to give out dividends every quarter since 2012. The strong cash positions main importance is that it allows SLP to renegotiate agreements and also take on new projects or acquisitions. SLP has a very high current ratio at 6.9. This is important because it shows that SLP has an adequate amount of working capital every quarter to avoid any possible threat of missed payments or even bankruptcy. The risk of bankruptcy is even lower due to the fact the SLP has a non-debt balance sheet and consistently has positive cash flows.

Porter's Five Forces

The Porter's five forces show that the bargaining power of suppliers is low. This is because SLP is a software company and needs a very small amount of supplies as most of the supplies are human capital which are found within the company.

The bargaining power of customers is neutral as there is not an overwhelming customer base; however, SLP has a 99% software renewal rate. SLP also has a few products such as ADMET predictor which is the industry's number one ranked QSAR modeling software and DDDPlus which is the industry's only in vitro dissolution software.

The intensity of existing rivalry is high as stated in the 10-k, "we operate in the computer software industry, which is highly competitive and changes rapidly."

The threat of substitutes is low as there are a limited amount of substitute products for the healthcare simulation field. To switch products is expensive as the investing company would have to completely change their software. Also any substitutes if any would be of lower quality as SLP is the leading developer of most of their products.

The threat of new competitors is low. This is due to the issue with the advanced technology required. It is also essential to have extremely experienced scientists in the field of healthcare simulations. Patents also heavily limit new competitors and customers appear to be loyal to SLP.

Conclusion

I recommend a buy for Simulations Plus due to their generation of new revenue from Cognigen. This acquisition will lead to further growth and continued positive cash flows. The diversity of new and current projects also gives SLP stability in the event of a crisis and the ability to take off in the event of successful projects including Aeromodeller and MRImodeller. Lastly, it is important to focus on the financials as they show further stability because of their high current ratio.

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Simulations Plus, Inc.	slp	Analyst Peter Ostrowski	Current Price $9.18	Intrinsic Value $10.82	Target Value $11.05	Divident Yield 2%	1-y Return: 22.78%	NEUTRAL

General Info	
Sector	Healthcare
Industry	Health Care Technology
Last Guidance	(Invalid Identifier)
Next earnings date	November 25, 2015
Market Data	
Enterprise value	$148.64
Market Capitalization	$155.07
Daily volume	0.04
Shares outstanding	16.89
Diluted shares outstanding	16.94
% shares held by institutions	19.43%
% shares held by insiders	39.77%
Short interest	0.45%
Days to cover short interest	1.08
52 week high	$10.27
52-week low	$5.52
5y Beta	0.25
6-month volatility	40.14%

Peers	Market Cap.
Sebring Software, Inc.	$1.03
MeVis Medical Solutions AG	$41.71
Medical Transcription Billing, Corp.	$16.85
DATATRAK International, Inc.	$7.80
Streamline Health Solutions, Inc.	$38.75
Ifa Systems Ag	$32.04
Medasys SA	$15.46
Nightingale Informatix Corporation	$4.74
Medtech Global Limited	$7.02
Current Capital Structure	
Total debt/Common Equity (LTM)	0.23
Cost of Borrowing (LTM)	0.00%
Estimated Cost of new Borrowing	0.00%
Altman's Z	9.89
Estimated Debt Rating	AAA
Current levered Beta	0.50
LTM WACC	4.92%

Management

Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Woltosz, Walter	Co-Founder, Chairman and Chief Executive	$475,059	$363,221	$479,264
Woltosz, Virginia	Co-Founder, Treasurer and Secretary	$60,000	$60,000	$60,000
Kneisel, John	Chief Financial Officer	$0	$0	$169,061
DiBella, John	Vice President of Marketing and Sales	$162,117	$178,460	$324,290
Grasela, Thaddeus	President and Director	$0	$0	$0
Bolger, Michael	Chief Scientist	$197,028	$211,647	$0

Past Earning Surprises

	Revenue	EBITDA	Norm. EPS	Standard Error of "Surprise"
Last Quarter	6.83%	0.00%	0.00%	2.28%
Last Quarter-1	-0.65%	0.00%	0.00%	0.22%
Last Quarter -2	3.28%	0.00%	0.00%	1.09%
Last Quarter -3	10.50%	0.00%	-50.00%	18.66%
Last Quarter -4	6.86%	0.00%	0.00%	2.29%
Standard error	1.9%	0.0%	10.0%	3.57%
Standard Error of Revenues prediction	1.9%			
Imputed Standard Error of Op. Cost predictio	NM			
Imputed Standard Error of Op. Cost predictio	10.0%			

Proforma Assumptions

Convergence Assumptions

All base year ratios linearly converge towards the Industry ratios over an explicit period of 10 years

General Assumptions	
Money market rate (as of today)	0.35%
Risk-Free rate (long term estimate)	2.92%
Annual increase (decrease) in interest rates	0.1%
Marginal Tax Rate	34.0%
Country Risk Premium	5.5%

Forecast Year	Revenue Growth Forecast	Revenue ($) Forecast
LTM		$16.60
FY2015	12.8%	$18.97
FY2016	11.8%	$21.44
FY2017	10.9%	$24.04
FY2018	9.9%	$26.75
FY2019	8.9%	$29.55
FY2020	7.9%	$32.42
FY2021	6.9%	$35.36
FY2022	5.9%	$38.33
FY2023	5.0%	$41.34
FY2024	4.0%	$44.38
Continuing Period	3.0%	$47.35

Items' Forecast Assumptions

	Base year (LTM)	Convergence period (Industry)	Adjustment per year
Operating Cash/Rev.	0.00%	3.03%	0.3%
NWV/Rev.	22.16%	9.52%	-1.3%
NPPE/Rev.	2.53%	11.63%	0.9%
Dpr/NPPE	42.81%	36.47%	-0.6%
NOPAT MARGIN	32.29%	15.13%	-1.7%
Op. Exp./Rev.	60.00%	68.00%	0.8%
SBC/Rev.	1.63%	1.91%	0.0%
Rent Exp./Rev.	1.78%	2.68%	0.1%
R&D/Rev.	8.12%	10.01%	0.2%
E&D/Rev.	0.00%	0.00%	0.0%
SG&A/Rev.	35.86%	34.31%	-0.2%
ROIC	41%	27.95%	-1.34%
EV/Rev.	5.62x	4.89x	-0.07x
EV/EBITA	12.71x	21.35x	0.86x
Debt/Equity	23%	65%	4.2%
Unlevered beta	0.43	0.75	0.03
Cost of Borrowing	0%	5%	0.5%
Dividends/REV	20%	6%	-1.4%

Other Assumptions

Tobin's Q	80%
Excess cash reinvestment	Cost of capital
Other claims on the firm's assets	$0.00

Capitalization

100% of all rent expenses are capitalized and amortized 'straightline' over 10 years
100% of all R&D expenses are capitalized and amortized 'straightline' over 10 years
E&P expenses are not capitalized
SG&A expenses are not capitalized

Valuation Focus

DCF Valuation	100%
Relative valuation	0%
Distress Valuation	0%

Monte Carlo Simulation Assumptions

Revenue Growth deviation	Normal (0%, 1%)
Operating expense deviation	Normal (0%, 1%)
Continuing Period growth	Triangular (5.335%, 5.5%, 5.665%)
Country risk premium	Triangular (2.91%, 3%, 3.09%)
Intrinsic value σ(ε)	$0.05
1-year target price σ(ε)	$0.05

Valuation

Forecast Year	ROIC	WACC	Invested Capital	Implied Enterprise Value	Net Claims on Assets and Dilution Costs	Shares Outstanding	Price per Share
LTM	41.4%	4.9%	$12.62	$192.81	$10.65	16.89	$10.89
FY2015	48.3%	4.9%	$12.82	$196.42	$11.22	16.89	$11.10
FY2016	53.0%	5.0%	$15.65	$202.35	$11.85	16.89	$11.37
FY2017	47.4%	5.1%	$19.04	$208.72	$12.52	16.89	$11.66
FY2018	42.3%	5.2%	$23.01	$215.58	$8.59	16.89	$12.10
FY2019	37.7%	5.4%	$27.59	$223.04	$9.23	16.89	$12.42
FY2020	33.6%	5.5%	$32.82	$231.18	$9.66	16.89	$12.78
FY2021	30.1%	5.6%	$38.74	$240.13	$10.31	16.89	$13.16
FY2022	27.0%	5.7%	$45.40	$250.02	$10.94	16.89	$13.59
FY2023	24.2%	5.8%	$52.84	$260.98	$9.58	16.89	$14.12
FY2024	21.8%	5.9%	$61.10	$273.18	$10.62	16.89	$14.67
Continuing Period	27.9%	5.8%	$25.63				

Monte Carlo Simulation Results

The 3σ(ε)-adjusted intrinsic value is $10.82; the 3σ(ε)-adjusted target price is $11.05; and the analysts' median target price is $9.15

Sensitivity Analysis

Revenue growth variations account for 95.9% of total variance
Risk premium's variations account for 2.5% of total variance
Operating expenses' variations account for 1.4% of total variance
Continuing period growth variations account for 0.2% of total variance

Sunoco LP

NYSE:SUN

Analyst: Dominick Iachetta
Sector: Energy

BUY

Price Target: $50.98

Key Statistics as of 10/22/2015

Market Price:	$36.52
Industry:	Oil & Gas Storage/Transportation
Market Cap:	$2.67 billion
52-Week Range:	$29.50-54.82
Beta:	0.83

Thesis Points:

- Recent acquisitions will create long term value
- Organic growth will generate stable future cash flows
- Achieved increased performance during times of extreme volatility in commodity prices

Company Description:

Sunoco L.P. is a growth-oriented MLP, headquartered in Houston, Texas, that distributes Sunoco-branded fuel to convenience stores, independent dealers, commercial customers and distributors. It operates 850 convenience stores and retail fuel locations and interests are owned by Energy Transfer Equity L.P.

Thesis

I am recommending a BUY on SUN based on the following: accretive acquisitions which will lead to value creation, organic growth which will lead to sustainable future cash flows and strong recent performance amidst extreme volatility in the commodities market.

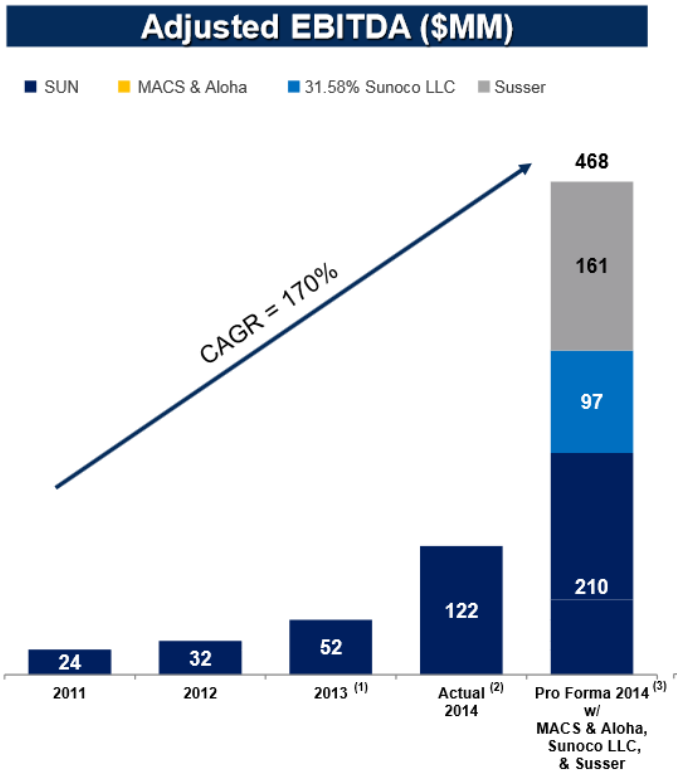
Accretive Acquisitions

SUN's ability to grow inorganically through acquisitions and drop downs will create value for the firm in the immediate and long term future. Since 2014 the company has gone through a complete transformation of its corporate organization. With its most recent acquisition of Susser Holdings Corporation, SUN has aligned itself for long term, sustainable growth.

Susser was acquired via a drop down from ETP on July 31, 2015 for nearly $1.9 billion dollars. Susser's operations consist of retail convenience stores, wholesale consignment sales and transportation in Texas, Oklahoma and New Mexico. The company currently operates 679 retail sites.

Susser's main asset are its Stripes branded convenient stores. Stripes' strong operational and strategic execution has resulted in the increase of same store sales growth for the last 26 consecutive years, which includes a 3.1% increase throughout the second quarter of this year. Much of this sales growth has been accredited to the Laredo Taco Company, which are strategically located at Stripes stores throughout the quickly growing Texas market.

Stripes also has a new build program in place that will be a source of significant growth for SUN. Stripes plans on building 40 new sites by the end of this year, almost all of which include a Laredo Taco Company restaurant. An additional 60 sites are scheduled to be finished by 2016. On average, the company will spend $4-5 million to get each store ready for operations, all of which will yield EBITDA at 6x to 8x its original cost. It will take each of these new stores about three years to reach full cash flow and will ultimately produce cash flows 2x to 3x greater than legacy stores. The acquisition of Susser, along with the company's previous acquisitions dating back to 2014, will be extremely accretive, especially in the year 2016 and beyond.



SUN's recent acquisition activity will be a trend that they continue into the foreseeable future. Management has placed a clear emphasis on inorganic growth and will continue to strategically acquire strong performing retail and wholesale targets in attractive markets. SUN's management team evaluates potential targets through a criteria which consists of geography, quality of operations and real estate and market margin history. The ability of the company to acquire value creating assets going forward gives SUN imminent upside potential.

Organic Growth

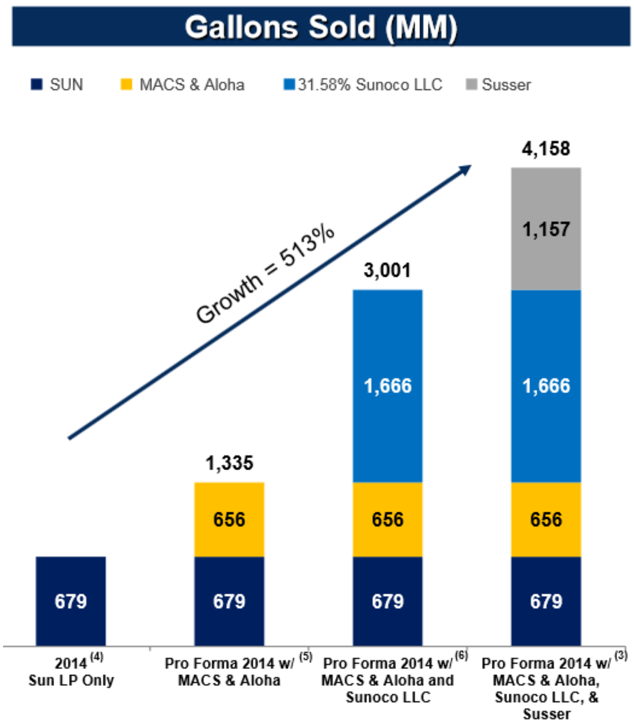
Along with inorganic growth through acquisitions and drop downs, SUN also has the ability to achieve organic growth from within the firm. SUN's new to industry sites will drive growth in the upcoming year. New to industry growth has allowed SUN to open more modern stores that appeal to their customer base. SUN also plans to offer a larger, more diverse selection of high-margin food options in these new stores, which will increase customer traffic. Along with expanding into new locations, SUN plans to increase merchandise and fuel volumes through their seasoned management team, best in class technology and extremely supportive general partner, ETP.

Recent Performance

Even throughout times of extreme volatility in the price of oil, SUN was still able to have a strong second quarter performance. Both adjusted EBITDA and cash flow attributable to partners had extreme increases in the second quarter of 2015 compared to the year prior.

Adjusted EBITDA increased by three times to over $58 million and cash flow attributable to partners increased 2.5 times to $39 million. The positive growth displayed in these two figures largely is a reflection of SUN's successful acquisitions.

SUN's total volume of gallons sold increased 39% from last year to 408 million gallons. Gross profit on these gallons was $.082 per gallon, which was an increase from last year of $0.049 per gallon.



SUN also had a very strong performance in their retail segment in both fuel and merchandise. Fuel same-store sales volume increased 1.3% - largely sparked by the success of newly acquired Mid-Atlantic Convenience Stores (MACS). MACS also experienced 7.1% increase in merchandise sales throughout the same time period.

Overall, SUN has maintained its growth trajectory even during this time of volatility. Estimated year end revenue for the company is $11.4 billion, more than double the revenue from 2014. Along with an increase in sales revenue, the firm's gross profit has also increased dramatically. Gross profit is estimated to rise to $814 million for 2015, up from $149 million in 2014. This performance has allowed SUN to increase its dividend payment to $0.69 per unit, which is a 33% growth from last year. SUN's ability to thrive in these market conditions, due mainly to the performance of its recent acquisitions, will set the company up for long term success.

Summary

In conclusion I am recommending a BUY on SUN based on their extreme upside potential in the near and long term future. SUN has positioned itself to grow through both strategic, value-creating acquisitions as well as by expanding their current business operations. Overall, SUN is underpriced in the market due to the fact that the positive effects of their accretive acquisitions has not been fully realized. This is a strong indicator for future success and now is the time for investors to take advantage of this opportunity.

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Sunoco LP	sun	Analyst	Current Price	Intrinsic Value	Target Value	Divident	1-y Return: 49.66%	BULLISH
		Dom Iachetta	$35.87	$34.30	$50.98	8%		

General Info	
Sector	Energy
Industry	Oil, Gas and Consumable Fuels
Last Guidance	August 6, 2015
Next earnings date	November 4, 2015
Market Data	
Enterprise value	$4,367.92
Market Capitalization	$634,769.99
Daily volume	39.74
Shares outstanding	74.33
Diluted shares outstanding	31.92
% shares held by institutions	60.71%
% shares held by insiders	0.63%
Short interest	3.13%
Days to cover short interest	6.45
52 week high	$54.82
52-week low	$29.50
5y Beta	0.46
6-month volatility	36.54%

Peers	Market Cap.
CST Brands, Inc.	$2,678.35
Sunoco Logistics Partners L.P.	$7,464.29
ONEOK Inc.	$7,672.25
ONEOK Partners, L.P.	$9,397.97
CrossAmerica Partners LP	$842.21
NGL Energy Partners LP	$2,018.91
Western Refining, Inc.	$4,052.74
Targa Resources Partners LP	$5,854.13
Williams Companies, Inc.	$29,847.14
Targa Resources Corp.	$3,308.67
Current Capital Structure	
Total debt/Common Equity (LTM)	-22.85
Cost of Borrowing (LTM)	4.10%
Estimated Cost of new Borrowing	5.12%
Altman's Z	NA
Estimated Debt Rating	BBB
Current levered Beta	0.41
LTM WACC	3.11%

Management

Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Owens, Robert	Chief Executive Officer of Susser Petro	$0	$0	$2,327,476
McGrory, Clare	Chief Financial Officer of Sunoco GP LL	$0	$0	$0
McKinley, Leta	Principal Accounting Officer of Sunoco	$0	$0	$0
Grischow, Scott	Director of Investor Relations -Susser I	$0	$0	$0
Archer, Cynthia	Chief Marketing Officer of Sunoco GP	$0	$0	$0
Foster, Boyd	Executive Vice President of Business D	$0	$0	$0

Past Earning Surprises

	Revenue	EBITDA	Norm. EPS	Standard Error of "Surprise"
Last Quarter	-7.54%	-5.21%	NM	1.16%
Last Quarter-1	-3.67%	-15.14%	-31.67%	8.13%
Last Quarter -2	1.16%	139.80%	105.26%	41.67%
Last Quarter -3	-7.43%	-17.93%	-46.00%	11.51%
Last Quarter -4	2.28%	-7.55%	-20.37%	6.56%
Standard error	2.1%	30.3%	34.9%	13.75%
Standard Error of Revenues prediction	2.1%			
Imputed Standard Error of Op. Cost pre	30.3%			
Imputed Standard Error of Op. Cost pre	17.2%			

Proforma Assumptions

onvergence Assumptio	General Assumptions	
All base year ratios linearly converge towards the Sub-industry ratios over an explicit period of 10 years	Money market rate (as of today)	0.22%
	Risk-Free rate (long term estimate)	2.88%
	Annual increase (decrease) in interest rates	0.1%
	Marginal Tax Rate	37.5%
	Country Risk Premium	5.5%

Forecast Year	Revenue Growth Forecast	Revenue ($) Forecast
LTM		$10,519.30
FY2015	25.0%	$13,148.89
FY2016	24.3%	$16,345.03
FY2017	13.8%	$18,594.42
FY2018	-7.2%	$17,258.58
FY2019	-2.1%	$16,897.52
FY2020	0.5%	$16,974.23
FY2021	1.7%	$17,267.37
FY2022	2.4%	$17,675.48
FY2023	2.7%	$18,149.50
FY2024	2.8%	$18,665.10
Continuing Period	3.0%	$19,225.05

Items' Forecast Assumptions

	Base year (LTM)	onvergence period (Sub-industr	djustment per yea
Operating Cash/Rev.	0.00%	1.32%	0.1%
NWV/Rev.	2.39%	5.61%	0.3%
NPPE/Rev.	90.00%	50.00%	-4.0%
Dpr/NPPE	5.59%	6.40%	0.1%
NOPAT MARGIN	1.45%	14.62%	1.3%
Op. Exp./Rev.	97.02%	66.82%	-3.0%
SBC/Rev.	0.05%	0.40%	0.0%
Rent Exp./Rev.	0.03%	0.87%	0.1%
R&D/Rev.	0.00%	0.00%	0.0%
E&D/Rev.	0.00%	0.00%	0.0%
SG&A/Rev.	0.87%	5.73%	0.5%
ROIC	16%	4.69%	-1.14%
EV/Rev.	0.23x	2.68x	0.24x
EV/EBITA	10.30x	11.46x	0.12x
Debt/Equity	-2285%	338%	262.3%
Unlevered beta	-0.03	0.38	0.04
Cost of Borrowing	0%	5%	0.5%
Dividends/REV	2%	8%	0.6%

Other Assumptions

Tobin's Q	80%
Excess cash reinvestment	Money market rate
Other claims on the firm's asset	$0.00

Capitalization

100% of all rent expenses are capitalized and amortized 'straightline' over 10 years
100% of all R&D expenses are capitalized and amortized 'straightline' over 10 years
100% of all E&P expenses are capitalized and amortized 'straightline' over 10 years
SG&A expenses are not capitalized

Valuation Focus

DCF Valuation	100%
Relative valuation	0%
Distress Valuation	0%

Monte Carlo Simulation Assumptions

Revenue Growth deviation	Normal (0%, 1%)
Operating expense deviation	Normal (0%, 1%)
Continuing Period growth	Triangular (5.335%, 5.5%, 5.665%)
Country risk premium	Triangular (2.91%, 3%, 3.09%)
Intrinsic value σ(ε)	$0.09
1-year target price σ(ε)	$0.10

Valuation

Forecast Year	ROIC	WACC	Invested Capital	Enterprise Value	Claims on Assets and Dilution	Shares Outstanding	Price per Share
LTM	16.1%	3.1%	$1,652.29	NC	$1,735.11	74.33	$29.60
FY2015	28.2%	0.2%	$1,670.58	NC	$1,772.46	74.33	$45.52
FY2016	54.9%	1.0%	$1,585.97	NC	$1,443.63	74.33	$63.96
FY2017	90.1%	1.8%	$1,246.01	NC	$544.16	74.33	$77.77
FY2018	135.3%	2.5%	$638.38	NC	-$837.89	74.33	$100.15
FY2019	313.7%	3.1%	$117.75	NC	-$2,358.86	74.33	$129.95
FY2020	2009.6%	3.5%	-$391.29	NC	-$4,116.52	74.33	$170.34
FY2021		3.9%	-$916.42	NC	-$6,160.98	74.33	$226.31
FY2022		4.3%	-$1,468.71	NC	-$8,525.03	74.33	$306.68
FY2023		4.6%	-$2,052.96	NC	-$11,234.64	74.33	$428.82
FY2024		4.9%	-$2,671.62	NC	-$14,313.23	74.33	$454.34
Continuing Period	4.7%	5.0%	$59,979.39				

Monte Carlo Simulation Results

The 3σ(ε)-adjusted intrinsic value is $34.3; the 3σ(ε)-adjusted target price is $50.98; and the analysts' median target price is $49.85

Sensitivity Analysis

Revenue growth variations account for 95.9% of total variance
Risk premium's variations account for 2.5% of total variance
Operating expenses' variations account for 1.4% of total varian
Continuing period growth variations account for 0.2% of total