Stock	Buy / Sell	Thesis	Current Price	Target Price
BZH	BUY	Beazer Homes USA is a designer, building and seller of single-family and multiple homes in the United States. They produce homes in Arizona, California, Delaware, Florida, Georgia, Indiana, Maryland, Nevada, North and South Carolina, Tennessee, Texas and Virginia. The stock price is currently near its 52 week low and provides a key entry point to those looking to invest. The growth will be driven by macroeconomic conditions that will improve revenues through the demand for homes. With a current price of $7.16, Beazer Homes USA is considered a BUY. With a one-year target of $8.39, a return of over 17% can be experienced.	$ 7.16	$ 8.39
BC	BUY	Brunswick Corporation (BC) is a business that operates in a flashy industry: leisure goods. With products like speedboats, billiard tables, and other high-end products, the growth of this aging market is going to fuel the growth of this business. As the Baby Boomer generation ages and enters into the sweet spot for BC to take advantage of a large market, the economic tone is continuing to improve, as well. The US economy, specifically, is making a tremendous turn and is creating an environment for retirees and older citizens to take advantage of the leisure market. With a strong backdrop, forward guidance bolsters the improvement to top and bottom line growth in the future. Management has a strong direction for the business and forecasts high levels of growth across the board going into the future. Lastly, as a diversified business, deserves a lower discount rate than what is being offered by the market.	$ 47.07	$ 56.00
HTZ	SELL	Hertz Global Holdings, Inc is a sell. It is currently trading at 5.6X Ebitda with downside potential of 50%. Hertz is in a dying industry as Uber continues to steal market share. People simply do not rent cars anymore as a paradigm shift has occurred within the industry. Unfortunately, Hertz is also highly leveraged with the majority of their long term payments being due by 2018. It will be very difficult for Hertz to come up with the appropriate cash to make these payments with the current status of their financials. With nearly negative $9B in free cash flow this past year, the story Hertz is telling shows a quickly declining business structure. The assets also contains significant flaws as this analysis will show.	$ 9.00	$ 5.40

EXPE	BUY	Expedia covers all bases of the travel industry while growing at twice the rate if the industry. HomeAway acquisition also gives a competitive advantage over Priceline for pricing. The travel industry has been suffered until recently leading me to believe that it is a good entry point to buy Expedia for a medium to long position.	$ 112.63	$ 126.00
COP	SELL	ConocoPhillips is the world leader in independent oil and gas exploration and production. Over the past year, a decline in commodity prices has left the company exposed to losses due to decreased sales, challenges in production, and a serious cash flow problem. In the first quarter of 2016 COP suffered losses totaling $1.2 billion. To compare, last year in 1Q the firm reported losses of $222 million, since then the stock has returned roughly -30%. Management is awash with problems and a serious lack of cash flow may be their most dire. Without a sufficient cash flow management will be unable to satisfy the $29 billion dollars of long term debt the firm has managed to amass.	$ 42.76	$ 34.00
EXPR	BUY	Express has recently created a new expansion of the merchandise that is called One Eleven. One Eleven consist of mainly stylish t-shirts with a very unique design that competitors have not been able to match. A good majority of the growth in the most recent year has been contributed to the One Eleven segment. Sales growth from last year totaled at 8.5% which was a huge increase from the previous year of a -2.4% growth. This new segment has shown huge promise and will continue to do so in future years.	$ 17.34	$ 27.96
OUTR	SELL	Outerwall is currently one of the markets most disliked stocks. It has an incredibly high short interest and many analysts caution against this company due to its uncertain future. Outerwall's stock price has been extremely volatile, as the market struggles to understand what the company is really worth. With prices extremely low right now, this high price volatility leaves room for big gains. Additionally, the market is overly pessimistic about Outerwall's Redbox segment, and Outerwall stock is underpriced as a result. With high free cash flows and losses in certain segments that could serve as tax breaks, Outerwall is a potential acquisition target, and is likely to be purchased at a premium, boosting stock price.	$ 39.21	$ 52.72

MEET	BUY	MeetMe is an up and coming company within the social networking industry. MeetMe has just started generating positive net income and shows strong signs that this trend will continue. MeetMe is free to their users and generates profit through relationships with advertisers, as well as in-app purchases, and paid subscriptions that offers their users premium features. This industry shows signs of exponential growth for years to come, and has become increasing popular in recent years. MeetMe has found their own unique market niche within this industry. As this site introduces new users to each other, rather than connecting people that users already know like most social networking sites. MeetMe is also different from other dating websites in the sense that it encourages new users to connect on a friendly basis, rather than simply dive into a formal date like other dating websites.	$ 3.24	$ 4.84
SWRE	SELL	Since its 2012 IPO, Demandware's (DWRE) stock price has risen 140% with revenues growing even faster. Although these appear to be good signs, in fact, they are simply a result of Demandware's inorganic growth through the acquisition of a number of smaller companies. These acquisitions have led to a declining net income, return on equity, and earnings per share, ultimately signaling an overvalued stock price. This is further evidenced by their bottom of the market ROIC, which is much lower than their main competitors. Although the number of retailers they are serving is growing extremely fast, their strategy is not working, leading to a bolstered top line and weakened bottom line. This makes now the perfect time to engage in a short position on a very bearish stock.	$ 46.75	$ 37.92
JVA	BUY	I recommend a buy on JVA. This is largely due to the industry outlook over the next few years. It is also important to note that JVA is positioning themselves for further growth. The recent appointment of Mr. Thomas to the board, could increase their ability to generate free cash flows. If JVA can collect on their receivables more efficiently cash from operations will increase; thus generating more free cash flow. There is also an opportunity for JVA to be acquired for a nice premium as they are only trading at 6X EBITDA. The general risks associated with this stock are higher as it is a microcap. I believe that high cash to debt and cash to share ratios mitigate these risks exponentially.	$ 3.71	$ 6.00

PETS	SELL	PETS is presently stuck in a market where it has had no growth during the 5 past years, and forecasts are similar to this trend. Moreover the management has not been able to reduce COGS which are increasing leading to lower and lower margins years after years.	$ 18.75	$ 8.48
FTNT	BUY	Designers of cyber-security software are contending in a very competitive segment in the information technology sector. What differentiates Fortinet from its competitors is it vast capability of generating 20% CAGR year over year while incurring no debt. The company has a growing cash balance that is approaching $1 billion while its market cap is $5 billion. Fortinet distinguishes itself with its 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 continue to increase. HACK, the Cyber Security ETF, (which can also be seen in the chart in the following section) has rebounded nicely since the market's downturn in the later part of 2015. The growing attention to this industry demonstrates an opportune time to buy a promising stock.	$ 32.06	$ 40.07
IPG	BUY	IPG Photonics just recently had their Q1 earnings report. In that report they missed expectations by 6 cents per share. Although they did miss expectations they increased year-over-year revenue by 4%. They also have the best fiber optics in the industry, which is less costly than others in the industry. They are much more efficient than traditional lasers which helps to reduce maintenance costs and creates less downtime. Lastly they are taking a "green" approach, with some of the most environmentally friendly fiber lasers in the industry. Fiber lasers have lower electrical consumption and are up to 15x more efficient than conventional lasers. They also have lower cooling time. IPG Photonics has a laser savings calculator on their website where people can see how much money they can actually save.	$ 84.60	N/A

Macroeconomic Overview

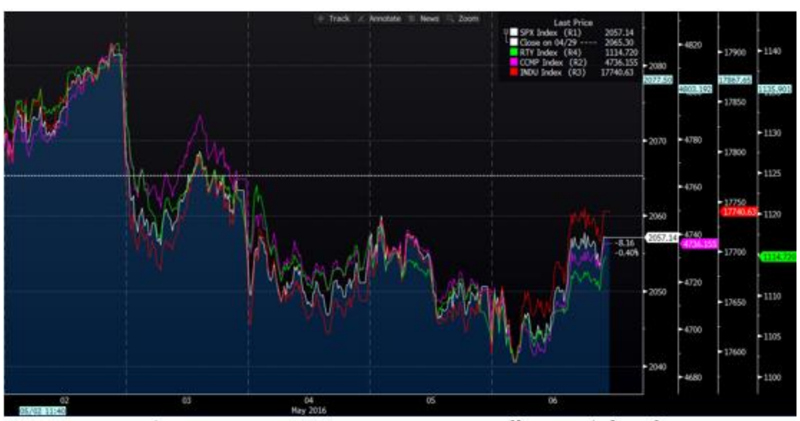
U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	-0.40%	+0.65%
Dow Jones Industrial	-0.19%	+1.81%
NASDAQ Composite	-0.82%	-5.42%
Russell 2000	-1.43%	-1.86%
VIX	-6.24%	-35.24%

All U.S equity benchmarks fell this week, following the downwards trend that started last week and the overall mixed economic data.

Economic data releases: On Monday, ISM Manufacturing PMI was announced at 50.8, while the market expected it at a level of 51.4. However, it is the second month in a row that the index is extending, which signals improvement in factory activity. New orders in fifteen different industries also improved, which could lead the bullish trend to continue in the near term. Puerto Rico missed a $422 million bond payment, which was its biggest default. On Wednesday, ADP Nonfarm employment, which is a proxy to government's non-farm payroll report, was also released below expectations at 156,000 for a consensus of 196,000. Nonfarm productivity outperformed forecasts by 4 basis points for a loss of 1.0%. ISM Non-manufacturing PMI report showed improvement at 55.7 against of a consensus of 54.7, its highest level in 2016. On Thursday, initial jobless claims was surprisingly released at 274,000, below the 260,000 claims forecast. Finally, on Friday, nonfarm payrolls rose at 160,000, increasing concerns among the fragility of the labor market among investors. Indeed, the employment rate stayed steady at 5.0%, but the participation rate fell by 2 basis point at 62.8%. In the meantime, consumer credit experienced its largest gain in history, reaching a level of $29.67 billion.

U.S equity indexes: The Russell 2000 reacted to the economic releases by a weekly loss of -1.43%, and went back to negative performance of 1.86% on year to date basis. The NASDAQ Composite, the tech savvy index, lost 0.82% over the week, and its year to date performance remains in negative territory at -5.42% too. The S&P 500 responded to earnings and economic data by ending the week at 2,057.14 points, points for a weekly loss of 0.40%. In the meantime, the Dow Jones Industrial index ended the week with the lower drop of all indexes with a weekly loss of 0.19%. Overall, the week was bearish for all majors U.S equity index, but the drop was relatively low comparing to last week.



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

Commodity markets: The WTI oil futures for delivery in June ended the week at $44.56/barrel. Gold stayed flat this week with a modest 0.20% decrease at $1288.99/ounce, and Silver followed the same trend with a decrease of 0.44% at $17.47/ounce.

Corporate news: European and American regulators opposed Halliburton merger with Baker Hughes. The oil services company had to abandon the deal and will have to pay a $3.5 billion breakup fee to Baker Hughes.

This week: Earnings will still remain a big concern, but investors are also looking forward to the publication of Building permits, Core CPI, Existing Home sales and Housing starts numbers next week.

International Markets

Index	Weekly % Change	YTD % Change
BE 500	-2.78%	-9.40%
Stoxx Europe 600	-2.87%	-9.33%
DAX	-1.68%	-8.13%
FTSE 100	-3.11%	-1.87%
CAC 40	-2.88%	-7.24%
Nikkei 225	-7.64%	-15.38%
Shanghai Composite	-1.10%	-17.69%
Shenzhen Composite	-0.14%	-18.94%

Foreign markets recorded greater loss than U.S equities. Worldwide economic developments worry investors. Growth and inflation are still disappointing in all major markets.

Europe:
Manufacturing and Services PMI reports fell in Germany, the U.K and France. In addition, the European Union reduced its inflation forecast for 2016 from 0.5% to 0.2%. Low oil prices have been responsible for this movement as well as for the drop in European stock markets. Earnings of oil companies drove the DAX and CAC 40 further down, respectively at a loss of 1.68% and 2.88%.

Japan:
In Japan, the yen continue its ascension that begun after the decision of the Bank of Japan not use further stimulus in April. Nikkei 225 conceded 7.64% in over 3 days week.

China:
Services and Manufacturing PMI were also announced below consensus in China. Concerns about credit also made investors cautious this week, and the Shanghai and the Shenzhen Composite respectively lose 1.10% and 0.14%. The Shanghai Composite dropped by 5.12% in one month.

This week: Japanese GDP, U.K's CPI and retail sales could important market drivers for the international markets.

Bond Report

This week, The U.S. Treasury yields have reported their largest two-week decline in a month and fell for their second consecutive week. Weak global economic data signals that the growth is steady but sluggish, concerning investors leading them to invest in assets perceived as safe.

Monday:

On Monday, Treasury yields rose higher in response to strong stock market trading. While pessimistic construction and manufacturing sector reports were release below expectations the treasury yields did not respond negatively. However, investors are still weary of taking on risk in the long-term, in response to benchmark bond yields hovering below 2%.

Tuesday:

Treasury yields fell to their lowest level in two weeks, on Tuesday, experiencing the largest single day drop in a week. This was due to worries of economic slowdown abroad pushing investors to once again favor assets perceived as safe, such as U.S. Treasurys. Poor Chinese manufacturing reports and a first time interest rate cut in Australia overnight trickled into U.S. equity markets during trading hours, continuing the Treasury rally. Oil prices also plummeted with repeated concerns of a global supply gut adding to the drop in Treasury yields. Due to the renewed weak overseas data the Federal Reserve will most likely hold off further on raising interest rates. Analysts estimate a 13% probability for a rate hike in June, down from 23%. The probability of a July rate hike is 30%.

Wednesday:

On Wednesday, the weakness in equities and oil lead to a weaker dollar and Treasury rally, pushing yields still further down. The reaction was modest compared to Tuesday strong rally.

Thursday:

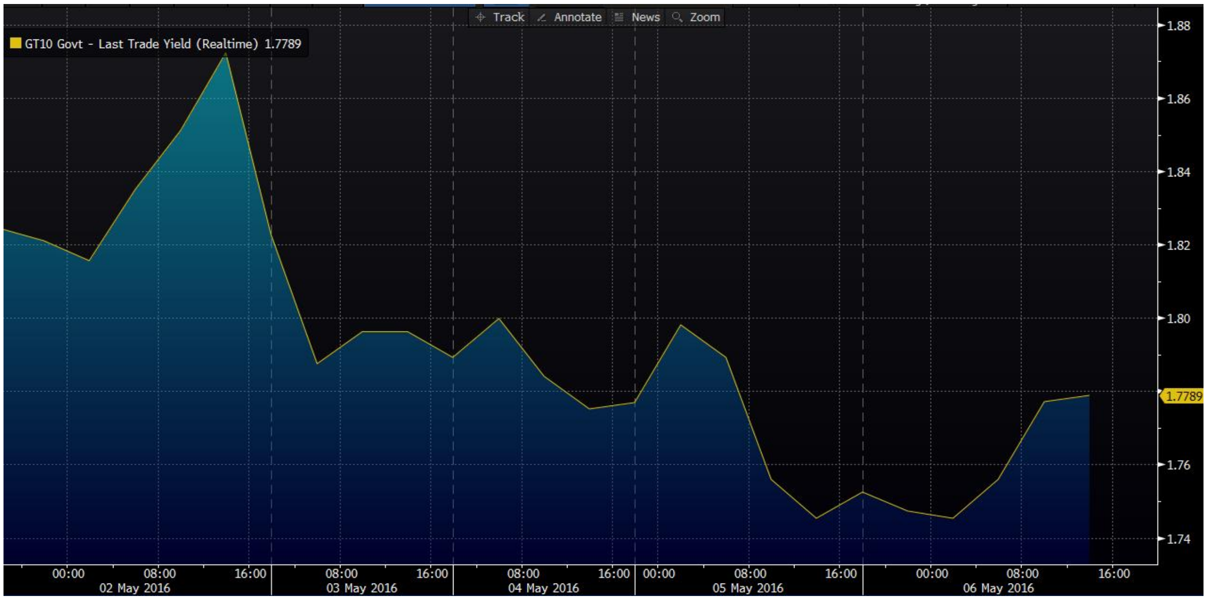
On Thursday, Treasury yields fell for third straight day with uncertainty of the key employment report due Friday. If job creation slows too far interest rates can drop further. On the other hand, if job creation is strong the Fed is still doubtful to raise interest rates in June.

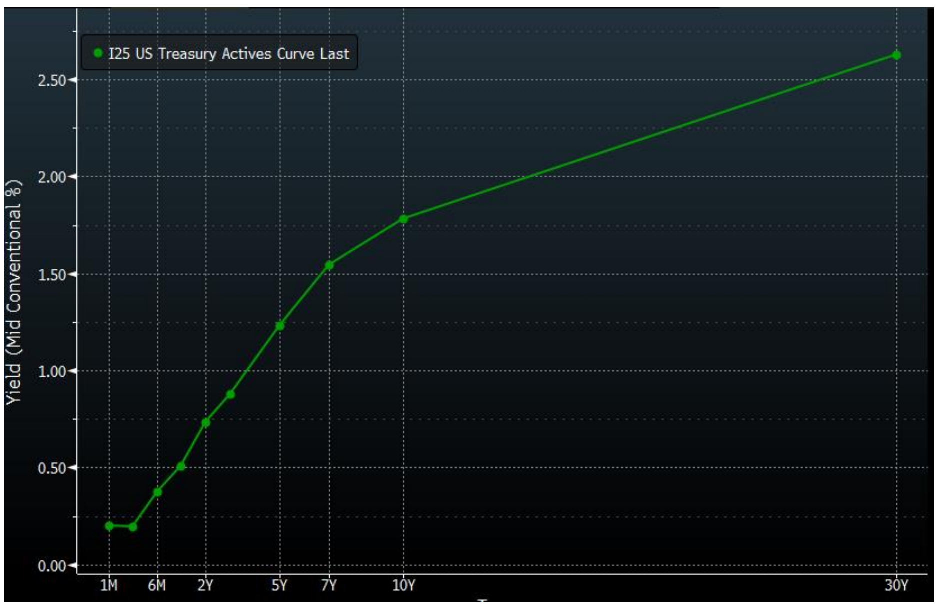
Friday:

On Friday, the trend continued with low Treasury yields in response to a disappointing jobs report. Treasury yields rose slightly on Friday though with investors weighing the effects of a positive wage growth number. Due to new corporate bonds expected to hit the bond market, for $40-50 billion, this could also be leading Treasurys to rally so investors can make room to purchase them. With a poor jobs report a June rate hike is now almost certainty not feasible.

Summary:

Overall, the two-year Treasury fell by 3.6bps, ending the week and finishing at 0.738%. The 10-year treasury yield also declined 4.8bps over the week and finished at 1.779%. Among longer maturities, the 30year treasury yield finished the week at a decline of 4.2bps and finished at 2.621%. Treasury yields continue to decline, as Treasury prices climb during 2016's first quarter.





What's next and key earnings

On Monday, the PMI manufacturing index started off quarter 2 pretty much at 50.8 from April's 51.5-index level. New orders are on the rise, a positive. Also, exports are not showing any gains from the lower dollar as of now but are contracting at the fastest pace in more than a year. Home sales still remains one of the strongest reports. On Tuesday, a component of the monthly retail sales report, motor vehicle sales, rose sharply 4% in April a positive for the economy. On Wednesday, the ADP employment report was released showing a slow in the labor market, which is a negative for consumer spending and economic growth. International trade was also reported showing that our nation's trade gap has narrowed. This is undesirable for the economic outlook. Imports of consumer goods also dropped sharply, with out the help of our nation's gap with China, another negative for the economic outlook. Supportive of this poor economic weakness our nation's output is slowing despite an increase in hours worked a signal of structural weakness. On an optimistic note, crude oil inventories continue to rise to record highs at 543.3 million barrels as of April 29th. On Friday, employment reports released showed weak data a disappointment for Treasury yields.

Beazer Homes USA Inc.

NYSE:BZH

Analyst: Andrew Varone
Sector: Consumer Discretionary

BUY

Price Target:$8.39

Key Statistics as of 5/5/2016

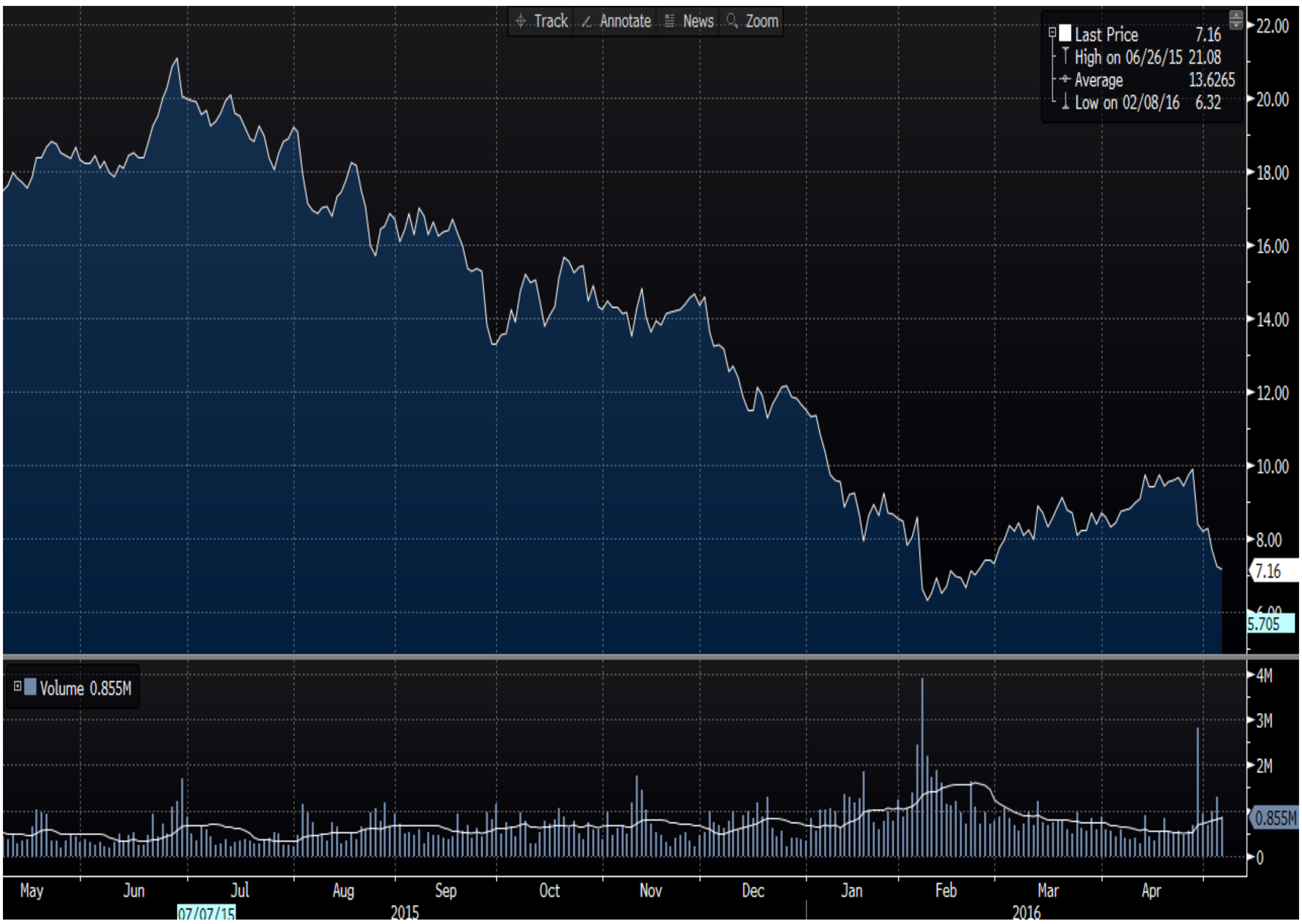
Market Price:	$7.16
Industry:	Household Durables
Market Cap:	$227.76M
52-Week Range:	$6.07-$21.19
Beta:	0.60

Thesis Points:

- Millennials, one of the biggest generations, are entering the housing market.
- With interest rates increased set for June and the recovering of the economy, ideal time for buyers to purchase a home.
- Undervalued due to slow recovery and negative speculation from investors.
- Improving income statements based on the repayment of outstanding debts.

Company Description:

Beazer Homes USA, Inc. operates as a homebuilder in the United States. They design, build and sell single-family and multiple homes in the United States. Their main geographically segments are in the West, East and Southeast regions.



Thesis

Beazer Homes USA is a designer, building and seller of single-family and multiple homes in the United States. They produce homes in Arizona, California, Delaware, Florida, Georgia, Indiana, Maryland, Nevada, North and South Carolina, Tennessee, Texas and Virginia. The stock price is currently near its 52 week low and provides a key entry point to those looking to invest. The growth will be driven by macroeconomic conditions that will improve revenues through the demand for homes. With a current price of $7.16, Beazer Homes USA is considered a BUY. With a one-year target of $8.39, a return of over 17% can be experienced.

Porter's 5 Forces

Threat of New Entrants: Low
There are high capital requirements that are need for building houses. There is also holding cost that is associated with holding all of the raw materials needed to build homes. There is a learning curve that is present due to the demand for skill labor to start building houses. Lastly, there is high risk associated with construction. If not even homes are build and sold in a certain amount of time, the possibility of bankruptcy is likely.

Threat of Substitution: Neutral
As technology has advanced, there have been more innovative ways to build homes that are cheaper. Contrary, when steps are skipped in making homes, and costs are reduced there can be an impact on the quality of the homes that are produced. Consumers may be willing to pay extra to have a better quality home.

Bargaining Power of Suppliers: Low
A lot of members of the construction industry have either integrated backwards or build up relations with suppliers that make them readily available. There is low switching costs that are present when going from one supplier to another. Lastly, construction materials are readily available and there are a lot of suppliers ready to sell their materials.

Bargaining Power of Buyers: High
There is a multitude of contractors to build homes and do renovations. This means that the buyer can price shop and find the lowest or best deals that suits the consumer's needs. Lastly, if they are rebuilding all or part of a building that is covered by insurance, the insurance company has the say in what rate will be paid to contractors.

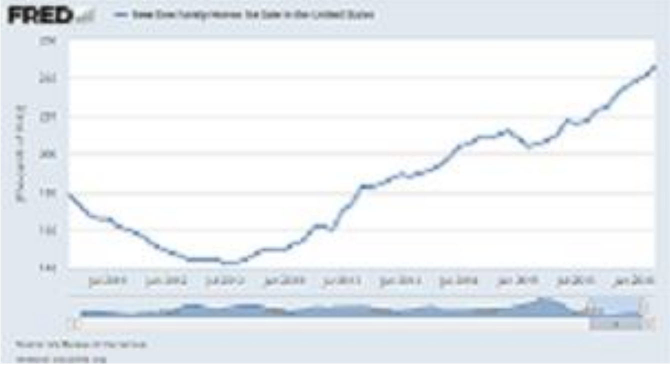
Competitive Rivalry: High
Construction companies are in rivalry with each other, competing in order to win contracts. The industry is overcrowded with many small construction companies and a few larger ones.

Millennials Buying Power

There has been a slow recovery for the housing market. This is about to change as the Millennials are about to be one of the largest generations to enter the home buying ages. The Millennials age range from those born in the early 1980s to 2000. They are currently the largest group of individuals that make up the United States population, 25%. The vast majority of Millennials are going to be turning 25-26. This is the average age that most people get married which means that the housing market will be driven by this. Lastly, the Millennials are the most educated generation based on the percentage that went to college. Higher education translates to higher pay which mean Millennials will be able to afford more expensive houses than previous generations. This bodes well for the housing industry as more expensive houses can be sold. Currently, home ownership is around 4% below its historical average. It is forecasts that the number of single-family homes will double from 645,000 in 2014 to 1.1 million in 2019.

New Home Sales

There are two economic types of home sales, new home sales and existing home sales. For a construction company, the number of new homes sales is more important than existing home sales as there are more revenues to be made. Since the recession, new home sales took a huge hit. The number of buyers is starting increase faster than the number of sellers. This means that some individuals are in the market for new homes.



This is a graph taken off FRED based on new home sales over the past five years. As can be seen, the number of new home sales has been increasing and has hit its highest point as of this last month. This trend is likely to continue as discussed earlier, more people are entering the market for homes.

Interest Rate Increases

The Federal Reserve set interest rates to 0% in response to the Great Recession. This was done through quantitate easing and setting the federal funds rate to 0%. With the economy improving, the Federal Reserve has stated that they plan on increasing the federal funds rate. It was supposed to occur four times this year in 2016 but, they decreased it to two increases in 2016. The first increase of 2016 is set to take place in June. This will make future homebuyers eager to buy homes sooner than later and experience lower rates on their mortgages. This will help expand revenues in the near future.

Backlog

With anything to do with construction, there will always be backlog that builds up from the orders of houses. Backlog can have positive and negative implications. The positive implications are that there is sustained revenue growth for the future. If they do not have any more orders for housing in the upcoming year, they will still generate revenue based on the backlog that they have. The negative implication is that oil is its cheapest currently. If it takes a while to complete these projects, the price of oil could rise. The rise in the price of oil will also cause a rise in the price of all raw materials. This is problematic as it will squeeze and lessen margins.

		Q2 FY15		Q2 FY16
Quarter Ending Backlog (units)		2,533		2,300
Quarter Ending Backlog ($ in millions)	$	814.5	$	772.7
ASP in Backlog ($ in thousands)	$	321.6	$	336.0
Quarter Beginning Backlog		1,771		1,912
Scheduled to Close in Future Quarters		(914)		(953)
Backlog Scheduled to Close in the Quarter		857		959
Backlog Activity:				
Cancellations		(91)		(86)
Pushed to Future Quarters		(124)		(105)
Close Date Brought Forward		33		97
Sold & Closed During the Quarter		261		285
Total Closings in the Quarter		936		1,150
Backlog Conversion Rate		**52.9%**		**60.1%**

As seen here, Beazer Homes did a better job at completed backlogged jobs and had a better backlog conversation ratio than a year ago. The leader driver was their ability to pick up production and finish houses faster than the previous year. Though some backlog will occur because a house cannot be built over night, being able to produce a house faster and reduce backlog will be beneficial in improving margins.

Undervaluation

BZH has seen a large decrease in its stock price which has left it undervalued. The current macroeconomic conditions have set it up to see an increase in its revenues over the next few months. A lot of investment firms have downgraded their ratings of BZH despite it being at its most attractive entry point. With the stock price around $7, there is little downside and great upside if BZH can continue to improve its financial position.

Financial Statements

On the balance sheet side, BZH has started to reduce leverage that they currently have. They have fully paid off their 2016 notes and have retired more than $41 million in net debt. This has saved them more than $6 million in interest rate expenses.
Improvements on the income statement are led by an increase in the price of a new house sold is. The increase from a year ago is just above $20k rising from $306k to $328k. This is an increase of 7.3%. This increase can help the company to see an increase in their margins.

Conclusion

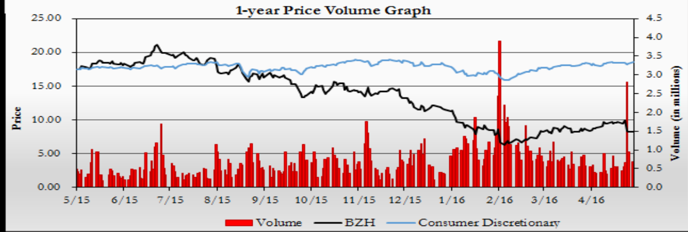
Beazer Homes USA is a designer, building and seller of single-family and multiple homes in the United States. Due to favorable market conditions, the housing industry should continue to improve. This is due to the Millennials entering the housing market and wants to purchase homes before the next federal funds rate increase that will come in June. Beazer Homes USA has also been to improve on their backlog numbers and reducing their debt will help increase income based on paying lower interest rates.

Beazer Homes USA Inc. (BZH)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by P.C. Principal	Current Price: $7.16	Intrinsic Value $6.02	Target 1 year Return: 17.21%
5/5/2016	Divident Yield: 0.0%	Target Price $8.39	Probability of Price Increase: 72.5%



Description

Beazer Homes USA, Inc. operates as a homebuilder in the United States.

General Information

Sector	Consumer Discretionary
Industry	Household Durables
Last Guidance	November 3, 2015
Next earnings date	July 28, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	51%

Market Data

Market Capitalization	$227.76
Daily volume (mil)	0.85
Shares outstanding (mil)	31.81
Diluted shares outstanding (mil)	34.43
% shares held by institutions	78%
% shares held by investments Managers	61%
% shares held by hedge funds	25%
% shares held by insiders	3.72%
Short interest	17.76%
Days to cover short interest	6.28
52 week high	$21.19
52-week low	$6.07
Levered Beta	1.92
Volatility	56.99%

Past Earning Surprises

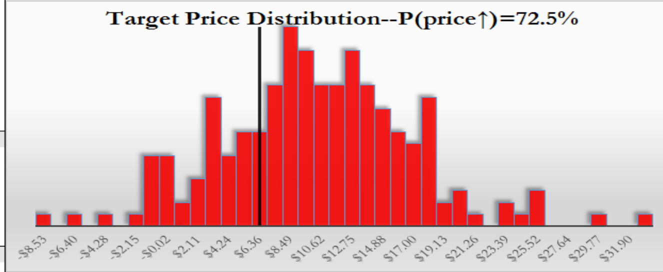
Quarter ending	Revenue	EBITDA
3/31/2015	1.15%	-85.16%
6/30/2015	-18.64%	-72.22%
9/30/2015	-6.36%	N/A
12/31/2015	5.98%	-116.77%
3/31/2016	-0.84%	N/A
Mean	-3.74%	-91.38%
Standard error	4.2%	13.2%

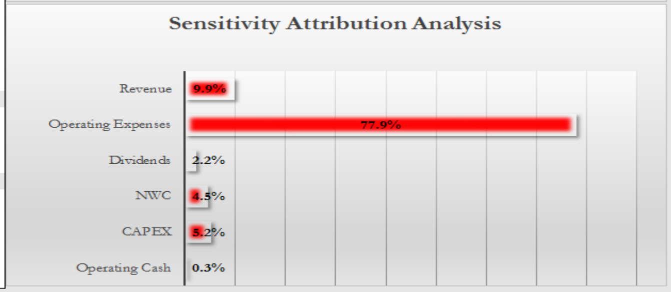
Peers

MDC Holdings Inc.
Meritage Homes Corporation
M/I Homes, Inc.
CalAtlantic Group, Inc.
Hovnanian Enterprises Inc.
KB Home
William Lyon Homes
Lennar Corporation

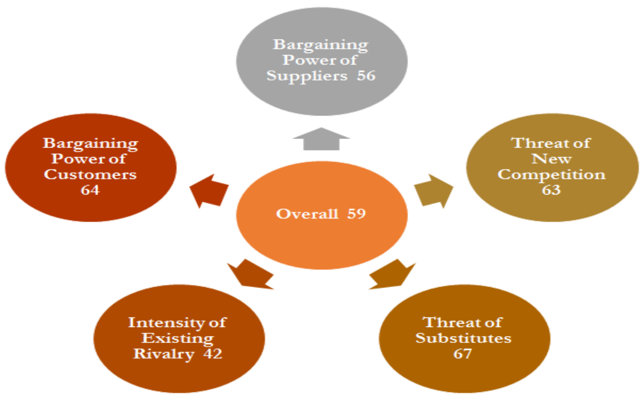
Management	Position	Total compensations growth	Total return to shareholders
Merrill, Allan	Chief Executive Officer, Pre	13.08% per annum over 5y	-14.85% per annum over 5y
Salomon, Robert	Chief Financial Officer, Chi	23.83% per annum over 5y	-14.85% per annum over 5y
Khoury, Kenneth	Chief Administrative Officer	8.17% per annum over 5y	-14.85% per annum over 5y
Goldberg, David	Vice President of Treasury &	N/M	N/M
James, Kathi	Chief Marketing Officer and	N/M	N/M
Gates, Jerry	Head of California, Los Ange	N/M	N/M

Profitability	BZH (LTM)	BZH (5 years historical average)	Industry (LTM)
ROIC	0.8%	-6.24%	9.00%
NOPAT Margin	1%	-7.01%	7.7%
Revenue/Invested Capital	0.92	0.89	1.17
ROE	-18.1%	-86.74%	10.89%
Adjusted net margin	0%	-10.35%	6.5%
Revenue/Adjusted Book Value	165.14	8.38	1.67
Invested Funds	**BZH (LTM)**	**BZH (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	6.8%	17.2%	11%
Estimated Operating Cash/Total Capital	6.8%	6.2%	N/A
Non-cash working Capital/Total Capital	82.5%	71.2%	33%
Invested Capital/Total Capital	99.5%	87.7%	84%
Capital Structure	**BZH (LTM)**	**BZH (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	5.39	3.59	0.28
Cost of Existing Debt	9.66%	11.41%	3.58%
Estimated Cost of new Borrowing	3.77%	4.77%	3.58%
CGFS Risk Rating	BB	CCC	BBB
Unlevered Beta (LTM)	0.60	0.55	1.21
WACC	8.00%	9.10%	10.39%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	22.3%	0.8%	0.09
3/31/2017	5.4%	8.0%	0.96
3/31/2018	6.4%	7.9%	0.97
3/31/2019	6.1%	7.7%	0.97
3/31/2020	5.7%	7.5%	0.95
3/31/2021	5.2%	7.3%	0.94
3/31/2022	4.7%	7.2%	0.92
3/31/2023	4.2%	7.1%	0.90
3/31/2024	3.7%	7.0%	0.88
3/31/2025	3.2%	6.9%	0.86
3/31/2026	2.6%	6.8%	0.83
Continuing Period	2.1%	6.7%	0.92

Period	Invested Capital	Net Claims	Price per share
Base Year	$1,526.34	$1,488.84	$6.57
3/31/2017	$1,543.28	$1,491.08	$8.10
3/31/2018	$1,524.29	$1,491.45	$9.94
3/31/2019	$1,811.53	$1,493.34	$12.01
3/31/2020	$1,955.46	$1,495.60	$14.32
3/31/2021	$1,976.90	$1,498.08	$16.87
3/31/2022	$2,046.67	$1,500.43	$19.68
3/31/2023	$2,126.75	$1,504.00	$22.79
3/31/2024	$2,217.84	$1,506.06	$26.20
3/31/2025	$2,315.77	$1,507.90	$29.94
3/31/2026	$2,420.93	$1,509.50	$34.03
Continuing Period			

SIENA college

Brunswick Corporation

NYSE:BC

Analyst: Dylan Cirrilla
Sector: Consumer Discretionary

Buy

Price Target: $56.00

Key Statistics as of 5/6/2016

Market Price: $47.07
Industry: Recreational Vehicles
Market Cap: $4,255m
52-Week Range: $55.76 - $36.05
Levered Beta: 1.85

Thesis Points:

- Improvement to target market, economically and on a demographic basis
- Strong forward guidance
- Diversified product lines reduces risk beyond what the market believes

Company Description:

Brunswick Coporation manufactures consumer products serving the outdoor and indoor active recreation markets. The Company's products include sterndrives, outboard and inboard marine engines, fitness, billiards, and bowling equipment. Brunswick also manufactures recreational, fishing, and high performance boats. Because of the nature of its products, the main target market for BC is the older, upper-middle to upper class consumer. 66% of BC's business is conducted in the US, 12% is conducted in Europe and the remainder being fairly evenly distributed between the Pacific Rim, Canada, Latin America, and Africa/Middle East. About 50% of the Company's revenue is generated by the production of marine engines, 31% by the sale of boats, and 19% from its fitness lines.

Thesis

Brunswick Corporation (BC) is a business that operates in a flashy industry: leisure goods. With products like speedboats, billiard tables, and other high-end products, the growth of this aging market is going to fuel the growth of this business. As the Baby Boomer generation ages and enters into the sweet spot for BC to take advantage of a large market, the economic tone is continuing to improve, as well. The US economy, specifically, is making a tremendous turn and is creating an environment for retirees and older citizens to take advantage of the leisure market. With a strong backdrop, forward guidance bolsters the improvement to top and bottom line growth in the future. Management has a strong direction for the business and forecasts high levels of growth across the board going into the future. Lastly, as a diversified business, deserves a lower discount rate than what is being offered by the market. Geographic and product diversity is allowing BC to enjoy more even cash flows than competitors in this cyclical industry. As a best-in-class firm, BC stands tall as a buy for the coming 18 months. With a 5/4/2016 market price of $47.07 and a target price of $56.00, there is a potential upside of about 19%.

Business Model

Brunswick is a leading global designer, manufacturer and marketer of recreation products including marine engines, boats, fitness and active recreation products. Brunswick concentrated on implementing its growth plan which included investing in innovative products, capacity expansion and focusing on both core businesses and strategic acquisitions in growing markets. In the long-term, Brunswick's strategy remains consistent: to design, develop and introduce high-quality products featuring innovative technology and styling; to distribute these products through a beneficial model for the firm and its customers, to maintain low-cost manufacturing processes, and to fuel organic growth. This mission is driven home by its business segments, headlined by the marine engine segment. Making up about 50% of the company's revenue, this is the core segment of the business. In recent years, however, BC has seen a shift from dependence on engines (59% of revenue in 2012) to a growing boat market (up to 31% of revenue in 2015 from 21% in 2012). BC operates in both a retail and wholesale space. As part of cyclicality these two segments peak at different points of the year but hold similar margins.

Improvement to Target Market

The target market of Brunswick Corporation is an aging, more affluent, high-class consumer. In the US, particularly, the Baby Boomer generation is developing into an incredibly strong consumer base that sees even further growth for the coming years. This target market for Brunswick will grow and gain accessibility to the high-end products of BC through demographic growth and economic improvement. In terms of demographic growth, it goes without much questioning that the Baby Boomer generation is still continuing to age. While not at its peak, the generation is still entering the target age for BC. This group is gaining access to the capital they need to make large individual capital purchases, such as a boat, because of economic shifts. Domestically, economic climate has greatly improved and will continue to improve. This makes access to capital easy, improves overall discretionary income, and improves sentiment of the market towards these large personal purchases. This target market is strengthened from a cost perspective, as well. Though trending back upwards, global petroleum prices are at incredibly manageable prices. With advents of US oil agreements, these prices are poised to stay far below 3-year averages for the foreseeable future.

Forward Guidance

In the previous earnings call, BC missed EPS by 3% and sales by less than 1%. This resulted in a negligible change to share price because of aggressive and optimistic forward guidance by management. Management has a year-end sales growth of 9%-11% in its core markets of Europe and America. The high-margin segment of "marine" products is forecast to continue its historical growth without changes moving forward. However, Boat revenue growth is projected in the mid-to-high single-digit percentage range with an improvement to operating margins of over 1%. Management also has stated that they will continue to pursue new product introductions to achieve a 6%-7% operating margin on their Boat segment. The exciting story is the newly revitalized fitness segment, headlined by the Cybex acquisition. Management targets mid-to-high 20% revenue growth, bringing the segment to $1b in revenue by the end of ’16 fiscal year. This will be helped by improvements to the fitness segment, as a whole. Containing both Cybex and Life Fitness products, management explains that Cybx margins have historically been lower than Life Fitness’ because of a higher operating cost base. As a result of the acquisition and an expansion of the fitness segment, economies of scale will continue to be realized and will achieve efficiency by 2018 due to the cost reduction and revenue growth of the segment. The segment will also likely show lower operating margins moving forward for at least the next quarter of 2016 because of unrealized efficiencies, though it should provide a net benefit of $.08 EPS. This further holds the price down and allows for a very effective entry point on a stock that has optimistic guidance on its margins, revenue growth, and EPS growth.

Diversified Product Lines

From a few angles, BC is a diversified firm. With operations spanning the globe, economic risk is mitigate through a strong mix of emerging and world power markets. From a product mix standpoint, the same is true. As a somewhat vertically integrated firm, BC reduces their risk of vendor price changes in their production of engines for their own boat products. Delving into the fitness industry through successful M&A activity such as Cybex, has resulted in efficient market diversification between the leisure market and the fitness industry. These industries also split seasonality. The fitness industries downturn is typically at the boating industries peak, resulting in cyclical cash flows leveling out to create a more predictable environment. While these are examples and evidence for reducing the effective discount rate on BC’s cash flows, there is very limited coverage of the stock. The limited volume and general coverage of the stock has led to an overlook of the value of this diversification. It is crucial in the market’s valuation of the company to achieve an accurate discount rate. The market has not achieved this and the cheap market price reflects this.

Potential Risks

BC carries some potential risks with it, largely due to its business model and the products it sells. Firstly, and it is a large risk, is seasonality. On the leisure side, mostly focused on boating, there is a large presence of seasonality for the sales and the types of sales. For example, wholesale will increase around Q4 while retail increases around Q1. This makes revenue difficult to predict and if guidance is off, could result in an overestimation of revenue or margins. There is a similar story for the fitness segment of BC. Wholesale tends to peak in Q3 while retail peaks in Q4 for the fitness segment. This carries similar seasonality risk but is significantly less dramatic because of the size of the segment. The second notable risk that Brunswick Corporation faces is that they focus primarily on an affluent market. This can typically be problematic as this target market relies heavily on economic growth of their respective country. Because BC is involved with business around the world, assessment of global economic trends is the only way to mitigate such a risk; a difficult task. Despite the potential downsides and potential risks, BC carries a significant upside that outweighs its potential flaws.

Financials

BC is a firm with a bright future, held down by its past mediocrity, specifically on margins. As previously stated, margins are projected to hold steady on the higher margin segment, marine products, and improve on the lowest margin segment, fitness. This should cover the issue of margins being historically low. In terms of proforma analysis, revenue growth was projected at its modest 6.6% until it tapers into the continuing period to 2.1%. The value of the company is seen in its decrease of operating costs. As previously mentioned, economies of scale will begin to take effect throughout 2016 and into 2017. This should drive operating costs down from the historical 89% to a predicted 85% into the continuing period; a very conservative estimate. I believe PPE and will remain at its lower-than-industry average as the historical levels have been fairly consistent. In terms of capitalization, the small amount of R&D was left uncapitalized with a full 100% of SG&A being capitalized as it is nearly all marketing and directly needed for the operations of the firm. The valuation of a company that sells tangible, high profile items is typically fairly simple. The value for this stock is found on the growth potential, underestimation of the public, and forward guidance.

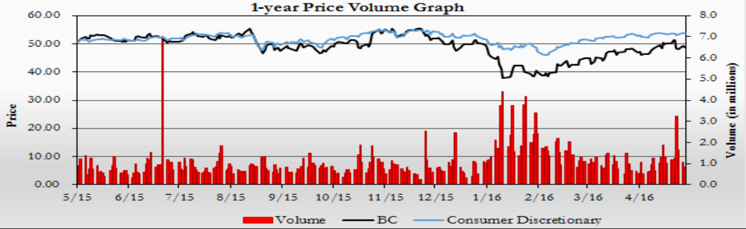
Conclusion

Brunswick Corporation is a business that operates in an easy to understand market. Leisure items intended for the aging and wealthy consumer; items like billiards and boats. With a reinvention of the business model in the Cybex acquisition, BC has been able to achieve a level of diversification that is not seen in the industry. Diversification on the geographic front with global sales improving to diversification with product lines, BC is experiencing improved mitigation of risk. The firm deserves a lower discount rate than the market has been willing to give, proving its undervaluation. The target market's improvement, both in terms of size and economic access will prove to bring organic growth to the underpriced firm in the coming years. This, paired with strong and optimistic forward guidance from management, will prove to bring BC to the lists of must-buys. Improvements to margins, a growing customer base, and improved mitigation of risk mean that Brusnwick Corporation is a strong buy at the current market price of $47.07. At a target price of $56.00 there is a 19% upside.

Brunswick Corporation (BC) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Dylan Cirilla	Current Price:	$47.07	Intrinsic Value	$44.28	Target 1 year Return: 20.06%
5/6/2016	Divident Yield:	1.2%	Target Price	$55.95	Probability of Price Increase: 96%

1-year Price Volume Graph



Description

Brunswick Corporation designs, manufactures, and markets recreation products worldwide.

General Information

Sector	Consumer Discretionary
Industry	Leisure Products
Last Guidance	November 3, 2015
Next earnings date	July 28, 2016
Estimated Country Risk Premium	4.73%
Effective Tax rate	30%
Effective Operating Tax rate	53%

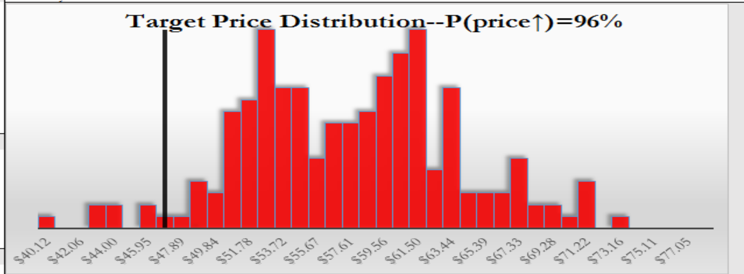
Market Data

Market Capitalization	$4,302.45
Daily volume (mil)	0.39
Shares outstanding (mil)	90.77
Diluted shares outstanding (mil)	93.70
% shares held by institutions	78%
% shares held by investments Managers	84%
% shares held by hedge funds	10%
% shares held by insiders	0.71%
Short interest	6.18%
Days to cover short interest	4.81
52 week high	$55.76
52-week low	$36.05
Levered Beta	2.02
Volatility	35.68%

Past Earning Surprises

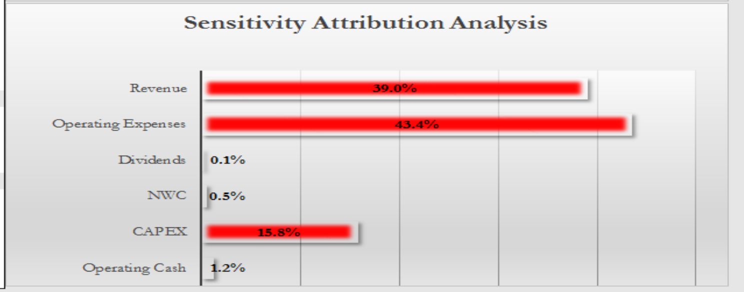
Quarter ending	Revenue	EBITDA
4/4/2015	-3.04%	-10.08%
7/4/2015	-1.72%	-3.01%
10/3/2015	-1.75%	-0.79%
12/31/2015	-2.79%	-22.49%
4/2/2016	-2.48%	-3.69%
Mean	-2.36%	-8.01%
Standard error	0.3%	3.9%

Peers

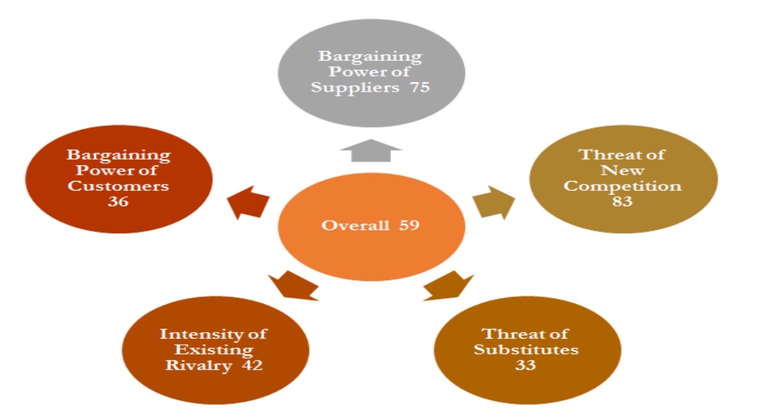


Management	Position	Total compensations growth	Total return to shareholders
Schwabero, Mark	Chairman, Chief Executive Of	25.92% per annum over 5y	2.62% per annum over 5y
Metzger, William	Chief Financial Officer and	7.54% per annum over 2y	5.85% per annum over 2y
Pfeifer, John	Vice President and President	31.19% per annum over 1y	-0.29% per annum over 1y
Foulkes, David	Chief Technology Officer, Vi	N/M	N/M
Byots, Bruce	Vice President of Investor R	N/M	N/M
Dekker, Christopher	Vice President, General Coun	N/M	N/M

Profitability	BC (LTM)	BC (5 years historical average)	Industry (LTM)
ROIC	6.3%	16.91%	11.79%
NOPAT Margin	3%	6.85%	9.8%
Revenue/Invested Capital	1.88	2.47	1.20
ROE	5.8%	16.73%	13.24%
Adjusted net margin	3%	5.82%	8.9%
Revenue/Adjusted Book Value	2.08	2.87	1.49
Invested Funds	**BC (LTM)**	**BC (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	13.7%	23.1%	24%
Estimated Operating Cash/Total Capital	13.6%	18.3%	N/A
Non-cash working Capital/Total Capital	21.0%	15.8%	21%
Invested Capital/Total Capital	99.0%	93.5%	76%
Capital Structure	**BC (LTM)**	**BC (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.11	0.12	0.18
Cost of Existing Debt	7.17%	9.70%	5.32%
Estimated Cost of new Borrowing	1.96%	2.04%	5.32%
CGFS Risk Rating	AA	AA	BB
Unlevered Beta (LTM)	1.89	2.39	0.88
WACC	12.91%	15.59%	7.84%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	6.6%	3.3%	0.49
4/2/2017	8.3%	11.1%	1.96
4/2/2018	5.1%	11.4%	1.72
4/2/2019	6.0%	11.5%	1.69
4/2/2020	6.5%	11.7%	1.70
4/2/2021	4.5%	11.6%	1.64
4/2/2022	2.1%	11.5%	1.59
4/2/2023	2.1%	11.4%	1.55
4/2/2024	2.1%	11.4%	1.55
4/2/2025	2.1%	11.4%	1.55
4/2/2026	2.1%	11.4%	1.56
Continuing Period	2.1%	11.3%	1.58

Period	Invested Capital	Net Claims	Price per share
Base Year	$928.70	$543.71	$44.50
4/2/2017	$1,275.77	$28.16	$56.53
4/2/2018	$1,919.34	-$378.20	$65.23
4/2/2019	$1,989.89	-$799.50	$74.14
4/2/2020	$2,229.25	-$1,305.41	$84.07
4/2/2021	$2,046.53	-$1,804.26	$93.33
4/2/2022	$2,569.85	-$2,327.62	$102.46
4/2/2023	$2,867.68	-$2,853.93	$111.51
4/2/2024	$3,175.78	-$3,381.30	$120.55
4/2/2025	$3,512.29	-$3,909.13	$129.53
4/2/2026	$3,791.55	-$4,436.80	$138.43
Continuing Period			

Hertz Global Holdings, Inc.

HTZ: NYSE

Analyst: Peter Ostrowski
Sector: Consumer Staples

Sell

Price Target: $5.40

Key Statistics as of 4/29/2016

Market Price:	$9.00
Industry:	Road and Rail
Market Cap:	$3.8B
52-Week Range:	$6.9-21.31
Beta:	1.89

Thesis Points:

- Uber continues to rapidly take market share
- Company could go bankrupt as soon as 2018
- Free cash flow shows company is destroying value

Company Description:

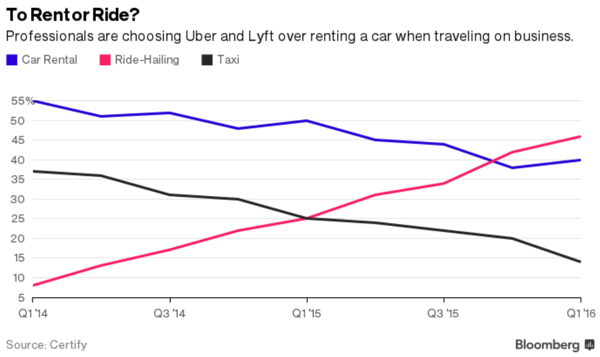
Hertz Global Holdings, Inc. is a holding company that operates car, truck and equipment rental centers through its subsidiaries in the United States and internationally. In addition to car rental and equipment rental businesses, Hertz provides fleet leasing and management services.

Thesis

Hertz Global Holdings, Inc is a sell. It is currently trading at 5.6X Ebitda with downside potential of 50%. Hertz is in a dying industry as Uber continues to steal market share. People simply do not rent cars anymore as a paradigm shift has occurred within the industry. Unfortunately, Hertz is also highly leveraged with the majority of their long term payments being due by 2018. It will be very difficult for Hertz to come up with the appropriate cash to make these payments with the current status of their financials. With nearly negative $9B in free cash flow this past year, the story Hertz is telling shows a quickly declining business structure. The assets also contains significant flaws as this analysis will show.

Industry Outlook

Car rental sales are declining within the industry. This is largely due to the high price sensitivity of consumers. Rental car transactions have fallen 15 percentage points over the last 2 years with Uber recently taking the majority of the market share at the end of 2015 as this graph shows:



This study was conducted by surveying American business travelers. Uber and Lyft now have 43% of the market share with rental companies declining to 40%. Taxis have obviously taken the biggest hit. Avid Budget group another car rental company also took a sharp decline with shares going down nearly 50% last year. The biggest issue for these rental companies is that Uber and Lyft are still new and growing. Uber plans to expand globally and take over the market even more. This will pose a significant problem for Hertz as almost 25% of Hertz business is in foreign markets. The first large expansion will occur in China. Hertz has operations in big cities such as Shanghai and Beijing. This could pose further issues for Hertz.

People simply do not see the convenience in renting cars anymore. It is cheaper and easier to use Uber and Lyft. One can just use the Uber application to order the ride and be picked up within 5-10 minutes. The prices are also cheaper overall. The average price of a car rental is about $40 per day while Uber rides average $15. Short rides make more sense to take an Uber. And with the high price elasticities of the consumers in this industry it is worth it for people to simply take a bus or Amtrak for the longer trips.

Debt Obligations vs. Working Capital

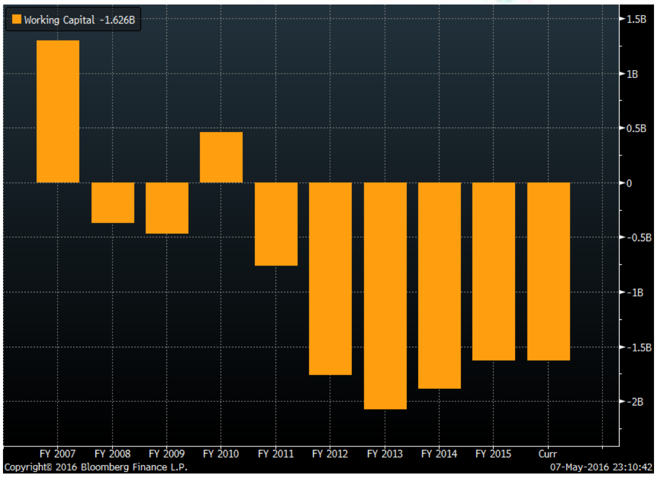
Hertz currently has $16B of debt with only $486M in cash. The majority of debt payments will come within the next few years as well. By the end of 2017, Hertz will have to pay $4B in US fleet notes as shown below:

HVF II U.S. ABS Program				
HVF II U.S. Fleet Variable Funding Notes:				
HVF II Series 2013-A	1.27%	Floating	10/2017	980
HVF II Series 2013-B	1.32%	Floating	10/2017	1,308
HVF II Series 2014-A	1.78%	Floating	10/2016	1,737
				4,025

A large part of the debt is supposed to be repaid this November as well. Amounting to $1.7B. This will likely begin to cripple Hertz. Over the next few years more debt payments will come up:

Facility	Weighted Average Interest Rate at December 31, 2015	Fixed or Floating Interest Rate	Maturity	December 31, 2015
Corporate Debt				
Senior Term Facility	3.26%	Floating	3/2018	$ 2,062
Senior ABL Facility	N/A	N/A	N/A	—
Senior Notes(1)	6.58%	Fixed	4/2018–10/2022	3,900
Promissory Notes	7.00%	Fixed	1/2028	27
Other Corporate Debt	3.93%	Fixed	Various	66
Unamortized Net (Discount) Premium (Corporate)				2
Total Corporate Debt				6,057

The interest rates on these notes range from 3.26% to 7%. The note due in 2018 is another $2B payment that will be extremely difficult for Hertz to pay for without becoming even more leveraged. The future notes will begin to contain even higher interest rates. The working capital is also negative as shown below:



They have not had positive working capital in nearly six years. This suggests that they will struggle to pay off short term obligations more as in the future as the debt payments previously discussed come into the picture.

The negative working capital and high amount of leverage show that there will be a considerable change in the possibility of bankruptcy within the next few years.

Financials

The financials for Hertz are sketchy. The reason I say this is because of the assets on the balance sheet. Of the 23B of assets, over 80% of these assets are noncurrent. Intangible assets amount to $5.2B alone. Property plant and equipment result in the other $14.3B. PPE is most likely misstated due to the high amounts of depreciation and accounting tricks that are associated with it.

Hertz has also struggled to create cash over the past year as their cash conversion cycle suggests: It currently takes them almost 9 days to complete the cycle. This is the highest the number has been since 2009. Free cash flow is also highly important to bring up. Their capital expenditures are increasing much faster than the company is able to collect on cash from operations. The majority of the cash from operations is also from depreciation which suggests that Hertz is performing even worse than they state. $3B of the $3.3B is from depreciation and amortization. The free cash flow is the lowest that it has been for Hertz since 2005. The current free cash flow is -$9B. This shows that the company is not sustainable in the long run if they continue to perform this way. They are not seeing a return of investment.

Conclusion

I recommend an immediate sell on Hertz. The current industry is fundamentally flawed and shows little signs of recovery without taking significantly lower margins. Uber is taking over the market and their expansion to China will most likely decrease the share of Hertz further. Not only is the industry going down, the capital structure is very bad. Hertz is highly leveraged and will have to pay a large chunk of their long term debt in 2018. If Hertz cannot come up with the capital, bankruptcy is imminent. Consistent negative free cash flows of $9B show that the sustainability of Hertz is very low.

SIENA college

Siena Market Line
2nd week of May 2016

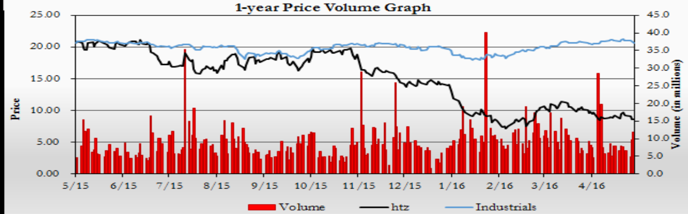
Hertz Global Holdings, Inc. (htz)

CENTER FOR GLOBAL FINANCIAL STUDIES

BEARISH

Analysis by Peter Ostrowski	Current Price:	$9.00	Intrinsic Value	$4.49	Target 1 year Return: -40.22%
5/7/2016	Divident Yield:	0.0%	Target Price	$5.38	Probability of Price Increase: 23%

1-year Price Volume Graph



Description

Hertz Global Holdings, Inc. engages in the rental and lease of cars and trucks worldwide.

General Information

Sector	Industrials
Industry	Road and Rail
Last Guidance	November 3, 2015
Next earnings date	May 9, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	37%
Effective Operating Tax rate	35%

Market Data

Market Capitalization	$3,819.40
Daily volume (mil)	8.32
Shares outstanding (mil)	424.38
Diluted shares outstanding (mil)	456.00
% shares held by institutions	78%
% shares held by investments Managers	61%
% shares held by hedge funds	22%
% shares held by insiders	0.12%
Short interest	8.26%
Days to cover short interest	3.62
52 week high	$21.31
52-week low	$6.95
Levered Beta	5086.45
Volatility	45.63%

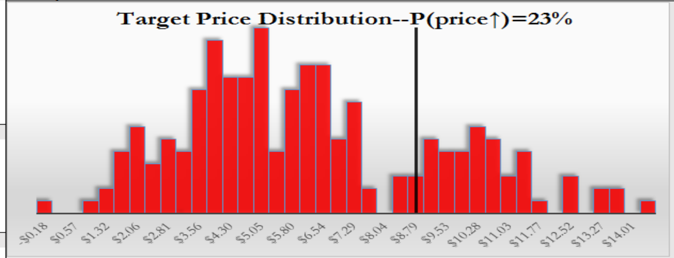
Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2014	-1.92%	-90.48%
3/31/2015	-4.26%	N/A
6/30/2015	-2.50%	-14.37%
9/30/2015	-5.61%	-11.31%
12/31/2015	-7.55%	-34.01%
Mean	-4.37%	-37.54%
Standard error	1.0%	18.3%

Peers

Avis Budget Group, Inc.
Swift Transportation Company
Ryder System, Inc.
AMERCO
eHi Car Services Limited

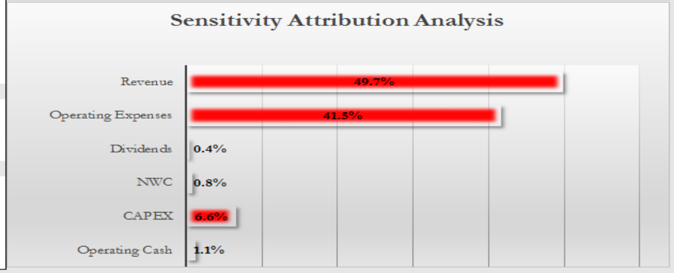
Target Price Distribution--P(price↑)=23%



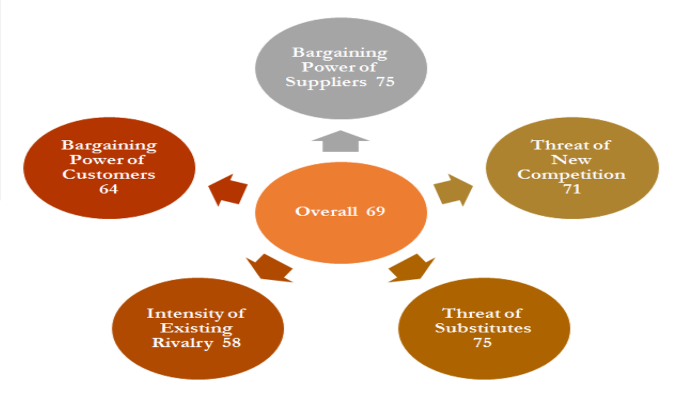
Management	Position	Total compensations growth	Total return to shareholders
Tague, John	Chief Executive Officer, Pre	N/M	N/M
Kennedy, Thomas	Chief Financial Officer and	52.27% per annum over 2y	171.3% per annum over 2y
Best, Tyler	Chief Information Officer an	-96.68% per annum over 1y	636.03% per annum over 1y
Foland, Jeffrey	Chief Revenue Officer and Se	N/M	N/M
Kramer, Robin	Chief Accounting Officer and	52.27% per annum over 2y	171.3% per annum over 2y
Hunziker, Leslie	Staff Vice President of Inve	N/M	N/M

Profitability	htz (LTM)	htz (5 years historical average)	Industry (LTM)
ROIC	4.0%	12.50%	11.01%
NOPAT Margin	7%	18.15%	16.0%
Revenue/Invested Capital	0.60	0.69	0.69
ROE	3.9%	20.47%	14.90%
Adjusted net margin	0%	11.48%	13.9%
Revenue/Adjusted Book Value	-240.98	1.78	1.07
Invested Funds	**htz (LTM)**	**htz (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	4.0%	4.1%	3%
Estimated Operating Cash/Total Capital	2.9%	3.1%	N/A
Non-cash working Capital/Total Capital	-6.0%	-3.0%	1%
Invested Capital/Total Capital	99.0%	99.0%	94%
Capital Structure	**htz (LTM)**	**htz (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	1.67	0.77	0.48
Cost of Existing Debt	10.07%	10.88%	4.46%
Estimated Cost of new Borrowing	6.15%	6.15%	4.46%
CGFS Risk Rating	D	D	B
Unlevered Beta (LTM)	5086.45	464.85	0.96
WACC	30522.83%	2154.78%	9.03%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-4.6%	6.6%	0.00
12/31/2016	-1.5%	4.3%	0.33
12/31/2017	1.5%	5.1%	0.37
12/31/2018	1.3%	5.9%	0.45
12/31/2019	7.9%	8.4%	0.70
12/31/2020	3.1%	9.3%	0.78
12/31/2021	2.9%	9.6%	0.79
12/31/2022	2.8%	10.0%	0.83
12/31/2023	2.6%	10.7%	0.90
12/31/2024	2.5%	11.1%	0.89
12/31/2025	2.3%	11.5%	0.93
Continuing Period	2.1%	11.8%	0.97

Period	Invested Capital	Net Claims	Price per share
Base Year	$11,916.26	$10,886.22	$4.84
12/31/2016	$13,152.45	$12,157.19	$5.43
12/31/2017	$16,623.16	$12,033.48	$5.97
12/31/2018	$17,293.51	$12,089.92	$6.63
12/31/2019	$17,428.61	$12,098.27	$7.67
12/31/2020	$16,852.07	$12,552.23	$8.71
12/31/2021	$17,790.31	$12,727.45	$9.90
12/31/2022	$17,259.67	$12,896.49	$11.27
12/31/2023	$17,050.13	$13,361.78	$12.82
12/31/2024	$17,272.59	$13,004.17	$14.62
12/31/2025	$18,035.17	$12,548.98	$16.53
Continuing Period			

Expedia, Inc.

NASDAQ: EXPE

Analyst: Austin Bitzas
Sector: Internet Retail

BUY

Price Target: $126

Key Statistics as of 5/6/2016

Market Price:	$112.63
Industry:	Online Travel Agency
Market Cap:	$16.781B
52-Week Range:	$88.40 – 140.51
Levered Beta:	0.76

Thesis Points:

- Best in class, and increasing its market share through organic and inorganic growth
- Recently acquired HomeAway. Adding to their high revenue growth expectation
- Primarily industry leader for cheap pricing

Company Description:

Expedia Inc. (NASDAQ: EXPE) is an online travel agency that operates in the United States as well as worldwide. It is headquartered in Bellevue, Washington and was founded in 1996. The company assists the booking of airline seats, hotel rooms, car rentals, and destination services from its travel suppliers. Expedia works as an agent in facilitating these bookings treating a broad range of customers. Their customer base ranges from corporate to leisure travelers, offline retail travel agents and a variety of travel service providers. Expedia operates through the segments of Trivago, Egencia, Core OTA, HomeAway, and Core OTA.

Thesis

Expedia, Inc. (NASDAQ: EXPE) is best in class for online travel agencies. The company has shown impressive year-by-year growth over the past ten years, and has a positive outlook for the coming years. Through investing highly in their own themselves Expedia is projected to continue their organic and inorganic growth. Their partnership capabilities although remain highly strategic for Expedia allowing them to grow inorganically as well. Expedia has been active with its merger and acquisition strategy in investing in high growth businesses. The acquisition with HomeAway in mid-December of 2015 has added 1.24 million lodging alternatives to its existing 270,000 alternatives. Expedia's largest acquisition to date. Expedia will make HomeAway better with their expertise in online booking. Expedia covers all bases of the travel industry while growing at twice the rate if the industry. HomeAway acquisition also gives a competitive advantage over Priceline for pricing. The travel industry has been suffered until recently leading me to believe that it is a good entry point to buy Expedia for a medium to long position.

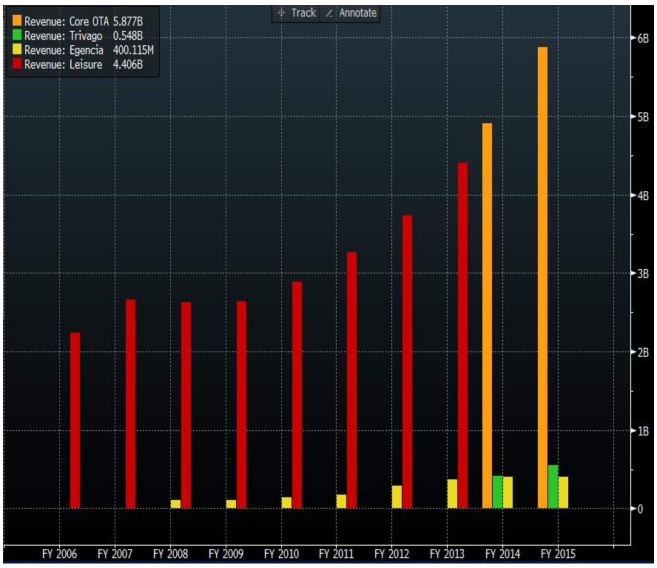
Industry Outlook

The online travel market is growing in the online booking sector. There has also been a shift in booking patterns towards mobile devices. Although, the US and some European markets are relatively saturated reaching a mature state. Online travel agency have to focus on the untouched newer markets of countries that already have a developed tourism industry with an emergent digital equipped middle class. Thus, those online travel agencies main market drivers are higher digitization, international expansion, and mobile implementation. New starts ups such as Airbnb are beginning to steal market shares from weaker online travel agencies. However, large companies such as industry leaders such as Expedia and Priceline are able to put substantial amounts of spending in advertising and media. As a result, they still remain at the top of their market for loyal customers. The strong dollar hit the travel industry in 2015 and early 2016. This caused the online travel industry to weaken due to significant revenue in international markets. Resulting in lower dollar revenues for both Priceline and Expedia; ultimately, effecting short-term revenues. However, the dollar is weakening only recently, it is now favoring the online travel industry once again. It can be argued that the market has not yet adjusted for this weakening in the US dollar.

Mergers and Acquisitions

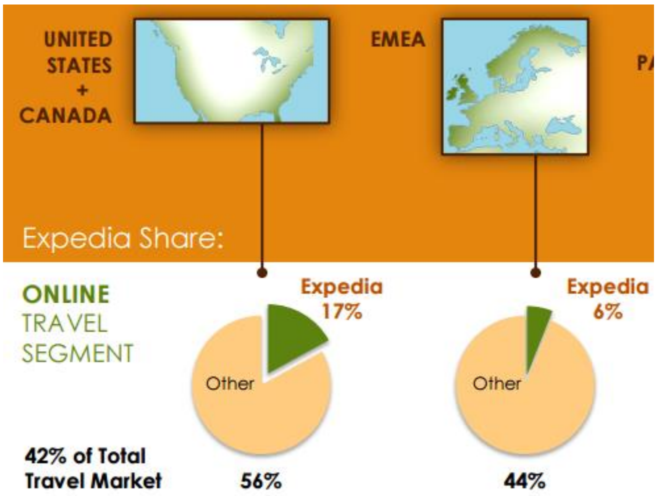
On December 15th, 2015 Expedia acquired HomeAway for $3.9 billion in cash and stock. This was Expedia's largest acquisition to date. By acquiring HomeAway Expedia is able to grab a share of the $100 billion and growing rental industry. HomeAway is leading the rental industry with about $15 billion books in 2015. When compared to HomeAway's close competitors Bookings.com and Airbnb has significant more bookings. HomeAway will also increase Expedia's propriety listings by 1.3 million. This is also greater than Airbnb and Bookings.com. Incorporating HomeAway into Expedia business plan will not be difficult since they have already been working with each other for two years now. HomeAway will serve as a vacation rental and a home sharing platform for Expedia. Although, Expedia's plan to be highly involved in HomeAway it will operate mostly as its own business. Through Expedia's expertise in online booking and converting page views to bookings it will help HomeAway expand aggressively moving it to a fully online transaction model by 2017. Expedia will be able to drive traffic to HomeAway's listings through their expansive advertising and marketing. This gives HomeAway a substantial advantage over its competitors being part of Expedia. HomeAway is beginning to introduce a service fee to travelers, which is ahead of schedule. This process will be monitored very closely, and be pared with a confidence guarantee. Thanks to Airbnb and TripAdvisor already implementing booking fees the transition should go smoothly. This can be advantageous to expanding Expedia's revenue significantly. Also the successful integration of HomeAway within Expedia could eliminate the need for people to use Airbnb to compare hotel prices. The subscription will work by matching HomeAway's unique travel preferences with the right listings while driving book volume for owner and manager communities. According to the most recent earnings call booked transactional revenue is up 170% year-over-year in Q1. Meanwhile in early 2015 Expedia sold a 62.4% stake in eLong for a profit. The company focused on majority travel products and services in China. Removing eLong from Expedia's business would allow them to better focus on its core online travel agency business. In response to selling eLong proved to have significant positive results in boosting Expedia's online travel business revenue. Thus becoming a key driver in Expedia's return to profitability in later 2015. This positive revenue results is still continued to be felt by the company today. Expedia has also been working to integrated Orbitz.com and CheapTickets onto the brand Expedia platform. As of the latest earnings call the results have been promising with positive growth in Q1 of 2016. This integration should be smoother, then Travelocity and Wotif, according to management since Orbitz already has a strong online marketing team. Strong growth for Trivago have continued through 2016 with 176 million in revenue, up 48% year-over-year. And management projects to achieve aa healthy bottom-line growth through 2016 and global growth rate continues to be substantial. Expedia's merger and acquisition strategy in investments in high growth businesses has been key in their success of inorganic growth. Chart 1 below shows the trend in increased revenue of Expedia's core online travel agency (Core OTA), Trivago, Egencia, and leisure year-over-year.

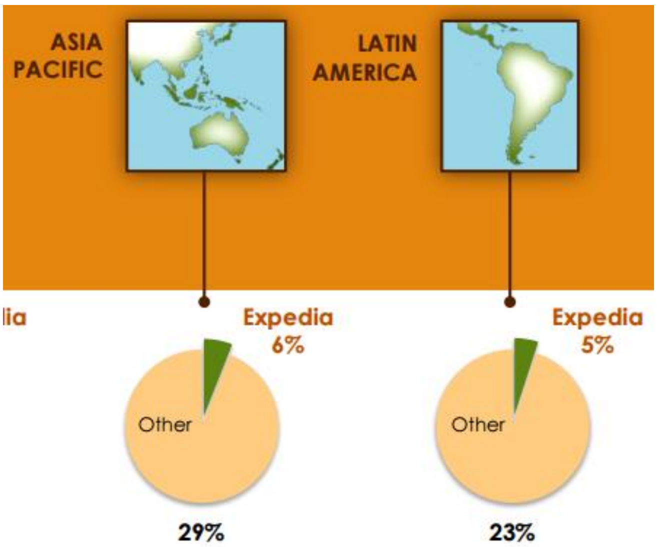
Chart 1:



Organic Growth

Besides connecting customers with online travel brands that are part of Expedia's business platform their organic growth continues to grow at a healthy rate. Hotel revenue grew 25% on room night growth of 37% for quarter 1 of 2016. Air revenue was up 61% on ticket growth of 70%. Expedia has positive growth outlooks for ticket volume organically in addition to significant contributions from their recently acquired companies. With a current growth rate of 6% for air revenue and 22% for ticket growth. There is strong momentum in the unit growth with global room nights up 37%, air tickets up 52%, car days up 48%, and advertising and media revenue growing 44%. Expedia plans to continue this growth while increasing to grow additional travel product. Expedia is ahead of their business model in growing additional travel products. Expedia's business model is to achieve healthy growth in the near and mid-term by reinvesting a portion of their outperformance back into the business to grow year-over-year. Thus, supporting mid to long term growth for the company with their outlook towards the future. According to their most recent earnings call management expects adjusted EBITDA to grow between 35 to 45% year-over-year. Expedia has also repurchased 2.9 million shares for $312 million this year showing a balance between capital allocation between M&A, share repurchases, and their dividend. Also with Expedia being able to offer an abundance of the travel market it gives it an advantage over the competition. With Expedia being a leader in the travel booking industry with 42% of the total travel market since mid-2015. This is only growing with the acquisition of HomeAway. This allows Expedia to supply lower prices for the 200 plus countries they have a presence in.





Valuation

Using Expedia's most recent acquisitions, as scene in their last 10-k report, the amount of goodwill that attributed operating synergies had to be calculated for each segment. Using a weighted-average approach 10 percent of good will was deemed invested on future revenues and the rest counted for sunk cost. HomeAway was acquired for $3.6 billion in cash and Expedia common stocks. It was recorded that $2.6 billion out of the total $3.6 billion was considering operating. The Travelocity brand and other associated assets from Sabre for $280 million in cash on January 23, 2015. Of that $196 million was attributable to operating synergies and $82 million is expected to be deductible for tax purposes. Wotif Group, an Australian based online travel company, was acquired in November 2014, for $612 million. Of that $350 million was attributable to operating synergies. In 2014 another three acquisitions, one for a leading car rental reservation company in Europe were completed. There was $70 million in goodwill recorded, and of that $51 million was intangible assets. Adjustments for goodwill was the leading driver which affected Expedia's price. The nature of Expedia's business model made the proportion of intangible assets deemed operating or non-operating. Expedia evaluates goodwill for impairment in two ways. First, a qualitative assessment to check if the fair value of the reporting unit is less than the carrying value. Thus, if this is true than the goodwill of the reporting unit is impaired. The impairment loss is recorded as equal to the excess of the carrying value of the reporting unit's goodwill. Fair value of indefinite-lived intangible assets are primarily trade name and trademarks. It is assumed that trade name and trademarks have extended value. It requires Expedia to estimate future revenue for related brands, to determine the appropriate royalty rate. The carrying value of definite-lived intangible assets is looked over when changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Thus, if it indicates potential impairment the recoverability of an asset group is assessed. An assumption for proportion of intangible assets deemed operating of 10 percent was determined as follows. This is a positive for Expedia because high sunk costs make it difficult for a competitor to enter the new market, since they have to commit money upfront with no guarantee of returns in the end.

Porters Five Forces

Barriers to Entry: Moderate

The online travel agency is capital intensive thus making it hard for startups to quickly enter the market. The more capital available for large travel agencies allows them to buy in bulk resulting in cheaper overall prices. However, there are low level of proprietary travel knowledge and asset specificity. This makes it relatively easy for new players to enter the industry.

Bargaining power of suppliers: HIGH

Expedia is getting its prices by a diverse group of suppliers. Suppliers mainly consist of airlines and hotels. These suppliers are affected by commodity products making the global market a large factor in prices. Also concentration and ability to sell direct gives power to suppliers like airlines, which cannot always be bought out. Whereas, hotels can often be bought out in bulk giving some power back to travel agencies like Expedia.

Bargaining power of customers: HIGH

In order, to stay top of class Expedia needs the cheapest prices. With brand loyalty low and the ability to switch gives buyers reasonable buying power. Strong competitors like Priceline make it crucial to have the lowest prices to keep customers coming back.

Threat of substitute: LOW

It's difficult for substitutes to come to be since it is challenging to build scale due to lack of ready distribution. Although, there are minimum efficient level to allow small startups to do so at a significant scale is necessary to negotiate profitable deals.

Existing Rivalry: HIGH

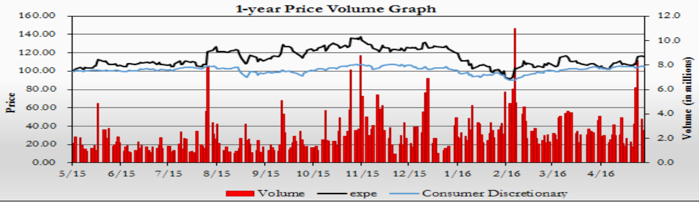
Competitors such as Priceline and Airbnb are Expedia's largest rivals. And with brand loyalty, in some sectors, making the ability to switch easy it comes down to the cheapest and best product. Improving the customer experience, while cutting operating cost is a big factor. Expedia has done this well and has produced best in class prices allowing it to be competitive.

Conclusion

Expedia, Inc. is best in class for online travel agencies. The company has shown impressive year-by-year growth over the past ten years, and has a positive outlook for the coming years. It recently experienced a better than expected earnings call. Its acquisition with HomeAway is already showing to be a highly favorable revenue producer to the company along with its other segments. HomeAway acquisition also gives a competitive advantage over Priceline and Airbnb for pricing. Expedia is also working on improving efficiency for a solely e-commerce experience in their other segments. The travel industry has been suffered until recently leading me to believe that it is a good entry point to buy Expedia for a medium to long position. After its most recent earnings call the price went up to \$115. With an intrinsic price of \$111.68 according to my DCF, I would recommend to buy once the price spike from the latest earnings call settles to my intrinsic value. Thus, I recommend Expedia for a medium to long position at this price or lower with a one target of about \$126.

Expedia Inc. (expe) — CENTER FOR GLOBAL FINANCIAL STUDIES — NEUTRAL

Analysis by Austin Bitzas	Current Price: $112.63	Intrinsic Value $111.68	Target 1 year Return: 12.64%
5/6/2016	Divident Yield: 1.0%	Target Price $125.80	Probability of Price Increase: 85.7%



Description

Expedia, Inc., together with its subsidiaries, operates as an online travel company in the United States and internationally.

General Information

Sector	Consumer Discretionary
Industry	Internet and Catalog Retail
Last Guidance	November 3, 2015
Next earnings date	July 28, 2016
Estimated Country Risk Premium	7.60%
Effective Tax rate	33%
Effective Operating Tax rate	28%

Market Data

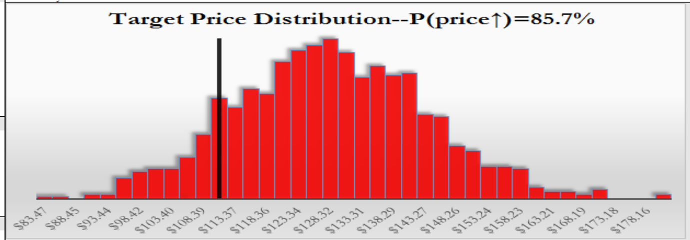
Market Capitalization	$16,781.61
Daily volume (mil)	0.44
Shares outstanding (mil)	149.10
Diluted shares outstanding (mil)	138.93
% shares held by institutions	80%
% shares held by investments Managers	58%
% shares held by hedge funds	16%
% shares held by insiders	4.31%
Short interest	9.36%
Days to cover short interest	4.63
52 week high	$140.51
52-week low	$88.40
Levered Beta	0.76
Volatility	45.94%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
3/31/2015	-4.20%	-74.71%
6/30/2015	-2.81%	-26.20%
9/30/2015	-11.76%	-12.01%
12/31/2015	-7.05%	-27.96%
3/31/2016	-1.18%	-18.78%
Mean	-5.40%	-31.93%
Standard error	1.9%	11.1%

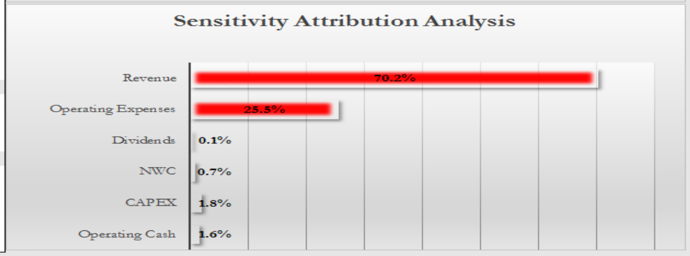
Peers

The Priceline Group Inc.
Netflix, Inc.
Yahoo! Inc.
TripAdvisor Inc.
Groupon, Inc.
Amazon.com, Inc.
Alphabet Inc.
Ctrip.com International Ltd.

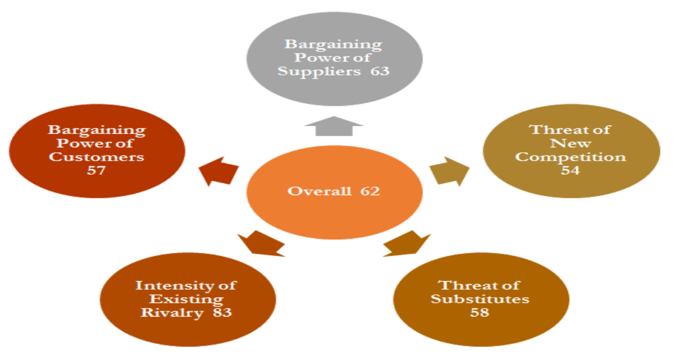


Management	Position	Total compensations growth	Total return to shareholders
Diller, Barry	Executive Chairman, Senior E	18.1% per annum over 5y	-5.88% per annum over 5y
Khosrowshahi, Dara	Chief Executive Officer, Pre	78.83% per annum over 5y	-5.88% per annum over 5y
Okerstrom, Mark	Chief Financial Officer and	24.86% per annum over 4y	25.27% per annum over 4y
Dzielak, Robert	Executive Vice President, Ge	32.95% per annum over 3y	15.48% per annum over 3y
Soliday, Lance	Chief Accounting Officer, Co	N/M	N/M
Holtz, Bill	Chief Information Officer	N/M	N/M

Profitability	expe (LTM)	expe (5 years historical average)	Industry (LTM)
ROIC	-72.8%	-129.19%	7.23%
NOPAT Margin	11%	12.38%	9.0%
Revenue/Invested Capital	-6.55	-10.43	0.80
ROE	9.3%	17.64%	7.57%
Adjusted net margin	10%	10.88%	8.1%
Revenue/Adjusted Book Value	0.97	1.62	0.93
Invested Funds	**expe (LTM)**	**expe (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	22.3%	26.9%	37%
Estimated Operating Cash/Total Capital	22.0%	22.6%	N/A
Non-cash working Capital/Total Capital	-55.7%	-52.3%	-23%
Invested Capital/Total Capital	-10.7%	-10.7%	67%
Capital Structure	**expe (LTM)**	**expe (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.25	0.19	0.09
Cost of Existing Debt	4.53%	6.37%	4.79%
Estimated Cost of new Borrowing	4.81%	4.49%	4.79%
CGFS Risk Rating	CC	CCC	B
Unlevered Beta (LTM)	0.67	0.96	1.42
WACC	8.71%	11.54%	14.65%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	21.3%	11.1%	-8.35
3/31/2017	22.2%	11.7%	-11.75
3/31/2018	10.7%	13.0%	36.96
3/31/2019	9.1%	14.0%	11.41
3/31/2020	13.8%	14.2%	7.29
3/31/2021	6.9%	14.6%	7.52
3/31/2022	6.7%	15.3%	7.89
3/31/2023	6.2%	16.1%	8.46
3/31/2024	5.2%	16.3%	8.55
3/31/2025	4.8%	17.3%	9.00
3/31/2026	-20.2%	17.5%	6.83
Continuing Period	2.1%	19.9%	9.21

Period	Invested Capital	Net Claims	Price per share
Base Year	-$561.48	$5,051.84	$111.87
3/31/2017	-$402.09	$5,189.03	$126.41
3/31/2018	-$509.35	$5,272.52	$138.86
3/31/2019	-$519.54	$5,161.93	$152.93
3/31/2020	-$1,099.53	$3,791.47	$168.95
3/31/2021	-$1,005.50	$1,748.26	$189.30
3/31/2022	$384.15	$46.24	$206.27
3/31/2023	$1,438.08	-$1,860.92	$223.98
3/31/2024	$2,543.44	-$3,881.73	$242.28
3/31/2025	$2,670.03	-$6,136.98	$261.14
3/31/2026	$2,775.92	-$8,284.51	$279.58
Continuing Period			

Siena Market Line
2nd week of May 2016

ConocoPhillips
NYSE:COP

Analyst: Patrick Donovan
Sector: Energy

SHORT

Price Target: $34.00

Key Statistics as of 5/7/16

Market Price:	$42.76
Industry:	Oil, Gas and Consumable Fuels
Market Cap:	$59.08B
52-Week Range:	$31.05-68.36
Beta:	1.09

Thesis Points:

- Massive 1Q losses will result in yearlong struggles for management
- Reduced budget and credit line will cut dividends further and drive down enterprise value
- Drastically reduced oil rig fleet will cut down on production and further diminish the firms earnings this year

Company Description:

ConocoPhillips was created in 2002 as a merger between Conoco Inc. and Phillips Petroleum Co. and is headquartered in Houston, Texas. Conoco was founded in 1875 and has been in the same industry ever since. The firm primarily explores for and produces natural gas, crude oil and other fuels all around the world. The company operates largely out of North America and Canada, but produces from assets in Europe, Asia and Australia as well. In the past decade the firm has widely changed its practices to include more unconventional exploration projects. ConocoPhillips is the world's largest independent pure-play exploration and production company.

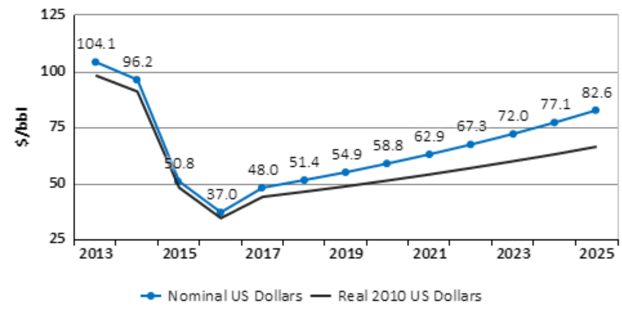
Thesis

ConocoPhillips is the world leader in independent oil and gas exploration and production. Over the past year, a decline in commodity prices has left the company exposed to losses due to decreased sales, challenges in production, and a serious cash flow problem. In the first quarter of 2016 COP suffered losses totaling $1.2 billion. To compare, last year in 1Q the firm reported losses of $222 million, since then the stock has returned roughly -30%. Management is awash with problems and a serious lack of cash flow may be their most dire. Without a sufficient cash flow management will be unable to satisfy the $29 billion dollars of long term debt the firm has managed to amass. In their most recent earnings call many questions were presented to the team regarding how they would deal with the heightened debt, especially considering management's target of no greater than $25 billion in long term debts. The best way to summarize their response would be dismissive. They referred to this is a medium-term problem and could not provide specifics. In order to attempt to cope with the lack of cash flows, the management team decided to once again look to debt. The firm acquired an additional $4.5 billion from the available credit line of $7 billion. With this being only the first quarter of 2016 and cash flows still looking uncertain, management has used more than half of the available debt capacity. This puts COP in a dangerous place, potentially exposing the firm to significant losses over the remainder of the year. Even if the rise the market value of oil continues to occur, there is very good reason to believe that ConocoPhillips has already incurred too much capex this year and will have to record massive losses. The firm will be unable to sustain the already severely reduced dividends, and may have to cut them all together during this year's remaining three quarters. Finally, the firms North American oil rig fleet, specifically the unit's operating within the 48 contiguous United States, has been reduced from 13 at year end 2015 to only 3 at the end of 1Q 2016. Production from U.S. based facilities has dropped 3% YoY, however look for that number to drop more significantly over the next three quarters.

Industry Outlook

Although there has been positive outlook for many of the firms in the exploration and production industry, ConocoPhillips has been the unfortunate victim of its size. Smaller firms, focusing more minutely on one specific resource such as natural gas or crude oil, are able to more thoroughly protect themselves against the dangers of a lower oil price. Focus allows them to more effectively mitigate against risk in the price of that commodity. According to their most recent earnings call, COP will be unprofitable on average, meaning across all of their business ventures, until oil hits $60 per barrel. Below is a graph showing the World Bank's forecast for crude oil price per barrel. It illustrates that analysts there believe it could take as long as 4 more years to see such a value.

World Bank: Crude oil, $/barrel



Source: World Bank Commodity Forecast Price Data, January 2016

World Bank: Crude oil, $/barrel

	2014	2015	2016	2017	2018	2019	2020	2025
Nominal US Dollars	96.2	50.8	37.0	48.0	51.4	54.9	58.8	82.6
Real 2010 US Dollars	90.9	48.0	34.4	43.9	46.2	48.6	51.2	66.3

Displayed in the price chart on the page above, ConocoPhillips has been fairly volatile within the industry over the past 2 years. According to the management team that $60 per barrel is necessary to make the business profitable again, which multiple analysts at Bloomberg believe could bring cash flows positive again, up to a potential billion dollars quarterly.

Segment Analysis

ConocoPhillips operates only one revenue bearing segment, Exploration and Production. It has been a consistent $50+ billion dollar per year segment for their business for several years, however in 2015 the firm recorded a drop in revenue of nearly 44%. Obviously the significant decline in value of crude oil played a huge role in that, however management decisions and especially risk hedging tactics have been questionable. At year end 2015 the firm was operating 13 oil rigs in the 48 contiguous United States, since then they have closed 10. One of the subdivisions of exploration and production is bitumen. Bitumen is a viscous mixture that is either naturally occurring, thus the necessity for mining, or as a residue from petroleum distillation. In the case of ConocoPhillips, this a relatively new venture and it has proven to be challenging to see profits. They have yet to net a return from their bitumen projects, analysts at Morningstar highlight that other firms have taken years to turn a profit on the material and most have had to open refining plants to do so, as the raw product is not ready for use in applications such as road surfacing and roofing.

Management

To focus on solely the errors of the management team in recent history would be unfair, as many of the decisions made by some of the current team have likely contributed to the success of COP in the long term. With that being said, the odds of the firm being unable to recover from this stumble are slim, however I believe it will take multiple years for such a rebound. Management has failed to prepare for a long term decline in the value of crude using hedging methods or diversification in the business. For decades there has been little reason to believe that the worlds' largest firm in the industry would end up in financial distress. Management has struggled to find ways to keep the production supply levels neutral, which is further hurting the firm because the issue requires a steady flow of cash. Cash, which at this point is being borrowed at a frightening rate from investor's perspective, seeing as more than half of the yearly borrowing capacity has been utilized one quarter in.

Porters Five Forces

Porters' five forces model is a useful analysis when comparing a company to the remainder of the industry. In the case of COP, the company has been an industry leader for many years and because of this they have unique advantages within their group of peers.

Barriers to Entry: High
In the oil and gas exploration and production business the barriers to entry are particularly high. In recent years Conoco has spent upwards of $100 billion on cost of goods sold annually, no small ticket for a new player in the industry. In order to compete reasonably a firm entering into the exploration and production arena would require massive funds.

Bargaining Power of Suppliers: Medium
ConocoPhillips is in the position at this point of operations that it has vertically integrated itself quite effectively. The company requires very little in terms of supplies from any outside organization, the majority of inputs, repairs, service parts etc.. are taken care of in house. Based on this, some suppliers who provide technical support, especially on advanced pieces of technology, can wield some power based on their expertise and unique focus.

Bargaining Power of Buyers: Low
At the end of the day the market determines the price of most of ConocoPhillips products, but the price of oil is the main contributor to costs in the industry. This means that when it costs more for COP and others to produce oil the price in the market will increase, buyers are essentially forced to pay the price because there is not yet an effective substitute for oil products as power sources.

Threat of Substitutes: Low
Within the industry there is very little threat in the near term of substitutes for oil products. ConocoPhillips certainly has a threat from other E&P firms, however this is minute. It would be very unlikely that even with the struggles the firm is currently enduring management would be unable to recover and continue leading the industry.

Intensity of Rivalry: Medium
Being the industry leader obviously has its perks and COP takes advantage of them. With a huge portion of sales being on contract within fairly rigid geographic territories, competition amongst other producers is not extreme. Of course there exists competition but the reality within the industry is that brand name and price are the only contributing factors to a customer's choice between options.

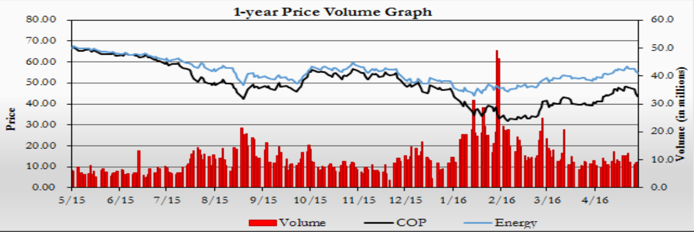
To summarize Porter's Five Forces, COP is in a fairly advantageous position within the industry. Despite going through a rough time financially, operationally the firm is very sound and will be able to last the storm.

Conclusion

As I have mentioned multiple times within the article, ConocoPhillips is obviously a highly experienced company with no real danger of complete failure. I do believe, however, that within the 6-12 month range the firm will continue to suffer losses similar to the first quarter of 2016. Just over 64% of borrowing capacity has been exercised in the first quarter, and close to half of that was used to pay dividends. Clearly the firm will have to cut dividends in the quarters to come. With production decreased as well it seems highly likely that management will have to endure significant losses throughout the year. I expect ConocoPhillips to drop in value for the 6-9 month term and recommend a short sell for that duration. Since first beginning my research on COP the stock value has decreased by roughly 10%, I see this trend continuing and based on Proforma DCF valuation combined with peer group analysis I am targeting a 1yr price of $34.00.

ConocoPhillips (COP) — CENTER FOR GLOBAL FINANCIAL STUDIES — NEUTRAL

Analysis by Patrick Donovan	Current Price:	$42.76	Intrinsic Value	$22.42	Target 1 year Return: -16.44%
5/7/2016	Divident Yield:	4.0%	Target Price	$34.00	Probability of Price Increase: 40.33%



Description

ConocoPhillips explores for, produces, transports, and markets crude oil, bitumen, natural gas, liquefied natural gas, and natural gas liquids worldwide.

General Information

Sector	Energy
Industry	Oil, Gas and Consumable Fuels
Last Guidance	November 3, 2015
Next earnings date	July 27, 2016
Estimated Country Risk Premium	7.10%
Effective Tax rate	33%
Effective Operating Tax rate	11%

Market Data

Market Capitalization	$52,953.44
Daily volume (mil)	8.15
Shares outstanding (mil)	1238.39
Diluted shares outstanding (mil)	1242.86
% shares held by institutions	68%
% shares held by investments Managers	59%
% shares held by hedge funds	0%
% shares held by insiders	0.09%
Short interest	1.55%
Days to cover short interest	1.64
52 week high	$67.20
52-week low	$31.05
Levered Beta	1.33
Volatility	29.97%

Past Earning Surprises

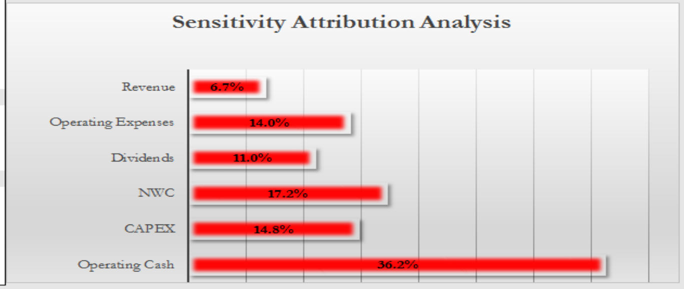
Quarter ending	Revenue	EBITDA
3/31/2015	-31.30%	-18.80%
6/30/2015	-11.58%	-7.74%
9/30/2015	-11.39%	-50.66%
12/31/2015	-25.62%	-76.19%
3/31/2016	-19.49%	-18.38%
Mean	-19.88%	-34.35%
Standard error	3.9%	12.7%

Peers

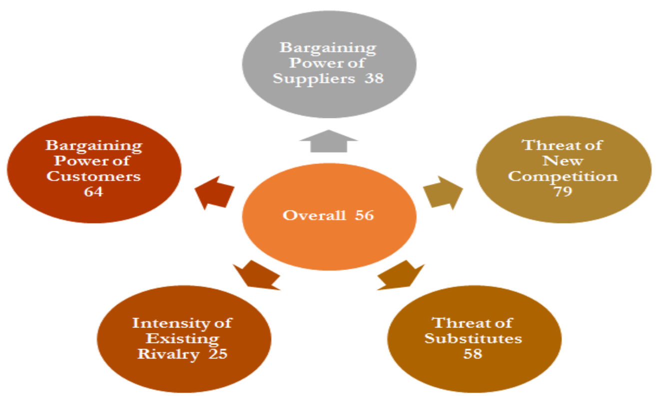
Devon Energy Corporation
Occidental Petroleum Corporation
Marathon Oil Corporation
Murphy Oil Corporation
EOG Resources, Inc.
Anadarko Petroleum Corporation
Chevron Corporation
Apache Corp.

Management	Position	Total compensations growth	Total return to shareholders
Lance, Ryan	Chairman, Chief Executive Of	34.95% per annum over 5y	1.29% per annum over 5y
Wallette, Donald	Chief Financial Officer and	-3.42% per annum over 3y	2.71% per annum over 3y
Fox, Matthew	Executive Vice President of	-18.06% per annum over 3y	2.71% per annum over 3y
Hirshberg, Alan	Executive Vice President of	-10.01% per annum over 5y	1.29% per annum over 5y
Sheets, Jeffrey	Executive Officer	16.5% per annum over 5y	1.29% per annum over 5y
DeSanctis, Ellen	Vice President of Investor R	N/M	N/M

Profitability	COP (LTM)	COP (5 years historical average)	Industry (LTM)
ROIC	-6.9%	7.14%	-0.84%
NOPAT Margin	-12%	5.68%	-7.7%
Revenue/Invested Capital	0.56	1.26	0.11
ROE	-8.8%	5.55%	-3.11%
Adjusted net margin	-15%	4.50%	-15.4%
Revenue/Adjusted Book Value	0.58	1.23	0.20
Invested Funds	**COP (LTM)**	**COP (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	6.8%	5.9%	8%
Estimated Operating Cash/Total Capital	3.1%	4.4%	N/A
Non-cash working Capital/Total Capital	-1.3%	-0.3%	1%
Invested Capital/Total Capital	69.3%	70.4%	88%
Capital Structure	**COP (LTM)**	**COP (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.64	0.34	0.61
Cost of Existing Debt	5.45%	5.38%	4.29%
Estimated Cost of new Borrowing	6.15%	4.55%	4.29%
CGFS Risk Rating	D	CCC	C
Unlevered Beta (LTM)	1.01	1.01	1.09
WACC	10.44%	10.69%	11.67%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-42.1%	-12.4%	-0.66
3/31/2017	-25.5%	-22.1%	-0.56
3/31/2018	4.3%	-9.6%	-0.22
3/31/2019	3.7%	-10.8%	-0.17
3/31/2020	3.2%	-12.3%	-0.15
3/31/2021	2.7%	-13.8%	-0.12
3/31/2022	2.1%	-15.1%	-0.10
3/31/2023	2.1%	-14.6%	-0.07
3/31/2024	2.1%	-14.4%	-0.05
3/31/2025	2.1%	-13.6%	-0.03
3/31/2026	2.1%	-13.0%	-0.01
Continuing Period	2.1%	-12.4%	0.04

Period	Invested Capital	Net Claims	Price per share
Base Year	$64,447.60	$8,445.37	-$14.14
3/31/2017	$57,007.13	$1,709.82	-$14.49
3/31/2018	$55,482.56	$9,010.73	-$18.11
3/31/2019	$55,655.95	$15,699.86	-$22.51
3/31/2020	$49,164.64	$25,477.70	-$28.55
3/31/2021	$52,410.43	$37,007.57	-$36.17
3/31/2022	$42,128.55	$50,627.92	-$45.55
3/31/2023	$46,443.01	$66,678.36	-$57.00
3/31/2024	$49,251.85	$87,178.06	-$72.07
3/31/2025	$53,473.59	$114,185.51	-$92.09
3/31/2026	$57,236.03	$150,582.78	-$118.05
Continuing Period			

Express Inc.

EXPR

Analyst: Richard Acheson
Sector: Consumer Discretionary

BUY

Price Target: $27.96

Key Statistics as of 5/5/16

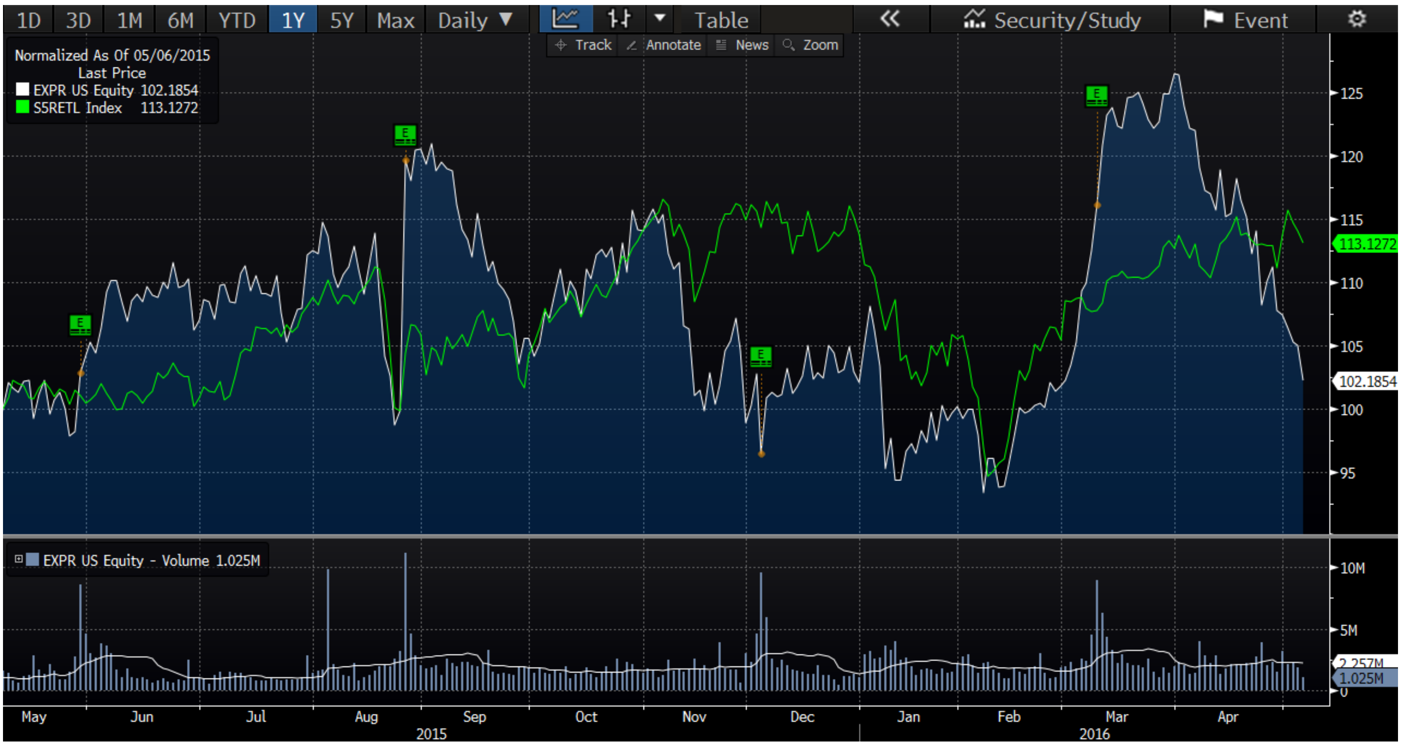
Market Price:	$17.34
Industry:	Specialty Retail
Market Cap:	$1.3B
52-Week Range:	$15.53 – $21.57
Beta:	.93

Thesis Points:

- Express's One Eleven segment contributed to a huge bounce back and provides growth opportunities for the future.
- Strong E-commerce presence shows an opportunity to grow.

Company Description:

Express Inc. is a specialty retail store that sells apparel and accessories with the latest fashion trends for its consumers. They have apparel for all of their customer's basic needs like professional, casual, and going-out occasions. Express is mainly located within the United States and also has an online sector. Their online sector currently accounts for about 17% of total sales. That number has been growing over the past three years. Express has shown signs within the past year that they are capable of creating value over the short and long term.



Thesis

Express has recently created a new expansion of the merchandise that is called One Eleven. One Eleven consist of mainly stylish t-shirts with a very unique design that competitors have not been able to match. A good majority of the growth in the most recent year has been contributed to the One Eleven segment. Sales growth from last year totaled at 8.5% which was a huge increase from the previous year of a -2.4% growth. This new segment has shown huge promise and will continue to do so in future years.

As it is seen for most retailers, brick and mortar sales are decreasing while more and more shoppers buy their products online in the comfort of their own home. In order for a retailer to sustain solid organic growth, they need to have a strong online presence. Express proves its ability to grow within the E-commerce sector with a growth in online sales of 10% this past year.

Porter's Five Forces

Bargaining power of suppliers: **MEDIUM – 38**

Express depends on its suppliers to keep them stocked in order to meet consumer demand. Not only that, but they rely on their suppliers and their ability to keep up with fashion trends. Express is known for keeping up and sometimes even starting fashion trends. This is vital to their competitive advantage.

Bargaining power of customers: **MEDIUM – 36**

Customers have some bargaining power when it comes to Express. Not necessarily as far as price, but they have the option of going to another high quality store. High quality clothing will always charge a premium price, so small price differentials between competitors rarely matter.

Threat of substitutes: **LOW – 92**

There is virtually no threat of substitutes for Express. The high quality apparel and accessories that are offered cannot simply be replaced by any discount clothing outlets. Express and other high quality retailers differentiate their product so there is no one simple substitute.

Existing rivalry: **MEDIUM – 50**

Main competitors of Express consist of other high quality apparel retailers such as Abercrombie and American Eagle mostly. This is a competitive industry that depends on the ability to be creative with new clothing trends and statements.

Threat of new competition: **MEDIUM – 54**

This industry does not suffer from any major threat of new competition. The amount of capital it would take to directly compete with Express would be difficult to obtain. A new competitor would also need to show the ability to keep up with and create new fashion trends. This ability require a high amount of experience and talent within the company, and is not easy to obtain.

Industry Outlook

Express's margins are relatively similar to other competitors within the industry. Their two biggest competitors are Abercrombie & Fitch and American Eagle. All of these companies specialize in high quality clothing according to fashion trends. The margins have their similarities and differences but ultimately, Express is in the middle of the pack.

American Eagle showed revenue growth of 7.4% last year compared to Express's 8.5%. Gross and EBITDA margins for AE have shown steady improvements over the past few years. The margins ended at 37% for gross and 13.3% for EBITDA. Express has shown increases in those margins as well but are still just slightly lower. Gross and EBITDA margins for Express for the most recent year were 34% and 12.2% respectively. This shows a similar trend with net income, both companies had about a 2% increase in their most recent year. Express's just being slightly lower at 5.3% compared to AE's 6.1%. Comparatively, these companies are showing similar trends with only slight difference in margins.

Abercrombie & Fitch on the other hand is not in very good shape comparatively. Over the past three years they have suffered a negative growth. Gross margins are much higher than Express's at 61.3% but suffer from much lower net and EBITA margins. Net and EBITA margins for Abercrombie are 1.5% and 9.3%

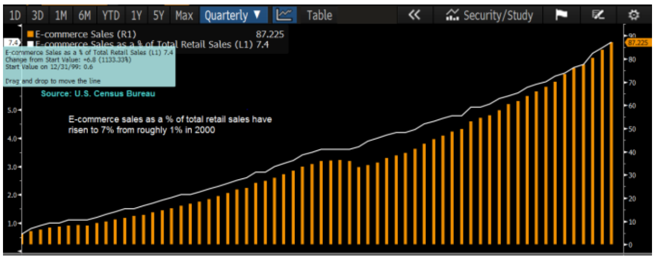
respectively. Express is clearly out competing Abercrombie for a bigger market share.

One Eleven

Express's has a new segment called One Eleven. It consist of some very fashionably design t-shirts that appeal to their current target market. This new segment has had a very positive impact on sales. The One Eleven segment played a huge part in the 8.5% increase in sales for this past year. In the most recent earnings call, management said that this segment would be a part of their strategy going forward. They believe they will see a sustainable amount of growth going forward.

Online Presence

As shown in the graph below, E-commerce as a percent of total sales has increase from less than 1% in 2000, all the way up to 7% in 2015. More of more people are finding that shopping online is much more convenient to shop online. So for all existing retailers, it is important for them to maintain their presence online so their websites will see the same online traffic that their brick and mortar stores do.



Express has shown solid number s when it comes to their online segment, which last year accounted for 16.7% of their total revenue. That number has increased consistently since 2013, all the way up from 12.6%. The revenue growth within that category has been steady as well, showing a 10% from 2014 to 2015. With the trend of total sales becoming and more from the online segment, Express shows that this will not have a huge negative effect on their business as it does for some other retailers.

Valuation

The valuation showed that Express's stock price was undervalued. With the conservate inputs that were provided, it showed the stock has an intrinsic value of $21.51 with a one year target price of $27.96. Base year revenue growth was calculated at 4% because of the expected continuing progress of their One Eleven brand. Operating cost were the same as last reported for the explicit period, 87.9%. The operating costs for the continuing period was 87%. The cost of debt input was included at 8.75% which was given from the companies' 10k. Lastly, the beta for the explicit period was input at .745 which was the same as the historical average. The beta for the continuing period is .65 which is closer to what was last reported. 100% of goodwill was also included in the simulation. These inputs show a fairly conservative approach when it comes to valuing Express and should show that the stock price is currently undervalued.

Income Statement' Operating Components	History	Last Reported	Industry (LTM)	Base Year	C.P.
Non-adjusted Revenue growth	3.3%	8.53%	7.3%	4.0%	2.1%
Non-adjusted Operating Costs/Revenue	86.5%	87.9%	86.1%	87.9%	87.0%
DPR(t)/NPPE(t-1)	25.7%	18.4%	16.8%	18.4%	18.4%
Common Dividends/Revenue	0.0%	0.0%	1.4%	0.0%	0.0%
Return on Cash invested (Money Market)	0.0%	0.0%	1.1%	0.0%	0.0%
Balance Sheet Operating Components	**History**	**Last Reported**	**Industry (LTM)**	**Base year**	**C.P.**
[OCA(x cash)-OCL]/Revenue	-1.1%	0.8%	9.2%	0.8%	0.8%
NPPE/Revenue	14.9%	18.9%	17.9%	18.9%	18.9%
[Other operating Assets - Other operating liabilities]/Revenue	-5.7%	-7.7%	NC	-7.7%	-7.7%
Financing Components	**History**	**Last Reported**	**Industry (LTM)**	**Base year**	**C.P.**
Kd (changes annually according to default risk)	8.9%	9.0%	7.3%	8.75%	5.15%
D/E (converges towards imputed value from continuing period)	0.87	1.00	0.22	1.10	0.35
Cost of debt diagnostic	**LTM**	**Continuing Period**			
Cost of debt imputed from statements	8.97%	5.15%			
Cost of debt reported by CapitalIQ	9.34%	N/A			
Cost of new debt based on default rating	1.94%	5.05%			
Cost of debt used	8.97%	5.15%			
IQ_BETA_2YR	History	Last Reported	Industry (LTM)	Base year	C.P.
βU	0.75	0.53	0.89	0.527	0.500

Conclusion

Express is showing that they are a company that is sustainable long term. It has a segment in One Eleven that will give the company some sustainable growth over the course of the next few years. Their online presence is getting stronger and stronger while the market share for online shoppers continues to increase. The valuations also concluded that Express was currently undervalued, with an intrinsic value of $21.51 and a one year target price $27.96. Express is slightly undervalued, but what makes it a buy is the growth to come within the next few years.

Siena College

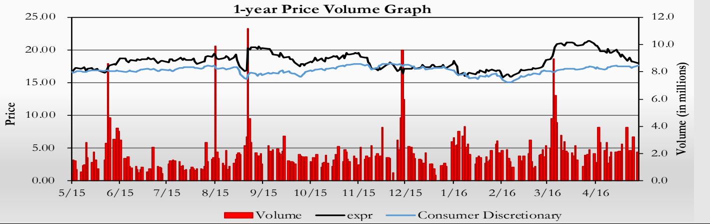
Siena Market Line
2nd Week of May 2016

Express Inc. (expr) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Richard Acheson	Current Price:	$17.35	Intrinsic Value	$19.86
5/5/2016	Divident Yield:	0.0%	Target Price	$26.40

Target 1 year Return: 52.13%
Probability of Price Increase: 95.4%

1-year Price Volume Graph



Description

Express, Inc. operates as a specialty apparel and accessories retailer.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	May 26, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	42%

Market Data

Market Capitalization	$1,364.53
Daily volume (mil)	0.98
Shares outstanding (mil)	76.79
Diluted shares outstanding (mil)	84.59
% shares held by institutions	117%
% shares held by investments Managers	83%
% shares held by hedge funds	19%
% shares held by insiders	3.76%
Short interest	8.51%
Days to cover short interest	2.83
52 week high	$21.57
52-week low	$15.53
Levered Beta	0.93
Volatility	42.92%

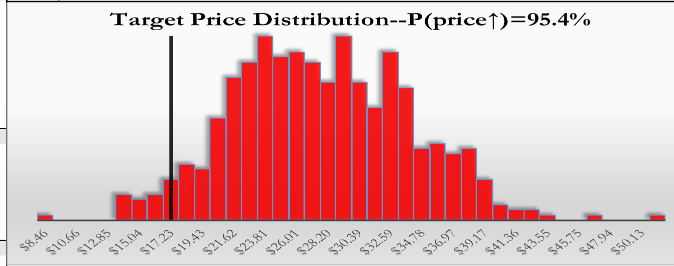
Past Earning Surprises

Quarter ending	Revenue	EBITDA
1/31/2015	-1.00%	12.52%
5/2/2015	-0.04%	19.24%
8/1/2015	4.64%	20.88%
10/31/2015	-1.51%	0.40%
1/30/2016	-1.77%	-1.22%
Mean	0.06%	10.36%
Standard error	1.2%	4.6%

Peers

Chico's FAS Inc.
Urban Outfitters Inc.
American Eagle Outfitters, Inc.
Abercrombie & Fitch Co.
The Children's Place, Inc.
Finish Line Inc.
Lululemon Athletica Inc.
Columbia Sportswear Company

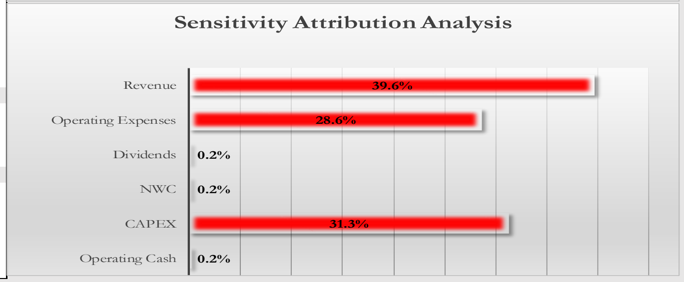
Target Price Distribution--P(price↑)=95.4%



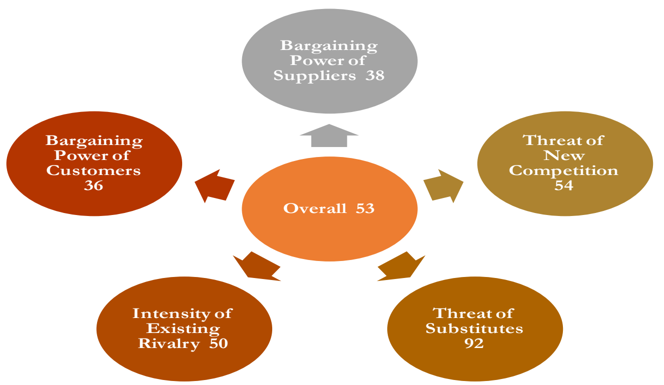
Management	Position	Total compensations growth	Total return to shareholders
Kornberg, David	Chief Executive Officer, Pre	-100% per annum over 4y	3.25% per annum over 4y
Moellering, Matthew	Chief Operating Officer and	-100% per annum over 4y	3.25% per annum over 4y
Campbell, Colin	Executive Vice President of	-100% per annum over 1y	-24.48% per annum over 1y
Pericleous, Periclis	Chief Financial Officer, Sen	N/M	N/M
Jacobs, Marisa	Vice President of Investor R	N/M	N/M
Bundy, Lacey	Senior Vice President, Gener	N/M	N/M

Profitability	expr (LTM)	expr (5 years historical average)	Industry (LTM)
ROIC	6.9%	19.45%	19.90%
NOPAT Margin	11%	22.53%	6.9%
Revenue/Invested Capital	0.61	0.86	2.90
ROE	8.0%	28.64%	23.31%
Adjusted net margin	8%	19.77%	6.5%
Revenue/Adjusted Book Value	0.97	1.45	3.58
Invested Funds	**expr (LTM)**	**expr (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	4.6%	7.2%	20%
Estimated Operating Cash/Total Capital	3.5%	3.8%	N/A
Non-cash working Capital/Total Capital	0.5%	-0.4%	18%
Invested Capital/Total Capital	98.9%	96.6%	81%
Capital Structure	**expr (LTM)**	**expr (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	1.00	0.87	0.22
Cost of Existing Debt	8.97%	8.88%	7.32%
Estimated Cost of new Borrowing	1.94%	1.93%	7.32%
CGFS Risk Rating	AA	AA	A
Unlevered Beta (LTM)	0.53	0.75	0.89
WACC	7.29%	8.44%	8.87%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	8.5%	11.4%	0.95
1/30/2017	0.7%	13.6%	1.25
1/30/2018	1.4%	11.5%	0.77
1/30/2019	1.2%	11.3%	0.82
1/30/2020	15.2%	14.5%	1.16
1/30/2021	5.1%	14.5%	1.16
1/30/2022	4.6%	14.2%	1.06
1/30/2023	4.1%	13.8%	1.01
1/30/2024	3.6%	13.3%	0.94
1/30/2025	3.1%	12.7%	0.87
1/30/2026	2.6%	12.3%	0.82
Continuing Period	2.1%	11.9%	0.78

Period	Invested Capital	Net Claims	Price per share
Base Year	$1,905.19	$1,390.90	$18.78
1/30/2017	$2,457.24	$1,559.03	$25.49
1/30/2018	$2,990.91	$920.57	$30.25
1/30/2019	$3,548.29	$616.01	$34.61
1/30/2020	$3,869.14	$270.36	$40.29
1/30/2021	$4,041.20	$99.50	$46.19
1/30/2022	$4,909.28	-$273.53	$52.58
1/30/2023	$4,677.66	-$631.98	$58.75
1/30/2024	$4,767.77	-$992.81	$64.88
1/30/2025	$5,049.40	-$1,349.37	$70.83
1/30/2026	$5,536.02	-$1,709.19	$76.77
Continuing Period			

Outerwall, Inc.

NASDAQ: OUTR

Analyst: Marianne Staudt
Sector: Consumer Discretionary

BUY

Price Target: $52.72

Key Statistics as of 5/7/2016

Market Price:	$39.21
Industry:	Specialty Retail
Market Cap:	$675.54M
52-Week Range:	$24.81-85.26
Levered Beta:	2.17

Thesis Points:

- High price volatility leaves room for big gains.
- Market is overly pessimistic about Redbox segment and is discounting Outerwall stock as a result.
- Outerwall is a potential acquisition target, and is likely to be purchased at a premium, boosting stock price.

Company Description:

Outerwall Inc. began in 1992 with the inception of Coinstar. Since its inception, Outerwall has sought to provide value, simplicity, and convenience to customers and retailers with its kiosk brands. These brands have grown over time, and Outerwall continues to expand into new areas. Currently, its kiosk brands include Coinstar, Coinstar Exchange, Redbox, ecoATM, and Gazelle. Outerwall has a network of over 64,000 kiosks, mainly located in supermarkets, drug stores, mass merchants, financial institutions, convenience stores, and restaurants.

Thesis

Outerwall is currently one of the markets most disliked stocks. It has an incredibly high short interest and many analysts caution against this company due to its uncertain future. Outerwall's stock price has been extremely volatile, as the market struggles to understand what the company is really worth. With prices extremely low right now, this high price volatility leaves room for big gains. Additionally, the market is overly pessimistic about Outerwall's Redbox segment, and Outerwall stock is underpriced as a result. With high free cash flows and losses in certain segments that could serve as tax breaks, Outerwall is a potential acquisition target, and is likely to be purchased at a premium, boosting stock price.

Price Volatility

Outerwall's stock is down nearly 20% since December 2015, however recent news of an activist investor and the potential sale of the company, coupled with an increased dividend and plans to launch a digital movie streaming service, has helped shares rebound since hitting a low of $24.50 per share, and will continue to increase prices in the coming months.

In recent years, the stock has gone from $50 to $80, down to $60 and then back up to $80, and now, sits around $30. This extreme volatility could be a sign of mispricing, and shows that the market and shareholders don't really know what the stock is worth. While it is a difficult company to value sue to its various segments, OUTR is definitely on the cheap side right now.

Shareholder Value

Outerwall is committed to increasing shareholder value. Typically, it has don't this through share repurchases, however, recently, it has changed its strategy. It recently doubled its quarterly dividend to $0.60 per share, giving a generous dividend yield of 5.86%. Additionally, Outerwall has recently been strategically reducing its total debt, which reduces shareholder risk. In Q1, the company opportunistically repurchased $29.4 million in face value of its 6% senior notes due in 2019 for just $23.4 million, as well as $27.7 million in face value of its 5.875% senior notes due in 2021 for $21.9 million in cash. Outerwall earned $11 million by repaying these notes early, and reduced its total debt by over 9%.

Redbox

Redbox specializes in DVD, Blu-ray, and video game rentals via automated retail kiosks. The market is extremely cynical about Redbox, but I believe there is still some potential and the market is overly pessimistic. For starters, 17% of Americans, over 50 million people, still have either no access to cable internet or only basic low speed internet with low data caps. This is particularly true in rural areas, where over 50% do not have access to cheap and fast internet. For them, Redbox is a cheap and easy source of entertainment.

Additionally, Redbox provides new released content at the cheapest price. If you want a new release, you either wait a year, or wait one month and rent at Redbox.

Redbox also has high variable cost, so even if the top-line struggles, costs will fall with it, and there won't be a huge impact on its bottom line.

Additionally, Outerwall recognizes that DVD rental is a declining business, and has made several adjustments to improve its value proposition. Redbox Playpass loyalty program gives customers points and rewards for renting games and movies. The program grew by more than 100% year-over-year and 19% from last quarter. It now serves 4 million customers. Playpass customers are Redbox's most loyal, and make up 50% of all online transactions and 13% of all rentals, so growing this program is crucial to Redbox's success in the future. The ability to rack up points and free rentals, as well as a potentially lower price point, is what differentiates them from their competition, and motivates viewers to rent through Redbox and not iTunes, Google Play, or another competitor.

This will be particularly relevant when Redbox Digital is released. There is no set release date yet, but Redbox digital movie streaming service promises big things in a time when people are switching from DVDs to streaming. Digital rentals are expected to grow nearly 30%, from 3.4 million rentals in 2015 to 4.4 million by 2019.

This would be a video-on-demand service as opposed to a monthly subscription plan, which is important because it won't be directly competing with Netflix or Hulu.

Outerwall has the capabilities to market this new service for free at any of its 35,000 kiosks, online at redbox.com, or via social media to its nearly 7 million followers.

Coinstar

Coinstar is a machine that gives cash or gift cards for coins. Coinstar is the rock for Outerwall's business, and continues to experience organic growth. In Q1, the segment earned nearly $73 million, up 4.4% for Q1 2015, due to increased volume. Operating income also improved by $2.1 million year-to-year, growing to $24.6 million. Additionally, Coinstar segment operating margins increased 34%, due to reduced costs. The company is experiencing high demand both domestically and in international markets, and is looking to further international expansion, which will further improve top-line growth.

Part of what makes the Coinstar business so strong is that it has very little competition. In order to compete in this business, you need scale and technical expertise to reach profitability. Coinstar has about 21,000 machines installed, which doesn't leave much room for a competitor. Rather than doing it themselves, as they do not have the scale to achieve profitability, Walmart's, grocery stores, and even banks would rather outsource to Coinstar and collect a fee.

EcoATM

In 2013, Outerwall purchased a 77% stake in ecoATM, for about $350 million. EcoATM's kiosks allow you sell your old cell phones, tablets & MP3 players for cash. Its goal is to make recycling & trade-ins of used devices safe & convenient. However, since this acquisition, Outerwall has struggled to make ecoATM profitable. There are signs of improvement in this segment though, particularly following the company's acquisition of Gazelle, a very similar business model, last year. In Q1, ecoATM grew 113% from Q1 of 2015 to $42.1 million, and the average selling price of devices sold improved my over $5. At the end of the quarter, ecoATM had 2,540 kiosks, demonstrating a 400 kiosk increase from last year and 290 from the end of 2015. Additionally, operating losses decreased to just $5.7 million. While this segment is still losing money, this demonstrates a significant improvement, and shows good signs moving forward. Outerwall hopes to have ecoATM achieve profitability in 2016, and this quarter's outperformance puts them on track to do just that. If ecoATM does become profitable, I believe this would have a significant positive impact on Outerwall's stock price, which has been discounted significantly due to ecoATM's failure to date.

Exploring "Strategic Alternatives"

In addition to increasing dividends and paying off debt, Outerwall is exploring strategic and financial alternatives to maximize shareholder value. The hedge fund Engaged Capital bought a 14.1% stake in company, and is taking the role of an activist investor. The hedge fund is pushing the company to explore strategic alternatives, including selling the company. According to a Bloomberg article, Outerwall has received multiple offers in the $90+ range. Outerwall's strong cash flows and potential tax loss assets make it an attractive acquisition target, and this is something management, with the aid of Engaged Capital is seriously considering moving forward. If Outerwall does sell at a large premium from current prices, all shareholders will reap the benefits, as the stock price will increase dramatically.

Financials

Despite market pessimism, Outerwall is still a profitable company. It reported $59.3 in net cash from operating activities for 2016 Q1 and $326.1M for the year. As a result of a strong Q1 2016, the company has revised its EPS estimates upwards—from $5.00-$6.30 to $5.35-$6.55. This is a very good sign moving forward in 2016. The company continues to produce solid cash flow and earnings, and expects FCF for 2016 to be between $140 million and $190 million.

Valuation

Capital expenditures have been significantly lower than actual depreciation. The depreciation period on many of their machines is 3-5 years, but often, these machines last double that time with minimal repair costs. This, I believe, is a large reason that the stock is underpriced. When depreciation is adjusted (I used historical levels to be conservative—although the argument could be made that depreciation will be even lower in the continuing period), there was a large impact on the valuation.

Conclusion

While Redbox is likely to continue to decline due to the shift from DVDs to streaming, Outerwall will still realize solid free cash flow through its other business segments. At today's prices, the market is valuing Outerwall as if free cash flows will decrease 13% annually. I believe this is overly pessimistic, especially considering Redbox Digital's imminent introduction and ecoATM's projected profitability in 2016. The market is overly pessimistic about Outerwall's future, and fails to recognize the value of each of Outerwall's segments. I believe shares should be purchased here, at $39.21. I have set a 1 year target price of $52.77; an over 30% return.

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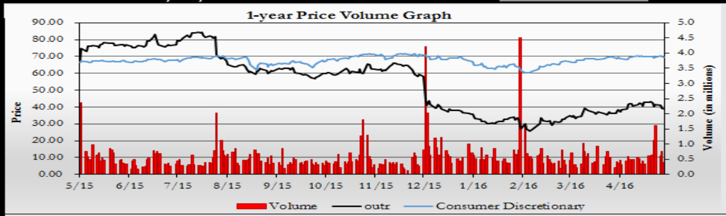
Outerwall Inc. (outr) — **BULLISH**

Analysis by Marianne Staudt	Current Price:	$39.21	Intrinsic Value	$39.87	Target 1 year Return: 35.13%
4/30/2016	Divident Yield:	0.7%	Target Price	$52.72	Probability of Price Increase: 93%



Description

Outerwall Inc., through its subsidiaries, provides automated retail solutions primarily in the United States, Canada, Puerto Rico, Ireland, and the United Kingdom.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	July 28, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	42%

Market Data

Market Capitalization	$675.54
Daily volume (mil)	0.32
Shares outstanding (mil)	17.23
Diluted shares outstanding (mil)	16.95
% shares held by institutions	110%
% shares held by investments Managers	83%
% shares held by hedge funds	43%
% shares held by insiders	2.48%
Short interest	44.46%
Days to cover short interest	13.91
52 week high	$85.26
52-week low	$24.81
Levered Beta	2.17
Volatility	44.81%

Past Earning Surprises

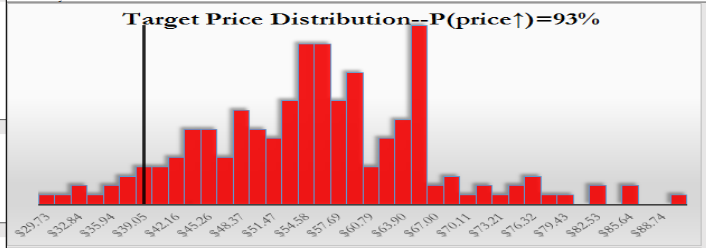
Quarter ending	Revenue	EBITDA
3/31/2015	-2.56%	3.58%
6/30/2015	-4.42%	-4.10%
9/30/2015	-7.45%	-11.11%
12/31/2015	0.70%	5.89%
3/31/2016	-0.01%	-6.28%
Mean	-2.75%	-2.40%
Standard error	1.5%	3.1%

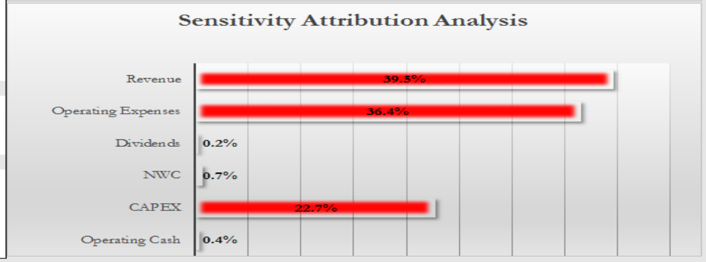
Peers

Netflix, Inc.
Comcast Corporation

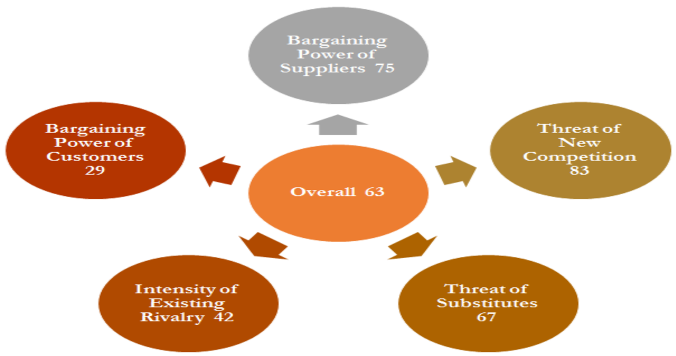
Management	Position	Total compensations growth	Total return to shareholders
Prusch, Erik	Chief Executive Officer and	N/M	0% per annum over 0y
Smith, Galen	Chief Financial Officer	42.18% per annum over 2y	-25.1% per annum over 2y
Rench, Donald	Chief Legal Officer, General	11.75% per annum over 5y	-3.58% per annum over 5y
Gaherity, James	President of Coinstar	N/M	0% per annum over 0y
Maquera, David	President of ecoATM	N/M	0% per annum over 0y
Kist, Jeffrey	Interim Chief Accounting Off	N/M	N/M

Profitability	outr (LTM)	outr (5 years historical average)	Industry (LTM)
ROIC	10.9%	15.37%	20.06%
NOPAT Margin	8%	8.05%	7.0%
Revenue/Invested Capital	1.44	1.91	2.85
ROE	23.7%	18.77%	23.65%
Adjusted net margin	7%	7.03%	6.6%
Revenue/Adjusted Book Value	3.62	2.67	3.56
Invested Funds	**outr (LTM)**	**outr (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	12.4%	17.8%	20%
Estimated Operating Cash/Total Capital	10.7%	14.5%	N/A
Non-cash working Capital/Total Capital	-10.7%	-12.9%	19%
Invested Capital/Total Capital	98.7%	97.1%	81%
Capital Structure	**outr (LTM)**	**outr (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	1.50	0.76	0.23
Cost of Existing Debt	3.68%	5.93%	7.35%
Estimated Cost of new Borrowing	5.35%	4.42%	7.35%
CGFS Risk Rating	C	CCC	A
Unlevered Beta (LTM)	1.11	0.53	0.89
WACC	8.03%	6.87%	8.87%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-7.9%	7.6%	1.36
3/31/2017	-12.2%	6.2%	0.91
3/31/2018	-9.3%	6.7%	0.83
3/31/2019	-6.5%	7.2%	0.85
3/31/2020	-3.6%	7.7%	0.88
3/31/2021	-0.7%	8.3%	0.93
3/31/2022	2.1%	8.9%	1.00
3/31/2023	2.1%	9.0%	1.00
3/31/2024	2.1%	9.2%	1.02
3/31/2025	2.1%	9.3%	1.03
3/31/2026	2.1%	9.5%	1.04
Continuing Period	2.1%	9.6%	1.06

Period	Invested Capital	Net Claims	Price per share
Base Year	$1,018.71	$899.88	$41.60
3/31/2017	$1,173.38	$803.52	$54.68
3/31/2018	$1,553.08	$608.80	$67.25
3/31/2019	$1,401.49	$440.78	$79.14
3/31/2020	$1,468.23	$295.80	$90.54
3/31/2021	$1,583.40	$167.29	$101.51
3/31/2022	$1,696.16	$51.17	$112.12
3/31/2023	$1,689.18	-$67.23	$122.33
3/31/2024	$1,697.54	-$188.58	$132.15
3/31/2025	$1,723.32	-$312.84	$141.54
3/31/2026	$1,762.62	-$439.44	$150.45
Continuing Period			

MeetMe (MEET)

NASDAQ: MEET

Analyst: Zach Collins.

BUY

Price Target: $4.84

Key Statistics

Market Price: $3.24
Industry:
Internet Software
and Services
Market Cap: $169M
52 Week Range:
$1.32 – $4.54
Beta: 0.77

Thesis Points:

- Increasing margins
- High hedge fund interest with little short interest
- High growth industry

Company Description:

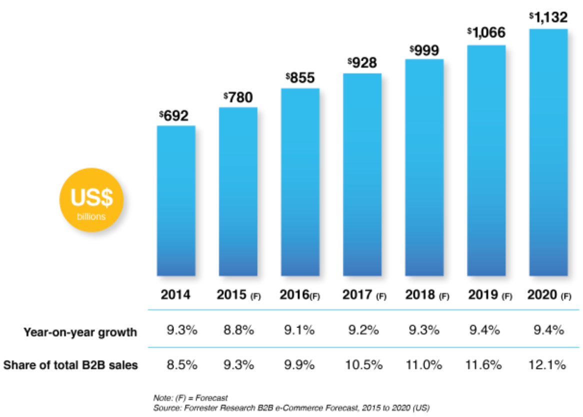
MeetMe, Inc. owns and operates a location based social network for meeting new people on the web and on mobile platforms in the United States. MeetMe permits the meeting of new people and encourages users to connect and chat with each other. MeetMe is free to use and monetizes through advertising, in-app purchases, and paid subscriptions.

Thesis

MeetMe is an up and coming company within the social networking industry. MeetMe has just started generating positive net income and shows strong signs that this trend will continue. MeetMe is free to their users and generates profit through relationships with advertisers, as well as in-app purchases, and paid subscriptions that offers their users premium features. This industry shows signs of exponential growth for years to come, and has become increasing popular in recent years. MeetMe has found their own unique market niche within this industry. As this site introduces new users to each other, rather than connecting people that users already know like most social networking sites. MeetMe is also different from other dating websites in the sense that it encourages new users to connect on a friendly basis, rather than simply dive into a formal date like other dating websites.

Industry Outlook

It is important to understand in recent years, how popular social media has become in society. Social applications such as Facebook, Twitter, LinkedIn, and Snapchat have taken the world by storm in terms of popularity and number of users. The chart below depicts analysts' forecast for the growth of revenue of social media applications up to 2020.



As you can see from this chart, social media is predicted to be a trillion dollar industry by 2020. MeetMe is not only a social media app, as it also has certain qualities that make it similar to a dating website. Dating websites have also shown exponential growth in terms of popularity and number of users, as more and more people are now meeting online.

Porter's 5 Forces

Bargaining Power of Suppliers: bargaining power of suppliers is high for MeetMe, as they require multiple third party relationships from advertisers for the functionality of their mobile and web based platforms.

Bargaining Power of Customers: bargaining power of customers is moderate for MeetMe as there are countless other social networks consumers can turn to. However the unique aspects of the MeetMe business model separate them from their competition.

Threat of New Entrants: the threat of new entrants in this industry is moderate. It is simple enough to create your own social networking website. But to generate revenue you must have established relationships with advertisers to fund the operations of the business

Threat of Substitutes: the threat of substitutes for this industry is low

Intensity of Existing Rivalry: the intensity of competition in this industry is very high. There are countless social networking and dating applications. However MeetMe has found their own unique market niche within this industry.

High hedge fund interest with low short interest

One of the primary factors an analyst will look at when picking a stock is the type of ownership interested in the stock. The image below shows the high hedge fund interest in MeetMe.

Top Ownership Type (%)			
54) Ownership Type	05/01/16	Curr	Change
41) Hedge Fund Manager	43.36	41.09	-2.27
42) Investment Advisor	36.89	40.27	+3.38
43) Individual	16.37	15.51	-0.86
44) Corporation	1.97	1.86	-0.11
45) Pension Fund	1.29	1.14	-0.15
46) Insurance Company	0.13	0.13	0.00
47) Bank	0.00	0.00	0.00

Hedge Fund Managers are typically the most informed investors in the market. A hedge fund ownership percentage this high suggests it is a fundamentally strong investment opportunity. This combined with the 2.8% short interest shows the market has a positive outlook on this company.

Increasing Margins

The fiscal 2015 fiscal year was the first year in the history of the company in which MeetMe was able to generate positive net income. A trend that analysts' are forecasting to continue. MeetMe was able to do this primarily through an increase in their EBITDA margin. Factors that contributed to this increase in EBITDA include an 84% year over year growth from mobile revenue. As well as a 9% decrease in operating costs.

	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014	FY 2015 12/31/2015	Current/LTM 12/31/2015	FY 2016 Est 12/31/2016	FY 2017 Est 12/31/2017
Revenue, Adj	46.7	40.4	44.8	56.9	56.9	64.1	72.8
Growth %, YoY	335.8	-13.5	11.0	27.0	27.0	12.7	13.6
Gross Profit, Adj	–	–	–	–			
Margin %	–	–	–	–			
EBITDA, Adj	0.2	-3.1	1.2	16.9	16.9	23.9	28.6
Margin %	0.4	-7.8	2.7	29.6	29.6	37.3	39.2
Net Income, Adj	-5.6	-9.2	-3.9	9.6	9.6	18.5	22.6
Margin %	-12.0	-22.9	-8.7	16.9	16.9	28.9	31.1
EPS, Adj	-0.15	-0.25	-0.10	0.19	0.20	0.36	0.43
Growth %, YoY	51.7	-60.8	60.2	–	487.0	83.8	19.7
Cash from Operations	-0.8	-0.7	4.6	7.2	7.2		
Capital Expenditures	-0.7	-0.1	-1.1	-1.8	-1.8	-2.8	-2.7
Free Cash Flow	-1.6	-0.9	3.5	5.4	5.4	17.0	23.7

As you can see from this snapshot of their financials, MeetMe has increased their level of profitability through both top and bottom line growth. And based on the consistent increase in their user base, as well as the positive industry outlook for social media sites, this a trend that should continue in the near future. MeetMe also shows financial strength through their balance sheet, as they do not have much long term debt.

Conclusion

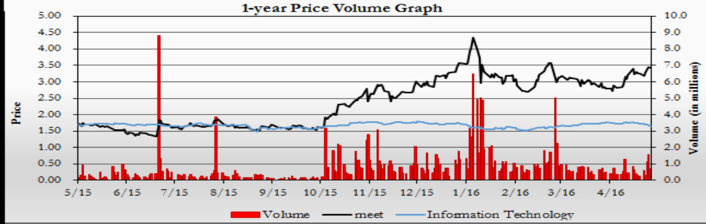
After taking into consideration the high growth of the social networking industry, as well as the uniqueness of their business model within this industry, I believe this is an attractive company with significant growth potential. With these factors in combination with the financial strength of MeetMe, I recommend a long term buy and hold on MeetMe.

CENTER FOR GLOBAL FINANCIAL STUDIES

MeetMe, Inc. (meet) — **BULLISH**

Analysis by Zach Collins	Current Price:	$3.56	Intrinsic Value	$3.77	Target 1 year Return: 30.55%
5/6/2016	Divident Yield:	0.0%	Target Price	$4.65	Probability of Price Increase: 100%

1-year Price Volume Graph



Description

MeetMe, Inc. owns and operates a social network for meeting new people on the Web and on mobile platforms in the United States.

General Information

Sector	Information Technology
Industry	Internet Software and Services
Last Guidance	November 3, 2015
Next earnings date	May 5, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	40%

Market Data

Market Capitalization	$162.37
Daily volume (mil)	0.96
Shares outstanding (mil)	47.48
Diluted shares outstanding (mil)	49.54
% shares held by institutions	78%
% shares held by investments Managers	16%
% shares held by hedge funds	12%
% shares held by insiders	5.72%
Short interest	2.65%
Days to cover short interest	1.56
52 week high	$4.54
52-week low	$1.32
Levered Beta	0.85
Volatility	75.54%

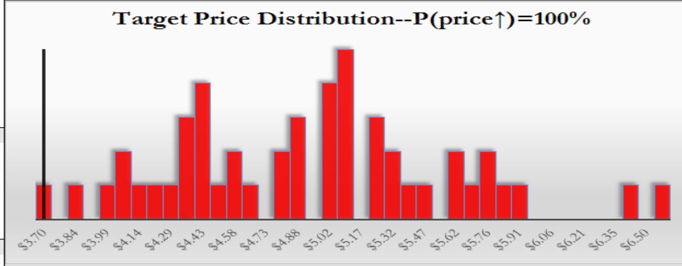
Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2014	-0.91%	-31.11%
3/31/2015	2.02%	90.30%
6/30/2015	4.57%	21.37%
9/30/2015	0.76%	-122.61%
12/31/2015	1.95%	-7.48%
Mean	1.68%	-9.90%
Standard error	0.9%	34.8%

Peers

- Twitter, Inc.
- TrueCar, Inc.
- Spark Networks, Inc.
- Facebook, Inc.
- TheStreet, Inc.
- Renren Inc.
- Angie's List, Inc.

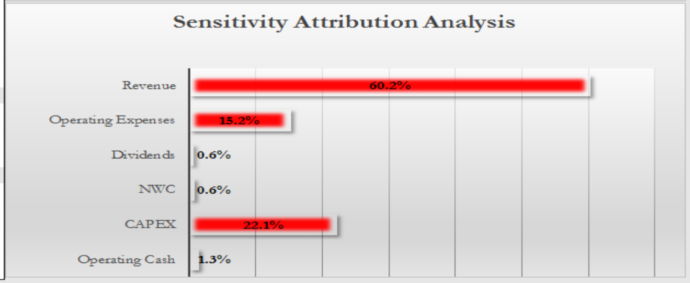
Target Price Distribution--P(price↑)=100%



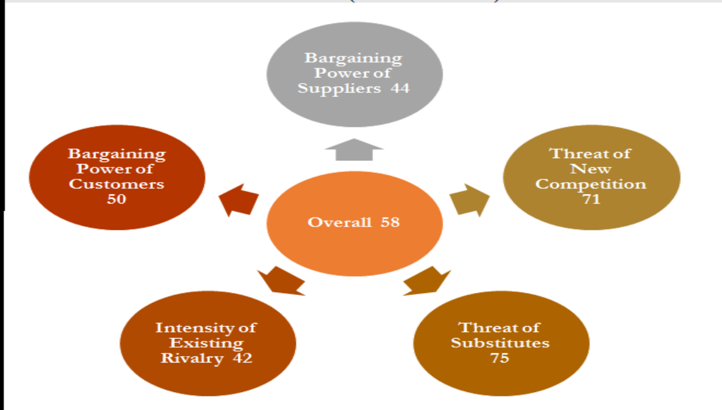
Management	Position	Total compensations growth	Total return to shareholders
Cook, Geoffrey	Chief Executive Officer, Dir	-3.61% per annum over 3y	-11.38% per annum over 3y
Clark, David	Chief Financial Officer	-28.68% per annum over 1y	-16.39% per annum over 1y
Beckley, Frederic	Executive Vice President of	191.41% per annum over 3y	-11.38% per annum over 3y
Alena, William	Chief Revenue Officer	18.23% per annum over 3y	-11.38% per annum over 3y
Friedman, Richard	Consultant	-7.57% per annum over 1y	-16.39% per annum over 1y
Harris, Jonah	Chief Technology Officer	N/M	N/M

Profitability	meet (LTM)	meet (5 years historical average)	Industry (LTM)
ROIC	7.1%		12.79%
NOPAT Margin	23%	19.45%	17.2%
Revenue/Invested Capital	0.32	#VALUE!	0.74
ROE	6.9%	6.84%	13.83%
Adjusted net margin	21%	15.98%	15.8%
Revenue/Adjusted Book Value	0.33	0.43	0.88
Invested Funds	**meet (LTM)**	**meet (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	9.6%	6.9%	71%
Estimated Operating Cash/Total Capital	9.5%	6.1%	N/A
Non-cash working Capital/Total Capital	5.1%	4.3%	-13%
Invested Capital/Total Capital	100.0%	99.2%	45%
Capital Structure	**meet (LTM)**	**meet (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.07	0.15	0.09
Cost of Existing Debt	13.38%	12.61%	2.92%
Estimated Cost of new Borrowing	2.86%	4.29%	2.92%
CGFS Risk Rating	A	CCC	BB
Unlevered Beta (LTM)	0.77	1.54	1.09
WACC	8.95%	14.30%	10.19%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	27.0%	22.5%	0.80
12/31/2016	11.8%	33.1%	1.23
12/31/2017	11.3%	33.3%	1.21
12/31/2018	15.8%	31.2%	1.21
12/31/2019	12.2%	29.7%	1.15
12/31/2020	9.8%	29.4%	1.14
12/31/2021	8.9%	28.2%	1.10
12/31/2022	6.4%	26.7%	1.04
12/31/2023	4.3%	24.9%	0.96
12/31/2024	3.3%	24.2%	0.92
12/31/2025	2.4%	23.6%	0.89
Continuing Period	3.0%	26.0%	0.99

Period	Invested Capital	Net Claims	Price per share
Base Year	$11.87	$26.10	$3.78
12/31/2016	$118.51	$11.55	$4.57
12/31/2017	$144.44	-$9.21	$5.35
12/31/2018	$161.56	-$25.61	$6.19
12/31/2019	$179.48	-$46.43	$7.11
12/31/2020	$201.68	-$70.84	$8.03
12/31/2021	$229.62	-$94.63	$8.93
12/31/2022	$250.55	-$122.26	$9.85
12/31/2023	$279.96	-$152.86	$10.78
12/31/2024	$308.05	-$185.67	$11.72
12/31/2025	$333.21	-$220.18	$12.65
Continuing Period			

Demandware, Inc.

NYSE: DWRE

Analyst: Joseph Gonyeau
Sector: Technology

Sell

Price Target: $37.92

Key Statistics as of 5/6/2016

Market Price:	$46.75
Industry:	Software & Services
Market Cap:	$1,581.2M
52-Week Range:	$26.47 – 79.50
Beta:	01.55

Thesis Points:

- Demandware's stock price has risen 140% since its 2012 IPO, despite declining net income, ROE, and EPS
- Revenue has been bolstered through inorganic growth, leading to an underperforming stock price
- Demandware's ROIC to WACC ratio is significantly below their competitors, a troublesome sign in the highly competitive market for cloud technology

Company Description:

Headquartered in Burlington, MA, Demandware, Inc. (DWRE) provides cloud-based e-commerce technology to brand manufacturers and retailers in the United States, Germany, the United Kingdom and elsewhere abroad. It offers software as a service (SaaS) through Demandware Commerce Cloud, a digital commerce platform that helps customers create and carry out digital commerce strategies, as well as assist customers in global expansion, predictive merchandising and in-store operations. Demandware sells its cloud based products to retailers, massive corporations as well as branded manufacturers in apparel and footwear, home and garden, health and beauty, and sporting goods. Sales are done through their direct sales force and indirect channels. Demandware has seen its stock price rise an impressive amount since its 2012 IPO, and has paired this with tremendous revenue growth. Despite this, Demandware's fundamentals have been weak, especially compared to its competitors, thus I am very bearish on the stock.

Thesis

Since its 2012 IPO, Demandware's (DWRE) stock price has risen 140% with revenues growing even faster. Although these appear to be good signs, in fact, they are simply a result of Demandware's inorganic growth through the acquisition of a number of smaller companies. These acquisitions have led to a declining net income, return on equity, and earnings per share, ultimately signaling an overvalued stock price. This is further evidenced by their bottom of the market ROIC, which is much lower than their main competitors. Although the number of retailers they are serving is growing extremely fast, their strategy is not working, leading to a bolstered top line and weakened bottom line. This makes now the perfect time to engage in a short position on a very bearish stock.

Industry Outlook

Demandware's total addressable market is in the middle of three large sectors: retail, digital commerce and cloud computing. It is estimated that the size of the global retail market is approximately $22 billion, the global commerce software market is approximately $10 billion and the global cloud market is approximately $50 billion. The e-commerce market is growing most quickly, with this growth driven by widespread broadband internet connectivity, proliferation of mobile devices such as smart phones, growing consumer preference for online shopping, and messaging platforms and mobile applications and the convergence of the digital and brick and mortar retail channels. Digital and physical channels are converging, with customers demanding a more relevant, personalized shopping experience while retailers seek to meet these needs. Retailers are also looking to improve efficiency, reduce complexity, replaced outdated hardware and software, and lower costs by automating processes, optimizing inventory, and centralizing all key product and consumer information to provide flexible, personalized experiences. As the digital commerce market expands, it is equally becoming more complex. Some of the trends that are driving this complexity are the rapid pace of innovation, the need to maintain scale and global presence, increasing consumer demand for personalization, and the proliferation of retail channels.

As Demandware currently sits, their declining ROIC to WACC is leading to value destruction, while their competitors are creating value, and are poised to capitalize on this $50 billion market.

Business Model

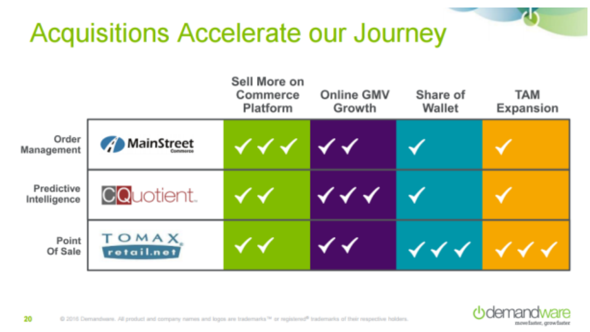
Demandware offers a comprehensive cloud commerce platform. Specifically, they offer the Demandware Commerce Cloud, consisting of related services and participation in a community that extends the value of the platform. They also offer a business model that is designed for sustained customer revenue growth, evident through their large number of recent acquisitions. They deliver solutions on-demand to customers who are able to access and manage their commerce business over the internet using a standard web browser and through mobile applications. Their customers utilize the Demandware Commerce Cloud to create compelling ecommerce and in-store consumer interactions, as well as to deliver omni-channel experiences. They sell subscriptions to their cloud software and related services through both a direct sales force and indirect channels. Most of their revenues are derived from subscriptions to the Demandware Commerce Cloud and services related to the offering. Subscription fees for e-commerce customers are based on a revenue share pricing model, where customers pay a percentage of their total gross revenue that is processed on the Demandware platform.

Financials

As of 2014, Demandware had well over 200 active clients, including Columbia Sportswear, L'Oreal, Brooks Brothers, Vineyard Vines, Motorola, and Callaway Golf. Demandware was even ranked among the top 10 companies in the e-commerce platform category in the 2014 Top Tech Guide. Since its IPO, its stock price has risen by over 140% with impressive revenue growth to match. From its 2012 IPO to 2015, revenue grew an impressive 320%, including 50% growth from 2014 to 2015. Ironically, despite such a profound revenue growth and rise in stock price, Demandware has consistently underperformed the S&P 500, especially over the last year and a half. Demandware's lack of success in relation to the S&P 500 may be attributed to their diminishing net income. Despite such wide acclaim, Demandware's net income has been consistently deteriorating since their 2012 IPO. Since 2012, Demandware's net income has plummeted by 751%, from -$4.3 million to -$36.6 million in 2015. Furthermore, net income declined 35% in 2014 and an additional 18% in 2015. ROE also has been on a steady decline since their IPO, plummeting from -8.8% to -13% in 2015. To compound this, EPS also has been on a downward trend, while revenue and stock price have ironically increased. EPS declined by $0.31 from 2014 to 2015, keeping in line with their 341% EPS decline since their 2012 IPO. Demandware's EPS is especially weak compared to their competitors. The market for cloud technology is very competitive, and two companies that have proven to be major competitors for Demandware are HP (HPE) and Oracle (ORCL). Both have seen major success in their unique approaches to cloud technology. Demandware's EPS has been negative for the last four years, seeing a consistent decline over the same period. Oracle and HP have EPS of $.51 and $.33, respectively, staying in the positive over the last four years.

Acquisitions

Decline in net income, ROE and EPS are likely attributable to Demandware's focus on expanding up market, targeting larger customers to drive a growth in their customer base. Much of their revenue growth is derived through major acquisitions. In early 2014, Demandware acquired Mainstreet Commerce, a cloud-based order management provider for an undisclosed amount. By October of 2014, Demandware also acquired CQuotient, Inc., a cloud personalization provider for an undisclosed amount. Finally, in January of 2015, they acquired Tomax Corporation for $75 million. $60 million of which was in cash, with the other $15 million in contingent retention-based payments. This acquisition gave Demandware access to companies such as Hallmark and LL Bean. As shown by the graph below, these acquisitions have been focused on bolstering sales and online market value, not the bottom line.



Value Destruction

Demandware also is destroying value, with an underperforming ROIC to WACC ratio of -1.0404, compared to HP's impressive value creating 16.15 and Oracle's 1.34. Fundamentally, Demandware is substantially behind two of its largest competitors, as can be seen in the graph below.

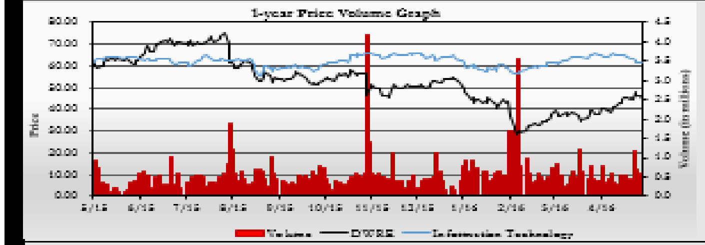
Considering Demandware's substantial acquisitions, it is important to examine ROIC without goodwill. ROIC without goodwill is a better measure of the company's performance related to its peers as it does not reflect the large premiums paid for acquisitions. Without goodwill, Demandware's ROIC is -19.8%, compared to -14.1% with goodwill. This signals that though their large acquisitions have led to massive revenues, they are actually destroying value relative to their competition.

Conclusion

Demandware's recent earnings call showed slight promise for the stock as it beat EPS by $.05 and also beat revenue by $2.48 million. Regardless, their strategy of growth through acquisition has not been successful. This is evidenced by Demandware's alarming trend between revenue and NOPAT as well as their ROIC without goodwill of -19.8%. Furthermore, declining net income, EPS and ROE indicate that Demandware may be overvalued. Add these reasons to their short interest of 16.24% and 9.15 days to cover, and I'm very bearish on the stock. Based on my proforma valuation, I have Demandware at an intrinsic value of $30.47, and a 1-year target price of $37.92 for a target return of around 10.78%. This makes now the perfect time to engage in a short position on an overvalued stock.

Demandware, Inc. (DWRE) — CENTER FOR GLOBAL FINANCIAL STUDIES — BEARISH

Analysis by Joseph Gonyeau	Current Price:	$42.50	Intrinsic Value	$30.47	Target 1 year Return: -10.78%
5/6/2016	Divident Yield:	0.0%	Target Price	$37.92	Probability of Price Increase:



Description

Demandware, Inc. provides enterprise-class cloud commerce solutions in the United States, Germany, the United Kingdom, and internationally.

General Information

Sector	Information Technology
Industry	Internet Software and Services
Last Guidance	November 3, 2015
Next earnings date	August 4, 2016
Estimated Country Risk Premium	6.90%
Effective Tax rate	34%
Effective Operating Tax rate	34%

Market Data

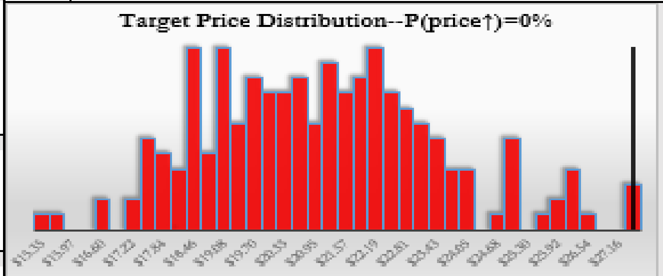
Market Capitalization	$1,581.20
Daily volume (mil)	0.13
Shares outstanding (mil)	36.57
Diluted shares outstanding (mil)	36.03
% shares held by institutions	78%
% shares held by investments Managers	111%
% shares held by hedge funds	5%
% shares held by insiders	9.92%
Short interest	16.24%
Days to cover short interest	9.45
52 week high	$75.90
52-week low	$26.47
Levered Beta	2.18
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
3/31/2015	0.96%	-758.72%
6/30/2015	0.61%	-3553.58%
9/30/2015	1.56%	-1191.12%
12/31/2015	2.67%	-115.53%
3/31/2016	2.41%	-274.50%
Mean	1.64%	-1178.69%
Standard error	0.4%	623.1%

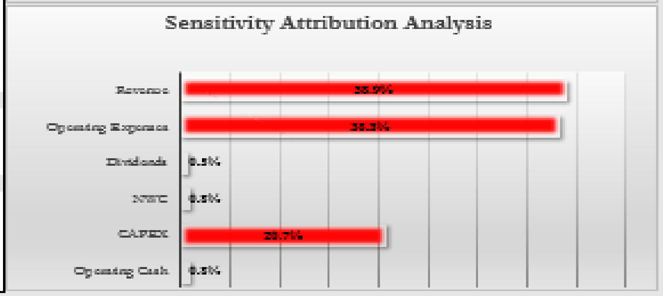
Peers

Marketo, Inc.
Cornerstone OnDemand, Inc.
LivePerson Inc.
Benefitfocus, Inc.
ChannelAdvisor Corporation
Shopify Inc.
LogMeIn, Inc.
IntraLinks Holdings, Inc.

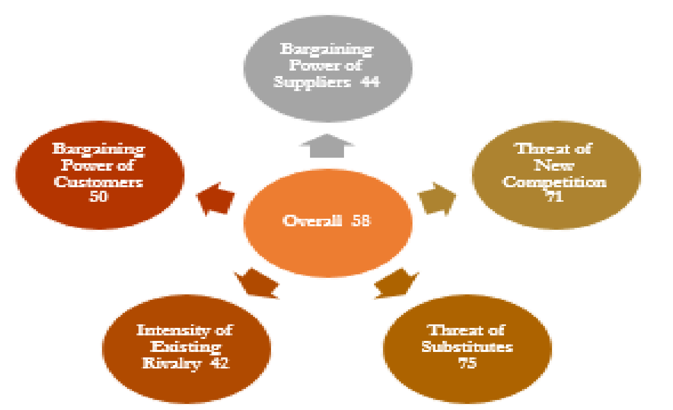


Management	Position	Total compensation growth	Total return to shareholders
Ebling, Thomas	Chairman of the Board, Chief	10.19% per annum over 5y	N/M
Adams, Timothy	Chief Financial Officer, Exe	-73.33% per annum over 1y	-6.2% per annum over 1y
Barnett, Jeffrey	Chief Operating Officer, Exe	46.73% per annum over 5y	N/M
Whitcomb, Wayne	Chief Technology Officer	46.06% per annum over 5y	N/M
Goyal, Rohit	Senior Vice President of Eng	N/M	0% per annum over 0y
Smith, Erica	Vice President of Investor R	N/M	N/M

Profitability	DWRE (LTM)	DWRE (5 years historical	Industry (LTM)
ROIC	6.9%	24.19%	14.03%
NOPAT Margin	9%	11.05%	18.9%
Revenue/Invested Capital	0.75	2.19	0.74
ROE	4.9%	-4.58%	15.01%
Adjusted net margin	9%	10.72%	17.4%
Revenue/Adjusted Book Value	0.55	-0.43	0.86
Invested Funds	**DWRE (LTM)**	**DWRE (5 years historical**	**Industry (LTM)**
Total Cash/Total Capital	34.9%	52.9%	68%
Estimated Operating Cash/Total Capital	10.2%	9.8%	N/A
Non-cash working Capital/Total Capital	-0.6%	-0.6%	-13%
Invested Capital/Total Capital	75.5%	57.1%	46%
Capital Structure	**DWRE (LTM)**	**DWRE (5 years historical**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.03	0.01	0.08
Cost of Existing Debt	3.76%	4.15%	2.92%
Estimated Cost of new Borrowing	4.17%	3.77%	2.92%
CGFS Risk Rating	B	BB	BB
Unlevered Beta (LTM)	2.17	1.41	1.09
WACC	19.00%	13.83%	11.32%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	42.5%	9.2%	0.36
3/31/2017	32.0%	20.5%	0.90
3/31/2018	26.0%	20.9%	0.92
3/31/2019	22.0%	22.4%	0.97
3/31/2020	16.0%	23.1%	0.98
3/31/2021	14.0%	23.6%	1.00
3/31/2022	14.0%	25.6%	1.11
3/31/2023	13.0%	27.7%	1.23
3/31/2024	13.0%	30.0%	1.39
3/31/2025	12.0%	32.4%	1.56
3/31/2026	5.0%	33.8%	1.60
Continuing Period	2.1%	35.0%	1.67

Period	Invested Capital	Net Claims	Price per share
Base Year	$29.55	-$33.59	$29.76
3/31/2017	$54.26	-$47.85	$37.03
3/31/2018	$94.09	-$80.49	$46.16
3/31/2019	$191.48	-$137.87	$56.73
3/31/2020	$339.31	-$270.49	$69.89
3/31/2021	$423.61	-$374.06	$82.85
3/31/2022	$551.73	-$506.20	$96.99
3/31/2023	$712.76	-$675.48	$112.23
3/31/2024	$888.48	-$883.78	$128.53
3/31/2025	$1,065.37	-$1,150.54	$145.72
3/31/2026	$1,250.04	-$1,488.85	$162.96
Continuing Period			

Coffee Holding Co. Inc

JVA: NYSE

Analyst: Peter Ostrowski
Sector: Consumer Staples

Buy

Price Target: $6

Key Statistics as of 4/29/2016

Market Price:	$3.71
Industry:	Coffee
Market Cap:	$22.9M
52-Week Range:	$3-$5.50
Beta:	.83

Thesis Points:

- New member on board will increase free cash flow
- CEO has been personally buying shares over the past few months
- Negative net debt, $.28 net cash/share mitigate downside potential
- Analysts estimate coffee prices will rise

Company Description:

Coffee Holding Co is a family owned microcap coffee wholesaler and retailer that currently operates in the United States and Canada. They do this through their own brands such as Café Caribe and Fifth Avenue and also through their licensees. The three segments include whole green coffee, private label coffee and branded coffee. They make profit by purchasing coffee beans through futures and options, roasting, packaging and finally reselling them to businesses. Two of their main customers are Kuerig and DTS 8.

Thesis

Coffee Holding Co (JVA) is a buy. It is currently trading at 6X EBITDA with an upside potential of 60%.
JVA has a forty year legacy attached to it. The main issues associated with the company have been internal. They have had shrinking cash flows over the past few years due to decreasing turnovers. Luckily, there is a simple solution that JVA has just implemented that will effectively kill two birds with one stone. They have recently added a new board member, George Thomas who has experience with implementing electronic payment programs into companies. This will essentially help JVA collect on their receivables faster.

The price of coffee has been forecasted to increase over the next year which will help increase topline growth while others estimate it could increase bottom line growth as well. JVA purchases futures of coffee beans which will allow them to hedge against future price fluctuations. Because the price of coffee is projected to increase due to weather uncertainty, JVA will be able to increase the price of their coffee over the next few years while continuing to purchase coffee beans at a low price.

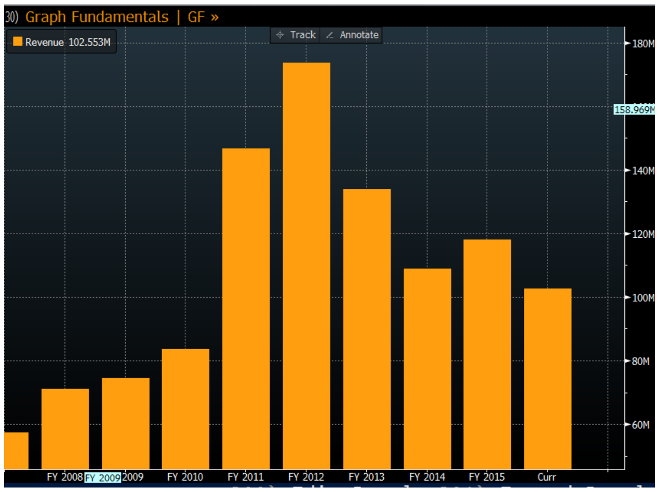
JVA is currently within their covenants and have recently increased their line of credit by $2M. This was stated in their 4th quarter report. The quiet period for share buybacks has also ended and management has already begun buying shares in the open market. This shows a significant undervaluation. Lastly, future positive earnings will most likely result in the implementation of a dividend.

Industry Outlook

The coffee business is cyclical. The price of coffee beans is currently at a low which is impacting JVA negatively. This macroeconomic effect has hurt JVA's sales and margins dramatically over the past two years.

Source: Trading Economics

This chart shows the price of coffee/pound over the past ten years. It seems likely that the price of coffee is currently at its trough. When the price of coffee is higher JVA has higher sales. 2011-2012 were the peaks in the price of coffee. As this next chart shows, 2011 and 2012 were JVA highest revenue years.



Source: Bloomberg

The reason why I mention this is because analysts estimate that the price of coffee will go up. This chart below is the average estimate of coffee prices over the next three years.

Source: Bloomberg

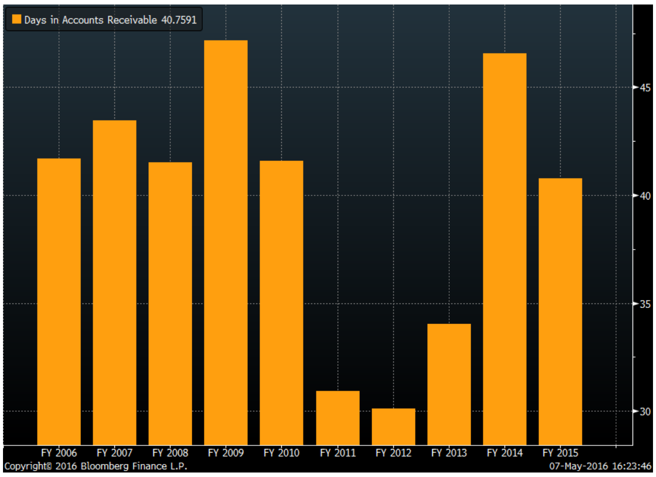
Increasing coffee prices will be very favorable for JVA as they have had to squeeze their margins over the past few years. The current position of JVA in the market makes them incredibly undervalued as their past performance will likely continue in the future as coffee prices rise. JVA has the opportunity to significantly increase performance when favorable market conditions come around.

The reason the price of coffee is currently trading so low is because there are currently no supply concerns. Brazil, the largest exporter of coffee, has seen consecutive increases in the exportation of coffee beans. This supply increase is not sustainable with current market conditions. The El Nino is currently causing very dry conditions in Brazil. This is causing mealybugs to infest coffee plants and could decrease the output of the Robusta coffee crop by 25%. The upcoming La Nina and the Brazilian winter could have a significant impact on the supply of coffee as well. As a result a decrease in supply will cause the price of coffee to rise. An increase in the price of coffee will largely benefit JVA. The current futures they have on coffee have a low of $1.20/pound with an average of $2.00/pound. Because the price of coffee could go well above $2.50 due to historical averages and the uncertainty associated with weather concerns, JVA could have a favorable next couple of years.

Recent Change in Management

It is highly important to note the level of expertise management has in this business. Nearly everyone has been on the board for at least 10 years. This is a second generation business that was founded in 1971 by Sterling Gordon. Since then his sons Andrew and David have taken over the business with a lifetime of experience in the coffee industry. They have both been in charge of the company since 1989 and took the company public in 2005. The average tenure on the board is about 15 years. Over the past few years JVA has had subpar performance and has suffered as a result. Margins have been squeezed due to volatility in the industry. In February, George F Thomas was appointed to the board. He has been in consulting for the past 35 years with a very interesting track record. He has served on the board of Egistics since 2007 and continued to after they were acquired by Top Image Systems LTD in 2014. This leads me to conclude that something must be brewing in the near future for JVA. The fact that JVA is putting a veteran in corporate finance onto the board after eleven years of no management changes, is a very compelling argument for changes in business structure. JVA has also had issues with collecting receivables and Mr. Thomas is an expert in electronic payments.

He has helped businesses incorporate his methods. He stresses the increases in business-to-business payment volume. JVA is increasing the time it takes to collect receivables. The chart below shows the a/r days since 2006:



Source: Bloomberg

JVA is not collecting on their receivables and this has been severely impacting their free cash flow. If Mr. Thomas is able to effectively implement his electronic payment system then the a/r days could dramatically decrease. This will increase free cash flow as a result.

Management has recently been purchasing more shares of JVA. Andrew Gordon, the current CEO of the company, has been purchasing shares on the open market recently. There was a quiet period restriction on management up until February. Between March 24 and March 29th Andrew Gordon purchased 3800 shares while the director Daniel Dwyer purchased 200 shares. Though these may only be modest purchases, management does not normally buy stock. They only account for about 10% of the ownership which leads me to conclude that they see the business as currently undervalued.

Acquisition target

There have been many hints over the past year that JVA may be acquired. Many of them are pure speculation but it is important to note other small coffee companies that have been acquired over the past few years.

Diedrich Coffee was acquired by GMCR in 2010 for $300M or 40X Ebitda. Diedrich Coffee is in the same business as JVA. They both source, roast and sell coffee to businesses. As JVA has done work with GMCR this may not be out of the question. GMCR also has $215M of cash on their balance sheet and typically makes an acquisition when they have more than $150M in cash.

DTS8 is a Chine coffee seller that has a licensing contract will JVA. DTS8 is one of JVA's biggest customers. They buy JVA's products and sell them in Shanghai. DTS8 recently acquired Comfort Foods, Inc. which was a small coffee manufacturer out of Massachusetts.

JVA is very cheap at $3.70/share. The current market cap is $24M. They were an $85M business a few years ago. This is very appealing to big companies as JVA's biggest issue is management which can quickly be changed.

Financials

JVA currently has $5.9M in cash and only $4.2M in debt as of last quarters report. This essentially means that this company is not going anywhere. With only 6M shares outstanding $.28 of the current price of $3.70 is backed in cash. This mitigates downside potential as the chance of default is greatly. Last quarter JVA was able to post positive free cash flow for the first time since 2011. And with the potential to collect on receivables faster with Mr. Thomas, free cash flow may continue to increase substantially over the next few quarters.

This increase in cash will give the company more flexibility for the future. JVA also has availibility of $2.3M on the credit facility until 2017 with an interest rate of 3.75%. This extra cash could be used to continue to purchase shares on the open market. With a float of only 5.5M, purchases of shares will increase the price substantially. With only around 10,000 shares traded each day, an increase in insider purchases will be noted by the street. Although insider purchases would not lead directly to volume increases, they could be the catalyst for a price increase when investors see the insider activity.

JVA has paid dividends in the past. This has generally depended on earnings. If JVA is able to generate positive earnings for the next few quarters; they will most likely announce a dividend for the future.

Conclusion

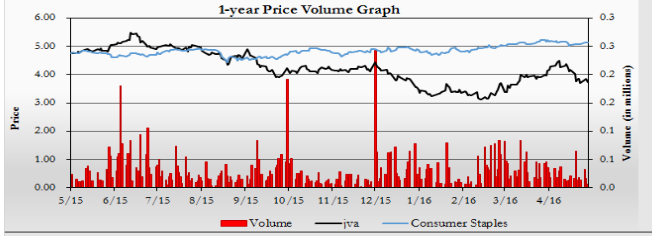
I recommend a buy on JVA. This is largely due to the industry outlook over the next few years. It is also important to note that JVA is positioning themselves for further growth. The recent appointment of Mr. Thomas to the board, could increase their ability to generate free cash flows. If JVA can collect on their receivables more efficiently cash from operations will increase; thus generating more free cash flow. There is also an opportunity for JVA to be acquired for a nice premium as they are only trading at 6X EBITDA. The general risks associated with this stock are higher as it is a microcap. I believe that high cash to debt and cash to share ratios mitigate these risks exponentially.

Coffee Holding Company, Inc. (jva)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Peter Ostrowski	Current Price:	$3.71	Intrinsic Value	$5.86	Target 1 year Return: 62.89%
5/7/2016	Divident Yield:	0.1%	Target Price	$6.04	Probability of Price Increase: 100%



Description

Coffee Holding Co., Inc. manufactures, roasts, packages, markets, and distributes roasted and blended coffees in the United States, Canada, Australia, England, and China.

General Information

Sector	Consumer Staples
Industry	Food Products
Last Guidance	November 3, 2015
Next earnings date	June 11, 2016
Estimated Country Risk Premium	6.00%
Effective Tax rate	40%
Effective Operating Tax rate	42%

Market Data

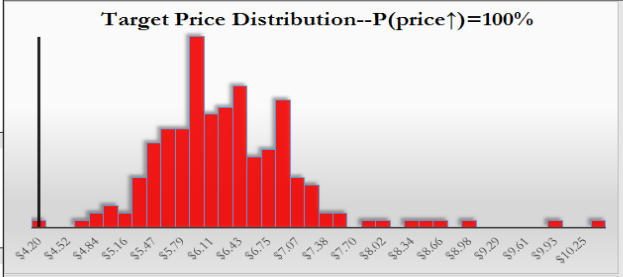
Market Capitalization	$22.86
Daily volume (mil)	0.01
Shares outstanding (mil)	6.16
Diluted shares outstanding (mil)	6.20
% shares held by institutions	78%
% shares held by investments Managers	10%
% shares held by hedge funds	2%
% shares held by insiders	10.86%
Short interest	0.39%
Days to cover short interest	0.79
52 week high	$5.50
52-week low	$3.00
Levered Beta	0.70
Volatility	68.17%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
1/31/2015	N/A	N/A
4/30/2015	-51.39%	N/A
7/31/2015	-38.55%	N/A
10/31/2015	-54.13%	N/A
1/31/2016	-41.57%	N/A
Mean	-46.41%	#DIV/0!
Standard error	3.8%	#DIV/0!

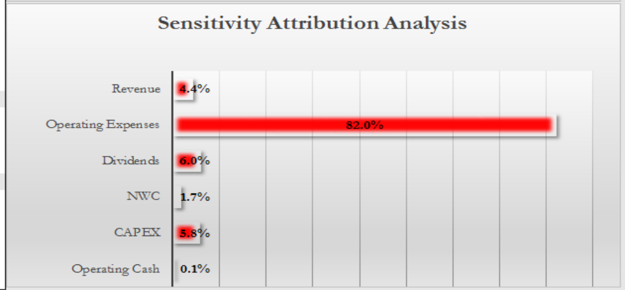
Peers

Primo Water Corporation
Crystal Rock Holdings, Inc.
Farmer Brothers Co.
National Beverage Corp.
The J. M. Smucker Company

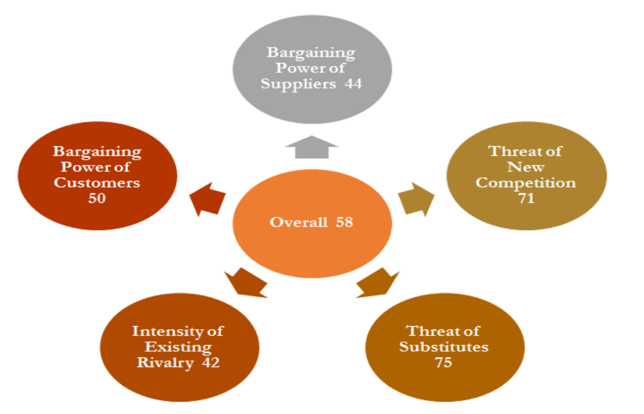


Management	Position	Total compensations growth	Total return to shareholders
Gordon, Andrew	Chief Executive Officer, Pre	-4.4% per annum over 5y	18.69% per annum over 5y
Gordon, David	Executive Vice President of	-1.33% per annum over 5y	18.69% per annum over 5y
	0 0	N/M	N/M
	0 0	N/M	N/M
	0 0	N/M	N/M
	0 0	N/M	N/M

Profitability	jva (LTM)	jva (5 years historical average)	Industry (LTM)
ROIC	-1.2%	7.93%	11.91%
NOPAT Margin	-1%	1.97%	9.0%
Revenue/Invested Capital	2.32	4.03	1.33
ROE	-2.2%	8.35%	13.99%
Adjusted net margin	-1%	1.88%	7.7%
Revenue/Adjusted Book Value	3.35	4.46	1.81
Invested Funds	**jva (LTM)**	**jva (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	13.8%	12.3%	10%
Estimated Operating Cash/Total Capital	8.2%	10.3%	N/A
Non-cash working Capital/Total Capital	47.6%	46.6%	6%
Invested Capital/Total Capital	95.4%	98.0%	87%
Capital Structure	**jva (LTM)**	**jva (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.30	0.15	0.22
Cost of Existing Debt	3.70%	4.33%	4.16%
Estimated Cost of new Borrowing	2.85%	1.93%	4.16%
CGFS Risk Rating	A	AA	B
Unlevered Beta (LTM)	0.60	0.98	0.50
WACC	6.96%	10.94%	6.66%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-14.5%	-0.5%	-0.17
1/31/2017	-13.0%	4.5%	1.33
1/31/2018	-11.5%	4.2%	1.15
1/31/2019	-10.0%	4.3%	1.13
1/31/2020	-8.4%	4.5%	1.10
1/31/2021	-6.9%	4.6%	1.08
1/31/2022	-5.4%	4.7%	1.05
1/31/2023	-3.9%	4.8%	1.02
1/31/2024	-2.4%	5.0%	0.99
1/31/2025	-0.9%	5.1%	0.96
1/31/2026	0.6%	5.2%	0.92
Continuing Period	2.1%	5.2%	0.90

Period	Invested Capital	Net Claims	Price per share
Base Year	$33.76	$4.85	$5.96
1/31/2017	$34.94	-$1.99	$6.21
1/31/2018	$37.54	-$5.36	$6.04
1/31/2019	$42.95	-$6.26	$5.61
1/31/2020	$44.19	-$4.94	$4.96
1/31/2021	$40.99	-$1.58	$4.08
1/31/2022	$36.67	$3.40	$3.02
1/31/2023	$32.70	$9.80	$1.80
1/31/2024	$29.55	$17.46	$0.45
1/31/2025	$27.16	$26.24	-$1.02
1/31/2026	$25.39	$36.13	-$2.59
Continuing Period			

PetMed Express Inc.
NASDAQ:PETS

Analyst: Florent Polito
Sector: Consumer Disc.

SHORT

Price Target: $8.48

Key Statistics as of 05/7/2016

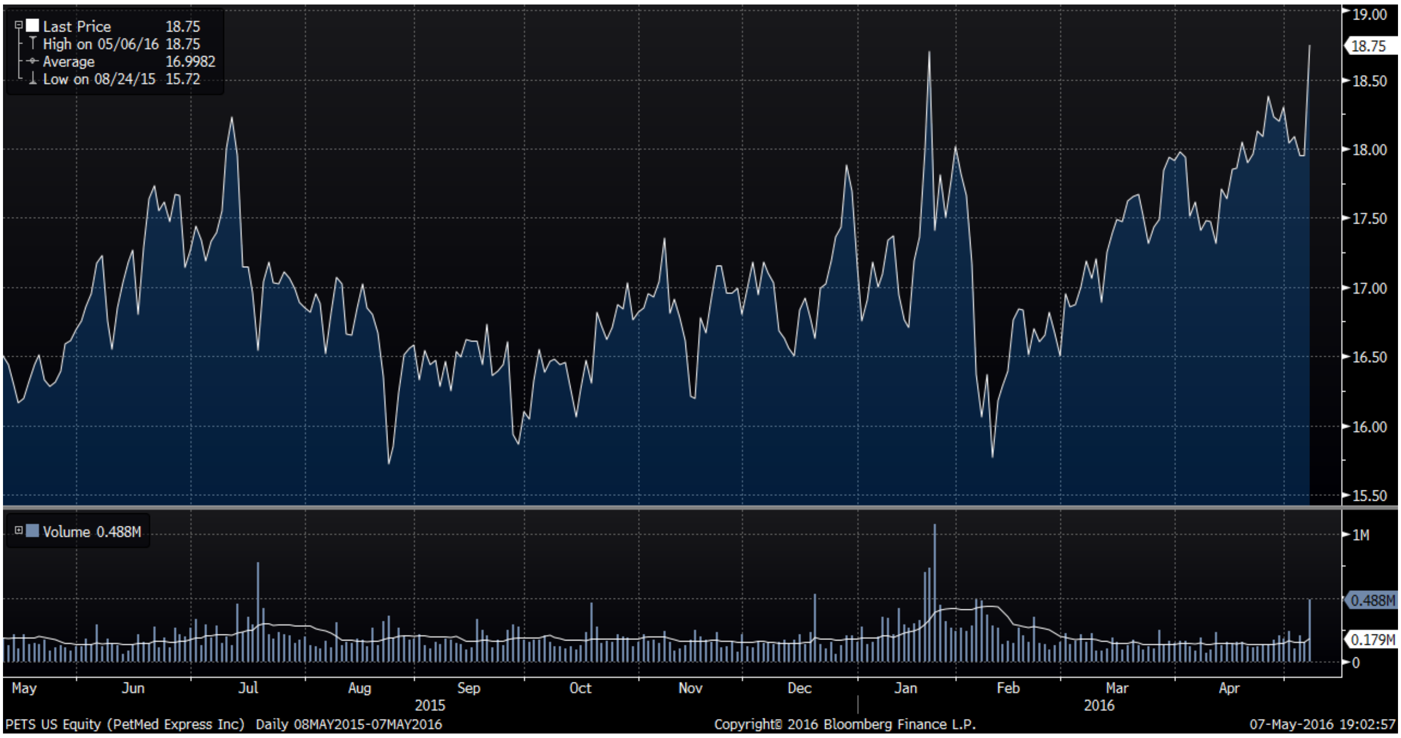
Market Price:	$18.75
Industry:	Internet and Catalog Retail
Market Cap:	$0.378B
52-Week Range:	$15.72-$18.75
Beta:	0.87

Thesis Points:

- No opportunity growth
- Management is ineffective in reducing costs and increasing revenues

Company Description:

PetMed Express Inc is a pet pharmacy which provides non-prescription and prescription medications, and pet supplies for cats, dogs and horses. PETS who is also known as 1800PetMeds sells its products primarily to retail customers in the United States.



Thesis

PETS is presently stuck in a market where it has had no growth during the 5 past years, and forecasts are similar to this trend. Moreover the management has not been able to reduce COGS which are increasing leading to lower and lower margins years after years.

Industry Outlook

In 2015, $60.28 billion was spent on our pets in the USA, with a segmentation of $23.05 billion in food, $14.28 billion in supplies and OTC medicines, $15.42 billion in vet care, $2.12 billion in live animal purchases and $5.41 billion in pet services. It is expected that the Pet Industry Expenditures will increase from $60.28 billion in 2015 to $62.75 billion in 2016. Globally the Supplies and Medicines segment is expected to grow at a 5% rate for the incoming year, which should therefore lead to the same growth for PETS in theory. On the contrary, while this industry has grown from $48.35 billion in 2010 to $60.28 billion in 2015, PETS has not has any increase in its revenue during this period.

Products

PETS sells non-prescription products such as flea and tick control products, bone and joint product, vitamins, treats, hygiene products and nutritional supplements. PETS also offer to sale prescription products including heartworm preventatives, arthritis, thyroid, diabetes, pain medications, antibiotics, and generic substitutes. The company also sells pet supplies such as food, beds, crates, stairs, and strollers.

Some of these products make PETS dependent on seasons and weather, spring and summer will impact on an upward trend the sales of flea and tick related products compared to fall and winter.

Financials

Since 2010, PETS has not had any sales growth, revenue in 2010 totaled $238.3 million while the 2015 sales amount for $229.4. What can be noticed in the trend meanwhile is the increase in the cost of revenue from $146.4 million to $153.7 million within those 5 years; as a result the gross profit margins has decreased over the past years sliding from 38.6% to 33.2% recently. At the same time the EBITDA margin has increased between 2012 and 2015 from 11.5% to 13.1% and the Net Income margin has subsequently increased from 7% to 8.1% during this timeframe, mostly due to a reduction of the SGA from $50 million in 2010 to $46.2 million in 2015. On a ratio basis, Return on Common Equity has decreased from 26.78% in 2014 to 23.97%, and the ROA has decreased from 23.72% to 21.65%.

On the segmented part of the revenue, prescription medications have increased over the last years going from $83.4 million to $114.7 million, at the same time the non-prescription medication has decreased from $152.5 million in 2010 to $114.7 million in 2015. The point to notice is that Retail Reorder has not changed between 2014 and 2015 while the Retail New Orders segment has decreased from $42.2 million to $39.7 million, being then the main cause of the slight decrease of PETS's revenue between 2014 and 2015.

Valuation

Through a valuation of the company with discounting future cash flows, PETS has an intrinsic value of $5.59 with a 1-year target price of $8.48 which means an expected return of -54.77%.

Conclusion

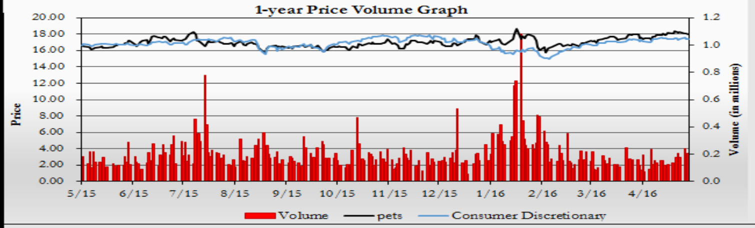
PETS's expectations to show an increase in revenues are numb, and the company who only attempts to reduce its SGA costs has a limited margin at which point it will no longer be able to display an increase in its bottom margins. I recommend a short on this company because it has shown over the last years it is unable to grow on the long term.

PetMed Express, Inc. (pets) — CENTER FOR GLOBAL FINANCIAL STUDIES — BEARISH

Analysis by Florent POLITO	Current Price:	$18.75	Intrinsic Value	$5.59
5/7/2016	Divident Yield:	0.0%	Target Price	$8.48

Target 1 year Return: -54.77%
Probability of Price Increase: 0%

1-year Price Volume Graph



Description

PetMed Express, Inc. and its subsidiaries, doing business as 1-800-PetMeds, operates as a pet pharmacy in the United States.

General Information

Sector	Consumer Discretionary
Industry	Internet and Catalog Retail
Last Guidance	November 3, 2015
Next earnings date	May 9, 2016
Estimated Country Risk Premium	9.60%
Effective Tax rate	40%
Effective Operating Tax rate	40%

Market Data

Market Capitalization	$377.72
Daily volume (mil)	0.49
Shares outstanding (mil)	20.15
Diluted shares outstanding (mil)	20.21
% shares held by institutions	55%
% shares held by investments Managers	64%
% shares held by hedge funds	12%
% shares held by insiders	4.84%
Short interest	20.80%
Days to cover short interest	25.19
52 week high	$18.95
52-week low	$14.53
Levered Beta	1.19
Volatility	29.40%

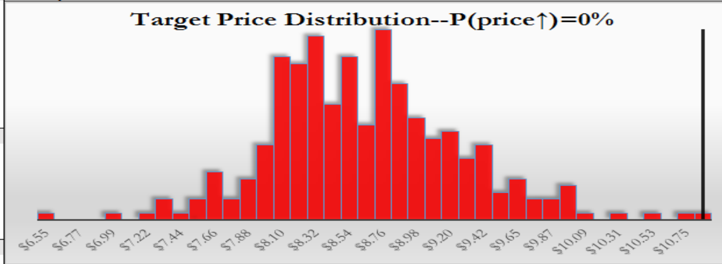
Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2014	0.04%	9.54%
3/31/2015	1.68%	6.42%
6/30/2015	-2.04%	7.29%
9/30/2015	-2.77%	4.39%
12/31/2015	3.36%	-2.60%
Mean	0.05%	5.01%
Standard error	1.1%	2.1%

Peers

Abaxis, Inc.
Nutrisystem, Inc.
Duluth Holdings Inc.
U.S. Auto Parts Network, Inc.
IDEXX Laboratories, Inc.
VCA Inc.

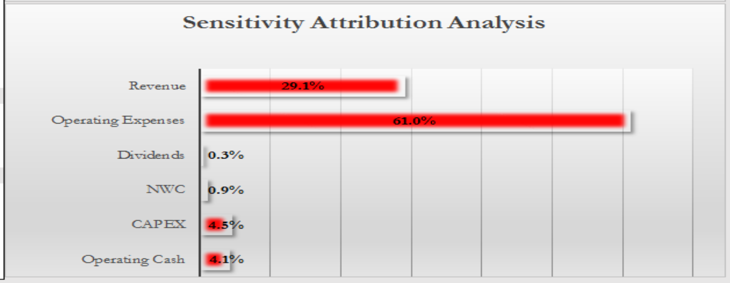
Target Price Distribution--P(price↑)=0%



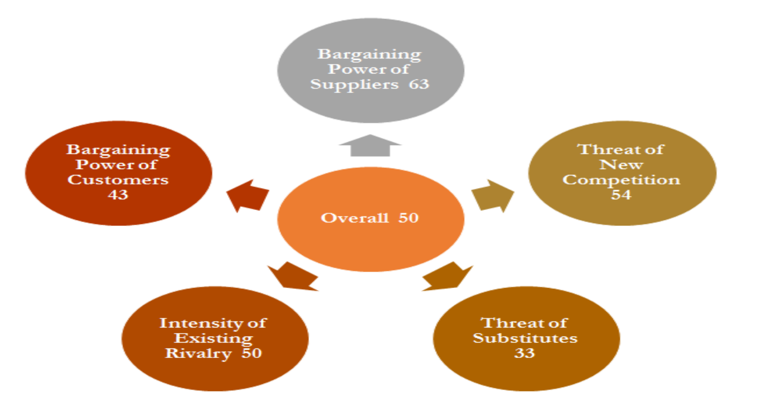
Management	Position	Total compensations growth	Total return to shareholders
Akdag, Menderes	Chief Executive Officer, Pre	-22.16% per annum over 6y	-5.42% per annum over 6y
Rosenbloom, Bruce	Chief Financial Officer, Pri	0.73% per annum over 6y	-5.42% per annum over 6y
Berges, Alison	Corporate Secretary and Gene	N/M	N/M
0	0	N/M	N/M
0	0	N/M	N/M
0	0	N/M	N/M

Profitability	pets (LTM)	pets (5 years historical average)	Industry (LTM)
ROIC	27.7%	24.63%	7.13%
NOPAT Margin	9%	8.05%	8.1%
Revenue/Invested Capital	3.11	3.06	0.88
ROE	23.5%	20.52%	7.52%
Adjusted net margin	9%	8.03%	7.1%
Revenue/Adjusted Book Value	2.65	2.55	1.05
Invested Funds	**pets (LTM)**	**pets (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	66.1%	55.6%	37%
Estimated Operating Cash/Total Capital	49.7%	38.7%	N/A
Non-cash working Capital/Total Capital	16.8%	27.3%	-23%
Invested Capital/Total Capital	84.5%	83.9%	67%
Capital Structure	**pets (LTM)**	**pets (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.02	0.02	0.08
Cost of Existing Debt	1.38%	1.38%	4.36%
Estimated Cost of new Borrowing	1.38%	1.38%	4.37%
CGFS Risk Rating	1.38%	AAA	B
Unlevered Beta (LTM)	0.00%	0.89	1.43
WACC	14.19%	10.75%	16.40%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	0.5%	8.9%	1.95
12/31/2016	0.3%	9.0%	1.79
12/31/2017	2.0%	9.0%	1.57
12/31/2018	3.8%	9.1%	1.58
12/31/2019	2.9%	9.2%	1.55
12/31/2020	3.0%	9.3%	1.52
12/31/2021	2.5%	9.3%	1.49
12/31/2022	2.6%	9.3%	1.45
12/31/2023	2.0%	9.3%	1.42
12/31/2024	1.5%	9.2%	1.37
12/31/2025	2.6%	2.6%	0.38
Continuing Period	3.0%	8.9%	1.30

Period	Invested Capital	Net Claims	Price per share
Base Year	$82.59	-$7.58	$6.65
12/31/2016	$80.44	-$26.80	$8.07
12/31/2017	$59.19	-$56.28	$9.60
12/31/2018	$66.38	-$85.01	$11.14
12/31/2019	$73.62	-$114.89	$12.71
12/31/2020	$80.18	-$145.20	$14.29
12/31/2021	$92.02	-$176.26	$15.89
12/31/2022	$94.70	-$207.63	$17.51
12/31/2023	$98.88	-$239.75	$19.13
12/31/2024	$102.58	-$272.21	$20.77
12/31/2025	$106.46	-$284.87	$22.41
Continuing Period			

Fortinet, Inc.

FTNT

Analyst: Kyle Ritchie
Sector: Information Technology

BUY

Price Target: $ 40.07

Key Statistics as of 5/5/16

Market Price:	$32.06
Industry:	Information Technology
Market Cap:	$5.5 billion
52-Week Range:	$23.16 - $50.31
Levered Beta:	1.14

Thesis Points:

- Growth in demand for cyber-security technology
- Consistent double-digit revenue growth and growing cash balance
- Undervalued due to increased spending in marketing to gain brand recognition

Company Description:

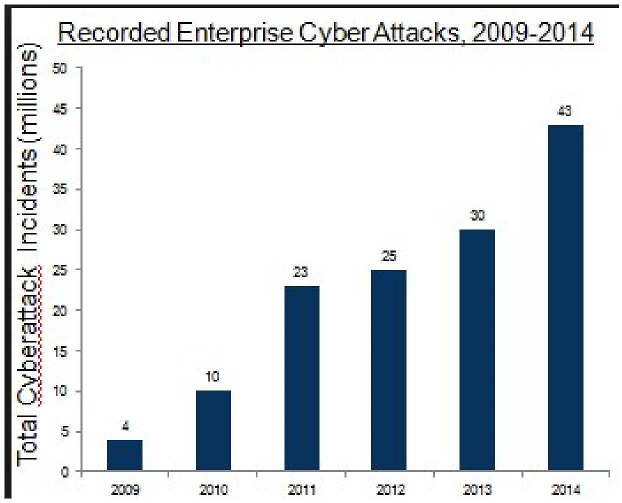
Fortinet, Inc. provides cyber security solutions for enterprises, service providers and government organizations across the globe. The company specializes in data protection software which includes but is not limited to: firewall, intrusion prevention, anti-malware, virtual private network, application control, web-filtering and anti-spam. Fortinet offers "FortiGate" which is the company's bread and butter security protection. In addition, the company also provides FortiSanbox which is an advanced threat protection solution software. The company was founded in 2000 and is headquartered in Sunnyvale, California.

Thesis

Designers of cyber-security software are contending in a very competitive segment in the information technology sector. What differentiates Fortinet from its competitors is it vast capability of generating 20% CAGR year over year while incurring no debt. The company has a growing cash balance that is approaching $1 billion while its market cap is $5 billion. Fortinet distinguishes itself with its 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 continue to increase. HACK, the Cyber Security ETF, (which can also be seen in the chart in the following section) has rebounded nicely since the market's downturn in the later part of 2015. The growing attention to this industry demonstrates an opportune time to buy a promising stock.

Threat of Cyber-Attacks/Growth in Demand for Security Software

The cyber security market has been drastically growing due to the overall demand from companies interested in the protection of private information. This growth in demand of security software is directly related to the increasing number of cybercrimes and cyber-attacks on well-established corporations. As technology continues to improve, the types of cyberattacks also become more sophisticated and difficult to detect posing a larger threat. Cybercrimes are very deceptive and come in various forms which 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. Historically, there have been major attacks on stolen credit card and/or financial data from well-known companies which 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. Due to modern technology such as social media and various online news reports, these attacks go viral and are then publicized. Management boards and executive teams are becoming more aware of cyber threats which ultimately translates to an increase in spending on information protection. Furthermore, the result of one company increasing its security budget strongly influences its business partners, and even competitors, to consider similar courses of action. This offers an immense opportunity for Fortinet to expand its customer base and implement its technology. Fortinet is focusing its efforts on eliminating cybercrime throughout all industries in the economy in order to ensure security and information protection for these major corporations. The graph below illustrates the increase in cyberattacks on enterprises along with the millions of dollars stolen and/or lost as a result since 2009.

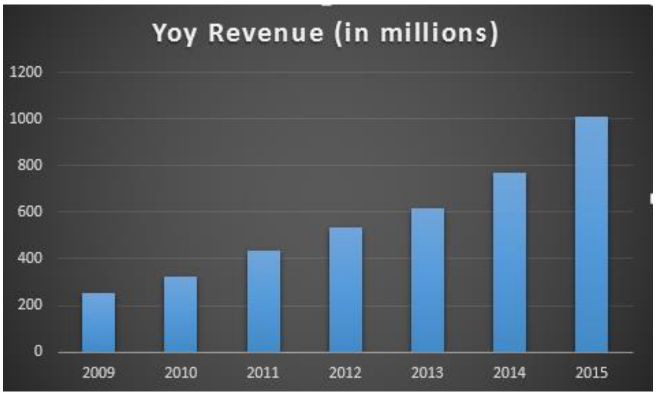


The following line chart is a comparison of Fortinet to the previously mentioned cyber-security index, HACK (green line).

This chart ultimately illustrates the recent increasing trend of FTNT along with the entire industry. It also indicates how Fortinet has been slightly outperforming the sector which will be explained in greater detail below.

Advanced Tech Boosts Revenue

What makes FTNT a unique choice, aside from its favorable stock valuation, is the range of products it offers compared to its competitors. Some of the company's most successful products include FortiGate NGFW 5000, FortiGate NGFW 900, and FortiGate NGFW 90. Each of the aforementioned products vary in price which gives its customers a chance to obtain this cutting-edge technology without overpaying for too much data protection. In the respective order, the NGFW 5000 has the greatest computing capabilities. The technology they are implementing into the market has proven to be successful. The graph below illustrates the company's yearly revenues since 2009 to 2015 as a result of this new technology.



From 2009-2015 revenue grew by 19%, 29%, 33.5%, 32%, 15%, 25%, and 31% respectively. To be able to sustain this type of revenue growth proves the quality of this company's security platform.
The most appealing feature of this revenue growth is that the company has been able to achieve this without incurring any debt. The company has a clean balance sheet and has not reported any form of debt since 2008. Since the same year, the company's cash balance has grown from $124 million to $891 million demonstrating its ability to sustain this growth.

Undervalued due to recent increased spending in S&M

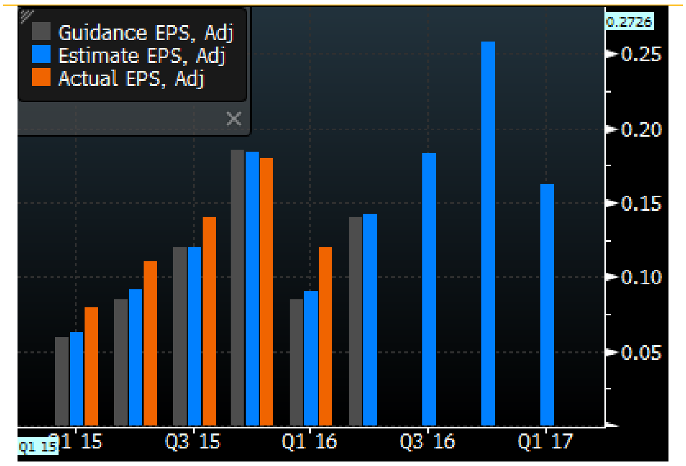
The current market conditions of the cyber-security sector offer an opportune time to buy. As mentioned, the demand for cyber-security software will only continue to increase in the upcoming months as well as many years to come. Of the 32 analysts covering this stock, the average estimates of the company's gross margin, EBITDA margin and most importantly, net income margin, are all expected to increase. The following chart shows the adjusted amounts of selling and marketing spending as a percentage of revenue for the previous six years.

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom
11) Adjusted | 12) GAAP | 13) As Reported | 14) Reconciliation | 15) SBC & Amort | 16) Adj % | 17) GAAP %

In Millions of USD except Per Share	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Revenue	252.1	324.7	433.6	533.6	615.3	770.4	1,009.3
+ Sales & Services Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
- Cost of Revenue	27.8%	26.2%	26.2%	27.6%	29.4%	30.0%	28.4%
+ Cost of Goods & Services	27.8%	26.2%	26.2%	27.6%	29.4%	30.0%	28.4%
Gross Profit	72.2%	73.8%	73.8%	72.4%	70.6%	70.0%	71.6%
+ Other Operating Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Operating Expenses	61.2%	56.7%	53.9%	54.0%	58.9%	62.0%	68.4%
+ Selling, General & Admin	45.5%	41.4%	38.6%	38.1%	42.3%	46.4%	53.7%
+ Selling & Marketing	38.2%	34.5%	33.6%	33.5%	36.6%	41.0%	46.6%
+ General & Administrative	7.3%	6.9%	5.1%	4.6%	5.8%	5.4%	7.1%
+ Research & Development	16.7%	15.3%	14.7%	15.2%	16.7%	16.0%	15.7%
+ Other Operating Expense	-0.9%	0.0%	0.6%	0.7%	-0.1%	-0.3%	-1.0%

Due to the fact that Fortinet is a smaller company compared to its competitors, the company needs to gain brand recognition. Those who are already subscribed to Fortinet recognize the value that the company offers in its security protection. But as we can see from the preceding chart, the company has increased marketing spending from 33.5% to 46.6% in order to gain further recognition. This has ultimately deteriorated bottom line profits as a percentage of revenue. However, the fortunate fact of the matter is that Fortinet has still been able to report positive earnings since the company's revenue has grown exponentially. In regards to bottom line profits, the company reported 1.4% in 2015 and analysts are forecasting 9.9% as a percentage in revenue for 2016. This is most likely due to the fact that Ken Xie, the CEO of Fortinet, stated in its Q4 2015 call transcript that the company plans to begin cutting back on the drastic spending in marketing.

Analysts have been underestimating this company's earnings for the past four out of five quarters further demonstrating their overall level of success. The chart on the following page shows the comparison of quarter by quarter earnings estimates, guidance forecasts and actual earnings.



As we can see, the company has reported earnings higher than estimates and their own guidance for the majority of the year. This graph also shows the increasing trend in the company's earnings which is expected to increase into 2017. Continued growth in revenue and earnings can certainly be expected for 2016 as well as the following years to come.

Valuation

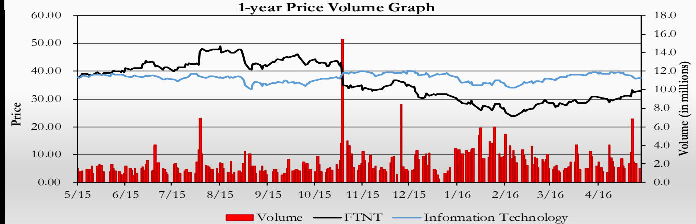
The valuation of FTNT has been computed by a pro forma using a DCF model with a primary focus on its return on invested capital (ROIC).
The company's operating costs have been forecasted to converge over a 10-year period to the industry average. Revenue growth has been forecasted to meet the average expectations of the 32 analysts covering this stock. Of the 32 analysts covering this stock, the average 1-year target is $40.04.
The pro forma computed an intrinsic value of $34.21 compared to its current market price of $32.06 with a 1-year target of $40.07.
Given the inputs, assumptions and key stats which have been attached below, this valuation suggests that an investment in Fortinet could yield a 25% return within 1 year.

Conclusion

I am recommending a buy on FTNT because of its substantial growth in revenue, the growth in demand for this sector and most importantly, the forecasted improvement in bottom line profits. The financial margins of Fortinet are expected to increase on every front now that SG&A spending will decrease. It is clear that this company is still operating in its explicit period and has promising long-term growth potential. The company will continue to increase revenue and create shareholder value battling the ever-looming threat of cyber-attacks of today's world.

Fortinet Inc. (FTNT) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Kyle Ritchie	Current Price:	$32.06	Intrinsic Value	$34.21	Target 1 year Return: 24.99%
5/5/2016	Divident Yield:	0.0%	Target Price	$40.07	Probability of Price Increase: 99.5%



Description

Fortinet, Inc. provides cyber security solutions for enterprises, service providers, and government organizations worldwide.

General Information

Sector	Information Technology
Industry	Software
Last Guidance	November 3, 2015
Next earnings date	July 22, 2016
Estimated Country Risk Premium	6.50%
Effective Tax rate	31%
Effective Operating Tax rate	36%

Market Data

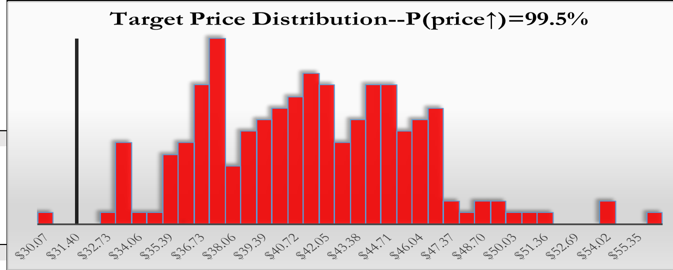
Market Capitalization	$5,502.05
Daily volume (mil)	1.50
Shares outstanding (mil)	171.62
Diluted shares outstanding (mil)	175.65
% shares held by institutions	84%
% shares held by investments Managers	66%
% shares held by hedge funds	4%
% shares held by insiders	14.65%
Short interest	3.66%
Days to cover short interest	2.74
52 week high	$50.31
52-week low	$23.16
Levered Beta	1.14
Volatility	39.86%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
3/31/2015	-1.62%	-68.95%
6/30/2015	1.86%	-65.44%
9/30/2015	-0.74%	-66.93%
12/31/2015	-0.89%	-62.25%
3/31/2016	2.73%	-86.07%
Mean	0.27%	-69.93%
Standard error	0.9%	4.2%

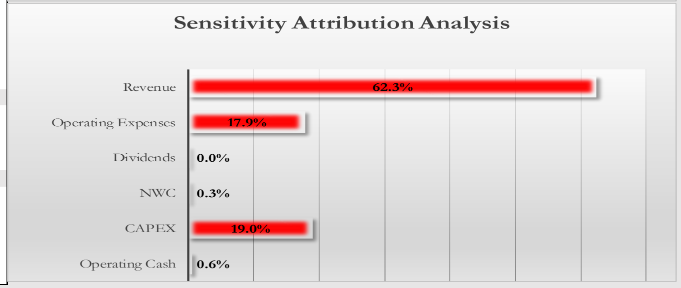
Peers

Palo Alto Networks, Inc.
FireEye, Inc.
Check Point Software Technologies Ltd.
Arista Networks, Inc.
Imperva Inc.
Symantec Corporation
Red Hat, Inc.
Barracuda Networks, Inc.

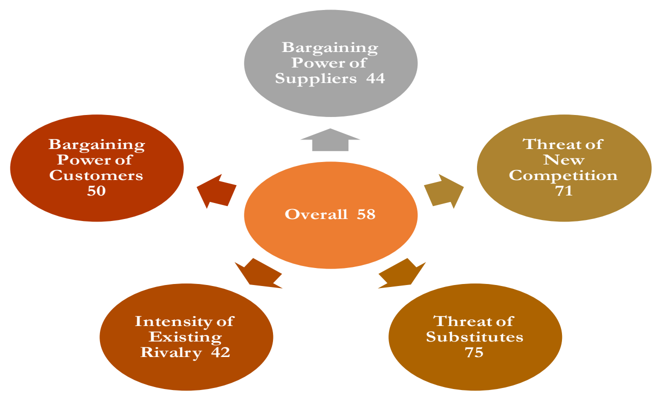


Management	Position	Total compensations growth	Total return to shareholders
Xie, Ken	Co-Founder, Chairman and Chi	37.53% per annum over 5y	6.23% per annum over 5y
Xie, Michael	Co-Founder, President, Chief	40.91% per annum over 5y	6.23% per annum over 5y
Del Matto, Andrew	Chief Financial Officer	-37.52% per annum over 1y	1.66% per annum over 1y
Whittle, John	Vice President of Corporate	33.92% per annum over 5y	6.23% per annum over 5y
Jensen, Keith	Chief Accounting Officer, Vi	N/M	N/M
Spolver, Michelle	Vice President of Corporate	N/M	N/M

Profitability	FTNT (LTM)	FTNT (5 years historical average)	Industry (LTM)
ROIC	15.3%	86.41%	12.09%
NOPAT Margin	13%	28.46%	15.2%
Revenue/Invested Capital	1.17	3.04	0.80
ROE	8.2%	21.66%	13.17%
Adjusted net margin	13%	28.35%	14.0%
Revenue/Adjusted Book Value	0.64	0.76	0.94
Invested Funds	**FTNT (LTM)**	**FTNT (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	49.0%	48.6%	47%
Estimated Operating Cash/Total Capital	18.8%	16.9%	N/A
Non-cash working Capital/Total Capital	-18.2%	-16.8%	-22%
Invested Capital/Total Capital	58.5%	48.5%	63%
Capital Structure	**FTNT (LTM)**	**FTNT (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.02	0.02	0.11
Cost of Existing Debt	2.63%	2.17%	2.95%
Estimated Cost of new Borrowing	2.82%	2.30%	2.95%
CGFS Risk Rating	A	AA	BB
Unlevered Beta (LTM)	1.13	1.13	1.18
WACC	11.38%	11.90%	11.41%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	32.7%	13.0%	1.34
3/31/2017	25.6%	25.5%	2.70
3/31/2018	23.4%	27.3%	3.03
3/31/2019	21.5%	27.2%	2.99
3/31/2020	18.6%	26.8%	2.88
3/31/2021	16.4%	26.2%	2.75
3/31/2022	13.5%	25.3%	2.56
3/31/2023	12.1%	24.7%	2.43
3/31/2024	11.7%	24.6%	2.41
3/31/2025	8.3%	23.6%	2.25
3/31/2026	6.5%	22.7%	2.09
Continuing Period	2.1%	21.0%	1.84

Period	Invested Capital	Net Claims	Price per share
Base Year	$120.15	-$599.67	$34.47
3/31/2017	$298.20	-$1,071.85	$39.89
3/31/2018	$434.19	-$1,647.45	$46.13
3/31/2019	$675.08	-$2,388.43	$53.38
3/31/2020	$920.43	-$3,135.33	$60.68
3/31/2021	$1,137.05	-$3,964.78	$68.43
3/31/2022	$1,347.37	-$4,849.05	$76.45
3/31/2023	$1,659.58	-$5,809.56	$84.72
3/31/2024	$2,024.16	-$6,851.82	$93.33
3/31/2025	$2,430.77	-$7,899.80	$101.88
3/31/2026	$2,869.09	-$8,953.31	$110.24
Continuing Period			

IPG Photonics NASDAQ: IPGP

Analyst: Mark Gruber
Sector: Consumer Discretionary

Long on IPG Photonics Corporation

Price Target:

Key Statistics as of 4/29/2016

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

Thesis Points:

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

Company Description:

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

Thesis

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

Promotions

Industry Outlook

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

Financials

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

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

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

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

Management

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

Porters Five Forces

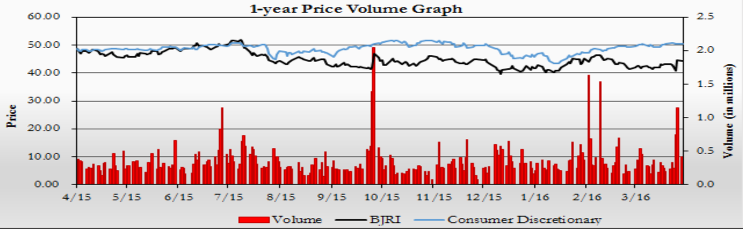
Conclusion

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

CENTER FOR GLOBAL FINANCIAL STUDIES

BJ's Restaurants, Inc. (BJRI) — **BULLISH**

Analysis by Mark Gruber	Current Price:	$44.63	Intrinsic Value	$54.78	Target 1 year Return: 35.33%
4/28/2016	Divident Yield:	0.0%	Target Price	$60.39	Probability of Price Increase: 100%



Description

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

General Information

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

Market Data

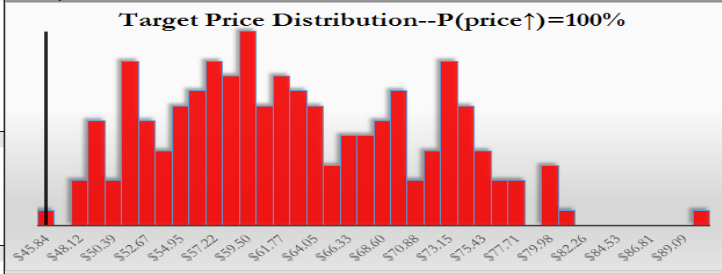
Market Capitalization	$1,073.57
Daily volume (mil)	0.07
Shares outstanding (mil)	24.13
Diluted shares outstanding (mil)	25.67
% shares held by institutions	78%
% shares held by investments Managers	67%
% shares held by hedge funds	20%
% shares held by insiders	3.97%
Short interest	5.13%
Days to cover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

Past Earning Surprises

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

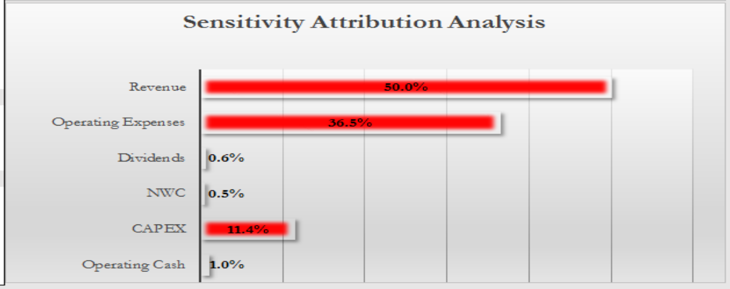
Peers

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



Management	Position	Total compensations growth	Total return to shareholders
Trojan, Gregory	Chief Executive Officer, Pre	-9.68% per annum over 4y	-6.05% per annum over 4y
Levin, Gregory	Chief Financial Officer, Pri	9.77% per annum over 5y	2.72% per annum over 5y
Ledwith, Lon	Executive Vice President of	20.06% per annum over 3y	4.27% per annum over 3y
Lynds, Gregory	Chief Development Officer an	5.13% per annum over 5y	2.72% per annum over 5y
Krakower, Brian	Chief Information Officer an	-10.97% per annum over 1y	-10.97% per annum over 1y
Miller, Kendra	Senior Vice President, Gener	N/M	0% per annum over 0y

Profitability	BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
ROIC	7.2%	8.35%	26.95%
NOPAT Margin	6%	6.67%	12.2%
Revenue/Invested Capital	1.23	1.25	2.21
ROE	9.1%	9.55%	34.37%
Adjusted net margin	5%	6.30%	9.1%
Revenue/Adjusted Book Value	1.73	1.52	3.77
Invested Funds	**BJRI (LTM)**	**BJRI (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	4.1%	4.5%	15%
Estimated Operating Cash/Total Capital	4.1%	3.8%	N/A
Non-cash working Capital/Total Capital	0.0%	-5.7%	-13%
Invested Capital/Total Capital	100.0%	99.1%	89%
Capital Structure	**BJRI (LTM)**	**BJRI (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.40	0.27	0.30
Cost of Existing Debt	2.54%	2.60%	3.79%
Estimated Cost of new Borrowing	2.87%	2.70%	3.79%
CGFS Risk Rating	A	A	B
Unlevered Beta (LTM)	0.83	0.90	0.90
WACC	7.97%	8.45%	8.93%



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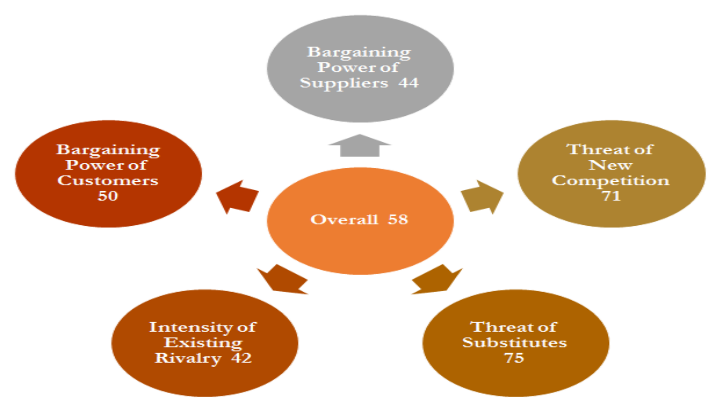

Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	8.5%	5.8%	0.90
3/29/2017	9.6%	6.0%	0.90
3/29/2018	9.9%	5.9%	0.98
3/29/2019	9.0%	6.8%	1.15
3/29/2020	8.2%	7.5%	1.25
3/29/2021	7.3%	8.3%	1.35
3/29/2022	6.4%	9.1%	1.45
3/29/2023	5.6%	9.7%	1.40
3/29/2024	4.7%	10.4%	1.49
3/29/2025	3.9%	11.1%	1.58
3/29/2026	3.0%	11.8%	1.66
Continuing Period	2.1%	12.5%	1.73

Period	Invested Capital	Net Claims	Price per share
Base Year	$554.77	$460.06	$54.61
3/29/2017	$603.70	$451.90	$59.03
3/29/2018	$664.45	$426.80	$65.75
3/29/2019	$716.84	$429.47	$72.74
3/29/2020	$762.11	$415.43	$80.04
3/29/2021	$851.57	$387.44	$87.66
3/29/2022	$867.71	$463.22	$95.75
3/29/2023	$927.41	$388.96	$104.65
3/29/2024	$1,027.79	$288.31	$113.99
3/29/2025	$1,121.66	$159.93	$123.70
3/29/2026	$1,214.41	$3.07	$133.73
Continuing Period			