

Macroeconomic Overview

During this past trading week, all major U.S. indices increased on a weekly basis before the start of 2015's first quarter earnings season. In effect, the Dow Jones Industrial Average and the NASDAQ Composite increased on a weekly basis by 1.66% and 2.23% respectively, while the S&P 500 gained 1.70% during the last week. Small cap stocks measured by the Russell 2000 index experienced relatively low returns compared to large-cap benchmarks, yielding 0.73% throughout the week. The VIX week-to-date change of -14.25% indicates that volatility levels decreased at a faster pace during the week, leading to a year-to-date change of -29.29%. The yield of the 10-year U.S. T-note increased by 4 basis points to 1.96%. In addition, the price of oil increased throughout the week by 5.09% to a price of \$54.64/bbl.

This week's market movements were primarily driven by investors' positive sentiment towards upcoming 2015 first quarter earnings reports. Main driver of large-cap benchmarks throughout the week has been the

U.S. Stocks		
Index	% Change Week-to-Date	% Change Year-to-Date
DJIA	1.66%	1.26%
S&P 500	1.70%	2.13%
NASDAQ Composite	2.23%	5.69%
Russell 2000	0.73%	5.50%
VIX	-14.25%	-29.29%

superior performance of industrial giant General Electric. A surge in GE's stock price on Friday boosted major benchmarks. Main driver for the surge was the company's announcement of planning to sell its banking assets in order to repurchase \$50 billion of their outstanding stocks. On a year-to-date basis small cap stocks have

generally outperformed large-cap stocks, primarily due to small companies' lesser exchange rate exposure created by the strong dollar in recent months. The U.S. ISM non-manufacturing sector decreased by 0.4 points in March, however still remaining at an expansionary level of 56.5. The superior performance of the sector compared to the manufacturing sector suggests headwinds for the U.S. service sector. Primarily affected by the strong dollar, export prices fell for the past seven months resulting in prices in March that are 1.8% lower compared to one year ago.

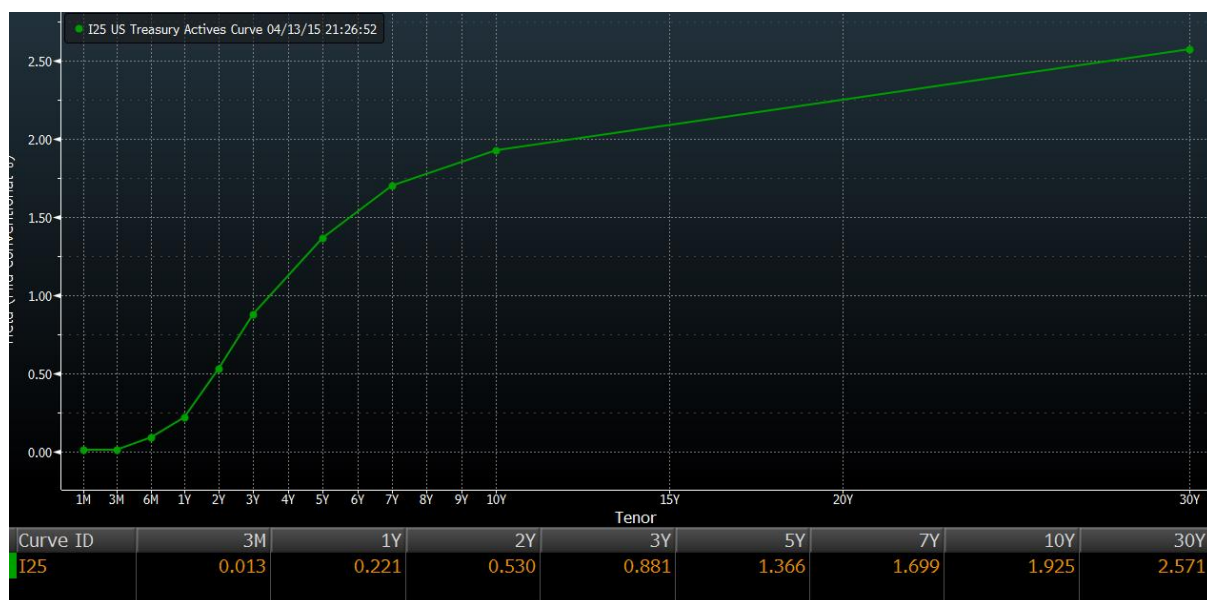
Canadian labor market data released in the past week surprised on the upside. Despite expectations of no job growth in Canada, their economy added 28,700 jobs in March. The Reserve Bank of Australia reported to leave their cash target rate unchanged despite expectations of decreasing rates in Australia. The growth in the U.K. manufacturing sector has declined in the past months to a current level near 0% growth. However, further analyzing the data indicates that the slowdown is primarily caused by a 12% decline in oil and gas production compared to 2014.

Next week, investors will be looking forward to see data from different economic reports that will have an impact on the global markets. On Tuesday 14th, the U.K. will release data about their economy's Consumer Price Index (YoY) (Mar). On the same day China will report on their economy's Gross Domestic Product (YoY & QoQ) (Q1). In addition China will release data about the country's performance regarding industrial production (YoY) (Mar). On Wednesday 15th, the European Central Bank will hold a press conference, one of the topics being the Eurozone's decision regarding interest rate changes. On the same day Australia will report on their country's employment change (Mar). On Friday 17th, the European Central Bank will report on the economy's Consumer Price Index (YoY) (Mar). On the same day, Canada will report on their country's Consumer Price Index (Mar) and the economy's performance in the retail sales sector.

Bond Report

U.S. Treasury bonds rose on Friday, but experienced the biggest weekly selloff in over a month, that being since March 6th. Investors continue to speculate and cope with the Fed's uncertainty of when to raise interest rates, as well as the low bond yields throughout developed countries. This week's gain contrasts with last week when bonds rallied after a poor job gains report, forcing yields to their lowest since February 5th. The yield on benchmark 10 year treasury notes rose .11 percentage points on the week, the most since the week ended March 6th. The yield closed at 1.85% last week and closed this past week at 1.96%. Throughout the week itself no significant factors forced bond yields or prices to fluctuate greatly, with the yield remaining relatively stable in the 1.92%-1.96% range.





What's Next & Key Earnings

On Monday, April 13th the U.S. Federal Budget Balance will be released. The Federal Budget Balance measures the difference in value between the federal government's income and expenditure during the reported month. A positive number indicates a budget surplus, a negative number indicates a deficit.
















On Tuesday, April 14th, the U.S. Retail and Core Retail Sales MoM will be released. Core Retail Sales measures the change in the total value of sales at the retail level in the U.S., excluding automobiles. It is an important indicator of consumer spending and is also considered as a pace indicator for the U.S. economy. Retail Sales measure the change in the total value of inflation-adjusted sales at the retail level. It is the foremost indicator of consumer spending, which accounts for the majority of overall economic activity.

































































On Tuesday, April 14th, the U.S. Producer Price Index will be released. The Producer Price Index (PPI) measures the change in the price of goods sold by manufacturers. It is a leading indicator of consumer price inflation, which accounts for the majority of overall inflation.

On Thursday, April 16th, the U.S. Building Permits measure will be released. Building Permits measures the change in the number of new building permits issued by the government. Building permits are a key indicator of demand in the housing market. Housing Starts measure will also be released.

On Friday, Core CPI Index measure will be released. The Core Consumer Price Index (CPI) measures the changes in the price of goods and services, excluding food and energy. The CPI

measures price change from the perspective of the consumer. It is a key way to measure changes in purchasing trends and inflation.

Company ↕	EPS	Forecast	Prev.	Imp. ↕	Market Cap ↕	Time ↕
Monday, April 13, 2015						
 Kinder Morgan (KMI)		0.24	0.26	▼▼▼	92.50B	☾
Tuesday, April 14, 2015						
 CSX (CSX)		0.45	0.49	▼▼▼	33.47B	☾
 Fastenal (FAST)		0.41	0.4	▼▼▼	11.82B	☀
 Intel (INTC)		0.41	0.74	▼▼▼	148.15B	☾
 J&J (JNJ)		1.54	1.27	▼▼▼	283.78B	☀
 JB Hunt (JBHT)		0.72	0.93	▼▼▼	10.21B	☀
 JPMorgan (JPM)		1.38	1.19	▼▼▼	229.11B	
 Linear (LLTC)		0.53	0.51	▼▼▼	11.12B	☾
 Wells Fargo&Co (WFC)		0.98	1.02	▼▼▼	279.51B	
Wednesday, April 15, 2015						
 Bank of America (BAC)		0.29	0.32	▼▼▼	165.38B	
 Delta Air Lines (DAL)		0.45	0.78	▼▼▼	35.63B	☀
 Netflix (NFLX)		0.69	0.72	▼▼▼	27.50B	☾
 PNC Financial (PNC)		1.72	1.84	▼▼▼	48.67B	☀
 SanDisk (SNDK)		0.66	1.3	▼▼▼	15.06B	☾
 US Bancorp (USB)		0.76	0.79	▼▼▼	77.99B	☀

Thursday, April 16, 2015						
 Alliance Data Sy... (ADS)	3.43	3.45	  	18.89B		
 American Express (AXP)	1.36	1.22	  	81.12B		
 BlackRock (BLK)	4.53	4.82	  	61.11B		
 Citigroup (C)	1.39	0.06	  	159.12B		
 KeyCorp (KEY)	0.26	0.28	  	11.86B		
 Mattel (MAT)	-0.09	0.52	  	8.20B		
 PPG Industries (PPG)	2.34	2.11	  	31.30B		
 People's United (PBCT)	0.2	0.22	  	4.64B		
 Philip Morris (PM)	1.02	1.03	  	120.67B		
 Sherwin-Williams (SHW)	1.44	1.37	  	27.63B		
 UnitedHealth (UNH)	1.34	1.55	  	113.49B		
 WW Grainger (GWW)	-	2.8	  	15.76B		
Friday, April 17, 2015						
 Comerica (CMA)	0.73	0.80	  	8.12B		
 General Electric (GE)	0.3	0.56	  	287.02B		
 Honeywell (HON)	1.39	1.43	  	81.73B		
 Reynolds Ameri... (RAI)	0.79	0.87	  	39.56B		
 Seagate (STX)	1.05	1.35	  	18.25B		

Accelaron Pharma, Inc.

NASDAQ:XLRN

Analyst: Pamela Juergens

Sector: Healthcare

BUY

Price Target: \$58.76

Key Statistics as of 4/8/2015

Market Price:	\$35.16
Industry:	Biotechnology
Market Cap:	\$1.15 B
52-Week Range:	\$23.61-48.50
Beta:	N/A

Thesis Points:

- robust pipeline, diversified across different clinical needs
- poised for significant value creation in 2015
- lucrative partnership with pharmaceutical giant

Company Description:

Accelaron Pharma, Inc. is a clinical stage biopharmaceutical company that focuses on the discovery, development, and commercialization of protein therapeutics for cancer and rare diseases. The company is a leader in discovering and developing protein therapeutics that regulate cellular growth and repair. Accelaron looks to unlock the body's ability to regulate the growth and repair of various cells and tissues including red blood cells, muscle, bone and the vasculature. The company is developing luspatercept and sotatercept therapeutic candidates to treat anemia and associated complications in patients with β -thalassemia and myelodysplastic syndromes. Accelaron is also developing dalantercept therapeutic candidate to treat renal cell carcinoma and hepatocellular carcinoma and ACE-083 used to promote muscle growth and function in specific treated muscle groups.



Thesis

Acceleron has a highly productive discovery and development platform that is creating a deep and robust pipeline. Their pipeline is widely diversified across many different diseases, many of which have a large unmet need for treatment. They are poised for significant value creation in 2015, as they have many upcoming catalysts as their products move into different stages of development, which will drive their stock price. They also have a potentially lucrative partnership with pharmaceutical giant Celgene, that provides them with opportunities in the future.

Robust Product Pipeline Poised for Value Creation in 2015

Acceleron has a pipeline of biologic therapies, and have four internally developed programs in clinical trials.

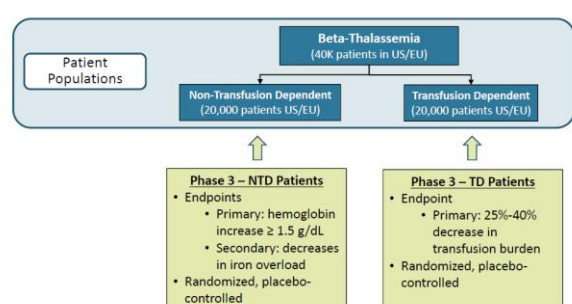
Hematology Franchise: Acceleron's lead product candidates include Luspatercept and Sotatercept. Luspatercept (ACE-536) is an investigational protein therapeutic that increases red blood cell levels by targeting molecules in the TGF- β superfamily. Acceleron is developing Luspatercept and Sotatercept in partnership with Celgene to treat anemia in patients with rare blood disorders including β -Thalassemia and myelodysplastic syndromes. They are also developing sotatercept in indications where its effects could be beneficial in addition to treating anemia, including chronic kidney disease and multiple myeloma.

Myelodysplastic syndromes (MDS) are hematological medical conditions with ineffective production of all blood cells. Patients with MDS can develop severe anemia and require blood transfusions. In some cases the disease worsens and the patient develops low blood counts cause by progressive bone marrow failure. MDS are all disorders of the hematopoietic stem cells in the bone marrow. In MDS hematopoiesis (blood production) is disorderly and ineffective. There are approximately 125,000 MDS

patients in the United States and Europe. 70,000 of these patients are considered low risk, and 55,000 are considered high risk. There are currently three treatments on the market, including Revlimid, Vidaza, and Dacogen which are used in addition to red blood cell transfusions. The therapeutic goal of lustracept is to increase hemoglobin levels in patients and allow them to achieve transfusion independence. In December 2014, Acceleron announced positive results from phase 2 trials of luspatercept. Preliminary results demonstrated increases in hemoglobin levels, decreases in the transfusion burden and established transfusion independence in low risk patients. They were also able to identify potential biomarkers to select patients that are most likely to respond to the treatment. This clinical trial was designed as a two-stage study. The first stage was a dose escalation design; and the second stage, the expansion stage, allows for each patient's dose of luspatercept to be titrated to maximize the potential clinical benefit for that patient. In 2015, there are several things expected to happen with the program that will serve as catalysts for the stock price. First they expect to complete the expansion phase of the clinical trial in order to determine the proper dosing for patients. Positive results from the final stage of the phase 2 trial will enable them to continue to rapidly advance their MDS program in partnership with Celgene, including initiated Phase 3 clinical trial in MDS. Under the terms of their agreement with Celgene, Acceleron is responsible for conducting the Phase 1 and initial Phase 2 trials and Celgene will conduct the subsequent Phase 2 and Phase 3 clinical studies. Additionally, Acceleron is responsible for manufacturing luspatercept for the Phase 1 and Phase 2 clinical trials and Celgene is responsible for the manufacture of Phase 3 and commercial supplies. Acceleron is eligible to receive up \$217 million in development, regulatory and commercial milestones, as well as tiered double-digit royalties on worldwide net sales.

Beta- Thalassemias (β -Thalassemia) are a group of inherited blood disorders caused by reduced or absent synthesis of the beta chains of hemoglobin that result in variable outcomes ranging from severe and asymptomatic individuals. β -Thalassemia is caused by mutations in the HBB gene on chromosome 11. The

severity of the disease depends on the nature of the mutation. Approximately 40,000 patients are affected by β -Thalassemia in the US and Europe. About half are non-transfusion dependent and half are transfusion dependent. For non-transfusion dependent patients there is currently no effective therapy, and iron chelation is used to manage iron overload. Transfusion dependent patients receive red blood cell transfusions and iron chelation is used to manage iron overload. The therapeutic goal of luspatercept and sotatercept in the treatment of β -Thalassemia is to increase hemoglobin levels, reduce the transfusion burden, reduce iron overload, and improve disease complications. In December, Acceleron and Celgene reported positive results from ongoing Phase 2 trials of luspatercept and sotatercept for the treatment of β -Thalassemia. Activity in both non-transfusion and transfusion dependent patients that met and exceeded endpoints expected to be used in Phase 3 trials. These results indicate that the program has the potential to be disease modifying across a broad spectrum of β -Thalassemia patients, from those that are very heavily transfused to those or receive few or no transfusion and have no other treatment options to manage their disease. In 2015, Acceleron expects to determine the proper dosing in Q1 and Q2, complete Phase 2 in Q2 and Q3, and initiate Phase 3 trials in Q4 which when initiated should drive their stock price.



Sotatercept for Chronic Kidney Disease: Chronic Kidney disease is the third indication in Acceleron's clinical trials with Celgene. This indication is for End Stage Renal Disease (ESRD) patients on hemodialysis. There are approximately 700,000 ESRD patients in the US and Europe. During the course of 2014, Celgene generated data that indicated that sotatercept could positively affect several important clinical complications for ESRD patients including

anemia, mineral abnormalities, bone loss, and vascular calcification. The treatment options for anemia and mineral abnormalities are limited; erythropoiesis-stimulating agents (ESAs) and iron, and phosphate binders and calcimimetics respectively. There are currently no effective therapies for bone loss and vascular calcification. Preliminary Phase 2 results demonstrated increases in cortical bone mineral density, reductions in vascular calcification and increases in hemoglobin levels. This is a large opportunity for Acceleron because there is currently a large unmet need for this treatment. Upcoming catalysts in 2015 include completion of the ongoing Phase 2a, completing the dose finding stage of the ongoing Phase 2b study and initiating the randomized, controlled stage of Phase 2b study.

Muscle Franchise: Acceleron is investigating ACE-083 for muscle loss. ACE-083 is an investigational protein therapeutic that has been designed for local administration to increase muscle mass and strength in specific muscle groups. Acceleron is developing ACE-083 for diseases in which improved muscle strength may provide a clinical benefit, such as inclusion body myositis and certain forms of muscular dystrophy. There are currently 11,000 Inclusion Body Myositis patients in the US and 16,000 Muscular Dystrophy patients in the US. ACE-083 is formulated to block select proteins in the TGF- β superfamily that function to modulate muscle growth, and in doing so can increase muscle mass and strength. The rare diseases Acceleron is looking to target with this treatment are unique because only a limited number of muscles are impacted and suffer a loss in size and function. In preclinical animal studies ACE-083 has shown selective and dose dependent increases in muscle mass in treated muscles with no effects in untreated muscles. The upcoming catalysts in 2015 include the completion of a Phase 1 study in Q2, and the initiation of a Phase 2 study in end of Q3 or Q4.

Dalantercept: Dalantercept (ACE-041) is a program wholly-owned by Acceleron, for the treatment of Renal Cell Carcinoma (RCC) and Hepatocellular Carcinoma (HCC), which have 65,000 new patients per year in the US, and 31,000 new patients per year in the US respectively. Dalantercept is an investigational protein therapeutic that inhibits angiogenesis by

preventing proteins in the TGF- β from interacting with activin receptor like kinase 1 (ALK1), a cell surface receptor on proliferating endothelial cells. Acceleron recently reported new preliminary data from the DART study, an ongoing clinical Phase 2 trial. In the DART trial, dalantercept is being evaluated in combination with axitinib, an approved VEGFR tyrosine kinase inhibitor in patients with advanced RCC, who have progressed on one or more VEGFR tyrosine kinase inhibitor and no more than three prior treatments. This means all of the patients were second to fourth line patients who had failed on at least one prior VEGF therapy. In the DART study the combination of dalantercept and axitinib generated an objective response rate of 25%, and the preliminary mean progression-free survival is 8.3 months. Based on the positive data for this trial they are now enrolling patients in the randomized, placebo-controlled stage of Phase 2. This program is a large opportunity for Acceleron because there is a large need for the treatment worldwide. Worldwide sales of anti-VEGFs in RCC were \$2.6 billion in 2013, and worldwide sales of anti-VEGFs in HCC were \$766 million in 2013. Upcoming catalysts for 2015 include dose escalation data and initiation of the randomized, placebo-controlled stage of Phase 2.

Partnership with Celgene

In February 2008, Acceleron entered into a worldwide strategic collaboration with pharmaceutical giant Celgene for the joint development and commercialization of sotatercept, and in August 2011 they expanded the collaboration to include ACE-536. In total Acceleron received \$75 million in upfront payments and they are eligible to receive up to \$367 million in milestone payments for the sotatercept program and up to \$200 million in milestone payments for the ACE-536 program, as well as royalties. Further, in April 2014 Celgene paid \$47 million to venture capitalists to increase their stake in Acceleron to almost 15% ownership. In the deal Celgene paid close to triple the \$15 per share price. Celgene currently has seven approved drugs on the market, but still relies mainly on one cancer drug. They need to build up their pipeline beyond 2020, in order to continue to compete with pharmaceutical giants such as Merck, and

Pfizer. Celgene currently has 37 active alliances, and in 2014 they ranked among the most generous among large biotechs with an average upfront payment of \$222 million compared to the industry average of \$70 million. This demonstrates their willingness to pay to expand their pipeline. Acceleron presents an interesting opportunity for Celgene. They have more pipeline assets in various stages of development that could help add to Celgene's pipeline, which would translate to more milestone and upfront payments for Acceleron. With \$189 million cash and cash equivalents on their balance sheet, expected to provide the company funding into the second half of 2017, they make an attractive acquisition candidate especially for a company that could potentially owe them more than \$500 million in milestone payments and already owns about 15% of them. Celgene is valued at \$97 billion and they have cash and cash equivalents of \$7.5 billion, and they could easily acquire the rest of Acceleron well above their market price.

CENTER FOR GLOBAL FINANCIAL STUDIES

Acceleron Pharma, Inc.		XLRN	Analyst Pamela Iuergens	Current Price \$35.02	Intrinsic Value \$49.60	Target Value \$58.76	Divident Yield 0%	Target Return 1-y Return: 67.78%	BULLISH
General Info			Peers	Market Cap.	Management				
Sector	Healthcare		PDL BioPharma, Inc.	\$1,126.24	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Biotechnology		Adillion Pharmaceuticals, Inc.	\$1,207.72	Knopf, John	Founder, Chief Executive Officer	\$ 1,955,300.00	\$ 2,633,884.00	\$ -
Last Guidance	(Invalid Identifier)		Array BioPharma, Inc.	\$1,060.30	Maniatis, Thomas	Co-Founder, Chairman of Scient	\$ 20,000.00	\$ 333,441.00	\$ -
Next earnings date	NM		Sangamo Biosciences Inc.	\$1,067.98	Quisel, John	Senior Vice President and Gener	\$ 561,415.00	\$ 910,219.00	\$ -
Market Data			Merrimack Pharmaceuticals, Inc.	\$1,323.43	Sherman, Matthew	Chief Medical Officer and Execut	\$ 598,101.00	\$ 999,216.00	\$ -
Enterprise value	\$938.01		Acorda Therapeutics, Inc.	\$1,447.98	Ptashne, Mark	Co-Founder and Member of Soc	\$ -	\$ -	\$ -
Market Capitalization	\$224,790.42				McLaughlin, Kevin	Chief Financial Officer, Principal	\$ -	\$ -	\$ -
Daily volume	7.72		10y-Median Performance						
Shares outstanding	32.64		Current Capital Structure		XLRN	Peers	Industry	All U.S. firms	
Diluted shares outstanding	31.52		Total debt/market cap	0.00%	Growth	0.0%	17.5%	13.8%	7.4%
% shares held by institutions	77.53%		Cost of Borrowing	#DIV/0!	ROIC	-5.9%	9.1%	1.1%	14.3%
% shares held by insiders	1.02%		Interest Coverage	2051.06%	NOPLAT Margin	30.4%	17.2%	7.3%	10.4%
Short interest	6.50%		Altman Z	20.51	REV./Invested Capital	-19.5%	53.0%	15.0%	137.4%
Days to cover short interest	8.97		Debt Rating	D	Excess Cash/Rev.	N/A	113.2%	13.5%	12.9%
52 week high	\$48.50		Levered Beta	1.06	Total Cash /Rev.	1206.0%	141.9%	12.3%	15.2%
52-week low	\$23.61		WACC (based on market value weights)	8.95%	Unlevered Beta		1.06	1.09	0.95
5y Beta	0.00				TEV/REV	45.3x	5.4x	6.2x	2.5x
6-month volatility	60.30%				TEV/EBITA	0.0x	30.2x	17.4x	13.1x
Past Earning Surprises					PE	54.3x	31.3x	23.5x	
Last Quarter	-65.2%		EBITDA	Norm. EPS	P/BV	1.5x	5.2x	2.3x	2.2x
Last Quarter-1	-35.7%				Non-GAAP Adjustments in estimates computations				
Last Quarter -2	49.5%				Operating Leases Capitalization	100%	Straightline	10 years	
Last Quarter -3	0.0%				R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter -4	-15.7%				Expl./Drilling Exp. Capitalization	0%	N/A	N/A	
					SG&A Capitalization	0%	N/A	N/A	
Proforma Assumptions			\$	-	Rev. Growth	Adj. Op. Cost/Rev	Forecast		
Money market rate as of today	0.59%		LTM	-74.4%	404.6%	\$261.00	-84%	-4.7%	8.9%
Annual increase (decrease) in interest rates	0.1%		NTM	130.2%	400.0%	\$430.67	-146%	-18.8%	9.0%
Yield Spread acceleration	1.2		NTM+1	21.8%	225.0%	\$695.26	42%	4.0%	9.1%
Marginal Tax Rate	37.5%		NTM+2	35.0%	137.5%	\$1,154.19	119%	9.5%	9.2%
Risk-Free rate	2.5%		NTM+3	197.9%	93.8%	\$1,882.58	89%	12.8%	9.1%
Tobin's Q	1.00		NTM+4	210.6%	71.9%	\$2,942.80	69%	18.8%	9.1%
Op. Cash/Rev.	2%		NTM+5	80.4%	60.9%	\$4,136.74	68%	21.5%	9.2%
Growth in PPE	NPPE Growth follows Revenue Growth		NTM+6	72.4%	55.5%	\$5,584.79	66%	25.5%	9.3%
Long term Growth	8.0%		NTM+7	30.9%	52.7%	\$6,794.48	66%	24.8%	9.4%
Long term EBITDA Margin	50.0%		NTM+8	27.4%	51.4%	\$7,983.80	66%	25.7%	9.5%
Long term NOPLAT Margin	20.0%								
Long term ROIC	20.0%								
Most recent Unlevered Beta									
Long term Unlevered Beta	1.02								
Valuation									
Invested Capital x (ROIC-WACC)		Enterprise Value (UFCF Valuation only)		Total Debt	Other claims	Equity Value	UDCF Valuation	Relative Valuation	Weighted Price Per Share
LTM	-\$35.59		\$2,081.03	\$0.00	-\$72.34	\$2,153.37	\$68.90	-\$4.49	\$50.56
NTM	-\$119.92		\$2,463.38	\$0.00	-\$47.25	\$2,510.62	\$83.67	-\$12.97	\$59.51
NTM+1	-\$35.48		\$3,272.59	\$0.00	-\$33.96	\$3,306.55	\$111.60	-\$6.66	\$82.03
NTM+2	\$3.37		\$4,564.47	\$0.00	-\$7.93	\$4,572.40	\$156.29	-\$5.43	\$115.86
NTM+3	\$70.02		\$6,718.41	\$0.00	\$153.42	\$6,564.98	\$226.82	-\$20.78	\$164.92
NTM+4	\$286.09		\$10,312.28	\$0.00	\$588.44	\$9,723.84	\$342.67	-\$77.68	\$237.58
NTM+5	\$510.41		\$16,041.36	\$0.00	\$915.60	\$15,125.76	\$543.01	-\$137.48	\$372.89
NTM+6	\$903.15		\$26,491.58	\$0.00	\$1,479.09	\$25,012.49	\$929.92	-\$240.72	\$637.26
NTM+7	\$1,042.43		\$46,932.51	\$0.00	\$1,602.01	\$45,330.50	\$1,768.02	-\$305.60	\$1,249.62
NTM+8	\$81,895.58		\$94,064.19	\$0.00	\$1,645.39	\$92,418.81	\$2,831.11	-\$382.12	\$2,027.80
Monte Carlo Simulation Assumptions									
Base		Stddev	Min	Max	Distribution	Monte Carlo Simulation Results			
Revenue Variation	0	10%	N/A	N/A	Normal	Intrinsic Value		1y-Target	
Op. Costs Variation	0	10%	N/A	N/A	Normal	Mean est.	\$50.56	\$59.51	
Country Risk Premium	6%	N/A	5%	7%	Triangular	σ(e)	\$0.32	\$0.25	
Long term Growth	8%	N/A	3%	17%	Triangular	3 σ(e) adjusted price	\$49.60	\$58.76	
						Current Price	\$35.02		
						Analysts' median est.		\$57.17	

Alliance Fiber Optic Products, Inc.

NASDAQ: AFOP

Analyst: Kevin Akbaraly

Sector: Technology

BUY

Price Target: \$23

Key Statistics as of 4/7/2015

Market Price:	\$17.40
Industry:	Communications Equipment
Market Cap:	\$309.7M
52-Week Range:	\$10.75 - \$22.60
Beta:	1.33

Thesis Points:

- The market is currently underestimating the growth prospect surrounding the fiber optics industry
- AFOP is well positioned to become a target company at a time of industry consolidation
- The company is currently undervalued compared to its peers

Company Description:

Alliance Fiber Optic Products, Inc. designs, manufactures, and markets various fiber optic components and integrated modules for communications equipment manufacturers and service providers in North America, Europe, and Asia. It provides connectivity products, including connectivity modules; optical connectors, adapters, and cable assemblies; fused and planar fiber optical splitters and couplers; optical tap couplers and ultra-low polarization dependent loss tap couplers; amplifier wave division multiplexers (WDM) couplers; optical fixed attenuators; fused fiber WDM couplers; and fiber array units. The company also offers optical passive products comprising filter WDMs, filter WDMs, dense wave division multiplexers (DWDMs), coarse wavelength division multiplexers, compact coarse wavelength division multiplexers, add/drop DWDM filters, optical isolators, optical bypass switches, and automatic variable optical attenuators. Alliance Fiber Optic Products, Inc. was founded in 1995 and is headquartered in Sunnyvale, California.



Thesis

Alliance Fiber Optic Products Inc. is a leading and innovative company within the fiber optics sub-industry. The firm has recently enjoyed high revenue growths and margins improvement over the past few years. The market is however underestimating the growth prospect surrounding the industry because of past concerns. Also M&A activities have increased over the past five years, and AFOP is well positioned to become a potential target company for future industry consolidation. Finally, the company is currently undervalued compared to its peers and investors can take advantage of current market price to enter into a long position. Therefore, a BUY is recommended on AFOP with a target price of \$23, representing an upside potential of 33% based on current market price.

Underestimation of Growth Potential by the Market

AFOP manufactures and markets a broad range of high-performance fiber optic components, and integrated modules incorporating these components, for leading and emerging communications equipment manufacturers and service providers. The company focuses specifically on components that are used by Original Equipment Manufacturers (OEM) in the implementation of optical fibers around the world. Before the creation of the Internet, the data transferred on long distances were voice traffic for the most part but since the tech-bubble that arrived in the 1990s, the amount of data that needed to be transferred has constantly increased over time. Nowadays, people use smartphones, computers and other devices on a daily basis that provide users an increasing number of information instantly. Additionally, the apparition of "Cloud" services is also shaping the technology industry as people are now able to stock more and more data "online" rather than on physical devices such as internal hard-drives. The new way that people interact with their web-based applications and programs is referred to as Web 2.0 and is considered to be a driver for the future of the Internet. This trend shows that the tech industry is looking for a more and more connected community facilitating people and businesses' lives and efficiency. These data need to be transferred through a more and more complex network that use different components and devices that are

generally not visible by the public but necessary for the transfer of information. Fiber optic and other new devices allow companies and individual users to transfer large amounts of electronic data in a very fast way, and the architecture of such a network is made of three different segments. First, "long-haul" networks allow the connection between cities around the world over very long distances. The amount of data treated in this process is phenomenal and in order to solve congestion problems, service providers have invested heavily in new resources using optical infrastructures over the past years. Currently, related companies are developing new technologies allowing the transport of data at a speed up to 400 GBps compared to the 50, 100 and 200 GBps devices used previously and Infinira recently declared to be working on project along with Facebook with a capacity of 8 Terra per second. Secondly, "Metropolitan" networks connect "long-haul" networks to "last-mile" access networks, which represent the end user community. Due to the increase in data traffic and demand for enhanced services, service providers have also heavily invested in optical infrastructures in order to reduce capacity constraints and increase access efficiency. Thirdly, "last-mile" access networks connect "metropolitan" networks to commercial and individual end users via their respective service providers. Traditional access providers use existing copper wire-based infrastructures that are very slow compared to high-speed networks provided through optical technology. Following the demand for increased speed and network reliance, service providers have begun to deploy fiber technologies in order to provide high bandwidth connectivity to end users as well. Finally, "Enterprise" networks represent local networks serving the business community connecting office buildings but also the increasing need of efficient datacenters.

Prior to 2004, different companies have started to build-up their inventories in anticipation of high growth in the deployment of optical infrastructures. However, by 2004, these companies have realized that this expected growth turned to be over estimated at this time, which led to an overcapacity in terms of available components. Indeed, service providers have been challenged due to high costs needed for the deployment of this network at a time of increased competition and price war to gain market share. As a result, this failure has raised skepticism among industry players and investors who are now more cautious regarding optical infrastructures. On the other hand, when looking at investments made over the last

decade we can see that as of today, 42.5% of commercial and individual buildings are now connected through optical infrastructures versus 10.9% only in 2004 in the U.S, representing a compounded annual growth rate of 15% over the period. A similar trend is also presented in Europe, and an even higher growth in Asia. During Q4 2014 only, investments made have increased by 27% around Asia, the fastest growth since 2000. Service providers are now focusing more and more on the quality of services provided compared to the early 2000, and can enjoy lower costs related to the deployment of their new networks. Investments in servers, networks and infrastructures related to Web 2.0 deployment is expected to top \$50 billion in 2015 compared to \$38 billion in 2014 and \$30 billion in 2013, representing a 31.6% and 26.7% YoY growth respectively. A recent study estimates that the market of components used for optical infrastructures will reach \$3.3 billion by 2020 compared to \$1 billion in 2015, representing a CAGR of 27% over the next five years. Due to the early anticipation that happened prior to 2004, the market is therefore underestimating the growth prospect of the optical component market because of raised concerns that occurred in the past. However, the trend is showing an acceleration over the last decade, which is estimated to continue in the future.

Fiber optic components are divided into two different categories that are called active and passive. Active components use power and electrical signals to create, modulate and amplify optical signals. Passive components connect, guide, mix, filter, route, adjust and stabilize optical signals transmitted via active components. Alliance Fiber Optic Products focuses solely on passive and connectivity products that are used for the proper utilization of active components. The company's expertise allows AFOP to provide a broad range of products that help service providers improve the treatment and efficiency of data transmissions even further. Through the researches made by AFOP's 76 engineers based in the United States, Taiwan and China, the company engages in the development of new products in respect with future technologies and market trends in order to offer its customers the highest-quality products that are available on the market. As of December 31, 2014, the company had 69 issued patents and 18 pending ones within the U.S. as well as 13 foreign patents expiring between December 2015 and December 2031. AFOP has integrated the manufacturing process of its technology, allowing it to protect its "know-how" from competitors even when intellectual property rights

do not protect related products. The manufacturer is therefore a step ahead as it focuses on tomorrow's technology, which can be highly valued by its customers in the future and therefore help the company be in line or exceed expected growth in coming years.

Focus on Customer Portfolio

As of December 31, 2014, Alliance Fiber Optic Products had more than 200 customers around the globe. The company's portfolio of customer is broad and accounts different types of categories. AFOP serves large tech companies dealing with their networks deployment by themselves such as Google, but also OEMs that use AFOP's products in the manufacturing process of their own products. Thanks to its broad range of products and specialization, the company could potentially deal with any third-party involved in optical infrastructures. However, the company stated in its 2014 annual report that only one customers accounted for 39.6% and 35.3% of company's revenues in 2014 and 2013 respectively and that the top 10 customers represented 70% of company's revenues in 2014. This factor increases risks associated with the dependence on a single customer, which in turn could lead to lower revenues if the client reduces or cuts its investments in the future. AFOP does not provide the name of its customers but rumors and management discussions have confirmed that Google might be this client. Google is one of the big players among service providers wanting to offer online services using fiber optics to end-users. Google has also recently spent \$600 million in the development of its new datacenter in Oregon that is twice the size of its data center located within the Columbia River George community, and is currently considering its expansion into Atlanta and Taiwan. This trend is being followed by other tech giants that are increasing their spending into new networks and datacenters around the world. Facebook has recently granted a contract to Infinera for the development of its new long-haul network in Europe, which consists of a 4,000 km network. Apple has announced a \$2 billion investment into green datacenters located in Ireland and Denmark, Amazon has stated its intention to replace its enterprise datacenter and Microsoft is currently working on a \$750 million project in Wyoming. As stated by the CEO in AFOP's last company's presentation, the company does not need to deal directly with these tech companies to get involved in these projects. Indeed, as the component manufacturer receives 70% of its revenues from

connectivity devices, it can potentially get involved by providing its products to OEMs in charge of related projects. The sub-industry is still considered fragmented, and it is common for different competitors to use others' components to provide finished devices. As a result, AFOP is currently focusing on increasing its number of clients in order to reduce risks associated with customer dependency, and the current macro trend should help AFOP diversify its portfolio in coming years.

Industry Consolidation

AFOP has constantly integrated its manufacturing process in an efficient way through its operations in the U.S., Europe and Asia, allowing the company to enjoy higher operating margins relative to its peers. However, the Communication Equipment sub-industry in which the company operates is still considered highly fragmented due to the fast changing technologies that are developed by key players. As it has been stated above, competitors are often specializing into specific components, which lead competitors to be direct customers of one another at the same time. Recently, the sub-industry has seen important M&A activities that have led to strategic moves in a more and more competitive environment. Molex Inc. has acquired an equipment division from Motorola, but also Luxtera Inc. and Westec srl over the past five years. Molex has then been acquired by Koch Industries Inc. in 2013 allowing the company to gain in economy of scale and expand vertically its operations. Also, CommScope Holding Co. has acquired TE Connectivity Ltd in January 2015. AFOP's management team has continuously stated that they would be willing to acquire potential targets that would increase their competitive advantage in the future by using company's current high liquidity. M&A activities are expected to be an important driver in coming years, and could see an acceleration following the current macroeconomic environment. AFOP enjoys high margins relative to its peers by focusing only on passive components, and has been awarded by Forbes as one of the Best-Small Company three years in a row, and most recently as the Most Trustworthy Company. The CEO stated that AFOP does not see any major threat following past mergers and acquisitions made by its peers thanks to the company's product portfolio, but the integration of AFOP into a major peer's operation could lead to important competitive advantages for the

acquirer. As a result, AFOP is well positioned to become a potential target for either direct competitors or even giant tech companies such as Google. Therefore, any potential bid could help the company's stock price to rise.

Undervalued Relative to Peers

Alliance Fiber Optic Products had a gross margin of 39.8% in 2014 compared to an average of 39% for its peers, an increase from 38.3% in 2013 and 34.3% in 2012. EBITDA margin was 28.4% in 2014 compared to an average of 9.5% for peers, an increase from 25.3% in 2013 and 15.7% in 2012. These results show that AFOP has been very efficient at increasing its margins over the past years while competitors have struggled to maintain their own. The company has also enjoyed higher growth in revenues compared to competitors over the last year with 13.0% versus 1.9%. ROE equals 20.4% for AFOP compared to 2.7% for peers, and ROA is 16.6% versus 2.5%.

AFOP is currently trading at 14.9 times its earnings compared to 37.1x for competitors while forward P/E is 15.4x compared to 24.5x. Trailing EV/EBITDA is only 10.4x compared to 20.4x for peers while forward EV/EBITDA is 9.7x compared to 12.8x. Finally, P/FCF is currently at 16.9x while competitors are traded at 41.8x. These results show that AFOP is currently trading at a discount compared to its competitors, even though the company has enjoyed higher margins and revenue growth over the last years. On April 2, 2015, the CEO and Sales and Marketing Executive have increased their ownership in the company with a total of 302,000 shares. This is the first insider transaction since May 2014 and could potentially give a positive signal to investors. A valuation of AFOP has been made using a proforma that is presented on the last page on this report, resulting in a 1-year target price of \$23. As a result, I believe that investors could benefit from current market price to enter into a long position with a target price representing an upside potential of 33% based on current price.

Management

Peter Chang is the founder, CEO, Chairman, and President of Alliance Fiber Optic Products. Mr Chang has now more than 15 years of experience in the fiber optics industry with 40 patents to his name. Prior to AFOP, Mr. Chang spent five years at Hon Hai Foxconn Group in Taiwan as a Division manager, where he established and managed the company's fiber optics division. He was also engineer at Allied Signal and a Member of the Technology Staff at Lucent Bell Labs. Mr. Chang has a BS degree in mechanical engineering from National Taiwan University and a M.A. in Mechanical Engineering from the University of Notre Dame.

Anita K. Ho has been an Acting Chief Financial Officer at Alliance Fiber Optic Products Inc. since July 2002 and serves as its Principal Accounting Officer. Ms. Ho served as a Corporate Controller of Alliance Fiber Optic Products Inc. from October 2000 to July 2007. She served as a Finance Manager at 3Com Corporation from 1998 to 2000. Ms. Ho was a member of the Finance Staff at 3Com Corporation from 1995 to 1998. She holds a BS. in Accounting from Soochow University in Taipei, Taiwan.

David Hubbard is currently the Executive President of Sales and Marketing. Mr. Hubbard is considered as a seasoned veteran of the fiber industry. He joined AFOP in 1996 from Tracor and AEL Industries, where he served as Director of Marketing and Business Development. Prior to that, he spent nearly 10 years at AMP Inc. (now owned by Tyco International) directing the business office for the LYTEL fiber transceiver division. Mr. Hubbard earned his BS degree in physics from State University of New York and holds an MS degree in physics from the University of Connecticut.

Conclusion

Alliance Fiber Optic Products has enjoyed high revenue growth and increased margins over the past years. The macroeconomic trend is showing that key players have started to increase their spending into new infrastructure and networks, which in turn will drive the growth of the fiber optics sub-industry. The market is currently underestimating the growth potential surrounding components manufacturer within this sub-industry,

giving investors an interesting opportunity at current level. The company is also focusing on its customers' portfolio, which in turn could decrease risks associated with single clients dependency. The fiber optic sub-industry has recently seen increasing M&A activities due to a fragmented environment. AFOP is well positioned to become a potential target during this consolidation process, which in turn could help the company's stock price to rise. Finally, AFOP is currently traded at a discount compared to its competitors even though the company has been showing higher revenue growths and margins over the last years. As a result, a BUY is recommended on AFOP with a target price of \$23 representing an upside potential of 33% based on current market price.

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Alliance Fiber Optic Products Inc.		AFOP	Analyst Kevin Akbaraly	Current Price \$17.40	Intrinsic Value \$21.16	Target Value \$23.02	Divident Yield 1%	Target Return 1-yr Return: 33.07%	BULLISH			
General Info			Peers	Market Cap.	Management							
Sector	Information Technology				Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014			
Industry	Communications Equipment				Chang, Peter	Chairman, Chief Executive Officer	\$	391,690.00	\$	1,662,228.00	\$	-
Last Guidance	Feb-04-2015				Ho, Anita	Acting Chief Financial Officer and	\$	154,505.00	\$	211,279.00	\$	-
Next earnings date	4/22/2015				Hubbard, David	Executive Vice President of Sales	\$	223,890.00	\$	847,018.00	\$	-
					Li, Yao	0	\$	-	\$	-	\$	-
Market Data			Current Capital Structure		10y-Median Performance							
Enterprise value	\$255.45					AFOP	Peers	Industry	All U.S. firms			
Market Capitalization	\$310.05					Growth	16.0%	9.8%	7.4%			
Daily volume	0.31					ROIC	20.2%	13.5%	14.3%			
Shares outstanding	17.82					NOPLAT Margin	15.0%	10.8%	10.4%			
Diluted shares outstanding	18.94					REV./Invested Capital	134.7%	124.6%	137.4%			
% shares held by institutions	37.54%		Total debt/market cap	0.00%	Excess Cash/Rev.	94.2%	13.5%	12.9%	12.9%			
% shares held by insiders	7.10%		Cost of Borrowing	-	Total Cash /Rev.	94.2%	12.3%	15.2%	15.2%			
Short interest	5.44%		Interest Coverage	1076.60%	Unlevered Beta	1.48	1.25	0.95	0.95			
Days to cover short interest	5.55		Altman Z	10.77	TEV/REV	1.4x	2.2x	2.5x	2.5x			
52 week high	\$22.60		Debt Rating	AAA	TEV/EBITA	8.0x	11.9x	13.1x	13.1x			
52-week low	\$10.75		Levered Beta	1.27	PE	15.2x	27.2x	23.5x	23.5x			
5y Beta	1.46		WACC (based on market value weights)	8.98%	P/BV	1.4x	1.7x	2.2x	2.2x			
6-month volatility	44.06%				Non-GAAP Adjustments in estimates computations							
Past Earning Surprises			Revenue	EBITDA	Norm. EPS	Operating Leases Capitalization	100%	Straightline	10 years			
Last Quarter	-2.6%		-4.8%	4.2%	-25.0%	R&D Exp. Capitalization	100%	Straightline	10 years			
Last Quarter-1	-25.8%		-30.8%	-	-	Expl./Drilling Exp. Capitalization	0%	N/A	N/A			
Last Quarter -2	-3.9%		-1.5%	39169000.0%	39169000.0%	SG&A Capitalization	0%	N/A	N/A			
Last Quarter -3	0.3%		0.0%									
Last Quarter -4	Chang, Peter		0.0%									
Proforma Assumptions			\$	-	\$	223,890.00	Adj. Op. Cost/Rev	Invested Capital	NOPLAT Margin	Forecast	ROIC	WACC
Hubbard, David			Li, Yao	LTM	0.0%	69.1%	25%	\$50.06	25%	43.7%	9.0%	9.0%
Money market rate as of today	0.0%		NTM	5.7%	5.7%	69.0%	29%	\$54.95	29%	52.9%	9.1%	9.1%
Annual increase (decrease) in interest rates	1.2		NTM+1	14.5%	14.5%	68.0%	29%	\$60.00	29%	55.4%	9.2%	9.2%
Yield Spread acceleration	16.0%		NTM+2	15.0%	15.0%	67.5%	29%	\$65.56	29%	58.7%	9.3%	9.3%
Marginal Tax Rate	2.6%		NTM+3	15.0%	15.0%	67.0%	30%	\$71.31	30%	62.4%	9.4%	9.4%
Risk-Free rate	1.00		NTM+4	15.0%	15.0%	66.5%	30%	\$77.08	30%	66.9%	9.5%	9.5%
Tobin's Q	2%		NTM+5	15.0%	15.0%	66.0%	31%	\$82.79	31%	72.1%	9.6%	9.6%
Op. Cash/Rev.	NPPE Growth tapers to zero until continuing period		NTM+6	12.0%	12.0%	65.5%	31%	\$88.24	31%	76.3%	9.7%	9.7%
Growth in PPE	5.0%		NTM+7	10.0%	10.0%	65.0%	31%	\$93.29	31%	79.8%	9.8%	9.8%
Long term Growth	30.0%		NTM+8	8.0%	8.0%	65.0%		\$97.79	31%	81.6%	9.9%	9.9%
Long term EBITDA Margin	25.5%											
Long term NOPLAT Margin	15.0%											
Long term ROIC	1.50											
Most recent Unlevered Beta	1.25											
Long term Unlevered Beta												
Valuation			Invested Capital x (ROIC-WACC)	Enterprise Value (UFCF Valuation only)	Total Debt	Other claims	Equity Value	UDCF Valuation	Relative Valuation	Weighted Price Per Share		
LTM	\$17.41		\$377.35	\$0.00	\$-47.50	\$424.85	\$24.29	\$13.92	\$21.70			
NTM	\$24.09		\$392.31	\$0.00	\$-61.27	\$453.58	\$25.95	\$15.91	\$23.44			
NTM+1	\$27.73		\$401.02	\$0.00	\$-79.73	\$480.75	\$27.40	\$18.96	\$25.29			
NTM+2	\$32.40		\$406.74	\$0.00	\$-101.15	\$507.89	\$28.91	\$22.50	\$27.31			
NTM+3	\$37.82		\$407.60	\$0.00	\$-126.74	\$534.33	\$30.38	\$26.63	\$29.44			
NTM+4	\$44.23		\$402.06	\$0.00	\$-157.42	\$559.48	\$31.84	\$31.48	\$31.75			
NTM+5	\$51.79		\$388.27	\$0.00	\$-194.20	\$582.48	\$33.01	\$37.17	\$34.05			
NTM+6	\$58.79		\$363.86	\$0.00	\$-239.71	\$603.57	\$34.08	\$43.12	\$36.34			
NTM+7	\$65.36		\$328.24	\$0.00	\$-289.16	\$617.41	\$34.79	\$49.13	\$38.38			
NTM+8	\$169.91		\$280.60	\$0.00	\$-346.09	\$626.69	\$35.17	\$54.97	\$40.12			
Monte Carlo Simulation Assumptions			Base	Stddev	Min	Max	Distribution	Monte Carlo Simulation Results				
Revenue Variation	0		10%	N/A	N/A	N/A	Normal	Mean est.	\$21.70	\$23.44		
Op. Costs Variation	0		10%	N/A	N/A	N/A	Normal	σ(e)	\$0.18	\$0.14		
Country Risk Premium	5%		N/A	5%	7%	7%	Triangular	3 σ(e) adjusted price	\$21.16	\$23.02		
Long term Growth	5%		N/A				Triangular	Current Price	\$17.40			
								Analysts' median est.		\$18.92		

Breeze-Eastern Corporation

Amex: BZC

Analyst: Matthew Darcy

Sector: Industrials

BUY

Price Target: \$12.72

Key Statistics as of 3/12/2015

Market Price:	\$10.13
Industry:	Aerospace and Defense
Market Cap:	\$99.43 M
52-Week Range:	\$15.15-9.01
Beta:	.513

Thesis Points:

- Large profit margins
- Having zero debt, and excess cash gives the firm financial stability

Company Description:

Breeze-Eastern Corporation manufactures, sells, and services a line of helicopter rescue hoists, cargo winches, cargo hook systems, mechanical components, hold open rods, and motion control systems. The company sells to the U.S. and Foreign militaries, civilian agencies, and aerospace contractors. The U.S. Government makes up 30% of net sales. They sell to helicopter manufactures as well as end users. Breeze-Eastern was founded in 1962, and is a global company. 56.8% of its revenue comes from the U.S. 72.4% of its revenue comes from the sale of products, while 27.6% comes from servicing those products. They are used in search and rescue missions, as well as transportation of cargo. The companies importance on search and rescue missions, allows a case to be made for a socially responsible portfolio.



Thesis

Breeze-Eastern Corporation is a company that has impressively large profit margins, and high cash flows, which it has used to completely pay off its debt. The company is worth \$12.25, when its current price is only \$10.13. It is an impressively stable company, and is a great investment opportunity for investors who do not mind the low liquidity. Breeze-Eastern is a BUY.

Porter's Five Forces

Briefly analyzing the forces that affect this company, one can see that there are moderate forces coming from competition in this market.

There are no foreseeable substitutes for this company's products. When a search and rescue team needs to rescue someone via helicopter there is no other way to get back into the helicopter than to be pulled back up, with the help of a hoist. Cargo hooks may be more substitutable; there are many other ways to transport goods than by helicopter.



Threat from new entrants can be seen as moderate, because there is not anything stopping new companies from arising. However, it may be difficult for new companies to gain the trust of customers, as the products being sold must be extremely reliable.

The company has a low threat from supplier bargaining power. As stated in the 10 K the company's raw materials and components are "generally available from more than one source." They also explain that those items that come from a single source could be redesigned, and the company often stocks a larger supply of these items.

Threat from customer bargaining power is moderate. The company has 3 large customers that make up over 10% of sales, each, including 30% of sales coming from the U.S. government. However 81% of the company's sales come from U.S. and foreign government end users. Generally speaking governments have inelastic demand, that is, they will pay whatever they have to, in order to maintain the stability of their country.

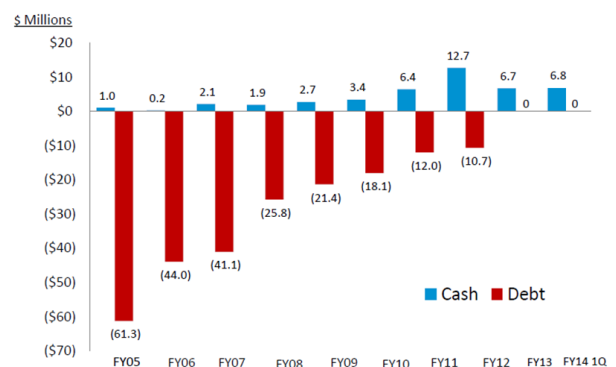
All in all, there is moderate pressure on this company from competition. In the Breeze-Eastern's 10k, there were only 2 competitors listed, United Technologies and Onboard Systems. United Tech is also one of Breeze-Eastern's largest customers.

Without an extreme amount of pressure, this company should not have too much difficulty in sustaining their current EBITDA margin of 14.4%. This means the company will continue to generate cash from operations at an impressive rate.

Cash

This company's ability to generate cash from its operations, has allowed it to pay off its debts, and become an all equity company. The company had debt of over \$60 million 10 years ago, and has now reduced this liability to zero.

Cash and Debt



Breeze-Eastern still does have considerable liabilities, however. The company has an environmental liability, as a result of a previous business, that has since been disposed of from the company. The risk of the company incurring any more environmental liabilities is extremely low; however, the company must continue to pay for remediation of contaminated groundwater. The current

size of the liability is \$10.3 million, although the exact amount of the future cash flows is difficult to estimate.

This Liability is not too large for the company to handle, as it has \$12.2 million of operating cash flows from 2014, \$11.6 million of which is free cash flow. The company currently has a cash balance of \$15.7 million, part of which they will be using to help drive down the size of this liability.

It is reasonable to believe that Breeze-Eastern will be able to maintain this high level of cash flow, because of the increasing size of the company's backlog. In 2013 the backlog was \$115 million, which increased to \$119 million in 2014. This shows that the demand for the company's products is growing.

Liquidity

It is important to point out that this company's stock is traded at a very low volume. The low liquidity of this stock means that its high intrinsic value may not be realized in the market for quite some time. It could also pose issues for trying to get and close a position without moving the price of the stock.

Although there is a risk involved here, the company is worth more than its current trading price. It may be some time before the trading price rises to fair value, but the stock can currently be bought at a price less than it is worth.

Summary

Taking all of this into account the stock has been given a target value of \$12.72 and an intrinsic value of \$12.25. This would yield a return of 25.52%. The company provides an interesting investment opportunity for those who are willing to accept the low liquidity of the company. The stock is also acceptable for socially responsible investors, as the company's products are vital to search and rescue missions. Breeze-Eastern Corporation is a BUY.

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Breeze-Eastern Corporation		bzc	Analyst Matthew Darcy	Current Price \$10.13	Intrinsic Value \$12.25	Target Value \$12.72	Divident Yield 0%	Target Return 1-yr Return: 25.52%	NEUTRAL
General Info			Peers	Market Cap.	Management				
Sector	Industrials		Figeac-Aero Société Anonyme	\$500.57	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Aerospace and Defense				Pedersen, Brad	Chief Executive Officer, Presiden	\$ -	\$ 1,632,887.00	\$ 693,354.00
Last Guidance	(Invalid Identifier)				Cashel, James	Chief Compliance Officer, Gener	\$ -	\$ -	\$ 422,659.00
Next earnings date	6/5/2015		Curtiss-Wright Corporation	\$3,683.13	Dupuis, Serge	Chief Financial Officer and Treas	\$ -	\$ -	\$ -
Market Data			Air Industries Group	\$72.65	Hahneman, Rodger	General Manager of Production (\$ -	\$ -	\$ -
Enterprise value	\$83.70		Goodrich Corp.		Koons, Mike	Vice President of Contracts and (\$ -	\$ -	\$ -
Market Capitalization	\$99.44		CPI Aerostructures Inc	\$96.15	Repp, Brad	Vice President of Product Develo	\$ -	\$ -	\$ -
Daily volume	0.01		Current Capital Structure		10y-Median Performance				
Shares outstanding	9.82		Total debt/market cap	0.00%		bzc	Peers	Industry	All U.S. firms
Diluted shares outstanding	9.92		Cost of Borrowing	#DIV/0!		4.3%	9.2%	8.5%	7.4%
% shares held by institutions	11.32%		Interest Coverage	369.87%		12.0%	17.2%	8.9%	9.9%
% shares held by insiders	4.61%		Altman Z	3.70		11.3%	7.4%	6.6%	6.9%
Short interest	0.07%		Debt Rating	AA		106.1%	232.3%	134.8%	144.8%
Days to cover short interest	0.71		Levered Beta	1.07		Excess Cash/Rev.	4.9%	6.0%	13.5%
52 week high	\$15.15		WACC (based on market value weights)	8.58%		Total Cash /Rev.	4.9%	6.0%	12.3%
52-week low	\$9.01					Unlevered Beta	0.27	0.70	1.02
5y Beta	0.29					TEV/REV	1.2x	1.6x	1.7x
6-month volatility	20.10%					TEV/EBITA	7.7x	17.9x	10.7x
Past Earning Surprises						PE	9.1x	19.1x	19.2x
	Revenue		EBITDA	Norm. EPS		P/BV	1.0x	3.4x	2.2x
Last Quarter	-24.7%		0.0%	-60.0%		Non-GAAP Adjustments in estimates computations			
Last Quarter-1	-32.8%		0.0%			Operating Leases Capitalization	100%	Straightline	10 years
Last Quarter-2	23.3%		0.0%	200.0%		R&D Exp. Capitalization	100%	Straightline	10 years
Last Quarter-3	25.1%		0.0%	466.7%		Expl./Drilling Exp. Capitalization	0%	N/A	N/A
Last Quarter-4	-19.9%		0.0%			SG&A Capitalization	0%	N/A	N/A
Proforma Assumptions						Forecast			
	\$	-	Rev. Growth	Adj. Op. Cost/Rev		Common Equity	Net Margin	ROE	Ke
Money market rate as of today	0.54%		LTM	7.5%		\$104.44	12%	10.6%	8.6%
Annual increase (decrease) in interest rates	0.1%		NTM	5.3%		\$107.82	12%	10.4%	8.6%
Yield Spread acceleration	1.2		NTM+1	4.3%		\$116.60	12%	10.4%	8.7%
Marginal Tax Rate	37.5%		NTM+2	3.8%		\$125.55	12%	9.9%	8.8%
Risk-Free rate	2.6%		NTM+3	3.5%		\$134.54	12%	9.4%	8.9%
Tobin's Q	1.00		NTM+4	3.4%		\$143.60	12%	9.0%	9.0%
Op. Cash/Rev.	2%		NTM+5	3.3%		\$152.88	12%	8.7%	9.1%
Growth in PPE	NPPE: Growth tapers to zero until continuing period		NTM+6	3.3%		\$162.41	12%	8.5%	9.2%
Long term Growth	3.2%		NTM+7	3.2%		\$172.31	12%	8.3%	9.3%
Long term EBITDA Margin	15.0%		NTM+8	3.2%		\$182.58	12%	8.2%	9.4%
Long term NOPLAT Margin	12.0%								
Long term ROE	9.0%								
Most recent Unlevered Beta	0.27								
Long term Unlevered Beta	1.02								
Valuation									
	Common Equity x (ROE-Ke)	Enterprise Value (UFCF Valuation only)	Total Debt	Other claims	Equity Value	LDCF Valuation	Relative Valuation	Weighted Price Per Share	
LTM	\$2.12	\$104.51	\$0.00	\$0.53	\$103.97	\$9.99	\$19.88	\$12.46	
NTM	\$1.88	\$105.28	\$0.00	-\$1.26	\$106.55	\$10.46	\$20.55	\$12.99	
NTM+1	\$1.91	\$111.73	\$0.00	-\$7.89	\$119.62	\$11.15	\$21.44	\$13.72	
NTM+2	\$1.39	\$118.09	\$0.00	-\$14.63	\$132.72	\$11.85	\$22.25	\$14.45	
NTM+3	\$0.67	\$124.79	\$0.00	-\$21.45	\$146.23	\$12.59	\$22.74	\$15.13	
NTM+4	-\$0.03	\$132.14	\$0.00	-\$28.43	\$160.57	\$13.43	\$23.32	\$15.90	
NTM+5	-\$0.60	\$140.30	\$0.00	-\$35.73	\$176.03	\$14.28	\$24.18	\$16.75	
NTM+6	-\$1.17	\$149.21	\$0.00	-\$43.42	\$192.64	\$15.28	\$25.11	\$17.73	
NTM+7	-\$1.66	\$159.05	\$0.00	-\$52.68	\$211.73	\$16.41	\$26.36	\$18.90	
NTM+8	-\$20.26	\$169.79	\$0.00	-\$61.04	\$230.84	\$17.21	\$27.48	\$19.78	
Monte Carlo Simulation Assumptions									
	Base	Stddev	Min	Max	Distribution		Monte Carlo Simulation Results		
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	Intrinsic Value	1y-Target	
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(e)	\$12.46	\$12.99	
Country Risk Premium	6%	N/A	5%	7%	Triangular	3 σ(e) adjusted price	\$0.07	\$0.09	
Long term Growth	3%	N/A	3%	9%	Triangular	Current Price	\$12.25	\$12.72	
						Analysts' median est.	\$10.13	\$10.00	

Inventure Foods. Inc.

(NASDAQGS:SNAK)

Analyst: Hugo Perrin
Sector: Consumer Goods

BUY

Price Target: \$14.13

Key Statistics as of 2/12/2014

Market Price: \$11.39
Industry: Processed & Packaged Goods
Market Cap: \$222.64
52-Week Range: \$9.60 – \$14.11
Beta: 0.13

Thesis Points:

- Recent acquisition that will increase margins
- Growing industry forecast
- Constant product innovation
- Niche to mainstream market

Company Description:

Inventure Foods, Inc. manufactures and markets healthy/natural and indulgent specialty snack food products in the United States and internationally. It operates in two segments, Frozen Products and Snack Products. The company's healthy/natural food products include Rader Farms frozen berries; Boulder Canyon Authentic Foods branded kettle cooked potato chips; Willamette Valley Fruit Company branded frozen berries; Fresh Frozen branded frozen vegetables; Jamba branded blend-and-serve smoothie kits; Seattle's Best Coffee Frozen Coffee Blends branded blend-and-serve frozen coffee beverage; and private label frozen fruits and healthy/natural snacks. Its indulgent specialty snack food products include snack food under the T.G.I. Friday's, Nathan's Famous, and Vidalia brands; kettle cooked potato chips under the Poore Brothers and Bob's Texas Style brands; Tato Skins brand potato snacks; and Sin In A Tin chocolate pate and other frozen desserts. The company also manufactures private label snacks for grocery retail chains and co-packs products for snack and cereal manufacturers. It markets its products through grocery, natural, mass merchandisers, drug, club, value, vending, food service, and convenience stores, as well as through company-owned and satellite warehouses, direct store delivery, distribution centers, and other facilities. The company was formerly known as The Inventure Group, Inc. and changed its name to Inventure Foods, Inc. in May 2010. Inventure Foods, Inc. was founded in 1986 and is headquartered in Phoenix, Arizona.



Thesis

Inventure Foods is constantly setting itself apart from the competition thanks to its product innovation and the recent acquisitions that will allow the company to expand its margins. The healthy/natural products are now being embraced by a more important part of the population in the U.S., which will potentially insure a revenue growth in the coming years. What appeared to be a niche market few years ago is becoming more popular and Inventure Foods will take advantage of it thanks to its several private labels that offer a competitive advantage.

Product Segmentation

Currently, Inventure Foods operates under two segments that are as follow: frozen products and snack products.

Frozen products:

This segment gathers the production of frozen fruits, vegetables, beverages and frozen desserts for sale primarily to groceries, club stores and mass merchandisers. All of them are considered “part of the healthy/natural food category”. In this segment, the products that account for the most in the revenues are the Rader Farms frozen berries, Boulder Canyon, Fresh Frozen, Jamba and Jamba Juice Company. The breakdown of the revenue for both segments and the forecast will be provided later.

Snack products:

In this segment, Inventure Foods produces several snacks products such as potato chips, kettle chips, potato crisps, potato skins and extruded products for sale primarily to snack food distributors and retailers. Some of those products are considered part of the indulgent specialty snack food category, as well as products considered part of the healthy/natural food category. Inventure Foods has products that include T.G.I. Friday’s brand snacks under license from T.G.I. Friday. Other products are sold under license from Nathan’s Famous Corporation, Vidalia Brands, Poore Brothers, Bob’s Texas Style and other brands.

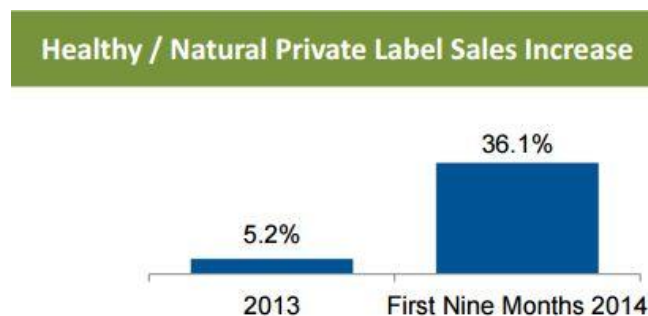
Product Innovation

As for the firm’s competitors in the frozen products segment, the quasi totalities of Inventure Foods’ competitors are small private companies. The situation is completely different for the snack segment where the competitors are large market capitalization companies operating worldwide, such as The Kellogg Company, ConAgra Foods Inc., Diamond Foods, Inc., etc. Despite this high competition, the snack segment of Inventure Foods is improving its margins as it will be shown later.



To face this competition, Inventure Foods is constantly launching new products. In 2014, the company launched new flavors of Boulder Canyon Kettle Chips, including organic, olive oil and avocado oil chips, etc.

Another action took by Inventure Foods is to increase the products offered through private labels that offers a competitive advantage and additional sell-through opportunities for branded products.



The chart above clearly shows the importance of private label sales increase in the current year. Inventure Foods is known for its different private labels that highly contribute to the top line of the company.

The smoothie line is also a segment that Inventure Foods is investing in. They are currently investing in their brand Jamba and enhance the smoothie line with unique blends of vegetables and fruits.

Firm's Financials

	Year Ended		% Change
	December 27, 2014	December 28, 2013	
Frozen Products	\$ 179,518	\$ 117,124	53.3%
Snack Products	106,145	98,456	7.8%
Consolidated	\$ 285,663	\$ 215,580	32.5%

The table above provides the breakdown of the sales based on the two segments. Between FY 2013 and FY 2014, it appears that the consolidated growth in sales has been significant at 32.5%. Concerning the two segments, they do not have the same growth in revenues. The Frozen products segment's sales increased by 53.3% or \$62.4 million while the Snack segment increased by 7.8% or \$7.7 million. In 2013, the frozen products segment represented 55% of the sales and the snack products accounted for the rest, 45%. A year later, proportion of revenue generated by each segment started to be less balanced with 63% for the frozen products and 37% for the other category. Inventure Foods is becoming more and more dependent over the frozen products that can be categorized as healthy/natural products. Also, this shift in sales is part of the current strategy that is developed by the firm.

	Year Ended			
	December 27, 2014	% of Net Revenues	December 28, 2013	% of Net Revenues
Frozen Products	\$ 32,329	18.0%	\$ 22,745	19.4%
Snack Products	20,792	19.6%	16,141	16.4%
Consolidated	\$ 53,121	18.6%	\$ 38,886	18.0%

The table above shows the evolution of the gross margin per segment from 2013 to 2014. Consolidated, gross margin have improved by 60 basis points. It is the snack segment that saw a significant increase in the gross margin, from 16.4% to 19.6%, while the frozen segment's gross margin has slightly decrease by 1.4% to 18%.

To explain the decrease, Inventure Foods argue that it is imputable to the lower margins from its Fresh Frozen Foods business and the increase in trade promotional spending.

In Millions of USD	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Current/LTM
12 Months Ending	2010-12-25	2011-12-31	2012-12-29	2013-12-28	2014-12-27	2014-12-27
Market Capitalization	79.4	69.7	123.5	267.3	245.9	232.2
- Cash & Equivalents	1.0	0.7	0.4	0.9	0.5	0.5
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0	0.0
+ Total Debt	22.4	26.8	18.7	71.2	85.1	85.1
Enterprise Value	100.7	95.8	141.7	337.6	330.5	316.7
Revenue, Adj	134.0	162.2	185.2	215.6	285.7	285.7
Growth %, YoY	10.7	21.1	14.1	16.4	32.5	32.5
Gross Profit, Adj	29.0	30.1	36.9	38.9	53.1	53.1
Margin %	21.7	18.6	19.9	18.0	18.6	18.6
EBITDA, Adj	11.9	9.9	16.0	18.0	24.6	24.6
Margin %	8.9	6.1	8.7	8.4	8.6	8.6
Net Income, Adj	4.9	2.8	6.7	7.6	9.1	9.1
Margin %	3.6	1.7	3.6	3.5	3.2	3.2
EPS, Adj	0.26	0.15	0.34	0.38	0.46	0.46
Growth %, YoY	25.0	-42.8	129.0	10.0	21.3	21.6
Cash from Operations	7.1	4.7	11.2	5.3	-1.3	-1.3
Capital Expenditures	-8.0	-9.7	-5.6	-9.8	-11.8	-11.8
Free Cash Flow	-1.0	-5.1	5.6	-4.4	-13.1	-13.1

The table above states Inventure Foods' key statistics over the last few years. Since fiscal year 2010, the firm's has been able to generate double-digit top line growth to a pick last year with a revenue growth of 32.5%. Concerning the EBITDA margin, it has been relatively steady during the last years, but it set to increase during at least the next two years, as it will be explained later. As for the free cash flow, Inventure Foods has almost always been cash flow negative during the last eight years and more recently due to high investments that will be detailed. However, the firm will be cash flow positive next year, as predicted by Bloomberg.

On the SG&A side, those expenses have increase by 21% or \$34.2 million in FY 2014. However, due to the significant growth in revenues, those expenses decreased by 0.8% to 13% as a percentage of sales. The dollar increase is mainly imputable to the transaction and integration related costs of \$1.4 million associated with the acquisition of Willamette Valley Fruit Company and Fresh Frozen Foods, and with additional costs associated with that.

Consequently, it is believed that this increase in trade promotion for Fresh Frozen Foods will not be that significant for the future years. Therefore, the current increase in the firm's EBITDA margin should—at least—remain constant.

Recent acquisitions:

Willamette Valley Fruit Company LLC has been acquired in May 2013. The company is a berry processing business that has enabled the company to increase its production capability. It appears that this acquisition was on point for Inventure Foods as it has been shown before the significant increase demand for frozen berries, proven by the increase in the frozen products segment

of 42% last year. Additionally, Willamette will keep the same executive staff in order to maximize the capabilities of the company.

As for Fresh Frozen Foods, this firm is a branded frozen vegetable processor that has been acquired in November 2013. During the last three years, Fresh Frozen Foods reported 15% average annual revenue growth over the last three years. It is believed that this acquisition will allow the two entities to leverage each other's sales organizations, distribution channels and products. This acquisition contributes to the expansion of the healthy/natural portfolio of Inventure Foods. This will enable Inventure Foods to diversify its products to vegetables, which will bring value to the continuing growing demand for healthier products.

A factor to consider is the fact that the company does not break out the revenue for every side of the business, meaning that it is not possible to have the revenue contribution for Fresh Frozen or other entities within Inventure Foods.

The two companies that have been acquired in 2013 have been acquired with debt, which explains the significant increase of debt in the firm's balance sheet. In 2013, Inventure Foods borrowed \$60 million from U.S. Bank.

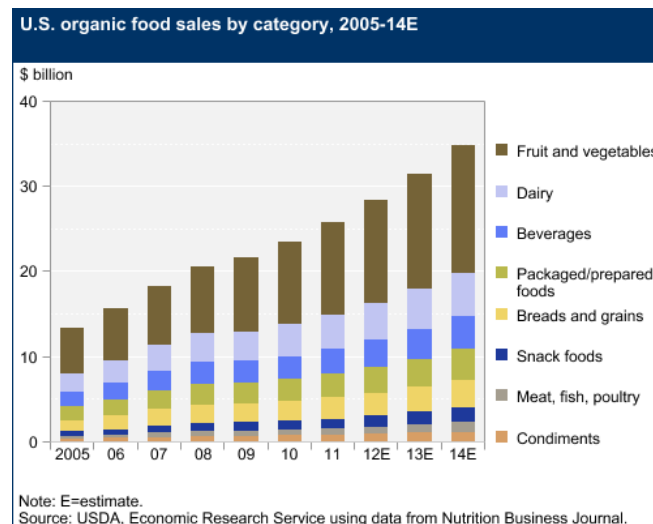
Concerning future acquisitions, nothing shows that Inventure Foods will acquire new companies in the coming future. Therefore, the firm should increase its cash positions in the short-term.

The increase in inventories can be explained by the inventory requirements related to the recent acquisitions.

Growth forecasts

As stated previously, the contribution of healthy and natural frozen products account for the majority of the firm's sales and show a meaningful appreciation in terms of sales increase. A recent study provided by TechSci Research called "United States Organic Food market Forecast & Opportunities", 2018" states that the US organic food market will grow at a CAGR of around 14% until 2018. To put that into perspective, the organic food production has increased about 240% between 2002 and 2011, compared with 3% in the non-organic food market. Even if the organic segment is not as developed as the traditional food segment, this increase

remains notable. In 2012, sales were at \$82.3 billion, an increase of 13.5% compared to the previous year. As 100% of the sales are made in the US, it seems appropriate to focus on the growing market in the U.S.



As fruits and vegetables have been the top selling category of organically grown food since the organic food started retailing products over 3 decades ago, Inventure Foods has everything in its hands to gain market share and in some extent, increase its margins. According to the Organic Trade Association, 93% of the organic sales occur through conventional and natural food supermarkets and chains, which is exactly what Inventure Foods.

In the frozen berries segment, prices have been close to an all-time high during the last three years due to weather conditions. It is believed that prices will either remain constant or decrease this year, which is more likely.

To remain competitive in this industry, Inventure Foods will continue brand investments in 2015 to drive continued sales and earnings growth in the long term.

CENTER FOR GLOBAL FINANCIAL STUDIES

Inventure Foods, Inc. SNAK		Analyst Hugo Perrin	Current Price \$11.37	Intrinsic Value \$12.24	Target Value \$14.13	Divident Yield 0%	Target Return 24.29%	NEUTRAL	
General Info		Peers	Market Cap.	Management					
Sector	Consumer Staples	Diamond Foods, Inc	\$1,044.37	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014	
Industry	Food Products	Boulder Brands, Inc	\$596.76	McDaniel, Terry	Chief Executive Officer, Presiden	\$ 1,222,689.00	\$ 858,148.00	\$ -	
Last Guidance	Feb-26-2015			Weinberger, Steve	Chief Financial Officer, Principal	\$ 649,819.00	\$ 518,309.00	\$ -	
Next earnings date	4/27/2015			Sklar, Steven	Senior Vice President of Marketin	- \$	- \$	- \$	
		SunOpta Inc	\$918.12	Roles, Kirk	Senior Vice President of Human	- \$	- \$	- \$	
		Omega Protein Corporation	\$303.40	Griffin, Bill	President of Fresh Frozen Foods	- \$	- \$	- \$	
				Rader, Brad	General Manager of Rader Farms	- \$	- \$	- \$	
Market Data		Historical Performance							
Enterprise value	\$304.63			SNAK	Peers	Industry	All U.S. firms		
Market Capitalization	\$933.35			Growth	15.8%	5.5%	8.7%	6.0%	
Daily volume	0.86			Retention Ratio	36.1%	66.9%	59.5%	61.6%	
Shares outstanding	19.55			ROIC	46.9%	10.4%	13.5%	11.8%	
Diluted shares outstanding	19.99	ConAgra Foods, Inc	\$16,151.11	EBITDA Margin	5.3%	12.8%	11.6%	13.7%	
% shares held by institutions	77.02%	Current Capital Structure		Revenues/Invested capital	119.9%	120.5%	178.1%	202.3%	
% shares held by insiders	3.62%	Total debt/market cap	28.04%	Excess Cash/Revenue	0.5%	2.2%	6.4%	18.5%	
Short interest	4.72%	Cost of Borrowing	3.31%	Unlevered Beta	0.65	0.78	0.64	0.95	
Days to cover short interest	7.23	Interest Coverage	625.19%	TEV/REV	0.6x	1.2x	1.5x	2.4x	
52 week high	\$14.11	Altman Z	3.56	TEV/EBITDA	11.8x	10.1x	12.1x	11.3x	
52-week low	\$9.60	Debt Rating	BB	TEV/EBITA	18.7x	12.8x	15.3x	15.4x	
5y Beta	0.78	Levered Beta	1.04	TEV/UFCF	33.0x	11.8x	28.3x	26.8x	
6-month volatility	31.91%	WACC (based on market value weights)	6.90%	Non GAAP Adjustments					
Past Earning Surprises				Operating Leases Capitalization	100%	Straightline	10 years		
Last Quarter	Revenue 2.7%	EBITDA -9.4%	Norm. EPS -10.5%	R&D Exp. Capitalization	100%	Straightline	10 years		
Last Quarter-1	-1.4%	-14.9%	-21.4%	Expl./Drilling Exp. Capitalization	0%	N/A	N/A		
Last Quarter -2	-3.6%	16.2%	9.1%	SG&A Capitalization	50%	Straightline	10 years		
Last Quarter -3	-2.9%	11.9%	0.0%						
Last Quarter -4	5.7%	11.6%	27.3%						
Proforma Assumptions				Forecasted Profitability					
		Period	Rev. Growth	Adj. Op. Cost/Rev	Revenue	NOPLAT	Invested capital	UFCF	
Operating. Cash/Cash	0.0%	LTM	33%	85%	\$285.66	\$21.38	\$211.97	\$54.97	
Unlevered Beta	0.80	LTM+1Y	6%	84%	\$303.45	\$21.96	\$263.78	\$3.79	
Rev/Invested Capital	120.0%	LTM+2Y	9%	84%	\$331.35	\$23.85	\$280.78	\$6.86	
Continuing Period Revenue Growth	3.0%	LTM+3Y	7%	84%	\$354.53	\$25.42	\$296.48	\$9.71	
Long Term ROIC	15.1%	LTM+4Y	6%	84%	\$375.81	\$26.84	\$311.37	\$11.96	
Invested Capital Growth	Equals to Maintenance	LTM+5Y	6%	84%	\$398.35	\$28.42	\$326.36	\$13.42	
Justified TEV/REV	1.0x	LTM+6Y	6%	84%	\$422.24	\$30.02	\$346.98	\$9.41	
Justified TEV/EBITDA	11.0x	LTM+7Y	5%	84%	\$443.34	\$31.42	\$361.44	\$16.95	
Justified TEV/EBITA	18.0x	LTM+8Y	4%	84%	\$461.06	\$32.59	\$374.33	\$19.70	
Justified TEV/UFCF	20.0x	LTM+9Y	3%	84%	\$474.90	\$33.46	\$385.27	\$22.51	
Valuation									
	ROIC	WACC	EVA	Enterprise Value	Total Debt	Other claims	Equity	Adjusted Price	
LTM	8.7%	6.9%	\$3.83	\$341.27	\$85.41	\$24.45	\$231.41	\$12.48	
LTM+1Y	10.4%	7.0%	\$8.84	\$382.46	\$85.41	\$22.21	\$274.84	\$14.40	
LTM+2Y	9.0%	7.0%	\$5.63	\$398.15	\$85.41	\$17.26	\$295.48	\$15.48	
LTM+3Y	9.1%	7.1%	\$5.67	\$416.04	\$85.41	\$10.15	\$320.47	\$16.77	
LTM+4Y	9.1%	7.2%	\$5.64	\$433.24	\$85.41	\$1.51	\$346.32	\$18.11	
LTM+5Y	9.1%	7.3%	\$5.84	\$450.72	\$85.41	-\$7.95	\$373.26	\$19.56	
LTM+6Y	9.2%	7.4%	\$6.29	\$474.09	\$85.41	-\$12.77	\$401.45	\$20.95	
LTM+7Y	9.1%	7.5%	\$5.70	\$490.87	\$85.41	-\$24.50	\$429.96	\$22.43	
LTM+8Y	9.0%	7.6%	\$5.36	\$506.89	\$85.41	-\$38.27	\$459.75	\$23.95	
LTM+9Y	8.9%	7.7%	\$4.86	\$521.34	\$85.41	-\$53.94	\$489.87	\$25.06	
Monte Carlo Simulation Assumptions						Monte Carlo Simulation Results			
	Base	Stdev	Min	Max	Distribution	Intrinsic Value	1y-Target		
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	\$12.48	\$14.40	
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(e)	\$0.08	\$0.09	
Market Risk Premium	6%	N/A	5%	7%	Triangular	3 σ(e) adjusted price	\$12.24	\$14.13	
Long term Growth	3%	N/A	3%	16%	Triangular	Current Price	\$11.37		
Terminal Value	0	0.1	N/A	N/A	Normal	Analysts' median est.		\$14.25	

LA QUINTA HOLDINGS INC.

NYSE:LQ

Analyst: JACKY CHENG

Sector: SERVICES

BUY

Price Target: \$26.00

Key Statistics as of 4/10/2015

Market Price:	\$23.15
Industry:	Resorts & Casinos
Market Cap:	\$3.06 B
52-Week Range:	\$16.01-24.38
Beta:	NA

Thesis Points:

- Recent IPO with strong RevPAR and adjusted EBITDA
- Growing Free Cash Flow
- Growing Pipeline/International Expansion
- Decrease in Net Debt

Company Description:

La Quinta Holdings Inc. is one of the largest owners, operators, and franchisors of select-service hotels. It owns, operates, and franchises select-service hotels under the La Quinta brand. It serves the upper-midscale and midscale segments. As of February 24, 2015, the company owned and franchised portfolio consisted of 850 La Quinta Inn & Suites, and La Quinta Inn branded hotels with approximately 86,000 rooms located in 47 states, as well as in Canada and Mexico. The company was founded in 1968 and is headquartered in Irving, Texas.

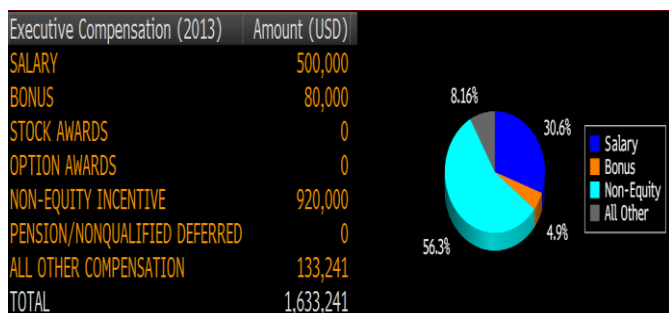


Thesis

La Quinta Holdings is the leading owner, operator and franchisor of select-service hotels with a national footprint. Recently going IPO last April, the company has witnessed growth in revenue and EBITDA along with growing free cash flow while paying off net debt at a steady pace. As the company continues to grow its pipeline to other places, it is expected that revenue and EBITDA will keep growing at a steady pace. With increasing free cash flow, it is expected that management will compensate its investors by possibly starting dividend payments.

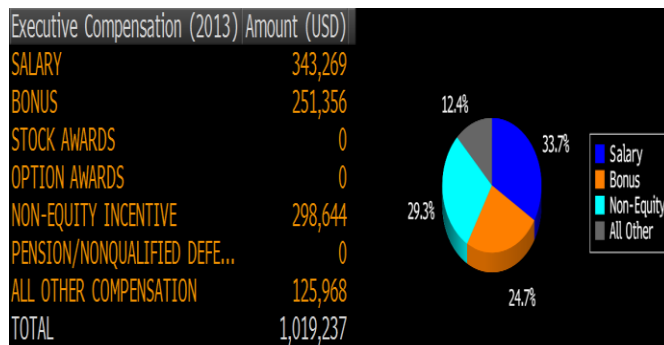
Management

Wayne Goldberg is the President & CEO of La Quinta Holdings since 2006. Wayne brings over 36 years of experience to the table in the select-service lodging industry as he took on other executive positions BridgeStreet Accommodations, a worldwide corporate housing provider, and Red Roof Inns, Inc.



**Above is Wayne Goldberg's Compensation.*

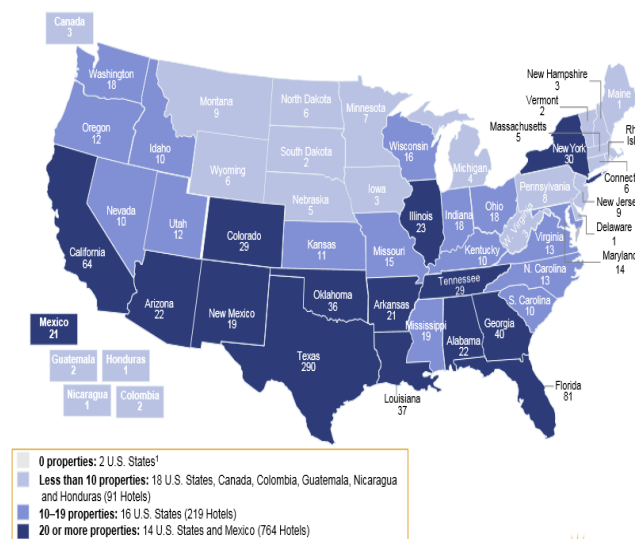
Keith Cline is the EVP & CFO of La Quinta Holdings since 2013. Cline has more than 22 years of financial leadership experience across a variety of industries, including over 13 years of public company experience and significant experience with consumer brand companies.



**Above is Keith Cline's Compensation.*

Expansion

La Quinta has been increasing its pipeline and expanding internationally, making a presence in Mexico and Central and South America. The company has opened 14 franchised hotels with over 1000 rooms in Q4 which contributed to the RevPAR (Revenue Per Available Room) growth of 8.4%. This has increased the pipeline to 207 totaling over 17,000 rooms.



**The map above shows the geographical location of La Quinta properties.*

La Quinta has been dedicated to expanding its presence in Latin America and South America. The improving economy, increase in middle class, and lack of select-service hotels makes Latin America an attractive market. There are plans to open several hotels in Mexico and one in Honduras this year.



**The map above shows the geographical locations of La Quinta's pipelines undergoing construction in Central and South America.*

Financials

Decrease in Leverage

Since the IPO, La Quinta Holdings was able to generate strong free cash flows. With the \$700 million they have generated in net proceeds, the company was able to do a myriad of items including paying off \$205 million of debt, with \$195 million that was voluntary. This improved net debt/adjusted EBITDA to 4.7x. Management plans on bringing the net debt/adjusted EBITDA down to 4.0x which they anticipate that it will happen this year where management will evaluate a market-appropriate return of capital to our shareholders.

(\$ millions)					
	At IPO ²		Debt Pay Down ³	Quarter-End 12/31/14	
	\$	%		\$	%
New \$250M Revolving Credit Facility	0	0%	0	0	0%
1st Lien Term Loan ¹	2,090	100%	(205)	1,885	100%
Existing Debt	0	0%	0	0	0%
Total Debt	2,090	100%	(205)	1,885	100%
Less: Cash	(134)			(110)	
Total Net Debt	1,956			1,775	

Consistent Growth

La Quinta has been impressive with growth in its financials. With the strong demand in the upper-midscale and midscale segments exceeding supply, this drives the RevPAR growth up. In 2013, the RevPAR growth went up 4.2% in the upper-midscale segment and 4.1% in the

Siena Market Line
2nd week of February 2015
midscale segment.

The adjusted EBITDA has increased 10.4% from the prior year and the EBITDA margin increased 60 basis points to 38%. Breaking the adjusted EBITDA down to the two segments, the franchise increased 11.6% from the prior year, increasing the franchise base by 8% including opening its 500th franchise property. With the owned property, the adjusted EBITDA increased 11.6% from the prior year.

(\$ millions)	Combined Historical			
	2011A	2012A	2013A	2014A
Pro Forma Net income (loss) attributable to the Company	\$69	(\$31)	\$9	(\$333)
Interest expense	54	105	150	121
Income tax expense	2	3	7	29
Recognition of net deferred tax liabilities upon C-corporation conversion	-	-	-	321
Depreciation & amortization	170	177	171	175
Net (income) loss attributable to non-controlling interests	(5)	(5)	-	4
Fixed assets impairment loss	-	53	-	5
Loss / (Gain) on the retirement of assets	2	2	-	-
Loss / (Gain) on the extinguishment of debt	(18)	(1)	-	2
Income from discontinued operations	(14)	(13)	-	-
Loss / (Gain) on casualty disasters	(3)	5	-	(7)
Equity based compensation	-	-	-	58
Other	7	10	3	1
Pro forma Adjusted EBITDA	\$264	\$305	\$340	\$376

With the additional franchises added this year, La Quinta saw an 8% increase in RevPAR and 8% growth in franchise unit base. This also resulted in a 4.4% increase in average daily rate (ADR).

Future Outlook

For FY 2015, La Quinta anticipates RevPAR in increase between 5.5 and 7 percent compared to 2014 as an expectation to open between 50-55 new properties, and foresees meaningful growth in adjusted EBITDA. Along with these growing aspects, La Quinta is wisely using its free cash flow to pay off leverage and will continue to do so to optimize capital structure. It is foreseen that dividend payments could start this year or next year the latest. With its past strong performance and plans for expansion, it is a reasonable projection and assumption to make as they will grow in many aspects in their financials in the long run.

Conclusion

With strong performance since going public, La Quinta Holdings has performed its best ever, with nothing but success in the future. The maturity stage for this company is nowhere close in the short term as they are continuously expanding domestically and internationally. With expectations of lowering the company's debt

significantly by the end of this year with the cash generated and eventually repaying its shareholders. With the management's aggressive approach to maximize efficiencies which in turn cuts costs and boosts profitability, La Quinta Holding is a BUY.

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La Quinta Holdings Inc.		LQ	Analyst JACKY CHENG	Current Price \$23.10	Intrinsic Value \$24.88	Target Value \$26.55	Divident Yield 0%	Target Return 1-y Return: 14.93%	NEUTRAL
General Info		Consumer Discretionary	Peers	Market Cap.	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Sector	Consumer Discretionary	Hotels, Restaurants and Leisure	Choice Hotels International Inc.	\$3,585.99	Goldberg, Wayne	Chief Executive Officer, P	\$ 3,162,263.00	\$ 1,633,241.00	\$ 26,739,908.00
Industry	Hotels, Restaurants and Leisure		Extended Stay America, Inc.	\$4,010.58	Cline, Keith	Chief Financial Officer and	-	\$ 1,019,237.00	\$ 6,399,937.00
Last Guidance	Feb-24-2015		Marriott International, Inc.	\$22,185.58	Lombardi, Angelo	Chief Operating Officer and	\$ 1,214,766.00	\$ 883,005.00	\$ 7,436,932.00
Next earnings date	4/29/2015		Starwood Hotels & Resorts Worl	\$14,463.33	Chloupek, Mark	Executive Vice President,	-	-	\$ 5,432,457.00
Market Data			Hyatt Hotels Corporation	\$8,821.09	Trivedi, Rajiv	Chief Development Office	\$ 1,245,266.00	-	\$ 7,591,030.00
Enterprise value	\$4,810.92		Diamond Resorts International, Ir	\$2,363.27	Forson, James	Chief Accounting Officer,	-	-	-
Market Capitalization	\$453.51		Hilton Worldwide Holdings Inc.	\$30,709.57	10g-Median Performance				
Daily volume	0.41		Current Capital Structure		LQ		Peers	Industry	All U.S. firms
Shares outstanding	130.86		Intercontinental Hotels Group plc	\$6,535.73	Growth		2.3%	6.8%	7.4%
Diluted shares outstanding	126.16		Total debt/market cap	62.19%	ROIC	5.4%	7.2%	10.4%	14.3%
% shares held by institutions	73.98%		Cost of Borrowing	5.39%	NOPLAT Margin	16.6%	14.8%	12.0%	10.4%
% shares held by insiders	1.54%		Interest Coverage	92.57%	REV./Invested Capital	32.3%	48.5%	86.0%	137.4%
Short interest	3.77%		Altman Z	0.93	Excess Cash/Rev.	N/A	12.6%	13.5%	12.9%
Days to cover short interest	3.61		Debt Rating	C	Total Cash /Rev.	11.5%	13.2%	12.3%	15.2%
52-week high	\$24.38		Levered Beta	3.75	Unlevered Beta		1.03	1.15	0.95
52-week low	\$16.01		WACC (based on market value w	8.96%	TEV/REV	4.9x	4.9x	3.2x	2.5x
5y Beta	0.00				TEV/EBITA	0.0x	31.1x	17.5x	13.1x
6-month volatility	25.87%				PE	36.1x	29.9x	26.7x	23.5x
Past Earning Surprises					P/BV	0.0x	5.9x	2.2x	2.2x
Revenue			EBITDA	Norm. EPS	Non-GAAP Adjustments in estimates computations				
Last Quarter	1.9%		2.3%	60.0%	Operating Leases Capitaliza	100%	Straightline	10 years	
Last Quarter-1	2.9%		5.7%	-5.9%	R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter -2	1.3%		5.2%	0.0%	Expl./Drilling Exp. Capitalizal	0%	N/A	N/A	
Last Quarter -3	-2.8%		0.0%	0.0%	SG&A Capitalization	30%	Straightline	10 years	
Last Quarter -4	0.0%		0.0%	0.0%					
Proforma Assumptions									
\$				Rev. Growth	Adj. Up. Cost/Hev	Invested Capital	NUPLAT Margin	HUILC	WACC
Money market rate as of today	0.52%		LTM		60.9%	\$2,957.01	17%	5.4%	9.0%
Annual increase (decrease) in inte	0.1%		NTM	10.1%	55.4%	\$2,808.18	21%	7.4%	8.6%
Yield Spread acceleration	1.2		NTM+1	8.3%	52.7%	\$2,976.49	23%	9.2%	8.5%
Marginal Tax Rate	37.5%		NTM+2	7.4%	51.4%	\$3,149.58	24%	9.8%	8.6%
Risk-Free rate	2.5%		NTM+3	7.0%	50.7%	\$3,300.18	25%	10.2%	8.6%
Tobin's Q	1.00		NTM+4	6.7%	50.3%	\$3,426.36	25%	10.6%	8.7%
Op. Cash/Rev.	2%		NTM+5	6.6%	50.2%	\$3,576.52	26%	11.3%	8.8%
Growth in PPE		NPPE Growth tapers to zero until continuing period	NTM+6	6.6%	50.1%	\$3,754.88	26%	11.6%	8.8%
Long term Growth	6.5%		NTM+7	6.5%	50.0%	\$3,953.33	27%	12.0%	8.9%
Long term EBITDA Margin	50.0%		NTM+8	6.5%	50.0%	\$4,181.40	27%	12.3%	8.9%
Long term NOPLAT Margin	10.4%								
Long term ROIC	12.0%								
Most recent Unlevered Beta									
Long term Unlevered Beta	1.03								
Invested Capital x (HUILC-WACC)			Value (HUILC-Valuation)	Valuation	Other claims	Equity Value	HUILC-Valuation	Relative Valuation	Weighted Price Per
LTM	-\$106.56		\$5,694.73	\$1,885.70	-\$5.01	\$3,814.04	\$28.80	\$16.99	\$25.84
NTM	-\$35.21		\$5,877.09	\$2,143.64	\$86.49	\$3,646.96	\$28.88	\$22.55	\$27.30
NTM+1	\$20.58		\$6,340.33	\$2,156.64	\$30.08	\$4,093.61	\$32.18	\$25.71	\$30.56
NTM+2	\$37.22		\$6,787.56	\$2,156.86	\$94.87	\$4,535.83	\$35.53	\$28.78	\$33.84
NTM+3	\$53.86		\$7,200.62	\$2,165.14	\$59.25	\$4,976.22	\$39.03	\$32.25	\$37.34
NTM+4	\$66.53		\$7,600.26	\$2,165.14	-\$26.91	\$5,462.03	\$42.94	\$36.22	\$41.26
NTM+5	\$89.29		\$8,037.56	\$2,165.14	-\$115.92	\$5,988.34	\$46.91	\$40.38	\$45.27
NTM+6	\$104.69		\$8,506.07	\$2,165.14	-\$205.59	\$6,546.52	\$51.26	\$44.74	\$49.63
NTM+7	\$119.84		\$9,008.27	\$2,165.14	-\$306.34	\$7,149.47	\$55.95	\$49.41	\$54.32
NTM+8	\$4,965.11		\$9,546.61	\$2,165.14	-\$411.49	\$7,792.96	\$59.55	\$54.35	\$58.25
Monte Carlo Simulation Assumptions									
Base			Stdev	Min	Max	Distribution	Monte Carlo Simulation Results		
Revenue Variation		0	10%	N/A	N/A	Normal	Intrinsic Value		1g-1 target
Op. Costs Variation		0	10%	N/A	N/A	Normal	Mean est.	\$25.84	\$27.30
Country Risk Premium		6%	N/A	5%	7%	Triangular	σ(ε)	\$0.32	\$0.25
Long term Growth		7%	N/A	2%	7%	Triangular	3 σ(ε) adjusted price	\$24.88	\$26.55
							Current Price	\$23.10	
							Analysts' median est.		\$25.93

Manchester United

NYSE: MANU

Analyst: Issam Kaisse
Sector: Consumer
Discretionary

BUY

Price Target: \$17.9

Key Statistics as of 4/11/2015

Market Price: \$15.66
Industry: Media and Entertainment
Market Cap: \$2 B
52-Week Range: \$14.72-19.97
Beta: 0.09

Thesis Points:

- British Broadcasting rights
- New Sponsorship deals
- Constant revenue stream
- Presence in the USA
- Stock Fluctuations

Company Description:

Manchester United PLC (Manchester United), launched its IPO on August 2012, is engaged in operating a professional sports team playing football. It provides Manchester United with a platform to generate revenue from various sources, including sponsorship, merchandising, product licensing, mobile and content, broadcasting and match day. The Company reviews its revenue through three principal sectors: Commercial, Broadcasting and Match day. The Manchester United Museum is located within Old Trafford. Within the Commercial revenue sector, Manchester United monetizes its brand through three revenue streams: sponsorship; retail, merchandising, apparel and product licensing; and mobile and content. The Company markets and sells sports apparel, training and leisurewear and other clothing featuring the Manchester United brand on a global basis. The Company generates direct revenue from the distribution and broadcasting of live football content directly and indirectly through its commercial partners. Broadcasting revenue is derived from the global television rights relating to the Premier League, Champions League and other competitions. Manchester United's wholly owned global television channel, MUTV, delivers Manchester United programming to over 85 countries and territories around the world. Broadcasting revenue including, in some cases, prize money received by Manchester United respect of various competitions. The Company generates revenue from Old Trafford, a sports venue and club.



Thesis

Manchester United is one of the most recognized and valuable professional soccer teams in the world. After their IPO, the club's share price has been impacted by the disappointing season after Sir Alex Ferguson departure. This year Manchester United is rebounding from their worst season in 2013 and they are trying to maintain a spot in the top 4 in order to qualify to the UEFA Champions League. Investors are not confident on MANU because they believe that the club will not play the European League next year. Thus, they believe that the company will suffer again and its new sponsorship deals, revenue stream and reputation will decrease. The stock price seems underpriced as investors are neglecting the positive impact that could come from Adidas deal, broadcasting rights deal, and merchandising deals. The current price is a buying opportunity and benefits will appear once the club has returned to a top four finish in the Premier League by the end of this season. This report will explain the key factors that will lead to a 14% upside and a target price of \$17.9

British Broadcasting Rights

On February, the Premier League announced a record-breaking television deal of 5.14 billion pound with Sky Sports broadcasting 126 games and BT Sport broadcasting 42 televised games. This deal represents a 70% increase from the previous rights deal and continues to make soccer the most valuable sport after football in the world. This deal starts for the season 2016/17 till 2018/19, but Manchester United could benefit from these broadcasting rights because 50% of the money is split evenly between the 20 clubs, 25% is given based on league position, and 25% is given as fees for televised matches. When NBC acquired the exclusive television rights in the USA for the English Premier League in 2012, Manchester United took advantage of this deal and realized a profitable annual return.



Broadcasting rights allow Manchester United to increase its flagship brand worldwide as the club's games were watched in almost 200 countries by approximately 659 million followers worldwide in 2013/2014 season.



The team had one of its worst seasons in 2013, but the company generated revenue of almost 90 million pounds. Manchester United is rebounding nicely this season and if the club moves back into the top three it will increase its revenue split and qualify to the UEFA Champions league, which offers a total distribution of 1 billion euros. Thus, the performance of the club this season will determine whether the company will receive an interesting broadcasting revenue and sale of tickets. The new broadcasting deal will bring huge amounts of revenue for at least three seasons starting 2016/2017 and increase the Premier League value.



As a matter of fact, the broadcasting rights will enable fans to follow their favorite team from wherever they are. It is estimated that Premier League is followed by approximately £720 billion internationally and by £1.71 billion domestically. This makes the English Premier League one of the biggest leagues in terms of value compared to other leagues.



Manchester United can also count on being the most watched club in 2013/2014 with a global audience of 3 billion.



Thus, Manchester United is more viewed than American Idol and Sunday Night football by far. The broadcasting rights will continue to have a positive impact on the popularity of the club and the interest from the fans can still be seen through social media.

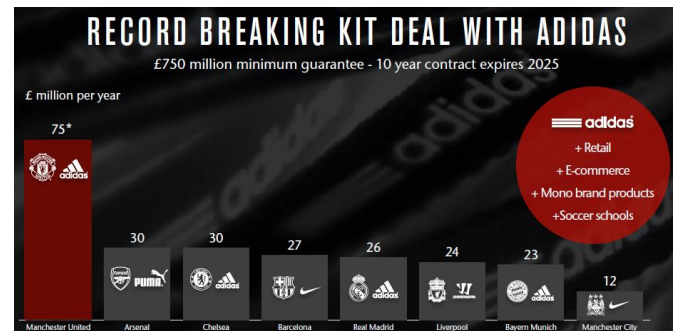


The club's Facebook page alone has well over 65 million, which is well above the Yankees' fan page. Its global fan base size is extraordinary and with a qualification to the

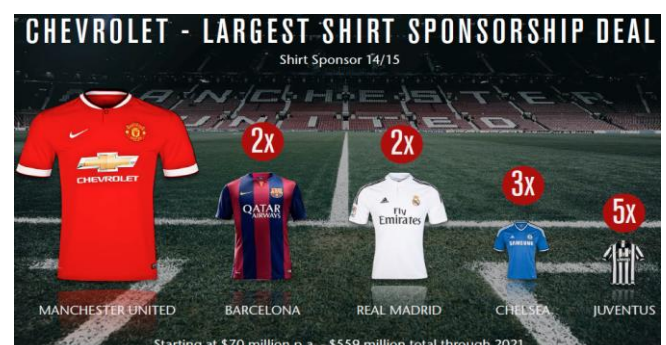
Champions League next year these numbers can only increase to more outstanding results.

New Sponsorship Deals

Manchester United concluded this year a record-breaking deal with Adidas for 10 years' worth approximately £750 million a year and will take effect as of next season till 2025.



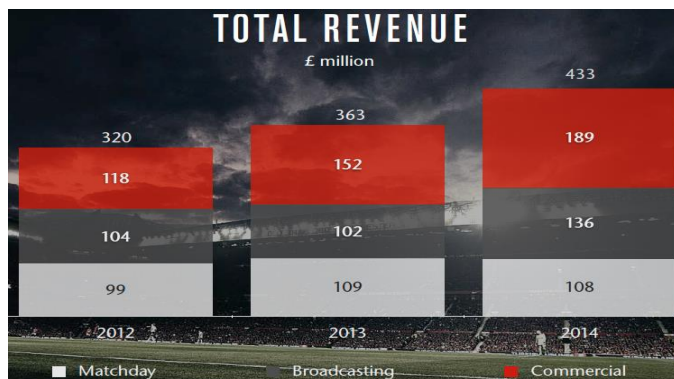
The club needs this deal in order to improve its already outstanding reputation, but the agreement states that if the club fails to qualify for the Champions League for more than 2 consecutive seasons, then Adidas has the right to reduce the payment by 30%. Based on the current performance of the team, Manchester United could at least finish 4th, and possibly 3rd if they sustain the same momentum for the last 7 games. The Adidas sponsorship is more profitable than Nike because the new deal is worth almost double that of the previous deal. As a reminder, Nike deal will end this season and was worth £25 million plus a 50% on merchandise profits. Also, Manchester United concluded another deal with General Motors' Chevrolet worth \$70 million from the current season till the end of the 2020/21 season plus an increase of 2.1% every season. Hence, the club will receive approximately \$600 million in total by the end of the 2020/21 season, which is a payment of over double what the previous deal with Aon was offering.



Manchester United continues to improve its reputation worldwide and merchandising revenue could keep on growing. In fact, the club sold over 2 million jerseys worldwide before summer 2014. This year the club can outpace this number because the new players signing such as Angel Di Maria and Radamel Falcao will drastically boost merchandising revenue over the coming seasons.

Constant Revenue Stream

Manchester United is able to realize a constant revenue stream when games are played at Old Trafford. Over the last 17 years, the club has been able to maintain an average attendance of approximately 99%. If the club qualifies to the Champions League, match day revenue will increase by nearly £108 million because more games will be played at home.

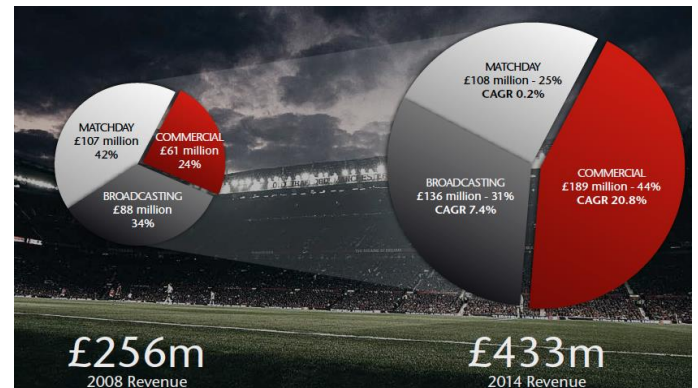


Although Old Trafford has only 76,000-seat capacity, Manchester United can count on the constant and impressive attendance figures as it gives the team a steady stream of income for several investments such as new players signing, improvement of training facilities and the opening of new store.

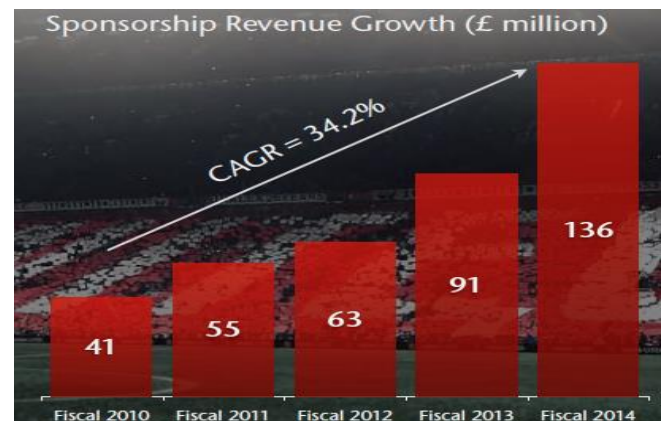


Commercial revenues will continue to have a positive impact on the club with a double-digit percentage gain in

the next few years. A qualification to the Champions League will enable the club to improve its margins and record future positive earnings. The Glazer family, owners of Manchester United since 2005, has increased and diversified the club's revenue streams.



For example, commercial revenue has gone from 24% of the team's overall revenue in 2008 to 44% last year. Commercial revenue plays a large part in the increasing income because United's jerseys are in demand around the world. Within the commercial segment, the club recorded a sponsorship revenue growth of approximately 34% from fiscal 2010-2014.



Presence in the USA

According to Forbes, soccer popularity is on the rise in the US. In fact, it is considered the fastest growing Premier League TV audience market in the world. The recent performance of the US team in the World Cup 2014 has been characterized as the most widely streamed live event ever in US history. Because of this change in popularity and commercial growth in soccer, Manchester United is targeting the attractive US football market and they plan to organize a summer tour of America every year. It has been a successful summer for Manchester

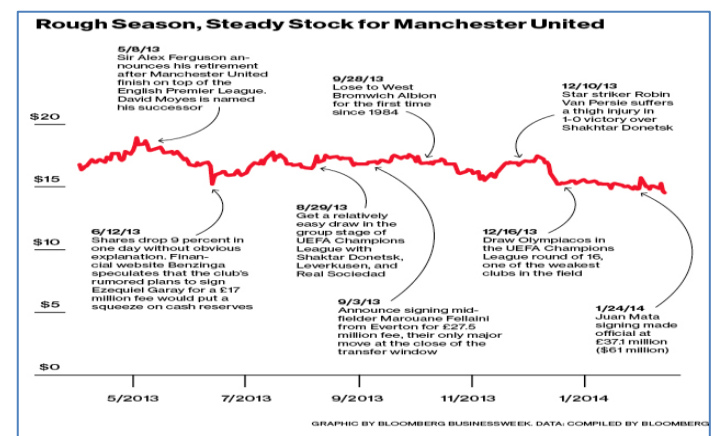
United in the US because in five matches more than 360,000 fans have watched the club. The current executive vice-chairman of Manchester United said “I’d like to talk about the exciting emerging market that is the US. We seem to be in the midst of a step-change at the moment with football or soccer breaking into the mainstream sporting consciousness. Clearly that’s been aided by the recent World Cup in Brazil and performance of the national team there and football-themed video games”¹. Also, Manchester United is the most watched soccer club in the USA with a 2014 opening weekend streaming up 56%.

Financial results

In the last earnings call the executive vice chairman stated several financial key points. The club’s total revenue decreased by 14% because of the absence from European competition this season. The huge debt load is also a burden for Manchester United’s financials because the owners added significant financial leverage to the team when they bought it in 2005. Thus, Manchester United’s debt has risen to £380.5 million but the club is trying to reduce it with the sale of players such as Ronaldo and the release of unused players. For the current fiscal 2015, Manchester United expects its revenue to reach between \$385-395 million with an adjusted EBITDA of \$90 to \$95 million. Also, the company expects broadcast revenue to be down because the lack of Champions League matches, but a decline in wages will offset it. The Glazer family has no intention to sell Manchester United because they see some exciting potential for revenue growth. United fans constantly criticize the owners as they have little knowledge about soccer and they are using Manchester United as a way to pay off their debt. Hence, United have spent more on debt repayment, interest fees of over £680 million than on player acquisitions. Without the debt United would have been able to compete for the top players in the transfer market. This year the club decided to conclude key sponsorship deals in order to revive its ability to compete for a spot in the Champions League. Free cash flow generation is going to be significantly better after the debt refinancing and revenue growth will get strong in the years to come because of Manchester United’s ability to get its products around the globe as well as the gain from broadcasting fees.

Forecasts

United’s stock fluctuates with important events in the course of the season. On its initial public offering in August 2012 on the New York Stock exchange, the stock started to trade at \$14 per share. After Sir Alex Ferguson departure, the stock price has undergone several ups and downs because it is tied to several factors: European qualification, injuries, acquisitions, and rumors of acquisitions. As you can see on the chart below, the market mimics the mood on the field when the season is underway.



Manchester United appears well set to recover in fiscal year 2016 because the company is getting more aggressive in its push to return to European football, which would guarantee it remains among the top sports brands in the world. The business model of Manchester United is attractive as the club is signing agreements with key sponsors for the long term. However, the only possible risk is the significant debt that the Glazer family accumulated before acquiring the club. The purchase of MANU shares is more of a gamble than an investment because stock price moves according to the club’s performance. The new Adidas deal will start in 2015 as well as the Chevrolet sponsorship will allow the company to see strong numbers. A top three finish will get the company back to its peak broadcast figures as the club is prepared to do some key signings during the summer transfer window.

¹ <http://www.irishtimes.com/sport/soccer/manchester-united-target-the-usa-market-1.1925332>

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Manchester United plc		MANU	Analyst DJ SAM	Current Price \$15.77	Intrinsic Value \$17.04	Target Value \$17.92	Divident Yield 0%	Target Return 1-y Return: 13.66%	NEUTRAL
General Info			Peers	Market Cap.	Management				
Sector	Consumer Discretionary		Arsenal Holdings plc	\$987.73	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Media		Juventus Football Club S.p.A.	\$281.57	Glazer, Joel	Executive Co-Chairman, Principi	\$ -	\$ -	\$ -
Last Guidance	Feb-12-2015		(Invalid Identifier)		Glazer, Avram	Executive Co-Chairman and Me	\$ -	\$ -	\$ -
Next earnings date	5/1/2015		Borussia Dortmund GmbH & Co. Komu	\$338.49	Woodward, Edward	Executive Vice Chairman and Pr	\$ -	\$ -	\$ -
Market Data			Rangers International Football Club PLC <td>\$28.92</td> <td>Arnold, Richard</td> <td>Group Managing Director and I</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td>	\$28.92	Arnold, Richard	Group Managing Director and I	\$ -	\$ -	\$ -
Enterprise value	\$3,144.27		Millwall Holdings plc		Reigle, Jamieson	Commercial Director and Direct	\$ -	\$ -	\$ -
Market Capitalization	\$224,790.42		Sport Lisboa e Benfica - Futebol, SAD	\$32.45	10y-Median Performance				
Daily volume	7.72		AFC Ajax NV	\$168.94	MANU		Peers		Industry
Shares outstanding	163.80		Olympique Lyonnais Groupe Société Ano	\$91.93					All U.S. firms
Diluted shares outstanding	163.88		Celtic plc	\$70.08					
% shares held by institutions	77.53%		Current Capital Structure		Growth	10.0%	8.2%	6.3%	7.4%
% shares held by insiders	10.99%		Total debt / market cap	14.63%	ROE	13.7%	23.1%	10.2%	9.9%
Short interest	0.79%		Cost of Borrowing	8.07%	Net Profit Margin	14.1%	10.2%	3.1%	6.9%
Days to cover short interest	10.94		Interest Coverage	184.52%	Rev./Common Equity	97.3%	226.3%	330.3%	144.8%
52 week high	\$19.97		Altman Z	1.85	Excess Cash / Rev.	N/A	4.8%	13.5%	12.9%
52-week low	\$14.72		Debt Rating	C	Total Cash / Rev.	15.3%	24.1%	12.3%	15.2%
5y Beta	0.09		Levered Beta	0.40	Unlevered Beta	0.09	0.23	0.90	0.95
6-month volatility	24.55%		WACC (based on market value weights)	4.99%	TEV/REV	5.1x	1.8x	2.2x	2.5x
Past Earning Surprises		Revenue	EBITDA	Norm. EPS	TEV/EBITA	17.9x	29.9x	13.8x	13.1x
					PE	53.7x	14.0x	25.5x	23.5x
					P/BV	3.6x	3.1x	2.4x	2.2x
		Non-GAAP Adjustments in estimates computations							
Last Quarter	5.0%		51.4%		Operating Leases Capitalization	0%	N/A	N/A	
Last Quarter-1	3.0%		25.1%		R&D Exp. Capitalization	0%	N/A	N/A	
Last Quarter -2	4.0%		1.6%		Expl./Drilling Exp. Capitalization	0%	N/A	N/A	
Last Quarter -3	4.1%		0.0%	33.3%	SG&A Capitalization	0%	N/A	N/A	
Last Quarter -4	-0.2%		0.0%	0.0%					
Proforma Assumptions		\$	-	Rev. Growth	Adj. Op. Cost/Rev	Common Equity	Net Margin	ROE	Ke
Money market rate as of today	0.59%		LTM	34.2%	69.0%	\$763.30	16%	12.2%	5.0%
Annual increase (decrease) in interest rates	0.1%		NTM	19.6%	64.5%	\$845.61	20%	19.3%	5.1%
Yield Spread acceleration	1.2		NTM+1	12.3%	62.3%	\$930.84	21%	20.5%	5.2%
Marginal Tax Rate	37.5%		NTM+2	8.7%	61.1%	\$1,031.73	22%	20.8%	5.3%
Risk-Free rate	2.5%		NTM+3	6.8%	60.6%	\$1,145.26	23%	20.5%	5.4%
Tobin's Q	295.26		NTM+4	5.9%	60.3%	\$1,269.98	23%	19.9%	5.5%
Op. Cash/Rev.	2%		NTM+5	5.5%	60.1%	\$1,405.40	23%	19.2%	5.6%
Growth in PPE	NPPE Growth=0 (GPPE grows by DPR exp. each year)		NTM+6	5.2%	60.1%	\$1,551.57	24%	18.5%	5.7%
Long term Growth	5.0%		NTM+7	5.1%	60.0%	\$1,708.90	24%	17.8%	5.8%
Long term EBITDA Margin	40.0%		NTM+8	5.1%	60.0%	\$1,878.04	24%	17.2%	5.9%
Long term NOPLAT Margin	20.0%								
Long term ROE	15.0%								
Most recent Unlevered Beta	0.09								
Long term Unlevered Beta	0.90								
Valuation		Common Equity x (ROE-Ke)	Enterprise Value (UFCF Valuation only)	Total Debt	Other claims	Equity Value	LDCF Valuation	Relative Valuation	Weighted Price Per Share
LTM	\$54.77		\$3,576.61	\$594.47	-\$43.58	\$3,025.73	\$22.11	\$5.66	\$18.00
NTM	\$119.94		\$3,746.00	\$594.47	-\$130.82	\$3,282.35	\$23.36	\$4.63	\$18.67
NTM+1	\$142.25		\$4,002.94	\$594.47	-\$242.33	\$3,650.80	\$25.16	\$3.84	\$19.83
NTM+2	\$160.24		\$4,438.38	\$594.47	-\$364.75	\$4,208.67	\$28.23	\$4.04	\$22.19
NTM+3	\$173.02		\$5,121.64	\$594.47	-\$497.42	\$5,024.60	\$33.04	\$4.90	\$26.01
NTM+4	\$182.88		\$6,182.85	\$594.47	-\$640.33	\$6,228.72	\$40.66	\$6.19	\$32.04
NTM+5	\$191.22		\$7,856.16	\$594.47	-\$793.83	\$8,055.53	\$52.49	\$7.78	\$41.31
NTM+6	\$198.81		\$10,575.06	\$594.47	-\$958.45	\$10,939.04	\$72.23	\$9.52	\$56.55
NTM+7	\$206.07		\$15,170.36	\$594.47	-\$1,134.85	\$15,710.74	\$106.19	\$10.91	\$82.37
NTM+8	\$20,761.81		\$23,297.06	\$594.47	-\$1,323.87	\$24,026.47	\$142.21	\$12.41	\$109.76
Monte Carlo Simulation Assumptions		Base	Stddev	Min	Max	Distribution	Monte Carlo Simulation Results		
Revenue Variation	0		10%	N/A	N/A	Normal	Intrinsic Value		1y-Target
Op. Costs Variation	0		10%	N/A	N/A	Normal	Mean est.	\$18.00	\$18.67
Country Risk Premium	6%		N/A	5%	7%	Triangular	σ(ε)	\$0.32	\$0.25
Long term Growth	5%		N/A	3%	10%	Triangular	3 σ(ε) adjusted price	\$17.04	\$17.92
							Current Price	\$15.77	
							Analysts' median est.		\$19.52

NutriSystem, Inc.

NTRI: NasdaqGS

Analyst: Mark Papuzza

Sector: Services

BUY

Price Target: \$22.53

Key Statistics as of 4/7/15

Market Price:	\$19.49
Industry:	Consumer Services
Market Cap:	\$551.9M
52-Week Range:	\$13.76-21.47
Beta:	1.46

Thesis Points:

- Successful Product Line and Product Expansion
- Growing Demand in Weight-Loss Field
- Financials – Growing EBITDA margins, Free Cash Flow, and No Debt

Company Description:

Nutrisystem, Inc. provides weight loss programs for women, men, and seniors in the United States. The company's website provides members with a weight management program that incorporates personal online counseling, individual diet and exercise plans, as well as other information. Nutrisystem programs comprise of Nutrisystem D, Fast 5+ Kit, 5-day Kit, My Daily 3, and NuMi. The company sells its pre-packaged foods to weight loss program participants directly through the internet, telephone, a television shopping network, and retailers. Nutrisystem, Inc. was founded in 1972 and is based in Fort Washington, Pennsylvania.



Thesis

Nutrisystem has developed into a leader in the weight loss industry, and has been helping people lose weight and become healthier for over 35 years. With their product line that has proven to be successful, combined with their recent product expansion and the growing demand in the weight-loss field, Nutrisystem will continue to grow their EBITDA margins, and continue to generate value for the company and increase the price of their stock.

Successful Product Line and Product Expansion

Nutrisystem has a long line of products that have been proven to be successful with customers, and continue to introduce new ones each year. Nutrisystem has more variety than any of its competitors, which has been a key to their success. With over 40 frozen products, and over 115 ready-to-go products, they are able to appeal to the very diverse market of individuals attempting to lose weight. In order for these products to be successful and to keep the customers motivated to stay on track with the programs, the food must be satisfying to them. This is why Nutrisystem goes with the current food market trends, and base their products off of what the customers want. They conduct research continually, and introduce new products based off the results of customer preference. Nutrisystem has over 100 products, all nutrient rich and contain no trans-fat, no high fructose corn syrup, no fully or partially hydrogenated oil, no artificial preservatives, and no artificial flavorings.

Some of Nutrisystem's most successful products include Nutrisystem D, Fast 5+ Kit, and NuMi. Nutrisystem D is a program that is specifically designed for people with type 2 diabetes. Customers who use this program lose an average of 18 pounds, lower their cholesterol levels, lose inches off their waistline, and reduced A1c levels on average by 0.7%. This program helps type 2 diabetics to both lose weight and manage their diabetes. With this program, customers also receive full access to certified diabetic educators, food and glucose trackers, and an online support community.

The Fast 5+ Kit maximizes results in one week with a

unique meal plan and pre-picked meals, and on average customers lose five pounds after this week. It works as a motivational introduction to the Nutrisystem program, as customers will see results immediately. This program also comes with a guarantee; if customers are not satisfied within the first two weeks, they will receive a full refund. This shows the confidence Nutrisystem has that their products work, and that customers will be satisfied with them.

One of the newest products Nutrisystem has introduced enters the digital technology field that has become so popular with society's use of smartphones. NuMi is a free online weight loss program that is personalized to one's unique lifestyle. The app is designed for the "do-it-yourself" dieter, to guide them in the right direction for success and stay by their side throughout it. The app tracks both victories and slip-ups in one's every day diet, and allows them to see what they are doing well and what they need to improve. Users can scan nutritional information from the food they are consuming straight to the NuMi app, allowing for the most accurate tracking of their diet possible. It contains solutions for eating in with over 12,000 nutritionist-reviewed recommendations, and for eating out at over 300 restaurants/chains. Nutrisystem has pioneered an on-the-go, real time weight loss system that is personalized to the individual's overall goals, lifestyle, activity and changing needs. This product is an exceptional add-on benefit for Nutrisystem customers because even after they complete their Nutrisystem programs, they can still have Nutrisystem by their side to help keep them on the right, healthy path.

In 2013, Nutrisystem expanded into the retail market with a partnership with Walmart. The company began offering their "5-day Nutrisystem Jumpstart Your Weight Loss Kit" product at Walmart stores, taking an immense step to grow their retail presence. This allowed their product to be seen by a large amount of people who had not yet been exposed to it. Since this partnership, they have also partnered with Sam's Club and Amazon.com. Nutrisystem will continue to expand their channels by working with more club stores, grocery stores and drug stores.

Growing Demand in Weight-Loss Field

Two years ago, the American Medical Association

officially recognized obesity as a disease. Right now in America, two-thirds of adults have this disease, as they have a Body Mass Index that classifies them as obese. This means that there are over 160 million overweight adults living in America. Of these 160 million, over 85 million are attempting to lose weight, and another 48 million are actively trying to prevent weight gain. These numbers prove that obese adults understand they have a problem, and are trying to do something to fix it. With all of society's advancements in medical research, information is now available to encourage overweight people to lose weight that goes beyond simply their physical appearance. Obesity has been proven to significantly raise the risk of coronary heart disease, high blood pressure, stroke, type 2 diabetes, abnormal levels of blood fat, cancer, osteoarthritis, sleep apnea, reproductive problems, gallstones, and so on. Needless to say, obesity only brings harm to one's health. Fortunately for overweight people this disease is treatable, as it is up to the individual themselves to lose the extra weight. Of the 85 million people attempting to lose weight, many struggle with finding the right diet or right motivation to do it. This is where Nutrisystem steps in. Nutrisystem has discovered the science behind weight-loss, and tailor their plans specifically for each individual based on their needs and lifestyle. With the Nutrisystem programs, obese people do not have to worry if they are dieting correctly, as the program takes care of everything for them by instructing them what to eat and when to eat it. People do not have to focus on counting the amount of calories or carbs a meal has, or how much of something they are allowed to have, as Nutrisystem takes care of all that for them. As long as the individuals are committed and motivated to following the structured programs, they will see the results they desire.

Approximately 95% of people who have diabetes have type 2, and there are currently more than 17 million adults in America with this disease. Living with this disease not only affects one's health, but also causes medical expenses to be approximately 2.3 times higher. People who are obese have the highest chance of developing type 2 diabetes. As a result, this disease can be very preventable. A mere 7% drop in weight reduces one's risk of diabetes by 58%. For those who are worried they will develop type 2 diabetes, Nutrisystem programs will help them reduce that risk greatly. As for those who have already developed it and need to maintain their health better, Nutrisystem has a program designed specifically for them. Nutrisystem D not only

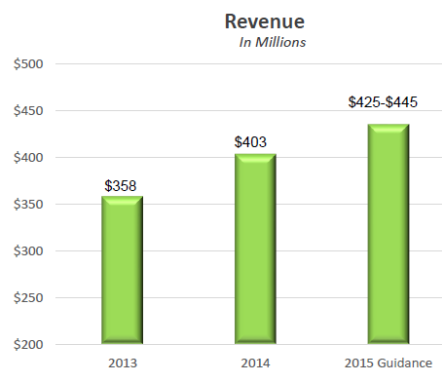
promotes weight loss, but also helps stabilize blood sugar levels. The program also includes unlimited access to certified diabetic educators and counselors for support. 10% of Nutrisystem customers are on this program, and with the growing number of cases of type 2 diabetes in America, this number will continue to rise.

Last year, new customer revenues grew 20% year-over-year. The total market for weight-loss programs is over \$60 billion currently, and Nutrisystem has an addressable market of \$15 billion. With such a high number of obese adults attempting to lose weight, this large market will continue to grow, bringing more customers and success to Nutrisystem.

Financials

Nutrisystem has been showing consistent growth in revenue, which has increased shareholder value. In its most recent quarter, results showed their sixth consecutive quarter of year-over-year revenue growth. Overall, the company had a 13% growth in revenue in 2014. Their EBITDA margins have also continued to consistently grow, and are projected to begin outgrowing the percentage of revenue growth in the next two years. This demonstrates that the company is creating value, and eliminating operating expenses that are eating into their bottom line.

Also noteworthy is the company's net debt and free cash flow. Nutrisystem has zero debt on their balance sheet. They also continue to have positive free cash flow. Last year, the company returned approximately \$20,000,000 to stockholders. Their cash flow generation has been consistently strong, and is projected to continue doing so in the upcoming two years.



Conclusion

Nutrisystem is the leading brand in direct-to-consumer commercial weight loss. The company prides itself on adapting to current market trends, and will continue to innovate and create the most successful products for customers. Their programs have been proven to work, and with the amount of obese adults in the U.S. that are working toward losing weight, Nutrisystem will continue to attract new customers. With growing EBITDA margins, zero net debt, and consistently positive free cash flow, Nutrisystem has the groundwork laid to deliver sustainable growth and profitability, and will increase the value of both their company and their share price.

CENTER FOR GLOBAL FINANCIAL STUDIES									
Nutrisystem, Inc.		ntri	Analyst Mark Papuzza	Current Price \$19.43	Intrinsic Value \$19.47	Target Value \$22.53	Divident Yield 4%	Target Return -y Return: 19.55%	NEUTRAL
General Info			Peers	Market Cap.	Management				
Sector	Consumer Discretionary		Mediast Inc.	\$373.06	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Internet and Catalog Retail		Vitacost.com, Inc.		Zier, Dawn	Chief Executive Officer, P	\$ 1,913,477.00	\$ 2,147,744.00	\$ 2,629,632.00
Last Guidance	Mar-02-2015		Whole Foods Market, Inc.	\$18,525.18	Monahan, Michael	Chief Financial Officer and	\$ -	\$ 1,062,616.00	\$ 963,682.00
Next earnings date	4/30/2015		Safeway Inc.		Krausz, Keira	Chief Marketing Officer and	\$ -	\$ 1,363,800.00	\$ 954,124.00
Market Data			Wal-Mart Stores Inc.	\$261,407.88	Crivelli, Joe	Senior Vice President of Ir	\$ -	\$ -	\$ -
Enterprise value	\$533.54		Amazon.com Inc.	\$177,023.18	Mauro, Ralph	Senior Vice President, Gei	\$ -	\$ -	\$ -
Market Capitalization	\$562.78		Ocado Group PLC	\$2,116.69	Shallow, Robin	Vice President of Commu	\$ -	\$ -	\$ -
Daily volume	0.16				10y-Median Performance				
Shares outstanding	28.96					ntri	Peers	Industry	All U.S. firms
Diluted shares outstanding	28.79		Jumei International Holding Limite	\$2,529.08	Growth	-2.1%	6.3%	10.5%	7.4%
% shares held by institutions	84.25%		Current Capital Structure		ROIC	39.3%	11.4%	18.3%	14.3%
% shares held by insiders	1.85%		Total debt/market cap	0.00%	NOPLAT Margin	5.5%	3.6%	8.4%	10.4%
Short interest	11.25%		Cost of Borrowing	#DIV/0!	REV./Invested Capital	717.7%	315.2%	216.5%	137.4%
Days to cover short interest	9.88		Interest Coverage	1038.41%	Excess Cash/Rev.	7.4%	2.4%	13.5%	12.9%
52 week high	\$21.47		Altman Z	10.38	Total Cash /Rev.	7.4%	3.2%	12.3%	15.2%
52-week low	\$13.76		Debt Rating	AA	Unlevered Beta	0.67	0.93	1.29	0.95
5y Beta	0.39		Levered Beta	0.95	TEV/REV	1.1x	0.7x	2.6x	2.5x
6-month volatility	29.23%		WACC (based on market value we	7.72%	TEV/EBITA	14.1x	18.7x	16.1x	13.1x
Past Earning Surprises					PE	25.6x	17.8x	31.9x	23.5x
Last Quarter	-1.4%				P/BV	6.7x	3.2x	2.9x	2.2x
Last Quarter-1	1.3%		EBITDA	5.9%	Non-GAAP Adjustments in estimates computations				
Last Quarter -2	-0.3%			6.3%	Operating Leases Capitaliza	100%	Straightline	10 years	
Last Quarter -3	0.0%			11.1%	R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter -4	0.3%			100.0%	Expl./Drilling Exp. Capitalizat	0%	N/A	N/A	
					SG&A Capitalization	0%	N/A	N/A	
Proforma Assumptions					Forecast				
Money market rate as of today	0.50%				Invested Capital	NOPLAT Margin	ROIC	WACC	
Annual increase (decrease) in inte	0.1%				\$52.23	5%	42.3%	7.7%	
Yield Spread acceleration	1.2				\$45.83	10%	82.3%	7.8%	
Marginal Tax Rate	37.5%				\$44.51	11%	113.1%	7.7%	
Risk-Free rate	2.5%				\$46.33	11%	131.3%	7.8%	
Tobin's Q	1.00				\$48.54	12%	138.5%	7.8%	
Op. Cash/Rev.	2%				\$50.77	12%	143.5%	7.8%	
Growth in PPE					\$52.88	12%	148.1%	7.9%	
Long term Growth	6.6%				\$55.45	12%	153.1%	7.8%	
Long term EBITDA Margin	19.0%				\$58.35	12%	157.1%	7.6%	
Long term NOPLAT Margin	9.0%				\$61.67	12%	160.6%	7.8%	
Long term ROIC	12.0%								
Most recent Unlevered Beta	0.55								
Long term Unlevered Beta	0.93								
Invested Capital x (ROIC-WACC)									
LTM	\$18.06								
NTM	\$34.17								
NTM+1	\$46.89								
NTM+2	\$57.21								
NTM+3	\$63.46								
NTM+4	\$68.87								
NTM+5	\$74.14								
NTM+6	\$80.58								
NTM+7	\$87.23								
NTM+8	\$273.63								
Valuation									
Invested Capital x (ROIC-WACC)									
price Value (WACC-Valuation)									
Total Debt									
Other claims									
Equity Value									
WACC-Valuation									
Relative Valuation									
Weighted Price Per									
LTM	\$18.06								
NTM	\$34.17								
NTM+1	\$46.89								
NTM+2	\$57.21								
NTM+3	\$63.46								
NTM+4	\$68.87								
NTM+5	\$74.14								
NTM+6	\$80.58								
NTM+7	\$87.23								
NTM+8	\$273.63								
Monte Carlo Simulation Assumptions									
Base									
Stddev									
Min									
Max									
Distribution									
Normal									
Normal									
Triangular									
Triangular									
Revenue Variation	0								
Op. Costs Variation	0								
Country Risk Premium	6%								
Long term Growth	7%								
Monte Carlo Simulation Results									
Intrinsic Value									
1y-Target									
Mean est.	\$19.71								
σ(E)	\$0.08								
3 σ(E) adjusted price	\$19.47								
Current Price	\$19.43								
Analysts' median est.									

BUY

Price Target: \$61.73

Key Statistics as of 04/11/2015

Market Price:	\$26.47
Industry:	Semi-conductors
Market Cap:	\$1.54B
52-Week Range:	\$17.92 - \$28.95
Beta:	0.83

Thesis Points

- CMOS market growth opportunities
- Commitment to innovation
- Strong financials
- Buyout decision

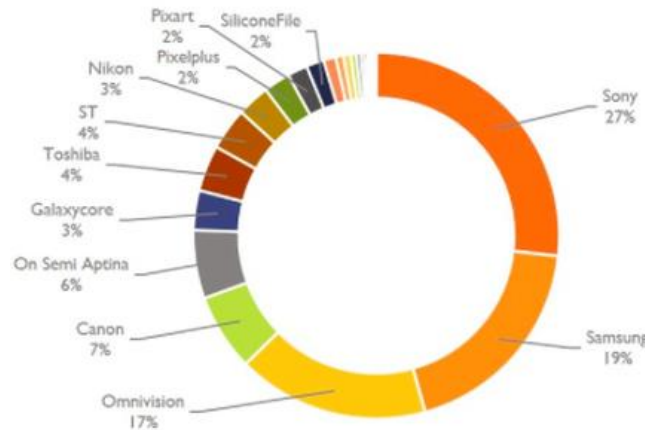
Company Description

OmniVision Technologies, Inc. was founded in 1995 and is headquartered in Santa Clara, California. The company manufactures and markets semiconductor image-sensor devices. Its principal products include CameraChip image sensors, which capture an image electronically and are used in various consumer and commercial applications; and CameraCubeChip imaging devices that are image sensors with integrated wafer-level optics. In addition, it designs and develops software drivers for Linux, Mac OSX, and Microsoft Windows, as well as for embedded operating systems, such as Android, Blackberry OS, Symbian, Windows CE, Windows Embedded, and Windows Mobile. The company sells its products to equipment manufacturers and indirectly through distributors.

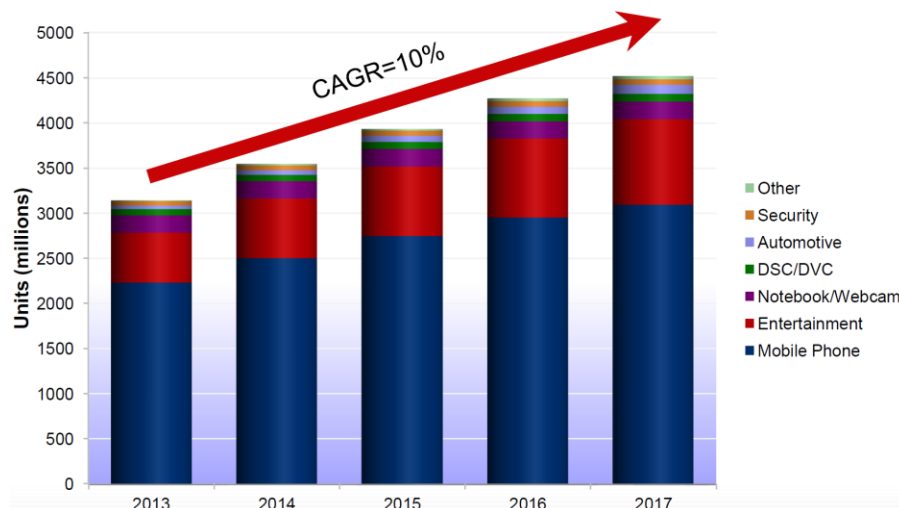


OmniVision Technologies is one the leaders in providing the industry with CMOS sensors that are used in cameras. It has historically innovating a lot to set new industry standards and become the reference in this market. Especially, this industry is currently diversifying a lot because is constantly produces new products. The company is well positioned to take advantage of a market that is expected to grow at a 10% CAGR over the next 5 years. Estimates improved earnings estimates recently, which means that they are confident about the company's growth. Finally OmniVision has strong financials, almost no-debt and plenty of cash on hand. The prroforma shows that the company's stock price has a potential return of more than 100%.

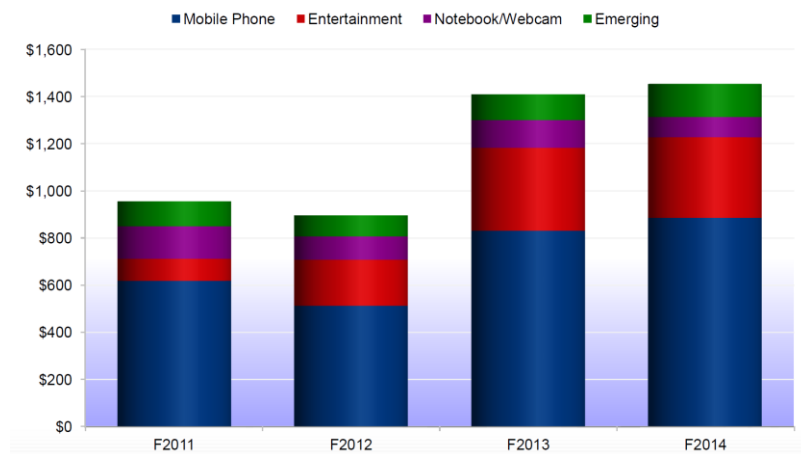
CMOS market growth opportunities



As of 2014, OmniVision is one the market leaders in the CMOS market, just behind two much bigger companies: Sony and Samsung. The company is the smallest company to be in the top 4 of this ranking, which means that it offers something different from big players, otherwise it would have been far behind. Additionally, the fifth player in the industry, Aptina, had a 16% market share in 2009. This market share has been reduced to only 6% today. It means that other companies are losing ground to the detriment of OmniVision, Sony and Samsung. OmniVision also lost a little bit of market share over the past 2 years, but it is holding much better thanks to a focus on innovation. A CMOS imaging chip is a type of active pixel sensor made using the CMOS semiconductor process. Today, most of the digital cameras on the market use this technology. The aim of a CMOS chip is to capture light and converting it into electrical signals. The company has the advantage to be the first on the market to commercialize CMOS image sensors. It has a higher technological knowledge than its main competitors. That will be a key success for the company in the near future because the CMOS market is expected to tremulously increase soon. ¹ Currently valued at about \$10 billion, the CMOS market is expected to reach \$16 billion by 2020. This is mainly due to an increasing demand and additional market opportunities.



The chart above displays the market segmentation of the market. The market is expected to grow at a 10% CAGR over the next 5 years. Historically OmniVision has been focusing on mobile phones. Nevertheless, it has been able to take advantage of new market opportunities. Their products now have a wider range of application. The main segment is the CMOS market is mobile phone. OmniVision supplies several high-performance phone manufacturers with its products. However, automotive segment is the big story this year. Car manufacturers like Tesla, Nissan, and Ford are now installing CMOS image sensors in many of their cars. Total revenue for this segment should reach \$800 million in 2020. Car manufacturers use CMOS sensors as an advanced driver assistance system (ADAS). This system uses about five to six cameras per vehicle in order to enhance road safety. This has been one the main innovation in the automotive market during the past couple of years. We can expect that this feature will be adopted by many other companies in the future. Additionally, some company such as Google have been tremendously investing in autonomous car, which means car that are capable of running without driver. These cars require many cameras in order to properly operate. By supplying CMOS sensors to this market, OmniVision could see a huge rise in profits. The company also tries to focus on a new application for the LCOS market. LCOS is a miniature liquid crystal display. LCOS devices are used in near-eye applications such as electronic viewfinders for digital cameras. The main device in this industry is the Google Glasses, which found an enormous success at launch. OmniVision is one of the leader in the industry in terms of miniaturizing its products. Therefore, its CMOS sensor could be very attractive if companies develop similar projects than Google Glasses. The company also products produces products for the following markets: entertainment, notebooks and security. Each of these segments also have a potential for further increase. Indeed, IP security cameras have a bright future because it enables people to control security camera over the internet. Additionally, the entertainment segment, which includes tablets, as well as laptops, will always need CMOS sensors for their front cameras.



The graph above show the market segmentation of the company. In 2011, OmniVision rely almost at 75% of the sale of CMOS sensor for the mobile phone industry. We can see that it has been able to diversify its production to meet new industry trends. Nowadays, it relies on slightly more than 50% on mobile phones. The company has taken advantage of the development of new products, as it was explained previously on this report.

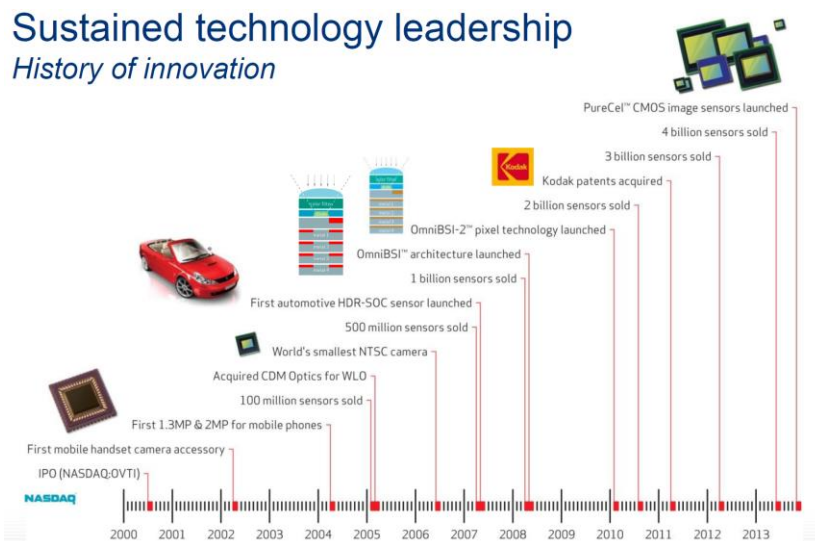
Commitment to innovation

OmniVision has been recognized in the industry by its huge investments to develop new products and innovate. The timeline above displays the history of the company since in IPO, back in 2000. We can see that each year it has been able to develop a product that revolutionized the market. Some of the most famous examples are:

- **2004:** first 2MP cameras for mobile phones
- **2007:** Frist automotive sensors launched
- **2013:** PureCell sensor launched

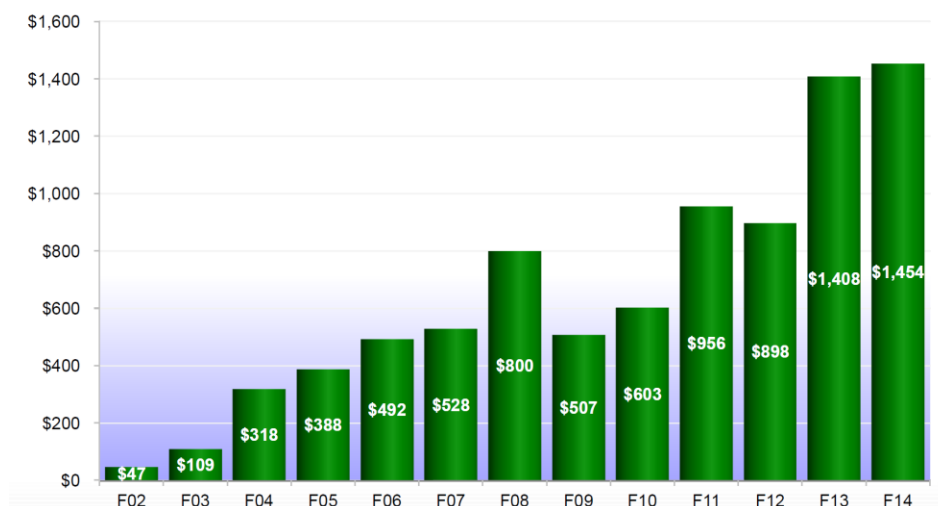
At the end of 2013, OmniVision launched PureCell. PureCell is a CMOS sensor image that delivers the best pixel performance in the industry. This component is able to capture detailed images and produce high quality videos even in environment with very low or very high brightness. It also drastically reduces power consumption compared to previous products. This product is the future of imaging solutions. This product is the new flagship of the company. It has the advantage of increasing full-well

capacity. Full well capacity (FWC) defines “the amount of charge an individual pixel can hold before saturating.”² Every company in the industry strives to increase FWC, but OmniVision is the one that currently holds the top of this ranking. This can only benefit OmniVision, as the higher end of the space has less competitors and higher prices.



On April 7, 2015, OmniVision announced a partnership with VIA Technologies in order to provide the market with wireless high-definition monitoring solutions. This means that the company is always in track to invent cutting edge products and be a leader in innovation.

Strong financials



The table above show the revenues of OmniVision from 2002 to 2014. We can see that the company performed very well in the past decade. Its revenues increased almost every year since then. The company managed well to take advantage of new market trends and opportunities.



² <http://www.photometrics.com/resources/learningzone/fwellcapacity.php>

Additionally, the company is almost debt-free. It has only a 2% debt to market capitalization ratio. The company does not need to borrow money to invest. This is due to a tremendous amount of cash OmniVision has on hand. It has currently about \$450 million of cash on its balance sheet, which represents about one third of its total market capitalization, which is very high. This makes the company fully able to meet any financial requirement in the future and enables it to pursue its acquisition strategy. Finally the company has been improving a lot its margins. The gross margin jumped from about 17% to 21% over the past two years because OmniVision has been able to reduce costs and make economies of scale. Additionally, the company currently trades at a 14.97 P/E ratio. The market currently trades at a 20.55, which is way above the P/E of OmniVision. It means that the company is currently cheap and attractive to investors. OmniVision has seen solid earnings estimate revision over the past month, which means that analysts are becoming more bullish on both short and long term growth.

Buyout decision

Last year, a Chinese investment group, headed by Hua Capital Management, announced that it proposed \$29 per share to buy OmniVision. OmniVision said nothing about this buyout over the past eight months except that it acknowledge receipt of the offer. Therefore, rumors spread last week that the Chinese investment group will increase this offer to \$30 per share. Considering the current price of OmniVision at \$26.47, this constitutes a more than 13% increase if they agree on a deal. Also, rumors about the buyout will make the price of the company go higher in the near future because of speculations. In overall, OmniVision is considered as a strong buyout opportunity given its huge cash on hand and very low debt. An acquisition is always beneficial for the target. Since one company usually pays a premium to another to acquire it, the stock price of the target will usually if not always move up.

OmniVision Technologies, Inc.	OVTI	Analyst	Current Price	Intrinsic Value	Target Value	Dividend Yield	Target Return	BULLISH
		GUILLAUME VALENTIN	\$26.47	\$52.42	\$61.73	0%	1-yr Return: 133.19%	

General Info			Peers	Market Cap.	Management				
Sector	Information Technology		Synaptics Inc.	\$3,206.51	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Semiconductors and Semiconductor Equipment		Atmel Corporation	\$3,405.80	Hong, Shaw	Co-Founder, Chairman and Chief	\$ 5,367,014.00	\$ 2,643,746.00	\$ 3,639,513.00
Last Guidance	Feb.-26-2015		Qorvo, Inc.	\$10,924.35	Chan, Anson	Chief Financial Officer, Principal	\$ 1,677,562.00	\$ 941,071.00	\$ 1,224,840.00
Next earnings date	5/28/2015		Skyworks Solutions Inc	\$19,034.73	Yang, Henry	Chief Operating Officer and Dire	\$ 2,554,180.00	\$ 1,320,703.00	\$ 1,850,864.00
Market Data			Xilinx Inc	\$11,458.78	Chou, Y.	Senior Vice President of Global	\$ 2,547,453.00	\$ 1,302,317.00	\$ 1,833,413.00
Enterprise value	\$1,059.49		Altera Corp.	\$13,399.85	Li, John	Vice President of System Techno	- \$	- \$	\$ 1,794,676.00
Market Capitalization	\$453.51		Fairchild Semiconductor International Inc	\$2,171.84	Wu, Raymond	Co-Founder and President	- \$	\$ 1,621,243.00	-
Daily volume	0.41		Linear Technology Corporation	\$11,121.33	10y-Median Performance				
Shares outstanding	58.11		Microchip Technology Inc	\$10,072.45		OVTI	Peers	Industry	All U.S. firms
Diluted shares outstanding	58.12		Analog Devices, Inc	\$20,017.36	Growth	13.8%	5.0%	8.0%	7.4%
% shares held by institutions	73.98%		Current Capital Structure			ROIC	11.4%	8.6%	12.8%
% shares held by insiders	1.63%		Total debt/market cap	2.25%	NOPLAT Margin	9.0%	19.6%	14.7%	10.4%
Short interest	2.00%		Cost of Borrowing	6.11%	REV./Invested Capital	126.8%	43.7%	87.4%	137.4%
Days to cover short interest	2.14		Interest Coverage	502.47%	Excess Cash./Rev.	49.3%	75.2%	13.5%	12.9%
52-week high	\$28.95		Altman Z	5.02	Total Cash./Rev.	49.3%	75.2%	12.3%	15.2%
52-week low	\$17.92		Debt Rating	A	Unlevered Beta	1.52	1.32	1.28	0.95
5y Beta	1.37		Levered Beta	1.45	TEV/REV	0.8x	4.1x	3.2x	2.5x
6-month volatility	32.45%		WACC (based on market value weights)	9.26%	TEV/EBITA	4.5x	20.2x	11.5x	13.1x
Past Earnings Surprises						PE	11.1x	24.4x	26.0x
						P/BV	0.9x	2.5x	1.6x
						Non-GAAP Adjustments in estimates computations			
						Operating Leases Capitalization	100%	Straightline	10 years
						R&D Exp. Capitalization	100%	Straightline	10 years
						Expl./Drilling Exp. Capitalization	0%	N/A	N/A
						SG&A Capitalization	0%	N/A	N/A

Performance Sports Group Ltd.

NYSE: PSG

Analyst: Brian Johnke
Sector: Consumer
Discretionary**BUY**

Price Target: \$23.82

Key Statistics as of 4/8/15

Market Price:	\$18.68
Industry:	Leisure Products
Market Cap:	\$925.8 M
52-Week Range:	\$13.23-20.61
Beta:	0.6

Thesis Points:

- Diversified Product Line
- Recent Acquisitions to Help Drive Growth
- Growth In Lacrosse and Hockey Participation
- Financials

Company Description:

Performance Sports Group Ltd., together with its subsidiaries, designs, manufactures, and distributes performance sports equipment, related apparel, and accessories for ice hockey, roller hockey, lacrosse, baseball, and softball primarily in the United States, Canada, and Europe. It operates through two segments, Hockey and Baseball/Softball. The company offers ice hockey products, such as skates, skate blades, protective gear, sticks, team apparel, and accessories; baseball and softball products, including bats, gloves, protective gear, apparel, and accessories; roller hockey products comprising skates, protective gear, and accessories; and lacrosse products, which include shafts, heads, gloves, helmets, and protective gear. It also provides uniforms for ice hockey, roller hockey, lacrosse, and other team sports. The company offers its products under the brand names of BAUER, MISSION, MAVERIK, CASCADE, INARIA, COMBAT, and EASTON. Performance Sports Group Ltd. distributes its products through sales representatives and independent distributors to specialty retail stores, sporting goods, and national retail chains, as well as directly to sports teams. The company was formerly known as Bauer Performance Sports Ltd. and changed its name to Performance Sports Group Ltd. in June 2014. Performance Sports Group Ltd. was founded in 1927 and is headquartered in Exeter, New Hampshire. (CIQ)



Recommendation

As a growing company that continues to expand its business both organically through strategic acquisitions, Performance Sports Group (PSG) is a BUY with a one year target price of \$23.82. Their recent acquisition of Easton will cause PSG to shift their focus towards organic growth as they pay off some of their debt. Controlling leading and growing market shares in growing industries will enable Performance Sports Group to continue its expansion into a leading provider of sports equipment and apparel.

Industry Overview and Diversified Product Line

The global sporting goods industry has continued its steady growth in recent years. In the United States from 2009 to 2013 manufacturers' wholesale sales of sporting goods grew from \$48.3 billion in 2009 to over \$55 billion in 2013, representing a compounded annual growth rate of approximately 3%. These numbers may not look to significant, but considering America was experiencing a recession during this time frame the steady growth is worth noting and makes it clear that the sporting goods industry is not significantly impacted during times of economic distress.

Sport/Category	2013 Estimated Market Size ¹ (\$ in millions)	Anticipated Growth Percentage ¹
Hockey equip. (Global)	\$650	Low-Single-Digit to Mid-Single-Digit
Hockey apparel (Global)	\$390	Mid-Single-Digit to High-Single-Digit
Baseball/Softball equip. (Global)	\$1,000	Low-Single-Digit
Baseball/Softball apparel (Global)	\$300	Low-Single-Digit
Lacrosse equip. (U.S., Canada)	\$120	High-Single-Digit to Low-Double-Digit
Lacrosse apparel (U.S., Canada)	\$30	Mid-Single-Digit to High-Single Digit
Soccer team apparel (U.S., Canada)	\$300	Low-Single-Digit to Mid-Single-Digit

**Anticipated growth rates are from PSG's management*

Performance Sports Group designs, develops, manufactures, and sells sports equipment and apparel for ice hockey and roller hockey, baseball and softball, lacrosse, and soccer primarily focusing on the North American and European demographics. PSG's product

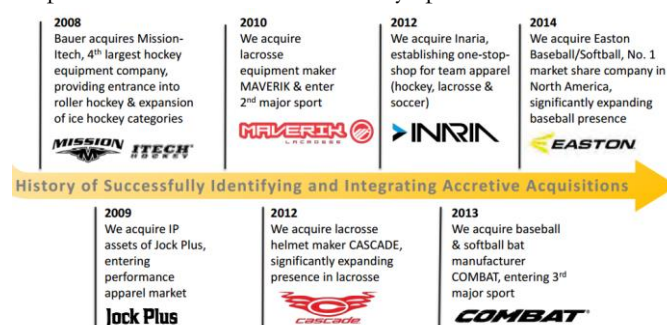
line is diversified globally, by sport, as well as seasonally. PSG distributes its product to retailers in over 60 countries with its main two markets being the United States and Canada, with approximately 43% of its sales coming from outside the United States. The presence in five major sports has helped PSG to keep its quarterly sales somewhat constant when the sports are moving in and out of season. Performance Sports Group's customer base is also diversified, with no retailer representing over 12% of its sales.

#1 in Hockey (~54% Share)	#1 in Diamond Sports (~30% Share)	Lacrosse Equipment Leader (~26% Share)
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Performance Sports group has grown into the market share leader in hockey and diamond sports apparel and equipment.

Recent Acquisitions

Performance Sorts Group has a proven its ability to identify acquisition targets that are both lucrative and help increase their market share by sport.



In the past seven years, PSG was able to grow its market share of hockey products from 35% to 54%, they are looking to do the same with their diamond sport products. Currently PSG controls about 30% of the diamond sport market share. With the recent acquisition of Easton, PSG plans to apply the same techniques it used with its hockey business to its diamond sport business.

Company	Total Market	Bats	Batting Helmets	Catcher Protective	Equipment Bags
Easton	#1	#1	#1	#1	#1
Rawlings	#3	#3	#2	#2	#5
Mizuno	#4	n/a	#3	#3	n/a
Hillierich & Bradsby	#5	#4	n/a	n/a	#4
Wilson	#2	#2	n/a	#4	#3

Easton is currently the number one overall market share leader for diamond sport products. PSG plans to continue R&D of Easton's equipment with hopes of having consumers shift from using competitors' products to Easton products as well as significantly increasing Easton's apparel business.

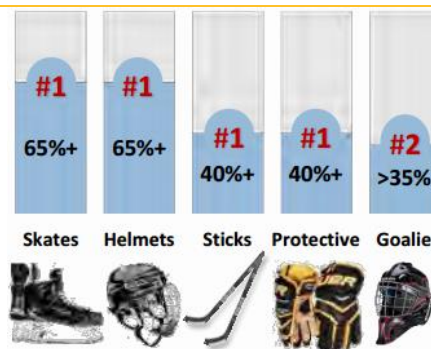
Lacrosse and Hockey

Lacrosse and Hockey are two of America's fastest growing sports; a large reason for the growth is a shift in youth sport participation. The growing concern that concussions and other contact injuries can cause lasting physical damages has been responsible for the decline in youth football participation as parents prefer their kids to play safer sports. Lacrosse and hockey can be considered "safer" contact sports, look for more parents in upcoming years to say no to football and yes to hockey and lacrosse.

Global ice hockey participation is estimated to be six million, a number that has grown on average 2% annually over the past eight years. Hockey participation in the United States has grown approximately 5.1% year over year from 2008 to 2013. Lacrosse is a sport mainly played in the United States and Canada. Lacrosse participation has grown to over 750,000 in 2013, representing year over year growth of nearly 11% from 2008 to 2013, making it one of America's fastest growing sports. A majority of lacrosse players in the United States live in the northeast or the mid-Atlantic, so there is a tremendous growth opportunity as lacrosse starts to move into other regions of the country. Approximately 93% of lacrosse participants in the United States are under the age of 20, with 54% of participants in the youth (15 and under) category and 39% of participants in the high school category. Similar to ice hockey, the high representation of youth in the sport provides the industry with a more frequent product replacement cycle as players outgrow their equipment.

Currently in the United States, there are approximately 1.3 million combined youth lacrosse and ice hockey players compared to 7 million youth basketball players, 5.6 million youth baseball players, 6.6 million youth soccer players and 3 million youth football players. As youth participation moves away from America's four major sports and into lacrosse and hockey, there is a tremendous growth opportunity for equipment and apparel sales within these two sports.

Performance sports group controls an approximately 54% market share of the \$650 million hockey equipment industry from their Bauer and Mission brands

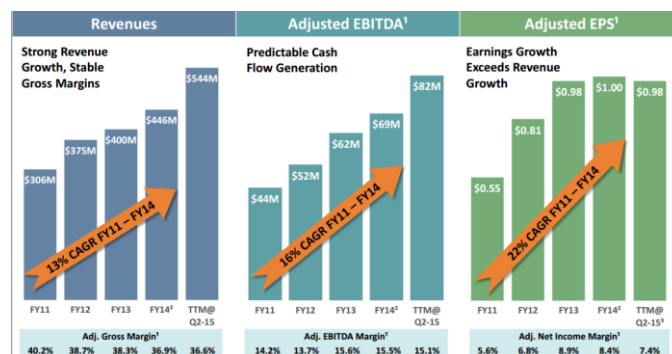


**PSG's hockey equipment market share by type*

Performance sports group also controls a 26% market share of the \$120 million lacrosse equipment industry from their Maverik and Cascade brands, with Cascade representing a dominant 85% share of lacrosse helmet market. Having growing market shares in the growing hockey and lacrosse equipment industries, PSG is well positioned to continue its growth into a top provider of sports equipment and apparel.

Financials

When looking at PSG's financials, the one thing that sticks out is their debt. PSG has a net debt of \$408 million which is mainly due to its recent acquisition of Easton for \$330 million. Although this number is high PSG has shifted its short term focus away from acquisitions and into organic growth as it starts to pay down its debt.



In recent years, Performance Sports Group has posted strong revenue and Ebitda growths of 13% and 16 % respectively year over year since 2011. Controlling leading market shares in growing industries should enable PSG to sustain these strong numbers growing forward.

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Performance Sports Group		Analyst	Current Price	Intrinsic Value	Target Value	Divident Yield	Target Return	NEUTRAL			
PSG		Brian Johnke	\$18.57	\$21.55	\$23.82	0%	28.24%				
General Info		Peers	Market Cap.	Professional	Management						
Sector	Consumer Discretionary	Callaway Golf Co.	\$716.97	Davis, Kevin	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014			
Industry	Leisure Products	Nautilus Inc.	\$516.15	Rosenthal, Amir	Chief Executive Officer, President and Non-Independent Director					\$ 2,295,391.00	
Last Guidance	Aug-12-2014	LeapFrog Enterprises Inc.	\$164.28	Wall, Michael	Chief Financial Officer, Executive Vice President of Finance & Administ					\$ 1,443,655.00	
Next earnings date	4/14/2015	Dunlop Sports Co. Ltd.	\$36,104.77	Gibson, Paul	Vice President, General Counsel and Secretary					\$ 989,833.00	
Market Data		Black Diamond, Inc.	\$313.96	Wuerthele, Richard	Executive Vice President of Product Creation & Supply Chain					\$ 1,096,390.00	
		Johnson Health Tech Co., Ltd.	\$26,007.89	Jones, Steve	Executive Vice President of Hockey					\$ 1,132,958.00	
		Mizuno Corporation	\$78,136.84	Senior Director of Corporate Communications							\$ -
		Escalade Inc.	\$238.74	Historical Performance							
		Johnson Outdoors Inc.	\$341.74								
		Globeride, Inc.	\$24,258.55								
		Current Capital Structure									
		Total debt/market cap	26.68%								
		Cost of Borrowing	5.50%								
		Interest Coverage	282.47%								
		Altman Z	1.87								
		Debt Rating	B								
		Levered Beta	0.63								
		WACC (based on market value weigh	5.45%								
Past Earning Surprises		Revenue		EBITDA		Norm. EPS					
		7.7%		8.7%		20.0%					
		5.9%		-2.2%		0.0%					
		3.1%		36.9%		45.0%					
		1.1%									
		1.7%		-15.0%		-9.1%					

Sabre Corp.

NASDAQ:SABR

Analyst: Remy Fields

Sector: Technology

HOLD

Price Target: \$25.16

Key Statistics as of 04/08/2015

Market Price:	\$24.87
Industry:	IT Services
Market Cap:	\$6.09 B
52-Week Range:	\$14.86 – 24.97
Beta:	1.85

Thesis Points:

- Strong booking momentum in GDS business
- Airline Solutions momentum
- Untapped potential in hospitality
- Financial expectations

Company Description:

Sabre Corporation provides technology solutions to the travel and tourism industry worldwide. It operates in two segments: Travel Network, and Airline & Hospitality Solutions. The Travel Network segment operates a business-to-business travel marketplace that offers travel content, such as inventory, prices, and availability from a range of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines, etc. The Airline Hospitality Solutions segment offers a portfolio of software technology products and solutions through software-as-a-service and hosted delivery models to airlines, hotel properties, and other travel suppliers. It offers software solutions related to managing sales and customer service across an airline's diverse touch points; strategic airline commercial planning solutions; and strategic solutions for planning and management of airline, airport, and customer operations. This segment's hospitality solutions comprise distribution through its SynXis central reservation system; property management through Sabre Property Management System; and marketing and consulting services related to distribution and marketing. The company serves travel suppliers; a network of travel buyers; travelers and other sellers of travel and consumers of travel information; airlines, including hybrid carriers and low-cost carriers, global network carriers, and regional network carriers; and other customers, such as airports, corporate aviation fleets, governments, and tourism boards. Sabre Corporation was founded in 2006; went public in 2013, and is headquartered in Southlake, Texas.



Thesis

Sabre Corporation is a HOLD because of their current valuation, but when considering them from a growth perspective and as a long-term hold they are a buy. This is because of the innovative solutions they provide in the travel industry. Sabre Corporation have positioned themselves well by continuing to be #1 or #2 across all of their product sets. Being best in class is Sabre Corporation's competitive advantage against their competition. Their competitive advantage has led to strong booking momentum in their GDS and airline solutions business, which will help growth going forward. Furthermore, they have innovative solutions for companies in the hospitality industry, which is an untapped market. This untapped market will give them a new, significant, and growing revenue stream. Sabre Corporation is well positioned for growth and margin expansion in the upcoming years. SABR stock's multiple will re-rate higher as they continue to execute to deleverage and expand margins relative to peers.

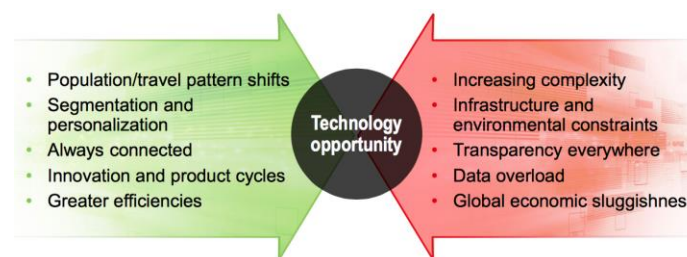
Industry Overview

The IT services industry is changing rapidly. The industry is also growing rapidly when compared to GDP. The industry has outpaced GDP 1.5x over the past two decades. This will continue to be the case due to the demand for advances from the consumers. Companies have to be where the clients want them to be, which has shifted from desktops and laptops to tablets and mobile devices. The quicker the average consumer increasingly uses their Smartphone, the faster businesses will feel the pressure to follow that change. This is because their employees will be the consumers that are using their mobile devices more often. In addition to that change, IT service companies must keep up with the shift to cloud. Businesses are finding more reasons, such as cheap costs, to move their data over to the cloud.

Moreover, Sabre and its competitors must find solutions for their consumers' needs. The travel industry is a 7 trillion dollar industry that continues to grow. The industry's growth is heavily linked to technology. The industry has been facing problems, like, increasing complexity, infrastructure and environmental constraints, transparency, data overload, and global economic sluggishness. At the same time, their consumers are always connected due to the popularity of Smartphone's.

The consumers travel patterns are shifting and they are looking for a more personalized experience. In between these problems and consumer desires lays a solution, technology.

The services that IT companies can provide would help increase efficiencies in the travel industries daily operations. The travel suppliers, which include airlines, hotels, rent-a-car services, railroads, and cruises already, have experiences tailored to the general consumer, but are looking for more ways to differentiate their experiences from their competitors. IT service companies can help the company create a competitive advantage through differentiation. They can do this through their innovative technologies that use data mining to better understand the consumers' wants and needs. The companies in the travel industry will not be able to come up with these technologies on their own because it is not what they do. They specialize in running their business, but with the innovations in technologies, they need to leverage technology companies with the background to keep consumers satisfied. Considering all of this, it is an opportunistic time to invest in the industry, but it is important to be part of a company that will outperform its competitors.



Sabre Corporation is well positioned in their industry because of their innovative products, which can serve as efficient solutions to the problems airlines, hotels, and the other businesses in the travel industry. In the hotel industry they have an enterprise platform called SynXis. This platform provides hotels with technology to create efficiencies in distribution, operations, and retailing. The platform also allows the hotels to personalize their guest experience, which would lead to a better experience for their consumers. Sabre's ability to help their customers is seen in their 98% customer retention rate. Sabre has become more than a solution provider to the hotels; they have become a business partner. Their customer retention rate is almost perfect because their customers see their products making a difference, whether its through cost cutting efficiencies because of the

technological advances or increasing the top line through a personalized guest experience that increases the consumers' willingness to buy their products. They have also created a friendly user-experience by building apps that work on tablets and mobile devices.

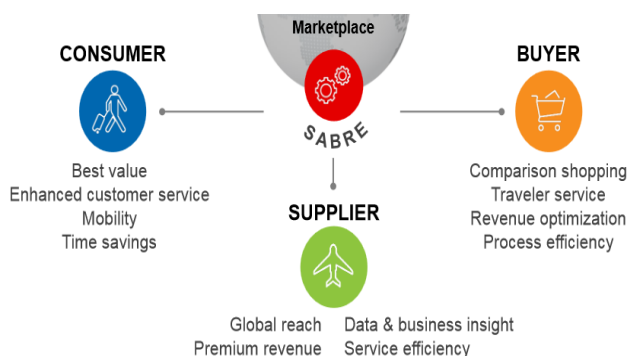
Airline & Hospitality Solutions

\$786M of 2014 Revenue
SaaS technology solutions for travel suppliers' mission critical processes
Strong customer momentum
Deep sales and implementation pipelines
12-14% midterm growth

Travel Network

\$1.86B of 2014 Revenue
Leading Americas and APAC
Growing EMEA
Strong customer segments
Best-in-class product
Suppliers, fare search, user interface
Headwinds behind us
4-6% midterm growth

Sabre Corporation also delivers innovation throughout the travel industry. They have recently created the world's first revenue management system, large-scale crew planning model, O&D fleet-assignment model, crew-pairing system with long-haul crew augmentation, and demand-forecast based on consumer-choice models. Sabre's innovation will continue because it is in their DNA, which has gotten them to #1 in the industry.



Strong booking momentum

As the US economy continues to recover, which I expect to continue leading to a positive trend in GDS bookings for SABR. These bookings will continue to increase because as the economy continues to recover the US airlines will be willing to spend more on SABR's services to increase personalized offerings to their consumers. SABR also expects to increase their market share, even as they are already the market share leader in the US. Sabre Corporation has been suffering from unfavorable pricing impacts because of American Airlines and US Airways merging, but this should be behind them from here on out.

Airline solutions momentum

Sabre Corporation is well positioned to outperform peers in the growing travel industry because of the innovative technology solutions. They have recently had some big wins, which include, American Airlines, Air Berlin, Alitalia, and Copa Airlines. These wins have the company's growth in software at the lower range of 12%, but it is likely they will increase that in 2016 to 14%.

Untapped potential in hospitality

Sabre corporations hospitality enterprise platform, SynXis has had significant growth, but there is much more room for additional progress. Sabre plans to spend 40% more on hospitality technology, which will help them build scale. Increasing their economies of scale will expand margins in the future. This is important because by creating scale they will be creating value for their shareholders. Sabre will be able to reach the large scale they are aiming for because hotels are more frequently outsourcing solutions. Sabre currently has 5% market share in the mid-size hotel market and have recently added Wyndham as a customer. This win should be indicative of the future success they will have in their expansion into this market. Sabre has also been able to cross/up sell their existing customer base as their contracts are up because of the quality of service that has been provided. SABR's product has become something that their customers need.

Financial Expectations

Sabre Corporation has been deleveraging its balance sheet ever since its IPO in 2013. The company understands it can be run more efficiently and add value for their shareholders by cutting out the parts of the business that are not up to standards with their best performing products. SABR should be able to reach 500 million in free cash flow by 2017 because of the savings on interest expense from deleveraging the balance sheet. Sabre should save 13 million dollars annually. In addition to the savings, SABR will see incremental revenue growth because of the favorable industry trends. SABR will also be able to expand EBITDA margins cross/up sells its broad solution offerings. As Sabre Corporation becomes more financially stable, their investors will be rewarded with a re-rating of the stock's

multiple. As of now, Sabre's multiple is lower than its peers because of their financials, but this should change as they decrease the riskiness of their financials.

Forecasts

In conclusion, SABR is a HOLD because of the valuation. Based off the assumptions of the long-term growth of the company to be 1.5x greater than GDP, revenue increases due to the positive economy, and the expansion of margins because of scalability prices SABR at \$20.69, which is lower than their current market price. Their growth prospects for the long-term are the reason for the HOLD. SABR has positioned themselves in a nicely for long-term growth because of the market share they have in a fast growing industry. Innovation continues to occur at the company, which will lead to continuing growth of the company. With the company recently expanding its product line they will be able to expand margins and revenues by cross/up selling their current and future customers.

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SABRE Corporation		SABR	Analyst Remy Fields	Current Price \$25.04	Intrinsic Value \$20.69	Target Value \$25.16	Dividend Yield 1%	Target Return 1-y Return: 1.94%	NEUTRAL
General Info		Information Technology	Peers	Market Cap.	Management				
Sector	Information Technology		Global Payments Inc.	\$6,553.42	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	IT Services		Travelport Worldwide Limited	\$1,947.43	Klein, Thomas	Chief Executive Officer, Presiden	- \$	5,119,312.00	7,122,675.00
Last Guidance	Feb-18-2015		Vaniv, Inc.	\$5,790.15	Gilliland, Michael	Chairman Emeritus and Adviser	- \$	3,133,518.00	2,366,624.00
Next earnings date	NM		Paycom, Inc.	\$17,921.67	Simonsen, Richard	Chief Financial Officer and Exec	- \$	6,288,861.00	2,353,658.00
Market Data			Total System Services, Inc.	\$7,124.58	Kerz, Deborah	Chief Product & Technology Off	- \$	5,191,004.00	2,048,926.00
Enterprise value	\$9,646.04		Heartland Payment Systems, Inc.	\$1,813.08	Gonzalez, Rachel	Executive Vice President and Ge	- \$	-	1,961,986.00
Market Capitalization	\$6,717.26		Fidelity National Information Services, Inc.	\$19,529.94	Webb, Gregory	Executive Vice President and Pre	- \$	-	1,868,265.00
Daily volume	0.41		Fiserv, Inc.	\$19,102.17	10y-Median Performance				
Shares outstanding	270.10		The Western Union Company	\$10,666.26	SABR		Peers	Industry	All U.S. firms
Diluted shares outstanding	246.75		MasterCard Incorporated	\$102,579.80	Growth		8.0%	7.4%	7.4%
% shares held by institutions	39.13%		Current Capital Structure		ROIC		15.4%	20.9%	14.3%
% shares held by insiders	0.37%		Total debt / market cap	45.91%	NOPLAT Margin		18.6%	12.3%	10.4%
Short interest	3.19%		Cost of Borrowing	6.41%	REV./Invested Capital		80.8%	167.2%	137.4%
Days to cover short interest	6.55		Interest Coverage	95.34%	Excess Cash / Rev.		N/A	13.5%	12.9%
52 week high	\$24.97		Altman Z	0.95	Total Cash / Rev.		5.9%	12.3%	15.2%
52-week low	\$14.86		Debt Rating	C	Unlevered Beta		0.89	1.03	0.95
5y Beta	0.00		Levered Beta	1.34	TEV/REV		3.2x	3.6x	2.5x
6-month volatility	25.27%		WACC (based on market value weights)	8.36%	TEV/EBITA		0.0x	21.9x	11.6x
Past Earnings Surprises					PE		36.9x	23.3x	23.5x
Last Quarter	Revenue	-0.1%	EBITDA	-1.8%	P/BV		0.0x	6.7x	2.2x
Last Quarter-1		-0.6%		1.3%	Non-GAAP Adjustments in estimates computations				
Last Quarter-2		-3.0%		-27.4%	Operating Lease Capitalization	100%	Straightline	10 years	
Last Quarter-3		0.0%		0.0%	R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter-4		0.0%		0.0%	Expl./Drilling Exp. Capitalization	0%	N/A	N/A	
Performance Assumptions					SG&A Capitalization	0%	N/A	N/A	
Money market rate as of today		0.53%	LTM		Invested Capital		Forecast		
Annual increase (decrease) in interest rates		0.1%	NTM		\$3,257.33		NOPLAT Margin		ROIC
Yield Spread acceleration		1.2	NTM+1		\$3,219.35		13%		10.6%
Marginal Tax Rate		37.5%	NTM+2		\$3,218.88		18%		15.3%
Risk-Free rate		2.5%	NTM+3		\$3,237.17		20%		18.8%
Tobin's Q		1.00	NTM+4		\$3,261.65		21%		21.3%
Op. Cash./Rev.		2%	NTM+5		\$3,287.79		22%		23.8%
Growth in PPE		NPPE Growth tapers to zero until continuing period	NTM+6		\$3,312.95		22%		26.3%
Long term Growth		5.0%	NTM+7		\$3,347.00		23%		28.3%
Long term EBITDA Margin		40.0%	NTM+8		\$3,385.37		23%		30.6%
Long term NOPLAT Margin		9.0%			\$3,427.63		23%		32.3%
Long term ROIC		16.0%					33.9%		33.9%
Most recent Unlevered Beta									8.8%
Long term Unlevered Beta		1.01							
Valuation									
Invested Capital x (ROIC-WACC)			Enterprise Value (UFCF Valuation only)		Total Debt		Other claims		Equity Value
LTM		\$73.99	\$9,988.63		\$3,083.84		\$384.16		\$6,520.64
NTM		\$220.53	\$10,423.63		\$3,083.84		\$138.59		\$7,201.21
NTM+1		\$334.80	\$10,764.23		\$3,083.84		-\$155.38		\$7,835.77
NTM+2		\$418.81	\$11,022.87		\$3,083.84		-\$403.00		\$8,342.04
NTM+3		\$501.68	\$11,225.72		\$3,083.84		-\$687.68		\$8,829.56
NTM+4		\$583.94	\$11,358.13		\$3,083.84		-\$1,014.75		\$9,289.04
NTM+5		\$659.95	\$11,411.70		\$3,083.84		-\$1,688.12		\$10,015.98
NTM+6		\$735.68	\$11,384.44		\$3,083.84		-\$2,092.62		\$10,393.22
NTM+7		\$799.76	\$11,282.03		\$3,083.84		-\$2,529.57		\$10,727.77
NTM+8		\$7,218.84	\$11,103.83		\$3,083.84		-\$2,998.91		\$11,018.91
Monte Carlo Simulation Assumptions									
Base			Stddev		Min		Max		Distribution
Revenue Variation		0	10%		N/A		N/A		Normal
Op. Costs Variation		0	10%		N/A		N/A		Normal
Country Risk Premium		6%	N/A		5%		7%		Triangular
Long term Growth		5%	N/A		3%		11%		Triangular
Monte Carlo Simulation Results									
Mean est.			Intrinsic Value		1y-Target				
σ(e)			\$21.65		\$25.91				
3 σ(e) adjusted price			\$0.32		\$0.25				
Current Price			\$20.69		\$25.16				
Analysts' median est.			\$25.04						

SciClone Pharmaceuticals, Inc.

NASDAQ:SCLN

Analyst: Laura Pladys

Sector: Healthcare

BUY

Price Target: \$10.43

Key Statistics as of 4/9/2015

Market Price:	\$8.97
Industry:	Drug Manufacturer
Market Cap:	\$452.5 M
52-Week Range:	\$4.24-9.65
Beta:	0.97

Thesis Points:

- In-licensing agreement
- Chinese healthcare industry outlook
- Undervaluation & secured investment

Company Description:

SciClone Pharmaceuticals, Inc., a specialty pharmaceutical company, provides therapies for oncology, infectious diseases, and cardiovascular disorders in the People's Republic of China, the United States, and Hong Kong. Its lead product is ZADAXIN, which is used for the treatment of hepatitis B and hepatitis C viruses, and certain cancers, as well as for use as a vaccine adjuvant, and as a chemotherapy adjuvant for cancer patients with weakened immune systems. The company also focuses on development ZADAXIN for the treatment of sepsis. ZADAXIN has approval in approximately 30 countries, which include China, the Pacific Rim, Latin America, Eastern Europe, and the Middle East regions. The company markets and sells ZADAXIN through distribution arrangements, local importers, and distributors. In addition, it markets approximately seven partnered products in China, including Aggrastat, an interventional cardiology product. Further, the company holds license, promotion, distribution, or marketing agreements with various parties for products, including DC Bead, Holoxan, Mesna, Endoxan, Methotrexate, Estracyt, Farlutal, Neucardin, ProFlow, Angiomax, and Cleviprex. SciClone Pharmaceuticals, Inc. also has an agreement with MEDA Pharma GmbH & Co. KG for the development of Tramadol. The company was founded in 1989 and is headquartered in Foster City, California.



Thesis

SciClone is a growing company. It is led by talented people with every one of them having more than 20 years of experience in the healthcare industry. The pharmaceutical industry is a very competitive one. In order to increase its presence, SciClone uses in-licensing agreements to increase its brand recognition and benefit from bigger players in the industry. In addition, the company is China-focused. The healthcare industry in China is a promising industry with a lot of growth opportunities. SCLN has been established in China for more than 10 years. The company knew how to take advantage of the market a decade ago and the potential for growth is still increasing. Finally, the company is debt free, generates cash and creates value. Thanks to the multiples approach, the company shows sign of undervaluation. Thus, thought the upside potential is in the 15% range, the company downside is very limited, which makes it a 99.45% risk-free investment.

Management

Dr. Friedhelm Blobel has been the Chief Executive Officers and President of SciClone since 2006. He has a Ph.D in Biochemistry and Microbiology as well as an advanced degree in Chemistry and Biochemistry. He has more than 20 years of experience in the pharmaceutical and healthcare industries. Prior to his current positions, he held several positions within SciClone such as Acting Chief Financial Officer. He was involved in different healthcare companies prior to joining SciClone.

Wilson W Cheung has been the Chief Financial Officer and Senior Vice President of Finance and Secretary since 2013. Mr. Cheung has experience in Asian markets as he served as CFO at Velti PLC from 2009 to 2013. Prior to those experiences, Mr. Cheung held several senior finance positions within Yahoo Inc and did work in public accounting with KPMG and Deloitte & Touche.

Hong Zhao has been the Chief Executive Officer of China operations since 2013. Prior to joining SciClone, he held different positions within pharmaceutical companies in China and has nearly 20 years of experience in this industry. Hong Zhao holds a bachelor in Medicine and an EMBA degree. His fluency in Mandarin and English is a strong asset for a developing and growing business in China such as SCLN.

Competitors

SciClone's competition mainly arises from ZADAXIN's sales in China, the company's well-known product. Competition is due to generic drug manufacturers selling their products in China at a lower price. Outside of China, competition arises from other pharmaceutical companies, biotechnology firms, universities and research institutions actively engaged in R&D in the same therapeutic areas. SciClone's direct competitors are Gilead Sciences, Inc, Roche Holding AG and Shaanxi Ao-Xing Pharmaceutical.

Products Proposed

SciClone's pipeline is the one of a growing business. The company only has a few products but they are well established in the market. Their top selling product, ZADAXIN, launched in 1996 in China, is marketed in over 30 countries. It is to be used in case of Hepatitis B, C, and certain cancers as well as a vaccine adjuvant depending on the approvals the company has in different countries. ZADAXIN is one of largest imported pharmaceuticals products in China with 14% of market share. The company already has a substantial portfolio of products in China, marketed products as well as those under development.

SciClone distributes its products through different methods. ZADAXIN is the only products that SCLN develops, manufactures, and distributes by itself. It is the reason why this product results in higher margins for the company. For every other product, the company uses in-licensing for product's development (see the chart below for more details).

	ZADAXIN	HBV, HCV, cancer adjuvant, vaccine enhancer, immunostimulant
	Holoxan	Bone and soft tumors, lymphoma, lung cancer, cervical cancer, ovarian cancer, testicular cancer and child solid tumors, bladder cancer, head and neck cancer and breast cancer
	Mesna	Urotoxicity (combined with ifosfamide)
	Endoxan	Breast cancer, lymphoma, ovarian cancer, small cell lung cancer and sarcoma
	Farfutal	Breast cancer, carcinoma of the endometrium, prostate cancer and renal cancer
	Methotrexate	Acute leukemia, osteosarcoma, breast cancer
	Estracyt	Hormone resistant advanced prostate cancer
	Aggrastat	Acute coronary syndrome
	DC Bead	Emboic bead delivered through a minimally invasive, non-surgical procedure to block the blood flow to tumors; registered in China for the embolization of malignant hypervascularized tumors such as hepatocellular carcinoma ("HCC"), the most common form of primary liver cancer
Partnering with Tier-One Pharmaceutical Companies		

Thanks to its strategic business with its partners, SciClone is enable to market therapeutically

differentiated products in China. Indeed, the company has successfully launched licensed products with the potential to become future market leaders.

In addition, the company received a Food and Drug Administration approval in the third quarter of 2014 for the DC Bead, a product to be used in the case of embolization of malignant hypervascularized tumors.

The Chinese market opportunity

SciClone status as a US-based but China-focused specialized pharmaceutical company is a clear advantage over regular American pharmaceuticals doing business in China. The company has more than a decade of expertise in this market. In 2014, 96% of the company's revenues came from sales in China. Almost the totality of the company's business is done in China. The Chinese healthcare market is expected to grow at a rate of 12 to 15% per annum in the years to come. Therefore, the Chinese market is representing a clear growth opportunity for this specialized company.

Valuated at \$357 billion in 2011, the Chinese market is expected to grow to \$1 trillion by 2020. Thanks to its diversified market – from pharmaceuticals to medical products to consumer health – the Chinese healthcare market is one of the most attractive but most importantly the one growing the fastest (within emerging markets). It remains a very competitive market.

The company areas of expertise gather oncology, infectious diseases and cardiovascular, urological, respiratory, and central nervous system disorders. Cardiovascular problems happen most of the time in the elderly. The aging population and a longer life expectancy, urbanization with increased care provisions in Chinese rural areas, Chinese's health spending advances, increased healthcare reforms, a rapid expansion in the mobile health market, and China's expectations to become the world's second largest pharmaceuticals market create opportunities in China for both local and international companies. Since the market is very competitive, barriers to entry are high. Thanks to its business practices and standards, SciClone has by far outperformed local companies in terms of sales, revenues, and performance.

China's healthcare growth drivers given previously add to the per-capita healthcare spending as of 2014.



The picture above shows the level of healthcare spending. China has a lot of room for expansion. Its per capita spending is only of \$186 compared to \$870 in Brazil or \$8,000 in the US.

Due to its strategic position in the Chinese market (better performance over local companies and already established company in China); SciClone is the perfect fit for a growing market like the healthcare Chinese market. SCLN is one of the only companies being able to take advantage of the growth opportunity that the Chinese market represents.

In-licensing agreements

In-licensing is the business strategy of SciClone. It is a partnership between two companies that share the same intention, goals, or field of interest. In the pharmaceutical industry, especially for drug companies, it could be very beneficial. Indeed, both companies will share their expertise in order to develop a product. One can bring its research and development and the second one its distribution channel. It reduces the costs for both companies but reduces the margins as well.

The main advantage that SciClone can earn by conducting in-licensing partnerships is brand recognition. By partnering with bigger player than SCLN, the company can earn recognition faster. For instance, Baxter and Pfizer have a better recognition than what SciClone has.

SciClone is a perfect target for in-licensing agreements. Indeed, the company is established in China, a market that a lot of players try to enter. Because of the

competitiveness of the industry, bigger players trying to enter the Chinese healthcare market could use SciClone as a distributor or could use their expertise. It would benefit both companies. SCLN would benefit by increasing its brand recognition in China and establishing one in other markets. The company can also benefit from other players knowledge and facilities.

Financials and Valuation

The company is focusing on growing its revenue and profitability from its main business: the People's Republic of China (PRC). 93% of the company's revenues come from China. Their leading product ZADAXIN (only sold by SCLN) has the highest margins in the company's portfolio and represented 76% of the company's revenues in 2013.

SciClone has been a debt-free company since the early 2000s. However, in 2010, the company had to take debt of \$2.5 million to settle an agreement after the Foreign Corrupt Practices Act (FCPA) derivative suits. The company has been investigated by the SEC for a possible FCPA violation concerning its operations in China.



As the graph above depicts it, all the events related to this FCPA investigation have not impacted the stock price of the company. It kept increasing during the investigation time frame. The company has paid back its debt and is debt-free since 2013.

In addition to being debt free, the company is holding 48% of its assets in cash. The company generates cash and has positive free cash flows. Thus, the company's net income margin is 24% of revenues. It could become a target for an acquisition and this could substantially increase its stock price.

Since 2013, the company has been able to decrease its operating expenses by 22% while keeping on increasing

its revenues. Revenues increased 6% from last year to reach \$134.8 million. While revenues increased 6% from last year, EBITDA increased 28%, almost 5 times more than revenues, creating value for the company. The company's gross profit is 83% of revenues.

Concerning the multiples, the current PE of 20.93x is 1.4 times lower than its peers average. While looking at the TTM PE of 14.62x for SciClone, the peers average is 3 times higher, showing signs of undervaluation. The EV to EBITDA multiple of 13.57x for SCLN is 2 times lower than the peers average of 27.21x. The EV to Sales multiple of 2.70x for the company is 3.7 times lower than the one of the peers of 9.96x, with the same trend forecasted in the next fiscal year. The TTM Price to Sales ratio of 3.42x is 10 times lower than the peers average of 35.27x. SCLN is considered a better investment since investors are paying less for each unit of sales. Since sales do not give the full picture, the profitability ratios are going to strengthen the undervaluation. The company's profit margin is currently at 18.70%, meaning the company generates around a fifth of their revenues in earnings. SCLN return on assets of 13.92% means that the company generates \$13.92 of net income for every \$100 of assets. Finally, the company is able to generate 16.70% of profit out of the stockholders investment.

Conclusion

SciClone's revenues are dependent on ZADAXIN in China. The healthcare industry in China looks promising and creates a lot of opportunities for a growing business like SCLN. The company's strategy of using in-licensing agreements with other pharmaceuticals enables the company to reduce its costs. In addition, the company is debt free, generates cash, creates value and shows sign of undervaluation. This growing company has a 16.25% potential of upside with a limited downside. Indeed, the Monte Carlo simulation revealed that there is 99.45% chance that the stock price will be higher than the current stock price of \$8.97.

SciClone Pharmaceuticals is a clear buy as it has a potential of growth and a very limited downside.

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SciClone Pharmaceuticals, Inc.		SCLN	Analyst Laura Pladys	Current Price \$8.97	Intrinsic Value \$9.45	Target Value \$10.43	Divident Yield 0%	Target Return 1-y Return: 16.25%	NEUTRAL
General Info		Healthcare	Peers	Market Cap.	Management				
Sector	Pharmaceuticals	Pernix Therapeutics Holdings, Inc.		\$406.12	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Pharmaceuticals				Blobel, Friedhelm	Chief Executive Officer, Presiden	\$ 2,671,054.00	\$ 1,623,067.00	\$ -
Last Guidance	Mar-11-2015				Cheung, Wilson	Chief Financial Officer, Senior Vi	\$ -	\$ 835,287.00	\$ -
Next earnings date	NM				Zhao, Hong	Chief Executive Officer of China	\$ -	\$ 699,361.00	\$ -
Market Data					Xie, Lan	Vice President of Finance and Ch	\$ 340,055.00	\$ 390,637.00	\$ -
Enterprise value	\$367.20				Yin, Min	Vice President of Internal Audit	\$ 386,178.00	\$ 518,502.00	\$ -
Market Capitalization	\$453.51				Meng, Charles	Vice President of Compliance an	\$ -	\$ -	\$ -
Daily volume	0.13				10y-Median Performance				
Shares outstanding	50.06				Growth	SCLN	Peers	Industry	All U.S. firms
Diluted shares outstanding	52.68				ROIC	17.3%	21.7%	10.9%	7.4%
% shares held by institutions	73.98%				NOPLAT Margin	17.2%	39.9%	9.2%	14.3%
% shares held by insiders	0.80%				REV./Invested Capital	21.0%	15.3%	13.2%	10.4%
Short interest	8.00%				Excess Cash / Rev.	81.8%	261.6%	69.6%	137.4%
Days to cover short interest	11.07				Total Cash / Rev.	64.0%	20.4%	13.5%	12.9%
52 week high	\$9.65				Unlevered Beta	64.0%	21.0%	12.3%	15.2%
52-week low	\$4.24				TEV / REV	1.39	1.71	0.91	0.95
5y Beta	2.20				TEV / EBITA	1.6x	5.0x	4.0x	2.5x
6-month volatility	43.99%				PE	4.9x	53.0x	12.1x	13.1x
Past Earning Surprises					P/BV	16.4x	26.2x	24.3x	23.5x
Revenue	6.4%	EBITDA	0.0%	81.3%		1.2x	10.9x	1.9x	2.2x
Last Quarter	6.4%	0.0%	81.3%		Non-GAAP Adjustments in estimates computations				
Last Quarter-1	-1.6%	0.0%	21.4%		Operating Leases Capitalization	100%	Straightline	10 years	
Last Quarter -2	-2.5%	0.0%	100.0%		R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter -3	-17.5%	0.0%	0.0%		Expl./Drilling Exp. Capitalization	0%	N/A	N/A	
Last Quarter -4	-14.5%	0.0%	-53.3%		SG&A Capitalization	0%	N/A	N/A	
Proforma Assumptions		\$	-	Rev. Growth	Adj. Op. Cost/Rev	Forecast			
Money market rate as of today	0.54%	LTM	6.1%	77.5%	Invested Capital	\$162.17	21%	17.2%	7.6%
Annual increase (decrease) in interest rates	0.1%	NTM	5.0%	77.3%	\$165.51	24%	21.2%	7.7%	
Yield Spread acceleration	1.2	NTM+1	4.5%	77.1%	\$169.42	24%	21.2%	7.8%	
Marginal Tax Rate	25.0%	NTM+2	4.3%	77.1%	\$173.50	23%	21.3%	7.9%	
Risk-Free rate	2.5%	NTM+3	4.1%	77.0%	\$177.56	23%	21.5%	8.0%	
Tobin's Q	1.00	NTM+4	4.1%	77.0%	\$181.48	23%	21.7%	8.1%	
Op. Cash / Rev.	2%	NTM+5	4.0%	77.0%	\$185.22	23%	22.0%	8.2%	
Growth in PPE	NPPE Growth tapers to zero until continuing period	NTM+6	4.0%	77.0%	\$188.75	23%	22.3%	8.3%	
Long term Growth	4.0%	NTM+7	4.0%	77.0%	\$192.07	23%	22.7%	8.4%	
Long term EBITDA Margin	23.0%	NTM+8	4.0%	77.0%	\$195.15	23%	23.1%	8.5%	
Long term NOPLAT Margin	20.0%								
Long term ROIC	12.0%								
Most recent Unlevered Beta	2.08								
Long term Unlevered Beta	0.91								
Valuation		Invested Capital x (ROIC-WACC)	Enterprise Value (UPCF Valuation only)	Total Debt	Other claims	Equity Value	UDCF Valuation	Relative Valuation	Weighted Price Per Share
LTM	\$15.52	\$415.82	\$0.00	-\$34.13	\$449.95	\$9.20	\$10.57	\$9.54	
NTM	\$22.28	\$421.25	\$0.00	-\$66.61	\$487.86	\$9.95	\$12.22	\$10.52	
NTM+1	\$22.62	\$420.10	\$0.00	-\$99.86	\$519.96	\$10.57	\$13.40	\$11.28	
NTM+2	\$23.17	\$418.54	\$0.00	-\$134.59	\$553.13	\$11.24	\$14.59	\$12.07	
NTM+3	\$23.85	\$416.07	\$0.00	-\$170.84	\$586.90	\$11.86	\$15.80	\$12.85	
NTM+4	\$24.63	\$412.34	\$0.00	-\$199.56	\$611.90	\$12.39	\$16.86	\$13.51	
NTM+5	\$25.48	\$407.08	\$0.00	-\$229.13	\$636.21	\$12.96	\$17.96	\$14.21	
NTM+6	\$26.39	\$400.07	\$0.00	-\$282.10	\$682.17	\$13.75	\$19.53	\$15.20	
NTM+7	\$27.35	\$391.06	\$0.00	-\$313.87	\$704.93	\$14.20	\$20.69	\$15.83	
NTM+8	\$169.44	\$379.80	\$0.00	-\$347.34	\$727.15	\$14.53	\$21.91	\$16.37	
Monte Carlo Simulation Assumptions		Base	Stddev	Min	Max	Distribution	Monte Carlo Simulation Results		
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	\$9.54	\$10.52	
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(e)	\$0.03	\$0.03	
Country Risk Premium	6%	N/A	5%	7%	Triangular	3 σ(e) adjusted price	\$9.45	\$10.43	
Long term Growth	4%	N/A	3%	22%	Triangular	Current Price	\$8.97		
						Analysts' median est.		\$8.00	