January 2, 2018

Paycom Software, Inc. : (PAYC)

Sam Gerardi

Sector: Information Technology
Industry: Software
Current Price: 136.51
Target Price: 144.33

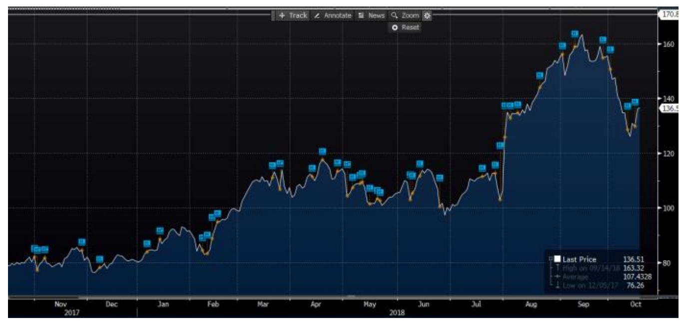
Paycom Software, Inc. designs and develops software solutions. The Company provides data analytical software products to manage the employment life cycle from recruitment to retirement. Paycom Software serves customers in the United States.

BUY at $125

Current Price:	$136.51
Target Price:	$150.93
Market Cap:	8.002 B

ROIC 1.66

Debt to common shares outstanding:
PAYC :26.07%   Median: 53.67%



Thesis:

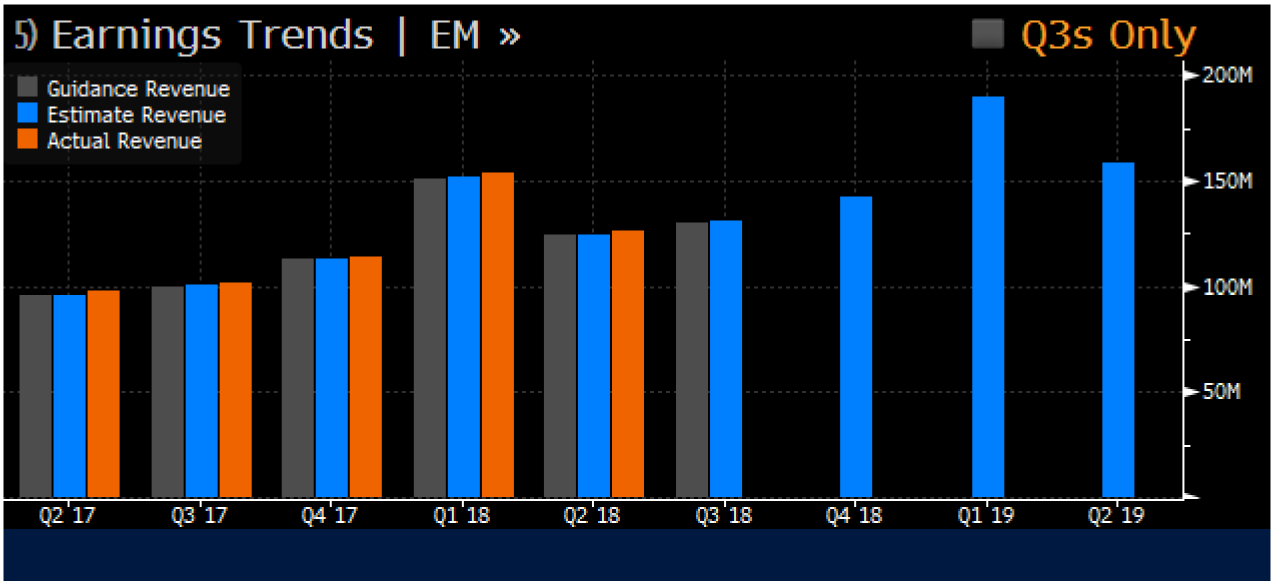
Paycom is doubling down on expanding their business through organic growth. This places them in a position of vulnerability. Their company is very sensitive to any change in revenue or operational cost. With the opening of 2 new sales offices, this would allow them to generate ~50 million dollars in additional revenue in the first quarter if all goes according to plan. Due to the fact that they are so volatile, I suggest that we place a call at $125. With my projections that the 1-year price is around $145, this would allow us to get a 15% return.

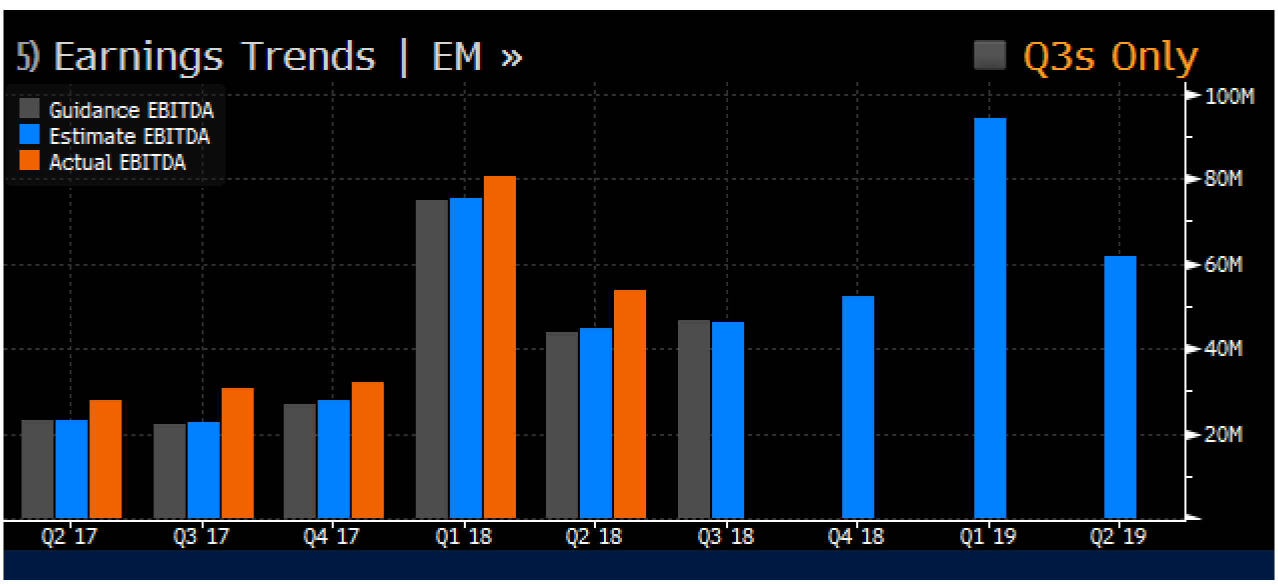
Catalysts:

- Opening of new headquarters and new office in Texas
- Launching new ad campaign in the beginning of 2019
- How quickly their new sales teams can reach their operational capacity

Earnings Performance:

Over the Past 2 years, Paycom has out preformed revenue and net income estimates. They have been able to deliver for their shareholders and place a focus on client retention and creating value for their clients. This has allowed them to see a 51.2% increase in year-to-year growth of EBITDA and a 28.9% increase in revenue year to year. Their gross profit margin is consistently between 81% and 84% over the past 4 years, which demonstrates that they have a very lucrative product. Paycom's net income has increased dramatically in the same period. In 2014, they had a net income margin of 6.1% and this year their net income margin is now at 21%. This shows that the company is starting to effectively cut cost and produce enough revenue to have a more breathing room. Although their stock has gone down from a 52 week high of 164.08, their ambitious marketing campaign set for 2019 and the opening of new sales offices in Texas will allow their sales capacity to increase by a sizable amount. The stock price dropped in late September due to analysts ranking was downgraded from a buy to hold. This caused a substantial reaction in the market, causing the stock price to drop $30 dollars. Recently in the last quarter, Paycom emphasized returning value to their shareholders by repurchasing 400,000 shares of stock.





Competitive advantage

When comparing to similar software companies, Paycom has some significant advantages to their competitors. The companies used to evaluate this were Cadence Design Sys Inc, Athenahealth Inc, Ptc Inc, Ss&C Technologies Holdings, Realpage Inc, Guidewire Software Inc And Tableau Software Inc-Cl A. They all develop software that have to do with data collection and analyzation. These companies value depend upon their ability to generate revenue from sales and retain those clients they capture. This is where Paycom thrives. They place enormous value returning value to their clients and this has resulted in a 91% client retention rate. Another important point is Paycom's growth is organic. This is why their advertisement campaign and how quickly they can get their new sales teams up to operational capacity is pivotal to the revenue growth. Paycom offers an HR solution that covers the employee's life from first hire to retirement. For example, their solution offers things such as candidate and application tracker, background checks and talent acquisition. Also included in the software is payroll, government compliance, employee performance analysis, time clock and scheduling. Their product is design to enable companies to improve their efficiency in all aspects of business instead of just doing say payroll or government compliance. This allows their product to stand out from their competitors.

Name (BICS Best Fit)	Mkt Cap (USD)	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	WACC Cost of Debt	Adj ROIC AR	Rtrn on CE Adj:Y	EBITDA Adj T12M	Debt/Com Eq:Y	Adj Net Sales T12M
Median	7.21B	12.69%	45.75%	60.74	3.67%	7.52	4.82%	151.96M	54.10%	774.29M
100) PAYCOM SOFTWARE INC	7.68B	31.57%	54.69%	73.47	3.67%	45.79	53.67%	148.13M	26.07%	498.03M
101) SS&C TECHNOLOGIES HO...	12.05B	13.09%	56.87%	42.29	4.62%	8.14	10.29%	748.41M	76.13%	2.17B
102) CERIDIAN HCM HOLDING...	4.99B	6.60%	90.13%	--	5.48%	--	-1.00%	90.50M	123.63%	750.70M
103) ZENDESK INC	6.13B	37.98%	1.95%	--	4.41%	-4.04	-34.93%	-86.05M	0.00%	507.89M
104) PTC INC	10.88B	2.06%	27.48%	222.69	5.02%	9.17	1.84%	170.77M	80.46%	1.24B
105) REALPAGE INC	5.23B	18.10%	64.91%	121.41	1.68%	6.91	7.79%	151.96M	119.27%	774.29M
106) CADENCE DESIGN SYS INC	11.34B	6.99%	36.80%	34.20	3.93%	22.85	35.29%	487.75M	73.73%	2.02B
107) ATHENAHEALTH INC	4.94B	12.69%	117.09%	37.56	3.40%	9.87	8.90%	325.80M	34.47%	1.29B

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable) 10) Analyze List

Growth potential

As stated before, Paycom is going all in on expanding their company with the purchase of their new headquarters in Oklahoma City and a new sales department in Texas. If their ad campaign works as intended this would allow them to generate ~50 million dollars in additional revenue in the first quarter of 2019 if they meet their projections. This company has very little debt and a large amount of free cash flows, so they are positioning themselves to expand and definitely have the means to do so.

Threats and drawbacks:

This is an internet based company, things such as data breaches are a real threat for this company. If they have a breach, this could give their perception that their company is not safe, thus reduce sales, and potentially lower their retention rate. In addition to that, if the server network they rely on goes down, they would not be able to provide for their clients. Another important thing to note is their industry is extremely competitive so maintaining their competitive advantage is paramount. They have to adapt to changes in law and technology to stay ahead of the curve and deliver the same value to their customers.

Ownership

Compare Current Stats Against 10/14/18

Institutional - Based on Current Filings

51) Institutional	10/14/18	Curr	Change
11) % of Shares Held	109.92	109.92	0.00
12) % of Float Held	132.84	132.84	0.00
13) # of Institutions	474	478	+0.84%
14) # of Buyers	143	143	0.00%
15) # of Sellers	143	142	-0.70%
16) # of New Buyers	104	106	+1.92%
17) # of Selloffs	67	65	-2.99%
18) % Chg in Inst Positions	+2.34	+2.72	+0.38

Insider - Based on Last 6 Months

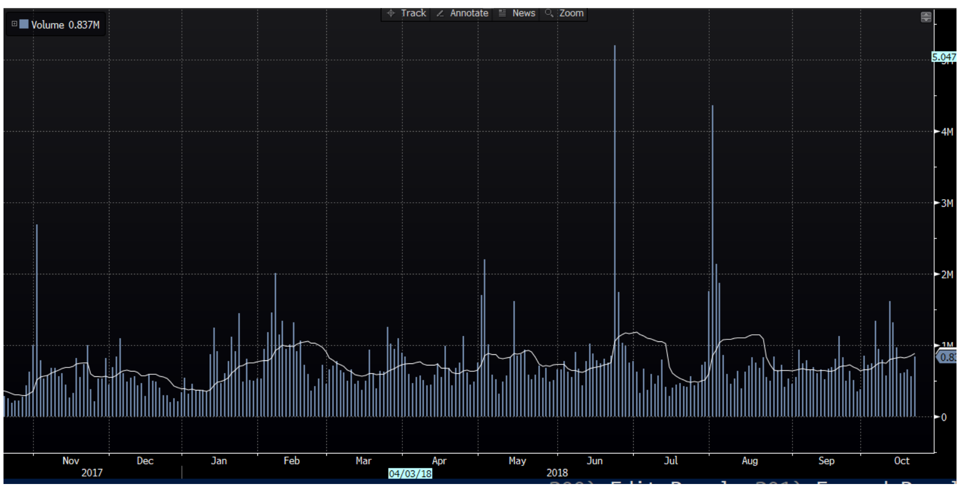
52) Insider	10/14/18	Curr	Change
21) % of Shares Held	17.25	17.25	0.00
22) % Chg Insider Positions	-2.64	-2.10	+0.54
23) # of Insiders	15	15	0.00%
24) # of Buyers Opn Mkt	0	0	
25) # of Sellers Opn Mkt	8	7	-12.50%
26) # of Shrs Bought Opn Mkt	0	0	
27) # of Shrs Sold Opn Mkt	255,982	197,982	-22.66%
28) Avg Opn Mkt Buy Price	0	0	
29) Avg Opn Mkt Sell Price	121.48	124.49	+2.48%

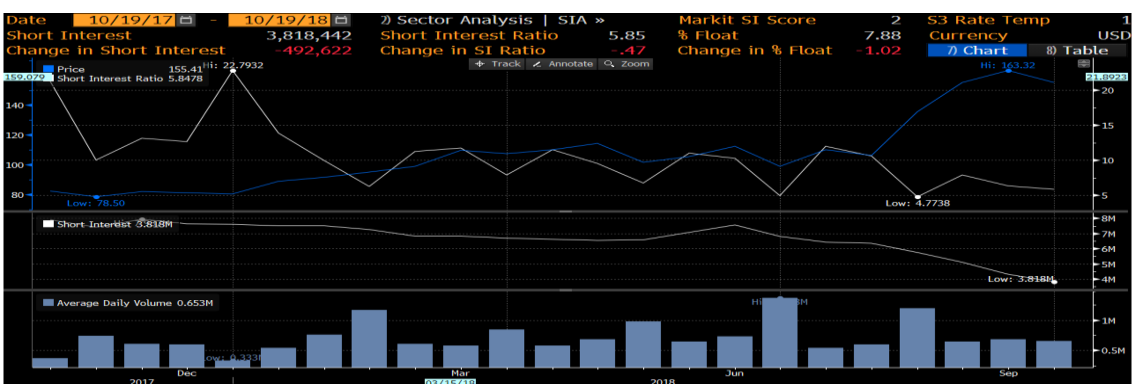
Top Geographic Ownership (%)

53) Geographic	10/14/18	Curr	Change
31) UNITED STATES	81.73	81.72	-0.01
32) Unknown	13.57	13.57	0.00
33) UNITED KINGDOM	2.16	2.16	0.00
34) AUSTRALIA	0.59	0.59	0.00
35) CANADA	0.53	0.53	0.00
36) GERMANY	0.39	0.39	0.00
37) SWITZERLAND	0.32	0.32	0.00
38) NORWAY	0.29	0.29	0.00
39) JAPAN	0.10	0.10	0.00

Top Ownership Type (%)

54) Ownership Type	10/14/18	Curr	Change
41) Investment Advisor	76.73	76.81	+0.08
42) Individual	13.57	13.57	0.00
43) Hedge Fund Manager	4.97	4.97	0.00
44) Pension Fund	2.50	2.50	0.00
45) Bank	0.64	0.64	0.00
46) Insurance Company	0.51	0.51	0.00
47) Brokerage	0.45	0.45	0.00
48) Sovereign Wealth Fund	0.29	0.29	0.00
49) Government	0.27	0.18	-0.09





This company was founded and based in the US, so this is why a majority of the ownership is in the US. A thing to note is the daily trade volume. This demonstrates the volatility of this stock; all the major peaks were either earnings announcements or a change advisor rating. For example, the reason for the last major spike was when the rating moved to a buy. The trading volume of this company is around 1 million shares, which makes it a fairly liquid stock. The short interest is down from the beginning of the year with its peaks at 22%, but has recently had a slight uptick due to the announcement of the new building purchases. Companies such as Paycom have to be strategic with their capital allocation. Biting off more than you can chew is often kiss of death for expanding tech companies such as Paycom. With the short interest being around 5%, that demonstrates that market believes there is growth potential due to the lack of people willing to bet against it.

Base case/ Bull case / Bear case

My intrinsic value from my pro forma is 133.24. That is only less than a dollar from what it is currently valued. I believe with the new initiatives and constant product improvement will allow the company to grow and exceed the analysis projections. The main driver of stock price for this company is revenue, so that is what I manipulated to get the bear and bull case.

Base case: 133.24| Bear case: revenue decreases by 5% =126.53| Bull case with 5% increase revenue: 139.94

Conclusion:

Paycom is a rapidly growing company that is putting it money where its mouth is. They are going all in by buying new buildings in Oklahoma and Texas. If it works out how it is predicted, we are positioned in the perfect time to jump in and ride the revenue increase that is expecting in 2019, but at its current price, the reward is not worth the risk. That is why I believe a call at 125 could allow us to get the type of margin we are looking for. If the call works in our favor, my estimates says that we could see a 15%-20% return. Paycom is a best-in-class stock that has great growth potential and I believe if the price falls just a bit more, it would be a worthwhile investment.

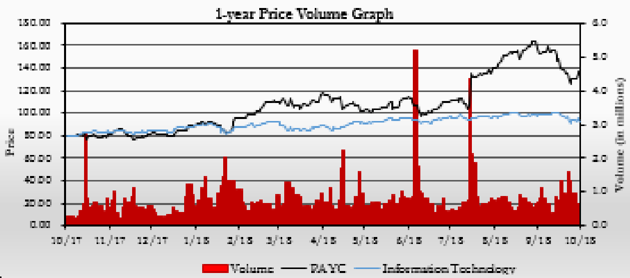
SIENA college | BJORKLUND FUND

Paycom Software, Inc. (PAYC)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Al Capone	Current Price: $133.64	Intrinsic Value $137.60	Target 1 year Return: 12.71%
10/19/2018	Divident Yield: 0.0%	Target Price $150.62	Probability of Price Increase: 97%



Description

Paycom Software, Inc. provides cloud-based human capital management (HCM) software service for small to mid-sized companies in the United States.

General Information

Sector	Information Technology
Industry	Software
Last Guidance	May 8, 2018
Next earnings date	October 30, 2018

Market Assumptions

Estimated Equity Risk Premium	5.08%
Effective Tax rate	21%

Market Data

Market Capitalization	$7,834.67
Daily volume (mil)	0.56
Shares outstanding (mil)	58.63
Diluted shares outstanding (mil)	58.76
% shares held by institutions	86%
% shares held by investments Managers	75%
% shares held by hedge funds	4%
% shares held by insiders	15.95%
Short interest	6.51%
Days to cover short interest	4.78
52 week high	$164.08
52-week low	$74.35
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2017	2.32%	0.00%
9/30/2017	0.76%	-14.88%
12/31/2017	0.31%	-8.16%
3/31/2018	1.64%	-19.86%
6/30/2018	3.62%	11.85%
Mean	1.85%	-6.21%
Standard error	1.0%	4.6%

Market and Credit Scores

Recommendation (STARS) Value--0
Recommendation (STARS) Description--0
Quality Ranking Value--NR
Quality Ranking Description--Not Ranked
Short Score--2
Market Signal Probability of Default % (Non-Ratings)--0.19%
CreditModel Score (Non-Ratings)--bb

Industry and Segment Information

LTM Revenues by Geographic Segment	LTM Revenues by Business Segments
United States--82%	Internet Software & Services--100%
United Kingdom--2%	--
Australia--1%	--
Canada--1%	--
Germany--0%	--

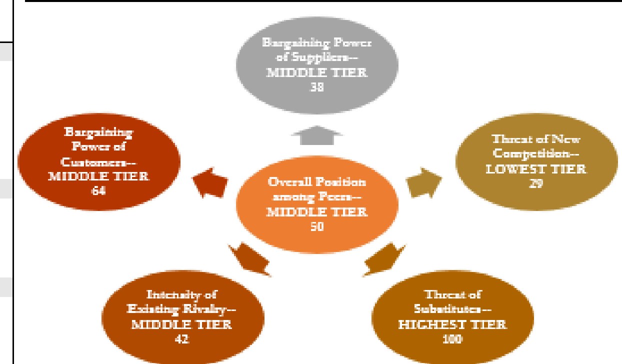
Peers

Guidewire Software, Inc.	Ceridian HCM Holding Inc.
Aspen Technology, Inc.	athenahealth, Inc.
Tableau Software, Inc.	Cadence Design Systems, Inc.
Zendesk, Inc.	--
RealPage, Inc.	--

Management	Position	Total Compensations Growth	Stock Price Growth During Tenure
Richison, Chad	Founder, Chairman, President & CEO	34.68% per annum over 5y	
Boelte, Craig	CFO, Treasurer & Corporate Secretary	39.39% per annum over 5y	
York, Jeffrey	Chief Sales Officer	34.55% per annum over 5y	
Evans, Jon	Chief Operating Officer		
Smith, Bradley	Chief Information Officer		
Niederman, David	Investor Relations Professional		

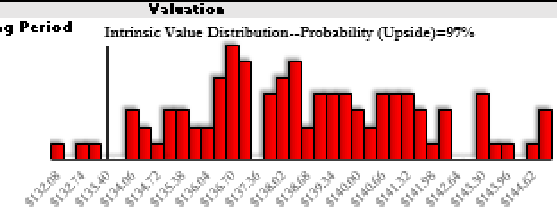
Profitability	PAYC (LTM)	PAYC Historical	Peers' Median (LTM)
Return on Capital (GAAP)	82.0%	24.34%	19.81%
Operating Margin	34%	12.44%	20.05%
Revenue/Capital (GAAP)	2.43	1.96	0.99
ROE (GAAP)	62.6%	40.4%	8.9%
Net margin	20.2%	15.9%	13.1%
Revenue/Book Value (GAAP)	3.104082867	2.53	0.68
Invested Funds	**PAYC (LTM)**	**PAYC Historical**	**Peers' Median (LTM)**
Cash/Capital	15.6%	19.3%	29.9%
NWC/Capital	-15.7%	-1.9%	-6.4%
Operating Assets/Capital	79.7%	40.7%	56.8%
Goodwill/Capital	20.4%	35.9%	18.2%
Capital Structure	**PAYC (LTM)**	**PAYC Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.24	0.30	0.26
Cost of Debt	3.0%	7.1%	3.3%
CGFS Rating (F-score, Z-score, and default Probabili	BB		
WACC	10.0%	11.4%	8.0%

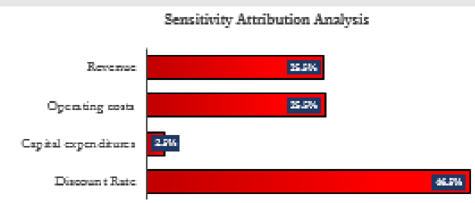
Porter's 5 forces (Scores are percentiles)



Valuation

Forecast Assumptions	Explicit Period (13 years)	Continuing Period
Revenue Growth CAGR	13%	2.5%
Average Operating Margin	34%	34%
Average Net Margin	30%	27%
Growth in Capital CAGR	22%	3%
Growth in Claims CAGR	0%	3%
Average Return on Capital	22%	9%
Average Return on Equity	22%	9%
Average Cost of Capital	9%	9%
Average Cost of Equity	9%	9%





October 18th, 2018

Company Name: FLEX Ltd.

Zachary Girvin

Sector: Information Technology
Industry: Electronic Equipment
Current Price: $11.97
Target Price: $13.60

Company Description: Flex Ltd. has grown into a global powerhouse in the electronics manufacturing services (EMS) and original design manufacturing (ODM) industry. They help startups and existing companies take new ideas to market through an intensive process. They also implement electronic enhancements into existing production lines to increase efficiency and manufacturing speed.

BUY

Current Price:	$11.97
Target Price:	$13.60
Market Cap:	6.37B
Beta:	1.17
LTM ROIC	7.7%
Current Debt:	$2920M
Market Cap:	$6318M

Thesis:

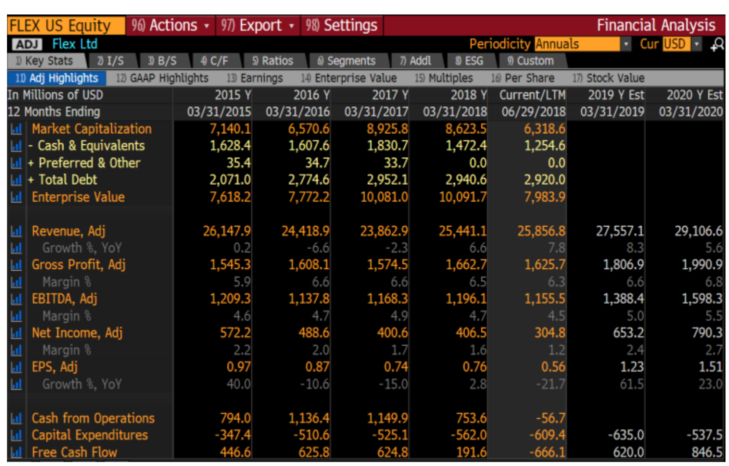
On the earnings call released in April of this year, Flex had missed earnings for the quarter which dropped the price of their stock. With a promising innovation for the ODM industry, Sketch-to-Scale was trademarked in March and looks to boost the company from the 52-low they have just reached. Flex also has a wide base of industry leading subsidiaries that have helped to fuel growth and will likely show a positive result for Flex moving forward.

Catalysts:

- Earnings Call on 10/25:
- **Sketch-to-Scale ROIC continuation**
- A reduction of capital expenditures and operating costs in the long run to allow for higher growth.

Earnings Performance:

Flex Ltd. has decreased in revenue for the past two years, 2016 and 2017, and this has been a main driver in the lowered Market Cap a seen below. Revenues have pushed up since, but a significant event in April, a release of their earnings showed a revenue that missed analyst's expectations and therefore hit the stock price hard. Revenues were expected t be up for a


FLEX US Equity | 96) Actions | 97) Export | 98) Settings | Financial Analysis

ADJ Flex Ltd — Periodicity Annuals — Cur USD

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom

11) Adj Highlights | 12) GAAP Highlights | 13) Earnings | 14) Enterprise Value | 15) Multiples | 16) Per Share | 17) Stock Value

In Millions of USD	2015 Y	2016 Y	2017 Y	2018 Y	Current/LTM	2019 Y Est	2020 Y Est
12 Months Ending	03/31/2015	03/31/2016	03/31/2017	03/31/2018	06/29/2018	03/31/2019	03/31/2020
Market Capitalization	7,140.1	6,570.6	8,925.8	8,623.5	6,318.6		
- Cash & Equivalents	1,628.4	1,607.6	1,830.7	1,472.4	1,254.6		
+ Preferred & Other	35.4	34.7	33.7	0.0	0.0		
+ Total Debt	2,071.0	2,774.6	2,952.1	2,940.6	2,920.0		
Enterprise Value	7,618.2	7,772.2	10,081.0	10,091.7	7,983.9		
Revenue, Adj	26,147.9	24,418.9	23,862.9	25,441.1	25,856.8	27,557.1	29,106.6
Growth %, YoY	0.2	-6.6	-2.3	6.6	7.8	8.3	5.6
Gross Profit, Adj	1,545.3	1,608.1	1,574.5	1,662.7	1,625.7	1,806.9	1,990.9
Margin %	5.9	6.6	6.6	6.5	6.3	6.6	6.8
EBITDA, Adj	1,209.3	1,137.8	1,168.3	1,196.1	1,155.5	1,388.4	1,598.3
Margin %	4.6	4.7	4.9	4.7	4.5	5.0	5.5
Net Income, Adj	572.2	488.6	400.6	406.5	304.8	653.2	790.3
Margin %	2.2	2.0	1.7	1.6	1.2	2.4	2.7
EPS, Adj	0.97	0.87	0.74	0.76	0.56	1.23	1.51
Growth %, YoY	40.0	-10.6	-15.0	2.8	-21.7	61.5	23.0
Cash from Operations	794.0	1,136.4	1,149.9	753.6	-56.7		
Capital Expenditures	-347.4	-510.6	-525.1	-562.0	-609.4	-635.0	-537.5
Free Cash Flow	446.6	625.8	624.8	191.6	-666.1	620.0	846.5

multitude of reason including subsidiary success and the expectation of Sketch-to-Scale to drive revenue for the firm higher from March. EBITDA margins have dropped in the past two years which is a slight concern, but these are expected to increase in the coming fiscal years due to the increased revenues from newly acquired companies. A large impact on this company's stock price have been revenue and capital expenditures, which is typical for this industry, but FLEX should soon see an increase in revenue and a reduction in capital expenditures. Also as seen below cash levels have decreased slightly in part to paying off debt and using cash to partly finance acquisitions

FLEX US Equity | 96) Actions | 97) Export | 98) Settings

ADJ Flex Ltd | Periodicity Annual

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom

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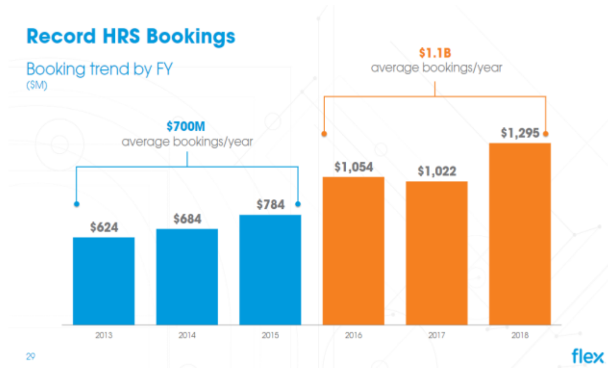
In Millions of USD	2015 Y	2016 Y	2017 Y	2018 Y	Current/LTM
12 Months Ending	03/31/2015	03/31/2016	03/31/2017	03/31/2018	06/29/2018
Market Capitalization	7,140.1	6,570.6	8,925.8	8,623.5	6,318.6
- Cash & Equivalents	1,628.4	1,607.6	1,830.7	1,472.4	1,254.6
+ Preferred & Other	35.4	34.7	33.7	0.0	0.0
+ Total Debt	2,071.0	2,774.6	2,952.1	2,940.6	2,920.0
Enterprise Value	7,618.2	7,772.2	10,081.0	10,091.7	7,983.9

Cost of Capital:

Flex holds a core advantage over it's competitors when it comes to sourcing capital for expansion. With a WACC that is over 100 basis points lower than their competitor's average, they can access cheaper capital and they do not need as high of returns to fuel their growth. This stems from two main parts, the first being their Investment grade debt rating from Moody's of BBB. This is shown throughout their investor presentations as if to showcase that they have a strong backing and are able to cover the outstanding debt. Another reason for this cheap WACC is a wide base of companies they own and can leverage for capital. These underlying companies including NEXTRACKER and AGM Automotive are seen as leaders in their fields and provide the financial backing that this large firm requires to access capital.

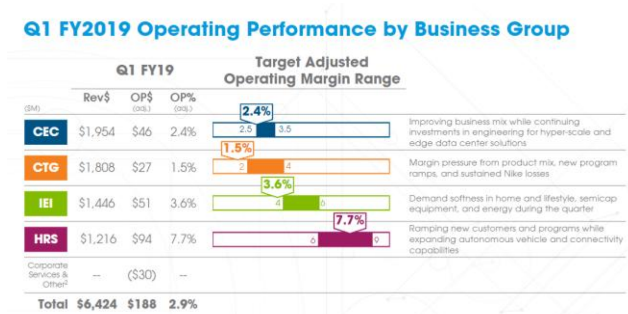
Revenue:

This is a large issue for Flex as it is unknown when they will see strong and constant growth in revenues. I believe that in their earnings call next week, revenues will be back up and this is a prime catalyst for a surge n stock price. As I have hinting to and will soon talk about , FLEX has many companies all which use some form of their EMS have been producing positive revenues, and have also been growing rapidly. A large business segment of Flex is their Communication and Enterprise compute (CEC) and their Consumer Technologies Group (CTG). This segments have posted decreased revenues in 2016 and 2017, but are correcting themselves and will likely beat expectations. Their other segments include High Reliability Solutions (HRS) and Industrial & Emerging Industries (IEI) which constituted 20% and 23% of Q1 FY 2019 revenues, respectively. The good news about this is that these are the two segments which are growing the fastest and will help beat revenue goals for the coming quarters. The bottom line is that all of these segments are doing well, regardless of any short term slow downs



Subsidiaries:

One company that FLEX owns that caught my eye was NEXTRACKER. This company is a part of their Industrila and emerging Industries segment and looks to continue building under their parent company. They are the leader in the solar industry and have been improving their market share tremendously over the past few years. One reason behind this is their CEO, an RPI grad Dan Shugar. He is a brilliant engineer with a mind for solar electricity and has been a part of numerous solar companies before, improving each one of them. NEXTRACKER is based out of California and holds a tight grip on the solar industry. FLEX recently acquired them, a significant amount of their CAPEX but as seen large growth in that business group. Investments like this are why FLEX hasn't been breaking records in revenue growth, but once all of these new capital expenditures start to produce returns and efficiency rises with decreased costs, FLEX can push even further past my target price of $13.60.

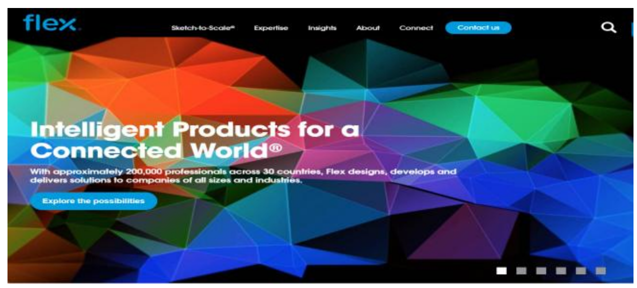


Sketch-To-Scale:

This is a single aspect of the company that could drive it's success. This offering began to be pushed in March, and I think investors expected to rapid of a turnaround on profits, that when the April earnings call came around and revenues missed expectations, investor emotions told them to sell. Well now the stock price is advantageously positioned for acquisition and we should look to buy.

Sketch-to-Scale is a proprietary idea that securely brings a person's idea to life and can handle the whole manufacturing and operation of it's distribution. Flex is a leader in creating operating efficiencies with companies and Sketch-to-Scale is just one way of how they implement this idea from the beginning. There is true promise as this can be applied to existing businesses and they can bring new ideas to market with help from the industry leader.

Macro Outlook:



Looking at the LTM Price Chart, it is clear the correlation between the IT ETF and FLEX. Even after the one sharp change in April, both holdings trended similarly. This is good news for Flex because they are a leader in the IT community and are cheap right now due to their uncertainty. While IT can be speculative, FLEX is large enough and has a quality credit rating to believe that this stock will soar in the coming years.

Conclusion:

Flex Ltd is offering an opportunity to get in cheap on their company. At a 52-week low, the stock is ready to shoot back up to its true value, which the market is not reflecting currently. Many investors are hesitant about their new trademark, Sketch-to Scale, which they are not sure if it will return enough for the amount of capital invested. They have a wide base of revenue streams, but all of them have a relation to the IT sector. If this sector continues to grow, which has proven to be one of the fastest growing sectors, I think that Flex has put themselves in a great position for the future.

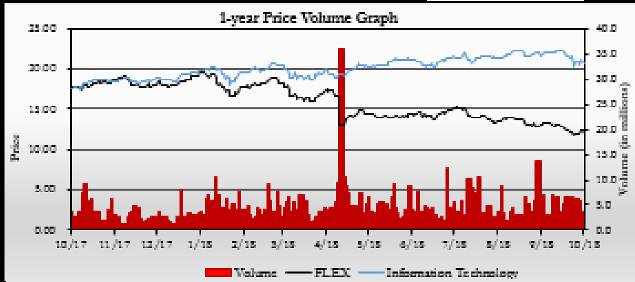
BJORKLUND FUND

SIENA college

CENTER FOR GLOBAL FINANCIAL STUDIES

Flex Ltd. (FLEX) — **NEUTRAL**

Analysis by Zachary Girvin	Current Price:	$11.97	Intrinsic Value	$11.83	Target 1 year Return: 13.6%
10/18/2018	Divident Yield:	0.0%	Target Price	$13.60	Probability of Price Increase: 45



Description

Flex Ltd. provides design, engineering, manufacturing, and supply chain services and solutions to original equipment manufacturers worldwide.

General Information

Sector	Information Technology
Industry	Electronic Equipment, Instruments and Compo
Last Guidance	May 8, 2018
Next earnings date	October 25, 2018

Market Assumptions

Estimated Equity Risk Premium	8.44%
Effective Tax rate	27%

Market Data

Market Capitalization	$6,377.16
Daily volume (mil)	3.46
Shares outstanding (mil)	532.76
Diluted shares outstanding (mil)	535.80
% shares held by institutions	90%
% shares held by investments Managers	78%
% shares held by hedge funds	13%
% shares held by insiders	0.84%
Short interest	1.24%
Days to cover short interest	1.44
52 week high	$19.71
52-week low	$11.69
Volatility	28.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2017	1.72%	-14.19%
9/29/2017	2.79%	-22.86%
12/31/2017	3.89%	-5.96%
3/31/2018	2.09%	-11.78%
6/29/2018	-1.16%	-35.01%
Mean	1.87%	-17.96%
Standard error	1.0%	4.3%

Market and Credit Scores

Recommendation (STARS) Value--5
Recommendation (STARS) Description--Stron
Quality Ranking Value--NR
Quality Ranking Description--Not Ranked
Short Score--0
Market Signal Probability of Default % (Non-Ratings)--0.52%
CreditModel Score (Non-Ratings)--bb+

Industry and Segment Information

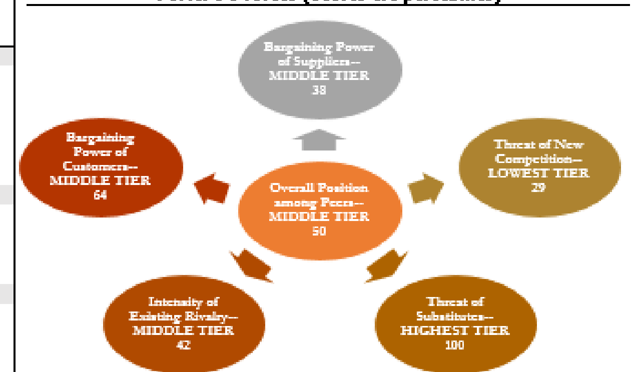
LTM Revenues by Geographic Segme	LTM Revenues by Business Segments
China--29%	Communications & Enterprise Compute--30%
Mexico--17%	Consumer Technologies Group--27%
U.S.--11%	Industrial & Emerging Industries--23%
Brazil--10%	High Reliability Solutions--19%
Malaysia--8%	--

Peers

Jabil Inc.	--
First Solar, Inc.	--
Plexus Corp.	--
SunPower Corporation	--
Pegatron Corporation	--

Management	Position	Total Compensations Growt	Stock Price Growth During Tenure
McNamara, Michael	CEO & Director	8.32% per annum over 6y	6.49% per annum over 6y
Collier, Christopher	Chief Financial Officer	18.79% per annum over 6y	6.49% per annum over 6y
Barbier, François	President of Global Operations & Component	4.03% per annum over 6y	6.49% per annum over 6y
Offer, Scott	Executive VP & General Counsel	-26.38% per annum over 2y	-8.35% per annum over 2y
Humphries, Paul	President of High Reliability Solutions	7.64% per annum over 6y	6.49% per annum over 6y
Holman, Mark	President of Strategy, Investments & Marketi		

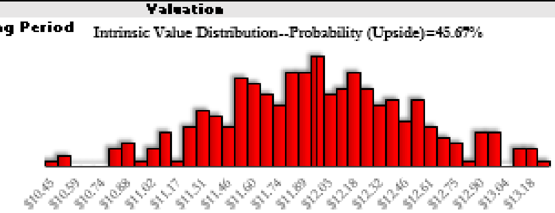
Porter's 5 forces (Scores are percentiles)

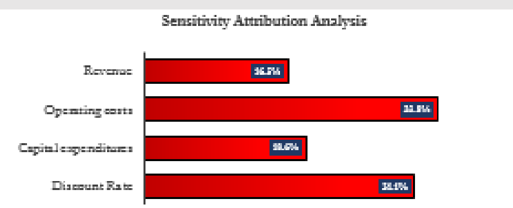


Profitability	FLEX (LTM)	FLEX Historical	Peers' Median (LTM)
Return on Capital (GAAP)	6.1%	9.47%	1.12%
Operating Margin	1%	2.17%	0.39%
Revenue/Capital (GAAP)	4.12	4.36	2.91
ROE (GAAP)	13.4%	16.8%	5.2%
Net margin	1.5%	1.6%	0.7%
Revenue/Book Value (GAAP)	8.844731444	10.47	7.43
Invested Funds	**FLEX (LTM)**	**FLEX Historical**	**Peers' Median (LTM)**
Cash/Capital	20.8%	30.1%	30.6%
NWC/Capital	5.6%	7.5%	18.3%
Operating Assets/Capital	57.5%	51.3%	53.2%
Goodwill/Capital	16.1%	11.0%	0.0%
Capital Structure	**FLEX (LTM)**	**FLEX Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.51	0.55	0.36
Cost of Debt	4.3%	3.5%	5.0%
CGFS Rating (F-score, Z-score, and default Probabi	B		
WACC	10.3%	9.4%	12.3%

Valuation

Forecast Assumptions	Explicit Period (13 years)	Continuing Period
Revenue Growth CAGR	8%	2.0%
Average Operating Margin	4%	4%
Average Net Margin	2%	2%
Growth in Capital CAGR	3%	2%
Growth in Claims CAGR	0%	2%
Average Return on Capital	8%	6%
Average Return on Equity	12%	7%
Average Cost of Capital	11%	12%
Average Cost of Equity	13%	13%





SIENA college

BJORKLUND FUND

October 19, 2018

Opera Limited: (OPRA)

Louise LAPRAS

Sector: Technology
Industry: Internet Information Providers
Current Price: $6.81
Target Price: $12.00

Company Description:

Opera is a Norwegian holding company, which provides with web browsers through its subsidiaries. Its products include Opera browser for Windows, iOS, and Linux computers; as well as the mobile apps Opera for Android, Opera Mini, Opera Touch, and Opera News. The company was founded in 1995, and is headquartered in Oslo, Norway. Opera went public on the NASDAQ on July 27, 2018.

STRONG BUY

Current Price:	$6.81
Target Price:	$12.00
Market Cap:	$749.5M
P/E:	23.16
Average volume:	287,220

Thesis:

Opera has a lot of revenue growth potential, as they are in the early stage of monetizing their ever-growing customer base -already over 320 million users per month. The stock was victim of macro factors since it went public, but financial results will catch analysts' interests within a year.

Catalysts:

- Short Term(within the year): **Monetization of Opera News + Opera Touch**
- Mid Term(1-2 years): **Stronger presence in European and American markets**
- Long Term(3+): **Gaining market share of "biased" competitors in the US**

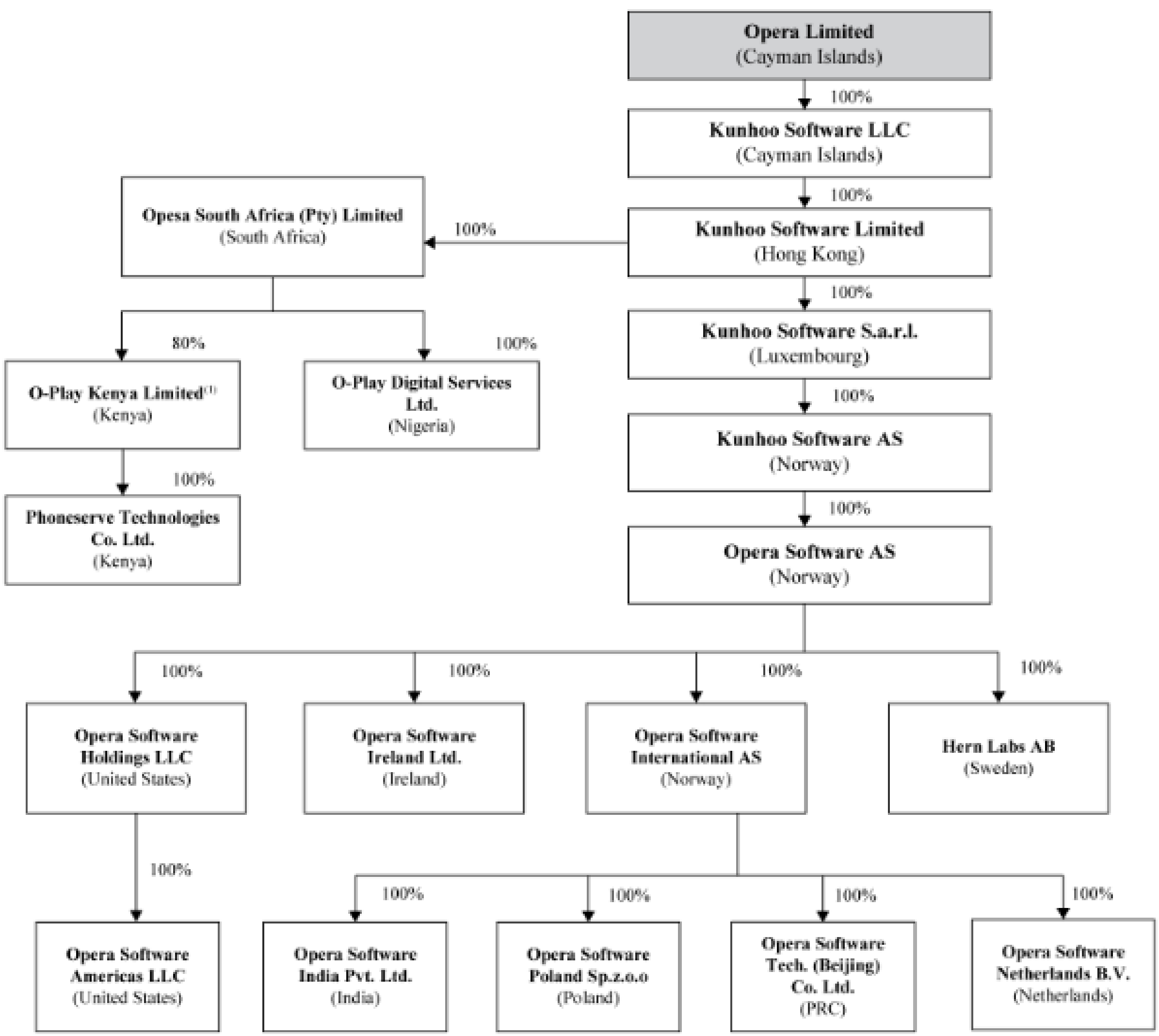
Business description:

Opera is one of the world's leading browser providers and an influential player in the field of integrated Artificial Intelligence-driven digital content discovery and recommendation platform. Its headquarters are located in Oslo, Norway, and is incorporated in Cayman Islands. See the corporate structure here under.

From 1995 to March 2016, Opera was part of the company Otello, listed on the Oslo stock exchange with the ticker OTELLO. Two years after the spin-off, Opera Limited went public on July 27, 2018 as a foreign private issuer under the US Securities Exchange Act of 1934 and as such, is exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers. Opera also qualify as an "emerging growth company" by the JOBS Act of 2012, and may take advantage of specified reduced reporting and other requirements compared to those that are otherwise applicable generally to public companies, such as the obligation of having the financial statements certified by external auditors. On July 27, 2018, Opera offered 9,600,000 American Depositary Shares (ADR) at $12 per share, in addition to the 200,000,000 shares previously existing. The Net proceeds from the IPO were over $110 million.

In 2017, 49% of Opera's revenues were realized in Ireland, 14% in Russia and the remaining 37% were spread across the world. The revenues split from the first half of 2018 was as follow: 50.44% from search, 33.60% from advertising, and 15.96% from technology licensing.

As of July 2018, Opera served on average 321.7 million Monthly Active Users (MAU).

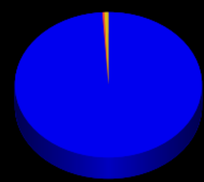


9) Prod Seg | FA PROD »	2017 Rev	3Yr Gr
Search	68.2M	N.A.
Advertising	41.0M	N.A.
Technology Licensing / Other	19.7M	N.A.

Cost of Capital - Current Market Value

	Weight	Cost	W x C
3) Equity	99.0%	27.1%	26.8%
4) Debt Cost (A-T)	1.0%	1.8%	0.0%
5) Preferred Equity	0.0%	0.0%	0.0%
WACC			26.8%

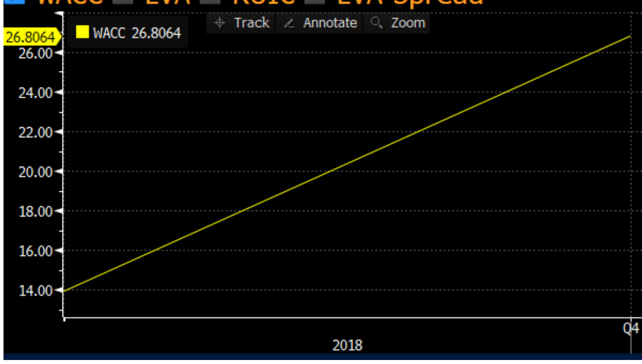
Capital Structure (Millions of USD)



Equity	583.5	99.0%
ST Debt	2.1	0.4%
LT Debt	4.0	0.7%
Pref. Eqty	0.0	0.0%
Total	589.6	100.0%

6) History

WACC EVA ROIC EVA Spread



Economic Value Added (Millions of USD)

7) Net Operating Profit	10.24
8) Cash Operating Taxes	-8.91
NOPAT	19.14
9) Total Investment Capital	604.19
Capital Charge	161.96
Economic Value Added	-142.82
ROIC	3.17%
EVA Spread	-23.64%

Earnings Performance:

Opera stock jumped +7.48% pre-market when the company announced its first quarterly results as a public company on August 23, 2018. Indeed, they presented spectacular increase in both revenues, and margins, record earnings for Opera. Operating revenues for Q2 2018 were $39.8, so an increase of 50% compared to Q2 2017. The adjusted EBITDA margin increased by 25 points year over year to reach 40.6%, and Net Income was $7.4 million, which is 18.6% of revenues, compared to a net loss of $2.6 million in Q2 2017. The adjusted Net income represents 27.1% of revenues. Revenues in advertising, search, and technology licensing grew respectively by 63.1% ($13.7 million), 26.2% ($19.8 million), and 163.1% ($6.3 million). The growth in advertising revenues is mainly explained by the launch of Opera News, as well as a stronger market presence in Europe and the United States, where prices tend to be higher. The increase in search revenues is due to review of partnership agreements in Europe and the US, improving the revenue share of Opera per search.

This monetization of products was even more appreciable as the operating expenses only increased by 1.2% year over year, totaling $29.4 million. For now, a MAU only generates about $0.50 of revenues per year, but this is expected to increase to $0.80 in fiscal year 2019.

The highlights of the second quarter were the expansion of reach to new users of Opera News, the app launched in January 2018, which counted 101 million of average monthly users in the quarter, an increase of over 300% year over year. The users of Opera on smartphone reached 182.2 million during the quarter, which is a growth of 13.4%. The users of Opera on PC reached 57.1 million in the quarter, so an increase of 25.2%.

Opera launched during the second quarter Opera Touch, a companion mobile browser for PC, which enables seamless transitions between devices. This browser won a Red Dot Award for communication design on August 16, 2018.

Opera was holding $48.1 million in cash before it went public, for a total debt of $5.8 million.

[Numbers in US$ thousands]	As of June 30, 2017 (Unaudited)	As of December 31, 2017 (Unaudited)	As of June 30, 2018 (Unaudited)
ASSETS			
Non-current assets			
Furniture, fixtures and equipment	13,828	13,460	13,213
Intangible assets	123,200	118,620	117,161
Goodwill	421,578	421,578	421,578
Investments in associates and joint ventures	470	5,517	4,126
Other financial assets	1,765	1,857	2,660
Deferred tax assets	783	958	1,117
Total non-current assets	561,623	561,989	559,855
Current assets			
Trade receivables	30,001	31,072	37,526
Other receivables	6,012	7,865	7,075
Prepayments	4,117	2,166	3,041
Cash and cash equivalents	21,099	33,207	43,993
Total current assets	61,228	74,311	91,636
TOTAL ASSETS	622,851	636,300	651,491
EQUITY AND LIABILITIES			
Equity			
Contributed equity	576,531	576,531	576,531
Retained earnings (accumulated deficit)	(8,395)	5,366	21,683
Other components of equity	852	1,605	372
Equity attributed to members	568,989	583,503	598,585
Non-controlling interests			
Total equity	568,989	583,503	598,585
Non-current liabilities			
Financial lease liabilities and other loans	3,438	4,032	3,237
Deferred tax liabilities	15,292	11,828	14,519
Other liabilities	1,685	87	109
Total non-current liabilities	20,415	15,947	17,865
Current liabilities			
Trade and other payables	19,175	21,401	21,804
Deferred revenue	2,604	1,472	2,182
Financial lease liabilities and other loans	3,024	2,073	2,589
Income tax payable	1,394	3,709	2,363
Other liabilities	7,250	8,195	6,102
Total current liabilities	33,447	36,850	35,041
Total liabilities	53,862	52,797	52,906
TOTAL EQUITY AND LIABILITIES	622,851	636,300	651,491

Non-IFRS financial measures

[Numbers in US$ thousands]	Q2-2017 (Unaudited)	Q2-2018 (Unaudited)	YTD-2017 (Unaudited)	YTD-2018 (Unaudited)
Reconciliation of net income (loss) to adjusted EBITDA				
Net income (loss)	**(2,551)**	**7,411**	**(2,719)**	**14,030**
Add: Income tax expense (benefit)	697	2,535	938	4,824
Add: Total net financial loss (income)	(895)	(91)	(531)	(233)
Add: Share of net loss (income) of associates and joint ventures	218	615	573	1,624
Add: Restructuring costs	370	-	2,111	-
Add: Depreciation and amortization	3,605	3,379	7,406	6,766
Add: Share-based remuneration	2,807	218	2,807	2,667
Add: Expensed IPO related costs	-	2,110	-	2,110
Less: Other income	-	-	-	-
Adjusted EBITDA	**4,250**	**16,175**	**10,586**	**31,788**

Growth perspectives:

Opera expects that 2018 full-year revenue will amount to $170-175 million, representing a growth between 32% and 36% year over year. This translates into a total expected revenue of $91-96 million for the second half of 2018, with both sequential and year-over-year revenue growth in each of the third and fourth quarters likely to be driven by the search and advertising revenue categories. In order to achieve these results, Opera wish to keep focusing on Opera News, as the potential for user growth is the largest in their product portfolio.

Opera plans to use the proceeds of $104.1M from the 2018 IPO to reinvest:

- 40% in R&D to strengthen AI-driven content discovery and recommendation platform and overall portfolio
- 25% for distribution and marketing to improve brand awareness
- 25% to chase strategic partnership and/or acquisitions
- 10% to cover working capital and other needs

In October 2018, after a strong user demand, Opera released its new app Opera Touch for Iphone, following the success of the app for Android released earlier during the year. Opera Touch is a completely new browser that challenges current, more traditional web browsers.

On October 8, 2018, they announced a strategic partnership with Ledger capital, the leading strategic blockchain advisory and financial services firm.

Competition:

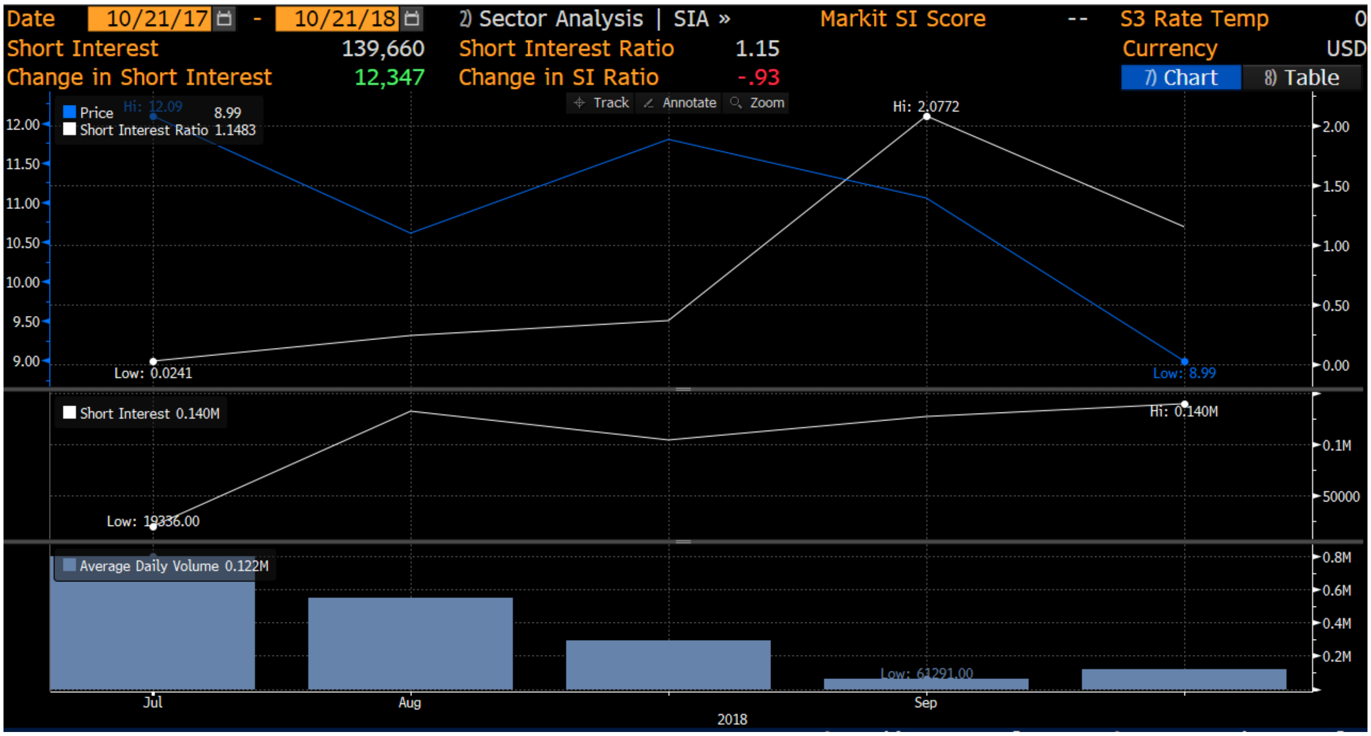
Opera is competing in the browser space against Tech giants, such as Alphabet, Apple, and Microsoft. In the content space, the competition is even stiffer, because it extends to all local and global news companies, where the barriers to entry are relatively low. So the new launch of Opera News app may be subject to additional competition in the future.

As of July 2018, Opera is the only mobile browser to add a built-in crypto wallet and Web 3.0 support. By introducing the crypto wallet, the Norwegian browser developer lowered the barrier of entry into the web of the future for users and developers alike. Since the wallet is built into the browser, internet users no longer need to install separate Dapp browsers or crypto wallet extensions. Opera also comes with a built-in add-blocker, along with a VPN. Privacy and security are one of the main focus of Opera experience.

Another competitive advantage of Opera is being a small, independent firm, giving an objectivity that is not equalazed by its competitors. For example, Google was accused of being biased towards conservatives by the United States' President, and was obliged by the EU to quit bundle apps for Android, and this might be an opportunity for Opera to grab a foothold in the web browser in the U.S and Europe. However, it should be noted that Opera currently has a partnership agreement with Google for a share of revenues on browser searches in Ireland. There is no indication of a termination of this agreement at the moment.

Ownership:

As Opera went public only a few months ago, 100% of the traded shares appear to be held by Investment advisors.



Conclusion:

Opera Limited (OPRA) is a high-growth company, which has turned a profit this year. Since its IPO last July, Opera has been a victim of the Technology industry sell in the markets, which caused the price to fall by 43% in three months' time, as did many other technology 2018 IPOs. It is currently trading at $6.81, which implies an enterprise value below 4.5 times the revenues estimates for fiscal year 2018 of $170 million. Opera earnings show a continuing growth in users for all products, and it just starting to monetize it in revenues, promising even higher margins in the future, as the transformation into revenues and service to additional users don't incur significant incremental costs, thanks to unit economics.

Now is a good juncture to take a second look at Opera: the company has gotten considerably cheaper while also reporting a good first earnings quarter since it went public. Opera showed growing revenues and users, and managed to turn an operating profit positive.

SIENA college

BJORKLUND FUND

October 18, 2018

Ralph Lauren Corp: RL

Ala Saidi

Sector: Consumer Discretionary
Industry: Textiles, Apparel and Luxury Goods
Current Price: $123.01
Target Price: $135.36

Company Description: Ralph Lauren Corporation designs, markets, and distributes men's, women's and children's apparel, accessories, fragrances, and home furnishing. The company's products are sold under a wide range of brands. Ralph Lauren's operations include, wholesale, retail and licensing.

BUY @$110.00

Current Price:	$123.01
Target Price:	$135.36
Market Cap:	10.02B
Average volume:	997.34K
Gross margin:	61.10%
Profit margin:	3.40%
EBITDA Margin:	15.5%

Thesis: Ralph Lauren is an iconic American fashion brand built on essential lifestyle promise. The brand has always been synonymous with high-quality American apparel. The company has been preforming poorly in the market. However, RL last results were strong and continued to demonstrate progress on strengthen the brand and show indication that the stock is currently undervalued with a high potential of growth in the future.

Catalysts:

- Short Term(within the year):Drive targeted expansion in all regions and channels
- Long Term (3+): Expand the international business.
  A main focus on China's growth.

Company within the industry:

Ralph Lauren built a business empire by sketching out a national fashion identify with each design. However, in the recent years, the influence of the classic styles has vanished. Sales have flaked steadily as shoppers have moved on the casual wear, fast-fashion or even upstart preppy brands. The company wanted to keep its brand image and not move-on or change their designs, and that had them fall behind the retail industry. The company at some time has to adapt and expand within this industry. The industry attracts what is close to 30% if the total consumer spending in the USA alone; and it is a very competitive market. Currently, the 78 year-old designer is trying to make a comeback to the brand. The company is focusing on becoming trendier in order to increase their sales and experience a higher profit. During the first quarter of 2017 north America revenue have fell 11% where the company's shares were down to 88%, to $110.62. "We've yet to see that up-stick in sales" said Simon Siegel an analyst at Instinet LLC. "Ultimately, that is what is going to be necessary".

Business Overview:

Ralph Lauren Corporation is galloping at faster clip than when its namesake founder first entered the arena 45 years ago. With golden mallet brands such as Polo by Ralph Lauren, Chaps, RRL, Club Monaco, and RLX Ralph Lauren, the company designs and market apparel and accessories, home furnishing and fragrances. Its collections are available at more than 13,000 retail locations worldwide, including many upscale and mid-tier department stores as in Macy's that contributes up to 25% of Ralph Lauren's wholesale revenue. The Brand operates more than 470 Ralph Lauren and Club Monaco retail stores worldwide in addition to 615+ concession-based shops-within-shops and 10 e-commerce sites. The company is originally New York based, it operates in the US, Canada, Europe, Japan, China, South Korea, Southeast Asian and finally Latin America. Through a limit number of premier fashion retailers, the company peddles its collection brands worldwide. In the USA and Canada, department stores are a major wholesale customer. In Latin America and Europe, the wholesale products are sold in department stores and specialty stores respectively. As part of its sales effort, the brand distributes its goods to licensed stores operated by franchisees in EU, Middle East and Asia. The main licensing partners of the company are: L'Oréal, Peerless, Luxottica Group and Hanesbrands.

Operations:

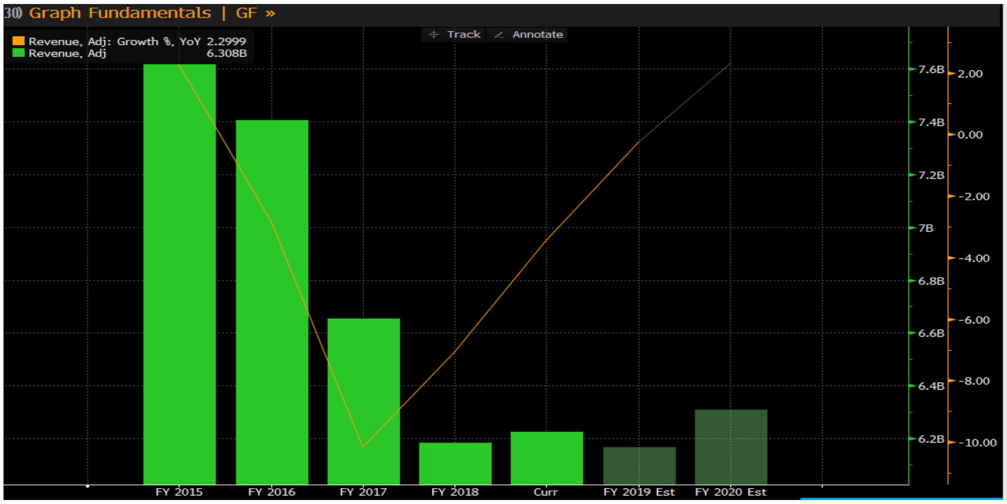
Ralph Lauren operates through three main segments: Retail, Wholesale and Licensing. In 2016, the retail segment generated more than 53% of the revenue. It sells directly to customers thought their 465 retails stores in the US and internationally. Wholesale represented 44.5% of the total sales, where RL sell their goods to major department stores and specialty shops in North America, EU, Asia and Latin America. The Licensing segment sells unrelated third parties the right to operate retail stores and use its trademarks in connection with making and selling designated products like apparel, eye ware and fragrances in certain geographical area. In 2017 and 2018. The apparel retail and wholesale represented 100% of the revenue.

In Millions of USD except Per Share	2015 Y		2016 Y		2017 Y		2018 Y	
12 Months Ending	03/28/2015		04/02/2016		04/01/2017		03/31/2018	
Revenue	7,620.0	100.0%	7,405.2	100.0%	6,652.8	100.0%	6,182.3	100.0%
Apparel Retail & Wholesale	–		–		6,652.8	100.0%	6,182.3	100.0%
Licensing	169.0	2.2%	174.8	2.4%	–		–	
Wholesale	3,495.0	45.9%	3,297.2	44.5%	–		–	
Retail	3,956.0	51.9%	3,933.2	53.1%	–		–	
Net Sales % Increased at Consta...	–		–		–		–	
Operating Income	1,035.4	100.0%	581.9	100.0%	-92.3		498.2	100.0%
Apparel Retail & Wholesale	–		–		-92.3	100.0%	498.2	100.0%
Unallocated Corporate Expenses	-577.6		-611.0		–		–	
Unallocated Legal & Restructur...	-10.1		-142.6		–		–	
Licensing	152.4	9.4%	155.1	11.6%	–		–	
Wholesale	943.4	58.1%	821.2	61.5%	–		–	
Retail	527.3	32.5%	359.2	26.9%	–		–	

Financial Performance:

Ralph Lauren's has enjoyed healthy revenue and profit growth over the past years as it continued to expand its retail business and international reach. Until 2016, where the company's sales have dipped by 2.8% to $7.4B. This fall was mostly due to the wholesale sales in the US that decreased by 6%, in addition to lower sales in apparel and accessories business due to the decline in of the foreign tourist traffic. During the same year, the sales declines combined with the increase restructuring changes caused Ralph Lauren's net income to slide to 44% to $396M. The company's operating cash levels have then increased by 13% to almost $1B thanks to favorable changed in working capital tied to accounts receivable, prepaid expenses and other current asset. Looking at the following years 2017, 2018 we can see that there is a major decline on the revenue growth rate by -10.2% with and -7.1% respectively. The company has indeed had its worst financial performance these past 2 years.

Revenue, Adj	7,620.3	7,405.2	6,652.8	6,182.3	6,225.8	6,166.5
Growth %, YoY	2.3	-2.8	-10.2	-7.1	-3.4	-0.3
Gross Profit, Adj	4,377.9	4,186.7	3,651.1	3,751.7	3,796.2	3,799.1
Margin %	57.5	56.5	54.9	60.7	61.0	61.6
EBITDA, Adj	1,346.8	1,074.2	812.2	948.6	965.1	985.1
Margin %	17.7	14.5	12.2	15.3	15.5	16.0
Net Income, Adj	713.3	506.3	340.6	482.5	525.4	548.8
Margin %	9.4	6.8	5.1	7.8	8.4	8.9
EPS, Adj	8.00	5.90	4.12	5.85	6.38	6.65
Growth %, YoY	-3.9	-26.3	-30.2	41.9	50.6	13.8



Ownerships:

Institutions own 117.40% of Ralph Lauren's Float. Investment advisors own 78.87% of the float with Vanguard Group Inc. being the top holder 11.89%. Bank of New York Mellon Corp come on the second place owning 8.43% of the float. Followed by BlackRock Inc. who also own a big portion of 7.98%. Hedge Fund Managers own 11.47% of the total float. Hedge fund are more optimistic than investment advisors as they have been adding to their positions, there is change in the rate of +3.66 between the past year and the current year. Which means that they see the stock as a safe haven within the retail industry.

54) Ownership Type	10/15/17	Curr	Change
41) Investment Advisor	82.10	78.87	-3.23
42) Hedge Fund Manager	7.81	11.47	+3.66
43) Pension Fund	2.57	2.56	-0.01
44) Bank	2.05	1.89	-0.16
45) Sovereign Wealth Fund	1.25	1.43	+0.18
46) Individual	1.19	1.31	+0.12
47) Government	1.24	1.16	-0.08
48) Insurance Company	0.51	0.84	+0.33
49) Brokerage	1.18	0.35	-0.83

Sales outlook:

Looking at the company's first quarter, the results were strong and showed a continued progress on strengthening the brand a driving execution. The company has delivered a strong AUR growth, lower discount, higher grow margin and operating profit growth.Q1 revenue have increased by 3.7% on reported basic and 1% on constant currency. The revenue growth rate remains negative at a rate of -3.4% and compared to -7.1% during last year's Q1. These positive results were mainly driven by the strong performance in Asia and the benefit of wholesale shipment timing through North America and EU.Asia revenue growth has increased by 16% in constant currency during Q1. Ralph Lauren have adjusted a high sales growth through their spring-summer product that lead by mid single-digit growth in the Polo brand. Adjusted grow margin expanded a 120 basis points in Q1. Adjusted operating margin was 11.1% up to 90 bps to last year's Q1. Looking at the revenue by segments, wholesale revenue in EU have jumped by 13% in constant currency in the first quarter again it is due to the shift shipment timing. Turning to Asia, the revenue increased by 19%. There was an outstanding performance across the Asian market, 10% growth in japan, and over 40% growth in mainland china and 20% growth in greater China. Looking at the BS, the company has ended its quarter having $2B in cash and investments compared to $1.4 of the past year's first quarter. Inventory has increased by 3% reflecting investments in EU factories and direct-to consumer expansion.

The year-to-year revenue growth is currently at -3.4% and expected to keep increasing for the following predicted 7-10 years with a slower pace. Ralph Lauren will keep experiencing a growth rate of -0.3% in 2019 with a revenue of $6.2 followed by a jump to a positive revenue growth of 2.3% in 2020 with a revenue of $6.3B, 2.5% in 2021 with a revenue of $6.4B and 4.1% for 2022 and 2023 similarly with a revenue increasing up to $7.1B. The growth will be a result of expanding the business internationally, and focusing on achieving the long-term goals of reaching $500M of revenue in the following 5 years from China alone. The company is also working on accelerating their digital growth. In EU Ralph Lauren will continue to elevate and improve their digital presence by upgrading their technology platform that are directly operated digital flagship, similar to what they implemented in North America. This way the company can target more customers by offering them a better consumer experience and that will act directly on the net sales.

Revenue, Adj	7,620.3	7,405.2	6,652.8	6,182.3	6,225.8	6,166.5
Growth %, YoY	2.3	-2.8	-10.2	-7.1	-3.4	-0.3
Gross Profit, Adj	4,377.9	4,186.7	3,651.1	3,751.7	3,796.2	3,799.1
Margin %	57.5	56.5	54.9	60.7	61.0	61.6
EBITDA, Adj	1,346.8	1,074.2	812.2	948.6	965.1	985.1
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EPS, Adj	8.00	5.90	4.12	5.85	6.38	6.65
Growth %, YoY	-3.9	-26.3	-30.2	41.9	50.6	13.8

Competition:

Retailers offering products that are unique have a distinct and absolute advantage over their competitors. As mentioned before, Ralph Lauren was slightly falling behind the industry therefore also falling behind their competitors. However, the brand still has its strong image that gives it a high value in comparison to the other brands in the sector. Comparing RL to other brands financially, we can see that the company has a negative 1-year revenue growth with an average of -7.07% and a high EPS of 41.94%. that might resulted due to their operating income that were at 7.6% and increased to almost 11% in the current year, because they managed to drop their cost of goods sold (COGS) by negative 6 points. Yet we can see an increase in their selling and general admin expenses that might be due to a distribution channels. 3

In Millions of USD except Per Share	2016 Y	2017 Y	2018 Y	Last 12M	2019 Y Est	2020 Y Est
12 Months Ending	04/02/2016	04/01/2017	03/31/2018	06/30/2018	03/31/2019	03/31/2020
Revenue	7,405.2	6,652.8	6,182.3	6,225.8	6,166.5	6,308.4
+ Sales & Services Revenue	97.6%	100.0%	100.0%	96.5%		
+ Other Revenue	2.4%	—	—			
- Cost of Revenue	43.5%	45.1%	39.3%	39.0%		
+ Cost of Goods & Services	43.5%	45.1%	39.3%	39.0%		
Gross Profit	56.5%	54.9%	60.7%	61.0%	61.6%	62.1%
+ Other Operating Income	0.0%	0.0%	0.0%	0.0%		
- Operating Expenses	46.2%	47.3%	50.1%	50.2%		
+ Selling, General & Admin	45.8%	47.7%	50.1%	50.0%		
+ Research & Development	0.0%	0.0%	0.0%			
+ Other Operating Expense	0.4%	-0.4%	0.0%	0.2%		
Operating Income (Loss)	10.3%	7.6%	10.6%	10.8%	11.2%	11.7%
- Non-Operating (Income) Loss	0.4%	0.2%	0.1%	0.0%		

Segment	Revenue %
Specialty Apparel Sto...	100%

Metric	RL	Low	Comp Range	High
Est P/E Current Yr	18.56	9.34		105.20
Sales Growth Yoy...	-7.07	-7.07		17.62
EBITDA Margin (%)	15.34	-1.14		23.15
Inv. to Sales Spr...	0.27	-18.78		43.47

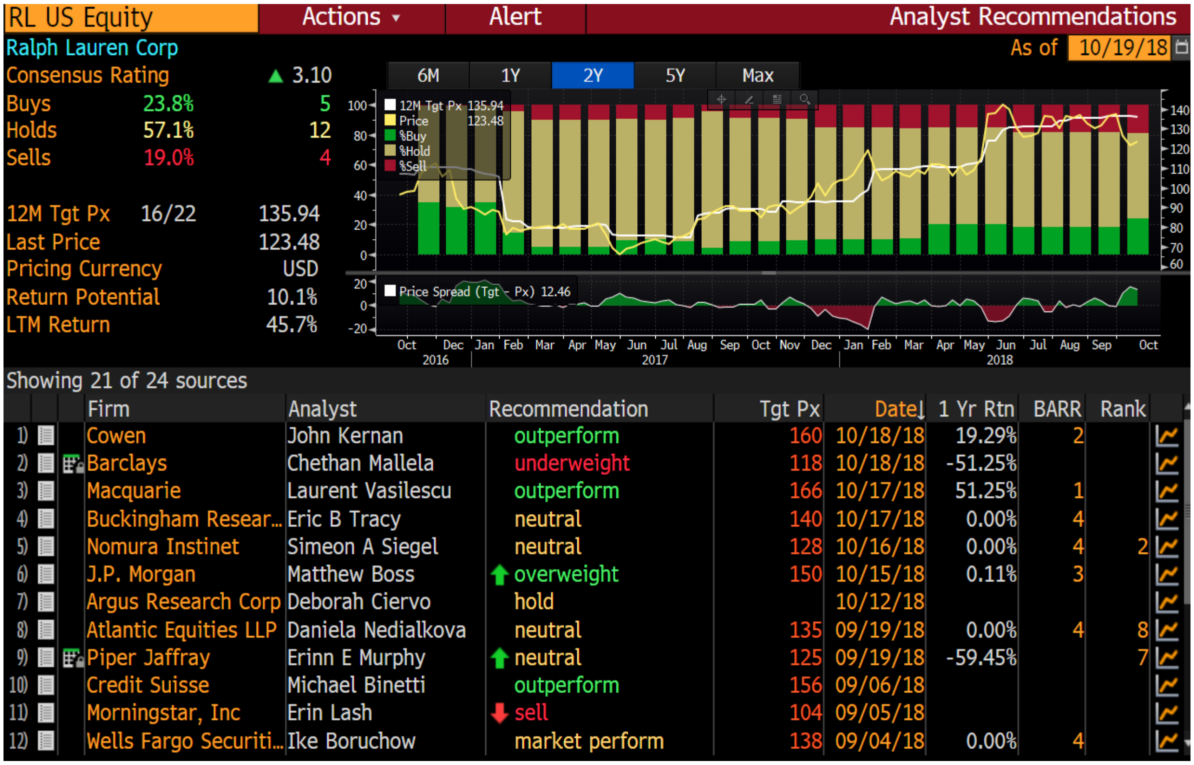
RL US Median

Overview | Comp Sheets | Markets | EPS Preview | Ownership | Credit | Custom

Name (BI Peers)	Mkt Cap (USD)	Last Px	Chg	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld
Median	6.01B	58.06	-2.26%	-7.94%	6.22%	5.80%	15.92	15.50%	1.70%
100) RALPH LAUREN CORP	10.02B	123.48	-2.50%	-7.94%	-7.07%	41.94%	19.35	15.50%	1.82%
101) MICHAEL KORS HOLDIN...	8.67B	58.06	-3.59%	-20.52%	5.00%	5.80%	11.56	42.66%	--
102) G-III APPAREL GROUP ...	1.75B	35.54	-5.38%	-24.50%	17.62%	8.53%	14.77	11.30%	--
103) CARTER'S INC	4.38B	94.36	-1.74%	0.32%	6.29%	12.63%	15.92	36.05%	1.82%
104) UNDER ARMOUR INC-CL...	7.76B	18.20	-2.26%	-2.99%	3.13%	-57.87%	128.25	3.28%	--
105) PVH CORP	9.30B	121.21	-4.03%	-12.83%	8.68%	20.92%	13.26	13.42%	0.12%
106) COLUMBIA SPORTSWEA...	6.01B	85.87	-2.30%	-6.42%	3.75%	8.45%	24.14	15.66%	0.99%
107) PERRY ELLIS INTERNA...	436.81M	27.50	0.15%	0.33%	1.60%	-6.01%	13.26	8.97%	--
108) HANESBRANDS INC	5.88B	16.32	-1.39%	-10.48%	7.35%	4.27%	8.96	72.26%	3.67%
109) OXFORD INDUSTRIES INC	1.38B	81.30	-2.05%	-7.32%	6.22%	-3.10%	20.95	14.91%	1.59%
110) VINCE HOLDING CORP	155.37M	13.37	9.59%	-10.15%	1.63%	-119.85%	--	--	--

Conclusion:

In conclusion, I recommend the Ralph Lauren stock as a buy @ $110.0 expecting a 22.4% return. I have also projected a one-year target price for the stock that is $135.06. Based on my analysis, Ralph Lauren stock is on a none-stop fluctuation and instability. However, the company is expecting a growth over the upcoming 10 years (buy low, sell high). Many factors can have a negative effect on the company such as the trade-war. Yet, there is a good potential on the company's performance and revenue growth.



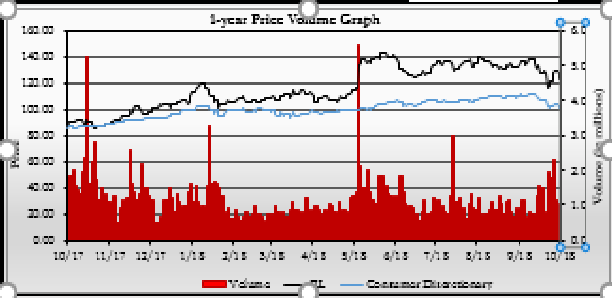
	Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank
1)	Cowen	John Kernan	outperform	160	10/18/18	19.29%	2	
2)	Barclays	Chethan Mallela	underweight	118	10/18/18	-51.25%		
3)	Macquarie	Laurent Vasilescu	outperform	166	10/17/18	51.25%	1	
4)	Buckingham Resear...	Eric B Tracy	neutral	140	10/17/18	0.00%	4	
5)	Nomura Instinet	Simeon A Siegel	neutral	128	10/16/18	0.00%	4	2
6)	J.P. Morgan	Matthew Boss	overweight	150	10/15/18	0.11%	3	
7)	Argus Research Corp	Deborah Ciervo	hold		10/12/18			
8)	Atlantic Equities LLP	Daniela Nedialkova	neutral	135	09/19/18	0.00%	4	8
9)	Piper Jaffray	Erinn E Murphy	neutral	125	09/19/18	-59.45%		7
10)	Credit Suisse	Michael Binetti	outperform	156	09/06/18			
11)	Morningstar, Inc	Erin Lash	sell	104	09/05/18			
12)	Wells Fargo Securiti...	Ike Boruchow	market perform	138	09/04/18	0.00%	4	

CENTER FOR GLOBAL FINANCIAL STUDIES

Ralph Lauren Corporation (RL)

NEUTRAL

Analysis by ala saidi	**Current Price:**	$123.06	**Intrinsic Value**	$126.19	**Target 1 year Return: 12.6%**
10/19/2018	**Divident Yield:**	2.0%	**Target Price**	$136.13	**Probability of Price Increase: 92%**



Description

...uren Corporation designs, markets, and distributes lifestyle products in North ..., Europe, Asia, and internationally.

General Information

Sector	Consumer Discretionary
	Textiles, Apparel and Luxury Goods
...lance	May 8, 2018
Next earnings date	November 6, 2018

Market Assumptions

Estimated Equity Risk Premium	8.01%
Effective Tax rate	24%

Market Data

Market Capitalization	$10,275.13
Daily volume (mil)	0.71
Shares outstanding (mil)	81.13
Diluted shares outstanding (mil)	82.70
% shares held by institutions	68%
% shares held by investments Managers	53%
% shares held by hedge funds	9%
% shares held by insiders	24.37%
Short interest	7.40%
Days to cover short interest	6.01
52 week high	$147.79
52-week low	$83.91
Volatility	31.85%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
7/1/2017	0.31%	19.68%
9/30/2017	1.29%	9.13%
12/30/2017	0.75%	68.20%
3/31/2018	3.08%	1.51%
6/30/2018	1.91%	3.35%
Mean	**1.47%**	**20.37%**
Standard error	1.0%	5.6%

Market and Credit Scores

- Recommendation (STARS) Value--3
- Recommendation (STARS) Description--Hold
- Quality Ranking Value--A
- Quality Ranking Description--High
- Short Score--1
- Market Signal Probability of Default % (Non-Ratings)--0.2%
- CreditModel Score (Non-Ratings)--a

Industry and Segment Information

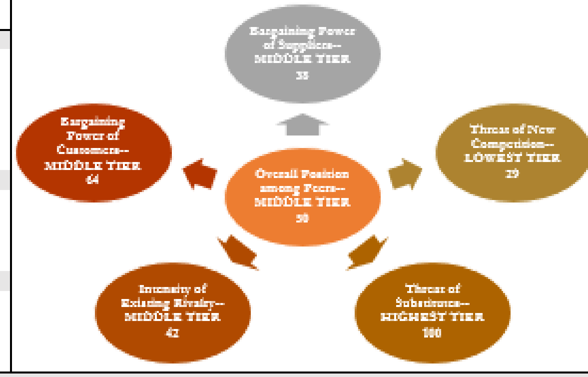
LTM Revenues by Geographic Segme	LTM Revenues by Business Segments
The Americas (Excluding United States)--4%	North America--52%
United States--55%	Europe--26%
Europe--26%	Asia--15%
Asia--15%	Other Non-Reportable Segments--7%
--	--

Peers

Hanesbrands Inc.	V.F. Corporation
Under Armour, Inc.	Ulta Beauty, Inc.
Tapestry, Inc.	Tiffany & Co.
Michael Kors Holdings Limited	Carter's, Inc.
PVH Corp.	Foot Locker, Inc.

Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Lauren, Ralph	Executive Chairman & Chief Creative Officer	-32.36% per annum over 6y	-1.71% per annum over 6y
Louvet, Patrice Jean	President, CEO & Director		14.69% per annum over 1y
Lauren, David	Vice Chairman, Strategic Advisor to the CEO &	10.64% per annum over 3y	2.83% per annum over 3y
Nielsen, Jane	Chief Financial Officer	-4.69% per annum over 2y	26.45% per annum over 2y
Hermann, Valérie	President of Global Brands	-2.24% per annum over 4y	-6.09% per annum over 4y
Kapelman, Evren	Senior Vice President of Investor Relations		

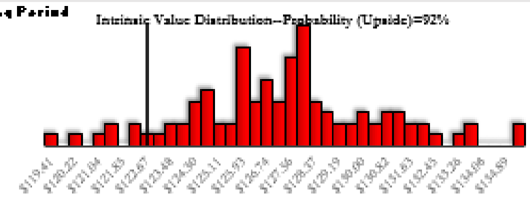
Porter's 5 forces (Scores are percentiles)

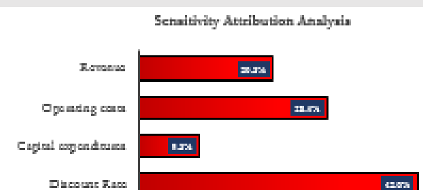


Profitability	RL (LTM)	RL Historical	Peers' Median (LTM)
Return on Capital (GAAP)	9.8%	9.81%	12.58%
Operating Margin	9%	11.05%	7.51%
Revenue/Capital (GAAP)	1.04	0.89	1.68
ROE (GAAP)	5.6%	15.3%	14.8%
Net margin	3.0%	8.0%	6.9%
Revenue/Book Value (GAAP)	1.841336844	1.91	2.16
Invested Funds	**RL (LTM)**	**RL Historical**	**Peers' Median (LTM)**
Cash/Capital	20.1%	22.9%	10.6%
NWC/Capital	6.3%	10.7%	20.6%
Operating Assets/Capital	58.4%	51.3%	55.7%
Goodwill/Capital	15.3%	15.1%	13.8%
Capital Structure	**RL (LTM)**	**RL Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.43	0.42	0.49
Cost of Debt	2.0%	2.4%	4.9%
CGFS Rating (F-score, Z-score, and default Probabilit	B		
WACC	12.3%	9.6%	11.9%

Valuation

Forecast Assumptions	Explicit Period (13 years)	Continuing Period
Revenue Growth CAGR	7%	2.5%
Average Operating Margin	16%	16%
Average Net Margin	9%	8%
Growth in Capital CAGR	8%	3%
Growth in Claims CAGR	0%	3%
Average Return on Capital	13%	11%
Average Return on Equity	14%	11%
Average Cost of Capital	12%	13%
Average Cost of Equity	13%	13%





SIENAcollege

BJORKLUND FUND

October 21, 2018

Company Name: SKX

Kyle Agresta

Sector: Shoes and Retail Apparel
Industry: Consumer Discretionary
Current Price:29.72
Target Price: 42.82

Skechers U.S.A., Inc. designs and markets branded contemporary casual, active, rugged, and lifestyle footwear for men, women, and children. The Company sells its products to department stores and specialty retailers. Skechers also sells its products internationally through distributors and directly to consumers through its own retail stores.

BUY

Current Price: $29.72
Target Price: $42.82
Market Cap: 6.454B
Beta: 1.0
Other key Metrics/Ratios

EBITDA margin: 11.1
Total debt: 7.85
Total Equity: 15.59
Total Debt/Equity: 4.15
ROIC: 12.24
Gross margin: 46.56
Avg volume: 3.46 million

Thesis: **Since 2012 Skechers has been increasing their revenue at an average of around 20% and has had an EBITDA margin at an average of around 12. They have had net income at an average of around 6.8 and they continue to reinvest into the company to build their brand, innovate, and start a global expansion. They have a major market growing in China and will be opening a new distribution center there. They are starting new products and building their market. Many of their customers are now**

Catalysts:

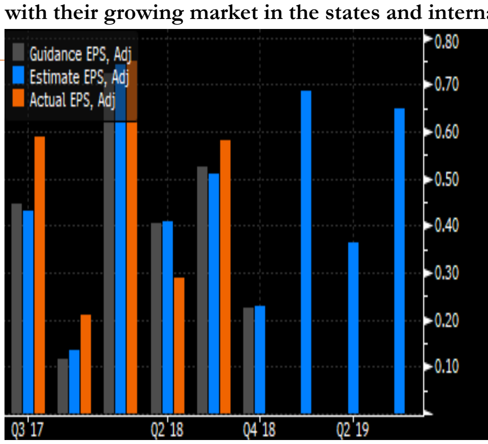
- Short Term: Reinvesting and innovation into the company to build cash
- Mid Term(1-2 years): New corporate offices and distribution center in China
- Long Term(3+): Expand globally

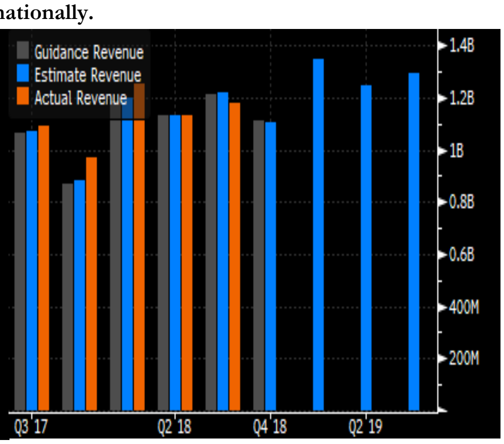
international and they have been seeing a lot of success. Skechers is coming a long way from where they started as a company and they are becoming a top company in their industry.

Earnings Performance:

Deleted:

Over the last four years Skechers has grown their net income from $140 million in 2014 to $277 million in 2017. Over the past 4 years to current LTM they have had an average revenue growth of 21.16% and a constant gross profit of 45-47%. Skechers EBITDA margin has been steadily around 10-13% year after year. All of this showing that they have had a growing company earning around 10 to 13 cents on the dollar. Skechers cash and cash equivalents have increased from $466 million in 2014 to $890 million LTM along with their total debt decreasing from $188 million in 2014 to $87 million LTM, this showing that they may be positioning themselves for an acquisition. Skechers has been trying to rebrand themselves to attract an older market so that cash may be to help with advertising and pushing their brand to an older market. On 4/18/2018 (Q2) Skechers stock dropped 35% this was due to the fact that their merchandise is selling so fast that they could not keep pace with demand for their products and keep costs under control. It showed Skechers inability to replenish their inventories of popular footwear and caused distribution bottlenecks and higher costs associated with fixing them. Skechers resolved this problem by ramping up its global presence, non-North American sales now representing almost half of their revenue, which is up around 30% from 2014. Skechers is now building a distribution center in China to ease inventory hiccups where their sales jumped more then 30%. This charts below show where there estimates for EPS in Q3 were lower and their revenue was slightly lower which caused the dip in their stock. After Q3 ended Skechers had record sales of $1.176 billion which is an increase of 7.5% and international wholesale sales increase 11.8% while repurchasing 1.4 million shares of common stock. Their brand has been growing internationally with men liking the "chunky" style. It has been popular with men, women, work, and golf. Skechers is showing a lot of upside potential with their growing market in the states and internationally.





Growth Potential

Skechers had a record Q3 in sales and beat their SG&A expenses and EPS even though revenue fell short. Their product lines continues to have substantial acceleration in sales and they resonate favorably. I believe that they have very limited downside potential with a lot of positive growth coming their way. As of now, Skechers has analysts at 6 buys, 7 holds, and 0 sells with an average price target of $33. Skechers has been doing a lot to expand and rebrand their business, they talked in the Earnings report about opening new stores and remodeling. They also mention that the stores they are opening are bigger footprint stores because they are focusing in on the outlet and warehouse expression. They have been doing very well with return on equity also going from 1.18 in 2012 to 16.18 in 2017. On the revenue side they had 69.1% of overall revenue in the United States and 30.9% other international (mainly China). Which has now shifted to 53.2% in the US and 46.8% international because they are becoming a lot more popular in china and other international areas. Skechers currently has begun meetings with their domestic accounts for fall of 2019 and next month will be meeting with their international distributors, subsidiaries and joint venture partners. They are going into 2019 with a fresh new product in the pipeline and are continuing to invest in their brand and infrastructure and they expect to break ground for their new corporate offices and distribution center in China. They have a strong cash position and balance sheet and look to be very well positioned for global expansion. As you can see below Skechers has been growing consistently year after year and their cash and cash equivalents have been growing showing they are gaining a good position for expansion while lowering debt and continuing to produce value.

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018	12/31/2018	12/31/2019
Market Capitalization	2,804.3	4,640.3	3,808.2	5,915.5	4,738.6		
- Cash & Equivalents	466.7	508.0	718.5	736.4	890.0		
+ Preferred & Other	58.9	48.2	81.9	119.1	142.9		
+ Total Debt	118.3	84.7	75.0	80.9	87.0		
Enterprise Value	2,514.8	4,265.2	3,246.6	5,379.1	4,078.5		
Revenue, Adj	2,377.6	3,147.3	3,563.3	4,164.2	4,531.9	4,668.2	5,119.1
Growth %, YoY	28.8	32.4	13.2	16.9	14.5	12.1	9.7
Gross Profit, Adj	1,071.9	1,424.0	1,634.6	1,938.9	2,162.0	2,226.1	2,441.2
Margin %	45.1	45.2	45.9	46.6	47.7	47.7	47.7
EBITDA, Adj	259.7	409.7	437.0	463.5		515.6	562.2
Margin %	10.9	13.0	12.3	11.1		11.0	11.0
Net Income, Adj	140.3	235.7	243.8	277.7	292.4	289.7	308.7
Margin %	5.9	7.5	6.8	6.7	6.5	6.2	6.0
EPS, Adj	0.92	1.52	1.57	1.77	1.86	1.84	2.00
Growth %, YoY	149.3	66.4	3.1	12.6	16.4	4.2	8.6
Cash from Operations	163.9	232.2	361.6	159.3			
Capital Expenditures	-56.9	-118.1	-119.5	-136.0		-128.8	-168.0
Free Cash Flow	107.0	114.1	242.2	23.4		215.0	254.1

Debt

Skechers net debt from 2012 to 2017 has increased from -$183 million to -$655 million this is because of the expansion that they are trying to do. Their investments have increased shown by their cash from investing activities which went from -$138 million in 2017 to -$170 million LTM. Selling expenses were essentially flat versus the prior year at 7.7% which is a 50 basis point increase from 8.2% of sales in the prior year. Long- term debt was $69.8 million compared to $71.4 million on 9/30/2017. Skechers has opened 13 new company owned domestic and international stores and six store models which was $12 million out of $36.1 million in capital expenditures. For the remainder of 2018 Skechers expects their capital expenditures to keep going about $20-$25 million for 10-15 more store openings and 10-15 remodels. This is the reason that they have had a property, plant, and equipment increase from $362 million in 2012 to $541 million at the end of 2017. Doing this expansion Skechers has still kept their total debt low decreasing from $118 million in 2014 to $87 million LTM while increasing their assets from $940 million in 2012 to $2.1 billion LTM.

In Millions of USD except Per Share	2012 Y	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y
12 Months Ending	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Total Current Assets	940.3	1,014.9	1,285.0	1,548.2	1,827.8	2,105.0
+ Property, Plant & Equip, Net	362.4	361.8	373.2	435.9	494.5	541.6
+ Property, Plant & Equip	572.4	606.4	653.2	762.3	878.2	980.1
- Accumulated Depreciation	209.9	244.6	280.1	326.4	383.7	438.5

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018
Market Capitalization	2,804.3	4,640.3	3,808.2	5,915.5	4,738.6
- Cash & Equivalents	466.7	508.0	718.5	736.4	890.0
+ Preferred & Other	58.9	48.2	81.9	119.1	142.9
+ Total Debt	118.3	84.7	75.0	80.9	87.0

Ownership Skechers had 76.72 ownership by investment advisors as of 10/14/2017 which has increased to 76.80 and a current ownership of 13.95 by hedge fund managers and the number of new buyers has increased by 3.17%. Short interest was at a high point of 11.252 million at the end of Q3 when price dropped and is slowly decreasing back down as the price slowly rises. With the average daily volume at 2.168 million. There was a few sell offs after the Q3 reports were off estimate on revenue but as Skechers fixes those problems investors are losing their doubts in their heads and the price is starting to push back upwards.

51) Institutional	10/14/18	Curr	Change
11) % of Shares Held	91.58	91.74	+0.16
12) % of Float Held	93.89	94.06	+0.17
13) # of Institutions	469	467	-0.43%
14) # of Buyers	170	167	-1.76%
15) # of Sellers	137	137	0.00%
16) # of New Buyers	63	65	+3.17%
17) # of Selloffs	109	112	+2.75%
18) % Chg in Inst Positions	-5.11	-5.42	-0.31

52) Insider	10/14/18	Curr	Change
21) % of Shares Held	2.47	2.47	0.00
22) % Chg Insider Positions	-1.72	-1.72	0.00
23) # of Insiders	12	12	0.00%
24) # of Buyers Opn Mkt	0	0	
25) # of Sellers Opn Mkt	2	2	0.00%
26) # of Shrs Bought Opn Mkt	0	0	
27) # of Shrs Sold Opn Mkt	25,860	25,860	0.00%
28) Avg Opn Mkt Buy Price	0	0	
29) Avg Opn Mkt Sell Price	28.16	28.16	0.00%

Top Geographic Ownership (%)

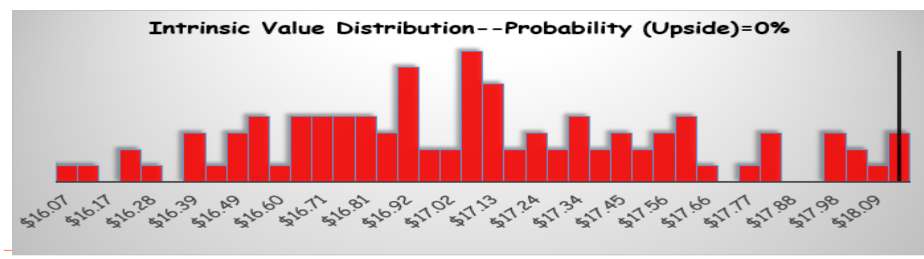
53) Geographic	10/14/18	Curr	Change
31) UNITED STATES	90.42	90.42	0.00
32) Unknown	2.62	2.62	0.00
33) BELGIUM	1.12	1.12	0.00
34) UNITED KINGDOM	1.01	1.01	0.00
35) NORWAY	1.01	1.01	0.00
36) CANADA	0.96	0.96	0.00
37) LUXEMBOURG	0.76	0.75	-0.01
38) SWITZERLAND	0.49	0.49	0.00
39) FRANCE	0.49	0.49	0.00

Top Ownership Type (%)

54) Ownership Type	10/14/18	Curr	Change
41) Investment Advisor	76.72	76.80	+0.08
42) Hedge Fund Manager	14.04	13.95	-0.09
43) Individual	2.62	2.62	0.00
44) Pension Fund	2.50	2.48	-0.02
45) Insurance Company	1.13	1.17	+0.04
46) Sovereign Wealth Fund	1.00	1.00	0.00
47) Bank	0.85	0.85	0.00
48) Brokerage	0.67	0.67	0.00
49) Government	0.35	0.35	0.00

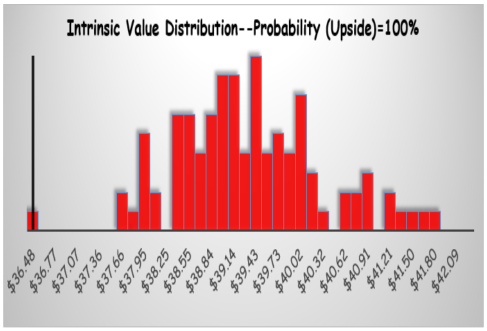
Bear Case

With the very limited downside that I see from Skechers there is a possible case that they already could have gown through their phase of growth. This would assume that they would be declining soon or start to slowdown in sales. If this happened and their expenses grew compared to their revenue then it could be a problem for the company. If their Expense/Revenue ended up around 95% then there could be a slight downfall in price to around the $18-$20 range.



Bull Case

If skechers continues to produce the way that they are producing and expanding the way that they are expanded it is possible that their stock price can go up a significant amount. They have kept revenue at around 12-15% each year and have kept their EBITDA margin around a consistent 12%. Assuming that they revenue tapers out to 2.5% and they can keep their EBITDA margin to even 6% , which is less than historical average, while keeping their CAPEX/REV ration to their historical average at around 3.74 they could see their stock price go up around $42 dollars. They currently have a ROIC/WACC of 1.26 showing they are a value creating company and they have a small debt-to-equity percentage of 4.02% they are currently one of the top out of their competitors and I don't see why they would not continue to grow and expand.



Name (BICS Best Fit)	Mkt Cap (USD)	Rev - 1 Yr Gr:Y	P/E	ROE	Adj ROIC AR	ROIC/WACC Ratio	Debt/Equity LF
Median	4.38B	5.96%	17.61	15.66%	13.28	1.26	21.39%
100) SKECHERS USA INC-CL A	4.74B	16.86%	15.94	14.97%	13.61	1.26	4.02%
101) DECKERS OUTDOOR CORP	3.20B	6.32%	17.65	21.45%	18.76	1.54	3.54%
102) STEVEN MADDEN LTD	2.47B	10.47%	17.61	17.51%	15.96	1.29	0.00%
103) WOLVERINE WORLD WIDE...	3.21B	-5.80%	17.46	18.26%	--	0.04	65.19%
104) CROCS INC	1.26B	-1.23%	49.28	13.65%	--	0.65	--
105) NIKE INC -CL B	117.85B	5.96%	29.83	38.93%	--	3.50	38.77%
106) UNDER ARMOUR INC-CLA...	7.76B	3.13%	128.25	3.28%	2.87	-0.59	40.51%
107) COLUMBIA SPORTSWEAR CO	6.01B	3.75%	24.14	15.66%	12.94	1.49	0.00%
108) CARTER'S INC	4.38B	6.29%	15.92	36.05%	17.80	2.69	84.26%
109) PVH CORP	9.30B	8.68%	13.26	13.42%	6.73	0.70	53.52%

Conclusion

Skechers has been a powerhouse the past few years and they have increased revenue, profit, EBITDA along with decreasing costs and increasing cash on hand. They are turning into a strong company that has the potential for global expansion with an upside potential that could be very large. If they continue to expand and grow with the results that they have seen already in china and other international areas they could see a strong push in stock price in the upcoming year or two years.

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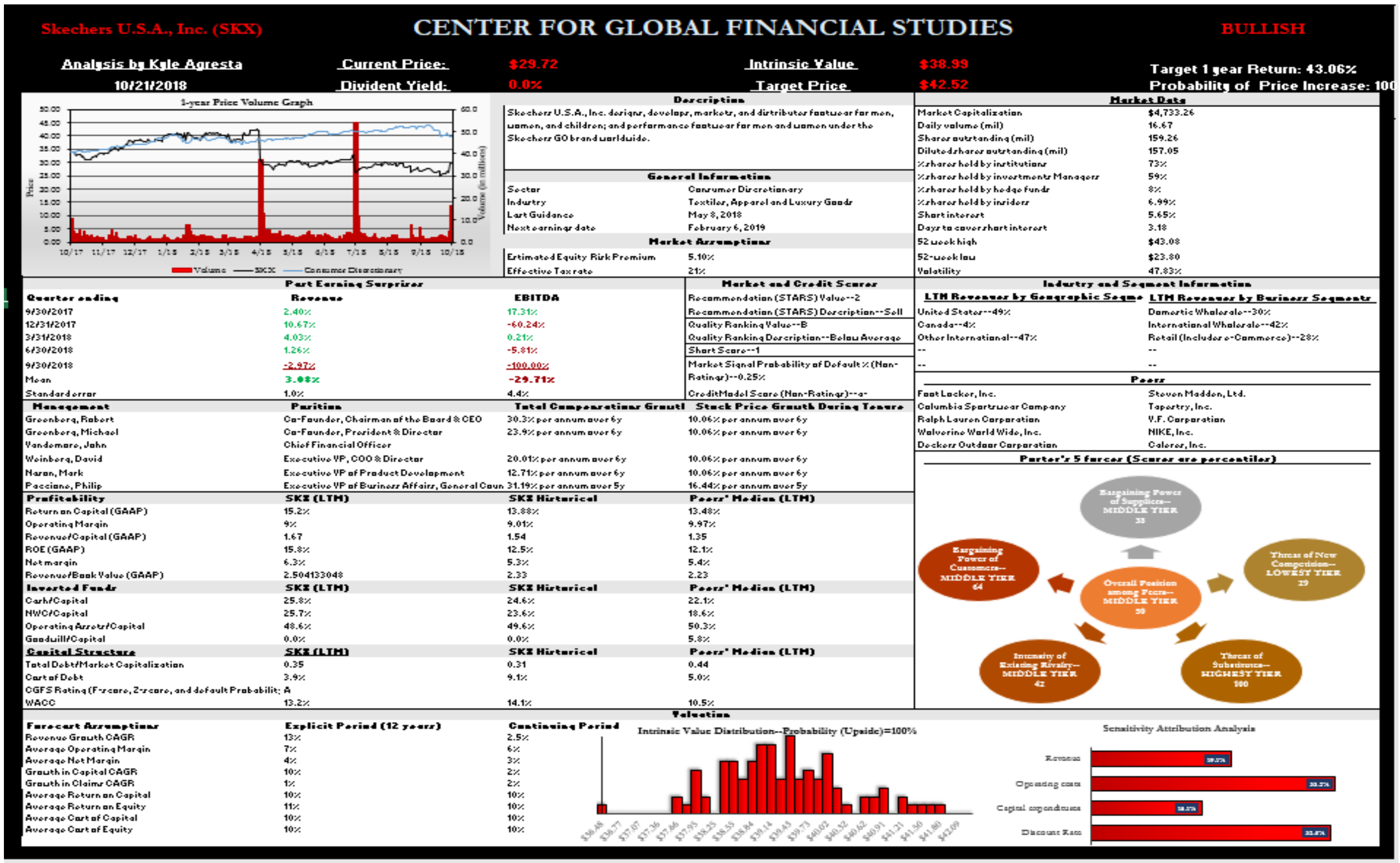

Skechers U.S.A., Inc. (SKX) CENTER FOR GLOBAL FINANCIAL STUDIES BULLISH

Analysis by Kyle Agresta	Current Price: $29.72	Intrinsic Value $38.99	Target 1 year Return: 43.06%
10/21/2018	Divident Yield: 0.0%	Target Price $42.52	Probability of Price Increase: 100

1-year Price Volume Graph

Description

Skechers U.S.A., Inc. designs, develops, markets, and distributes footwear for men, women, and children; and performance footwear for men and women under the Skechers GO brand worldwide.

General Information

Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	May 8, 2018
Next earnings date	February 6, 2019

Market Assumptions

Estimated Equity Risk Premium	5.10%
Effective Tax rate	21%

Market Data

Market Capitalization	$4,733.26
Daily volume (mil)	16.67
Shares outstanding (mil)	159.26
Diluted shares outstanding (mil)	157.05
% shares held by institutions	73%
% shares held by investments Managers	59%
% shares held by hedge funds	8%
% shares held by insiders	6.99%
Short interest	5.65%
Days to cover short interest	3.18
52 week high	$43.08
52-week low	$23.80
Volatility	47.83%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2017	2.40%	17.31%
12/31/2017	10.67%	-60.24%
3/31/2018	4.03%	0.21%
6/30/2018	1.26%	-5.81%
9/30/2018	-2.97%	-100.00%
Mean	3.08%	-29.71%
Standard error	1.0%	4.4%

Market and Credit Scores

Recommendation (STARS) Value--2
Recommendation (STARS) Description--Sell
Quality Ranking Value--B
Quality Ranking Description--Below Average
Short Score--1
Market Signal Probability of Default % (Non-Ratings)--0.25%
CreditModel Score (Non-Ratings)--a-

Industry and Segment Information

LTM Revenues by Geographic Segments	LTM Revenues by Business Segments
United States--49%	Domestic Wholesale--30%
Canada--4%	International Wholesale--42%
Other International--47%	Retail (Includes e-Commerce)--28%
--	--
--	--

Peers

Foot Locker, Inc.	Steven Madden, Ltd.
Columbia Sportswear Company	Tapestry, Inc.
Ralph Lauren Corporation	V.F. Corporation
Wolverine World Wide, Inc.	NIKE, Inc.
Deckers Outdoor Corporation	Caleres, Inc.

Management	Position	Total Compensations Growth	Stock Price Growth During Tenure
Greenberg, Robert	Co-Founder, Chairman of the Board & CEO	30.3% per annum over 6y	10.06% per annum over 6y
Greenberg, Michael	Co-Founder, President & Director	23.9% per annum over 6y	10.06% per annum over 6y
Vandemore, John	Chief Financial Officer		
Weinberg, David	Executive VP, COO & Director	20.01% per annum over 6y	10.06% per annum over 6y
Nason, Mark	Executive VP of Product Development	12.71% per annum over 6y	10.06% per annum over 6y
Paccione, Philip	Executive VP of Business Affairs, General Coun	31.19% per annum over 5y	16.44% per annum over 5y

Profitability	SKX (LTM)	SKX Historical	Peers' Median (LTM)
Return on Capital (GAAP)	15.2%	13.88%	13.48%
Operating Margin	9%	9.01%	9.97%
Revenue/Capital (GAAP)	1.67	1.54	1.35
ROE (GAAP)	15.8%	12.5%	12.1%
Net margin	6.3%	5.3%	5.4%
Revenue/Book Value (GAAP)	2.504133048	2.33	2.23
Invested Funds	**SKX (LTM)**	**SKX Historical**	**Peers' Median (LTM)**
Cash/Capital	25.8%	24.6%	22.1%
NWC/Capital	25.7%	23.6%	18.6%
Operating Assets/Capital	48.6%	49.6%	50.3%
Goodwill/Capital	0.0%	0.0%	5.8%
Capital Structure	**SKX (LTM)**	**SKX Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.35	0.31	0.44
Cost of Debt	3.9%	9.1%	5.0%
CGFS Rating (F-score, Z-score, and default Probabilit	A		
WACC	13.2%	14.1%	10.5%

Porter's 5 forces (Scores are percentiles)

Bargaining Power of Suppliers--MIDDLE TIER 35
Bargaining Power of Customers--MIDDLE TIER 64
Overall Position among Peers--MIDDLE TIER 50
Threat of New Competition--LOWEST TIER 29
Intensity of Existing Rivalry--MIDDLE TIER 42
Threat of Substitutes--HIGHEST TIER 100

Valuation

Forecast Assumptions	Explicit Period (12 years)	Continuing Period
Revenue Growth CAGR	13%	2.5%
Average Operating Margin	7%	6%
Average Net Margin	4%	3%
Growth in Capital CAGR	10%	2%
Growth in Claims CAGR	1%	2%
Average Return on Capital	10%	10%
Average Return on Equity	11%	10%
Average Cost of Capital	10%	10%
Average Cost of Equity	10%	10%

Intrinsic Value Distribution--Probability (Upside)=100%

Sensitivity Attribution Analysis

Revenue
Operating costs
Capital expenditures
Discount Rate

SIENA college

BJORKLUND FUND