Macroeconomic Overview

	United States	Price		Day	Week	Month	Year
	Dow Jones	20912	▲ 54	0.26 %	-0.49%	2.40%	21.44%
	S&P 500	2373	▲ 9	0.36 %	-0.44%	1.90%	17.33%
	NASDAQ 100	5385	▲ 21	0.40 %	0.23%	2.46%	23.48%
	NASDAQ	5862	▲ 23	0.39 %	0.21%	1.70%	23.44%
	Russell 2000	1365	▲ 0	0.00 %	-1.37%	-1.95%	25.54%
	S&P VIX	11.47	▼ 0.83	-0.83%	0.51%	0.40%	-5.03%

Domestic

The major indices closed mixed this week with the Dow, S&P 500, and Russell 2000 down slightly and the NASDAQ closing up 20 basis points. The labor markets were in focus as private businesses in the United States added 298 thousand jobs compared to the markets expectation of 190 thousand for the month of February. For the fourth month in a row the labor force participation rate rose hitting 63% which is equal to its 1 year high as well as labor productivity creeping back up. The three-month LIBOR rate was last quoted at 1.12 percent of Friday which has also been on an upward trend continuing to reach new 5 year highs. By the end of 2017 we expect to see the LIBOR rate at the 2% level. The market expects the Fed to raise the federal funds rate to 1% in its March meeting. In the past it seems as though the market has reacted negatively to the fed raising rates but now that economic activity is increasing, we believe that the markets will react positively because it is now required in order to control inflation.

Looking forward, investors are waiting for more to come out of Washington including potential corporate tax cuts and health care legislation. If corporate and income taxes are lowered, then we should expect to see the federal funds rate and LIBOR rate increase significantly.

Foreign Markets

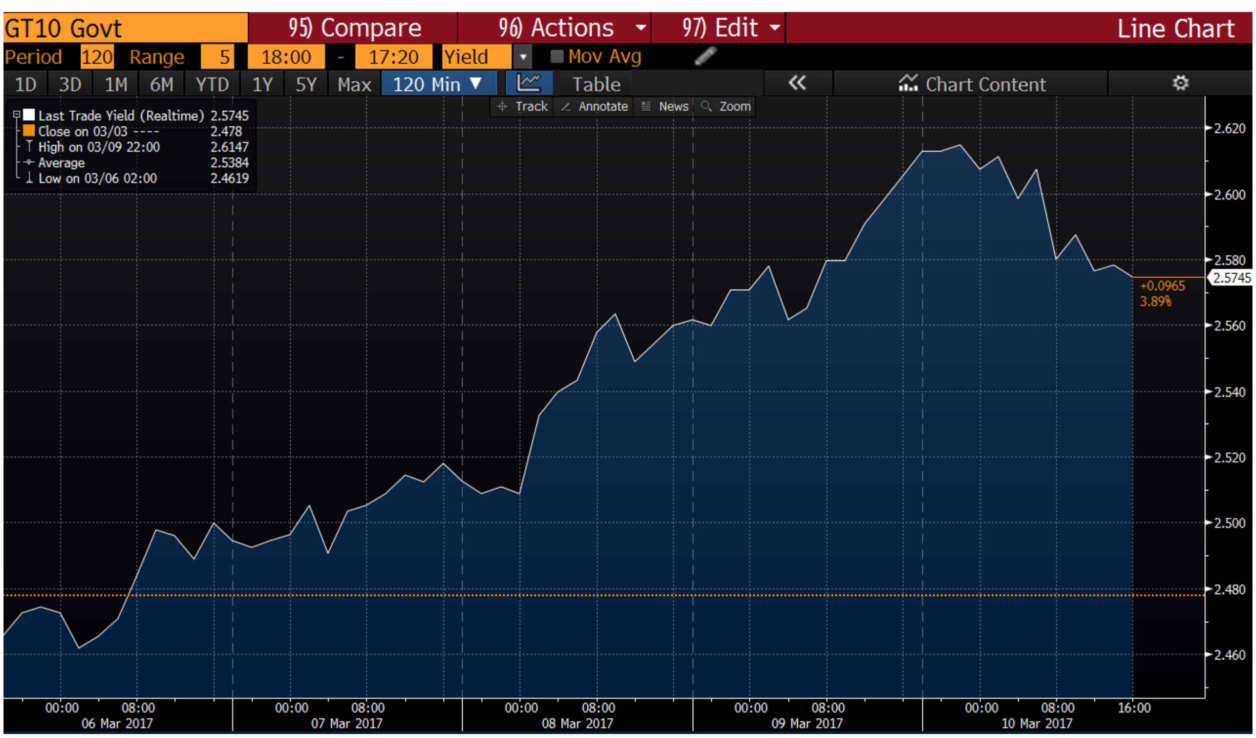
	Europe	Price		Day	Week	Month	Year
	FTSE 100	7351	▲ 38	0.53 %	-0.42%	0.88%	19.60%
	FTSE All	4000	▲ 19	0.47 %	-0.27%	0.89%	18.68%
	DAX	11960	▼ 13	-0.11 %	-0.53%	1.60%	21.69%
	CAC 40	4995	▲ 16	0.33 %	-0.04%	2.15%	11.14%
	FTSE MIB	19658	▲ 87	0.45 %	-0.03%	3.11%	3.53%
	IBEX 35	9987	▼ 1	0.01 %	2.12%	5.51%	10.07%

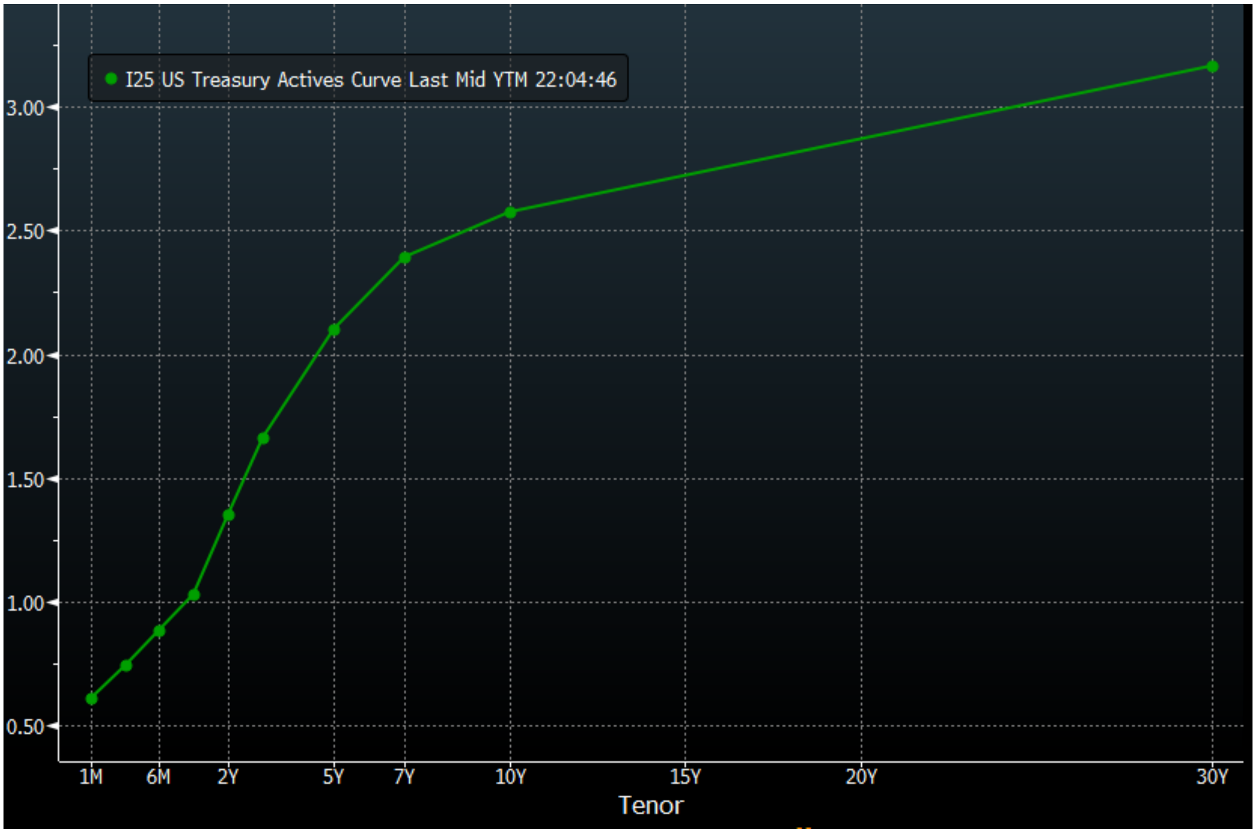
European markets closing slightly down this week with the only gainer being the Spanish IBEX 35 up over 2%. Brexit continues to be the main concern in the UK and the process seems to never end. The UK's is trying to counter any negative effects of them leaving the EU by attempting to spur economic activity through monetary policy. The three-month LIBOR is about .35% while the refinancing rate is .25%, down from .5% in July, which should help stabilize the region in terms of countering the effects of Brexit. The unemployment rate as has remained at the same level along with the increase in the participation rate which is indicative a growing economy.

For the Euro-Zone, the main takeaway is that inflation is finally picking back up with a refinancing rate of zero and -.35% interbank lending rate being tailwinds propelling inflation higher. We also see unemployment continuing a downtrend while the participation rate is reaching 5 year highs. Where there is cause for concern is that GPD expectations have not been revised indicating that nominal GDP will grow faster than real. The health of many European financial institutions is questionable and remains a headwind for the Eurozone.

Bond Report

This past week, the main concern of the bond market was related to speculation of the job report released Friday, which relates back to the likelihood of an interest rate hike from the Federal Reserve this upcoming week. On Monday, yields were shortly driven down from the news of North Korea testing of four missiles. However, yields closed upwards 2 basis points from a confirmation of economic outlook in regards to the 1.2% rise in factory orders in the month of January, giving strength to investor confidence of potential rate hikes. Tuesday, yields continued to rise across the board, while the offering of $24 billion in 3 year notes was auctioned off, receiving a high yield of 1.63%. The offering was less than demanded as per expectations, in light of investors being too concerned with Fridays releasing, and the impact of rate hikes resulting from that. Wednesday, Treasury yields reached a high of 2017 at 2.579% but closed at a rise of 4.2 basis points over Tuesday after release of oil prices falling to $50 a barrel. A 10 year, a $20 Billion Treasury note offering was also auctioned off mid Wednesday, resulting in a small dip in the yield from meeting expectations, but the trend in price continued downwards. Thursday, the $12 Billion 30 year Treasury note was offered, receiving low activity and continuing the losing streak for 7 consecutive days. Friday, a small rally in the yield came from wage growth not meeting expectations, however job growth met expectations so rate hikes are more strongly forecasted for this upcoming week compared to weeks prior. At the end of the week, investor confidence has risen and closed the week at a 90% chance of rate hikes this week in the upcoming two-day conference, largely reflected in the trend of prices over the week. Overall, through the week, the 2-year yield finished the week up 5.4 basis points; finishing at its 3rd highest of the year. The 10-year Treasury note raised 8.9 basis points at weeks finish, closing at 2.582%. Lastly, the 30-year note also closed upwards of 8.5 basis points at 3.169%.





What's next and key events

Next week, the big event that will likely cause volatility, is the FOMC meeting beginning on Tuesday. Interest hikes are expected to come this week around 25 basis points, based on estimates and overall confidence in the market. The fed will make its final decision based on the direction of the labor index, released Monday, and the CPI which will be released on Wednesday. These economic indicators, while both lagging, will give Janet Yellen a base for her decisions and more confidence in the market looking forward. The FOMC meeting will also give their forecasts for the next two years, again giving more insight on the overall economy and Yellen's response on combating growth currently. Release of forecasts and decisions will weigh heavily on prices and confidence, but the slight uncertainty created Friday, will continue to bring volatility in early trading this week.

SIENA college

BJORKLUND FUND

03/10/2017

TASER International, Inc. (TASR)

Benjamin Bouin

Sector: Industrial Goods
Industry: Aerospace/Defense Products & Services

TASER International Inc. develops, manufactures and sales conducted electrical weapons used by police, military, private security personnel, and private individual. They are also engaged into the development of connected wearable camera, which use cloud-based digital evidence management solution (AXON).

BUY

Current Price:	$22.35
Target Price:	$26.43
Market Cap:	1.17B
Beta:	1.38

Thesis:

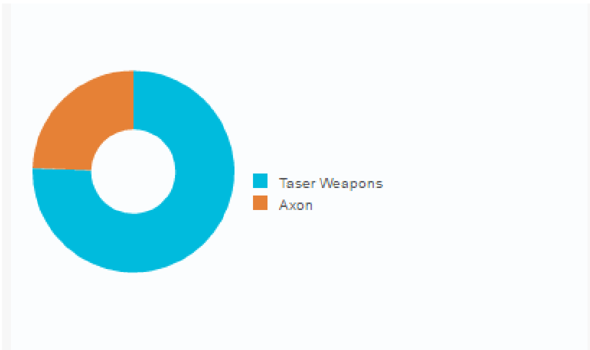
Taser faces new contracts signed, and an unexpected growth in term of revenue and has made several acquisitions, which ones will permit to increase their sales in the future. Taser is expecting to sign more contracts with the police departments and the federal and army personnel, according to the new budget allocated by Donald Trump. They also face a real demand for Axon, which product ensure a revenue for several years since it is a subscription model. Then face increasing operating expenses, which ones are explained by high investments into R&D department. This department is essential for the development of the sales and the new products offered by Taser. Finally, the development of Taser at the international is promising since the sales have grown from $36.1M to $49.5M between 2015 and 2016.

Catalysts:

- **Short Term:** The launch of AXON AI.
- **Mid Term:** New contracts with police department and military through the increase of their budget.
- **Long Term:** Increase of their revenue and decrease of the operating expenses.

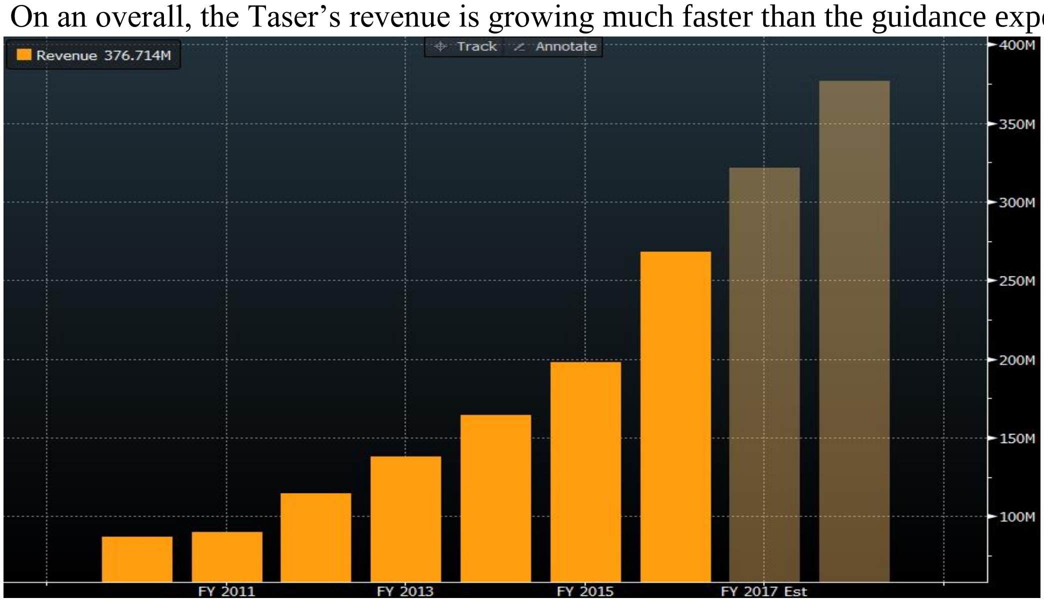
Sales:

Taser is able to propose a big range of products. In fact, they propose Tasers as self-defense product for anyone. They also propose different products for the police, they offer Tasers, body-camera and car-camera through their line called Axon. They also propose products to the army and the federal personnel. Through Axon, Taser has made a good move. In fact, the weapon growth has decreased. Indeed, the weapon growth was +34% in Q3 2016 vs Q3 2015 and +25% in Q4 2016 vs Q4 2015. Axon represent an increase into this segment revenue of +154% in Q4 2016 vs Q4 2015 while it was +75% in Q3 2016 vs Q3 2015. This has helped Taser's Q4 revenue to grow by 46%. In fact, their revenue growth has been driven by Axon segment. Overall Axon sales represents 24.5% of Taser's total sales, while in 2015 it represented 17.9%.



Segment	USD in mm	
Taser Weapons	202.6	75.5%
Axon	65.6	24.5%
Total	268.2	100.0%

Furthermore, Axon has now equipped more than 50% of the major cities in the US and is expected to equip more for the next few years. Their revenue has grown from $197.9 to $268.2, which represents an increase of 35.52%. This increase can be explain by different new contracts such as the body-camera, which has been signed with the NYPD to equip a certain amount of patrols but also the contract signed with the first three state patrol. In fact, these contracts have been signed because Taser will launch their car-camera soon. This implies new future contracts. Furthermore, Taser has successfully launch their products in UK with a two years long contract, in Australia and New Zealand, where they will equip the police with Tasers. Furthermore, the US Air Force will also be equipped of Tasers. Their revenue in other countries than the US represented $36.1M in 2015, now it represents $49.5M (18.4% of their sales). They also will be able to launch in late 2017 new products through the group called "Axon AI", thanks to two new acquisition: Dextro and Fossil Group. This will provide intelligent video in order to help the police to provide "smarter services". This new line product is expected on a long term to create a new line of revenue for Taser. Through these different contracts and new products they expect to have revenue over $500M for the three years. On an overall, the Taser's revenue is growing much faster than the guidance expected.



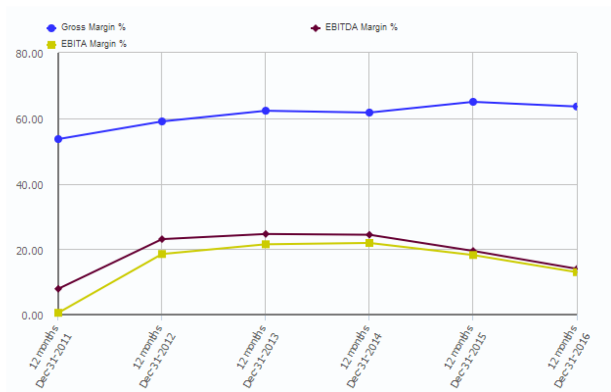
Margin:

In order to face this unexpected growth, Taser had to decrease their profit margin. We also can see that their gross margin and EBIT margin and EBITDA margin are decreasing, but the guidance tells us that these margins will increase in the future since the intelligent cameras will have a higher average selling price and the management expect margins of about 50%.

In fact, we can see that their operating expenses are increasing faster than their revenue.

This is the result of their numerous investments into the R&D department. In fact, their R&D department is one of the biggest department since they are producing intelligent weapons and cameras. Without these investments they would not have been able to develop Axon, Axon Fleet, which one is the car-camera and Axon AI in late 2017. Furthermore, we can see on the chart that the revenue is growing on the same R&D investments. They are expecting that their expenses into R&D department will drive their revenue by an increase of 15% per year. In fact, the guidance tells us that the operating expenses are going to increase but slower than the last few years and also they will keep an important watch on it.

TASER International, Inc. (NasdaqGS:TASR)



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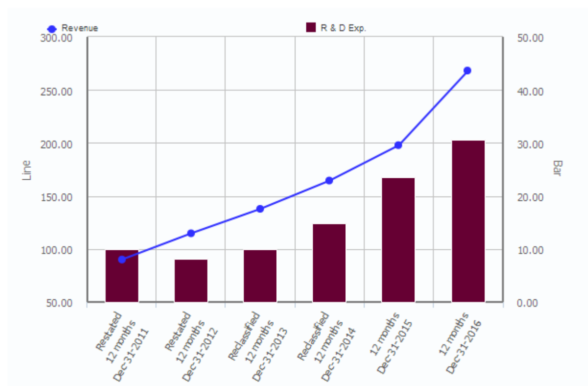

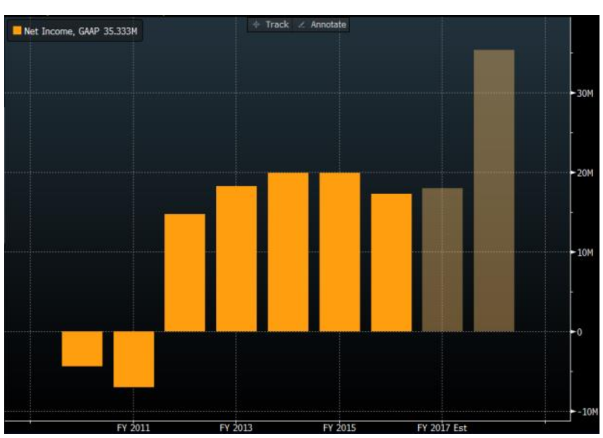

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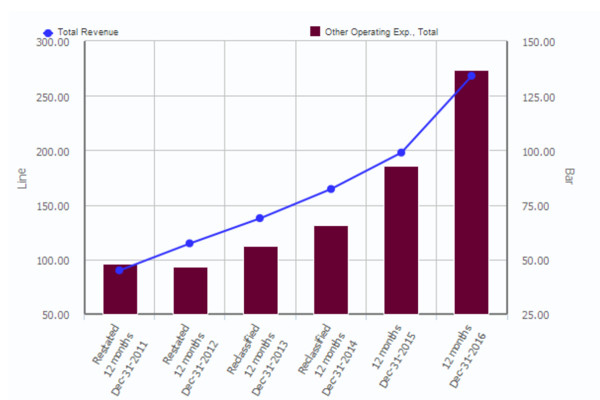
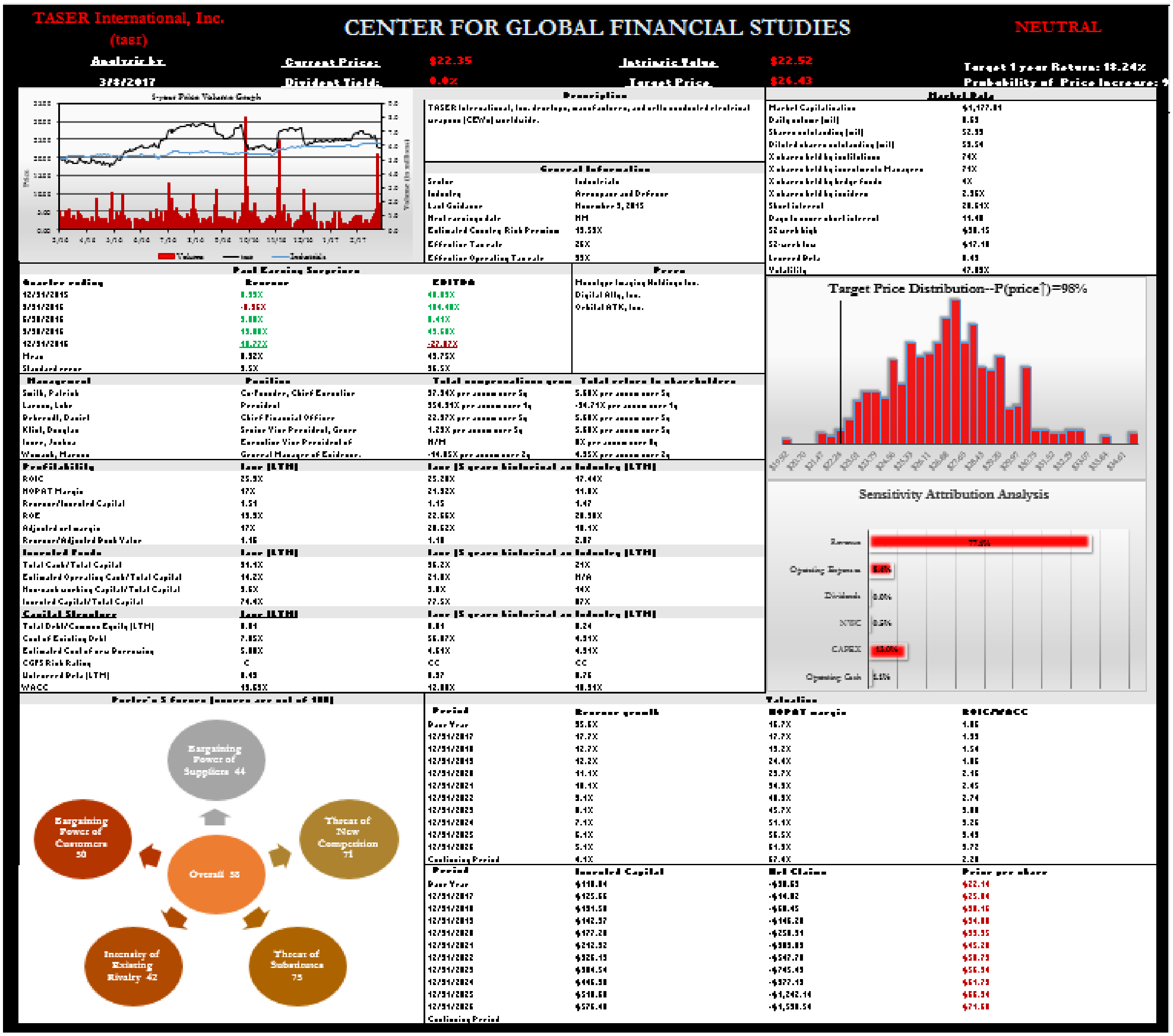


Conclusion:

To conclude. We can see that TASER International, Inc. is facing an unexpected growth. In fact, its products are able to be sold to the police department, federal, military and individuals. They also have been able to sign new contracts to the international, and they sold the AXON service to the 50 major cities in the US, which is a strong signal for the rest of the country even to the rest of the world. Furthermore, they have made two acquisitions in order to develop AXON, and to create AXON AI, which will ensure an increase of revenue and an expected new revenue segment. Because of their unexpected growth, they have seen their costs increasing, mainly based on the research and development department. This one is one of the most important department since their products are intelligent weapons and new on the market, which ensures them a long future growth. They also expect their margin to increase on the next launches. This would be a buy on the long term.



SIENA college BJORKLUND FUND

March, 10, 2016

Company Name:

Lululemon Athletica INC.

Marion HORRY

Sector: Consumer Goods

Industry: Textile - Apparel Clothing

The main activity of Lululemon is to design, distribute, and retail athletic apparel. The company is offering apparel and accessories to different type of customers. The major customers targeted by Lululemon are women, men and youth women.
Its apparel line is composed of pants, shorts, tops, jackets. Its accessories line is composed of bags, socks, underwear, yoga mats and water bottles.
It is important for the company to offer high quality products. All the products are designed to promote healthy lifestyle and athletic activities.
To distribute and retail its product the company is using two types of channels. The two channels are 360 company-operated stores and direct to consumer. Lululemon is selling direct to customers with the e-commerce and more particularly with its website.

BUY

Current Price:	$64.94
Target Price:	$78.19
Market Cap:	9.08B
Beta:	-0.21

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Thesis:

For the next following year Lululemon athletica will ensure revenue growth.
At the same time, the company will be able to reduce the cost. This will ensure growing margin and profitability.
Revenue increasing and profitability increasing will increase the EBIT and the free cash flow for the following period.
I advise to buy Lululemon Athletica Inc. because it stock price is currently undervalued.
I expect the price of this stock to rise in the future from $64.94 and $78.19.

Catalysts:

- **Short term (within a year):**

  The next earning is on March 23, 2017. This can increase the volatility of the stock and help to reach the target price.

- **Midterm (1-2 years):**

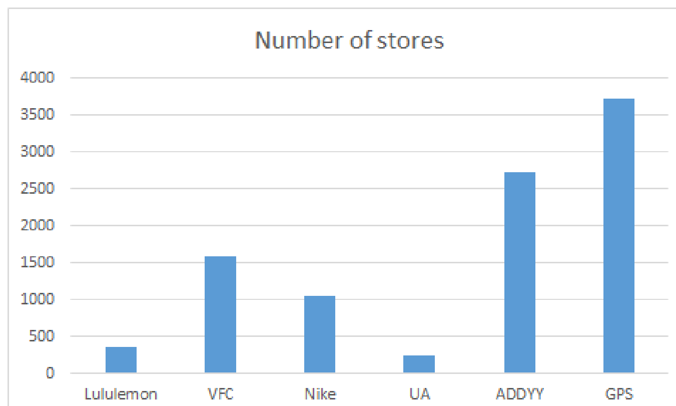
  Disposable income of household will increase in 2018 and 2019 according to the forecast.

- **Long term (+3):**

  Long term growth strategy of Lululemon is to develop the brand nationally and internationally.

Growing Strategy:

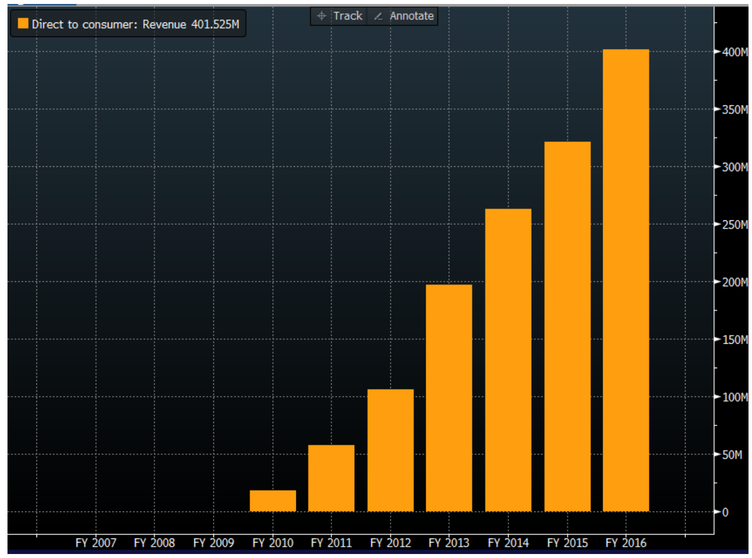
According to PWC industry outlook, customers has two ways to shop. The first way is to go in a shop. Today, 51% of shoppers like to buy their closing and footwear in a store. On the opposite side, 40% of shoppers prefer to rely on e-commerce.
To respond to different shopping style Lululemon has adapted its distribution channel to follow the different shopping style of its customers.
Lululemon developed its company-operated stores. At this time Lululemon has 363 company operated stores. They are continue to develop the stores in the US and worldwide with different types of stores to tailored the different shopper's customs.
They are expanding and growing their standard stores, their co-located stores and their local stores. It is part of Lululemon long term growth strategy to continue to develop their stores to take advantage with the North American Market and also worldwide. In 2017, Lululemon planned to open 44 new stores. 11 stores will be open outside the US and the remaining will ensure the growth within the US.
Lululemon has a strategy that has ensure higher revenue per store historically. Historically, they ensure $5.95 revenue per store. On the opposite side, its competitors generates $3.72 of revenue per stores. During the last twelve months, Lululemon generates less revenue per store compared to its competitors. Their growing strategy should ensure a growing revenue per stores in the following period.



Revenue / Total Stores				
	History		*LTM*	
LULU	$	5.95	$	6.22
Competitors	$	3.72	$	6.63

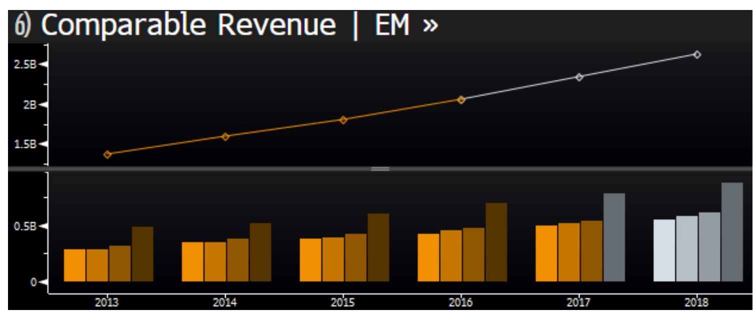
E-Commerce a key sales revenue:

Lululemon rely on e-commerce to distribute products directly to customers. It is important for apparel company to develop e-commerce because 40% of shoppers are buying online and because it is becoming a favored retail channel.
Since 2009, the company online sales increased from 4% in 2010 to 19.5% in 2014.
Lululemon long term strategy is to continue to develop their website. It is important to include it in their strategy because it will be a key component of the growth in the future.
Its strategy is to continue to develop their website to improve online shopping experience. The shopping experience can increase the conversion rate and then increase the revenue.



Revenue growth:

At this time, Lululemon faced an increase in revenue. This increase has been driven by the improvement of the shopping experience and by its expansion strategy. The company planned a strategy to ensure a $4 billion revenue in 2020.
This revenue goal in the future can be achieved by Lululemon by its product innovation, its store expansion, e-commerce, and new customer's segment. Lululemon new customer segment is men customers. This segment have grown significantly over the past quarters at 20%. Moreover, all the areas of strategy improvement will drive up the revenues.
Since 2015, the quarterly sales of Lululemon were better than the consensus of the estimates. For the Q12017, the sales revenues should follow the same trend as before since its strategy target healthy growth compare to its peers.



Profitability Margin

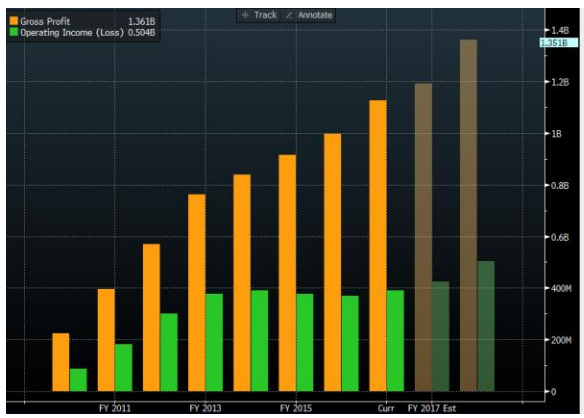
Lululemon is manufacturing apparel product such as its competitors the company relies on manufactured overseas. This helps the company to ensure a cost advantage. At the same time the company can possibly face major risks.

The gross profit margin shows that Lululemon is higher gross profit compared to its peers. Thus, it means that the company has more money left after paying the cost of goods sold. It is possible to argue that this ratio should be increase because of the go-to-market strategy that will continue to positively impact the margin.

The operating profit margin of Lululemon shows that they have more money left after paying the operating expenses compare to its competitors. This ratio shows that Lululemon have a well-defined pricing strategy. In addition, it manages well their operating expenses.
The net profit margin ratio emphasize that Lululemon is generating more profit from its sales compared to its competitors.
The EBITDA Margin also shows that Lululemon is more profitable than its competitors.
According to all this profitability ratios, Lululemon is more profitable than its peers. It emphasizes that they are more able to control and manage cost.

Name (BI Peers)	Ticker	Adj Grs Prof LF	OPM LF	NI Mrgn Adj LF	EBITDA Mrgn Adj LF
Median		1.57B	11.10%	9.13%	15.68%
100) LULULEMON ATHLETICA INC	LULU US	278.43M	17.08%	11.84%	21.48%
101) ADIDAS AG	ADS GR	2.47B	0.49%	-0.19%	12.38%
102) VF CORP	VFC US	1.65B	9.64%	12.03%	17.61%
103) NIKE INC -CL B	NKE US	3.62B	13.58%	10.29%	15.70%
104) UNDER ARMOUR INC-CLA...	UAA US	583.70M	12.56%	7.96%	15.66%
105) GAP INC/THE	GPS US	1.49B	6.80%	4.58%	10.07%

Moreover, the company will continue to implement strategy in order to continue to decrease the cost and the operating cost during the following period. The strategy is about managing well the go-to market product cycle. The company implements this strategy in order to utilize efficiently all the accessible resources. This will help the company to deliver valuable product to customers and to ensure competitive advantage.



Capital allocation

ROIC of Lululemon shows that it is allocating well its capital into profitable investments. It means that they create return on investment.
If we compare the ROIC to the WACC it is possible to notice that the company is able to create value.
Lululemon ROIC for the last twelve month is 43.8% and its WACC is 10%.
It means that Lululemon is creating 33 cents for every dollars invested in capital.

ROIC (NOPAT/IC)		
	History	*LTM*
LULU	79.2%	43.8%
Competitors	43.1%	35.5%

WACC		
	History	*LTM*
LULU	10.0%	10.0%
Competitors	10.3%	9.6%

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Conclusion:

In conclusion, it is important to notice that Lululemon Athletica Inc. has and will continue to gain more competitive advantage. This competitive advantage will be obtain by its long term strategy. It will ensure revenue growth and it will continue to manage effectively cost. Thus, it will ensure higher profitability margin. Moreover, the company will continue to capture market share with its stores expansion strategy.

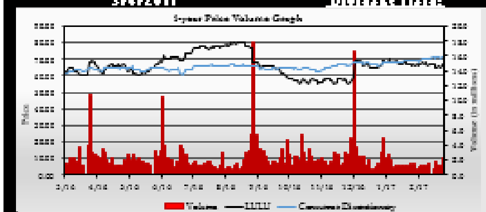
Lululemon Athletica Inc. (LULU)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Marine HOBBT	Current Price:	$64.94	Intrinsic Value	$73.01
3/6/2017	Divident Yield:	0.0%	Target Price	$78.19

Target 1 year Return: 20.4%
Probability of Price Increase:



Description

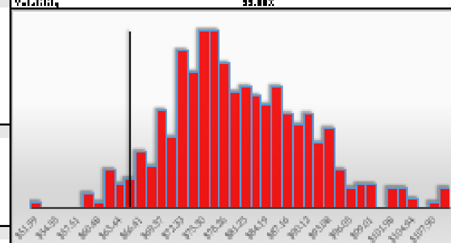
lululemon athletica inc., an athletic apparel company, together with its subsidiaries, designs, distributes, and retails athletic apparel and accessories for women, men, and female youth.

General Information	
Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	November 3, 2015
Next earnings date	March 25, 2017
Estimated Country Risk Premium	2.30%
Effective Tax rate	30%
Effective Operating Tax rate	30%

Market Data	
Market Capitalization	$9,006.17
Daily volume (mil)	0.34
Shares outstanding (mil)	137.00
Diluted shares outstanding (mil)	137.50
% shares held by institutions	40%
% shares held by investments Managers	59%
% shares held by hedge funds	10%
% shares held by insiders	7.34%
Short interest	7.05%
Days to cover short interest	5.13
52 week high	$81.01
52-week low	$54.00
Levered Beta	0.60
Volatility	33.00%

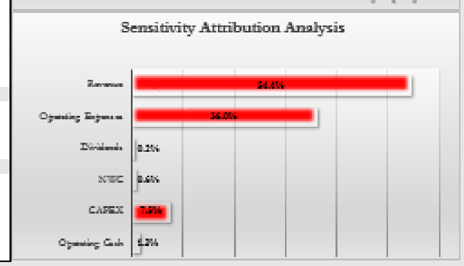
Past Earning Surprises		
Quarter ending	Revenue	EBITDA
11/1/2015	-4.94%	-5.25%
1/31/2016	1.15%	-4.26%
5/1/2016	-0.36%	7.65%
7/31/2016	-3.76%	-3.03%
10/30/2016	-0.62%	2.21%
Mean	-1.55%	-1.03%
Standard error	1.0%	3.1%

Peers
Under Armour, Inc.
Columbia Sportswear Company
G-III Apparel Group, Ltd.
Coach, Inc.
China's FAS, Inc.
Express, Inc.
Urban Outfitters, Inc.
Fossil Group, Inc.

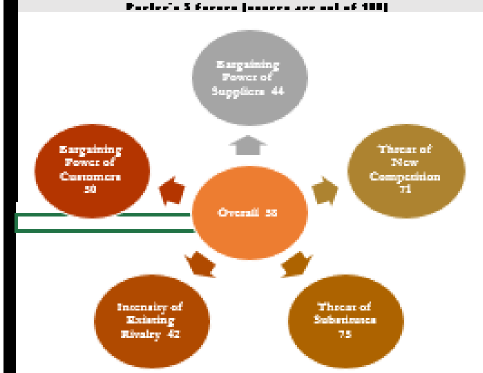


Management	Position	Total compensation grow	Total return to shareholders
Potdevin, Laurent	Chief Executive Officer and	-100% per annum over 2y	16.55% per annum over 2y
Howlden, Stuart	Chief Financial Officer and	N/M	0% per annum over 0y
Stump, Scott	Executive Vice-President of	-100% per annum over 1y	-6.3% per annum over 1y
Almeida, Miguel	Executive Vice President of	N/M	0% per annum over 0y
Holman, Lee	Executive Vice President and	N/M	0% per annum over 0y
Warren, Gina	Executive Vice President of	N/M	N/M

Profitability	LULU (LTM)	LULU (5 years historical a	Industry (LTM)
ROIC	20.0%	27.50%	13.32%
NOPAT Margin	15%	20.45%	0.2%
Revenue/Invested Capital	1.42	1.34	1.63
ROE	26.2%	33.72%	15.14%
Adjusted net margin	14%	13.34%	7.5%
Revenue/Adjusted Book Value	1.07	1.63	2.01
Invested Funds	**LULU (LTM)**	**LULU (5 years historical a**	**Industry (LTM)**
Total Cash/Total Capital	24.3%	36.3%	24%
Estimated Operating Cash/Total Capital	24.3%	34.3%	N/A
Non-cash working Capital/Total Capital	17.1%	10.6%	23%
Invested Capital/Total Capital	50.7%	55.7%	70%
Capital Structure	**LULU (LTM)**	**LULU (5 years historical a**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.06	0.04	0.47
Cost of Existing Debt	6.03%	5.33%	3.02%
Estimated Cost of new Borrowing	5.75%	5.75%	3.02%
CGFS Risk Rating	D	D	CC
Unlevered Beta (LTM)	0.50	1.64	0.47
WACC	5.74%	3.10%	5.20%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	15.3%	14.7%	3.62
10/30/2017	11.0%	14.3%	3.34
10/30/2018	0.1%	14.1%	2.00
10/30/2019	10.7%	15.6%	3.07
10/30/2020	3.6%	16.0%	3.13
10/30/2021	0.6%	16.1%	3.11
10/30/2022	7.3%	15.4%	2.35
10/30/2023	7.1%	14.0%	2.00
10/30/2024	6.3%	14.2%	2.64
10/30/2025	5.6%	13.5%	2.50
10/30/2026	4.0%	12.3%	2.35
Continuing Period	4.0%	12.3%	1.05

Period	Invested Capital	Net Claims	Price per share
Base Year	$874.06	$555.60	$72.50
10/30/2017	$1,145.56	$503.42	$77.40
10/30/2018	$1,416.30	$445.36	$82.04
10/30/2019	$1,540.00	$113.02	$88.50
10/30/2020	$1,535.34	-$229.15	$94.96
10/30/2021	$1,902.74	-$624.19	$100.42
10/30/2022	$2,353.00	-$1,036.12	$106.67
10/30/2023	$2,637.41	-$1,430.17	$113.31
10/30/2024	$2,975.02	-$1,336.33	$119.06
10/30/2025	$3,272.46	-$2,333.71	$126.50
10/30/2026	$3,567.55	-$2,070.65	$133.47
Continuing Period			

March 10th, 2017

NYSE: Foot Locker (FL)

Alec Odnoha

Sector: Consumer Discretionary
Industry: Athletic Footwear and Apparel
Current Price: $76.99
Target Price: $82.95

Company Description: Foot Locker is a leading global athletic footwear and apparel retailer. Stores offer selections of premium products for a variety of activity, such as basketball, running, and training. Foot Locker caters to sneaker enthusiasts and athletes alike and its products are primarily manufactured by top athletic brands. Foot Locker operates 3,383 stores, located in 23 countries globally. Foot Locker implements a direct-to-customer business model and aims to be the top global retailer for athletically inspired shoes and apparel.

BUY

Current Price: $76.99
Target Price: $82.95
Market Cap: 10.2B
S&P Debt Rating: BB+
ROE (LTM): 25.2%
Ke: 7.65%
P/E Ratio: 15.69
Net Income Margin: 8.55
Equity Multiplier: 1.46
Total Asset Turnover: 2.02
Cash/Total Assets: 1.71

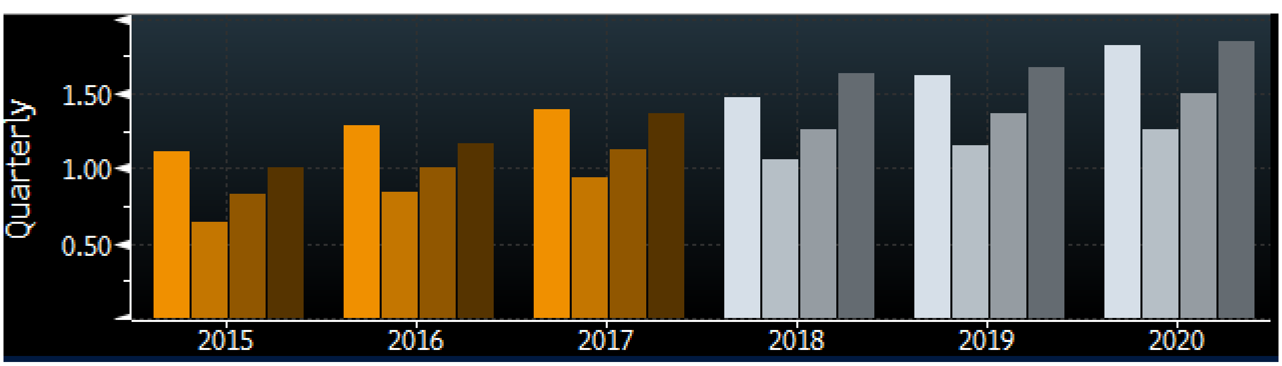
Catalysts:

- **Short Term: Completion of newly remodeled retail stores, demand of lifestyle products**
- **Mid-Term: Continued re-investment in business infrastructure, rise in e-commerce operations**
- **Long-Term: Further expansion into Europe, development of flagship stores in metropolitan areas, investment of technology and customer experience**

Thesis: Foot Locker currently operates in the highly competitive specialty retail market, and has been subject to a decline in the industry in recent years. However, Foot Locker has managed to keep up growth in revenues and solid marginal performance running in two reportable segments, athletic stores and direct-to-consumer. The company has held true to their business model and continues to seek ways to improve operations. Historically, the company has maintained a low level of debt and has increased domestic and foreign exposure to their brand name. As a result, the company has been able to reinvest nicely to improve their business model. Moving forward in 2017, several initiatives are in place to ensure a favorable position in the market. Advancements in technology that management believes are essential to business operations will be in Foot Locker's favor in the future, as digital sales and e-commerce operations become more prevalent in the industry to compensate for dwindling retail presence. Foot Locker envisions aggressive investments to maintain its solid revenue growth and is currently in a healthy enough financial position to do so.

Earnings Performance: Foot Locker and both of its segments experienced strong performance in Q4 of 2016. Net income achieved earnings of $189 million in Q4, up approximately 19.6% from $158 million in Q4 a year prior. The company as a whole also saw a gain in annual revenue, measured at $7.8 billion, which is up 4.8% from last years' reported total of $7.4 billion. Foot Locker's two primary segments, athletic stores and direct-to-consumer, also saw growth. Athletic retail stores attained a 4% comparable sales gain in Q4, and direct-to-consumer sales increased to 15.3% of net sales for the quarter, and 13.2% of net sales for the year, up from 14.6% and 12.7%, respectively. Foot Locker has experienced some downswings in sales numbers in a few of their retail locations, specifically Germany and its difficult retail climate. Nonetheless, the company was still able to achieve financial growth and it resulted in an end-year record for full year net income margin for the company, at 8.4%. EPS increased from $4.29 to $4.82, up about 12 %. The company introduced a $1.2 billion share repurchase plan in 2016, which, as a result of the repurchasing, is slated to spark a double digit increase of EPS, which can be assumed as a result of less number of shares outstanding. As shown in Exhibit 1, the company has increased its quarterly values of EPS year-over-year, and those projections continue in the years ahead.

Exhibit 1: (**Source: Bloomberg)**



Along with its share repurchase plan, Foot Locker returned $147 million of cash to shareholders, finalizing at 85% of net income returned to shareholders. The company's historically consistent increase in performance and belief in re-investing run consistent with some of their main strategies, which are to continue to drive performance in core business and pursue expansionary opportunity. The company's strong financial performance puts them in a position where those goals are not out of reach, and can surely create value.

Industry Outlook: North American apparel and footwear brands are continuing to face a shrinking sales growth; retailers are taking a more cautious position on inventory, limiting future levels. Retail is dwindling; foot traffic in malls is on the decline, roughly by about 5.7% on average per month through November. There is an ever present shift in mobile digital sales and e-commerce operations, and Foot Locker has that direct-to-consumer capability. Apparel and footwear are two of the fastest growing categories in e-commerce, which reiterates the need for brick-and-mortar retailing. Foot Locker can utilize that trade-off, as main strategies call for both expansionary measures taken with brick-and-mortar stores, and the development of a more powerful digital business in hopes to better connect with customers and adhere to their preferences. Foot Locker's brick-and-mortar style retail stores accumulated 87% of revenue in FY 2016, while digital business and online websites and vendors (direct-to-consumer) totaled 13%.

European Presence: Being a global brand, Foot Locker and its subsidiaries spread globally in numerous countries. The company believes that market share in Europe is vital to core business operations, and offers substantial opportunity for growth. One of Foot Locker's primary growth strategies is to re-invest into itself to remodel store layouts and revamp product lines. The European sector of the company maintained high levels of profitability and productivity during 2016 despite a slower sales increase. The company has added 22 stores over fiscal year 2016, and is currently seeking ideal retail opportunities to invest in, as evidenced by the opening of a "Jumpman" store in Paris, a segment of the Jordan brand of shoes, a rapidly growing brand. Basketball sneakers, which drive a large amount of U.S. sales for the company represent a great opportunity to increase target marketing. Emphasis on basketball coupled with the running shoe preference that is prevalent in Europe offer channels for growth. Foot Locker's Sidestep and Runner's Point Germany locations, that infiltrate the running shoe and lifestyle markets, struggled with growth in Q4 of last year, but that can be attributed to the company undergoing a management change coupled with the rough retail environment in Germany. The company plans to continue to establish new banner stores across the region and work internally with its vendors to better position banner stores for the years to come.

Margins	FY 2014	FY 2015	FY 2016	FY 2017
12 Months Ending	2/1/2014	2/1/2015	1/30/2016	1/28/2017
Gross Margin	32.79	33.2	33.8	33.94
EBITDA Margin	12.25	13.2	13.29	14.91
Operating Margin	10.21	11.26	11.29	12.88
Net Income Margin	6.59	7.27	7.3	8.55

Financial Performance: According to historical data, Foot Locker has seen strictly positive increases in performance margins, although some may be incremental. According to the following snapshot, it is apparent that Foot Locker has maintained a high level of operation. The increase in each margin can be indicative of continued revenue growth. Executive teams at Foot Locker have also taken measures to cut costs. SG&A expenses decreased as a direct result of better management of variable expenses and levering of fixed expenses. Gross margin increased a total of 10 basis points for the full year 2016, which is consistent with the company's annual guidance. One of the focuses for this year is the opening and closing of store locations, to better focus on optimal placement for growth. Foot Locker is slated to open 90 stores, including some flagship locations, while also closing down 100. What this will do is cut down operating costs marginally as a result of fewer stores opening, which can lead to a continual increase in EBITDA margin.

The company is liquid, and has never really relied on debt to fund their operations. The company's primary source of liquidity comes from the cash flow from earnings. Cash is typically used for funding inventory and other working capital requirements, such as CAPEX for store openings and re-modelings which run consistent with the company's plan to upgrade stores globally to attract newer customers and make the store a more inviting consumer experience. The Cash Ratio, Current Ratio, and Quick Ratio have been maintained at safe levels over a number of years, which shows that the company has been consistently able to fulfill any short-term obligations that they may incur.

In Millions of USD except Per Share	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
12 Months Ending	01/28/2012	02/02/2013	02/01/2014	02/01/2015	01/30/2016	01/28/2017
Cash Ratio	1.55	1.46	1.38	1.39	1.46	1.71
Current Ratio	3.79	3.72	3.75	3.53	3.72	4.30
Quick Ratio	1.64	1.57	1.54	1.50	1.59	1.71

Source: Bloomberg

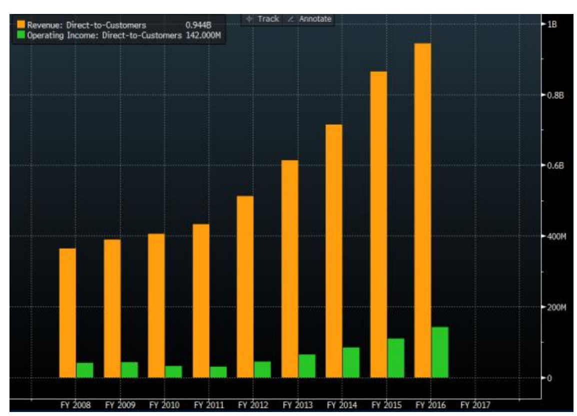
ROIC	*History*	*LFY*
FL	17.0%	22.5%
Competitors	16.3%	13.3%

WACC	*History*	*LFY*
FL	14.1%	9.1%
Competitors	12.2%	19.2%

Unlevered Beta	*History*	*LFY*
FL	1.07	0.57
Competitors	1.25	0.81

In comparison to others in the industry, Foot Locker is shown to be outperforming in terms of certain measures of risk. Despite this last year having a low WACC compared to competitors, the historical WACC of Foot Locker still lingers close to the average value for competitors. Basically, that indicates that there is a slightly higher amount of risk associated with operations of the company. However, having a lower unlevered beta than competitors, both historically and LTM, is indicative of lesser risk, since the lower beta means that the company is not as volatile as its competitors in relation to the market. Also, as shown, Foot Locker tends to generate a higher return on invested capital than its competitors.

E-Commerce: E-commerce is quickly overtaking retail stores as the preference for consumers when it comes to shopping. Since e-commerce started gaining prominence, Foot Locker has seen marginal gains in overall performance from online sales, both from their subsidiary Eastbay.com, and Footlocker.com. With the retail industry gradually adapting to that method, it is likely a premiere specialty retailer could utilize this technology. For the company, this segment increased 9.1% in revenue generated, up to $944 million from $865 million last year. As evident in the graph, Foot Locker has seen immense increases in both revenues and operating income year-over-year for direct-to-consumer operations. With plans set to enhance their



Source: Bloomberg

digital business even further by investing in newer technology and the introduction of newer generation e-commerce platforms and point-of-sales systems, it is likely that performance in this segment will continue to rise.

Kid's Foot Locker/SIX:02 : Among the company's growth pillars, Kid's Foot Locker proves to continually be the largest dollar sales increase. A key initiative by Foot Locker is to grow the base of Kid's Foot Locker both domestically and internationally while also promoting an exciting and appealing environment. Younger customers are connected at an early age, and one risk with expansion of this brand would be that some styles are not available to the consumer right away, which can be attributed to the dip in sales for Kid's Foot Locker. However, this dip was more than offset by comparable sales increases in the adult banner stores of kid's footwear. Continuing to lead in lifestyle running and basketball shoe markets will lead to more growth opportunity in the Kid's Foot Locker brand of the business.

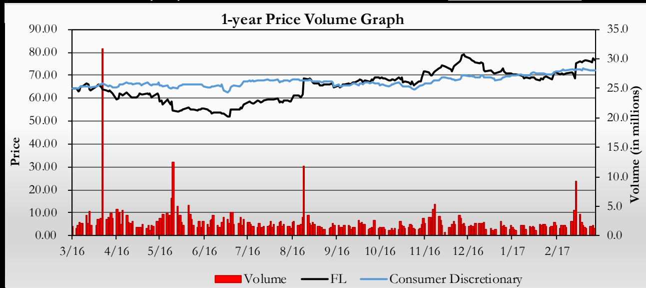
Foot Locker's SIX:02 stores, a female-focused store format that has been introduced, could potentially be a huge driving factor in growth for the company. The number of locations of Lady Foot Locker has been in a steady decline, and the opening of a SIX:02 flagship store on 34th street is slated to introduce a vast number of new customers. Similar pinnacle stores are currently in the works for development and location for later this year. The addition of SIX:02 stores will help the company to be able to attain a solid female client base and will likely be a contributing factor in sales growth in the future.

Conclusion:

In summation, despite already holding shares, I am proposing a BUY for Foot Locker stock. The company has kept up a level of performance over the years that is top-notch and has been able to strategically maneuver around multiple markets to gain market share in their industry. I find that a healthy financial infrastructure and effective initiatives lay out the groundwork for a sharp increase in value in the coming months. The advancements being made in technology to benefit the industry and strategic use of capital allocation to reinvest into the company will lead to a strong performance for 2017. The ever changing retail market is evolving, and Foot Locker still maintains the capability of being the premiere global specialty retailer they strive to be. A target price of $82.95 is surely within reach by the end of this year.

Foot Locker, Inc. (FL) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Alec Odnoha	Current Price:	$76.99	Intrinsic Value	$135.54	Target 1 year Return: 75.43%
3/11/2017	Divident Yield:	1.8%	Target Price	$133.66	Probability of Price Increase: 100%



Description

Foot Locker, Inc. operates as an athletic shoes and apparel retailer.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	May 19, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	40%
Effective Operating Tax rate	34%

Market Data

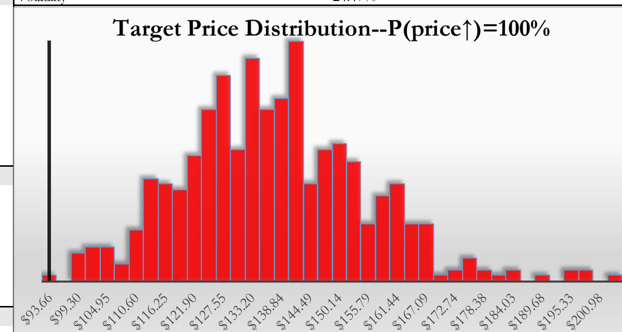
Market Capitalization	$10,190.78
Daily volume (mil)	1.22
Shares outstanding (mil)	132.36
Diluted shares outstanding (mil)	135.10
% shares held by institutions	74%
% shares held by investments Managers	76%
% shares held by hedge funds	9%
% shares held by insiders	1.28%
Short interest	6.91%
Days to cover short interest	5.11
52 week high	$79.43
52-week low	$50.90
Levered Beta	0.57
Volatility	24.47%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
1/30/2016	-2.05%	-0.69%
4/30/2016	-2.93%	-3.42%
7/30/2016	-0.06%	-2.07%
10/29/2016	-1.67%	-1.33%
1/28/2017	-1.45%	-2.45%
Mean	-1.63%	-1.99%
Standard error	0.5%	0.5%

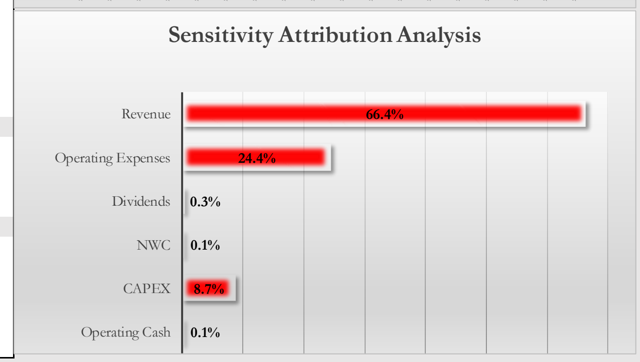
Peers

- Under Armour, Inc.
- Dick's Sporting Goods, Inc.
- PVH Corp.
- Ralph Lauren Corporation
- DSW Inc.
- V.F. Corporation
- The Finish Line, Inc.
- L Brands, Inc.



Management	Position	Total compensations growth	Total return to shareholders
Johnson, Richard	Chairman, Chief Executive Of	-100% per annum over 4y	11.37% per annum over 4y
Peters, Lauren	Chief Financial Officer and	-100% per annum over 4y	11.37% per annum over 4y
McHugh, Robert	Executive Vice President of	-100% per annum over 4y	11.37% per annum over 4y
Verma, Pawan	Chief Information Officer an	N/M	0% per annum over 0y
Cipriano, Giovanna	Chief Accounting Officer and	N/M	N/M
Maurer, John	Vice President of Investor R	N/M	N/M

Profitability	FL (LTM)	FL (5 years historical average)	Industry (LTM)
ROIC	12.2%	11.32%	20.49%
NOPAT Margin	12%	13.21%	6.9%
Revenue/Invested Capital	1.05	0.86	2.98
ROE	23.9%	21.08%	24.37%
Adjusted net margin	10%	10.94%	6.2%
Revenue/Adjusted Book Value	2.47	1.93	3.93
Invested Funds	**FL (LTM)**	**FL (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	12.6%	12.9%	19%
Estimated Operating Cash/Total Capital	12.6%	12.7%	N/A
Non-cash working Capital/Total Capital	11.7%	11.5%	19%
Invested Capital/Total Capital	97.9%	97.4%	82%
Capital Structure	**FL (LTM)**	**FL (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.55	0.62	0.24
Cost of Existing Debt	5.83%	7.85%	7.24%
Estimated Cost of new Borrowing	6.09%	6.09%	7.24%
CGFS Risk Rating	D	D	D
Unlevered Beta (LTM)	0.45	0.73	0.95
WACC	6.34%	8.02%	9.59%



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

Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	4.8%	11.7%	1.92
1/28/2018	3.8%	12.4%	1.96
1/28/2019	3.1%	12.9%	2.07
1/28/2020	2.9%	12.5%	1.90
1/28/2021	2.6%	12.5%	1.93
1/28/2022	2.6%	12.4%	1.94
1/28/2023	2.8%	13.5%	2.15
1/28/2024	3.1%	14.6%	2.36
1/28/2025	3.3%	15.7%	2.58
1/28/2026	3.6%	17.0%	2.83
1/28/2027	3.8%	18.0%	3.02
Continuing Period	4.1%	19.1%	2.59

Period	Invested Capital	Net Claims	Price per share
Base Year	$6,359.34	$5,049.33	$196.38
1/28/2018	$6,730.97	$4,319.18	$209.70
1/28/2019	$6,957.95	$4,466.17	$221.31
1/28/2020	$7,189.05	$4,459.02	$229.72

SIENAcollege BJORKLUND FUND

March 2017

Sturm, Ruger, &Company: RGR (Long)
John Garrity

Sector: Industrials
Industry: Munitions and Small Arms
Current Price: $50.60
Target Price: $57.15

Company Description:

Sturm, Ruger & Company is the business of designing, manufacturing, and the sale of firearms to domestic customers, and do not manufacture any fully-automatic weapons. Since 1949 Sturm, Ruger & Co. have been primarily selling rifles, pistols, and revolvers through independent wholesale distributers. Models include hunting and target rifles, single & double action revolvers, muzzle loading guns, and double-barreled shotguns. Sturm, Ruger & Co. also manufacture and sell investment castings made from steel alloy and metal injection molding parts for commercial and military markets. This makes up about 6 percent of revenues, and has been growing since 2015. Ruger almost exclusively sells within the United States.

Key Statistics:

Market Price:	$50.60	ROE:	34.87%
Market Cap:	$916.1M	Net Income	
WACC:	5.77%	Margin:	13.17%
ROIC:	34.55%	P/E:	11.09 x
EBITDA Margin:	24.99%	Div. Yield:	3.42%
Ke:	5.77%		

Catalysts:

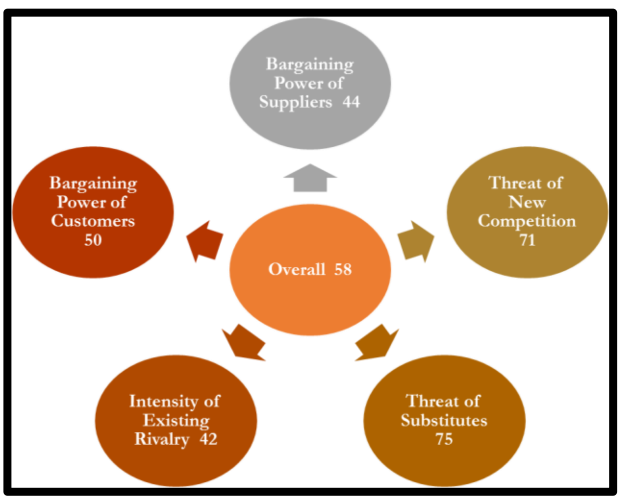
> Fewer restrictions on guns
> Income growth
> New Products
> May 1st earnings announcement
> Company position in the industry
> Military expenditure

Thesis:

Sturm, Ruger, & Co. was founded in 1949 in Southport, Connecticut out of a small machine shop William B. Ruger and Alexander McCormick-Sturm. Ruger & Co. design, manufacture, and sell pistols, revolvers, and shotguns. Today, the company is the largest gun maker in the United States, according to the Bureau of Alcohol, Tobacco, Firearms, & Explosives. It is important that in their environment, new products are introduced and well accepted. For the first nine months of 2016, new products generated 32 percent of total revenue for that period. Although it is typical for gun sales to slow during a new administration, including one that was as good to the industry as the Obama administration. Still, Ruger continues to be one of the biggest players in the Small Arms industry, accounting for almost a fourth of the industry revenue. As American Outdoor Brands Corp., formerly Smith & Wesson, is transitioning into outdoor sports, it will transition into the only "pure-play" gun stock. The Trump Administration's policies can open the door back up for Ruger in a way that would move its stock price up away from near its 52 week low.

Industry Outlook:

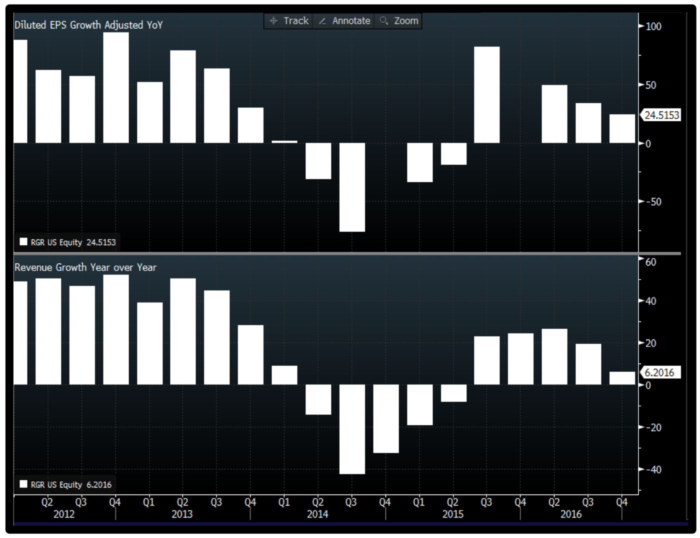
Over the last four years in particular, gun owners were stocking up on guns and ammunition to prepare for the Clinton Administration. Over that time small arms and defense stocks cashed in, and now Americans feel comfortable with their Second Amendment rights, which would mean less excessive purchases. Of the publicly traded firearms manufacturers, only Forjas Taurus is the outside the United States; as they are in Brazil. Ruger and American Outdoor Brands Corp. have a strong hold on the industry, combining to make up 56.37 percent of the industry revenue. To capture the customer in the Small Arms industry, a company would need broad product lines, extensive capital resources, and innovative teams. Recently AOBC, formerly Smith & Wesson, has announced that they will begin a transition into more outdoor sports and equipment. Favorable trends in the industry leave Ruger in a good position because target shooting participation in the United States is on the rise. Of established shooters in 2016, those with more than 5 years of experience, the average demographic is a 43 year old with a 78 percent chance of being a male. Whereas those with less than 5 years of experience, the average demographic is 33 with a 63 percent chance of being female. In this newer demographic, 77 percent started after age 18, and only 29 percent shot a target in 2012. Of experienced target shooters, 56 percent shot a target in 2012, and 81 percent started before age 18. This demographic shift will only become more concentrated and valuable because these young individuals, including women will start and continue their purchases. In the near future, Sturm, Ruger, and Company could be the only pure gun stock to trade on.

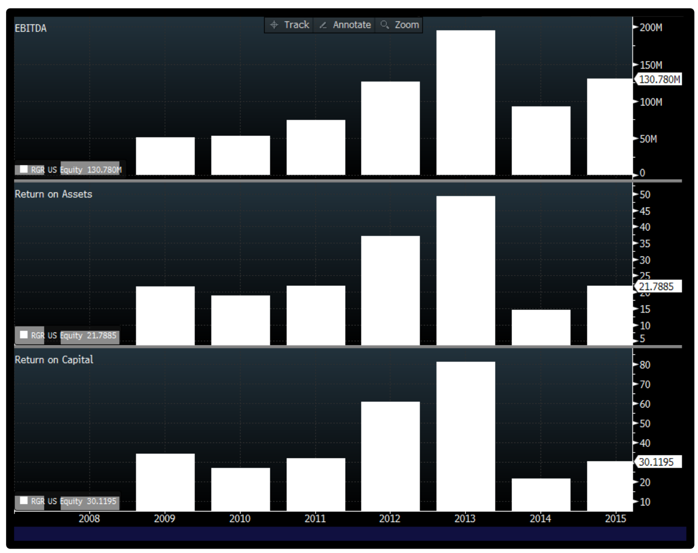


Products:

Ruger designs, manufactures, and sells rifles, pistols (modern handguns that feed ammunition via clips), and revolvers (typically spinning 6 shell cylinder). They are invested into making only the best guns on the market Revolvers are the main gun for self-defense for reliability and simplicity of use. Ruger also sells shotguns, but they do not see it as a vital part of their business model because management deems them less profitable. The most notable advantage Ruger has over AOCB is that Ruger has successful product lines of bolt action rimfire rifles and airguns, whereas American Outdoor Brands Corp manufacture neither. The important matter here is that both of these guns are typically the first owned gun for first gun shot. This gives Ruger a large advantage for those looking to try out shooting or owning a gun for the first time. Quality at Ruger is key, so it test shoots every gun they sell, as well as tests the durability to test the maximum pressure level Ruger also manufactures investment casting which they sell to many corporations and the military, and have seen an slight increase in the industrial mold segment, which is now 6.5 percent of their revenue.

Revenue:

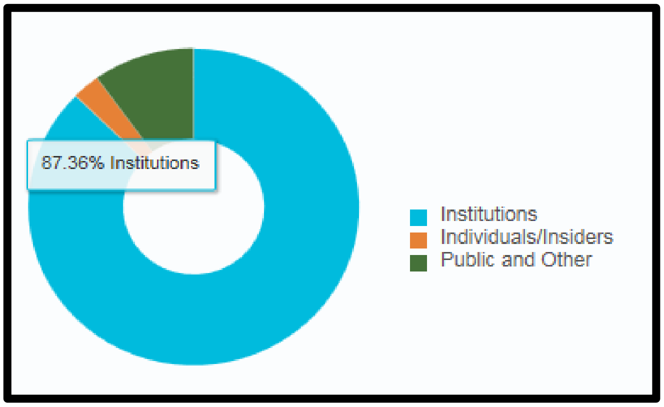




During the fourth quarter of 2016, Ruger repurchased 1.5 percent of their outstanding shares for $49.43, at a total purchase of 14 million. The company prefers to keep their P/E ratio above 10, so they will repurchase shares when they feel a low evaluation. The company experienced a decline in overall performance during 2014 to 2015 mainly because they did not discount their products during the cyclical downturn. With Consumer Comfort at its highest level in a decade, and personal income increasing at a pace faster than expected. They currently own 24.23 percent of the revenue of the Small Arms Industry, and it will only grow with the slow recession of AOCB in the firearms industry. As displayed in the graph, Ruger's EPS and Revenue growth started to dip in 2014, recovered in 2015, and got hit by the Trump election in late 2016. There is plenty of room for growth with the gradual exit of the only other big player in an industry with high barriers to entry, as well as a favorable, shifting demographic. Although the EPS and Revenue has seen a decline since digging out of 2014/2015, EBITDA, return on assets, and return on capital have all seen positive growth over the same period. Even through Ruger announced on February 23rd that they missed earnings, which resulted in the stock falling .9 percent, they have beat consensus estimates over the last 6 periods by an average of 13.98 percent. The May 1st earning report will be key to how the company responds to the early days of the highly volatile market under the new administration.

Company Structure:

Ruger is made up of no debt, and are funded entirely funded through 265.9 million in equity. A large part of their business, 32.76 percent, is comprised of cash and short term investments. Although the structure can be seen as conservative with no short or long-term debt, the margins are enough to get efficient returns. The net income margin confidently beats out the industry average of 10.17 percent. In the last twelve months, return



on invested capital of 45 percent beats out the44 competitors by 25 percent, proving its profitability, even through sub-par revenue results. Institutions are the top holders of Ruger, making up 87 percent of ownership. Making up of these institutions, BlackRock, Inc. and the Vanguard group make up roughly 26 percent together.

Cash Flow:

Ruger improved on its cash flow by more than 10 percent compared to 2016 year, which was much better than the 7 percent decline of the years prior. Cash on the balance sheet subsequently went up, but by 26 percent from 69 million to 87 million. Liquidity of Ruger is no issue, as it has a current ratio of 2.7, so any long term obligations are certainly achievable. The fact that the cash balance has not recently decreasing suggests that the company is in no down turn at all, but in a phase that is more focused on long term direction.

Future Policies under the Trump Administration:

Typically, when a new president, especially a Republican, enters the White House, gun sales generally see a dip because of the security of the Second Amendment. That is exactly what Ruger experienced leading up to the election and shortly after. The stock price dipped over 11 percent upon the election of Donald Trump. The recent Presidential election was something like the United States has never seen before. America will continue to experience change of the demographics associated with guns. Most of new gun sales are by younger persons willing to try out target shooting, or other kinds, and in the near future these fruits will blossom. Reason being, those who either support or strongly believe in the Second Amendment take owning a firearm seriously. These types of people often have many different types of uses for guns, thus leading to the purchases of many different kinds, from self-defense to hunting and sporting. Trump has many gun reforms that he expects to pass relatively quick, largely thanks to the NRA being his largest super-PAC contributor. The Trump administration anticipates to end gun-free zone in military bases and federal property. This would increase the amount of guns needed by the military. In addition, Trump says he will get a national conceal to carry law passed the House and Senate within the first three months of his term. Ruger can significantly benefit from the Hearing Protection Act, which

would eliminate the $200 tax on silencers, as well as making it easier to acquire a silencer. Last but not least, reforming NICS background checks will produce more accurate and effective screenings so that everyone is treated on an equal playing field. This will create a stable confidence around the mystery of the safety of guns. Considering Ruger is set to become the only pure play gun retailer, the near future is promising for increased revenue. In addition, the Fed has sought to increase interest rates, which leaves Ruger in a strong position because they won't have to worry about the rising cost of borrowing.

Personal Income Growth:

According to a 2016 study from Harvard & Northeastern, 22 percent of American adults are gun owners. Broken down further; about half own two or one, about a third own between three and seven, and 14 percent own between 8 and 140 guns each. The average amount of guns owned of the top 14 percent is 17. This shows that there is a defined niche within gun owners that is similar to collecting antiques, cars, or guitars. The NRA even sponsors annual gun collector's shows to more than 120 gun collector's clubs across the nation. Guns are relatively cheap to the customer, ranging from $300 - $750 for a pistol. Since a sharp decrease in 2013, US per capita disposable income has steadily increased since. By the end of the 4th quarter of 2017, disposable income will increase 2.7 percent. With disposable income on the rise, those who already own guns and are seeking to expand their collection due to the latest model that came out, or those who are part of the new wave of consumers that start trying out guns later in life and the rapidly growing women demographic. The new policies coupled with the rising disposable income, Ruger is in a good place it wait for their moment when new gun owners start their first purchases.

Forecast	Actual	Q1/17	Q2/17	Q3/17	Q4/17	2020	Unit
Disposable Personal Income	14345	14408	14519	14629	14740	16056	USD Billion

Conclusion:

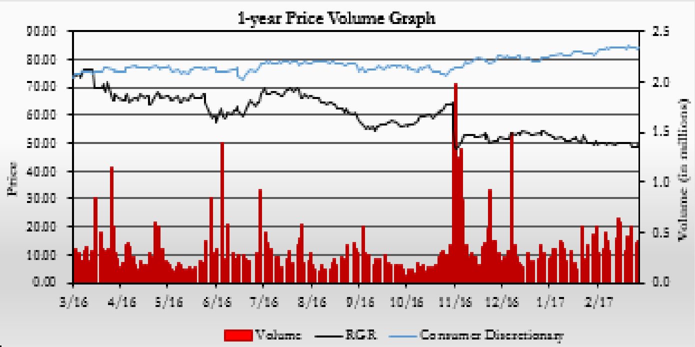
Ruger is in the process of reversing the long term trend of decreasing profits. Earnings per share have increased almost 17 percent in the last twelve months and increasing margins shows that Ruger likely is gaining market share without much of a financial sacrifice. Ruger is able to obtain above-average return on equity and operating margin shows that they are very efficient no matter the amount of revenue they generate. The outlook is very positive for Americans regarding income, and the regulations on guns will decrease causing the demand for guns to increase in the near future. Ruger is in an undervalued industry with no large threat to their market share. Strong financials, constant new products with extreme detail, and an increase in overall interest from different demographics including females and the younger generation.

Sturm, Ruger & Company, Inc. (RGR)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by John Garrity	Current Price:	$51.88	Intrinsic Value	$47.77	Target 1 year Return: 13.45%
3/10/2017	Divident Yield:	3.3%	Target Price	$57.15	Probability of Price Increase: 100%



Description

Sturm, Ruger & Company, Inc. designs, manufactures, and sells firearms under the Ruger trademark in the United States.

General Information

Sector	Consumer Discretionary
Industry	Leisure Products
Last Guidance	November 3, 2015
Next earnings date	NM
Estimated Country Risk Premium	6.41%
Effective Tax rate	39%
Effective Operating Tax rate	38%

Market Data

Market Capitalization	$916.11
Daily volume (mil)	0.22
Shares outstanding (mil)	18.10
Diluted shares outstanding (mil)	19.05
% shares held by institutions	74%
% shares held by investments Managers	73%
% shares held by hedge funds	7%
% shares held by insiders	2.74%
Short interest	29.67%
Days to cover short interest	15.32
52 week high	$78.09
52-week low	$47.15
Levered Beta	0.59
Volatility	38.94%

Past Earning Surprises

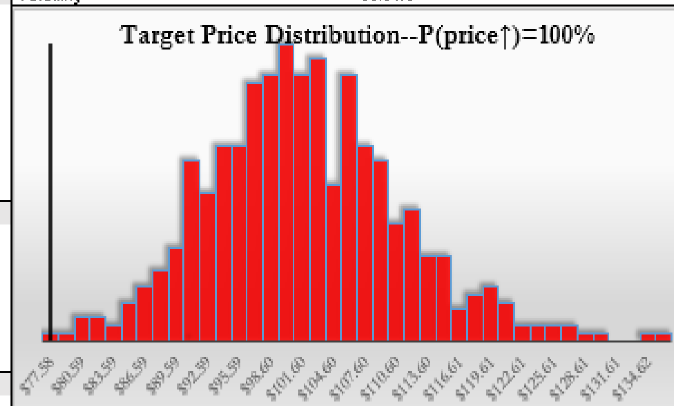
Quarter ending	Revenue	EBITDA
12/31/2015	7.55%	28.79%
4/2/2016	14.79%	19.97%
7/2/2016	N/A	N/A
10/1/2016	N/A	N/A
12/31/2016	5.10%	N/A
Mean	9.15%	24.38%
Standard error	2.9%	4.4%

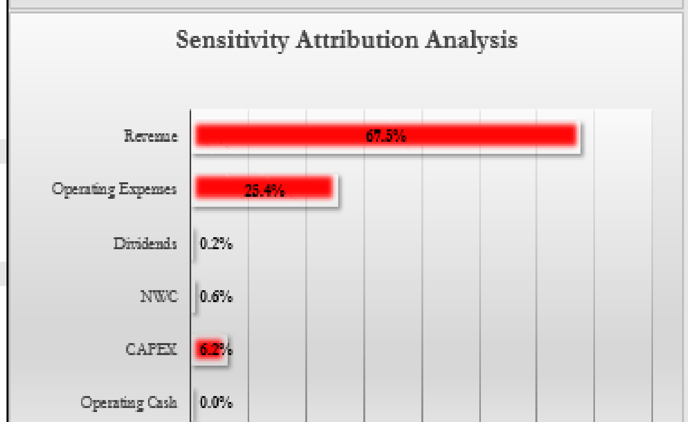
Peers

American Outdoor Brands Corporation
Vista Outdoor Inc.

Management	Position	Total compensations grow	Total return to shareholders
Fifer, Michael	Chief Executive Officer and	14.19% per annum over 5y	20.22% per annum over 5y
Killoy, Christopher	President, Chief Operating O	16.87% per annum over 5y	20.22% per annum over 5y
Dineen, Thomas	Chief Financial Officer, Vic	10.54% per annum over 5y	20.22% per annum over 5y
Sullivan, Thomas	Vice President of Newport Op	10.67% per annum over 5y	20.22% per annum over 5y
Lang, Mark	Group Vice President	10.82% per annum over 5y	20.22% per annum over 5y
Reid, Kevin	Vice President, General Coun	N/M	N/M

Profitability	RGR (LTM)	RGR (5 years historical ave	Industry (LTM)
ROIC	35.1%	97.57%	11.09%
NOPAT Margin	14%	14.67%	8.4%
Revenue/Invested Capital	2.49	6.65	1.32
ROE	33.0%	66.20%	12.81%
Adjusted net margin	14%	14.66%	7.3%
Revenue/Adjusted Book Value	2.34	4.52	1.75
Invested Funds	**RGR (LTM)**	**RGR (5 years historical ave**	**Industry (LTM)**
Total Cash/Total Capital	25.8%	21.8%	27%
Estimated Operating Cash/Total Capital	18.5%	18.2%	N/A
Non-cash working Capital/Total Capital	16.5%	14.2%	19%
Invested Capital/Total Capital	92.0%	94.8%	73%
Capital Structure	**RGR (LTM)**	**RGR (5 years historical ave**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.00	0.00	0.21
Cost of Existing Debt		48.66%	4.58%
Estimated Cost of new Borrowing	5.77%	8.62%	4.58%
CGFS Risk Rating	D	D	C
Unlevered Beta (LTM)	0.59	0.64	0.77
WACC	8.00%	6.52%	7.25%





March 10, 2017

GW Pharmaceuticals plc: GWPH

Edward Stumm

Sector: Healthcare
Industry: Pharmaceuticals
Current Price: $125.07
Target Price: $155.63

Company Description: GW Pharmaceuticals plc is a biopharmaceutical company who researches, develops, and commercializes cannabinoid prescription medications based off of the cannabis plant. They operate in the United States, Canada, Asia, and Europe. GW Pharmaceuticals was founded in 1998 and is based out of Cambridge, United Kingdom.

BUY

Current Price:	$125.07
Target Price:	$155.63
Market Cap:	3.15B
Beta:	2.59
SP debt Rating:	ccc+

Thesis:

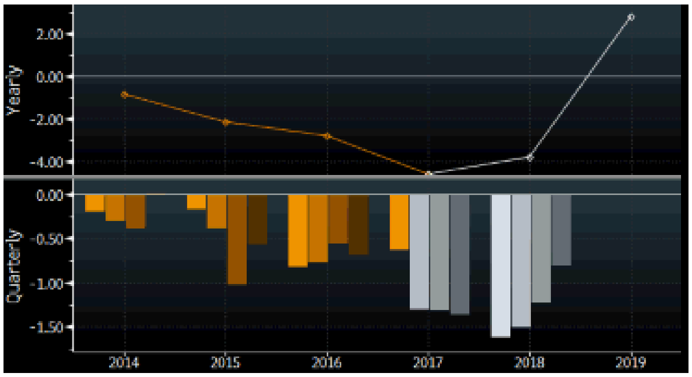
The approval of Epidiolex will help GW Pharmaceuticals expand into the international market becoming the first company with a cannabis-based FDA approved drug. The addition of new CFO, Scott Giacobello, will shift this company to becoming a serious competitor under USGAAP and in US dollars. Although there is much risk involved with the addition of GW Pharmaceuticals, the outlook is positive for the new drug's effectiveness on the treatment of Epilepsy. The approval of Trump for the use of medicinal marijuana will allow companies to succeed in marketing cannabis-based drugs.

Catalysts:

Forward looking projections that call for positive/negative outlook that will strengthen your thesis. Example:

- Appointment of new CFO
- Potential legalization of marijuana in Canada
- Approval of Epidiolex by FDA

Earnings Performance:



The earnings per share have been consistently decreasing from year to year as a result of the extensive research and development that GW Pharmaceuticals has been investing in. This is projected to continue as they look to invest in the commercialization of Epidiolex in Europe and in America. The appointment of the new CFO, Scoot Giacobello will help GW Pharmaceuticals become an international institution due to his expertise in finance and accounting. Another catalyst that will change the outlook on the industry is the potential legalization of marijuana in Canada, which is one of the segments that GW Pharmaceuticals operates in. The last catalyst that will play into the upcoming year's performance will be the potential approval of Epidiolex which will be submitted to the FDA within the upcoming year.

Ownership:

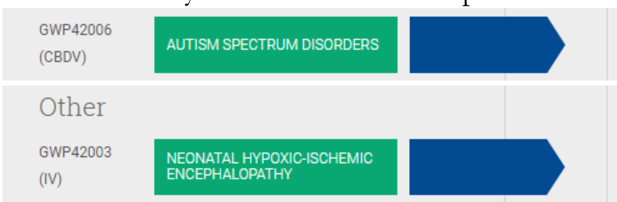
As of march of 2017 71.38% of the ownership is made up by investment advisors which is down 16.53% from the previous year. However, the hedge fund managers went up 14.81% to a total percentage of 23.14% which indicates that they are optimistic in realizing a large gain over the period ahead of us. The current CEO of GW

Ownership Type	03/05/17	Curr	Change
11) Investment Advisor	71.38	71.38	0.00
12) Hedge Fund Manager	23.14	23.14	0.00
13) Bank	2.76	2.76	0.00
14) Private Equity	1.61	1.61	0.00
15) Brokerage	0.54	0.54	0.00
16) Venture Capital	0.48	0.48	0.00
17) Holding Company	0.04	0.04	0.00
18) Insurance Company	0.03	0.03	0.00
19) Pension Fund	0.01	0.01	0.00
20) Individual	0.00	0.00	0.00

Pharmaceuticals plc is Justin Gover, he served as CEO since January of 1999. Previously before become CEO of GW Pharmaceuticals he served as the head of corporate affairs at Ethical Holdings plc. Recently, GW Pharmaceuticals appointed a new Chief Financial Officer, Scott Giacobello. Mr. Giacobello brings over 25 years of finance and operational experience to the company. Before working for GW Pharmaceuticals, Scott Giacobello worked for Chase Pharmaceuticals as their CFO after the merger with Allergan Inc. Mr. Giacobello served with Allergan Inc. as the Vice President of Finance. GW Pharmaceuticals is looking to transition from "being a foreign private issuer reporting under IFRS to becoming a domestic registrant reporting under USGAAP and in US dollars" (McKee). The appointment of new CFO, Scott Giacobello will help achieve this because he brings financial and accounting expertise to the table.

Phase I trials:

Phase I trials usually consist of the first time the new experimental drug is given to people as a study. The purpose of Phase I trials is to determine the correct dosage that a patient can receive and discover any side effects that may have been missed in previous studies. GW Pharmaceuticals has previously been through two

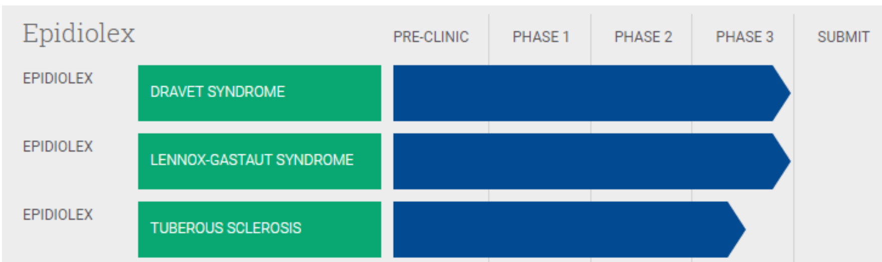


Phase I trials including the drug GWP42006 for autism spectrum disorders (ASD). GW has been gaining clinical experience with ASD through the use of several types of Cannabinoids. This drug may be able to treat deficits in cognition, behavior, and communication for those suffering from ASD. The other Phase I trial which is currently underway is the trial of the new drug GWP42003.This trial included patients who suffer from acute or sub-acute brain injuries due to asphyxia. GW Pharmaceuticals is currently developing a CBD formulation that can provide treatment for Neonatal Hypoxic-Ischemic Encephalopathy (NHIE). The trial of GWP42006 was successful in the phase I trial and GWP42003 received designation from the FDA which allows them to study the drug on sponsors.

Phase II trials:

Phase II trials are used to determine if the drug works for the assigned disease. In the Phase II trials, patient sizes are increased from a few dozen up to 100 studies. Patients will be tested with the same dose which was determined to be the safest to analyze the effectiveness. Some patients may receive the drug in an alternative way and different dose to determine which is most effective and safe. GW Pharmaceuticals is currently operating 4 phase II trials, Epidiolex in infantile spasm, GWP42006 in Epilepsy, GWP42002/GWP42003 for Glioma, and GWP42003 for Schizophrenia. GWP42006 for epilepsy included the testing of 66 subjects and was well tolerated by the bodies at the highest tested dosage. This drug uses the primary cannabinoid, CBDV. The other Phase II trial which is currently underway is the trial of the new drug GWP42002/GWP42003. This trial included 20 patients who were being treated for recurrent GBM. The third phase II trial underway is GWP42003 for Schizophrenia. This is a disease that affects how a person may think, perceive things, and emotionally react to things. This drug was tested on 88 patients who suffered from Schizophrenia who failed to respond effectively to other types of anti-psychotic medication. This drug has been able to reduce the characteristic disorders that is currently available through medication. The last phase II trial is the use of Epidiolex in Infantile Spasms. This disease is rare in children under the age of 1.

Phase III trials:



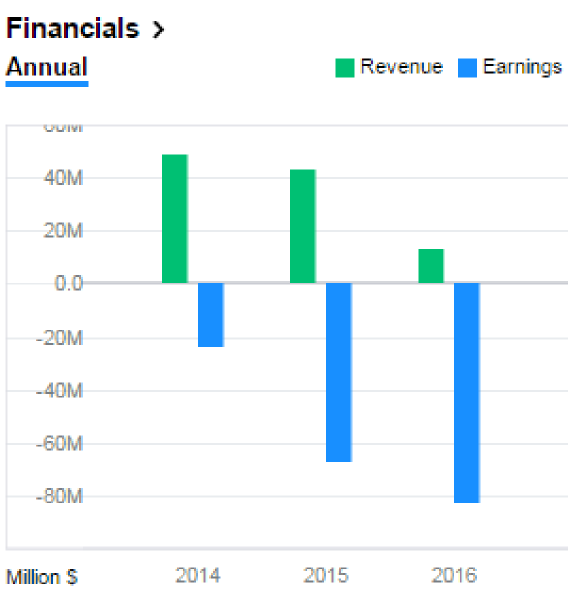
Phase II trials are when new drugs pass the first two phases and now must determine if this drug is better than what is already available. This trial is usually done in larger groups and done at random so neither the patient or doctor know what drug they are receiving. This trial is done over multiple locations globally and could last a while since patients are tested extensively. GW Pharmaceuticals currently have Epidiolex in phase II trials for several categories including Dravet syndrome, Lennox-Gastaut syndrome (LGS), and Tuberbous Sclerosis TSC). In the phase III trial Alabama section, 58% of patients had a greater than 50% reduction in seizure frequency, 36% had a greater than 75% reduction, and nine patients were seizure free. These results remained consistent through the six month testing period, and also remained consistent from each study location. The drug tested to be more effective than the placebo. The next step for Epidiolex is to be submitted for approval by the FDA.

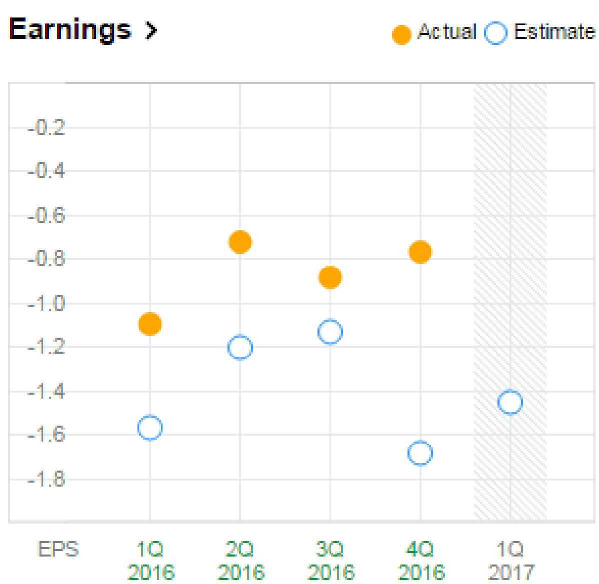
Trump Administration:

The Trump Administration has been busy at work since President Donald Trump came into office. One question that has yet to be answered is what will President Trump do about the legalization of Marijuana? Well, with Jeff Sessions being appointed as the Attorney General we can assume that the likelihood of the administration being in favor of the legalization of marijuana is slim to none. Donald Trump stated back in 2015 during his campaign that the use of recreational marijuana was bad and he strongly held that position. However, President Trump stated that the use of medicinal marijuana was great and that he was 100% in favor of this. This is a great sign for GW Pharmaceuticals who is hoping to get the first Cannabis based drug approved by the FDA. Trump previously stated to Bill O'Reilly that the legalization of marijuana should remain a state to state issue, which leads us to believe he won't be taking action within the near future on this matter.

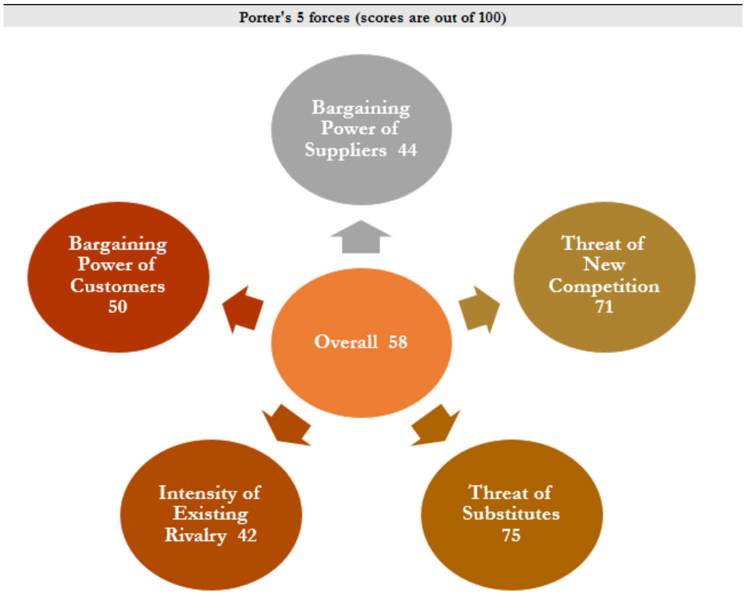
Financials &Valuation:

GW pharmaceuticals has reported revenues of 13.4 million in 2016 which is down 69% from the previous year reporting. This is due to the Research and Development fee charges to Otsuka, which is another pharmaceutical company. This number also reflects the extensive research of Epidiolex and the other pipeline studies. The Selling, general, and administrative costs to the company also increased by 6 million from 2015 because of the investments made to establish the commercial presence of GW Pharmaceuticals in Europe and America. There was a negative net cash flow because of the additional investment of a new 45-acre glass house growing facility. Although earnings have been going down over the past couple years, GW Pharmaceuticals is about ready to launch their new drug to the market and commercialize it which will drive the earnings per share back up. This slow rise can be seen in the forecasted EPS in the first quarter of 2017. GW Pharmaceuticals was difficult to valuate on the proforma due to several reasons which include the negative revenue performance in comparison to their competitors and high capital expenditure. The company may seem to have stagnant performance during this time due to the high capital expenditure for the phase III trials and the new addition of a glass house in Europe for the growth of cannabis. The stock target price reflects the pending approval of Epidiolex which would drive revenue up.





Porter's 5 forces:



Bargaining Power of Suppliers- The bargaining power of suppliers is moderately low because there are multiple drugs out on the market and just because the drug is approved by the FDA doesn't mean that the DEA is going to schedule it. The cost of the product is also an issue because it is the only cannabis based drug out there right now and it is costly, so there's no guarantee that doctors will recommend this over other cost efficient drugs.

Bargaining Power of Customers- The bargaining power of customers is moderate because they have a say in what drug they take when they go to the doctor. When they are diagnosed with something the doctor will lay out options for the patient. And although this drug may be more effective, the cost of it may sway the buyer to settle for a less costly medication.

Intensity of existing Rivalry- The intensity of existing rivalry is moderately low because there are few pharmaceutical companies that have created a cannabis based drug that is also a step away from being approved by the FDA. Soon GW Pharmaceuticals will have the upper hand in the market because they will be the first company potentially approved.

Threat of Substitutes- The threat of substitutes is high because there are multiple drugs out on the market that can treat the same thing. Although certain drugs may not be as effective as Epidiolex, they will be more cost efficient to the buyer.

Threat of New Competition- The threat of new competition is high because in this industry new companies can emerge with a great new drug that proves to work better than anything else out on the market. If this were to happen then GW Pharmaceuticals would lose an advantage over the market and have to find another way to maintain their competitiveness.

Conclusion:

With the approval of Epidiolex looking optimistic over the next couple years, this makes GW Pharmaceuticals a buy. This is a risky investment, as is most pharmaceutical companies due to the uncertainty of the drugs performance. GW Pharmaceuticals has proven to be a true titan in the industry though, and continues to perform. I expect this stock to rise to $155.63 over the next year generating a 24% percent return.

http://www.pharmatimes.com/news/gw_pharma_unveils_new_financial_head_1188365#.WMWnQmY9zRc.email

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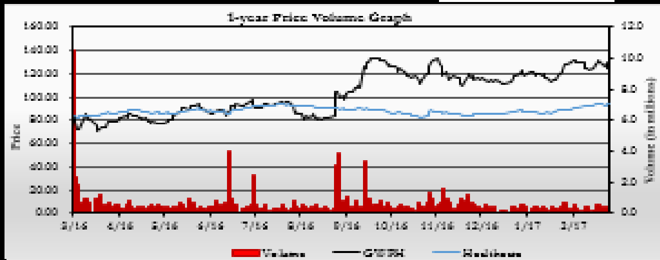
GW Pharmaceuticals plc (GWPH)

BULLISH

Analysis by Edward Stumm	**Current Price:**	$125.07	**Intrinsic Value**	-$27.54
3/12/2017	**Divident Yield:**	0.0%	**Target Price**	$156.11

Target 1 year Return: 24.85%
Probability of Price Increase:



Description

GW Pharmaceuticals plc, a biopharmaceutical company, engages in discovering, developing, and commercializing cannabinoid prescription medicines using botanical extracts derived from the Cannabis plant.

General Information

Sector	Healthcare
Industry	Pharmaceuticals
Last Guidance	November 3, 2015
Next earnings date	May 2, 2017
Estimated Country Risk Premium	5.10%
Effective Tax rate	15%
Effective Operating Tax rate	17%

Market Data

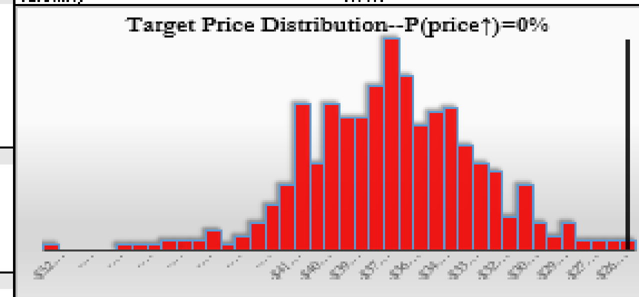
Market Capitalization	$3,152.04
Daily volume (mil)	0.49
Shares outstanding (mil)	25.20
Diluted shares outstanding (mil)	23.39
% shares held by institutions	74%
% shares held by investments Managers	81%
% shares held by hedge funds	16%
% shares held by insiders	6.25%
Short interest	9.92%
Days to cover short interest	6.88
52 week high	$137.88
52-week low	$69.12
Levered Beta	2.76
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2015	-30.81%	N/A
3/31/2016	-44.81%	N/A
6/30/2016	-43.32%	N/A
9/30/2016	-33.20%	N/A
12/31/2016	-10.61%	N/A
Mean	-32.55%	#DIV/0!
Standard error	6.1%	#DIV/0!

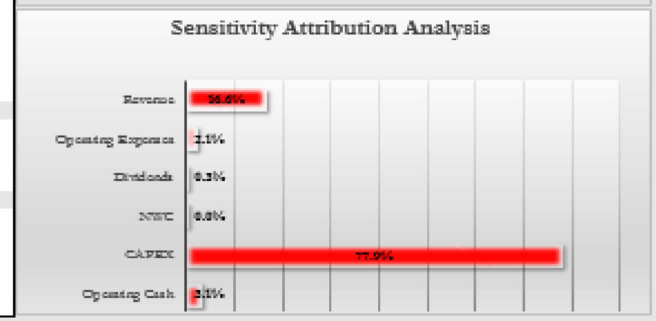
Peers

MyoKardia, Inc.
Acorda Therapeutics, Inc.
Ocular Therapeutix, Inc.
Tetraphase Pharmaceuticals, Inc.
Pacira Pharmaceuticals, Inc.
Theravance Biopharma, Inc.

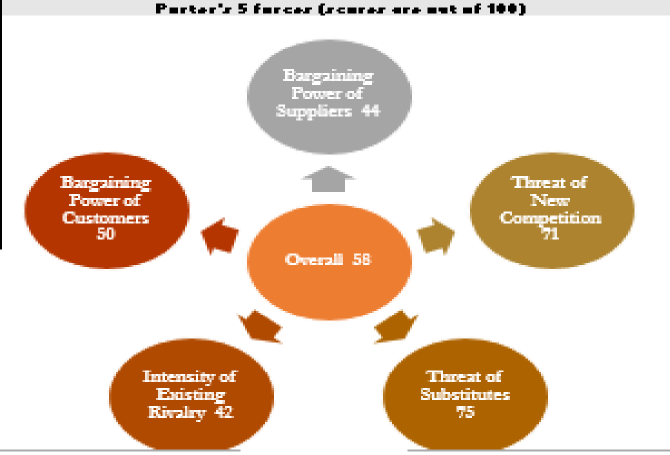


Management	Position	Total compensation growth	Total return to shareholders
Guy, Geoffrey	Founder and Executive Chairm	3.95% per annum over 6y	N/M
Gover, Justin	Chief Executive Officer and	5.8% per annum over 6y	N/M
George, Adam	Managing Director and Secret	14.97% per annum over 5y	N/M
Tovey, Christopher	Chief Operating Officer	8.02% per annum over 4y	49.7% per annum over 4y
Wright, Stephen	Chief Medical Officer	4.13% per annum over 6y	N/M
Gangolli, Julian	President of North America	108.49% per annum over 2y	10.59% per annum over 2y

Profitability	GWPH (LTM)	GWPH (5 years historical	Industry (LTM)
ROIC	-9.6%	24.71%	8.85%
NOPAT Margin	-368%	-13.41%	24.6%
Revenue/Invested Capital	0.03	-1.84	0.36
ROE	-5.0%	12.07%	12.89%
Adjusted net margin	-374%	-14.72%	22.0%
Revenue/Adjusted Book Value	0.01	-0.82	0.59
Invested Funds	**GWPH (LTM)**	**GWPH (5 years historical**	**Industry (LTM)**
Total Cash/Total Capital	52.6%	54.5%	16%
Estimated Operating Cash/Total Capital	8.3%	14.8%	N/A
Non-cash working Capital/Total Capital	-0.5%	-1.0%	1%
Invested Capital/Total Capital	55.0%	58.6%	78%
Capital Structure	**GWPH (LTM)**	**GWPH (5 years historical**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.01	0.02	0.69
Cost of Existing Debt	1.88%	2.51%	3.54%
Estimated Cost of new Borrowing	2.75%	2.92%	3.54%
CGFS Risk Rating	A	BBB	BBB
Unlevered Beta (LTM)	2.74	1.82	0.66
WACC	18.01%	12.44%	6.76%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-64.1%	-368.1%	-0.53
12/31/2017	106.6%	417.3%	1.10
12/31/2018	369.7%	1032.3%	8.40
12/31/2019	173.3%	1023.3%	6.40
12/31/2020	78.8%	978.8%	3.78
12/31/2021	41.2%	923.4%	2.45
12/31/2022	42.9%	898.3%	2.07
12/31/2023	37.3%	871.6%	1.78
12/31/2024	-0.1%	750.9%	1.05
12/31/2025	-14.8%	572.2%	0.55
12/31/2026	-33.8%	165.8%	0.10
Continuing Period	4.1%	162.5%	0.10

Period	Invested Capital	Net Claims	Price per share
Base Year	$30.17	$18.42	-$307.36
12/31/2017	$65.14	-$35.69	-$355.40
12/31/2018	$111.53	-$442.53	-$378.11
12/31/2019	$373.33	-$1,660.22	-$336.45
12/31/2020	$334.01	-$4,119.31	-$216.95
12/31/2021	$376.94	-$7,847.56	-$33.32
12/31/2022	$571.28	-$13,008.72	$249.92
12/31/2023	$2,022.14	-$20,024.08	$659.32
12/31/2024	$5,835.64	-$27,337.30	$1,006.68
12/31/2025	$11,958.87	-$33,170.20	$1,203.30