Stock	Buy / Sell	Thesis	Current Price	Target Price
BC	BUY	Brunswick is a historic company with a history of delivering quality products to a global market. The quality and reliability of its products set it apart from competitors. They have a competent and experienced management team that are growing the company aggressively. The company is trading near 52 weeks low and is greatly undervalued. Now would be an ideal time to BUY and realize short term profits from the undervaluation and long term growth profits.	$ 42.67	$ 53.00
BJRI	BUY	BJ's is currently feeling the effects of the restaurant industry downturn. The industry wide consequences provide reasoning for the Q3 2016 miss on the top and bottom line. However, the company has implemented a strategic new restaurant growth plan that will allow them to outperform its competitors. BJ's is currently trading at a historically low P/E multiple of 19.46x and EV/EBITDA of 7.33x, well below its 5 year average of 12.4x. Both multiples signal that the company is currently undervalued. Rapidly improving margins and an investor friendly management team support my case of a BUY for BJRI at a price of $35 or below.	$ 35.55	$ 43.00
BURL	SELL	Upon a thorough fundamental and technical analysis of the Burlington Corporation, there should be a short option placed for a short time period on this stock. The recommendation is to enter at the current price right now of $69.24, and exit at $60, yield at least 14.3% return. The reason that a short option is recommended is not relating to the organization's bad performance, but the stock price is quite overvalued. Earnings reports will be released November 22 and I believe that the stock will begin to drop to get to correct valuation that I believe is around $50-60. The main point that will be made in this report is Burlington's consistency. The company is not a weak company in sales but in 1 year the price has increased by nearly $25 but the important items on the income statements have basically remained the same (not worth an increase of 54% in the stock). Early this year the stock reached its highest point of $87.23, because of an overreaction of the expected earnings in Q1.	$ 69.24	$ 28.74

ST	BUY	• Sensata is a growth company with leadership positions in automotive sensors, which is a growing market. It has been delivering strong constant growth and has the ability to make more acquisitions to bring more growth. • There are increasing regulations relating to safety and emissions that drive the demand for energy efficient electronic products. • Sensata focuses on R&D to develop complex products with applications to the automotive industry. • Unappreciated earnings will increase when the company achieves its long-term targets.	$ 35.81	$ 46.00
TSLA	SELL	• Tesla motors sells more dream than actual sustainable solutions. Investor invest solely in the future outlook and hope that it becomes a reality. • The current financials and relative valuation is showing that tesla is highly unprofitable, and there are some major flaws in its Business Model. . • The current management of the firm is poor. Board, namely CEO Elon musk show signs of non-rational thinking through their Acquisition strategy in regards to their current financial struggle	$ 190.56	$ 133.66

Macroeconomic Overview

U.S. Markets

	Index	Weekly % Change	YTD % Change
SPX Index	S&P 500	-1.70%	4.90%
INDU Index	Dow Jones Industrial	-1.65%	4.30%
CCMP Index	NASDAQ Composite	-0.57%	4.44%
RTY Index	Russell 2000	-2.73%	7.76%
VIX Index	VIX	28.54%	-11.70%

Markets end the week lower once again as the S&P continues its losing streak despite last week's employment and wage data for the month of October showing signs of improving economic conditions. Investors are still pulling money out of U.S equities due to the uncertainty brought about by the Presidential Election. As the race tightened earlier in the week most indices seemed to decline when the possibility of a Trump presidency seemed more likely.

In the past month about 161,000 jobs have been added while the unemployment sits at 4.9%. The year over year increase in wages of 2.8% stands out because we haven't seen that fast of an increase in over 5 years. The 3rd Quarter GDP numbers came in at a 2.9% increase, which beat analysts' estimates derived mostly from a 10% increase in exports. A December rate hike from the FED seems increasingly likely especially from the recent improvement in U.S economic conditions.

Commodities

The Price of Crude oil is down on the week ending at $44.53 per barrel. There is little confidence that OPEC will be able to effectively cap production which has kept prices down between the $40-$50 range. Resulting from the uncertainty of the upcoming Presidential Election, investors have been using the safety of Gold to protect themselves from volatility driving the price of Gold temporarily above $1,300.

Looking Forward

Looking out to next week, most of investors will be paying attention to the Election as a major catalyst but not much else from the U.S.

International Markets

	Index	Weekly % Change	YTD % Change
BE500 Index	BE 500	-2.63%	-7.72%
SXXP Index	Stoxx Europe 600	-2.53%	-6.92%
DAX Index	DAX	-2.18%	-2.80%
UKX Index	FTSE 100	-1.85%	7.85%
CAC Index	CAC 40	-3.59%	-5.56%
NKY Index	Nikkei 225	-3.27%	-13.81%
SHCOMP Index	Shanghai Composite	-2.88%	-15.15%
SZCOMP Index	Shenzhen Composite	-3.14%	-14.23%

Europe

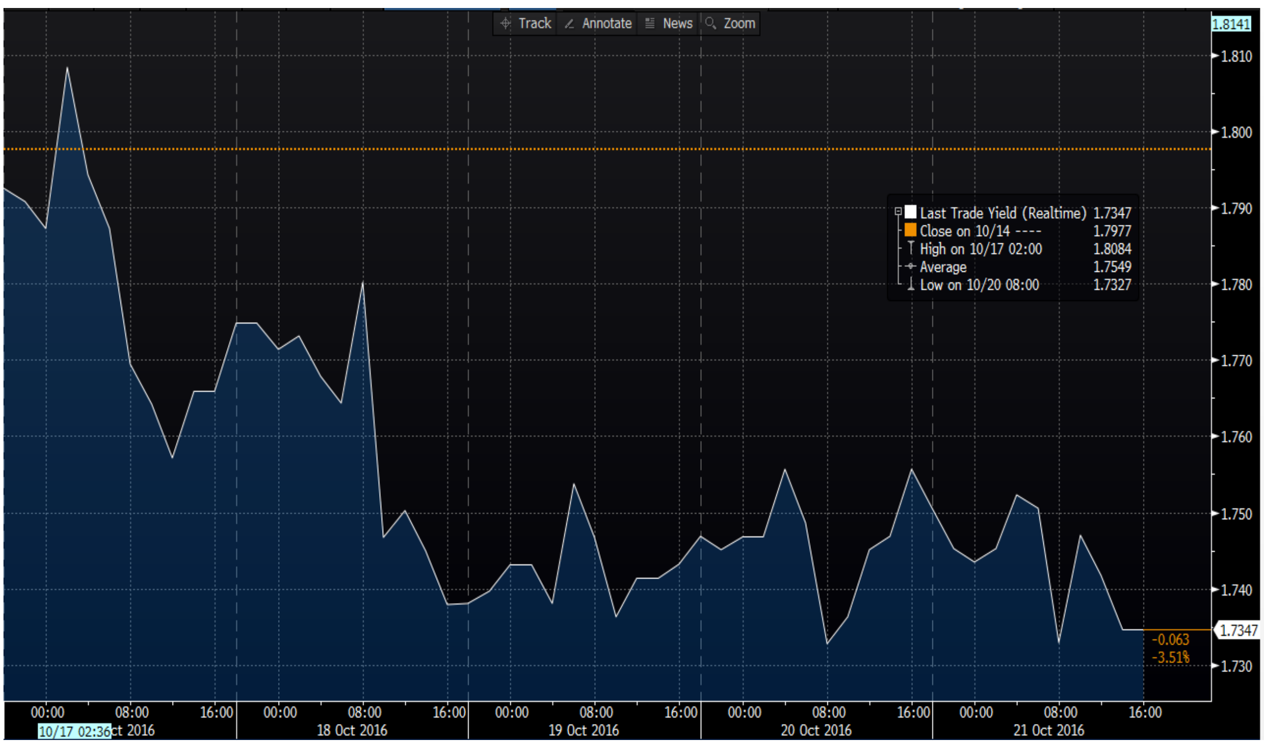
The major European indices are also under a lot of pressure largely pertaining to the dropping price of oil and the strengthening Pound and Euro. The French CAC Index posted the greatest weekly declines in the European markets but most saw a decline of between 2-3%. In the UK, the High Court decided that British Parliament must Vote in order to continue the Brexit process; many Parliament members have publicly stated that they would side along with the popular vote. The High Court's decision drove the Pound and Euro higher against the Dollar causing a small sell off in British Equities and overall European Equities. The European markets have typically been following prices of crude and the pressure on crude would partially explain this week's sell off.

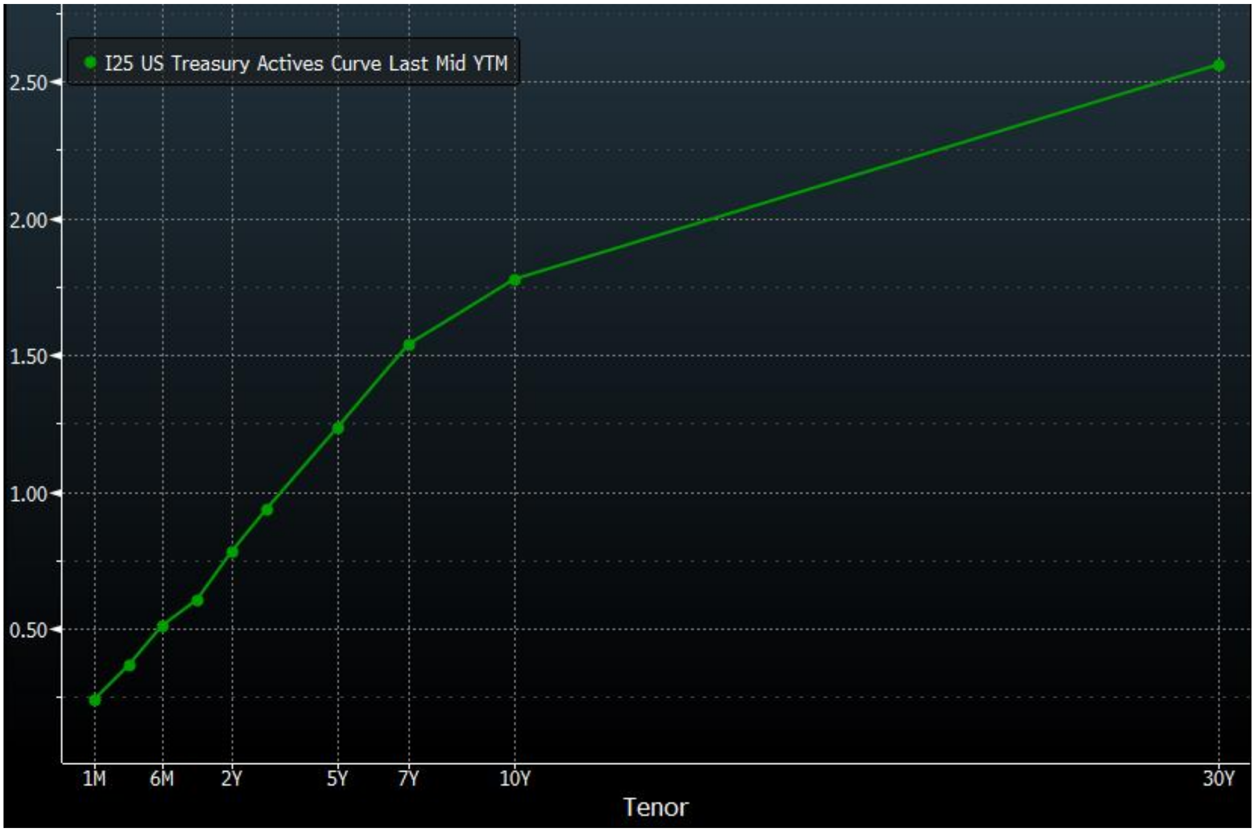
Asia

The Shanghai and Shenzhen Indices posted losses of 2.88% and 3.14% respectively signaling that investors are avoiding volatility and are investing in relatively safer assets like Gold. This past week in China we see major gains in the Chinese Industrials Sector driving GDP for Q3 of 6.7% and signaling that the trend should continue into a strong Q4. They are on their way to being on par with analysts' 6.5% to 7% range for the full year. Also coming from China, there has been a rise in nonmanufacturing jobs which is a positive signal in an improving economy. Japanese Yen saw a boost versus the Dollar amid election fears; another example of investors hedging the volatility.

Bond Report

This week, in spite of a satisfying jobs report for October, Treasury yields fell (and prices rose inversely), as investors are being concerned about the outcome of the presidential election because of Clinton's shrinking lead over Trump in various polls. One of the other main points of scrutiny of the market were the likelihood of a coming interest rate hike. On Monday, the drop in yields was partially due to investors directing towards longer-term bonds as an increase of 0.8 years in the duration of the Bloomberg Barclays U.S. Treasury index is expected. On that day, Personal Consumption and Expenditures Index showed the highest increase since November 2014 (+1.2% in 12 months), but did not have a strong impact on the yields. On Tuesday, the impact of increased inflation expectations, as well as accelerating U.S. manufacturing activity, were countered by the results of polls that estimated Clinton's lead in the presidential race to have narrowed to 2.2% from over 7% a couple of weeks ago. Consequently, the Treasuries rallied in the afternoon, and the yields fell sharply in the later part of the day. On Wednesday, Short-Term Treasury yields kept on rising, as the Federal Reserve did not raise the interest rates, but stated that a hike in interest rate would make even more sense now than it did this summer. Consequently, investors now strongly expect a December hike. On Thursday, BOE expecting inflation to raise above its 2% lead European yields to rise sharply, but the US Treasuries did not follow the trend, as the growing concern over the election outcome kept on prevailing on other events. Indeed, on Friday, even reports of an October 0.4% wage growth and higher-revised number of August and September jobs growth were not sufficient to drag yields higher. Overall, yields fell sharply over the last week as demand for Treasuries increased. The 10-year note yield fell from 1.846% on Monday to as low as 1.783% on Friday evening, while the 30-year yield fell from 2.614% to 2.570%.





What's next and key events

On Tuesday, the PMI Manufacturing Index showed positive numbers, with a 1.9 points increase in October to 53.4 from 51.5 in September. Overall, production, building of inventories, purchase activity, and hiring strengthened through the month. On Wednesday, the FOMC announcement kept the Fed Funds rate at its current 0.25-0.50% range. Further evidence of strong inflation might be the initiator of a long-expected interest rate hike. Next week, even though reports such as JOLTS (Job Openings and Labor Turnover Survey), Jobless Claims, and Consumer Sentiment are expected on Tuesday, Thursday, and Friday respectively, the bond market will be waiting for only one event: the presidential election. The market is fearing the outcome, as Hillary Clinton's, whose policies would be mostly in line with Obama's, has seen her lead over unpredictable Republican candidate Donald Trump shrink.

Brunswick Corporation

NYSE:BC

Analyst: Eric Crown
Sector: Consumer Disc.

BUY

Price Target: $53

Key Statistics as of 11/04/2016

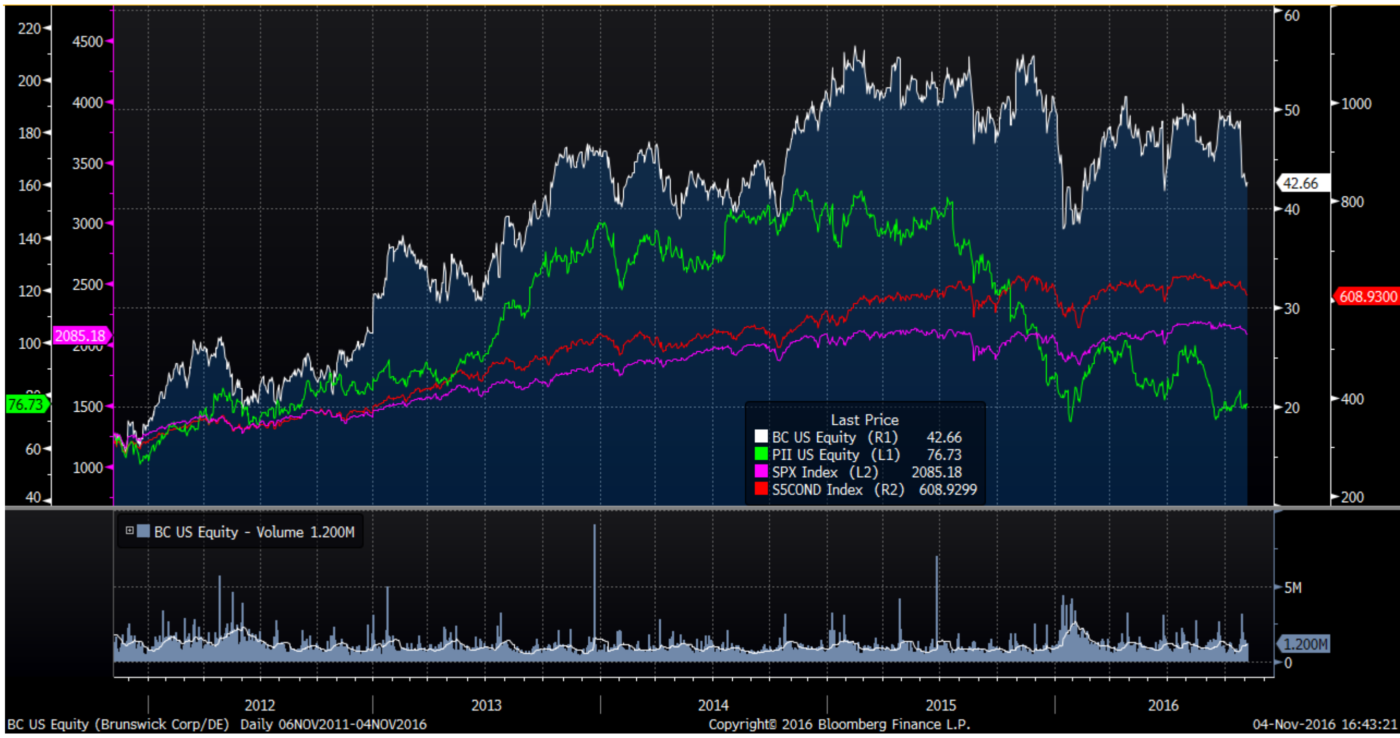
Market Price:	$42.67
Industry:	Recreational Goods, Other
Market Cap:	$3,850M
52-Week Range:	$36.05-55.65
Beta:	1.67

Catalysts:

- Short Run Price Fluctuations
- Growth through Acquisition
- Economic State

Company Description:

Brunswick Corporation (BC) is a high quality producer of recreational products with an international reach. It was founded in 1845 and has been publicly traded since 1982. It operates in three different segments: Marine, Boat, and Fitness products, with the marine and boat segment making up over 80% of the company as of 2016. It is head quartered in Lake Forest Illinois. It sales its diverse products to the consumer, commercial use, and government markets.

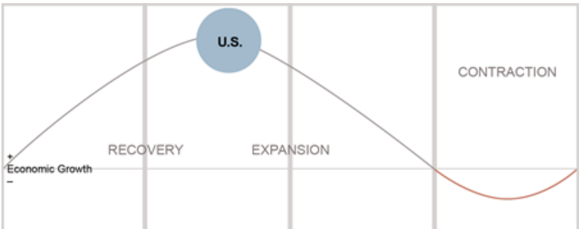


Thesis

Brunswick is a historic company with a history of delivering quality products to a global market. The quality and reliability of its products set it apart from competitors. They have a competent and experienced management team that are growing the company aggressively. The company is trading near 52 weeks low and is greatly undervalued. Now would be an ideal time to BUY and realize short term profits from the undervaluation and long term growth profits.

Industry Outlook

The consumer discretionary sector follows closely to the economic market, because these are goods that are not a necessity to the consumer. If the economy is doing poorly people do not have the funds to spend on as many wants. Recently the market has been preforming fairly poorly which has resulted in a downturn in the consumer discretionary as well as Brunswick. This has created a low buy in for Brunswick, which was already trading lower than its 52 week average to begin with. This makes it an ample time to buy. One major risk however is the prevailing economy.



The graph above, provided by Fidelity, shows were the economy is now based on the average time frame of the economic cycle. This leads to a pause to buy Brunswick because an economic downturn would surely have adverse effects on the company. With a Beta of 1.67 a decline in the market would be very significant. Based on these facts I would recommend to wait and see if the recent lows in the market is just a small dip or the beginning of a market contraction. This is a major catalyst in the price of the stock and must be timed correctly to ensure maximum profits. The specific industry of marine vehicles products is seasonal, with sales generally highest in the second calendar quarter of the year. With Q4 resulting in very few sales.

Segments

Brunswick is currently divided into three major segments: Marine Engines, Boats, and Fitness products. Brunswick's engine related products include Out/In board, engines, trolling motors, sterndrives, propellers, engine control systems, and marine parts and accessories. The Company's boat offerings include: fiberglass pleasure boats, yachts, offshore fishing boats, aluminum and fiberglass fishing boats, pontoon boats, deck boats, and inflatable boats. Brunswick's fitness products include cardiovascular and strength training equipment for both the commercial and consumer markets. Imbedded in this segment is also a complete line of billiards tables and other gaming tables and accessories. The Boat Group procures most of its outboard engines, gasoline sterndrive engines and gasoline inboard engines from Brunswick's Marine Engine segment. This vertical integration can help them reduce cost in the future.

In Millions of USD except Per Share	FY 2012		FY 2013		FY 2014		FY 2015	
12 Months Ending	12/31/2012		12/31/2013		12/31/2014		12/31/2015	
Revenue	3,717.6	100.0%	3,887.5	100.0%	3,838.7	100.0%	4,105.7	100.0%
Marine	2,759.4	58.5%	2,883.7	58.6%	1,933.6	50.4%	2,036.5	49.6%
Boat	1,002.6	21.2%	1,032.0	21.0%	1,135.8	29.6%	1,274.6	31.0%
Fitness	635.9	13.5%	693.5	14.1%	769.3	20.0%	794.6	19.4%

As can be seen in the table above the marine engine segment is the largest with the boat segments rapidly growing. The marine segment has the highest operating margin of 17%, with fitness at 14% and boating at 2%. This is very low for boating and slightly concerning considering it is the fastest growing segment. However being the contrarian I am this entices me. If management could increase the boating operating margin, there would be substantial growth.

BC vs Competitors

There are not many companies that can compete directly with Brunswick because of the diverse portfolio Brunswick has. This being the case I decided to compare Brunswick to Polaris Industries (PII), Camping World Holdings (CWH) and Sunbird Yacht Company (300123).

	ROIC/WACC	ROIC	ROIC W/O GW	EBITA Margin	WACC	Ke	Kd
Brunswick:	1.1	17.80%	21.60%	10.50%	16.10%	17.30%	6.10%
Competitor:	1.25	12.10%	13%	8.60%	9.70%	11.40%	3.30%

As can be seen in the table provided above Brunswick outperforms its competitors in profitability. It has a higher ROIC and EBITA margin then the chosen competitors. However Brunswick could improve by decreasing their debt. They have a much higher WACC, nearly double of the competitors. This is due to the many recent acquisitions they have undertaken. Once they slow down their aggressive acquisitions their debt, and cost of debt, will decrease. This will lead to a much higher ROIC/WACC ratio then the competitors, meaning they are creating much more value. Brunswick also has a leg up on its competition in quality of products. They won the Innovation Award for the Outboard Engines category for their X5 trolling motor in September 2015 at the International Boatbuilders Exhibition and Conference.

Ownership

Top Ownership Type (%)

54) Ownership Type	10/30/16	Curr	Change
41) Investment Advisor	80.52	80.28	-0.24
42) Hedge Fund Manager	11.78	11.90	+0.12
43) Pension Fund	2.47	2.52	+0.05
44) Individual	1.66	1.68	+0.02
45) Government	1.20	1.21	+0.01
46) Bank	1.12	1.13	+0.01
47) Insurance Company	1.04	1.05	+0.01
48) Corporation	0.06	0.08	+0.02
49) Endowment	0.07	0.07	0.00

The above table provided by Bloomberg shows the ownership for Brunswick. Hedge Fund manager hold 12 %, which is a fairly high percentage. This is a reassuring sign because it shows that there is potential for value creation. The fact that interest from hedge funds has gone up by 12 bases points is also positive.

Undervalued

The current state of the consumer discretionary market has lead Brunswick and other companies in the industry to very low prices. Brunswick is trading near its 52 week lows. It is also trading at a near 5 year low P/E of 12.90. These are all signs that Brunswick is undervalued due to the state of the industry. A slight improvement in the market could dramatically increase the price in the short run. With a Beta of 1.67 the price would fluctuate a lot to an increase in the market. Brunswick is trading near 5 year low multiples across the board. As well Brunswick has a PEG ratio of .820, which is well below one. Theoretically this means the stock is undervalued because the Price to Earning is not high enough considering the growth rate. The technical analysis of this stock is a major catalyst in a potential price change. Another reason that the stock may be undervalued, besides the market, is the extensive Pension payments that have been made in prior years. In the fourth quarter of 2015 Brunswick paid $82.3 million and $27.9 million in the fourth quarter 2014 to settle a portion of its pension obligations. According to the Quarter 3 earnings call Pension expense in 2016 is projected to be $15 million. This is good because they are paying off these liabilities and can start allocating these funds to grow the company. With an analyst one year median estimate of $60 there is lots of upside potential with minimum downside risk.

Growth through Acquisition

In the longer term Brunswick's strategy remains consistent. They try to design, develop and introduce high quality products featuring innovative technology and styling into the market. They accomplish this goal by innovating their existing product and through aggressive acquisitions. In the past two years they have purchased five companies in their marine and fitness segments. On November 6, 2015 they acquired Garelick Mfg. which design and produce marine product and accessories. These acquisition will expand the Company's marine parts and accessories business and add depth and breadth to its product portfolio. On July 8, 2015 they acquired SCIFIT Systems. This added fitness equipment designed for elderly customers, which is a quickly growing market, to their portfolio. Acquisitions like this and many others have been strategically done to add value and potential growth to the company. If they continue to expand their portfolio they will be more vertically integrated which will decrease cost. As well they will have a more diversified portfolios with products that could lead to future growth. Management is very confident in their growth potential stating in their Quarter 3 earnings report: *"As we finish the 2016 season, we're confident that the growth in the market demand is sustainable. This confidence is supported by dealer sentiment, strong order levels going into the new model year, new and innovative product offerings across the industry, favorable replacement cycle dynamics as existing boats age, as well as stable economic conditions and consumer sentiment."*

Leadership

Brunswick has a very motivated and determined leadership. They make it clear that their main objective is creating value for the shareholders. As well they are very transparent and offer lots of guidance to investors, while not being overly optimistic. Mark D. Schwabero was named Chairman and Chief Executive Officer of Brunswick in February 2016. He served as President and Chief Operating Officer of Brunswick from 2014 to 2016 and Vice President and President - Mercury Marine from December 2008 to May 2014. Mark has lots of firsthand experience in the company that will help him meet his goals of creating value. Since 2014 management has initiated a share repurchase program with having already repurchased 4.8 million shares of the stock. Management has advised there will be $110-$120 of shares repurchased in 2016. This is another value creator because it is less shares outstanding which increases the shareholders stake in the company. Recently management announced an increase in the quarterly dividend payments from $.15 to $0.165 cents per share. All this shows that the management is capable and does everything in their power to create value for the shareholders.

Valuation

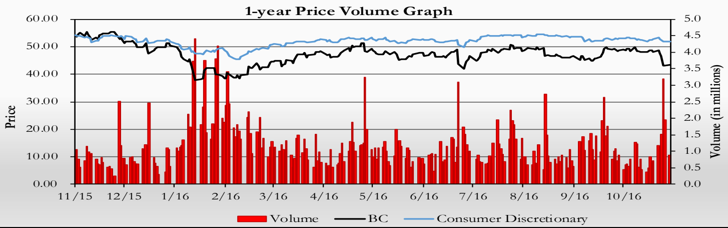
Long term management guidance was used for a majority of the continuing period values. All other values were set to industry averages. This yielded a price of $44.60 while the stock is actively trading at $42.66 as of November, 4th 2016. The one year target is around $53 dollars. This value is actually lower than the analyst median estimate of $60, which may be partially due to the share repurchase not being accounted for.

Summary

I recommend a BUY for Brunswick Incorporated. It is a historic company that offer superior products. This opportunity is the best of both a value and growth play. The stock has been undervalued according to trading ratios. With a small dividend, a share repurchase program, and aggressive acquisition growth; management has taken many steps to increase the shareholder value. Both analyst and hedge fund managers see the potential for gains. The one factor that must be taken into consideration is the economy. If there is a contraction this could mean potential losses. Timing in purchasing the stock could play a big role in total returns. I would recommend putting half a position in now and another half once market movements have been made clearer.

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

Analysis by Eric Crown	Current Price:	$42.19	Intrinsic Value	$43.85	Target 1 year Return: 27.72%
11/4/2016	Divident Yield:	2.1%	Target Price	$53.00	Probability of Price Increase: 98%



Description

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

General Information

Sector	Consumer Discretionary
Industry	Leisure Products
Last Guidance	November 3, 2015
Next earnings date	January 26, 2017
Estimated Country Risk Premium	7.25%
Effective Tax rate	35%
Effective Operating Tax rate	46%

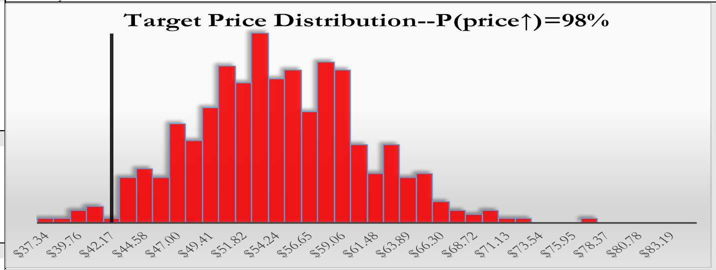
Market Data

Market Capitalization	$3,784.00
Daily volume (mil)	1.03
Shares outstanding (mil)	89.69
Diluted shares outstanding (mil)	92.73
% shares held by institutions	79%
% shares held by investments Managers	80%
% shares held by hedge funds	11%
% shares held by insiders	0.72%
Short interest	6.11%
Days to cover short interest	5.32
52 week high	$55.65
52-week low	$36.05
Levered Beta	1.98
Volatility	30.90%

Past Earning Surprises

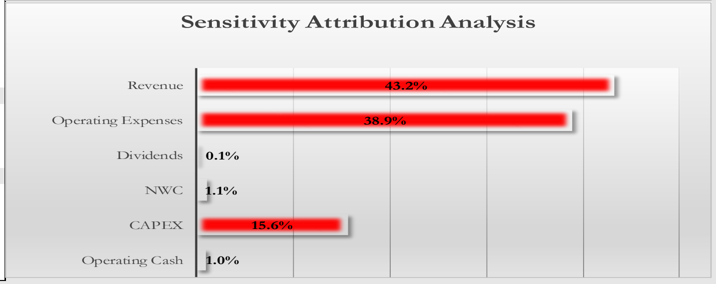
Quarter ending	Revenue	EBITDA
10/3/2015	-1.75%	-0.79%
12/31/2015	-2.79%	-22.49%
4/2/2016	-2.48%	-3.69%
7/2/2016	-1.21%	-0.89%
10/1/2016	-2.46%	-6.32%
Mean	-2.14%	-6.83%
Standard error	0.3%	4.0%

Peers

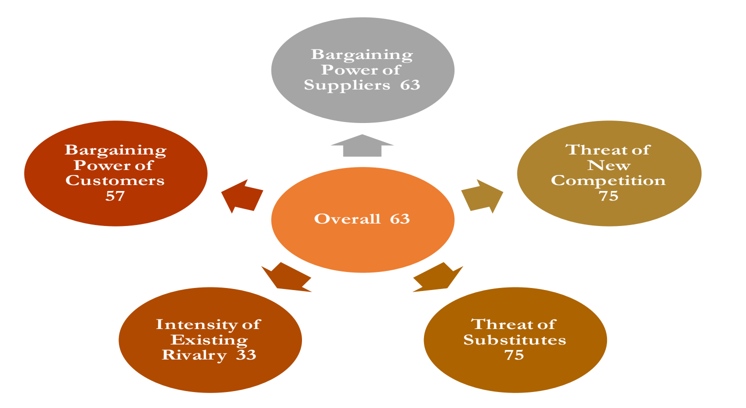


Management	Position	Total compensations growth	Total return to shareholders
Schwabero, Mark	Chairman, Chief Executive Of	25.92% per annum over 5y	2.62% per annum over 5y
Metzger, William	Chief Financial Officer and	7.54% per annum over 2y	5.85% per annum over 2y
Pfeifer, John	Vice President and President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

Profitability	BC (LTM)	BC (5 years historical average)	Industry (LTM)
ROIC	16.9%	19.58%	11.81%
NOPAT Margin	7%	5.86%	9.2%
Revenue/Invested Capital	2.46	3.34	1.28
ROE	17.5%	40.09%	13.39%
Adjusted net margin	6%	4.76%	7.9%
Revenue/Adjusted Book Value	2.77	8.42	1.69
Invested Funds	**BC (LTM)**	**BC (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	16.7%	25.6%	15%
Estimated Operating Cash/Total Capital	16.6%	20.6%	N/A
Non-cash working Capital/Total Capital	13.2%	15.5%	29%
Invested Capital/Total Capital	77.4%	73.5%	85%
Capital Structure	**BC (LTM)**	**BC (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.10	0.10	0.19
Cost of Existing Debt	9.55%	14.24%	5.32%
Estimated Cost of new Borrowing	6.10%	9.33%	5.32%
CGFS Risk Rating	D	D	C
Unlevered Beta (LTM)	1.87	2.45	0.89
WACC	17.41%	22.11%	10.01%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	8.2%	6.9%	0.97
10/1/2017	5.8%	10.3%	1.40
10/1/2018	3.9%	10.2%	1.30
10/1/2019	9.5%	10.5%	1.40
10/1/2020	6.1%	10.2%	1.37
10/1/2021	4.5%	10.1%	1.37
10/1/2022	4.5%	10.2%	1.43
10/1/2023	4.5%	10.4%	1.51
10/1/2024	4.4%	10.5%	1.60
10/1/2025	4.3%	10.7%	1.70
10/1/2026	4.2%	10.8%	1.83
Continuing Period	4.1%	11.0%	1.91

Period	Invested Capital	Net Claims	Price per share
Base Year	$381.92	$472.19	$43.90
10/1/2017	$563.84	$195.13	$53.21
10/1/2018	$1,300.83	-$97.42	$62.21
10/1/2019	$1,485.62	-$373.86	$71.49
10/1/2020	$1,788.25	-$640.18	$80.63
10/1/2021	$2,039.26	-$906.52	$89.54
10/1/2022	$2,342.72	-$1,163.26	$98.25
10/1/2023	$2,550.90	-$1,394.39	$106.64
10/1/2024	$2,809.40	-$1,624.80	$114.59
10/1/2025	$3,033.95	-$1,840.73	$121.94
10/1/2026	$3,212.88	-$2,041.21	$128.51
Continuing Period			

Siena Market Line
1st week of November 2016

BJ'S Restaurants, Inc.
NASDAQ:BJRI

Analyst: Justin Capuano
Sector: Consumer Disc.

BUY

Price Target: $43

Key Statistics as of 11/4/2016

Market Price:	$35.55
Industry:	Leisure/Restaurants
Market Cap:	$875.09M
52-Week Range:	$32.24-$47.55
Beta:	1.03
Current P/E:	19.46x
High (2015)	49.64x
Low (2015)	25.89x
D/E:	35.42%

Catalysts:

- SAME STORE SALES
- Materialization of organic growth plans
- Consumer spending reports

Company Description:

Founded in 1978 in Huntington Beach, California, BJ's Restaurants, Inc. (BJ's) owns and operates 182 casual dining restaurants in 24 states around the United States. Restaurants operate under the brand names BJ's Restaurant & Brewery, BJ's Restaurant & Brewhouse, BJ's Pizza & Grill, and BJ's Grill Restaurant. The menu features award winning deep dish pizza, BJ's proprietary craft beers, and a variety of other low priced appetizers, entrees, pastas, sandwiches, specialty grilled items, salads and desserts. BJ's currently has 20,700 employees and generated record high revenue of $919.56 million in FY2016.

Thesis

BJ's is currently feeling the effects of the restaurant industry downturn. The industry wide consequences provide reasoning for the Q3 2016 miss on the top and bottom line. However, the company has implemented a strategic new restaurant growth plan that will allow them to outperform its competitors. BJ's is currently trading at a historically low P/E multiple of 19.46x and EV/EBITDA of 7.33x, well below its 5 year average of 12.4x. Both multiples signal that the company is currently undervalued. Rapidly improving margins and an investor friendly management team support my case of a BUY for BJRI at a price of $35 or below.

Industry Outlook

United States based restaurants have struggled in 2016 through their display of poor revenue growth. The industry is quickly evolving to meet the needs of the growing millennial consumer base with the emergence of the fast casual dining scene. Millennials' and other consumers' spending habits are becoming more conservative as more people are favoring home cooked meals over eating out. Also negatively impacting the growth prospects of the restaurant industry is simply the oversupply of restaurants in the market. New restaurants are attempting to steal a share of the $300 billion dining market with casual dining claiming two-thirds of the market. The highly competitive marketplace is putting a toll on the weaker companies as chief executives are being fired, companies are consolidating, and chains are closing down poor performing locations. While attempting to combat the industry down turn, companies are resorting to discounting meal prices and revamping operating strategies in order to optimize economies of scale and increase traffic to their restaurants.

Business Model

BJ's primary objective is to build customer loyalty through its efforts of consistently delivering excellent service by passionately connecting with every customer. Customers dine at BJ's to experience the world class service, award winning pizza and proprietary craft beer. Introduced in 1978, the deep dish pizza is unusually light, crisp, has a bakery crust, and represents approximately, on average, 12% of total restaurant sales. Complementing the desirable pizza is the craft beer lineup. BJ's in house brewery operations produce approximately 20,000 barrels of beer, and independent third party brewers produce over 45,000 barrels of BJ's craft beer. Notably, the BJ's PM Porter and Lightswitch Lager won World Beer Cup gold medals in their respective categories at the Great American Beer Festival. BJ's owned craft beer sales, combined with other alcohol sales contribute, on average, 22% of total revenues.

Marketing is targeted toward generating higher foot traffic through television ads in areas surrounding each restaurant. Ads generally focus on the staple menu items such as pizza, desserts, and beer, as well as promotions for new menu items. With marketing expenses ranging from 2.2% to 2.3% from 2013 to 2015, management plans to stay consistent with its level of marketing by spending around 2%-3% of total sales in 2016. In 2015, and improved in 2016, BJ's launched new menu items such as the Enlightened Quinoa Bowl, Barbacoa Chicken, and the Loaded Burger to target the healthy, active customer. The menu prices range $7.50 to $24.50 with an average per customer check of $14.50. Low cost meals and a diverse menu are attractive aspects of creating brand loyalty and customer satisfaction.

Currently BJ's owns and operates 182 restaurants in 24 states spread across the entire United States. Restaurant locations are typically found in densely populated suburban areas that target family oriented customers and the millennial customer. Management typically follows a growth rate of around 10% a year for new openings, ranging from 10 to 20 new locations per year. Historically, BJ's year over year growth in revenue has been reliant the number of stores it opens each year. New restaurants are not included in the same store sales measure until they reach a maturity of 18 months. Based on the table below, it is evident that same store sales has had implications on total revenue growth. This sparked management's decision to change their business model from a growth oriented stand point to a model structured around improving operations in existing stores. Management gave guidance of 12 new store openings in 2017 in the Q3 earnings calls, significantly lower than the expected 17 new stores in 2016 and toward the lower end of the historical average.

	FY2013	FY2014	FY2015
Total Revenue Growth	9.40%	9.10%	8.80%
Same Store Sales	-1.10%	-0.80%	1.70%
Net Locations Opened	17	11	16

Investor Friendly

Despite the lack of dividends, BJ's management team has proven to implement plans to increase shareholder's wealth. Firstly, in 2014, the board of directors approved of a $250 million share buyback program which was increased to $350 million in 2016. From the Q3 2016 earnings call, approximately $23 million, or 600,000 shares of common stock was repurchased in Q3 alone. As of April 2014, over 6 million shares were repurchased and retired for a price of $243 million, leaving a total of $107 million remaining in the repurchase program. Guidance on further repurchase plans has not been provided, however, management believes in the brand name and wants investors to believe in the company as well. Share repurchases are funded by a mix of cash and carefully allocated amounts from outstanding lines of credit.

Secondly, there has been a recent surge of insider transactions. After the decline in stock price to near 52 week lows due to poor results in Q3 2016, 1,500 shares were purchased on the open market by company CFO Gregory Levin. More significantly was the 15,000 share purchase made by company Director Noah Elbogen. At average prices of $33.61, the total value of the shares purchased was $554,565. This all comes after Director Elbogen's purchase of 30,000 shares in August 2016 for an average price of $39.16. It must be noted that insider buying occurs when management believes that the company is undervalued and expects the company to deliver shareholder value by exceeding future expectations.

Company Initiatives

Maximizing organic growth is a pivotal factor for driving value in the slowing restaurant industry. The BJ's management team is aware that the necessary changes need to be made in order to survive and outperform its peers in the highly competitive environment. They have introduced company wide initiatives to combat their historically lagging organic growth and to improve future performance.

Marketing Strategies: A major factor in the -3.14% decrease in same store sales in Q3 2016 was the approximately 4% decline in foot traffic. A declining trend was apparent throughout the industry but BJ's took a harder hit than most of its peers. At BJ's there has been a recent trend of higher traffic during lunch hours compared to dinner hours. Customers prefer lighter, healthier meal options during the afternoon and management was targeting this by introducing and promoting its Enlightened meal options. This proved to be destructive because lunch options are typically sold at reduced prices while lowering margins and the average check per customer. While still utilizing the same marketing channels, the new strategy that is currently underway in Q4 will focus on promoting the same menu items as dinner specials. This will enable the company to raise the average check value and also increase the likelihood that customers will purchase an alcoholic beverage with their meals. BJ's owned craft beer is sold at the highest margins on the menu and will be an important factor in improving same store revenues.

Technology Advancements: BJ's strives for building relationships with its customers through positive experiences with waiters and fast service times. Every location, old and new, will receive an overhaul in kitchen and ordering technologies. The service staff will be able to use mobile tablets and specialized applications to send orders to the kitchen. Managers and kitchen staff will use a new system to monitor inventory levels as well as gauge daily performance while using new mobile applications. Optimizing the efficiency of each location is a key factor in raising customer and employee satisfaction.

Reduction in New Store Growth Rate: As mentioned before, BJ's will be reducing its level of new store growth rate to unleash the quality and value of its current locations. Despite the slowdown in growth, management maintains their expectation of growing to a total of 425 domestic stores in the long term. Capital expenditures, labor costs, and sales, general, and administrations expenses will be greatly reduced in future quarters as fewer stores are being built. While no guidance has been given to estimate the level of future cost savings, it is evident that there will be an increase in free cash flow. The newly available cash will be used to fund the marketing and technology advancements, future share repurchases, and will provide a safety net for the uncertainty of the restaurant industry.

Financials vs. Competitors

ROIC /WACC	History	LFY
BJRI	0.93	1.21
Competitors	0.83	1.56

ROIC W/O GW	History	LFY
BJRI	10.1%	11.1%
Competitors	10.6%	19%

WACC	History	LFY
BJRI	9.3%	9.1%
Competitors	10.2%	9.1%

COR/Revenue	History	LFY
BJRI	80.6%	80.4%
Competitors	76.8%	76.1%

EBITA Margin	History	LFY
BJRI	6.0%	6.7%
Competitors	8.0%	9.0%

SGA/Revenue	History	LFY
BJRI	7.5%	6.3%
Competitors	8.6%	8.0%

According to the historical analysis as displayed in the table above, BJ's has been growing value by increasing its ROIC to WACC ratio from its average of 0.93 to 1.21 in the last fiscal year, but the rate is slower when compared to its peers. This shows the company are still displaying returns on their invested capital, even when the industry is poorly performing. BJ's lagging performance is attributed to low ROIC without goodwill. It is important to analyze ROIC without goodwill because the industry is currently going through a consolidation phase, adding a goodwill premium to the participating companies. Costs of revenue and the low EBITA margin is driving the BJ's ROIC without goodwill of 11.1%, compared to the 19% industry average. Since these values represent the historical averages and last fiscal year, it reflects BJ's old business model that focused on growing the number of stores at high levels. Under the new business model, BJ's will have lower costs of revenue due to the decrease in labor, maintenance, and restaurant opening expenses. EBITA margins will also improve because of the company wide initiatives to maximize current store operations. The competitors used as comparisons are illustrated in the table below:

COMPETITORS	SYMBOL
Bloomin' Brands, Inc.	BLMN
The Cheesecake Factory Incorporated	NasdaqGS:CAKE
Chuy's Holdings, Inc.	CHUY
Dave & Buster's Entertainment, Inc.	NasdaqGS:PLAY
Famous Dave's of America Inc.	DAVE
Darden Restaurants, Inc.	NYSE:DRI
Brinker International, Inc.	NYSE:EAT
Ruby Tuesday, Inc.	NYSE:RT
DineEquity, Inc.	DIN
Red Robin Gourmet Burgers Inc.	RRGB

BJ's margins have shown growing momentum over the past three years as shown in the table below.

	2013	2014	2015
Gross Margin	17.52%	17.95%	19.89%
Operating Margin	3.08%	4.19%	6.86%
Net Margin	2.71%	3.24%	4.93%

With gross margins approaching 20%, operating margins approaching 7% and net margins nearing 5%, it seems that BJ's is in a position to handle a potential restaurant industry downturn if it does occur in the near future. With their current operating capabilities and efficiency improvement plans, BJ's will likely out perform its competitors.

Summary

BJ's Restaurants has the right strategy to combat a further restaurant industry downturn if it does persist. The unfavorable conditions have tarnished previous earnings which resulted in 25% stock price decrease since June. My assumptions about the impact of the efficiency improvement plan show that the price will revert back to its previous levels in the $40 range, with a 1-year target price of $42.50.

BJ's Restaurants, Inc. (BJRI)

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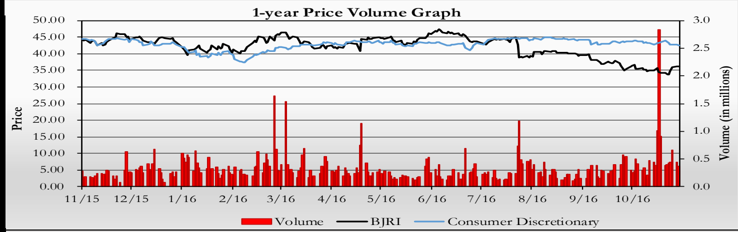
NEUTRAL

Analysis by Justin Capuano	Current Price:	$35.55	Intrinsic Value	$35.33	Target 1 year Return: 16.07%
11/4/2016	Divident Yield:	0.0%	Target Price	$41.26	Probability of Price Increase: 78.6%

1-year Price Volume Graph



Description

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

General Information	
Sector	Consumer Discretionary
Industry	Hotels, Restaurants and Leisure
Last Guidance	November 3, 2015
Next earnings date	February 16, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	29%
Effective Operating Tax rate	25%

Market Data	
Market Capitalization	$826.83
Daily volume (mil)	0.32
Shares outstanding (mil)	23.26
Diluted shares outstanding (mil)	24.82
% shares held by institutions	82%
% shares held by investments Managers	61%
% shares held by hedge funds	27%
% shares held by insiders	6.68%
Short interest	9.31%
Days to cover short interest	5.88
52 week high	$47.55
52-week low	$32.24
Levered Beta	1.08
Volatility	31.40%

Past Earning Surprises

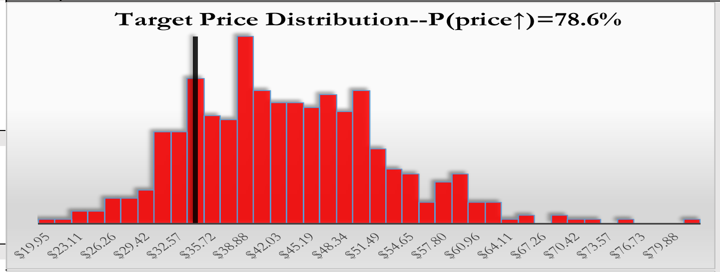
Quarter ending	Revenue	EBITDA
9/29/2015	-0.64%	-0.33%
12/29/2015	-3.72%	-0.06%
3/29/2016	-1.85%	0.79%
6/28/2016	-1.52%	-3.56%
9/27/2016	-5.77%	-16.91%
Mean	-2.70%	-4.01%
Standard error	0.9%	3.3%

Peers
Bloomin Brands, Inc.
The Cheesecake Factory Incorporated
Buffalo Wild Wings Inc.
Dave & Buster's Entertainment, Inc.
Texas Roadhouse, Inc.
Darden Restaurants, Inc.
Brinker International, Inc.
Ruby Tuesday, Inc.

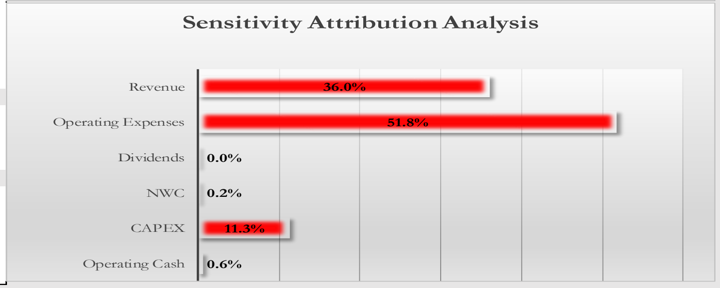
Management	Position	Total compensations growth	Total return to shareholders
Trojan, Gregory	Chief Executive Officer, Pre	-9.68% per annum over 4y	-6.05% per annum over 4y
Levin, Gregory	Chief Financial Officer, Pri	9.77% per annum over 5y	2.72% per annum over 5y
Lynds, Gregory	Chief Development Officer an	5.13% per annum over 5y	2.72% per annum over 5y
Ledwith, Lon	Executive Vice President of	20.06% per annum over 3y	4.27% per annum over 3y
Krakower, Brian	Chief Information Officer an	-100% per annum over 1y	-10.97% per annum over 1y
Miller, Kendra	Senior Vice President, Gener	N/M	0% per annum over 0y

Profitability	BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
ROIC	10.4%	9.71%	23.70%
NOPAT Margin	8%	7.90%	13.9%
Revenue/Invested Capital	1.30	1.23	1.70
ROE	12.5%	10.37%	31.54%
Adjusted net margin	7%	7.19%	12.1%
Revenue/Adjusted Book Value	1.80	1.44	2.60
Invested Funds	**BJRI (LTM)**	**BJRI (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	3.4%	4.5%	21%
Estimated Operating Cash/Total Capital	3.4%	3.7%	N/A
Non-cash working Capital/Total Capital	-10.5%	-8.3%	-29%
Invested Capital/Total Capital	99.4%	98.3%	87%
Capital Structure	**BJRI (LTM)**	**BJRI (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.42	0.23	0.37
Cost of Existing Debt	4.30%	5.06%	3.93%
Estimated Cost of new Borrowing	5.31%	5.31%	3.93%
CGFS Risk Rating	C	C	B
Unlevered Beta (LTM)	0.89	0.74	0.70
WACC	9.04%	8.33%	7.71%

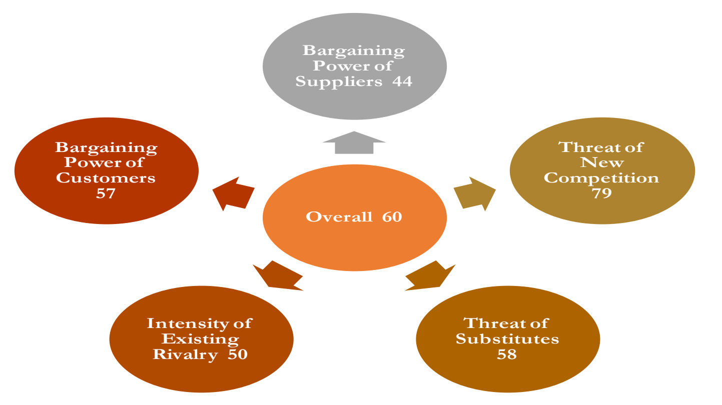
Target Price Distribution--P(price↑)=78.6%



Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	6.7%	7.9%	1.15
9/27/2017	6.1%	5.6%	0.85
9/27/2018	7.3%	6.4%	0.97
9/27/2019	6.9%	6.6%	0.95
9/27/2020	6.5%	6.9%	1.02
9/27/2021	6.2%	7.2%	1.08
9/27/2022	5.8%	7.4%	1.13
9/27/2023	5.5%	7.7%	1.19
9/27/2024	5.1%	8.0%	1.25
9/27/2025	4.8%	8.2%	1.29
9/27/2026	4.4%	8.5%	1.35
Continuing Period	4.1%	8.7%	1.34

Period	Invested Capital	Net Claims	Price per share
Base Year	$521.66	$382.29	$34.76
9/27/2017	$572.79	$384.47	$39.31
9/27/2018	$645.79	$413.26	$44.47
9/27/2019	$693.66	$378.01	$50.04
9/27/2020	$736.10	$343.07	$55.89
9/27/2021	$769.22	$298.84	$62.04
9/27/2022	$832.45	$243.86	$68.50
9/27/2023	$941.71	$179.99	$75.25
9/27/2024	$991.46	$119.28	$82.04
9/27/2025	$1,050.22	$40.80	$89.03
9/27/2026	$1,108.42	-$40.33	$96.21
Continuing Period			

Burlington Corp.

NASDAQ:BURL

Analyst: Christian Henderson
Sector: Retail

Short

Price Target: $28.74 / 92.00

Key Statistics as of 11/4/2016

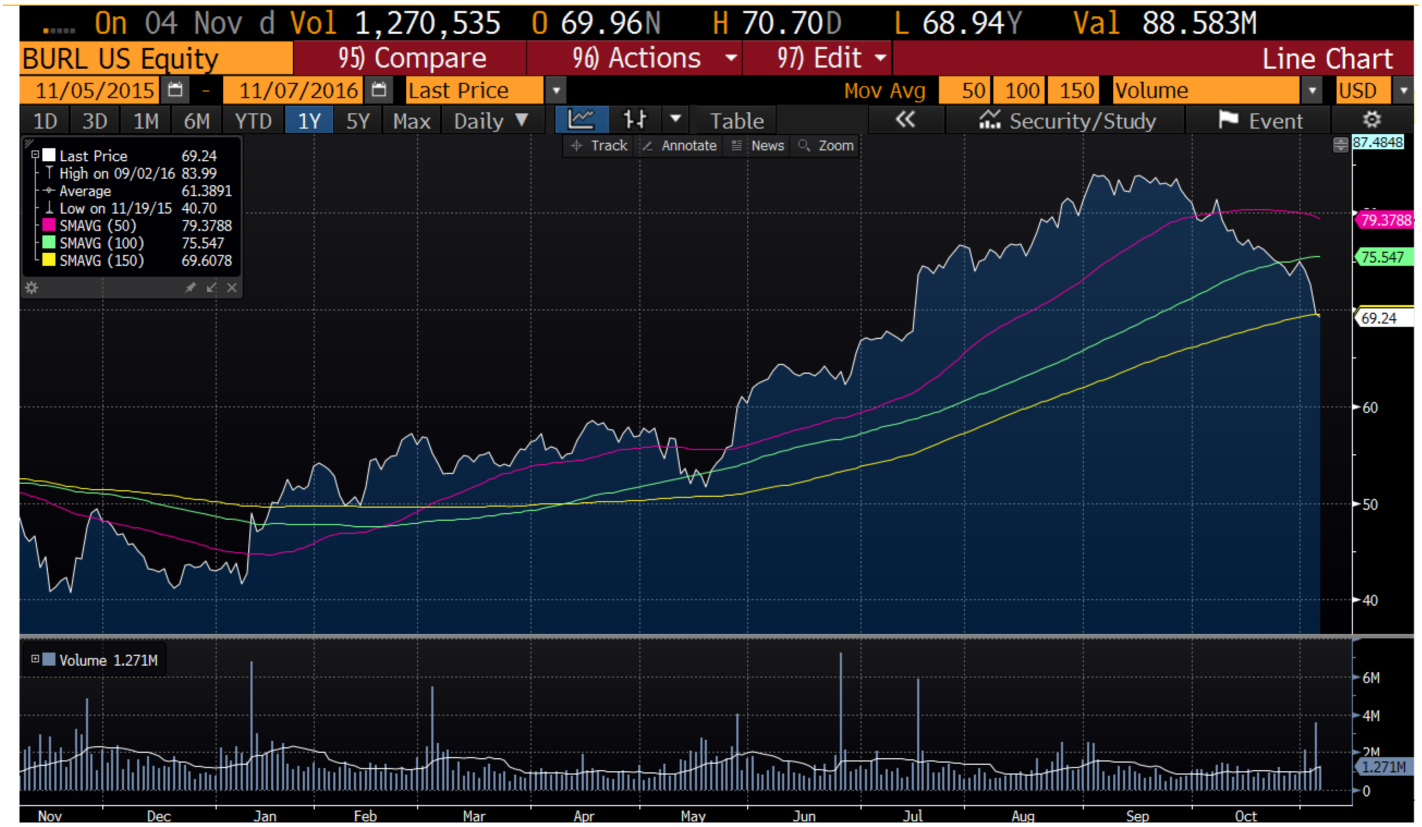
Market Price:	$69.24
Industry:	Retail
Market Cap:	$4,939.6
52-Week Range:	$39.40 - 87.23
Beta:	0.39

Catalysts:

- Reaction to Q3 report***

Company Description:

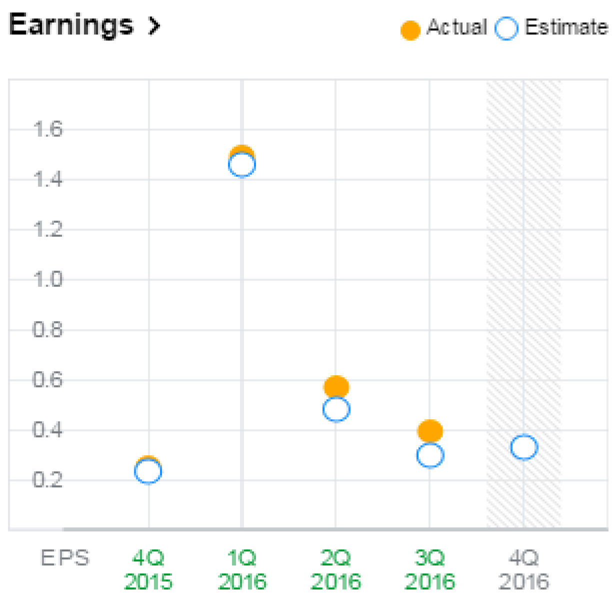
Burlington Stores is a nationally recognized retailer of high quality, branded apparel at everyday low prices. The company opened their first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, Burlington has expanded store base to 567 stores as of January 30, 2016, inclusive of an internet store, in 45 states and Puerto Rico, and diversified product categories through offering an extensive selection of in-season, fashion-focused merchandise, including: women’s ready-to-wear apparel, menswear, youth apparel, baby, footwear, accessories, home and coats. They sell a broad selection of desirable, first-quality, current-brand, labeled merchandise acquired directly from nationally recognized manufacturers and other suppliers. For the fiscal year ended January 30, 2016, total revenue generated was $5,129.8 million and net sales of $5,098.9 million.



Thesis

Upon a thorough fundamental and technical analysis of the Burlington Corporation, there should be a short option placed for a short time period on this stock. The recommendation is to enter at the current price right now of $69.24, and exit at $60, yield at least 14.3% return. The reason that a short option is recommended is not relating to the organization's bad performance, but the stock price is quite overvalued. Earnings reports will be released November 22 and I believe that the stock will begin to drop to get to correct valuation that I believe is around $50-60. The main point that will be made in this report is Burlington's consistency. The company is not a weak company in sales but in 1 year the price has increased by nearly $25 but the important items on the income statements have basically remained the same (not worth an increase of 54% in the stock).

Early this year the stock reached its highest point of $87.23, because of an overreaction of the expected earnings in Q1.



Even though the earnings reported in Q1 were very strong, for reasons that will be explained further in this essay the stock is not worth the current price it is being traded at.

Macro Environment

The Macro Environment is not something that Burlington should be worried about because this section of the retail industry is not regulated as much as the manufacturers section is. The company is selling inventory purchased from high end stores. Burlington is simply providing the service of discounted goods. Earlier this year in January, there was a class action settlement for $29.4 million dollars to settled claims related to violation of consumer privacy where consumer phone numbers were required as part of credit card transactions. During the time of the settlement the stock dropped 8% but recovered quickly and begin rising rapidly.

Industry Outlook

Throughout the 10k the risks that the company thought were important to discuss were the primarily focused on maintaining growth and the potential risks of a global recession that economists think is awaiting the global economy. These questions were answered by referencing the good job that Burlington has done in the last year to improve its growth substantially, while I believe their stock price deserved an increase. An increase of this caliber is an opportunity we cannot miss.

Some of the major competitors for this company are TJ Maxx (including TJ Maxx stores and Marshall's stores) and Ross, while semi-competitors are American Eagle, Urban Outfitters, The Gap and Abercrombie and Fitch. Burlington and direct competitors will be able to survive a dip in a global recession scenario because they offer discounted clothing and are less elastic, while the semi competitors may suffer more because of their expensive brands products are more elastic to consumers.

Business Model

Currently the business model for Burlington is selling fashion-focused merchandise, including women's ready-to-wear apparel, menswear, youth apparel, baby products, footwear, accessories, home décor and gifts, and coats. They have acquired most of their sales from women's ready to wear apparel at 24%, accessories and footwear 22% and menswear at 21%. They have a very diverse range of customers and these numbers have been consistent over the past few years. Since Burlington reopened stock to the public in 2013, they have produced constant steady numbers.

Category	Fiscal 2015
Women's Ready-to-Wear Apparel	24%
Accessories and Footwear	22%
Menswear	21%
Youth Apparel/Baby	16%
Home	11%
Coats	6%

Porters Five Forces

Intensity of competition

The intensity of competition is high especially with TJ Maxx (Marshalls is also under this brand), Ross Stores. Both of these companies have make competition stiff because they have the same or very similar business models. They cater to the needs of consumers in offering discounted name brand goods. It is very difficult to distinguish Burlington as a best competitor because many of the products available in the store is available in all of the discounted stores. While American Eagle, Abercrombie & Fitch, The Gap and Urban Outfitters are indirect competitors, customers may shop at these locations at simultaneously.

Threat of Substitution

The threat of substitutions is low because if the products in these discounted stores become unavailable, consumers will not purchase the goods carried from the designer factory at full price. There are not many substitutes to discounted name brand goods, except cheaper clothes from small mom and pop shops.

Barriers to New Entry

Barriers to New Entry is low to enter the market. However, many companies will be reluctant to join the retail sector because of the difficulty in staying and gaining competitive advantage. To enter this section of the market of selling authentic discounted name brand is more difficult because contractual agreements need to be made with companies to carry their name brand products.

Bargaining power of suppliers

Bargaining power of suppliers is quite high because Burlington Stores makes much of their revenues from the resale of clothing goods. The factories have the option of choosing which retailer to sell their goods to.

Bargaining power of consumers

The bargaining power of consumers is low because the discounted name brands and clothing is already at a bargain price. Consumers will be unable to drive prices down because profit is made from selling volume, and the profit per item is not as high as normal stores. Burlington Stores require a lot of their product to be sold for the profit.

Product Differentiation

The company did not change its line of products which is why maintaining high stock prices is concerning for buying investors but an opportunity for shorting investors. There is not much that the company has done differently to have such a high stock price except marginally outperform earnings estimates. This is a ripe opportunity to take advantage of a short opportunity.

Financials and Valuation

The financials on the company are consistent, which is very alarming. The only change is the well above industry average growth in net income and D/E ratio. The LTM Net Income growth is 76.66% which industry average is 4.84%, Debt to Capital is 108.3% while industry averages 2.52%. When comparing some of the important ratios to competitors (only TJ Maxx and Ross because they are direct competitors) the reason to short can be visually seen.

ROIC /WACC		
	History	*LFY*
BURL	1.83	2.23
Competitors	3.89	4.01

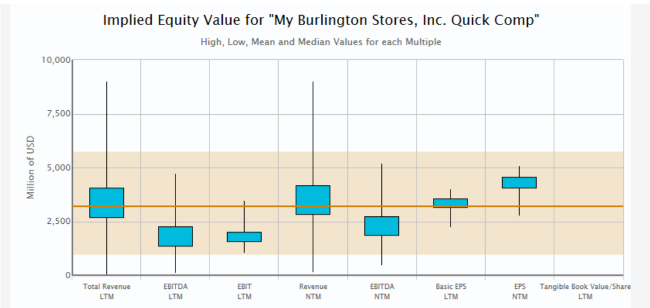
ROIC		
	History	*LFY*
BURL	16.7%	18.0%
Competitors	41.6%	38.5%

EBITA Margin		
	History	*LFY*
BURL	6.1%	6.8%
Competitors	12.4%	12.3%

Ke		
	History	*LFY*
BURL	11.8%	9.9%
Competitors	11.9%	9.8%

A company that has increased stock price by 54% by simply out performing estimates should be expected to have better ratios than the ones they currently represent to their competitors.

One may ask the question how did the stock price get so high, and the answer is overvaluation.



As further qualitative proof, this implied value chart shows and places where Burlington ranks among both direct and indirect competitors. They are not outperforming competitors and they are undeserving of their high stock price.

Finally the 1 year growth of revenue and EBITDA respectfully are 5.78 and 9.27 in 2016. The numbers for 2015 are 8.69 and 25.07. I believe the financial statements done for Burlington have been done in a slightly misleading way that makes investors overvalue the company, and that information will soon be readily available.

Summary and Catalysts

As stated in this article there is an immediate pressure to take advantage of the short opportunity with the Burlington stock. Due to reasons of over valuation, and consistency in historical company performance, and also under competing their competition. The stock is not worth the current $69.14 and when earnings arrive on November 22 investors will potentially see the company is not performing well enough for this high price, the stock will drop. I recommended putting our lower limit at $60 and capitalizing on a 14% return.

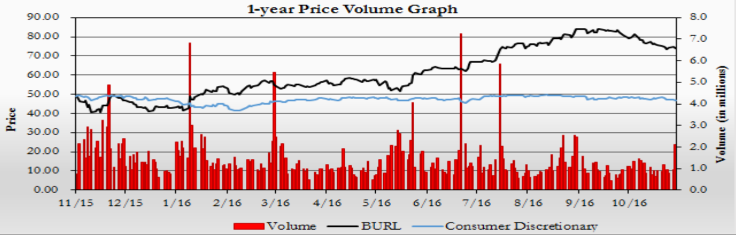
CENTER FOR GLOBAL FINANCIAL STUDIES

Burlington Stores, Inc. (BURL)

BEARISH

Analysis by P.C. Principal	Current Price:	$69.24	Intrinsic Value	$31.11	Target 1 year Return: -58.5%
11/4/2016	Divident Yield:	0.0%	Target Price	$28.74	Probability of Price Increase: 0.4%

1-year Price Volume Graph



Description

Burlington Stores, Inc. operates as a retailer of branded apparel products in the United States.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	November 25, 2016
Estimated Country Risk Premium	5.52%
Effective Tax rate	40%
Effective Operating Tax rate	41%

Market Data

Market Capitalization	$4,939.59
Daily volume (mil)	1.27
Shares outstanding (mil)	71.34
Diluted shares outstanding (mil)	73.29
% shares held by institutions	115%
% shares held by investments Managers	84%
% shares held by hedge funds	18%
% shares held by insiders	1.48%
Short interest	7.96%
Days to cover short interest	5.11
52 week high	$87.23
52-week low	$39.40
Levered Beta	0.29
Volatility	0.00%

Past Earning Surprises

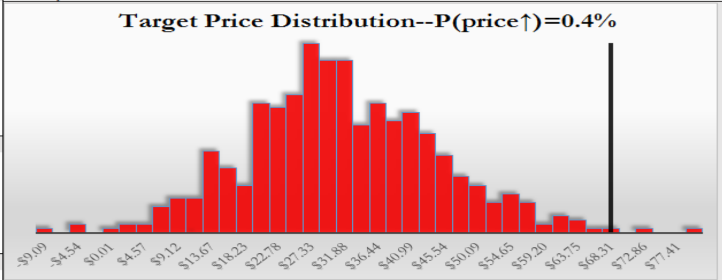
Quarter ending	Revenue	EBITDA
8/1/2015	1.25%	8.33%
10/31/2015	-1.57%	-4.21%
1/30/2016	0.71%	-7.97%
4/30/2016	0.29%	-0.44%
7/30/2016	0.68%	8.02%
Mean	0.27%	0.74%
Standard error	0.5%	3.3%

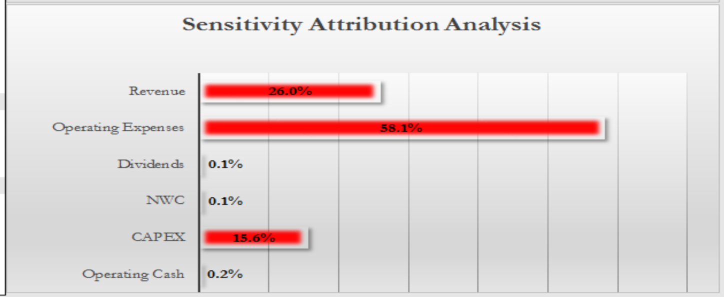
Peers

Ross Stores Inc.
The TJX Companies, Inc.
Coach, Inc.
Urban Outfitters Inc.
American Eagle Outfitters, Inc.
The Gap, Inc.
Tiffany & Co.
Michael Kors Holdings Limited

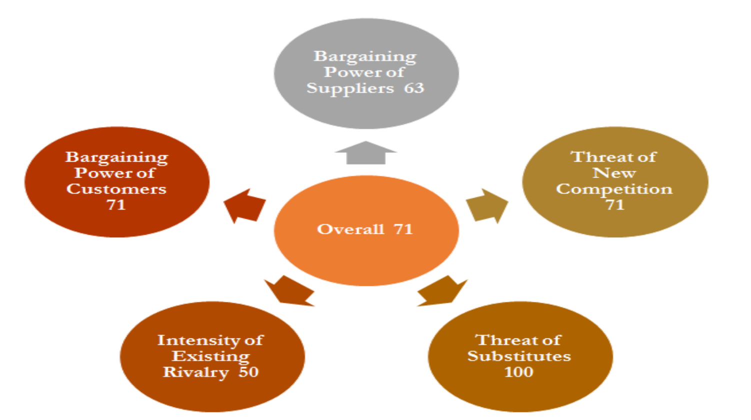
Management	Position	Total compensations growth	Total return to shareholders
Kingsbury, Thomas	Chairman, Chief Executive Of	-100% per annum over 4y	N/M
Katz, Marc	Chief Financial Officer and	-100% per annum over 4y	N/M
Hand, Fred	Executive Vice President of	-100% per annum over 4y	N/M
Seeger, Rick	Executive Vice President of	-100% per annum over 1y	7.7% per annum over 1y
Vecchio, Jennifer	Chief Merchandising Officer	N/M	0% per annum over 0y
Crimmins, John	Chief Accounting Officer and	N/M	N/M

Profitability	BURL (LTM)	BURL (5 years historical average)	Industry (LTM)
ROIC	8.2%	8.73%	20.49%
NOPAT Margin	6%	6.75%	7.0%
Revenue/Invested Capital	1.30	1.29	2.93
ROE	28.6%	0.96%	24.63%
Adjusted net margin	5%	4.60%	6.6%
Revenue/Adjusted Book Value	5.80	0.21	3.75
Invested Funds	**BURL (LTM)**	**BURL (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	0.7%	1.4%	19%
Estimated Operating Cash/Total Capital	0.7%	1.0%	N/A
Non-cash working Capital/Total Capital	1.5%	1.5%	19%
Invested Capital/Total Capital	100.0%	99.5%	82%
Capital Structure	**BURL (LTM)**	**BURL (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.61	0.79	0.26
Cost of Existing Debt	3.85%	6.80%	7.32%
Estimated Cost of new Borrowing	3.32%	7.55%	7.32%
CGFS Risk Rating	BBB	B	A
Unlevered Beta (LTM)	0.20	0.79	0.91
WACC	4.16%	8.14%	8.48%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	6.8%	6.3%	1.97
7/30/2017	6.7%	5.9%	1.66
7/30/2018	6.0%	5.9%	1.59
7/30/2019	5.5%	6.6%	1.78
7/30/2020	5.0%	7.3%	1.85
7/30/2021	4.9%	7.2%	1.73
7/30/2022	4.8%	7.1%	1.64
7/30/2023	4.6%	7.1%	1.58
7/30/2024	4.5%	7.0%	1.48
7/30/2025	4.3%	6.9%	1.41
7/30/2026	4.2%	6.8%	1.37
Continuing Period	4.1%	6.7%	1.29

Period	Invested Capital	Net Claims	Price per share
Base Year	$2,022.78	$4,186.94	$42.27
7/30/2017	$1,669.55	$3,878.34	$47.45
7/30/2018	$3,614.00	$3,426.59	$53.05
7/30/2019	$3,868.18	$3,135.21	$59.07
7/30/2020	$4,096.35	$2,776.59	$65.56
7/30/2021	$4,319.38	$2,353.47	$72.48
7/30/2022	$4,385.38	$1,917.31	$79.83
7/30/2023	$4,323.85	$765.67	$98.18
7/30/2024	$4,494.55	$308.58	$106.44
7/30/2025	$4,660.86	-$158.93	$115.19
7/30/2026	$4,774.20	-$566.36	$124.56
Continuing Period			

Sensata Technologies Holdings NV

NYSE:ST

Analyst: Audrey Barrucand
Sector: Technology

BUY

Price Target: $46

Key Statistics as of 11/04/16

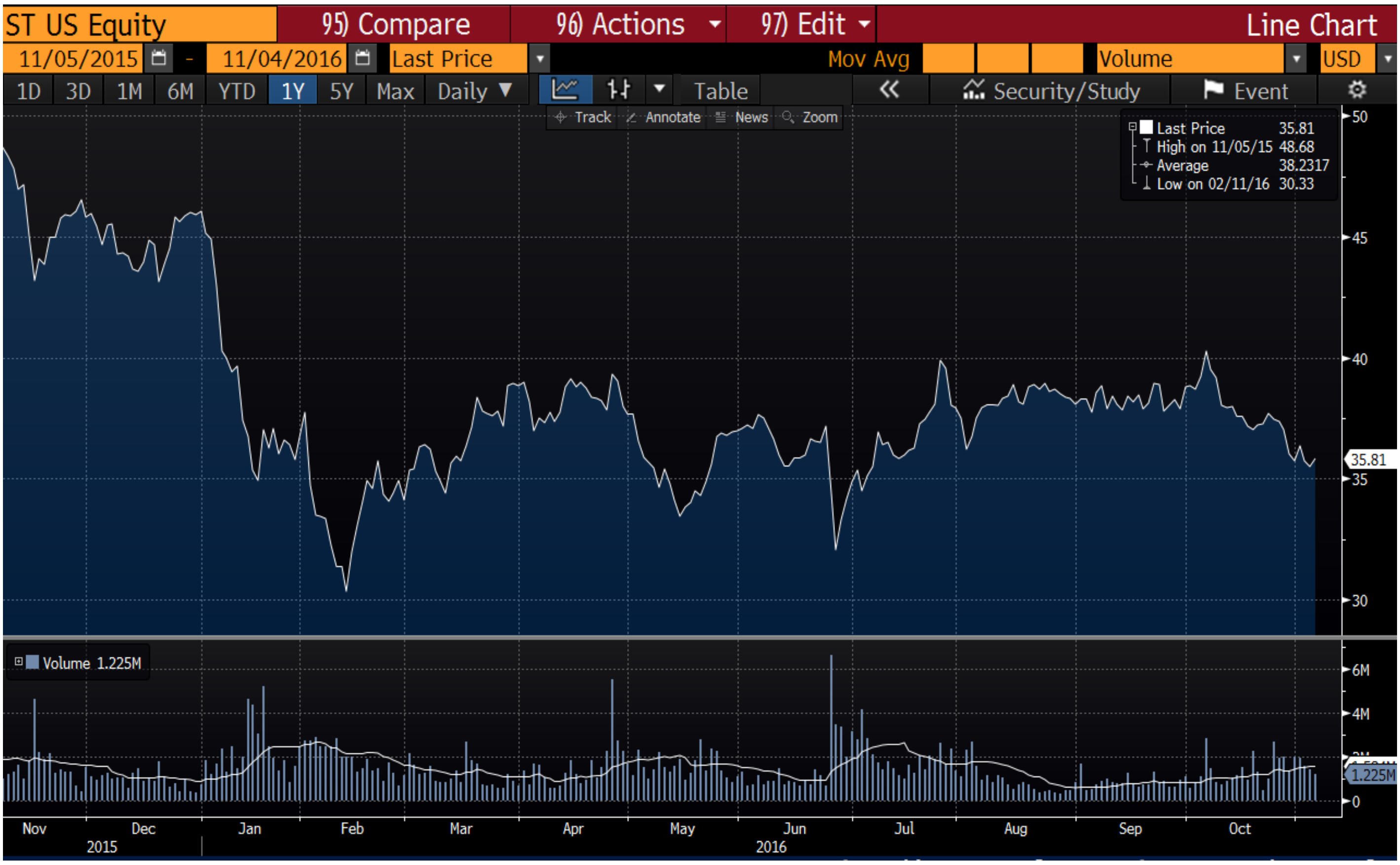
Market Price:	$35.81
Industry:	Technical Instruments
Market Cap:	$6.167 B
52-Week Range:	$29.92 - $49.73
Beta:	1.37

Catalysts:

- Mergers and Acquisitions
- New revenue stream from new business or clients
- Q4 2016 earnings announcement

Company Description:

Sensata Technologies Holdings is a technology company that develops, manufactures, and sells sensors and controls, used in the automotive and electronic industries. Market-leading products include pressure sensors, speed and position sensors, temperature sensors, pressure switches, as well as, bimetal electromechanical controls, thermal and magnetic-hydraulic circuit breakers, and industrial sensors. Sensata markets its products worldwide, especially in the United States, Europe including the Netherlands, China, Korea and Japan. Sensata is a holdings company with less than 10 companies, each specialized in different segments of the business, which allows Sensata to gain exposure to many parts of the technology industry.

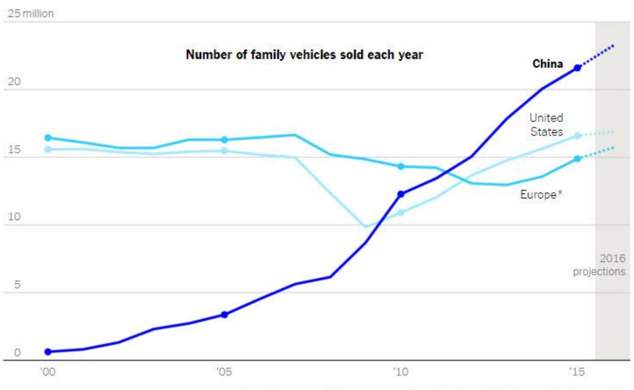


Thesis

- Sensata is a growth company with leadership positions in automotive sensors, which is a growing market. It has been delivering strong constant growth and has the ability to make more acquisitions to bring more growth.
- There are increasing regulations relating to safety and emissions that drive the demand for energy efficient electronic products.
- Sensata focuses on R&D to develop complex products with applications to the automotive industry.
- Unappreciated earnings will increase when the company achieves its long-term targets.

Industry Outlook

Sensata provides technical instruments products mainly used in the automotive and electrical industries. Because its stock price depends on revenues, it also depends on the demand for automotive products i.e. cars. Looking at 2016, the number of vehicles sold in China, Europe and the United States, will keep increasing, and will allow Sensata to sell more of its products worldwide.



As for the electronic industry, there is an increasing demand for electric vehicles and for hydraulic circuits that Sensata can take advantage of. As well, worldwide vehicles are changing as manufacturers are trying to meet government regulations and improvements regarding safety, carbon-monoxide emissions, and fuel efficiency. This change in the industry will impact Sensata's product offerings and will differentiate its products from its competitors'.

Acquisitions & Their Impact on Sensata

In the past 10 years, Sensata has bought 9 companies in order to develop its range of products and applications. Each acquisition allows the company to expand its reach geographically and to become more and more present in the sensing business.

The company's last acquisition was in December 2015. The acquired company, CST, is a technology company with sensing content used beyond the automotive industry, which will expand and double Sensata's reach into the aerospace business. CST also has products that will be incorporated into each of Sensata's segments.

Each acquisition increases the company's debt and impacts its margins. In fact, these acquisitions initially reduce the company's margins due to their lower profitability and because of the interest burden the new debt brings. But these acquisitions also bring new revenues. For example, the last three acquisitions (DeltaTech, Schrader, and CST) have brought at least $1.05 B of acquired revenue. CST is also expected to bring new revenue stream in aerospace within the next year.

These acquisitions make Sensata a highly levered company, with new debt issued for most acquisitions, the last debt issuance being for CST in December 2015. From then, the company has been rapidly paying its debt thanks to its strong free cash flow. Sensata is expected to increase its FCF by 29.3% for FY 2016, considering the 11% year-on-year increase for Q3 2016. The increase in FCF is due to strong adjusted net income and to low capital expenditures. The company forecasted a decrease in its leverage ratio to below 3.8 by the end of the year 2016, to become a less risky company, and be more attractive to investors.

Assuming the company will not buy other companies before Q4 2017, it will be able to reduce its leverage ratio to 3.0 times and become a much less risky company.

Segments Wins & Future Revenues

Through its acquisitions, Sensata has been able to develop two main segments: performance sensing and sensing solutions. Performance sensing includes applications in automotive and in heavy vehicle & off-road business (HVOR), with a goal of improving performance, safety, and efficiency. The company has been a market leader in this segment for 25 years, with 9 global automotive OEM manufacturers as their clients, such as Volkswagen. As for the sensing solutions segment, it includes applications in the automotive industry as well but with a goal of preventing damage from heat and fire for vehicles, with electrical protection products.

For those segments, Sensata also has products in development focusing on next generation electric cars. In Q3 2016, Sensata won a large order with one of the leading electric vehicle manufacturers, with its just developed sensor for complex thermal management systems. This new contract will bring its first revenues to the company beginning next year. It also has other sensors in development in electrification and the company is expected to increase its investments in those types of sensors, since the products have an increasing popularity and demand.

As for HVOR growth, there are currently greenhouse gas regulations in development and Sensata is already looking at solutions for those through R&D. There is also an interest in tire pressure sensing for the heavy vehicle market, which would bring new revenues for the company within a couple years.

As well, for its performance sensing business, Sensata won two key gas direct injection (GDI) contracts against competitors which will bring $10M per year in new revenues beginning next year.

Overall, Sensata invests more and more in R&D because of the beneficial effects it has on its revenues and on its stock price. The company invest 9% of its revenues in R&D to create future value, an increasing amount year to year to support new technology developments in acquired and existing business, in order to drive future revenue growth.

Value Creation for Investors

Sensata has been focusing on creating value for its investors. To do so, they continue to invest in long-term growth by gaining contracts towards energy efficiency and a clean environment, like the previously mentioned new contract for electric cars.

To increase profitability, Sensata is also going through a restructuration of the companies it bought, in order to remove the inefficient parts of the companies. To do so, the company is in the process of closing two production facilities brought on by the CST acquisition with a focus on improving margins to elevate the profitability of the acquired businesses.

Another growth opportunity for Sensata is the Tire Pressure Monitoring Sensors (TPMS) leadership opportunities in China. TPMS is expected to be adopted in Chinese regulations next year, because of the important mandate just passed in China in Q3 2016. This will allow the company to move its business in China and will bring new revenues and allow for further growth in Asia. Considering the outlook on the automotive business, revenue growth will be driven by China, and Asia in general.

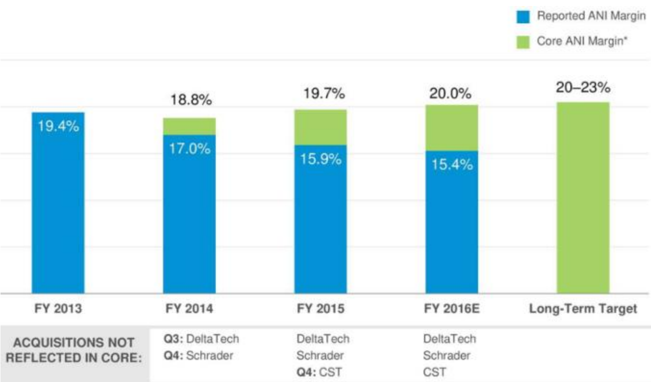
Looking at the longer term, this year, Sensata created a partnership with Quanergy to create sensors to be used in the autonomous driving market. Research is going smoothly and both companies are expecting the final product delivered by 2020, which would be revolutionary to the industry and would bring new revenues to both companies.

Overall, Sensata is committed to create value for its shareholders through acquisitions, long-term revenue and earnings growth, strong cash generation, and increasing margins in growth markets.

Financials

As previously stated, Sensata is a highly levered company with a D/E ratio of 198. This high debt gives them exposure to changes in interest rates. Though its current tax rate is around 6%, it is expected to remain between 6% and 7% next year, lowering the risk of increasing interest expenses. Since the company has made a commitment to rapidly pay back its debt in order to become a less risky company for investors, this exposure should decrease within the next year.

Looking at the company's revenues, they increased by 9% from 2014 to 2015 and are expected to grow at a faster pace in the coming years. For its Q3 2016 earnings, the company reported an organic revenue growth of +1.7% and a net margin of 16%. The company also has a long-term net margin target of 20-23%. The reason why this was never achieved is because of the lower margins on acquisitions, as seen in the below graph.



As for ROIC/WACC, Sensata is at 1.35 compared to 1.30 for its competitors, showing invested capital is being used effectively.

ROIC	*History*	*LFY*
ST	11.6%	9.1%
Competitors	12.9%	11.3%

WACC	*History*	*LFY*
ST	8.6%	8.6%
Competitors	10.0%	8.5%

ROIC /WACC	*History*	*LFY*
ST	1.35	1.07
Competitors	1.30	1.33

Looking at the segments, performance sensing is expected to see its revenues increase from $585 M in Q3 2016 to $785 M in Q4 2016. Its organic revenue growth is at +1.5%. The automotive market for both segments is the largest market for the company and is expected to have am organic revenue growth of 5% for 2016.

The company is financially healthy, except for its high amount of debt, which should be remedied by end of next year.

Risks

There are always risks involving when investing in a technology company. But for Sensata, the main risks surround new acquisitions and currency transactions. In fact, in the past, Sensata has seen its stock price drop because of new acquisitions. The uncertainty of the outcome scares investors and the price drops. As for the currency transaction risk, Sensata has seen a slight decrease in revenues last year because of the euro devaluation against the dollar, which also scared investors. But looking at organic EPS growth, excluding acquisitions and currency effects, it was at 11% last year and should keep growing.

Important Dates and Catalysts

Important events to look at and to consider as catalysts for the stock price would be potential new acquisitions, though none are expected before end of 2017.

As well, new revenues and contracts would drive the price of the stock up and would reassure investors as to the future of the company.

Summary

Sensata is a BUY because it delivers strong organic EPS growth and makes good progress on its margin expansions and the integration of its acquisitions. With a focus on paying its debt and strengthening its balance sheet, the company is on the path of becoming a less risky company for investors. It is also on track to deliver the FY 2016 earnings guidance which would drive the price up.

Sensata has a long period of potential growth ahead of them and is currently undervalued because of the risk it currently represents.

Siena Market Line
1st week of November 2016

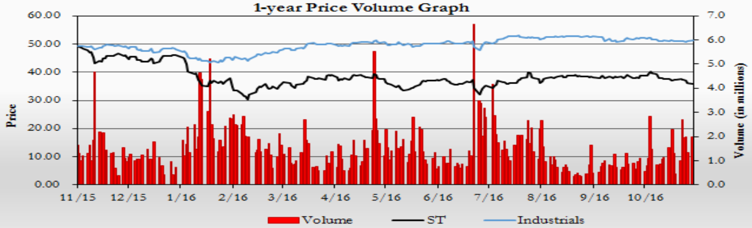
CENTER FOR GLOBAL FINANCIAL STUDIES

Sensata Technologies Holding NV (ST)

NEUTRAL

Analysis by Audrey Barrucand	Current Price:	$35.49	Intrinsic Value	$33.99	Target 1 year Return: 8.28%
11/3/2016	Divident Yield:	0.0%	Target Price	$38.43	Probability of Price Increase: 77.4%

1-year Price Volume Graph



Description

Sensata Technologies Holding N.V., through its subsidiaries, develops, manufactures, and sells sensors and controls.

General Information

Sector	Industrials
Industry	Electrical Equipment
Last Guidance	November 3, 2015
Next earnings date	February 3, 2017
Estimated Country Risk Premium	5.13%
Effective Tax rate	28%
Effective Operating Tax rate	27%

Market Data

Market Capitalization	$6,063.83
Daily volume (mil)	1.45
Shares outstanding (mil)	170.86
Diluted shares outstanding (mil)	171.40
% shares held by institutions	104%
% shares held by investments Managers	78%
% shares held by hedge funds	22%
% shares held by insiders	0.39%
Short interest	5.59%
Days to cover short interest	9.12
52 week high	$49.19
52-week low	$29.92
Levered Beta	1.33
Volatility	25.96%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2015	-2.10%	-2.29%
12/31/2015	-1.16%	1.98%
3/31/2016	0.08%	-1.35%
6/30/2016	-1.13%	-8.51%
9/30/2016	-2.13%	-12.07%
Mean	-1.29%	-4.45%
Standard error	0.4%	2.6%

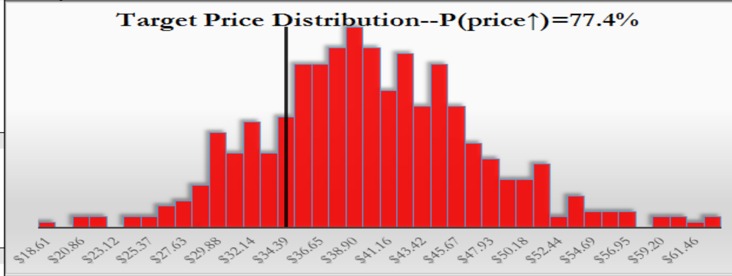
Peers

- TE Connectivity Ltd.
- Rockwell Automation Inc.
- Emerson Electric Co.
- Eaton Corporation plc

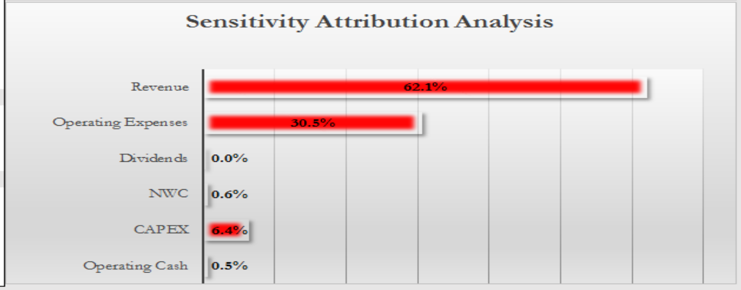
Management	Position	Total compensations growth	Total return to shareholders
Sullivan, Martha	Chief Executive Officer, Pre	21.35% per annum over 5y	-1.22% per annum over 5y
Vasington, Paul	Chief Financial Officer, Chi	-55.37% per annum over 1y	-12.12% per annum over 1y
Cote, Jeffrey	Chief Operating Officer and	9.41% per annum over 5y	-1.22% per annum over 5y
Beringhause, Steven	Chief Technology Officer and	11.53% per annum over 2y	9% per annum over 2y
Stefanic, Rob	Chief Information Officer an	N/M	N/M
Young, Joshua	Vice President of Investor R	N/M	N/M

Profitability	ST (LTM)	ST (5 years historical average)	Industry (LTM)
ROIC	23.4%	35.30%	13.52%
NOPAT Margin	17%	19.69%	12.7%
Revenue/Invested Capital	1.35	1.79	1.07
ROE	-31.5%	-62.98%	15.32%
Adjusted net margin	13%	16.17%	11.4%
Revenue/Adjusted Book Value	-2.34	-3.90	1.34
Invested Funds	**ST (LTM)**	**ST (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	4.5%	6.1%	23%
Estimated Operating Cash/Total Capital	4.5%	5.2%	N/A
Non-cash working Capital/Total Capital	5.8%	6.1%	10%
Invested Capital/Total Capital	38.8%	35.9%	77%
Capital Structure	**ST (LTM)**	**ST (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.51	0.34	0.18
Cost of Existing Debt	4.97%	5.21%	4.85%
Estimated Cost of new Borrowing	3.72%	3.48%	4.85%
CGFS Risk Rating	BB	BBB	CC
Unlevered Beta (LTM)	1.00	0.99	1.05
WACC	8.55%	8.74%	9.14%

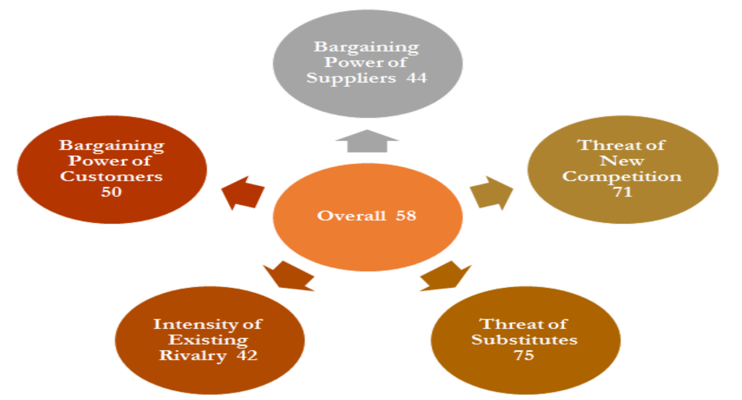
Target Price Distribution--P(price↑)=77.4%



Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	6.3%	17.3%	2.73
9/30/2017	2.9%	14.6%	2.15
9/30/2018	2.7%	15.1%	2.20
9/30/2019	2.9%	14.8%	2.21
9/30/2020	3.0%	14.5%	2.22
9/30/2021	3.2%	14.1%	2.24
9/30/2022	3.3%	13.8%	2.26
9/30/2023	3.5%	13.5%	2.30
9/30/2024	3.6%	13.2%	2.33
9/30/2025	3.8%	13.0%	2.37
9/30/2026	3.9%	12.7%	2.42
Continuing Period	4.1%	12.4%	2.45

Period	Invested Capital	Net Claims	Price per share
Base Year	$904.68	$3,411.59	$34.43
9/30/2017	$1,153.89	$3,155.20	$38.57
9/30/2018	$1,358.75	$2,771.91	$42.86
9/30/2019	$1,856.68	$2,444.77	$46.89
9/30/2020	$2,325.19	$2,162.00	$50.75
9/30/2021	$2,611.44	$1,906.17	$54.51
9/30/2022	$2,753.32	$1,659.92	$58.30
9/30/2023	$2,798.86	$1,409.61	$62.17
9/30/2024	$2,840.69	$1,149.77	$66.16
9/30/2025	$2,882.60	$855.54	$70.40
9/30/2026	$2,922.97	$511.08	$75.00
Continuing Period			

Tesla, Inc.

NASDAQ:TSLA

Analyst: Alexandre Thiam
Sector: Consumer Goods.

SELL

Price Target: $133.66

Key Statistics as of 11/4/2015

Market Price:	$190.56
Industry:	Automotive
Market Cap:	$28b
52-Week Range:	$141.05-$269.39
Beta:	0.88

Catalysts:

- **Short-term:** SolarCity deal end of November.
- **Medium-term:** Unprofitability
- Tesla cutting its growth plan

Company Description:

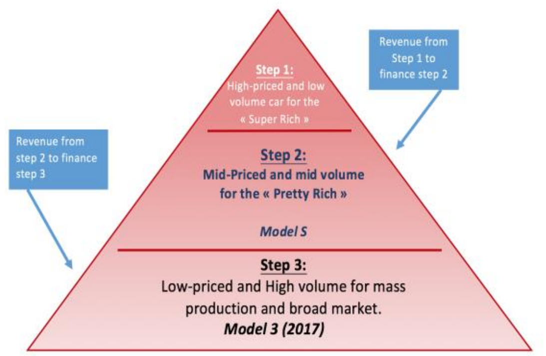
Tesla is an American Automaker and Energy Storage company that was created in 2003 by a billionaire philanthropist called Elon Musk. The company had the vision to redefine the future of the automotive industry with electric engines. The Initial Public Offering took place on June 29 2010 for a total amount of 13,300,000 shares at the initial price of $17 per share, and the company currently trades on the NASDAQ index. The company sells a more sustainable future via electric cars across 3 main venues which are North America, Europe, and China. Tesla is currently seen as the reference in terms of Electric cars and sustainable transportation techniques.

Thesis

- Tesla motors sells more dream than actual sustainable solutions. Investor invest solely in the future outlook and hope that it becomes a reality.
- The current financials and relative valuation is showing that tesla is highly unprofitable, and there are some major flaws in its Business Model.
- The current management of the firm is poor. Board, namely CEO Elon musk show signs of non-rational thinking through their Acquisition strategy in regards to their current financial struggle

Business Plan

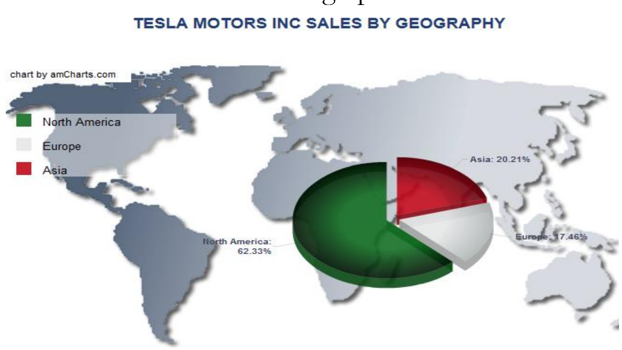
Tesla operates under a very specific business model. The slogan of the firm is "The End of Compromise". The company futuristic outlook allowed the stock price the skyrocket to $280.02 in June 2015.



I draw an organigram of Tesla's current business plan showing what they tried to achieve during these past 10 years. The company simply launched products in order to be able to finance its future project without seeing any future for these specific products. The Tesla roadster which represent the "step 1" shown above defined by high priced products (starting at $129,000 in the U.S.) started to be produced in 2009 and the ended in 2012, three years later. Production of the model S (Step 2, current phase) started the same year in 2012 and will most likely end by 2017 when Model 3 will be launched. Tesla will be entering the final phase of the plan in 2017 with the launch of the cheap Model 3 (starting at US$35,000). All things considered for the company it would be supposedly entering its mature phase with level of unprofitability never observed in that industry. The risk are obvious, investors see a future in Tesla, but is the car market and the mankind ready yet?

Segments

It is hard to argue that the fully electric car market is growing regarding the unsustainability of the current mainstream thermic technologies. The mission of the company is clear: to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible. The firm is selling its products in 3 different areas, Europe, U.S. and China. The geographic breakdowns shows that North America represent the majority of sales with 62.33% followed by Asia, at 20.12% and Europe with 17.46%. In 2010 Europe was ahead with 60% which shows a shift in demographics for Tesla.



The company operates under two main axes which are

-**Direct Sales** represent 92% of total revenue ($4,046 m in 2015) with $3,741 millions**.** consists of a network of 177 company owned showrooms in 2016. Compared to all major car dealership tesla owns all its sales point and do not use a franchise system. Direct Sales also use Internet sales which represents 33% of Auto sales.

-**Services** represents roughly 8% of total revenue with $305 millions. It consists of service centers located throughout the world. Clients could charge as well as service their car if needed, but tesla equipped their cars with an error monitoring device that allows the company to fix issues on cars from long distance directly from their service centers. Superchargers are a network of charging stations throughout the world (China, Europe, and U.S.) where tesla owners could fully charge their car within 30 minutes as compared to 10 hours with a standard 240-volt line.

The company also offers some other products and technologies that they sell to other auto makers as well as so called new energy storage solutions, but we will get to this later.

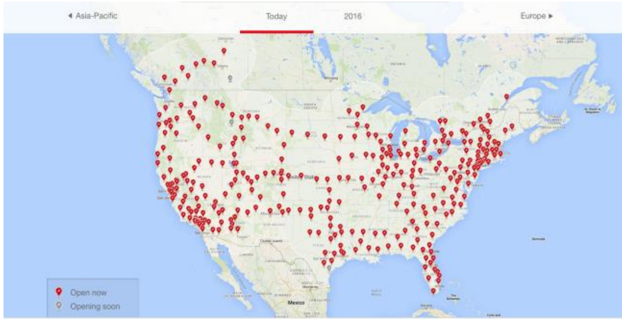
Technology vs. Competition

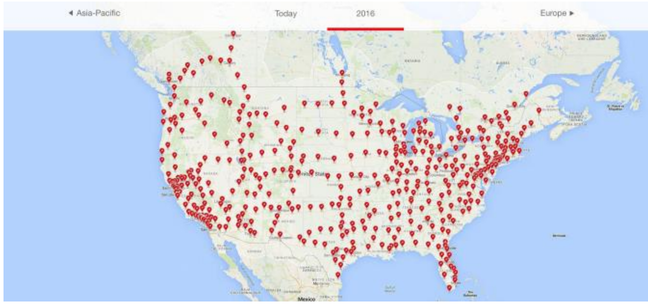
AutoPilot: Tesla launched in late 2014 its Auto-Pilot technology and equipped all manufactured vehicles since then. The technology was announced as vanguard by the company but only uses existing technologies from its European competitors. The function is semi-automated where the car can assist the driver in daily maneuvers such as parking a car. In June of this year Tesla was involved in a polemic as one of Tesla owner died in car accident involving the Autopilot tech. The investigation is still running as Tesla hidden this information to its shareholders and to the market trying to make it go under the radar. It could be signs of guilt towards potential flaws in their technology.

Batteries: Tesla said that it was the most efficient full electrical maker having the lowest cost for car batteries, estimated at $190 per kWh. The company have quarterly CapEx of approximatively $400 millions, spending 17.74% of total sales in R&D. The fact is that GM reported last year that it was in capacity to manufacture an inexpensive mass market car that could simply put tesla out of business. Indeed, GM has both the resources (physical, and material) to mass produce fully electrical cars. The reasons for GM and other big players in the automotive not to destroy Tesla are simple; Tesla is currently devoting all its time and resources (financially close to distress) to improve the future of the industry with breakthrough technologies that will be simply copied within couple of weeks by other engineers once they are out in the market.

Powerwall: For some bearish investors, Tesla is not so much an automaker but more an energy storage provider and manufacturer of energy solutions. On April 2015, Tesla said it would release this technology designed for home and store usage. It is a lithium-ion rechargeable battery stations using solar energy systems. It is said to save up to 20% on yearly bill for electricity of users.

Superchargers: This Network is viewed by bullish investors as what separates Tesla to any other electric car maker, and therefore represent a huge driver in the stock price and overvaluation of the firm. Below is a comparison between the current number of location and the expected amount by the end 2016.





The growth of the network is on the decline, and we currently are 2 months down the end of the year, so I find it difficult to see how Tesla could meet its target. As I previously said the number of Supercharger stations is a driver of the stock price so I would image that the market will have a consequently bad reaction in case of Tesla miss targets.

Financial Struggle/Relative Valuation

Based on its business plan (step 1, 2, and 3) Tesla sells cars with pre-orders thanks with its e-commerce operations. It should collect cash quickly but has a conversion cash cycle of 53 days. GM and Ford both have lower CCC with 35 days and -22 respectively, this shows issues with inventory with 148 of inventory to cash days.

1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG 9) Custom
11) Profitability 12) Growth 13) Credit 14) Liquidity 15) Working Capital 16) Yield Analysis 17) DuPont Analysis

In Millions of USD except Per Share	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Accounts Receivable Turnover	–	8.73	32.89	22.90	25.14	22.72	53.02	23.20	20.46
Days Sales Outstanding	–	41.95	11.10	15.94	14.52	16.11	6.88	15.73	17.84
Inventory Turnover	–	1.69	5.14	2.51	2.99	2.41	5.12	3.58	2.80
Days Inventory Outstanding	–	216.13	71.06	145.14	121.88	152.15	71.36	101.94	130.42
Accounts Payable Turnover	–	3.11	4.98	2.72	2.14	2.79	5.03	5.42	4.07
Accounts Payable Turnover Days	–	117.61	73.35	134.40	170.87	131.23	72.50	67.39	89.70
Cash Conversion Cycle	–	140.46	8.80	26.68	-34.47	37.02	5.74	50.28	58.57
Inventory to Cash Days	–	258.07	82.15	161.08	136.40	168.26	78.24	117.67	148.27

EPS 1-yr growth currently stands at -193.64% with an industry average at 55% (if we subtract Tesla). Further investigations shows that Operating Statistic are also quite ugly for the company apart from sales growth at 26% vs 11.55 on average. Most of Tesla's margins are in negative territory. The EBITDA margin is at -7.27% when its direct competitors are averaging 6%. This clearly shows fundamental issues with profitability and cash flows with an inventory turnover of 2.80. As I mentioned earlier the company is currently unprofitable, where only gross margins are positives for the future. When we look at the operating margins Tesla also ranks worst in class with

-17.71% as compared to 5% on average for the competitors. Same with the profit margin that currently stands at -14.60% which shows ultimately the struggle of the company with its liquidity and finances.

Name (BI Peers)	Sales Growth 1 Year	Gross Margin	Operating	Profit Margin (Trailing)	Return on Assets (Trailing)	Return on Equity	Return on Capital (Trailing)
Average	11.55%	16.77%	-0.45%	-0.06%	0.59%	6.80%	-0.24%
100) TESLA MOTORS INC	26.50%	22.82%	-17.71%	-14.60%	-8.60%	-42.74%	-16.06%
101) FIAT CHRYSLER AUTOMO...	18.20%	13.04%	4.23%	2.33%	2.12%	14.11%	--
102) GENERAL MOTORS CO	-2.29%	15.78%	6.20%	6.09%	4.85%	24.86%	9.28%
103) FORD MOTOR CO	3.80%	15.42%	5.48%	5.95%	3.99%	30.97%	6.05%

Acquisitions

Earlier in 2016, Elon Reeve Musk announced a massive project of implementing solar panels on the roof of future Tesla cars. Furthermore he also wanted its Powerwall stations to operate in autonomy and not to rely on any Solar and PV manufacturer. On August 1, 2016 Tesla announced the acquisition of SolarCity Corp. (Nasdaq:SCTY) for a mind blowing $2.6 billions. Let's place the context, SCTY is owned by Rive Lyndon a South African billionaire which happens to be Elon Musk's cousin. SolarCity has in excess of $2.8b of debt for a market cap of $1.8b for a D/E ratio of 178.8%. The 1-yr Default probability is an impressive 5.69%. No need to state that SolarCity is flirting with Bankruptcy on a daily basis. On the other hand, Tesla is not performing much better with a D/E of 100.5% and more than $3 b in debts.

Raising concerns are oriented towards two main issues. The first is that SolarCity will be a real financial liability for Tesla that is already struggling. Indeed, some managers are saying that a buyback could push SCTY to delay the payments of its payables in the case Tesla acquire which would put additional financial pressure on Tesla's shoulders. The second issue is that for some investors and half of the board of directors, this deal is highly looking like a bailout plan from Elon Musk to revive his cousins sinking company. I would hardly see how markets will react positively to the deal if it goes through, as this will put Tesla in further financial and liquidity distress.

Market's Reactions

The market is solely relying on the beautiful future that Tesla is willing to offer. So far, the stock price is only driven by news announced by the company rather than rational valuations. Previously the stock price of the firm had massive overreactions to news such as the Model X SUV announced on Feb 9, 2012 that sent shares up by 5% the following week.

In 2015, the company announced the Powerwall stations that pushed the price up by roughly 5% the next day. But recent news (a part from the model 3 unveiling) shown little to no positive reactions from investors. On Aug. 23, 2016 the company announced a battery pack (P100D) that would make the model S production faster, and shares plunged by 6% the next week. A little further down the year on Oct. 19, 2016 Tesla revealed its "Full Self-Driving Hardware" that sent the shares down by 1.0%.

On October 26, 2016 the company released its Earnings and the stock went up by 6% and went to $213 from $202. The shares then plunged to $188 a week later representing a 13% dive, as shown on the graph below.

This maybe shows that market makers are getting tired of the stock and correct the overreactions sooners than before. As I mentioned earlier I would forecast that the market will remain unimpressed if the SolarCity deals goes through.

Summary

I see an extreme overvaluation of the current stock price as I computed an intrinsic value at $127.78. The technology is not any better than competitors as we saw that major players could actually kill Tesla. The management is also questionable with an expansion strategy that seems unrealistic regarding the current shape of the firm. Tesla said in its 10-K that this was the best quarter ever, yet there is nothing impressive. The question is whether or not the market will self-correct and value Tesla more fairly closer this value in a close future, and if yes when?

SIENA college

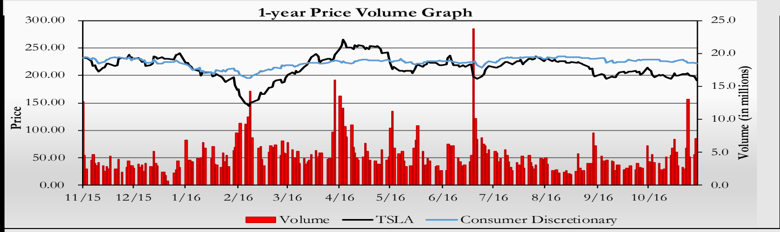
Siena Market Line
1st week of November 2016

Tesla Motors, Inc. (TSLA) — **CENTER FOR GLOBAL FINANCIAL STUDIES** — **BEARISH**

Analysis by Alexandre THIAM	Current Price:	$190.56	Intrinsic Value	$124.78
11/4/2016	Divident Yield:	0.2%	Target Price	$133.66

Target 1 year Return: -29.66%
Probability of Price Increase: 1%

1-year Price Volume Graph



Description

Tesla Motors, Inc. designs, develops, manufactures, and sells electric vehicles and stationary energy storage products in the United States, China, Norway, and internationally.

General Information

Sector	Consumer Discretionary
Industry	Automobiles
Last Guidance	November 3, 2015
Next earnings date	February 10, 2017
Estimated Country Risk Premium	3.84%
Effective Tax rate	21%
Effective Operating Tax rate	21%

Market Data

Market Capitalization	$28,563.27
Daily volume (mil)	5.14
Shares outstanding (mil)	149.89
Diluted shares outstanding (mil)	138.22
% shares held by institutions	74%
% shares held by investments Managers	55%
% shares held by hedge funds	2%
% shares held by insiders	21.21%
Short interest	18.77%
Days to cover short interest	8.07
52 week high	$269.34
52-week low	$141.05
Levered Beta	1.33
Volatility	47.19%

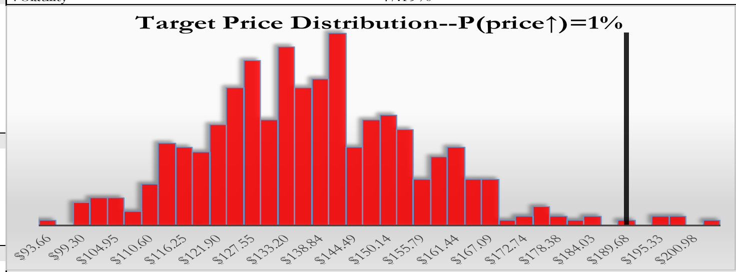
Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2015	-35.89%	-251.33%
12/31/2015	-36.68%	-167.29%
3/31/2016	-31.26%	-204.14%
6/30/2016	-33.53%	-191.65%
9/30/2016	-13.78%	39.28%
Mean	-30.23%	-155.03%
Standard error	4.2%	50.5%

Peers

Ford Motor Co.
General Motors Company
CarMax Inc.
AutoNation, Inc.
Ferrari N.V.

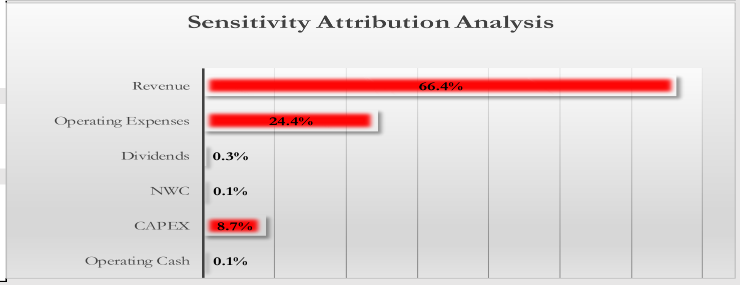
Target Price Distribution--P(price↑)=1%



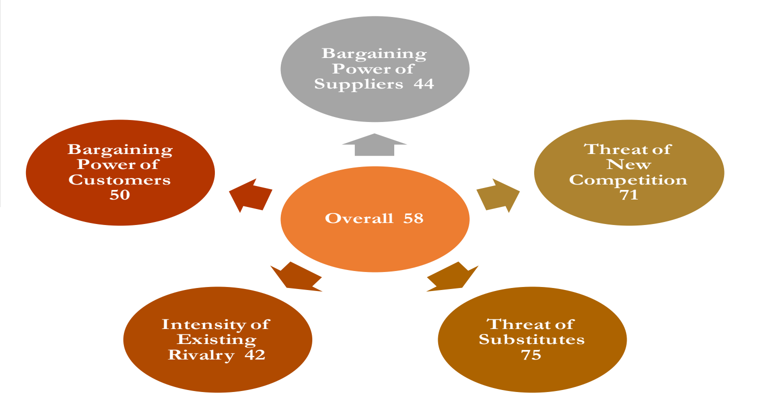
Management	Position	Total compensations growth	Total return to shareholders
Musk, Elon	Co-Founder, Chairman of the	2.46% per annum over 5y	5.26% per annum over 5y
Wheeler, Jason	Chief Financial Officer	N/M	0% per annum over 0y
Straubel, Jeffrey	Chief Technology Officer	-29.75% per annum over 5y	5.26% per annum over 5y
Field, John	Vice President of Engineerin	N/M	0% per annum over 0y
Branderiz, Eric	Chief Accounting Officer, Vi	N/M	N/M
Evanson, Jeff	Vice President of Investor R	N/M	N/M

Profitability	TSLA (LTM)	TSLA (5 years historical average)	Industry (LTM)
ROIC	3.0%	3.24%	6.60%
NOPAT Margin	3%	1.48%	7.4%
Revenue/Invested Capital	1.00	2.18	0.89
ROE	1.0%	1.79%	14.07%
Adjusted net margin	1%	0.14%	5.4%
Revenue/Adjusted Book Value	1.82	12.66	2.61
Invested Funds	**TSLA (LTM)**	**TSLA (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	33.0%	29.9%	14%
Estimated Operating Cash/Total Capital	28.3%	21.1%	N/A
Non-cash working Capital/Total Capital	-18.5%	-12.2%	-6%
Invested Capital/Total Capital	95.4%	91.1%	91%
Capital Structure	**TSLA (LTM)**	**TSLA (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.12	0.09	1.80
Cost of Existing Debt	7.04%	6.17%	3.11%
Estimated Cost of new Borrowing	3.72%	3.51%	3.11%
CGFS Risk Rating	BB	BB	BBB
Unlevered Beta (LTM)	1.23	0.52	0.53
WACC	8.83%	5.82%	4.97%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	56.5%	3.0%	0.34
9/30/2017	25.3%	7.4%	0.70
9/30/2018	54.3%	14.0%	6.11
9/30/2019	31.8%	14.1%	5.97
9/30/2020	38.3%	14.7%	6.32
9/30/2021	56.9%	15.0%	6.36
9/30/2022	30.0%	15.2%	6.43
9/30/2023	19.3%	15.4%	6.51
9/30/2024	11.3%	15.6%	6.60
9/30/2025	5.8%	15.8%	6.72
9/30/2026	-74.5%	16.1%	6.85
Continuing Period	4.1%	16.3%	4.15

Period	Invested Capital	Net Claims	Price per share
Base Year	$632.84	$5,363.15	$119.24
9/30/2017	$1,177.10	$2,412.24	$127.38
9/30/2018	$1,545.20	$2,054.10	$133.16
9/30/2019	$4,468.75	$1,621.33	$138.75
9/30/2020	$5,934.89	$1,204.08	$144.21
9/30/2021	$8,918.74	$769.08	$149.48
9/30/2022	$2,419.50	$311.38	$154.66
9/30/2023	$2,567.52	-$382.25	$161.36
9/30/2024	$2,623.69	-$890.30	$166.37
9/30/2025	$2,733.53	-$1,434.21	$171.31
9/30/2026	$2,828.98	-$2,020.69	$176.19
Continuing Period			