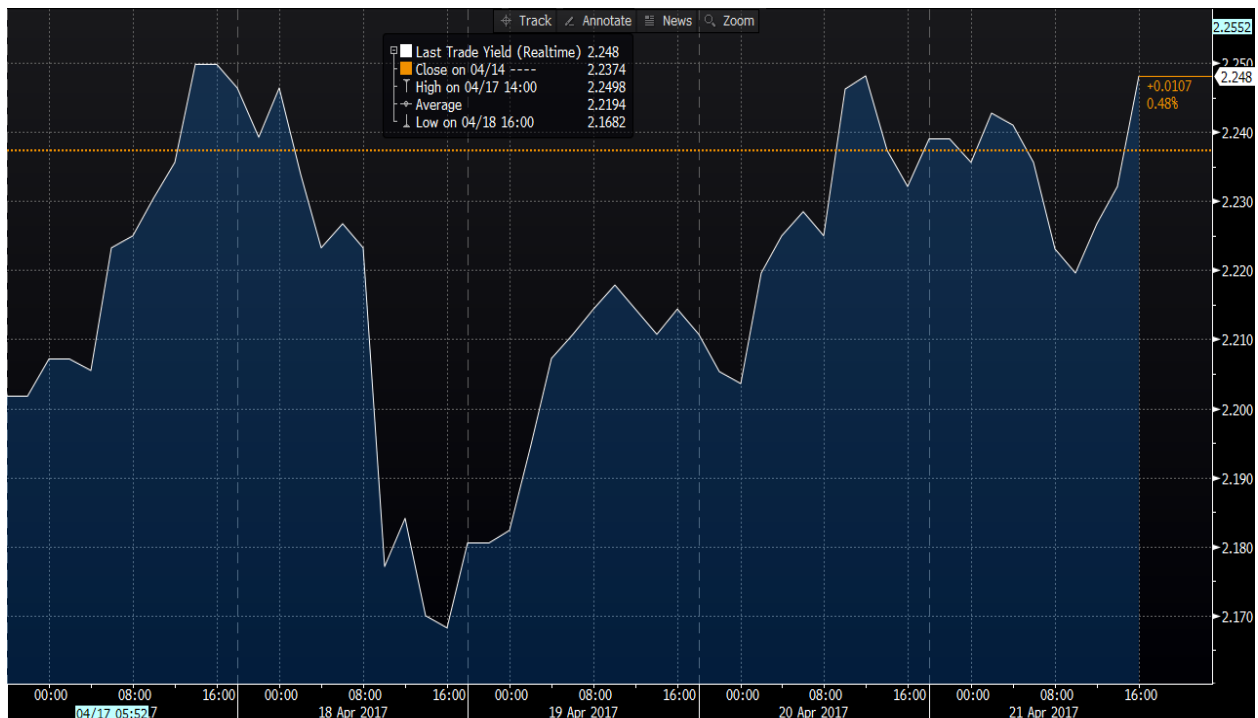
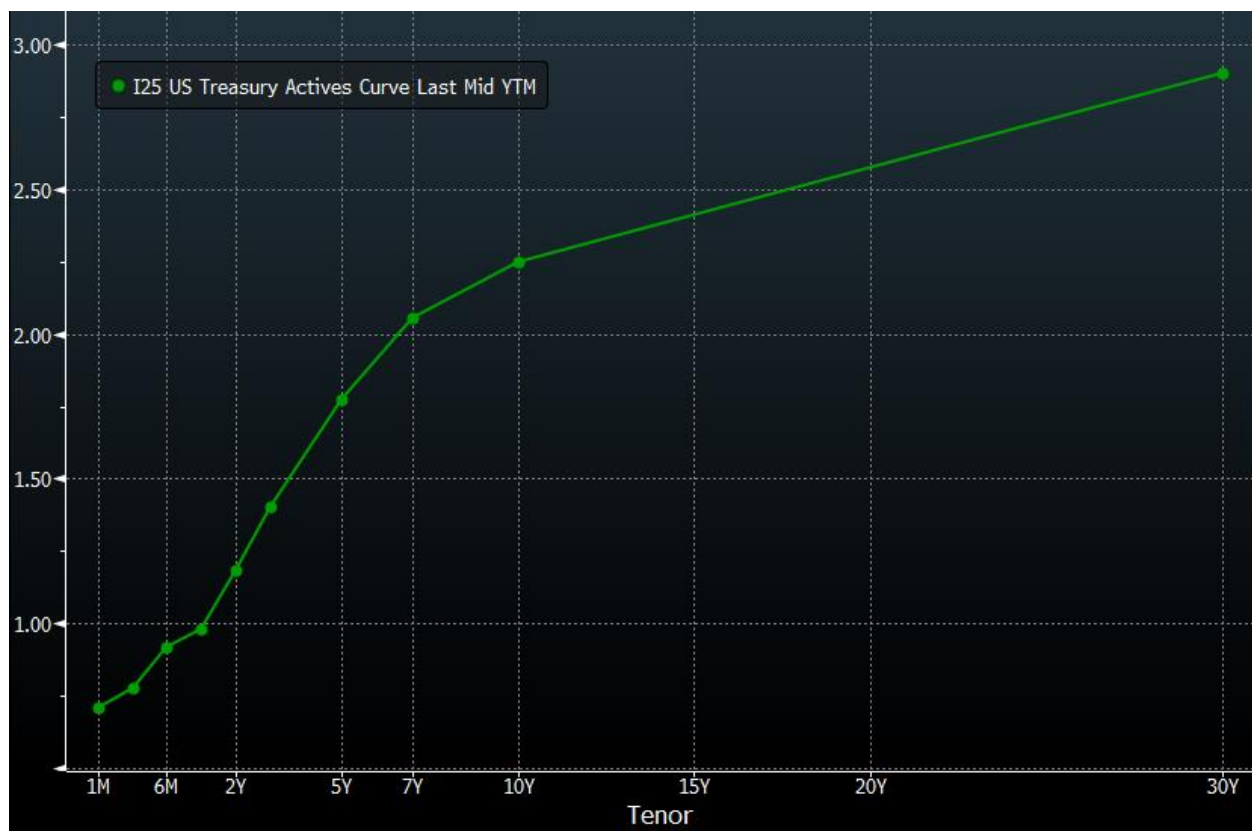


Bond Report

Over the course of the week, investor's desire for safer investments brought an inflow of demand into the bond market. High volatility in the yields continued through the week, moving sharply on news of the French election outlook and Trump's tax plan. On Monday, yields rebound from last week as investors' confidence in stocks rose from a week low. The rebound was insignificant, as yields rose about 1.3 basis points for the 2, 10, and 30-year Treasury notes. Tuesday, yields were pushed down from diminishing hope in President Trump's ability to provide a fiscal stimulus. Geopolitical tension also attracts investors to bonds, which also helped plunge the yields for the largest one day decline in a month. The 30-year note most notably fell 7.3 basis points to the lowest it has been since the November 8th election. On Wednesday, yields rose slightly off their lows based on expectations of inflation rising soon. Unemployment is near full level, and inflation hasn't followed that trend so investors are looking for safer investments based on future expectations that inflation will rise soon. On Thursday, yields rose significantly over rumors of the Trump administration closing in on a major tax reform deal, as well as working on a compromise for health care reform. Friday, yields rose from more news released about Trump's tax plan being released next week. Yields have been very volatile around news of the Trump administration. Over the course of the week, the 2-year Treasury note finished at 1.164%, down 2.5 basis points. The 10-year note slipped only slightly from weeks beginning, finishing at 2.219%. Lastly, the 30-year note finished of the week at 2.893%.











What's next and key events

This upcoming week, news of the highly-anticipated Trump tax reform should be watched heavily because the market could see an extreme demand rush over positive sentiment. Another thing to watch is how the yields will react to the first round of France's elections this past weekend. The story this year has been volatility, which we can expect to continue into this week as well. As per every week, watching the jobless claims and housing starts will be important to keep a tight hold on the overall economy. As reports come out about a positive economic outlook, it will become increasingly more important to watch the CPI, as a rise in inflation is also highly anticipated. This week, on Friday, the first quarter GDP news will be released, so that is a key event to watch. Estimates are expected to be on the low side, but strong economic data for the past few weeks may prove to beat estimates. The most important event to watch however the tax plan, as a huge sell-off may occur sending a shock through the bond market.

Macroeconomic Overview

United States	Price		Day	Weekly	Monthly	Yearly
 S&P VIX	10.85	▲ 0.09	0.09%	-4.08%	-1.65%	-2.92%
 Russell 2000	1422	▲ 11	0.80 %	3.83%	4.58%	22.99%
 NASDAQ	6025	▼ 0	0.00 %	2.77%	3.17%	23.90%
 NASDAQ 100	5540	▼ 8	-0.15 %	2.62%	3.10%	25.46%
 S&P 500	2387	▼ 1	-0.04 %	2.11%	1.96%	13.95%
 Dow Jones	20983	▼ 12	-0.06 %	2.80%	2.06%	16.26%

Domestic





Domestic markets this week seemed to be moderately bolstered mostly by Fed data that was released during the week. The Beige Book, a generic summary of macro

conditions, indicated a trend of solid wage gain, indicating a push towards increased productivity, and therefore bolstered economic growth. The good news is that this indication is validated by the Fed's verification of continued growth paired with tight labor market conditions. The bad news, however, stems from that this growth is still modest due to continued uncertainty in the fiscal arena and other political tensions, again continuing the theme of economic uncertainty bleeding into equity markets. Although stocks may have ended the week in lighter positive territory, negative financial surprises within earnings releases continued to lag expected growth within different market segments. Large cap stocks, like Goldman-Sachs, IBM, and Cardinal Health missed earnings estimates.

Beyond heavy-hitting companies, the wage growth reports seemed to adversely affect earnings on a larger level. Wage growth, as optimistic as it seems, will come with downfalls. Increasing labor costs will tighten budgets and margins, much of which was experienced with the companies named above. This week, we would expect to see the companies with the highest pricing powers rise to the top of their industries. Strong pricing power indicates an ability to increase revenue in inelastic arenas, one of the most organic sources of growth. Companies that will have to offset increasing labor costs by decreasing other costs, such as Capex, or execute one-time asset sell-offs will be destroying their respective values because of their inability to capitalize on inelastic demand.

Could this indicate a shift in sentiment? That is, the companies that are unable to facilitate strong pricing power would theoretically be in elastic or heavily discretionary markets, thus indicating a trend in staple spending. Although the market may be pricing a more bullish outlook, political and fiscal uncertainties are looming over market pricing. Thankfully, investor sensitivity to Trump's tax reform was validated as Secretary Mnuchin's remarks towards the evolution of Trump's fiscal plans seemed to drive a late-week rally. We would expect to see positive market movements if Trump's announcements about tax-reform align with his pro-business reformations.





Foreign Markets

Europe	Price	Day	Weekly	Monthly	Yearly
 FTSE 100	7264	▼ 11 -0.15 %	2.45%	-0.07%	15.33%
 FTSE All	4003	▲ 11 0.27 %	2.23%	0.73%	15.46%
 DAX	12433	▼ 34 -0.27 %	3.80%	3.97%	21.10%
 CAC 40	5265	▼ 12 -0.22 %	5.68%	5.39%	15.98%

Europe: France's markets seemed to underperform throughout the rest of the Eurozone this week.

While another suspected terrorist attack victimized the country, investors

continued to be damaged. However, on the business front, activity in the private-sector reached a six-year high. This would indicate that general consumers, and businesses, hold an optimistic outlook towards the future of the Eurozone, even with Brexit futures in limbo. The first round of the French election will be held on April 23 as polls indicate that Le Pen and Macron will be dueling the battle on May 7. If, however, the most "destabilizing option" were to occur, Le Pen and Melenchon would face-off during the second round and their mutual anti-European Union would prove to adversely affect foreign markets, according to analysts.

Asia	Price	Day	Weekly	Monthly	Yearly
 NIKKEI 225	19256	▼ 26 -0.14 %	4.37%	0.17%	15.42%
 SHANGHAI	3,141	▼ 0.16 -0.01%	-0.99%	-3.45%	6.62%
 CSI 300	3,425	▼ 20.48 -0.59%	-1.08%	-1.32%	8.36%
 SHANGHAI 50	2,345	▲ 0.00 0.00%	0.38%	-0.50%	9.45%

Asia:

Japan's export figures grew 12% during March, according to analyst reports. Mostly, the growth can be attributed to recent

interest and demand found within the science and auto industries. Meanwhile, imports also increased heavily by about 16% due to the increased demand for energy imports since the 2011 meltdown. These GDP growth rates are well-needed in the nation as negative rates and an aging population have stagnated economic growth. Due to these bolstering figures, the Japanese International Monetary Fund have increased economic growth guidance from .8% to 1.2% throughout the rest of the year.

China's first quarter growth grew at a rate of roughly 7%, the first acceleration seen since the first quarter of 2010. However, growing risk within China's financial system seems to offset economic growth. The IMF guided that returns associated with a medium-term limit seemed to show the clearest negative signals mostly due to the misallocation of capital, according to T. Rowe Price. Adding to this, analysts indicate that the degradation of certain structural factors will add to the decline of overall economic growth. With economic growth continuing to teeter-totter, China's leadership as at the cusp of transition, which is showing a positive outlook, according to analysts.

April 21st, 2017

Coach Inc: COH

Benjamin Bouin

Sector: Consumer Goods

Industry: Textile – Apparel Footwear & Accessories

Current Price: \$39.30

Target Price: \$49.44

Coach is a leading New York design house of modern luxury accessories and lifestyle collections for women and men. Their product offerings include bags, small leather goods, footwear, ready-to-wear, outerwear, watches, weekend and travel accessories, scarves, sunwear, fragrance, jewelry, and related accessories.

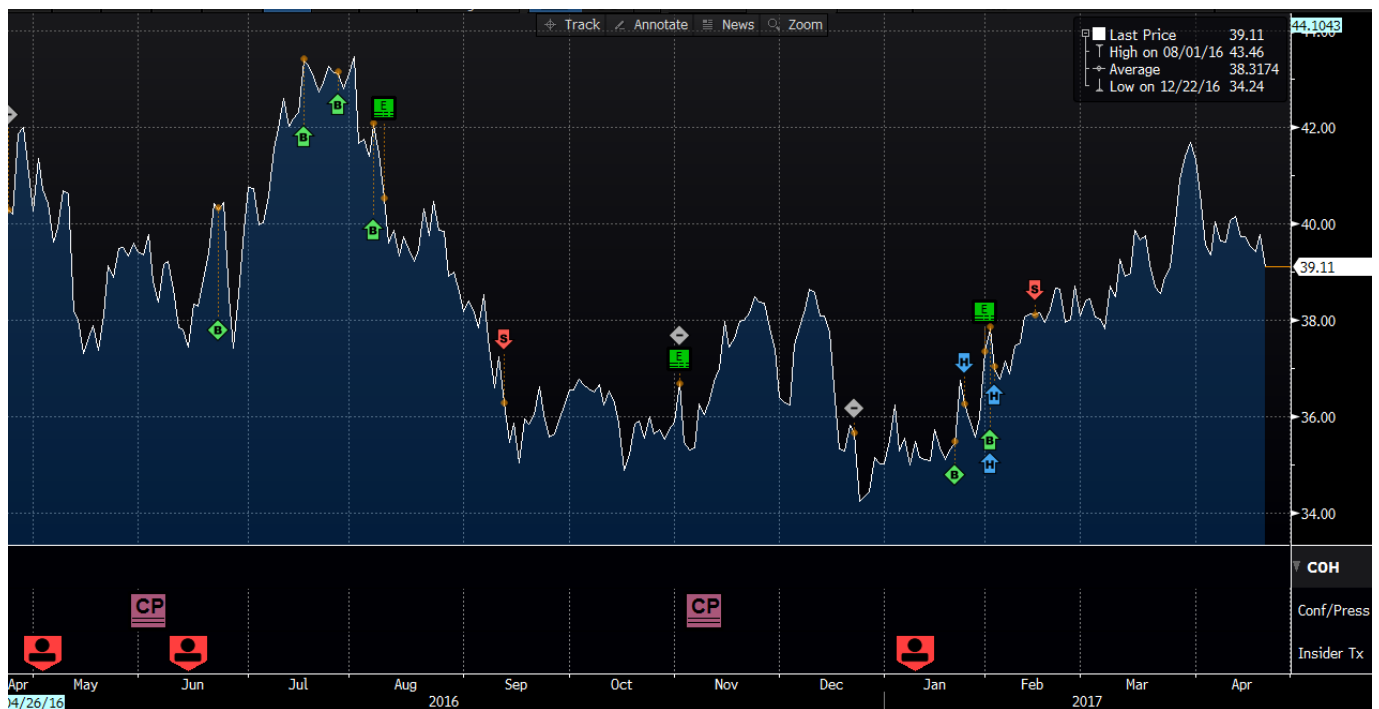
BUY

Current Price: \$39.30
 Target Price: \$49.44
 Market Cap: 11.02B
 Beta: 0.44

Thesis: Coach is working on increasing the customers' experience by remodeling their stores located in North America. This ensures COH to generate a better ROI per store. Furthermore, it continues to expand its presence in Asia through Hong Kong and China. Furthermore through the acquisition of Stuart Weitzman, COH will be able to expand its product line, to increase its market share. This will lead to higher revenue. COH's margin is higher than its competitors and COH is also able to create more value than its competitors, which means that they are more profitable than its competitors.

Catalysts:

- **Short Term (within the year):** The next earnings on April 24th.
- **Mid Term(1-2 years):** They are going to increase their presence in Asia, and reforming their stores in North America
- **Long Term(3+):** Increase their product line to reach larger market shares

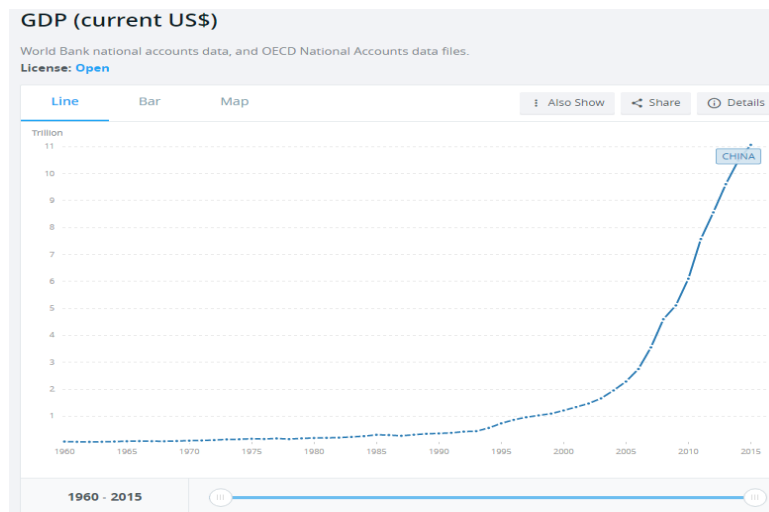


Revenue:

In order to ensure its long term growth, COH is remodeling their stores to increase their customers' experience. In fact, these remodeling actions have permitted to improve their ROI. Indeed, its products are more accessible to its customers. Its stores are also more luxurious. Furthermore, in May 4th 2015, COH has acquired Stuart Weitzman for \$573.98 million in order to increase its product line. By looking at its revenues, we already can see that there is a real demand for the footwear segment. In fact, in Q1 2017, Stuart Weitzman represented 7.7% of their total revenue, in Q2, it already represented 8.1%. Furthermore, through Stuart Weitzman, COH is already working with their new creative director to launch an important product line of outerwear and standard tops and bottoms in order to increase their market shares. Indeed, these categories represent \$80 billion global opportunity and today they only catch \$4.5 billion of this global opportunity. Thus, COH can easily thanks to its new strategy catch more of this market opportunity.

Revenue/Total Stores			
	History		LTM
COH	\$	4.74	\$ 4.42
Competitors	\$	4.09	\$ 5.44

If we look at the revenue per stores historically COH has higher revenue per store than its competitors. Moreover, if we look at their revenue per store for the lasts twelve months, COH has done worse than its competitors. This can be explained by the fact that they are currently remodeling their stores in North America in order to increase the customers' experience. This means that they have to close store temporally during the remodeling process and reduce their stores number.



As discussed earlier, COH's objective is to expand its presence in Asia, specifically in China. Indeed, China has seen its rich population growth increase faster than in the rest of the world. In fact, if we look at the GDP of China, we can see the GDP has grown promptly since 2005. Furthermore currently COH has only 172 stores in China, while there are more than 200 cities with a population of a million or more in China. This leaves room for many opportunities to COH to increase their presence in this country. An increase in COH's presence in Asia will let them to increase their sales and cash flow. In fact, we already can see COH's growth in sales in China. Between 2015 and 2016 COH's China sales have increased by 2.58%.

Margins:

COR/Total Stores			
	History		LTM
COH	\$	1.41	\$ 1.39
Competitors	\$	1.53	\$ 2.46

If we look at the cost of revenue per store on the lasts twelve months, we can see that COH is doing better than its competitors. This implies that COH has less costs and is able to generate a higher gross profit than its competitors.

Other Op. Exp./Total Employees			
	History		LTM
COH	\$	0.15	\$ 0.16
Competitors	\$	0.09	\$ 0.11

If we look at the other operating expenses per stores, we can see that on the lasts twelve months, COH has \$0.05 higher other operating expenses per dollar of sale than its competitors. This is very small considering that COH is investing a lot into its store remodeling. We can believe this will reduce on a long term since they are able to generate a better ROI per store remodeled than on the older ones.

Name (BICS Best Fit)	Net Mrgn 3Yr Avg LF	3Yr Avg Grs Mgn	3Yr Avg Op Mgn
Median	5.24%	40.79%	8.37%
100) COACH INC	14.50%	69.30%	20.75%
101) FOOT LOCKER INC	8.15%	33.65%	12.33%
102) KATE SPADE & CO	-5.63%	60.10%	10.08%
103) RALPH LAUREN CORP	7.36%	57.28%	13.11%
104) BURLINGTON STORES INC	6.71%	40.52%	6.31%
105) CHILDREN'S PLACE INC/...	4.54%	36.39%	6.83%
106) DSW INC-CLASS A	3.69%	29.43%	8.37%
107) CALERES INC	1.16%	40.79%	5.29%
108) GENESCO INC	5.24%	48.72%	5.56%

Concerning the COH's margins compared to its competitors, we can see on the net margin 3yr average that COH has a 14.5% of net margin, which is the best net margin of all the competitors. Concerning the 3 years average gross margin, COH is generating a 69.3% while the median of the gross margin is 40.79% this represent 28.51%. If we look at the 3 years' operating margin, we can see that COH is still doing better than its competitors. With a median equal to 8.37%, COH generates an operating margin of 20.75%.

Capital Allocation:

ROIC (NOPAT/IC)			WACC	
	History	LTM	History	LTM
COH	56.6%	18.6%	COH	9.9%
Competitors	53.0%	30.7%	Competitors	10.2%

If we look at the historical return on invested capital, COH is doing better than its competitors. Which means that it allocates its capital in efficient way by choosing profitable investment. If we look at the ROIC on the lasts twelve months, we can see that COH is doing worse than its competitors, this can be explained by the fact that COH has acquired Stuart Weitzman. Concerning the WACC, on the lasts twelve months, COH's WACC is equal to 9.8, while its competitor's has reach 10.2, which means that COH is able to find a better capital

allocation than its competitors. Globally, since COH is generating a higher ROIC than a WACC, this means that COH is creating value.

Conclusion:

Coach is working on increasing the customers' experience by remodeling their stores located in North America. This ensures COH to generate a better ROI per store. Furthermore, it continues to expand its presence in Asia through Hong Kong and China. Furthermore through the acquisition of Stuart Weitzman, COH will be able to expand its product line, increase its market share which will lead to higher revenue. COH's margin is higher than its competitors and is also able to create more value than its competitors, which means that COH is more profitable.

Coach, Inc. (COH)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Benjamin Basin
4/21/2017

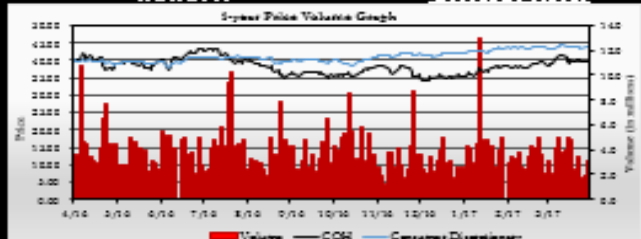
Current Price:
Dividend Yield:

\$39.30
3.4%

Intrinsic Value:
Target Price:

\$46.94
\$49.44

Target 1 year Return: 29.24%
Probability of Price Increase: 9



Description
Coach, Inc. provides luxury accessories and lifestyle brands.

General Information	
Sector	Consumer Discretionary
Industry	Traillon, Apparel and Luxury Goods
Last Guidance	November 3, 2015
Next earnings date	May 2, 2017
Estimated Country Risk Premium	5.54X
Effective Tax rate	34X
Effective Operating Tax rate	32X

Market Data	
Market Capitalization	\$11,162.31
Daily volume (mil)	8.66
Shares outstanding (mil)	288.62
Diluted shares outstanding (mil)	281.85
X shares held by institutions	74X
X shares held by institutional Managers	73X
X shares held by hedge funds	4X
X shares held by insiders	8.15X
Short interest	3.48X
Days to next short interest	2.66
52 week high	\$43.74
52 week low	\$34.87
Levered Beta	1.43
Volatility	25.15X

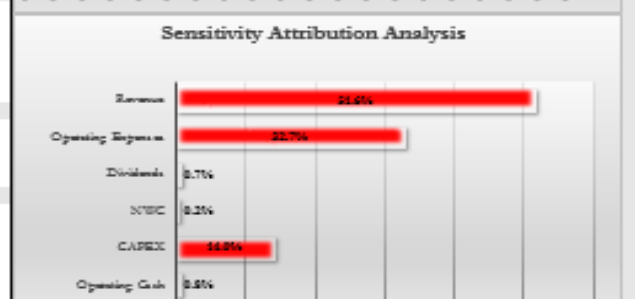
Quarter Ending	
12/26/2015	-2.87X
9/26/2015	-1.44X
7/2/2015	-5.44X
18/1/2015	-4.67X
12/31/2015	-1.35X
Mean	-3.24X
Standard error	1.8X

Full Earning Surprises	
Revenue	EDITDA
12/26/2015	-18.65X
9/26/2015	-15.22X
7/2/2015	-38.88X
18/1/2015	-15.79X
12/31/2015	-11.61X
Mean	-16.65X
Standard error	3.5X



Management	
Luiz, Victor	Chief Executive Officer and President, Chief Administrative
Kahn, Todd	President of North America
Cohen, Roder	President of International G
Diakou, Ian	Chief Financial Officer
Wills, Kevin	Principal Revenue Officer
Brown, Melissa	Principal Revenue Officer

Position	
Chief Executive Officer and President, Chief Administrative	Chief Executive Officer and President, Chief Administrative
President of North America	President of North America
President of International G	President of International G
Chief Financial Officer	Chief Financial Officer
Principal Revenue Officer	Principal Revenue Officer
Principal Revenue Officer	Principal Revenue Officer



Profitability	
ROIC	14.2X
NOPAT Margin	16X
Revenue/Invested Capital	1.31
ROE	21.6X
Adjusted net margin	14X
Revenue/Adjusted Book Value	1.58

COM [LYM]	
14.2X	22.45X
16X	21.33X
1.31	1.85
21.6X	34.48X
14X	28.25X
1.58	1.78

COM [5 years historical as of 12/31/2015]	
14.2X	22.45X
16X	21.33X
1.31	1.85
21.6X	34.48X
14X	28.25X
1.58	1.78

Invested Funds	
Total Cash/Total Capital	26.6X
Estimated Operating Cash/Total Capital	19.3X
Non-cash working Capital/Total Capital	3.4X
Invested Capital/Total Capital	79.6X

COM [LYM]	
26.6X	21.6X
19.3X	19.7X
3.4X	3.8X
79.6X	76.3X

COM [5 years historical as of 12/31/2015]	
26.6X	21.6X
19.3X	19.7X
3.4X	3.8X
79.6X	76.3X



Porter's 5 Forces (scores are out of 100)	
Bargaining Power of Suppliers	44
Bargaining Power of Customers	30
Threat of New Competition	71
Threat of Substitutes	75
Intensity of Existing Rivalry	42

Period	
Base Year	7.3X
12/31/2017	8.8X
12/31/2018	9.7X
12/31/2019	7.4X
12/31/2020	7.1X
12/31/2021	4.8X
12/31/2022	4.7X
12/31/2023	4.5X
12/31/2024	4.4X
12/31/2025	4.3X
12/31/2026	4.2X
Concluding Period	4.1X

Valuation	
ROIC margin	15.6X
2.33	2.62
2.38	2.38
2.38	2.38
2.47	2.38
2.38	2.35
2.35	2.35
2.35	2.35
2.35	2.35
2.34	2.34
1.68	1.68

April 21st, 2017

Farmer Bros. Co. (FARM)

Alec Odnoha

Sector: Consumer Staples

Industry: Food Products

Current Price: \$35.30

Target Price: \$43.17

Farmer Bros. Co. is a national coffee roaster, wholesaler, and distributor of coffee, tea, and culinary products. Some of their robust product line includes roast and ground coffee, frozen liquid coffee, flavored and unflavored iced and hot teas, and cappuccinos to name a few. Farmer Bros. also engages in the selling of culinary products, such as gelatins, puddings, soup bases, mixes, jellies, and preserves. The business operates under one segment and sells its products mainly under the Farmer Brothers, Artisan Collection by Farmer Brothers, Superior, and Metropolitan brands. Farmer Bros. services range from small restaurants and foodservice operators to large buyers, such as restaurant chains, hotels, casinos, and gourmet coffee houses. Products are available through direct-to-consumer sales through the company website, or by third-party distributors or common carriers. The company was founded in 1912, and is currently in the process of developing a new headquarters in Northlake, Texas.

BUY

Current Price: \$35.30

Target Price: \$43.17

Market Cap: 593.9M

52 Week Range: \$26.69 - \$37.55

Ke: 10.83%

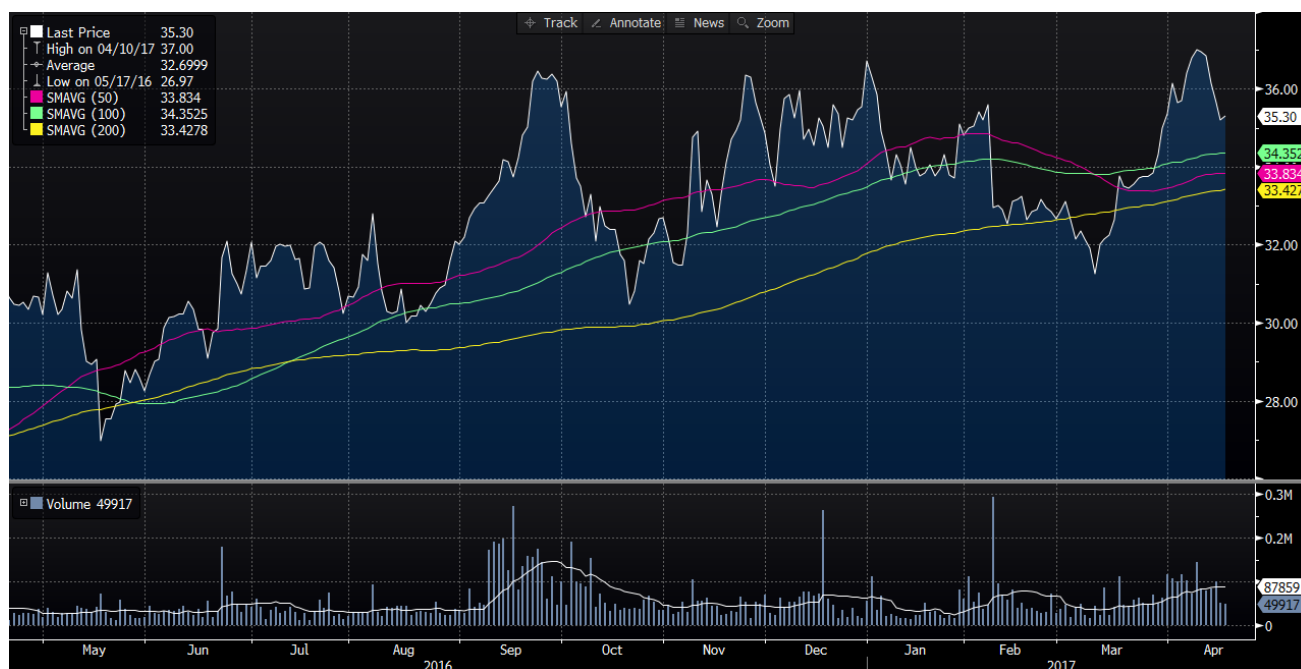
ROIC (LTM): 88.23%

D/E: 1.35

Net Income Margin (LTM): 16.52

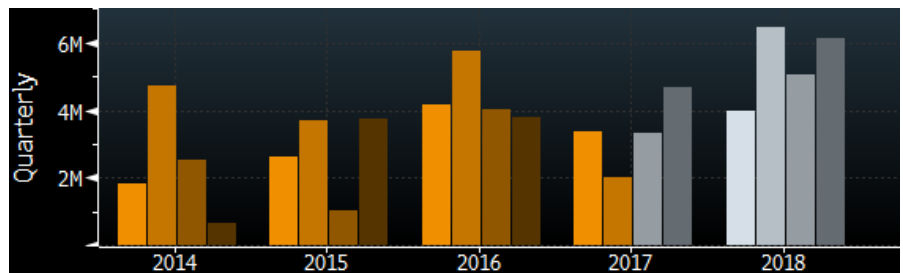
Catalysts:

- Short Term(within the year): Corporate relocation, development of new products, coffee consumption/demand
- Mid Term(1-2 years): Strategic acquisitions, warehouse management, evaluation of cost structure, investment in HR
- Long Term(3+): Strategic investment in assets, sustainability across operations



Thesis: Farmer Brothers has been a staple in the coffee industry for a number of years. The business is founded on the value of service for others, and that tradition is still upheld with the desire to provide high-quality products to customers of all markets, such as foodservice, hospitality, and healthcare to name a few. The company's service record has historically resulted in an expanding customer base. Widespread presence in the coffee industry is growing. Product diversification and variety is expanding, and the company is currently in the process of a relocation in order to better its competitive advantage within the market. Despite incurring heavy costs and some distractions, the company still saw marginal expansion and performed well financially. Considering these factors, the national increase in coffee consumption, and an experienced management team, Farmer Brothers is well positioned to maintain its place as a stronghold in the specialty coffee industry and make a statement towards greater market share.

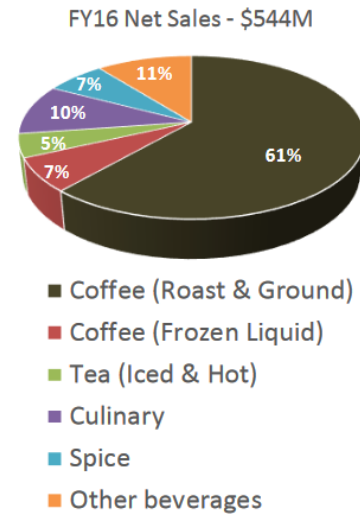
Q2 2017 Earnings Performance: Despite experiencing some distractions and setbacks, Farmer Bros. still performed well and experienced positive momentum in Q2 2017. The company's coffee volume increased 5.7%, which made it the fourth consecutive quarter with volume growth in the mid-single digits. As a result, the company processed and sold 24.5 million pounds of green coffee, compared to 23.2 million in the prior year period, resulting in more sales. Gross profit increased 4.1% to \$55.1 million, compared to 52.9 million in the prior year period. Net income for the quarter totaled \$20.1 million, which is significantly higher in comparison to last year, mostly attributed to a gain on the sale of the company's former Torrance facility of \$37.4 million, which will be explained later. Nonetheless, adjusted net income per quarter, not taking into



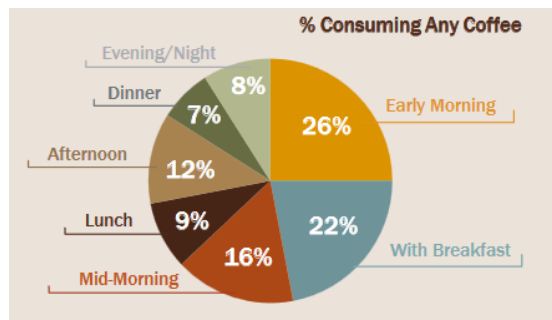
Source: Bloomberg

account the gain on sale, is projected to rise in the coming quarters as shown in the visual. The reasons due to the fluctuations in total net income is primarily due to the company relocation project currently underway. Restructuring, and transition expenses are down \$1.3 million compared to last year, due to the near completion of the relocation. Management holds a firm belief that Q3 coming up will be the last with significant expenses. Overall net sales for the quarter were down 2.3% from prior year, totaling \$139 million. This can be attributed due to the overall decrease in net sales of spice and coffee products, however, this loss can be partially offset by an increase in net sales of tea. Spice sales decreases could be attributed to the sale of the company's institutional spice business to Harris Spice Company, finalized in December of 2015. Operating expenses were down considerably, at \$19.2 million versus \$47.5 million in prior year. Recognition of the gain on sale for the Torrance facility and lower restructuring expenses in connection with the relocation plan were the forces behind such a decline. Operating income for the company also saw a sharp increase, totaling \$35.9 million in comparison to \$5.4 million in Q2 of 2016. Again, the reason for such a gain was in part due to the Torrance sale. It may be tough to believe in the financial performance of the company due to the inflation of this sale, both in revenue and expenses. However, the company does have a track record of success, a loyal customer base, and has still output positive performance in the midst of large company setbacks. As a result, I expect continued growth of the company, both in terms of company plans and as a result of the growing coffee market moving forward.

Products and Services: Farmer Brother's credits their product variety as one of the key drivers behind their business. The company offers a robust product line that varies in both type and make. Varieties include: roast coffee, ground coffee, frozen coffee, iced and hot tea, spices, and culinary products, such as gelatins, puddings, soup bases, and dressings for example. On top of that, the company has a platform for top-notch service, over a multitude of tiers, specifically value, premium, and specialty. These allow for a wide number of options for consumers, and are factors in a proven track record with customer retention. Farmer Brothers is recognized as one of the most complete (local, regional, and national) DSD networks in the coffee industry. For their overall net sales, Roast and Ground coffee takes up the majority of their sales, at around 61% total, as displayed in the visual. For the industry as a whole, specialty coffee is forecasted to grow roughly 6%, and iced coffee beverages are projected to



Source: Investor Presentation



grow roughly 9%. Overall coffee consumption is increasing as well; coffee is no longer viewed as just a "morning" drink. Farmer Brother's multiple tier services and options coupled with an expanding and already vast product line allow for an idealized sell with customers. With a strong recognition in the industry and certain sectors projecting growth, as well as increases in coffee volume, the company is certainly in a good spot in terms of increasing their stronghold on the coffee industry.

Acquisitions: Acquisitions are a large portion of the company's way of business, especially over the last few years. Most recently in the last few months, the company completed two acquisitions that are expected to be of huge value to them, namely China Mist Brands, Inc. and West Coast Coffee. China Mist was acquired in October of 2016, for a total of \$11.2 million. China Mist is expected to be a large catalyst for the company in expanding its hold on the premium tea market. China Mist is a strong tea brand, and will add to Farmer Bros. economy of scale and service, with China Mist performing national distribution in over 20,000 foodservice locations. West Coast Coffee is also slated to have a large impact on the value of the company, and for Farmer Bros. most profitable product. West Coast Coffee was acquired in February of this year, for a total of \$13.5 million. West Coast is a Portland-based coffee-manufacturer and distributor, primarily focused on convenience store, grocery, and foodservice channels. As a result, the customer base is expected to expand even further and new market opportunity is more within reach. West Coast maintained distribution to over 2,000 locations, and helps in broadening the company's reach to the Northwest of the country. For FY 2017, the company has plans to continually expand their product line, while utilizing opportunistic M&A activities. These two acquisitions will not only create growth in their bottom



line and expand their scale, but will surely allow for greater exposure over more markets and with more customers, that will stimulate growth.

Corporate Relocation: One of the cornerstone movements behind Farmer Brother's business plan is the relocation of the company's headquarters that is currently underway. Having started in 2015, the company has relocated to Northlake, TX, from their former headquarters in Torrance, CA. The company felt that the move would make the company much more competitive, and would better position itself to capitalize on the growth opportunities set in place as of now. The company incurred cash costs of \$30.5 million upon the start of the project. A majority of those costs can be contributed to SG&A, roughly \$17 million, with the remaining portion also in connection with the overall transition, in restructuring costs and other expenses. The company produced an estimate of the overall construction costs totaling around \$55-\$60 million, and IT, equipment, and other related costs totaling \$35-39 million. This project as a whole has displayed both positives and negatives for the company. For example, the project as a whole can be attributed to increases in CAPEX, but Q3 of this year is slated to be the last quarter of significant expenses. Seeing that a majority of costs and expenses are one-time and non-recurring, the company does not foresee an increasing level of debt. The relocation plan is also projected to produce cost savings of roughly \$18-20 million, annually, which is huge. From the Torrance facility, the company realized a gain of \$37.4 million, which is a testament to the reasoning for such a high net income for the quarter. However, net income is still projected to continually increase, both quarterly and annually, upon project completion. The company credits this move with a continual building of a solid foundation for future growth, and positions them nicely to capitalize on competitive opportunities. With this in knowledge, it is important to recognize how the company is still able to display positive performance in the wake of a sizeable project with heavy costs. The company is taking any action they can to collectively reduce costs and create value in penetration of new market opportunities. Coffee remains an exciting and ever-changing area, with product possibilities and consumption demand constantly changing. This move is ideal for the company in developing future growth, and can point towards seeing a higher EBITDA margin in the future, as a result of consolidation of multiple facilities into one. Long-term, this relocation project will reduce operating and other expenses whilst generating value in presenting better opportunity for the company to expand.

Financial Performance: Reviewing the quarterly performance results indicated that the company is certainly headed in the right direction for FY 2017. That runs with consistent with the company's continued positive performance year-over-year, and so there are a few factors I would like to outline. For FY 2016, net income totaled \$89.9 million, compared to \$700,000 for FY 2015, which also resulted in a rapid EPS increase. At year end, the company had \$21.1 million in cash and equivalents, and also \$25.6 million in short-term investments, compared to \$109,000 outstanding on the company's revolving credit facility. This facility for the company has a \$75 million borrowing capacity, and so at year end it is indicative of the company's low debt and solvency. CAPEX totaled \$31 million, an increase from \$19 million in FY 2015. However, these costs can be attributed to brewing equipment, facility improvements, and relocation costs related to the company's corporate relocation project. The corporate relocation costs, totaling \$4 million, should be one-time and non-recurring, and so with construction slated to end in Q3 of 2017, and the consolidation of multiple facilities, CAPEX can be expected to decrease. D&A expense for the

FARMS Marginal Snapshot				
12 Months Ending	FY 2013	FY 2014	FY 2015	FY 2016
Gross Margin	36.04	37.08	36.09	38.3
EBITDA Margin	6.41	6.86	5.03	5.32
Operating Margin	0.01	1.69	0.6	1.5
Net Income Margin	-1.65	2.3	0.12	16.52

year totaled \$20.8 million, down from \$24.2 million the previous year. For the year, the company also held fixed price contract commitments for green coffee orders, totaling \$62.5 million, a \$21.5 million increase from 2015. Despite some setbacks in terms of construction for relocation, the company was still able to exhibit positive performance. Looking at 1-year marginal growth, as shown in the above visual the company saw in operating margins, gross margins, net income margins, and EBITDA margins. The slight decreases in each margin in FY 2015 can be attributed to the beginning of the corporate relocation project. Projections also have the completion of the new corporate building saving \$18-20 million annually, which can lessen expenses even more and can enable the company to either re-invest for growth or higher payouts for shareholders. Initiatives are in place currently to expand revenue growth even more, with the completed acquisitions as referred to earlier in the article. Revenue growth and decreasing expenses are two of the main focuses in the company's business plan and overall guidance. As indicated by Q2 2017 results, the company is on the right track in successfully doing so, and creating value.

Conclusion: Farmer Brother's management team seems to have a clear vision as to what they want to accomplish as a company. Plans are set in place to extend the company's reach and influence in the coffee industry. Recognized by some of the most accredited associations in the industry, the company is surely to uphold their values on unrivaled product quality and exception service to its vendors. With the completion of the recent acquisitions and finalizing the new corporate location, I believe the company is in a very good position to begin a strong phase of growth, with a greater arsenal and capitalization opportunities in newer markets. The company has displayed growth during some setbacks, and has also managed to cut costs. Furthermore, the market is exciting as coffee demands and consumption are constantly changing, with a variety of options available. As a result, I see this company with a considerable amount of upside, and believe they can surely reach the set one-year target price of \$43.17.

Farmer Bros. Co. (FARM)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Alec Odnova

4/23/2017

Current Price:

\$35.20

Divident Yield:

0.7%

Intrinsic Value:

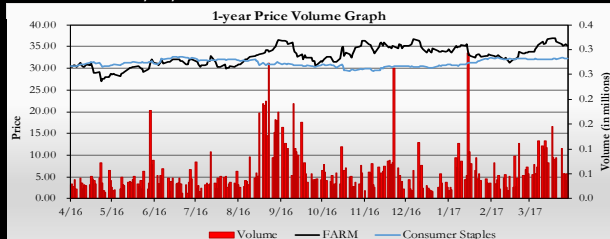
\$115.08

Target Price:

\$133.66

Target 1 year Return: 280.39%

Probability of Price Increase: 100%



Description	Market Data
Farmer Bros.	Market Capitalization \$583.36
	Daily volume (mil) 0.05
	Shares outstanding (mil) 16.57
	Diluted shares outstanding (mil) 16.76
	% shares held by institutions 74%
	% shares held by investments Managers 36%
	% shares held by hedge funds 12%
	% shares held by insiders 51.88%
	Short interest 3.21%
	Days to cover short interest 8.66
	52 week high \$37.55
	52-week low \$26.69
	Levered Beta 1.05
	Volatility 37.12%

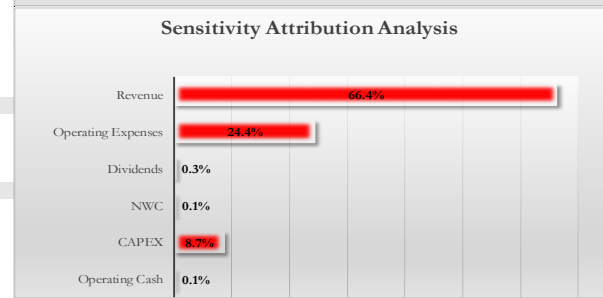
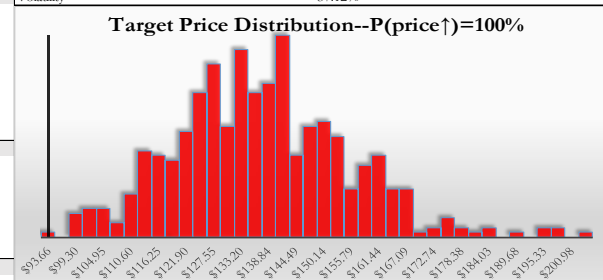
General Information	Peers
Sector Consumer Staples	Inteventure Foods, Inc.
Industry Food Products	Lancaster Colony Corporation
Last Guidance November 3, 2015	Coffee Holding Co., Inc.
Next earnings date May 6, 2017	J&J Snack Foods Corp.
Estimated Country Risk Premium 6.25%	McCormick & Company, Incorporated
Effective Tax rate 40%	B&G Foods, Inc.
Effective Operating Tax rate -20%	Post Holdings, Inc.
	National Beverage Corp.

Quarter ending	Revenue	EBITDA
12/31/2015	-3.65%	-23.33%
3/31/2016	-1.85%	-28.82%
6/30/2016	-1.35%	-42.54%
9/30/2016	-5.44%	-37.90%
12/31/2016	-4.22%	-29.73%
Mean	-3.30%	-32.46%
Standard error	0.8%	3.4%

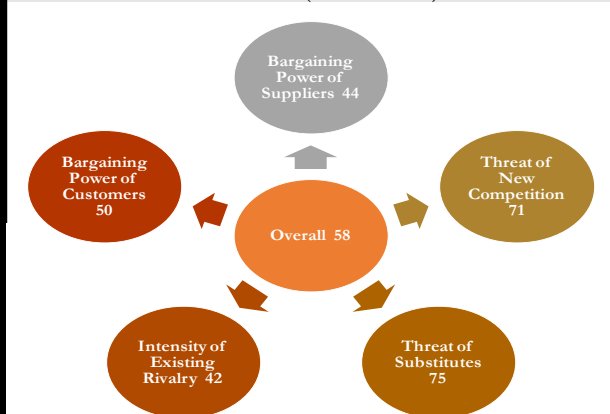
Management	Position	Total compensations growth	Total return to shareholders
Keown, Michael	Chief Executive Officer, Pre	27.46% per annum over 5y	15.07% per annum over 5y
Mattai, Thomas	General Counsel and Assistan	68.27% per annum over 2y	24.97% per annum over 2y
Bisby, Scott	Senior Vice President and Ge	109.31% per annum over 2y	24.97% per annum over 2y
Robson, David	Chief Financial Officer and	N/M	N/M
Iobst, Ellen	Chief Operations Officer	N/M	N/M
Siers, Scott	Senior Vice President and Ge	N/M	N/M

Profitability	FARM (LTM)	FARM (5 years historical average)	Industry (LTM)
ROIC	36.6%	-23.92%	11.37%
NOPAT Margin	8%	-2.17%	9.4%
Revenue/Invested Capital	4.81	11.05	1.21
ROE	22.0%	-17.14%	13.34%
Adjusted net margin	7%	-2.54%	8.2%
Revenue/Adjusted Book Value	3.04	6.76	1.62

Invested Funds	FARM (LTM)	FARM (5 years historical average)	Industry (LTM)
Total Cash/Total Capital	17.9%	22.7%	10%
Estimated Operating Cash/Total Capital	4.4%	5.7%	N/A
Non-cash working Capital/Total Capital	16.9%	28.3%	4%
Invested Capital/Total Capital	80.6%	80.0%	87%
Capital Structure	FARM (LTM)	FARM (5 years historical average)	Industry (LTM)
Total Debt/Common Equity (LTM)	-0.02	-0.02	0.22
Cost of Existing Debt	-13.21%	-0.46%	3.96%
Estimated Cost of new Borrowing	15.25%	15.25%	3.96%
CGFS Risk Rating	F	F	CC
Unlevered Beta (LTM)	1.10	1.37	0.54
WACC	11.95%	13.04%	6.98%



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



Period	Revenue growth
Base Year	-0.5%
12/31/2017	2.4%
12/31/2018	2.5%
12/31/2019	2.7%
12/31/2020	2.9%
12/31/2021	3.0%
12/31/2022	3.2%
12/31/2023	3.4%
12/31/2024	3.6%
12/31/2025	3.7%
12/31/2026	3.9%
Continuing Period	4.1%
Period	Invested Capital
Base Year	\$125.44
12/31/2017	\$126.99
12/31/2018	\$134.14
12/31/2019	\$99.31
12/31/2020	\$111.83
12/31/2021	\$155.98
12/31/2022	\$145.36
12/31/2023	\$144.15
12/31/2024	\$122.59
12/31/2025	\$112.75
12/31/2026	\$103.83
Continuing Period	

Valuation	ROIC/WACC
NOPAT margin	3.06
	2.12
	2.79
	3.17
	4.39
	5.45
	6.70
	8.16
	9.86
	11.84
	14.16
	16.88
Net Claims	Price per share
	\$65.68
	\$71.64
	\$78.04
	\$84.64
	\$91.50
	\$98.60
	\$105.92
	\$113.48
	\$121.27
	\$129.26
	\$137.44

April 21st, 2017

John Bean Technologies: JBT

Edward Stumm

Sector: Industrial Goods

Industry: Diversified Machinery

Current Price: \$88.25

Target Price: \$105.24

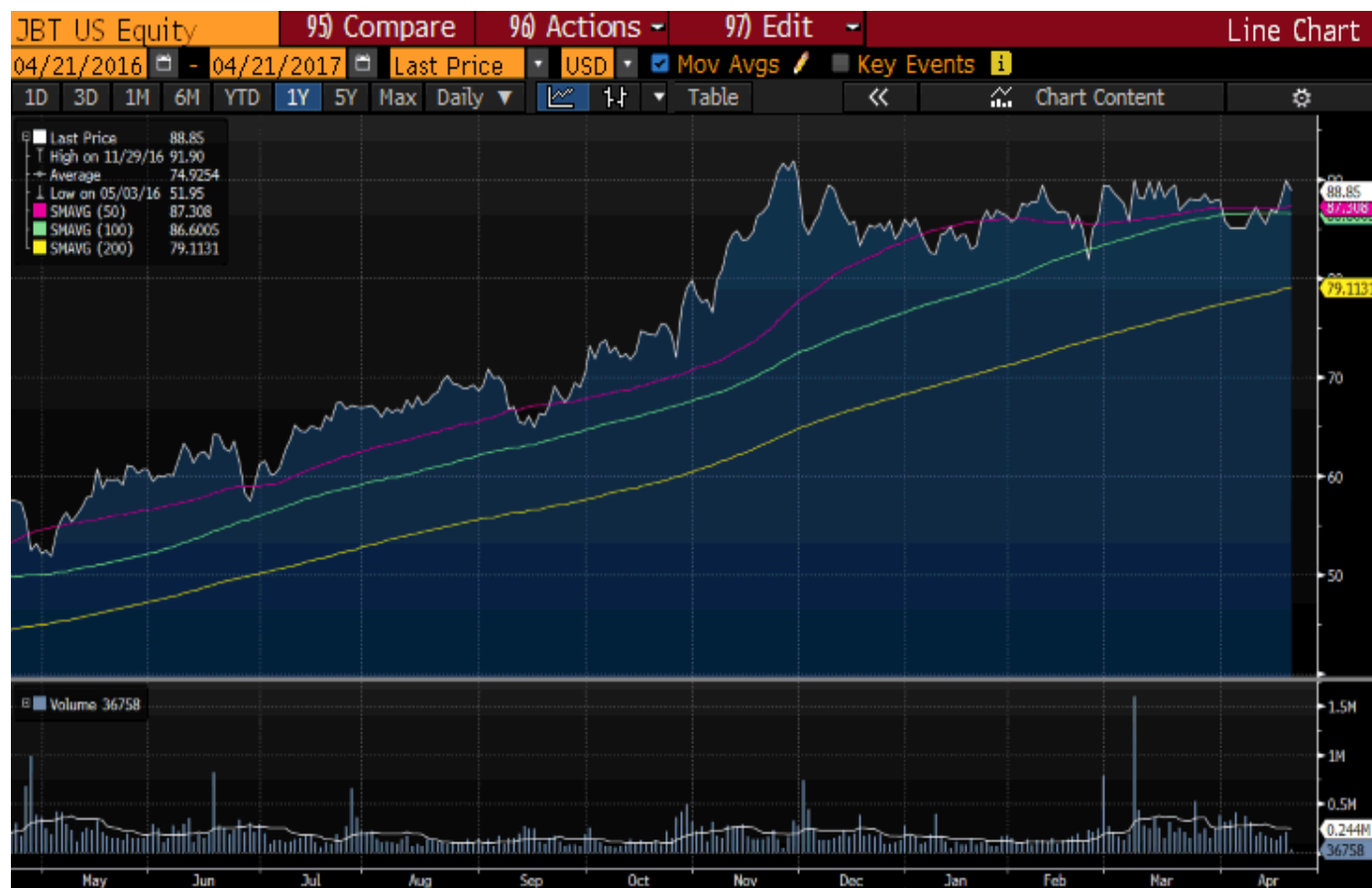
Company Description: John Bean Technologies Corporation was founded in 2008 and operates on the New York Stock Exchange as JBT. Their business is to design, manufacture, test, install, and service products and systems for the food and beverage, and air transportation industries. John Bean Technologies is headquartered in Chicago, Illinois.

BUY

Current Price:	\$88.25
Target Price:	\$105.24
Market Cap:	2.79B
Beta:	1.38
Total Debt/Equity:	277.4%
ROE:	49.35%
52 week range:	51.20-93.55
Average volume:	236,112
Dividend Yield:	0.46%

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

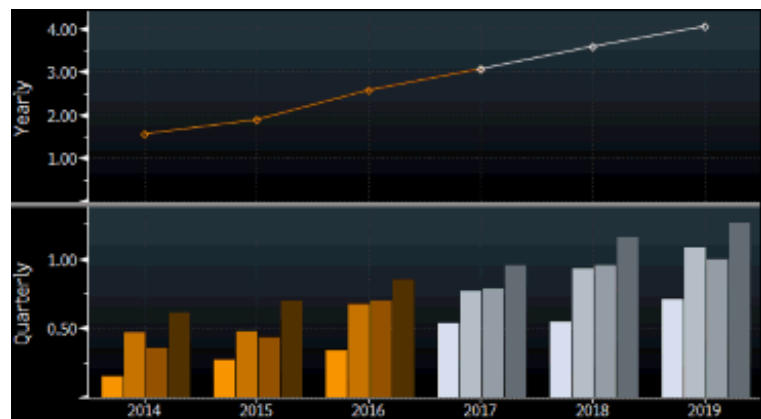
- Q1 Earnings:
- Development of the Elevate Plan:
- Product Development Acquisitions:



Thesis: John Bean Technologies established a global presence through rapid expansion. New market development will help John Bean Technologies grow and succeed, as seen with the 13% revenue growth in Asia alone, they plan to prepare for the future. A strong middle class will create market opportunities by increasing demand for value added food. John Bean Technologies is prepared to release their Q1 Earnings which can drive the stock up and prepare investors for the future guidance of the company. After repeatedly beating earnings, we can be optimistic with the future of this company. The Elevate Plan is projected to drive John Bean Technologies to a \$1.7 to \$1.8 billion company by 2019 with EBIT margins north of 10%. With a forward P/E ratio of 24.72, John Bean Technologies is fairly priced among the industry. Driven by the catalysts and global growth, John Bean Technologies is a buy.

Earnings Performance:

John Bean Technologies finished 2016 with a strong performance outperforming their estimated earnings per share of \$0.67 with an actual report of \$0.85. Revenues increased 22% due to organic growth in the acquisition program. Earnings per share for the year outperformed 2015 by \$0.40. The FoodTech revenue grew by 28% in the year 2016, and the Aerotech segment grew 10% in 2016. The SG&A expenses were leveraged over a higher revenue base, which resulted in higher margins in both the Aerotech and FoodTech segment. For 2016, John Bean Technologies was able to debt leverage ratio under three times with the help of acquisitions outperforming their expectations.



Industry Outlook:

The Diversified Machinery industry focuses on companies that produce and sell completed machinery to other companies, with major players including General Electric, 3M, Honeywell International Inc. and Schlumberger. The Diversified Machinery industry has mixed results since January 1st. Honeywell International has seen their stock rise 9.5% since the New Year, with adjusted earnings per share of \$1.66 on revenue of \$9.49 billion. General Electric has not done as well, only posting earnings per share of 21 cents on revenue of \$27.66 billion, with their stock falling 6% since January. Schlumberger, the largest oilfield services provider, also fared similarly to General Electric, as they have faced challenges with ideal equipment, causing revenue to fall to \$6.89 billion, almost one hundred million short of projections. Overall, the diversified machinery is a mature industry which won't experience any new entrants, but at this point there is room to expand before the market is completely saturated.

Business Model:

John Bean Technologies operates in two different business segments through the world. There is the FoodTech Segment, which accounts for 69% of the revenue, and there is the Aerotech Segment, which accounts for 31% of the revenue. Without even realizing it we probably are tied in to John Bean Technologies one way or another in our everyday life. Their business is to provide solutions for food processing through the creation of machinery. With the current growth through acquisition strategy, John Bean Technologies has the opportunity to explore new market segments, for example, the new protein and liquid foods area. The Aerotech segment operates a similar business where they create and provide solutions like baggage handling systems, ground support equipment, and boarding bridges to help airports become more efficient. Primarily, John Bean Technology does business



in the United States, Europe, Latin America, and Africa. John Bean Technologies has expanded their operations to new countries, including their most recent expansion into Asia, which provided positive results with the new developing market. The rise in demand for products as the middle class continues to grow will help drive sales for John Bean Technologies.

Competitors:

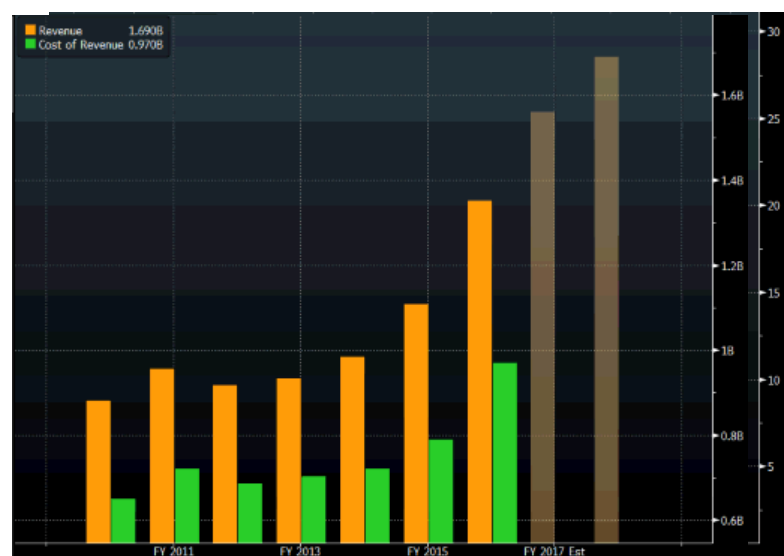
In the diversified industry there are many competitors, big and small. The main competitors who operate in the

Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth	Net Profit Margin	Capex/Sales (%)	Return on Invested	Return on Assets	Return on Equity
Median	-0.74%	-0.79%	14.57%	10.71%	-7.97%	6.00%	2.38%	11.82%	6.41%	15.61%
100) JOHN BEAN TECHNOLOG	21.96%	30.02%	11.42%	8.57%	36.43%	5.66%	2.75%	15.65%	7.40%	49.35%
101) WELBILT INC	--	--	17.88%	14.55%	--	6.00%	1.10%	11.82%	4.96%	--
102) MIDDLEBY CORP	24.16%	30.12%	22.71%	20.14%	34.11%	12.83%	1.09%	15.61%	10.25%	23.93%
103) STANDEX INTERNATIONAL	-4.79%	-6.39%	13.22%	10.71%	-7.97%	7.82%	2.38%	12.01%	8.26%	15.21%
104) HILLENBRAND INC	-0.27%	-0.66%	17.56%	13.71%	4.19%	8.39%	1.38%	12.37%	6.96%	21.20%
105) REGAL BELOIT CORP	-8.13%	-13.25%	14.57%	9.75%	-16.67%	6.20%	2.02%	6.78%	4.47%	10.06%
106) REXNORD CORP	-2.18%	-1.50%	16.53%	10.85%	-13.10%	4.98%	2.71%	6.98%	2.80%	11.84%
107) MTS SYSTEMS CORP	26.18%	-0.92%	11.52%	7.64%	-29.73%	4.45%	3.20%	6.64%	3.81%	9.68%
108) FEDERAL SIGNAL CORP	-10.86%	-27.63%	11.84%	9.14%	-36.17%	5.93%	0.86%	10.06%	6.41%	10.49%

industry as previously mentioned are 3M, General Electric, Honeywell International, and Schlumberger. The competitors I will focus on are Welbilt Inc., and Middleby Group. John Bean Technologies has an EBITDA Margin of 11.42% which is below the industry average of 14.57%, but if we focus on the EBITDA growth we can see that John Bean Technologies is moving in the right direction to becoming one of the leaders in the industry. They experienced sales growth of 21.96% in an industry that witnessed negative sales growth over the past year. They reported a return on invested capital of 15.65% while having a WACC of 9.8%. This means that John Bean Technologies has been able to generate value over the past year, which is a step in the right direction to become a leader. Finally, John Bean Technologies reported a return on equity of 49.35% which indicates that they are leveraged, and currently have a substantial amount of debt. Welbilt Inc. reported an EBITDA margin of 17.88% but haven't been open to how sales grew over the previous year. Welbilt also reported a lower return on invested capital. Middleby Corp has reported sales growth of 24.16% which is well above the average, and reported EBITDA margins of 22.71%, above the 14.57% average. Middleby Corp is a close competitor operating in building machines for cooking, like the turbo oven used in many fast food chains.

Financials:

In 2016, revenues were 1.35 billion with cost of goods sold of 969.8 million. John Bean Technologies is projected to have a steady rise in revenues with a similar rise in cost of goods sold. The breakdown of revenues is 68.7% FoodTech and 31.3% Aerotech. Over time, John Bean Technologies has focused more of their attention towards the FoodTech segment, which increased 4% over 4 years. Currently, John Bean Technologies has total debt to equity of 277%, which means that they are highly leveraged and could explain the return on equity of 49.35%. Some concern may arise that they won't be able to pay back their obligations over time if they remain as



leveraged as they currently are. However, their current ratio of 1.23 indicates that John Bean Technologies has the ability to pay off any of their short term obligations if need be. If we take their inventory out of the question and just focus on their current assets, John Bean Technologies is still relatively stable with a quick ratio of 0.75.

Now shifting to sustainability, another concern in a mature industry is if a company can sustain sales and growth. In the past three years, John Bean Technologies has seen a rise in EBITDA margins, gross profit margin, operating margin, and net income margin. In the most recent year, these margins slightly dropped which can be because of the recent acquisitions and increased R&D spending of 30%. Their margins still look attractive compared to the industry, and will return to rising in no time with the current development plan.

Ownership:

The ownership for John Bean Technologies has remained relatively flat year over year. The biggest portion of the shares belong to investment advisors at 89.9% which increased from the previous year by 0.46%. The second largest is hedge fund managers at 3.23% of shares which decreased from the previous year. The

Compare Current Stats Against 04/16/16				
Ownership Type	04/10/16	Curr↑	Change	
11) Investment Advisor	89.35	89.81	+0.46	<input checked="" type="checkbox"/>
12) Hedge Fund Manager	3.50	3.23	-0.27	<input type="checkbox"/>
13) Pension Fund	2.72	2.13	-0.59	<input type="checkbox"/>
14) Individual	2.31	2.09	-0.22	<input type="checkbox"/>
15) Insurance Company	0.79	0.85	+0.06	<input type="checkbox"/>
16) Bank	0.13	0.67	+0.54	<input type="checkbox"/>
17) Sovereign Wealth Fund		0.62		<input type="checkbox"/>
18) Government	1.04	0.29	-0.75	<input type="checkbox"/>
19) Brokerage		0.19		<input type="checkbox"/>
20) Endowment	0.08	0.07	-0.01	<input type="checkbox"/>
21) Other		0.03		<input type="checkbox"/>

individual ownership is only 2.09% which decreased from 2.31% the year before. This indicates that investors are optimistic in the growth of this company over time with such a high percentage belonging to investment advisors, and with the decrease in hedge fund ownership. John Bean Technologies has an experienced management team who all have 15 year or more experience in the industry. All executives have joined the company within the past 4 years. Thomas Giacomini is fairly new to the CEO position at John Bean Technologies. Recently, he served as CEO at Dover Engineered Systems Inc.

Acquisitions:

In the recent year, John Bean Technologies has acquired Tipper Tie Inc., Novus X-ray, and Cooling and Applied Technologies. Novus X-Ray specializes in the manufacturing of X-ray systems which will allow John Bean Technologies to enter the growing market for automated food inspection equipment. Cooling and Applied Technologies added chillers and weighing systems to their portfolio of equipment. Tipper Tie Inc. will help John Bean Technologies enter the protein segment and liquid food segment. John Bean Technologies plans to expand their business through transactions around the world. This will help them become more diverse in the

products and solutions they offer, as long as they can maintain the amount of debt they are experiencing, they should be able to grow.

Conclusion:

John Bean Technologies is an up and coming business who will continue to grow through acquisitions and the development of new markets. With the current middle class growing, there will be an increase for value added food, and John Bean Technologies will be right there to supply the solutions. Through the elevate plan, John Bean Technologies should be around \$1.8 billion in sales by 2019. I believe this company is a buy because of the strategic moves they have made to plan for the future, and with the upcoming earnings call we will gain insight to the future of this company.

John Bean Technologies Corporation (JBT)

Analysis by Edward Stumm
4/23/2017

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

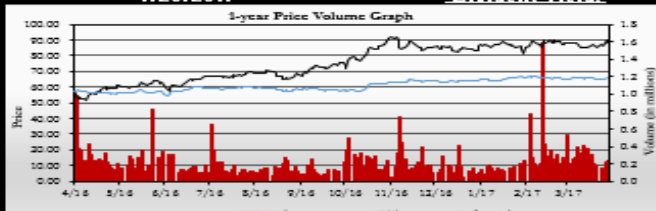
Current Price:
Dividend Yield:

\$88.25
0.5%

Intrinsic Value
Target Price:

\$100.36
\$113.24

Target 1 year Return: 28.85%
Probability of Price Increase: 98%



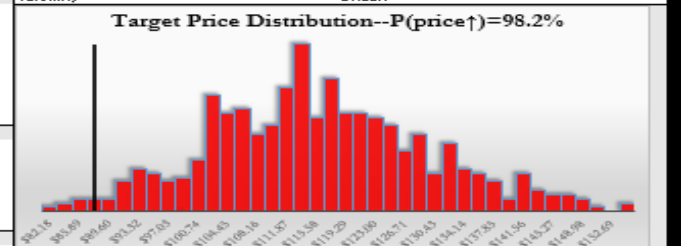
Description
John Bean Technologies Corporation designs, manufactures, tests, installs, and services products and systems for the food and beverage, and air transportation industries.

General Information
Sector: Industrial
Industry: Machinery
Last Guidance: November 3, 2015
Next earnings date: April 25, 2017
Estimated Country Risk Premium: 5.60%
Effective Tax rate: 34%
Effective Operating Tax rate: 36%

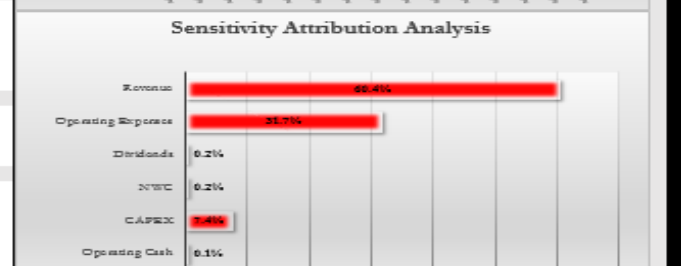
Market Data	
Market Capitalization	\$2,790.74
Daily volume (mil)	0.24
Shares outstanding (mil)	31.62
Diluted shares outstanding (mil)	29.80
% shares held by institutions	74%
% shares held by investment managers	92%
% shares held by hedge funds	1%
% shares held by insiders	2.06%
Short interest	3.34%
Days to cover short interest	4.47
52-week high	\$93.55
52-week low	\$51.20
Levered Beta	1.35
Volatility	27.22%

Quarter ending	Revenue	EBITDA
12/31/2015	3.93%	10.56%
3/31/2016	-3.15%	15.77%
6/30/2016	3.14%	8.42%
9/30/2016	6.85%	11.14%
12/31/2016	2.26%	21.16%
Mean	2.80%	13.41%
Standard error	1.6%	2.3%

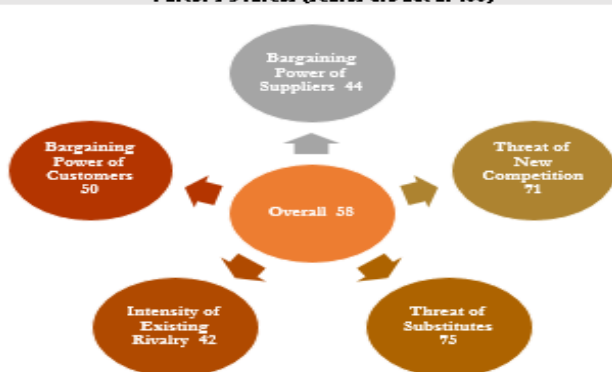
Peer	Peer
SPX Corporation	
The Middleby Corporation	
Welbilt, Inc.	
Actuant Corporation	
SPX FLOW, Inc.	
Nordson Corporation	
Illinois Tool Works Inc.	
IDEX Corporation	



Management	Position	Total compensation grant	Total return to shareholders
Giacomini, Thomas	Chairman of the Board, Chief	-3.94% per annum over 3y	22.61% per annum over 3y
Dock, Brian	Chief Financial Officer and	-6.03% per annum over 2y	62.75% per annum over 2y
Marvin, James	Executive Vice President, Ge	NM	NM
Smith, Steven	Executive Vice President and	1.22% per annum over 3y	22.61% per annum over 3y
Burstein, David	Executive Vice President and	3.74% per annum over 2y	62.75% per annum over 2y
Sonqueto, Deborah	Executive Vice President of	NM	NM
Profitability	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
ROIC	38.1%	34.9%	10.13%
NOPAT Margin	8%	7.39%	9.4%
Revenue/Invested Capital	4.77	4.73	1.08
ROE	-696.8%	130.35%	12.51%
Adjusted net margin	7%	6.70%	7.8%
Revenue/Adjusted Book Value	-94.32	19.45	1.60
Invested Funds	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
Total Cash/Total Capital	3.9%	9.6%	12%
Estimated Operating Cash/Total Capital	3.9%	7.1%	N/A
Non-cash working Capital/Total Capital	7.8%	13.4%	17%
Invested Capital/Total Capital	49.0%	59.2%	87%
Capital Structure	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
Total Debt/Common Equity (LTM)	0.21	0.23	0.31
Cost of Existing Debt	3.86%	6.87%	3.65%
Estimated Cost of new Borrowing	5.36%	11.49%	3.65%
WACC	10.09%	9.44%	8.99%



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



Period	Revenue growth
Base Year	22.0%
12/31/2017	14.9%
12/31/2018	6.4%
12/31/2019	5.1%
12/31/2020	4.9%
12/31/2021	4.8%
12/31/2022	4.7%
12/31/2023	4.6%
12/31/2024	4.4%
12/31/2025	4.3%
12/31/2026	4.2%
Continuing Period	4.1%
Period	Invested Capital
Base Year	\$163.32
12/31/2017	\$200.64
12/31/2018	\$278.73
12/31/2019	\$234.20
12/31/2020	\$293.29
12/31/2021	\$416.56
12/31/2022	\$509.31
12/31/2023	\$585.37
12/31/2024	\$647.83
12/31/2025	\$710.61
12/31/2026	\$771.72
Continuing Period	

Valuation	ROIC/WACC
NOPAT margin	3.78
	3.93
	3.55
	3.53
	3.44
	3.38
	3.36
	3.36
	3.36
	3.38
	3.42
	3.46
Max Claim	Price per share
\$520.74	\$97.40
\$417.06	\$109.38
\$282.32	\$122.09
\$115.08	\$125.40
-\$63.75	\$149.31
-\$256.72	\$163.83
-\$465.89	\$179.03
-\$691.85	\$194.91
-\$935.45	\$211.46
-\$1,197.59	\$228.70
-\$1,479.38	\$246.63

April 21st, 2017

Revelon: REV

Marion HORRY

Sector: Consumer Goods

Industry: Personal Products

Current Price: \$25.30

Target Price: \$30.96

The main activity of Revelon (REV) is to manufacture, markets and sell personal care product as well as beauty products. The company is offering a variety of products to customers such as cosmetics, hair color, hair care, beauty tools, fragrances, deodorants, and skincare products.

To distribute its product the company is using different channels such as retailers, stores, hypermarkets, general stores, e-commerce, television shopping, department stores, cosmetic stores, and perfumeries.

BUY

Current Price: \$ 25.30

Target Price: \$30.96

Market Cap: 1.33B

Beta: 0.49

52-Week range: \$25.25 – \$37.96

Volume: 29,796



Thesis:

For the next following year, REV will ensure revenue growth by expanding their brand on the international market. At the same time, REV will be able to ensure a strategic shift in order to increase its brand image and to create products that fits well the demand for customers. Moreover, REV will continually to exercise its competitive advantage on profitability compare to its competitors.

Catalysts:

- **Short Term(within the year):**

The next earning is on April 31, 2017. This can increase the volatility of the stock and help to reach the target price.

- **Mid Term(1-2 years):**

The strategic Shift will increase margins and help to reach target price.

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

The expansion of the company will ensure revenue growth in the long run.

New Market Expansion Strategy:

REV is operating internationally and nationally. In 2016, the net sales generated by the United State geographic area decrease by 100 basis point compare to 2015, but the dollar amount of sales remain higher in 2016 (\$1,271.2 million) than in 2015 (\$1,043 million). On the opposite side the international geographic area emphasized an increase of revenue of 100 basis point from \$870 million to \$1,062 million.

Net Sales	2016	% of sales	2015	% of sales
United States	\$1,271.20	54.46%	\$1,043.70	54.52%
Outside of U.S	\$1,062.80	45.54%	\$ 870.60	45.48%
Total Sales	\$2,334.00	100%	\$1,914.30	100%

The decrease in percentage of sales with the United States can be explained by consumers shift in purchase habits. Consumers shift toward special stores and online channels. On the opposite side, there is a growing demand for REV products on the international market. REV will continue to expand its brands in Asia and in Latin America area in order to take advantage of growth opportunity. This will ensure that REV will gain new market share and they will ensure revenue growth for the following period.

New plan to attract customers:

REV consumers are shifting their purchase from mass retailers to specialty beauty and from online channels. Rev put in place different plans to increase their market shares and to ensure revenue growth.

The first strategic move of REV is create new innovative products. This year, REV have launched 3 new products which are shampoo, conditioners, and permanent hair color. In order to be able to innovate Rev develop its research and development service to create new products, introduce line extensions, to improve existing products to target well customers preferences. By looking at the amount invested in research and development between 2015 and 2016, it is possible to see the shift in strategy. Between 2015 and 2016, the research and development cost increased by 20%.

(in million)	2016	2015	% change
Research and development Cost	\$ 37.00	\$ 31.20	19%

The second strategic shift made by Rev is to modernize and to improve the brand image of the company. It is possible to see that REV had invested in brand image by looking at its selling, general and administrative expenses. Between 2015 and 2016, the SG&A increased by 14%. REV has starting to put in place this strategy and will continue to increase its brand awareness in order to offset and to reduce the shift in customer purchasing preferences. This will help REV to create customers shopping experience.

(in million)	2016	2015	% change
Selling, General and Administrative Expenses	\$ 421.10	\$ 368.70	14%

Cost Control Management:

Rev is putting in place a strategy to be able to grow profitably and to improve its operating performances. The main objective of this strategy is to increase the gross margin. By putting in place this strategy, the company wants to achieve less product return, decrease inventory level and markdowns.

By looking at the cost of revenue of REV, it is possible to see that historically, REV had lower cost compare to the last 12 months. By comparing REV to its competitors, it is possible to see that REV is more able to generate margin after paying all cost of revenue. During the last 12 month, competitors had 44.84% of cost for the total revenue compare to REV which had 38.38% of cost for tis total revenue. Thus, REV has a real competitive advantage on its gross profit margin compare to its competitors.

	COR/Revenue	
	History	LTM
REV	35.28%	38.38%
Competitors	44.60%	44.84%

By looking at the profitability ratio, it is possible to see that REV has a competitive advantage compare to its competitors. The gross margin ratio shows that the company is retaining more revenue than its competitors after paying its cost of goods sold. It means that REV retains \$0.6856 for every \$1 generated in revenue. By looking at the operating profit margin, it is possible to say that REV is able satisfy its creditors and its shareholders. The profit margin ratio shows that REV is more profitable than its competitors. The ratio shows that Rev is able keeping \$0.1511 for every \$1 of sales.

Name (BICS Best Fit)	Ticker	Mkt Cap (USD)	GM LF	OPM LF	PM LF
Median		2.25B	42.02%	7.47%	5.27%
100) COACH INC	COH US	11.01B	68.56%	20.99%	15.11%
101) FOOT LOCKER INC	FL US	9.95B	33.74%	13.16%	8.94%
102) KATE SPADE & CO	KATE US	2.25B	63.22%	2.54%	0.50%
103) CHILDREN'S PLACE INC/...	PLCE US	1.99B	36.07%	9.34%	6.57%
104) BURLINGTON STORES INC	BURL US	6.82B	42.02%	12.02%	7.42%

Conclusion:

In conclusion, it is important to notice that REV will expand in new market in order to ensure revenue growth. Moreover, REV is putting in place new strategic shift in order to ensure revenue growth and top gain market shares. At the same time, REV will be able to increase and preserve its competitive advantage of profitability.

