Macroeconomic Overview

	Index	Weekly % Change	YTD % Change
SPX Index	SPX Index	0.67%	6.44%
INDU Index	INDU Index	0.88%	6.29%
CCMP Index	CCMP Index	0.44%	9.06%
RTY Index	RTY Index	0.09%	2.90%
VIX Index	VIX Index	-4.45%	-20.58%

Domestic

U.S. equities markets continued to show positive growth marking the fourth consecutive week of gains. The Dow Jones Industrial Index posted the largest gain this week as it settled at 21,006 points reinforcing a -21% decline in volatility. Equity markets weren't the only winner this week as other strong macroeconomic increases were recognized. The economy witnessed the lowest jobless rate in twenty-four years reinforcing possible discretionary growth in the coming week. Edward Jones reported an increase in consumer retail spending of 5.6% in December, a positive sign towards non-elastic purchases throughout 2017. The surge in equities since the U.S. inauguration would certainly back that up as well. However, President Trump's first eight weeks in office have also impacted economic uncertainty. Guiding comments regarding his campaigns towards infrastructure, lowered corporate tax rates, and increased manufacturing growth have been undermined through lacking specificity from his first Congressional Address.

Although, a more nuanced belief may stem from the Federal Reserve's increased expectation to raising rates on March 15th. The hikes have been priced in the market since the December meeting with a 50% probability in the decision. We still suggest a closer analysis towards discretionary markets as confidence is rising with growth estimates in the overall economy. The December hikes may have recognized seasonality growth however a spike in interest rates and growing equity levels reflect an expansionary economy.

Usually, with a rate hike, financials would see more growth because of more demand for financing. However, financials witnessed the brunt of the market's downside. A rate hike may not immediately benefit those institutions, so we look towards discretionary. Consumers with higher confidence and strong retail spending habits normally supports growth in non-elastic goods throughout expansionary periods. Since historic growth has been seen with more expected, we forecast a normalization in the financial sector.

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Foreign Markets

	Index	Weekly % Change	YTD % Change
BE500 Index	BE500 Index	1.44%	2.82%
SXXP Index	SXXP Index	1.41%	3.00%
DAX Index	DAX Index	1.89%	4.23%
UKX Index	UKX Index	1.80%	2.75%
CAC Index	CAC Index	3.09%	1.91%
NKY Index	NKY Index	0.96%	1.20%
SHCOMP Inde	SHCOMP Index	-1.08%	4.47%
SZCOMP Inde	SZCOMP Index	0.08%	3.17%

Foreign activity remained uneventful this week, posting positive gains, but with more to determine next week. The Organization for Economic Co-Operative and Development point towards optimistic futures, indicating a 3.3% climb in overall economic growth. This would end a two year decline in foreign productivity. However, the UK remains halted by Brexit roadblocks. A conflict within the House of Lords is preventing the movement from gaining any ground, possibly suggesting a temporary surge. Without observable progress within a monumental movement, British equities are still subject to the aftermath of Brexit.

China, on the other hand, experienced positive yearly gains, but feeble weekly gains. Although expectations mount a 6.5% increase in GDP, a slowdown is still forecasted. Analysts point towards moderate gains in real estate, exports, and infrastructure to somewhat offset the decline.

This Week Ahead:

Europe:

- Q4 Eurozone GDP – 3/7
- Release of Rate Expectations – 3/9

Japan:

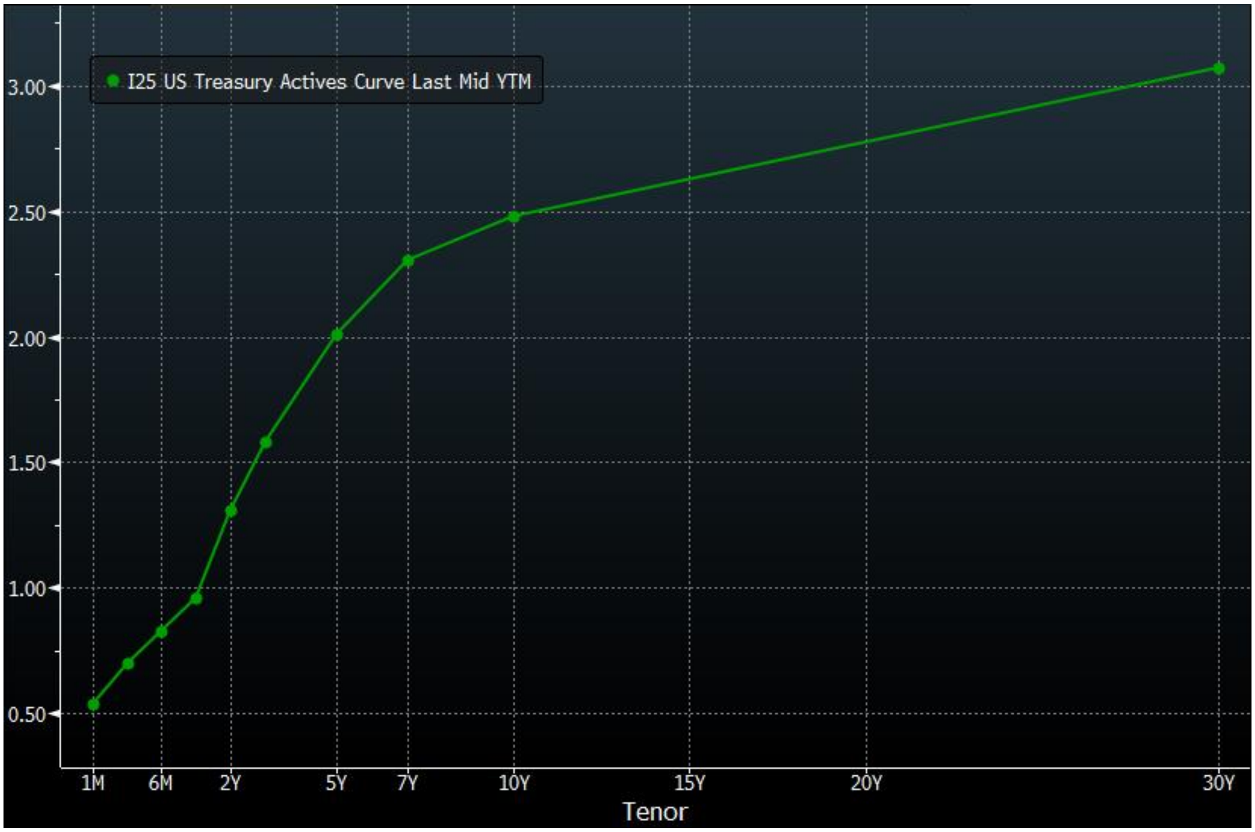
- Q4 GDP 3/8

China:

- Interest Rate Announcement – 3/6

Bond Report

This past week, the main concern of the bond market was related to the likelihood of an interest rate hike from the Federal Reserve as soon as March. In addition to that, investors have been expecting Trump's speech in front of the Congress to get a better idea of the timeline of the new president's planned fiscal policies. On Monday, as Dallas Fed President Robert Kaplan made comments that increased the likelihood of a March hike to more than 50%, Treasury yields increased slightly. Impact of this news was yet limited, as the market expects Trump to give indications regarding his tax plan. In the last weeks, market has been concerned that expected fiscal policies might have a limited impact this year. On Tuesday, ahead of Trump's speech, Treasury yields marginally fell on concerns that Trump's fiscal policies may be delayed. One of the main reasons of this expected delay is the statement from the White House that replacing Obamacare was a difficult and time-consuming task that had to be tackled in priority. On Wednesday, even though market deemed Trump's speech to a joint session of Congress to be a success, some investors were disappointed as President Trump failed to give more details regarding his fiscal policies timeline. Eventually, yields were send higher (largest one-day increase in almost four months) as comments from several Fed officials increased the probability of a March hike to as much as 70%, against 30% a week earlier. On Thursday, yields kept on climbing as Wall Street estimated the probability of a hike to be 77.5%. As a weak labor report may delay the Fed's plans to increase interest rates, investors were relieved as data released on Thursday showed Initial Jobless Claims had fallen to their lowest level since 1973. Finally, on Friday, yields remained fairly constant as Janet Yellen stated that a hike would be likely as long as labor and inflation data were "in line with the Fed's expectations". Now, probability of a hike during the Fed's two-day meeting to come in the next weeks is as high as 82%. Through the week, short-term Treasury yields generally advanced, as the yield on the two-year note increased 16 basis points to 1.304%. Regarding long-term Treasury bonds, the trend was the same as the 10-year Treasury yield reached 2.492% (a 17.5 basis points advance during the week) and the 30-year Treasury yield jumped by 13.1 basis points to 3.084%.



What's next and key events

Next week, few official reports and data releases are expected and will likely give indications of the state of the market and the US economy ahed of the FOMC meeting to take place on March 14th and 15th. On Wednesday, data about MBA (Mortgage Bankers' Association) Mortgage Application will be released. This indicator not only gives the general state of the housing market, but also gives indications about households' confidence. This past week, the index increased by as much as 5.8%, showing a considerable increase in people's confidence over the economy's health. On Thursday, data regarding Initial Jobless Claims will be released. As explained above, this indicators has recently reached its 40-year low (223,000 initial claims last week), showing that fewer people are filing for unemployment benefits. Confirmation of last week's data may be a hint that the labor market is solid enough for the Fed to proceed with its interest rate hikes. Consensus for next week however is 238,000 initial jobless claims, an increase of 15,000 from last week. Finally, still on Thursday, data for Consumer Comfort Index will be released. This release will give a more precise idea of households' views on personal finances, buying climate, and on the economy in general.

March 3rd, 2017

Hudson Technologies Inc.: HDSN

Analyst: Mateo Valdivieso

Sector: **Industrials**
Industry: **Commercial Services and Supplies**

Company Description: Hudson Technologies Inc. operates as a refrigerant services company in the United States and internationally. The company sells reclaimed and virgin refrigerants, and industrial gases; and provides refrigerant management services, which primarily include reclamation of refrigerants and laboratory testing. It also separates crossed refrigerants; and provides re-usable cylinder refurbishment and hydrostatic testing services. In addition, the company provides Refrigerant Side services consisting of system decontamination to remove moisture, oils, and other contaminants, as well as refrigerant recovery and reclamation services. The company serves commercial, industrial, and governmental customers, as well as refrigerant wholesalers, distributors, contractors, and refrigeration equipment manufacturers; and customers in petrochemical, pharmaceutical, industrial power, manufacturing, commercial facility and property management, and maritime industries.

LONG

Current Price:	$7.13
Target Price:	$11.41
Market Cap:	295.7m
Beta:	.83

Thesis:

- Hudson Technologies is a growth company that continues to show record revenues, increased gross margins and improved profitability for the year and have over all been outperforming its competitors.
- Management team is focused on growth potential due to phase outs of R-22 and future phase downs of HFCs which will begin in 2019. The phase out of R-22 can see HDSN become producers with 100% R-22 supply being served as by reclaimed R-22.
- Management plans to continue evaluating strategic M&A opportunities that will help and support its future growth.

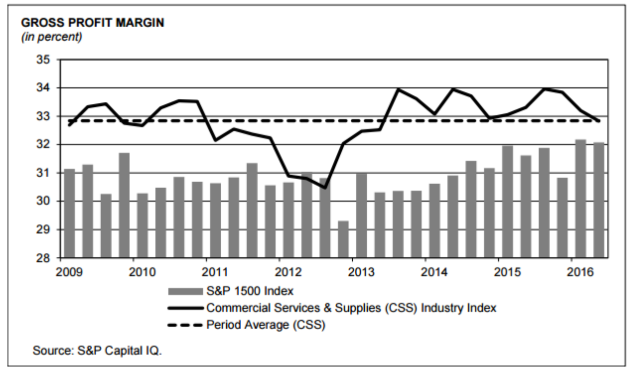
Catalysts:

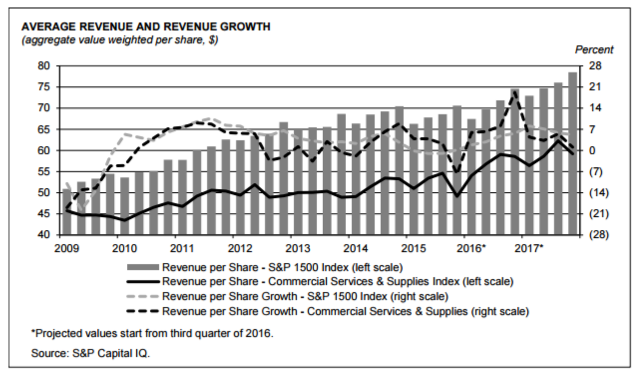
- **Increasing R-22 price as well as demand**
- **EPA predicts after market demand for R-22 a 50 million pounds by 2020.**
- **Department of Defense contract with Maximum value of $400m to be executed in second half of 2017**

-

Industry Outlook

The commercial services & supplies industry are levered in regards to the overall economy. The key factors of revenue creation are population growth, strong job and housing markets but also the growth of GDP. The growth rate for revenue per share in the commercial services & supplies industry has been growing inadequately in comparison with the S&P 1500 index. In 2016 according to Fidelity reports Industry average was around 9.9% which outperformed the forecasted 3.8% for S&P 1500. The expected revenue growth for the industry in 2017 is set to be 3.6% compared to the S&P 1500 6.6% estimate. When looking at HDSN revenue growth of 32.21% there is a substantial difference to the growth of the commercial services & supplies industry. Gross profit margins for the industry have been around 33% when looking at the S&P 1500 index as compared to the industry the gross profit margin is around 32% during the 3rd quarter whereas HDSN 3rd quarter gross profit was around 34.47% which still is slightly better than the industry and S&P 1500.





Acquisition:

HDSN acquired polar technologies in a way to expand their customer base geographic presence and there reclamation capacity. HDSN believes that Polar is the fourth largest reclaimer in the industry which has recently proved to be a difference maker in obtaining Department of Defense contract that has an estimated maximum value over the term agreement of $400 million. This acquisition was a strategic move by HDSN due to Polar strong presence in the west coast and in Puerto Rico. The acquisition has seem to be a profitable one as Revenues in Q4 in 2014 increased 69% to 8.1 million as compared to 4.8 million. HDSN will continue to evaluate strategic M&A opportunities that will help support long term growth that will create value for the company as demand for reclaimed refrigerants increase.

DoD Contract:

In middle of July HDSN was awarded as a prime contractor by the United States defense logistics agency, a 5 year contract including a 5 year renewal option with an estimated value of $400 million over the term of the agreement. The amount is for management of supply of refrigerants, compressed gases, cylinders and related items to U.S. Military commands and installations, federal civilian agencies and foreign militaries. A key aspect in closing the deal as mentioned before was the Polar acquisition as it gave them complementary capabilities for the bid. The DoD contract has high potential of contributing to future revenue and earnings growth. However amount of revenue that is to come can only be determined by order levels, that being said the effect to be seen from this will come within the next quarters. Not only has this contract have potential to give value and growth for HDSN but it creates exposure to other government contracts where they could take advantage as prime contractors.

Ownership:

Ownership Type	02/26/17	Curr↑	Change
11) Investment Advisor	60.66	59.80	-0.86
12) Hedge Fund Manager	21.84	22.32	+0.48
13) Individual	15.55	15.89	+0.34
14) Pension Fund	1.72	1.75	+0.03
15) Brokerage	0.19	0.19	0.00
16) Bank	0.03	0.03	0.00
17) Insurance Company	0.00	0.00	0.00

* Based upon publicly reported holdings, not total shares outstanding.

The above table provided via Bloomberg shows the ownership for Hudson Technologies. Hedge fund managers hold around 22%, which is quite high percentage. This is a sign of reassurance because there is potential to for value creation. I would also like to point out that between December 2016 until now there has been an increase in interests from hedge funds of about 48 basis points is also positive.

R-22 Market Opportunity :

R-22 is a hydrocholorofluorocarbon (HCFC) which used as a refrigerant. However it contains compounds that are harmful for the ozone thus they have ozone depletion potential but also have a high global warming potential. In 2014 the EPA gave its finale rule on a production phase down schedule, which concluded that by the year 2020 there would be 0 pounds of R-22. However an aftermarket exist for this and is expected to continue for approximately 20 years. The EPA has projected after market demand to be approximately 50m pounds by 2020. Reclaimed R-22 are expected to fill the high aftermarket demand. Thus HDSN is at the for front already being a leading independent distributor selling all available refrigerants, to become a producer with majority of R-22 supply to be served by reclaimed R-22. The price of R-22 at Q1, 2016 was \$11/pound in Q3,2016 R-22 is \$18/pound. Thus with an increasing demand in R-22 by 2020 R-22 prices could skyrocket which would promote potential growth for HDSN in revenue and profit streams, which has been a key success factor on how the company has been performing.

Shows Revenue based on Refrigerant and Reclamation sales, Within the past year there has been substantial growth in the secotor that could increase with the demand of R-22 but also the price increase, which would boast revenues.

HDSN vs Competitors:

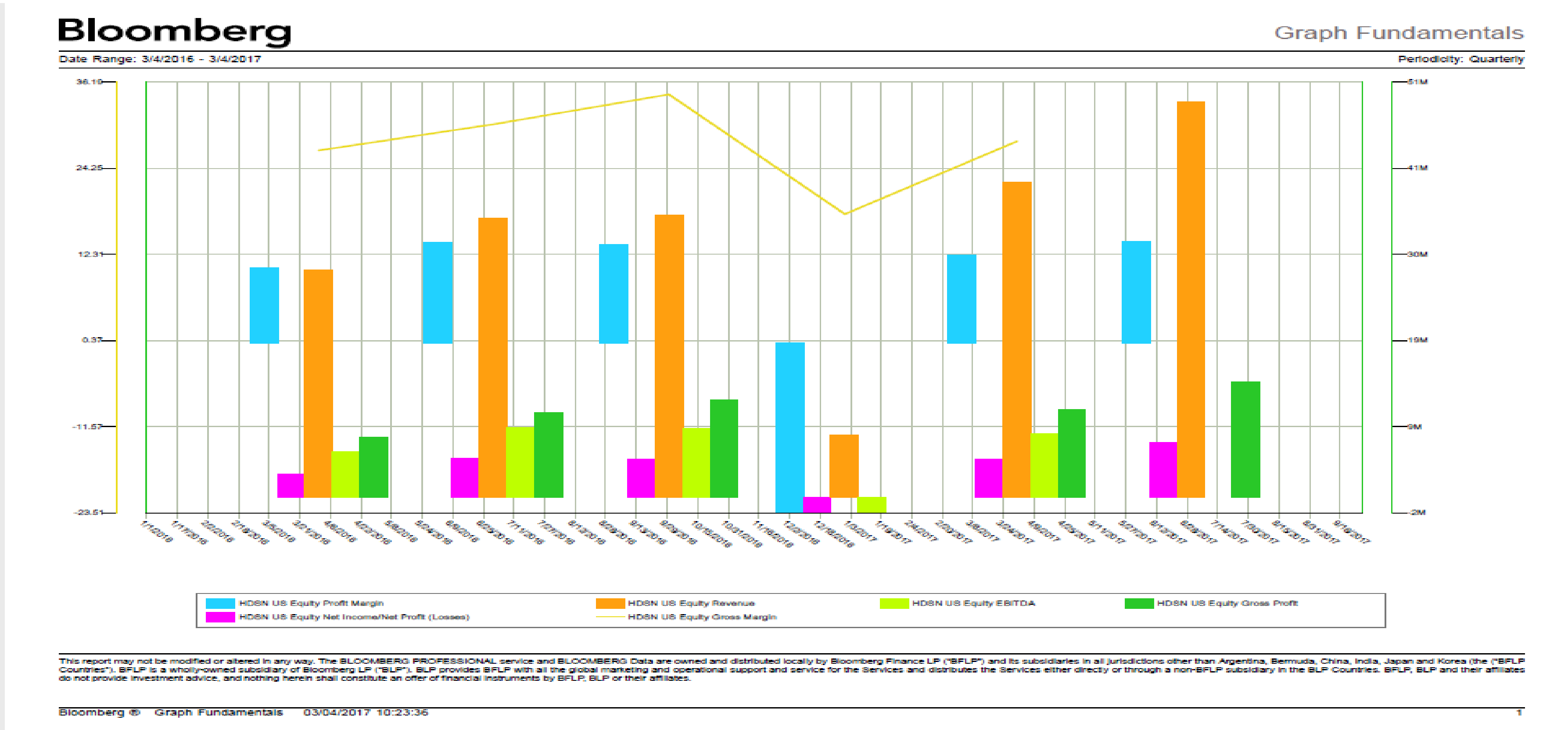
Using LFY numbers instead of historical we see that HDSN as provided by the table below that HDSN outperforms its competitors in profitability it has a higher ROIC as well as a higher Ebitda Margins. HDSN could improve in decreasing there debt. They have a greater WACC then there competitors, this is due to the recent acquisitions with Polar, as they try to decrease the acquisition debt there Kd will decrease. This will lead to a much higher ROIC/WACC in regards to competitors, meaning greater value creation then there competitors.

WACC			Kd			Ke		
	History	LFY		History	LFY		History	LFY
HDSN	10.2%	13.1%	HDSN	5.0%	8.9%	HDSN	12.0%	15.1%
Competit	9.5%	8.9%	Competitor	4.7%	4.8%	Compet	11.0%	11.0%

ROC /WACC			ROIC			ROIC W/O GW			EBITA Margin		
	History	LFY		History	LFY		History	LFY		History	LFY
HDSN	0.34	1.17	HDSN	6.3%	15.3%	HDSN	6.3%	15.5%	HDSN	5.7%	18.0%
Competit	0.94	0.68	Competitor	8.8%	6.0%	Compet	15.5%	11%	Comp	14.3%	12.9%

Financial overview:

HDSN revenues were of $105.5 million, a 32% increase compared to $79.7 million in the comparable 2015 period. The increase is primarily related to a higher selling price of certain refrigerants and higher volumes of certain refrigerants sold. Gross margin increased to 29% for full year 2016 compared to 23% for 2015. Net income for 2016 was $10.6 million, or $0.31 per basic and $0.30 per diluted share, compared to $4.8 million or $0.15 per basic and $0.14 per diluted share in 2015. There will be continued growth in revenues as the price and demand of R-22 increases. Refrigerant and Reclamation sales are the prime drivers of revenue for HDSN, which represent %97.6 of total revenues. Gross Margins are predicted to increase by 30% relative to the progression of price increase which HSDN will be able to predict in the upcoming months as they get into season but are confident that prices will increase as they have already seen a substantial price increase of R-22 between Q1 and Q3 during 2016 fiscal year. Cash from operations supports organic growth, which has been due to the continued purchase of R-22. HDSN operating costs are in principal fixed costs, thus potential growth in revenue is evident.



Conclusion:

HDSN is a BUY, they are positioned well to capitalize on their reclamation business as refrigerants are being phased out also growing demand in aftermarkets for R-22 is essential in growth for HDSN. There current DoD contract is a big game changer which is something to keep an eye out as its going play a major role for the company's future. HDSN I feel like is an underfollowed stock because of its small market cap of 295.7m. It's also worth noting the 22% that hedge fund managers hold for this company, which is relatively high. I believe that they have strong financials and are at the forefront of the refrigerant business for being a small cap company, this is an excellent small cap growth opportunity.

SIENA college

BJORKLUND FUND

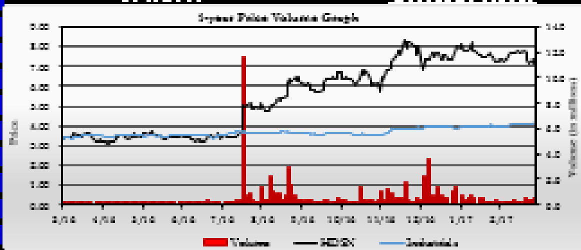
Hudson Technologies Inc. (HDSN)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by:	Current Price:	$7.13	Intrinsic Value	$9.99
3/4/2017	Dividend Yield:	0.0%	Target Price	$11.41

Target 1 year Return: 60.04%
Probability of Price Increase: 1



Description

Hudson Technologies Inc. operates as a refrigerant services company in the United States and internationally.

General Information

Sector	Industrials
Industry	Commercial Services and Supplies
Last Guidance	November 3, 2015
Next earnings date	NM
Estimated Country Risk Premium	6.25%
Effective Tax rate	40%
Effective Operating Tax rate	36%

Market Data

Market Capitalization	$295.29
Daily volume (mil)	0.62
Shares outstanding (mil)	41.41
Diluted shares outstanding (mil)	35.42
% shares held by institutions	74%
% shares held by investments Managers	60%
% shares held by hedge funds	12%
% shares held by insiders	12.35%
Short interest	5.44%
Days to cover short interest	0.00
52 week high	$8.50
52-week low	$3.07
Levered Beta	0.96
Volatility	51.57%

Past Earning Surprises

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Quarter ending	Revenue	EBITDA
12/31/2015	13.20%	-1134.27%
3/31/2016	0.75%	29.46%
6/30/2016	-1.41%	25.29%
9/30/2016	13.09%	46.65%
12/31/2016	5.49%	-207.65%
Mean	3.13%	-265.34%
Standard error	3.6%	225.9%

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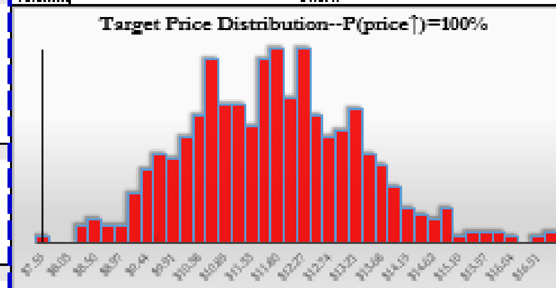
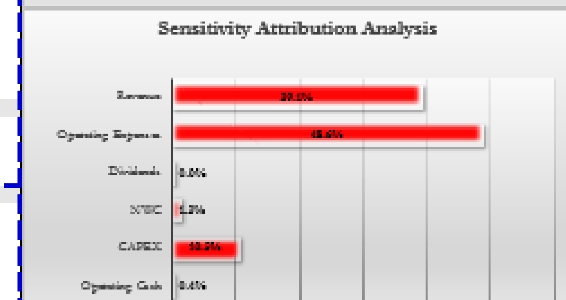
Peers

Heritage-Crystal Clean, Inc
Aqua Holdings Corporation
Perma-Fix Environmental Services, Inc.
US Ecology, Inc.
Clean Harbors, Inc.
Stericycle, Inc.

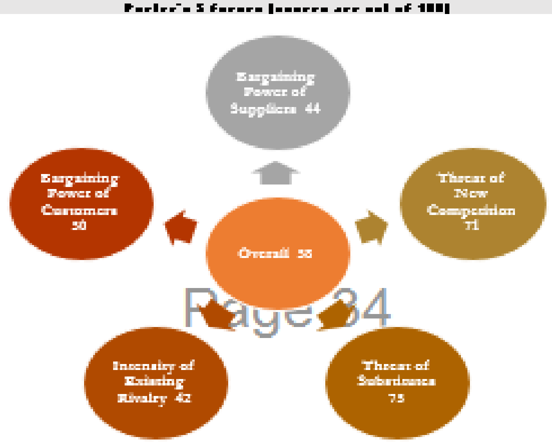
Management	Position	Total compensation growth	Total return to shareholders
Zugibe, Kevin	Chairman and Chief Executive	14.29% per annum over 5y	2% per annum over 5y
Coleman, Brian	President, Chief Operating O	12.04% per annum over 5y	2% per annum over 5y
Harkins, Charles	Vice President of Sales and	11.44% per annum over 5y	2% per annum over 5y
Mandracchia, Stephen	Founder, Vice President of L	N/M	N/M
Krishnamurti, Nat	Chief Financial Officer and	N/M	N/M
Papar, Rigan	Director of Global Energy Se	N/M	N/M

Profitability	HDSN (LTM)	HDSN (5 years historical average)	Industry (LTM)
ROIC	10.6%	12.04%	3.34%
NOPAT Margin	14%	4.37%	10.3%
Revenue/Invested Capital	1.37	2.34	0.06
ROE	23.1%	15.07%	12.00%
Adjusted net margin	13%	3.42%	3.3%
Revenue/Adjusted Book Value	2.20	4.65	1.30
Invested Funds	**HDSN (LTM)**	**HDSN (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	27.4%	11.1%	6%
Estimated Operating Cash/Total Capital	3.1%	2.4%	N/A
Non-cash working Capital/Total Capital	51.7%	63.2%	4%
Invested Capital/Total Capital	72.4%	82.3%	32%
Capital Structure	**HDSN (LTM)**	**HDSN (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.03	0.24	0.50
Cost of Existing Debt	5.13%	5.22%	4.02%
Estimated Cost of new Borrowing	4.24%	4.25%	4.02%
CGFS Risk Rating	CCC	CCC	B
Unlevered Beta (LTM)	0.01	0.30	0.55
WACC	0.42%	3.20%	6.61%





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



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Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	32.3%	13.5%	2.20
12/31/2017	23.0%	12.7%	2.16
12/31/2018	35.0%	12.7%	2.35
12/31/2019	31.6%	12.2%	2.27
12/31/2020	28.1%	11.0%	2.10
12/31/2021	24.7%	11.3%	2.03
12/31/2022	21.3%	10.0%	2.00
12/31/2023	17.0%	10.3%	1.30
12/31/2024	14.4%	3.0%	1.00
12/31/2025	10.3%	3.2%	1.63
12/31/2026	7.5%	0.6%	1.57
Continuing Period	4.1%	0.0%	1.42

Period	Invested Capital	Net Claims	Price per share
Base Year	$27.10	$0.50	$3.33
12/31/2017	$51.00	-$17.50	$11.45
12/31/2018	$54.10	-$3.33	$12.50
12/31/2019	$54.08	-$2.53	$13.50
12/31/2020	$77.01	$2.67	$15.01
12/31/2021	$85.85	$3.60	$16.47
12/31/2022	$110.33	-$2.05	$18.03
12/31/2023	$144.02	-$16.50	$13.04
12/31/2024	$184.67	-$44.65	$21.72
12/31/2025	$223.53	-$70.75	$23.70
12/31/2026	$277.46	-$123.31	$25.75
Continuing Period			

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March,3, 2017

Nucor Corporation: NUE

Michael Capozzi

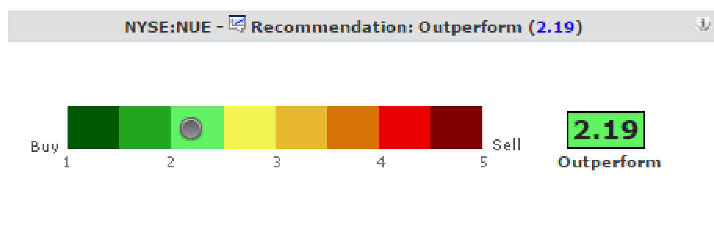
Sector: Basic Materials
Industry: Steel & Iron

Company Description: Nucor Corporation manufactures and sells steel and steel products in the United States and internationally. Nucor has three segments: Steel Mills, Steel Products, and Raw Materials.

BUY/HOLD/SELL

Current Price: $62.64
Target Price: $78.64
Market Cap: 20.41B
Beta: 1.64
Dividend Yield: 2.36%
Other key Metrics/Ratios

	Nucor Corp (LTM)	Competitors Average (LTM)
WACC	8.6%	8.2%
ROIC	8.7%	8.3%
ROIC w/o Goodwill	10.8%	9.0%
ROIC/WACC	1.01	0.97
EBITA Margin	9.3%	4.6%



Thesis:

NUE has upward potential to capitalize on. After the recent macroeconomic events that taken place over the last few months. President Trump addressed the nation directly informing the American public on his $1 trillion infrastructure plan. Nucor Corporation is the largest steel manufacturer and supplier in the country, therefore the company is almost definitely going to benefit from this announcement. Although 2016 experienced weak earnings, the steelmaker believes 2017 will be much stronger. Favorable prices have benefited NUE coming into the new year and will continue until things change. In light of the recent domestic changes, Nucor also predicts a rise in production because of the decrease in the amount of foreign imported into the United States. In particular Nucor has had to compete with subsidized production in China. These factors can lead to an increased EBITA margins and profitability.

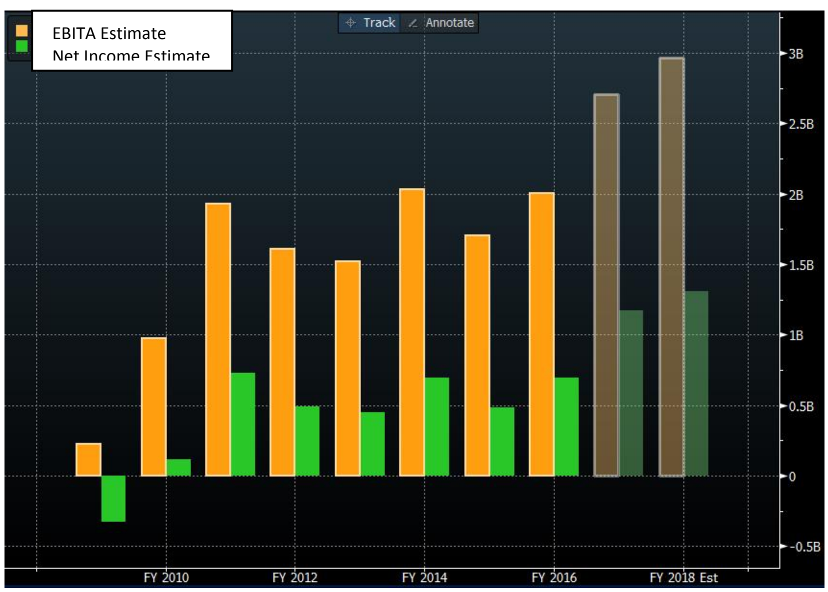
Catalysts:

- **Short Term(within the year):** Favorable pricing trends in raw materials
- **Mid Term(1-2 years):** President Trump's $1 Trillion spending on Infrastructure within the United States
- **Long Term(3+):** A reduction in US tax rates and a decrease in the Chinese steel production should stay consistent for at least the next 4 years

Earnings Performance:

After 2014, where NUE saw revenues of $21,105.1M and an EPS of 2.27, earnings have taken a fall. These are due to an increase in steel prices and an increase in foreign exports. Revenues in 2016 were estimated at $16,089.1M and the comparable actual was $16,208.1M, a .7% revenue surprise increase. EPS began to creep back up to its old levels at 2.15. Analysts are optimistic about 2017 and estimate a 16.2% increase in revenue to $18,842.7M. One thing to keep in mind is that, although revenues have declined since 2014, EBITA (EBITA 2014: 2106.3M, EBITA 2016: 2138.8) and Gross Margin% (Gross Margin 2014: 10.7%, Gross Margin 2016: 11.5%) have increased. Analyst can point these increases to favorable prices experienced in 2016. Due to the macroeconomic conditions the US steel industry may face in 2017, analyst expect increased earnings, EBITA, gross margins, and net income. A decrease in the amount of foreign steel in the market will regulate steel prices to where they belong. Exhibit A shows the EBITA and Net Income estimates for 2017 and 2018. The visual shows the confidence analysts have for the future of Nucor. Additionally, President Trump has proposed a decrease in corporate taxes; this will decrease costs further for the company and increase margins. Nucor, which primarily operates in the US (95.6%) and partially in Canada (4.4%), will see the direct benefits of these tax cuts. In comparison with competitors, Nucor is also able to keep costs lower than the industry averages. Exhibit B indicates that in the last 12 months, Nucor's costs are roughly 6% lower than their major competitors. This leads to increased profitability for Nucor. And as steel prices continue to favor Nucor, earnings can outperform analyst's estimates for the future.

Exhibit A &B:



COMMON SIZE VIEW				
	6-year Historical Median		Last 12 Months	
	NUE	Competitors	NUE	Competitors
Cost of Revenue / Revenue	90.8%	85.9%	87.5%	82.9%
Other Op. Exp./Revenue*	-0.8%	6.7%	-0.6%	8.8%
Interest exp./Revenue	0.9%	1.5%	1.0%	1.5%
Non-Operating Exp./Revenue	0.1%	0.9%	-0.2%	1.6%
Taxes/revenue	1.6%	0.8%	2.5%	0.9%
Other expenses/Revenue	0.5%	0.3%	0.6%	0.2%
Total	93.4%	96.0%	90.8%	96.0%

Industry Outlook:

2016 was a tough year for the US Steel Industry. Grey matter prices plummeted because of depressed prices and cheap imports from countries like China, Brazil, and Turkey. Analyst expect the US steel industry to rebound in 2017. This is due to increased infrastructure spending and a decreased foreign presence in the market. Nucor will be able to take back market share after President Trump's tariff on imports hits the market. Crude Steel is estimated to rise 4.4% in 2017. This not only benefits NUE, but its many competitors such as AK Steel (NYSE:AKS) and the United States Steel Corporation (NYSE:X), who all experienced a weak 2016 because of the stated macroeconomic catalysts. Nucor is currently the largest steel company in the U.S. with a market cap of 20.41B and industry revenues of 12.47B. Nucor will have the best chance of grabbing the market share that foreign imports will leave behind. 2016 started out poorly for US steel stocks after reported weakness in the industry. However US steel company's raised their prices in the first half of 2016. Hot rolled coil, which is steel that has been rolled to reduce thickness and make the steel uniform, prices $380 per short ton to $640 per short ton. Stock prices rallied roughly 70% in the first half. In Q3 2016, steel prices fell by $150 per short ton. This wiped out much of the gains experienced in the 1H of 2016. Although prices rebounded once again after the election of President Trump. Overall Nucor's stock increased 50.15% in 2016. Despite weak earnings, the market seems to have reacted to 2017 forecasts for the US steel industry. The industry and Nucor in general can see a strong 2017 because of a decrease in corporate tax rates, an increase in domestic infrastructure spending, and a decrease of foreign steel imports.

Industry Summary

Filter By: N. America | Name: United States
Mkt Cap > | 5) Equity Screening | EQS »

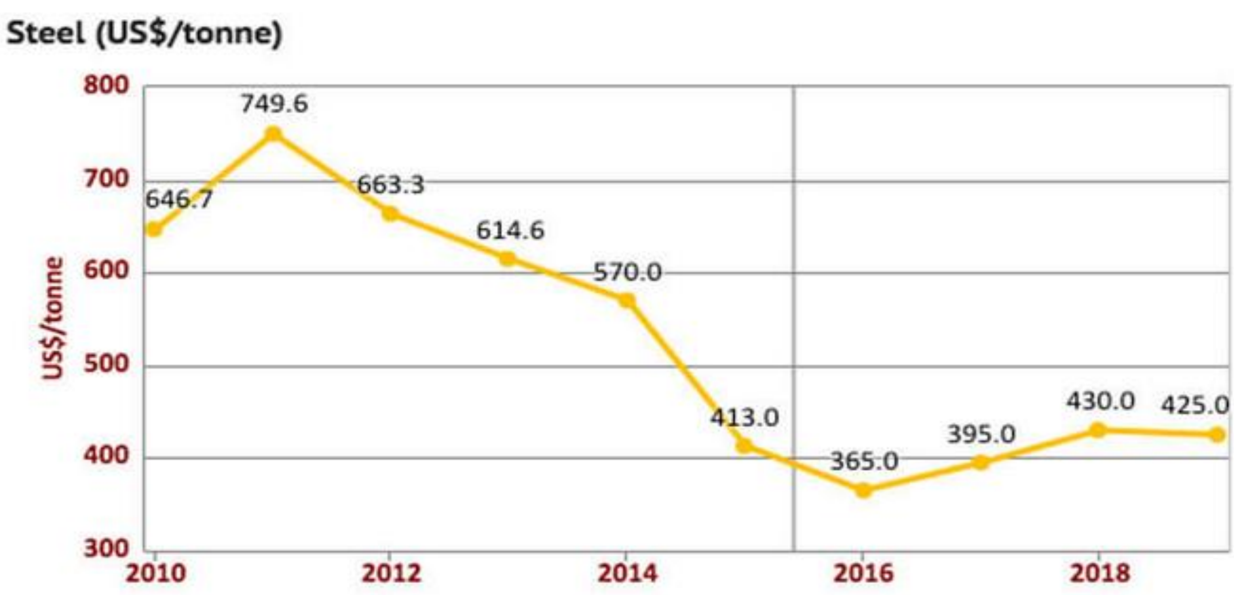
Aggregate Statistics	Value	Count
Total Market Cap	82.94B	35
Price/Earnings	-18.88	34
Total Revenue	107.81B	34
Industry Revenue	72.80B	34
Industry Rev. 1YR Growth	-22.34%	34

	Member Companies	Mkt Cap	Ind Rev↑	% Tot Rev
11)	NUCOR CORP	20.41B	12.47B	75.87

Steel Prices for 2017:

Steel prices is arguably the most important success factor for Nucor. The following factors will affect steel prices directly: Trump's policies, China's interference in the market, international prices, and raw material prices. China in particular may be the largest catalyst in the increase in steel prices around the world. China has seen an infrastructure boom in the last few years. Hebei Iron and Steel Group, a Chinese state run enterprise, has been pumping out steel to meet demand levels. These levels have ultimately caused global steel prices to decrease. Luckily for investors in Nucor, China has announced that they will cut production by more than 165 million tons by 2020. This will increase steel prices in the market and benefit US steel producers and suppliers, including Nucor. The World Steel Association predicts a 5.9% growth in steel demand in the US from 2016 to 2017.

2017 Steel Price Forecast



View source's information

Acquisitions and Expansions:

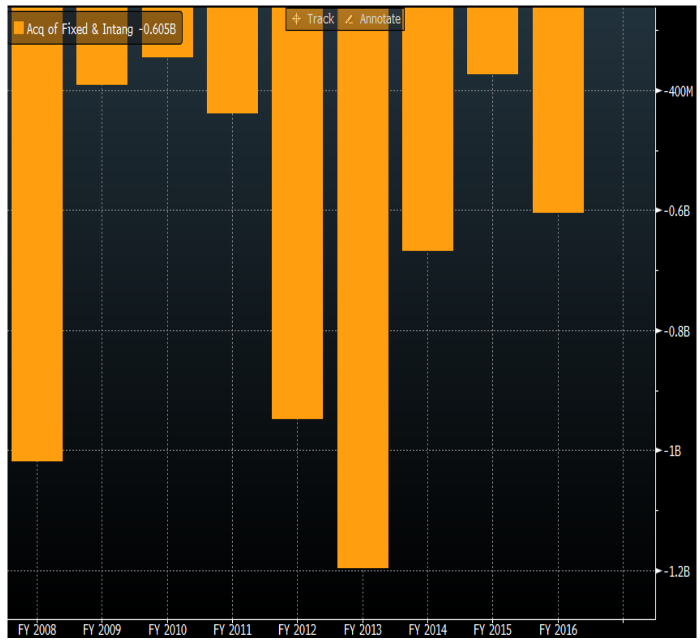
On March 1, 2017, Nucor acquired the assets of Omega Joist, a subsidiary of Samuel, Son & Co., Ltd. Omega joist produced steel joists, which is a steel truss that is used for support for a roof or deck. The acquisition complements their Vulcraft facility, which is currently under construction. This signals to investors that Nucor is looking to grow in the Canadian steel market and to possibly meet future demands of the market.

In December of 2016, Nucor also announced the $130M acquisition of the hollow steel company based out of Birmingham, AL, Southland Tube. This move was an effort to expand Nucor's strength in the construction industry. This move may also signal preparation to meet the future demands for steel products in the United States.

2016 was a big spending year for Nucor. These expenditures will help Nucor gain the market share left by foreign imports. Exhibit C shows the acquisition of fixed and intangible assets with a 66.5% increase between 2015 and 2016.

Expenditure for the future includes a joint venture with Japanese steel maker, JFE. This venture is to build a $270M factory to make steel sheets for automakers. The questionable aspect of this venture is the fact that the factory will be built in Mexico despite President Trump's tariff that will be imposed on imports into the US. This tariff can be a tax up to 45%. Until further notice, Nucor plans on building their plant in May or June.

Exhibit C:



Management:

In 2013, Nucor hired John J Ferriola to be the new CEO. Since his hiring there has been no clear management problems for the company. Mr. Ferriola has steered the company in the right direction for the last 3+ years. After Q2 earnings of 2016, Ferriola accredited their earning success to unrivaled competitive position and highly flexible business model.

Mr. John J. Ferriola: CEO

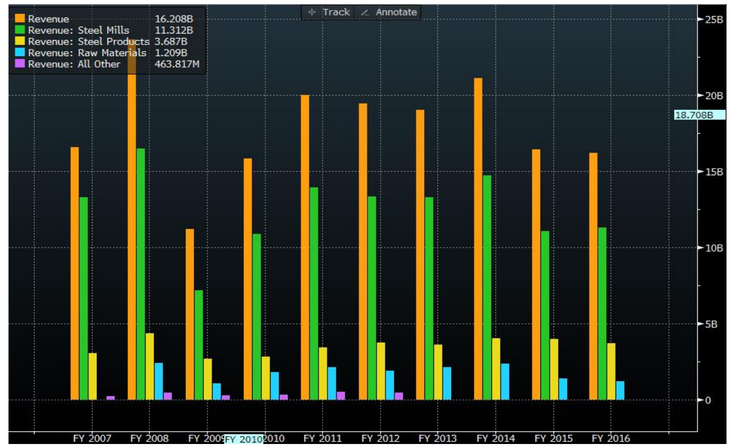
Mr. James D. Frias: CFO

Mr. James R. Darsey: Exec. VP of Merchant and Rebar Products

Mr. Lass R. Hall: Exec. VP of Flat-Rolled Products

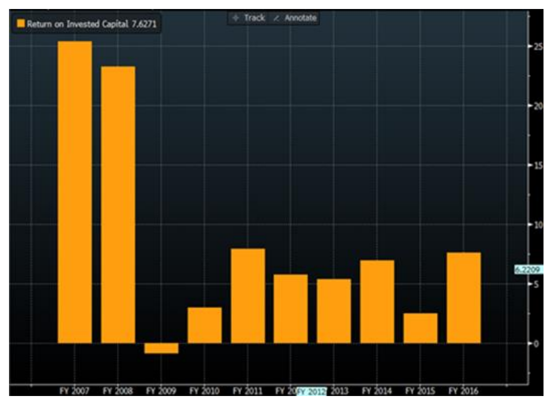
Products and Services:

Nucor's products include carbon steel, steel products, fasteners, alloy steel, raw materials, and SDS by products. In 2016 69.8% of revenues came from steel mills. 22.8% of revenues came from steel products and the remaining 7.5% came from raw materials. 62.6% of the company's CAPEX was put towards steel mills. Nucor is consider a "mini-mill" steelmaker which uses electric arc furnaces to melt scrap metal. Nucor is also North America's largest recycler. The company prides itself on being environmentally friendly, implementing green initiatives in the company's plans. Nucor has a wide range of customers from tech companies to rail road companies.



Competitive Financials:

Exhibit D:



Currently, Nucor is out performing much of their competition. Their ROIC/WACC (LTM) is 1.32 compared to the competitors' average of 0.92. Form this ratio, Nucor is proving to investors that they can create more value than their competitors. Their EBITA margin is 9.5% compared to their competitors 4.7%. Nucor is able to be more profitable from the company's operations. Analyst estimate to increase in 2017 because of the macroeconomic factors. One of the most important ratios is the weighted average cost of capital. Nucor's WACC is at 8.9% whereas the competition is 0.3% lower than Nucor. Exhibit D shows the company's return on invested capital. 2015 to 2016 shows an increase of 84.4%. Although Nucor's WACC is slightly worse than the competition, they are floating around the industry average. It shows that Nucor is able to create value for its investors around the level of the industry. Nucor will be able to maintain these numbers if not improve them because of their increased presence in the US steel market. Their increased market share and price benefits will produce returns for their investors.

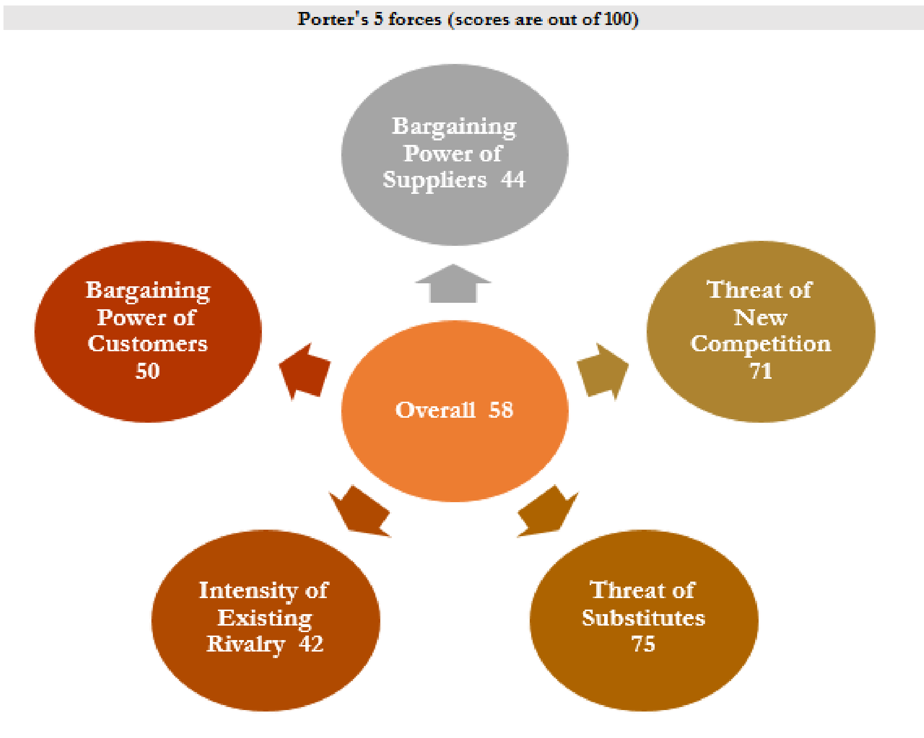
WACC		
	History	*LTM*
NUE	8.6%	8.9%
Competitors	8.4%	8.6%
Target	8.9%	

ROIC /WACC		
	History	*LTM*
NUE	1.11	1.32
Competitors	0.93	0.92
Target	1.41	

EBITA Margin		
	History	*LTM*
NUE	6.1%	9.5%
Competitors	3.9%	4.7%
Target	9.5%	

Porter's Five Forces:

Because of Nucor's size and strength in the market place and the high barriers to entry in the steel industry, the threat of new competition entering the market is low. They also provide a product that is hard to substitute, therefore the threat of other substitutes is also low. Based on these two forces, an investor can assume Nucor's position in the market place is secure. Due to the competition of current US and foreign steel companies, the intensity of existing rivalry is somewhat high. Although a decrease in foreign presence may decrease some of the rivalry in the US steel market. Supplies and customers also have bargaining power with Nucor. This can force Nucor to buy higher and sell lower than they intended. This could decrease profit margins in the long run.



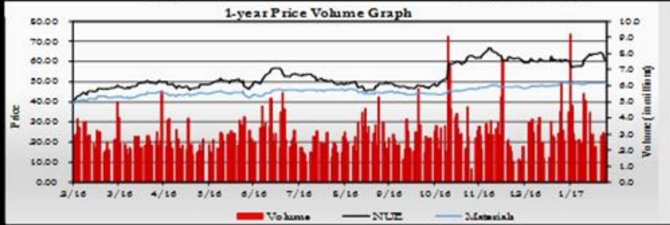
Conclusion: Nucor seems to be in store for a successful 2017. If the company can take advantage of the future macroeconomic events that are predicted to take place, shareholders may see significant returns on their investments. With Chinese steel production decreasing, steel prices should increase in the US. Trump's $1 trillion infrastructure plan should. This will not only benefit Nucor, but other companies and industries involved. Corporate tax cuts should also help increase earnings for shareholders. With increases in CAPEX, the company is set to take on the predicted increases in steel demands within the US. With a target price of $78.64, Nucor seems like they have more than enough of an opportunity to reach this point. **ENTRY POINT: $62.64 TARGET: $78.64 TARGET 1 Yr. Return: 2**

SIENA college — BJORKLUND FUND

Nucor Corporation (NUE) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Michael Capozzi	Current Price:	$62.64	Intrinsic Value	$70.69	Target 1 year Return: 25.18%
3/3/2017	Divident Yield:	2.6%	Target Price	$78.64	Probability of Price Increase: 98.4%

1-year Price Volume Graph



Description

Nucor Corporation manufactures and sells steel and steel products in the United States and internationally.

General Information

Sector	Materials
Industry	Metals and Mining
Last Guidance	November 3, 2015
Next earnings date	April 20, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	40%
Effective Operating Tax rate	35%

Market Data

Market Capitalization	$19,949.91
Daily volume (mil)	2.65
Shares outstanding (mil)	318.49
Diluted shares outstanding (mil)	319.82
% shares held by institutions	74%
% shares held by investments Managers	68%
% shares held by hedge funds	4%
% shares held by insiders	0.31%
Short interest	1.81%
Days to cover short interest	1.97
52 week high	$68.00
52-week low	$39.08
Levered Beta	1.46
Volatility	24.72%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2015	-8.46%	19.58%
4/2/2016	-7.11%	-24.44%
7/2/2016	-14.89%	-7.27%
10/1/2016	-8.99%	-7.00%
12/31/2016	-3.53%	5.48%
Mean	-8.60%	-2.73%
Standard error	1.8%	7.3%

Peers

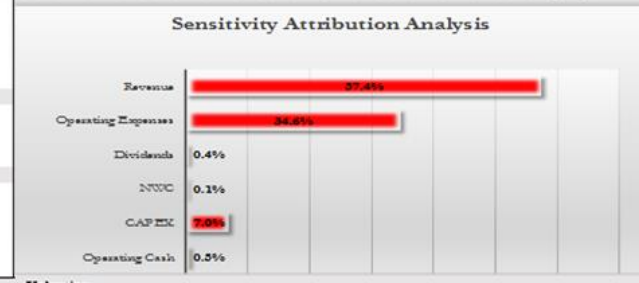
United States Steel Corporation
Steel Dynamics, Inc.
Commercial Metals Company
AK Steel Holding Corporation
Worthington Industries, Inc.
Reliance Steel & Aluminum Co.

Target Price Distribution--P(price↑)=98.4%

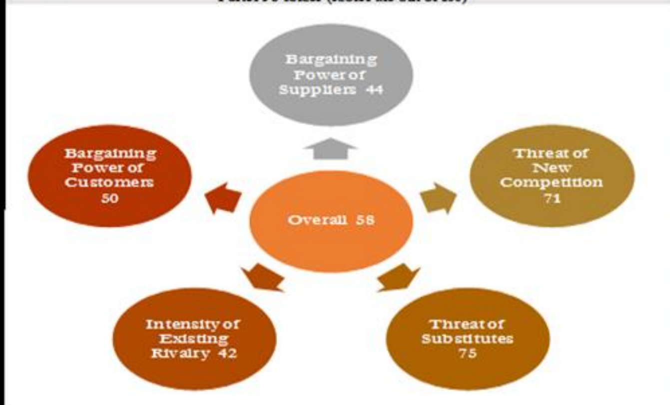
Management	Position	Total compensations growth	Total return to shareholders
Ferriola, John	Chairman, Chief Executive Of	44.89% per annum over 5y	-0.49% per annum over 5y
Frias, James	Chief Financial Officer, Exe	18.46% per annum over 5y	-0.49% per annum over 5y
Darsey, James	Executive Vice President of	0.65% per annum over 3y	4.52% per annum over 3y
Hall, Ladd	Executive Vice President of	3.33% per annum over 4y	4.2% per annum over 4y
Stratman, R.	Chief Digital Officer and Ex	3% per annum over 4y	4.2% per annum over 4y
Keller, Michael	Principal Accounting Officer	N/M	N/M

Profitability	NUE (LTM)	NUE (5 years historical average)	Industry (LTM)
ROIC	11.5%	9.74%	3.84%
NOPAT Margin	7%	4.06%	6.7%
Revenue/Invested Capital	1.67	2.40	0.58
ROE	15.5%	13.24%	1.89%
Adjusted net margin	6%	3.52%	6.0%
Revenue/Adjusted Book Value	2.48	3.76	0.31
Invested Funds	**NUE (LTM)**	**NUE (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	15.3%	12.1%	15%
Estimated Operating Cash/Total Capital	7.9%	8.6%	N/A
Non-cash working Capital/Total Capital	18.2%	21.9%	8%
Invested Capital/Total Capital	70.4%	71.1%	81%
Capital Structure	**NUE (LTM)**	**NUE (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.23	0.30	0.38
Cost of Existing Debt	4.11%	4.02%	14.90%
Estimated Cost of new Borrowing	4.21%	4.40%	14.90%
CGFS Risk Rating	CCC	CC	BBB
Unlevered Beta (LTM)	1.21	1.09	1.03
WACC	10.42%	9.62%	8.85%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-1.4%	6.9%	1.11
12/31/2017	9.3%	5.6%	0.92
12/31/2018	-5.6%	6.4%	0.92
12/31/2019	7.9%	7.7%	1.27
12/31/2020	7.4%	8.4%	1.42
12/31/2021	7.0%	9.1%	1.58
12/31/2022	6.5%	9.8%	1.74
12/31/2023	6.0%	10.6%	1.91
12/31/2024	5.5%	11.3%	2.09
12/31/2025	5.0%	12.0%	2.27
12/31/2026	4.5%	12.7%	2.47
Continuing Period	4.1%	13.4%	2.68

Period	Invested Capital	Net Claims	Price per share
Base Year	$7,390.61	$3,082.18	$70.21
12/31/2017	$8,185.95	$3,205.16	$77.35
12/31/2018	$9,215.45	$1,885.38	$85.43
12/31/2019	$10,026.77	$1,439.49	$93.92
12/31/2020	$9,726.19	$752.13	$103.11
12/31/2021	$10,074.49	-$200.11	$112.99
12/31/2022	$10,723.15	-$1,439.16	$123.55
12/31/2023	$10,029.92	-$2,984.88	$134.76
12/31/2024	$10,511.30	-$4,854.49	$146.58
12/31/2025	$10,955.43	-$7,061.99	$158.99
12/31/2026	$11,356.10	-$9,617.66	$171.92
Continuing Period			

March 3rd, 2017
Under Armour, Inc: UAA
THIAM Alexandre

Sector: Consumer Disc.
Industry: Sportswear

Under Armour, Inc. is American based firm that operates within the athletic and footwear industry. The company headquarter is located in Baltimore, Maryland same place where Kevin Plank (founder and current CEO) first thought of the idea of selling synthetic performance apparel in 1996. His performance product line was an instant hit, and the company has been considerably growing ever since then.

BUY

Current Price:	$20.51
Target Price:	$25.00
Market Cap:	$9.13B
Debt rating:	BAA
D/E:	40.10%
P/E:	48.77

Thesis:

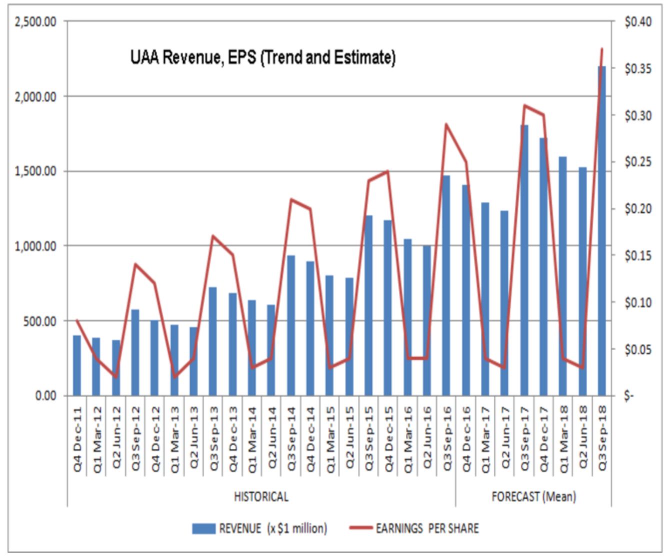
Is there any other company out there that would best define the notion of growth stock than Under Armour? The company is known to be one of the fastest growing company in the United States. Over the last 26 consecutive quarters (roughly 7 years) the company's revenue growth averaged an impressive 20% on a yearly basis. Despite having only missed last quarters estimates, the stock price has been nose diving during the last three earnings releases on the back of suspicions that the company's growth was slowing down. The questions that arises here are: Is a minor slowdown in growth and profitability justifying the massive selloff UA experienced over the last 9 months? Or is it just the market showing inefficiencies by overreacting? In which case it would imply that the current price doesn't reveal the true market value of the firm. I strongly believe that the security is currently mispriced and it is therefore the time to seize the opportunity and purchase Under Arnour at the current price.

Catalysts:

- **Short Term: Lululemon to buy UA.**
- **Mid Term: CEO announced some changes. Recent firm (20 years), room for improvement (Management, Marketing, Inventory, distribution etc.)**
- **Long Term: UA is willing to take the market outside American, and make a market in Europe and Asia.**

Earnings Performance:

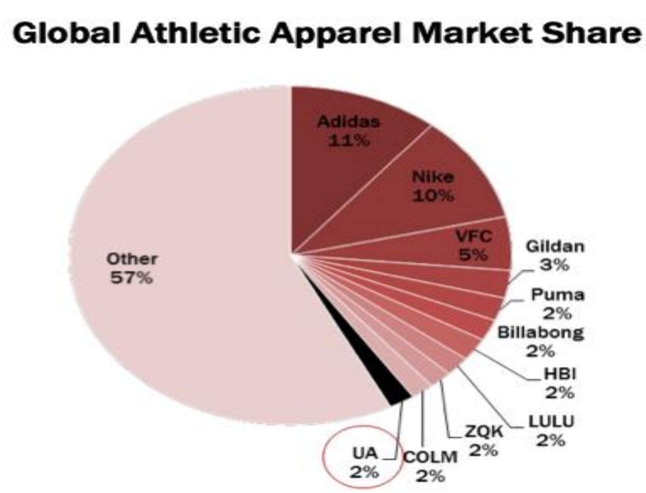
On January 31st 2017, the company released its fourth quarter results and missed both earnings and revenue estimates. The analyst consensus forecasted Earnings and Revenue growth of $0.25 per shares and $1.41 billion respectively. Under Armour missed EPS estimates by 2 cents and revenue fell short by a $100 million with $1.31 Billion in sales, which represent a 12% increase (against 20% forecasted). Growing concerns over the ability of the company to continue stealing market shares from both Nike and Adidas dragged the share price significantly lower (down by 50% in 2016). The company had to revise downwards its expectations for 2017, with a new revenue growth projected at 11% to about $5.4 billion as opposed to the $6.06 billion initially expected. The CEO Kevin Plank is fully aware of the threats and therefore decided to reinsure investors by expressing the fact that the company would do all the necessary changes in order to counterattack any major slowdown.



Industry Outlook:

Under Armour operates within the Athletic Apparel industry and serves as one of the leader among its peers. The industry has been dominated by Nike (NYSE: NKE) and Adidas (ADR: ADDY) for the most part of the century but UA has been constantly stealing market shares from these two four-hundred pounds' gorillas over the course of the last 15 years (see the 2015 market shares for the athletic apparel industry shown on the graph).

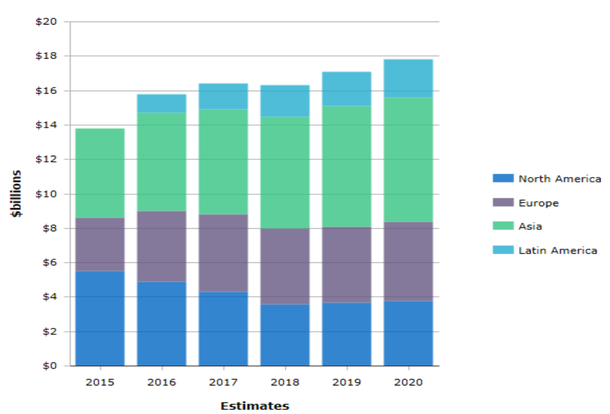
This consistency oriented UA's stock under the spotlights over the past decade as the growth prospect looked promising to investors and markets. According to Morgan Stanley, the Sports sector headed north on a constant basis, and increased by 42% in 7 seven years to $270 billion. The investment Bank views the "Global



Athletic Wear (with a) Very Bullish Five Year Outlook". In the coming years, the market is expected to be driven

by the increasing participation and involvement of people in sporting activities. This growing participation is due to a multitude of cumulated factors but mainly to the growing concerns of people to have a healthy lifestyle. The current segmentation by geography for the Athletic Apparel industry is showing that the market is still mainly in America but the trend is expected to change to the strong increase in demand in Asia (See five-year forecast below).

Asia Could Be Biggest Contributor to Athletic-Wear Sales Growth



Source: Euromonitor, Morgan Stanley Research Estimates

The industry connoisseurs are positive that investors do not yet grasp how big the Asia market prospect growth is. 2016 outlook report for the Athletic and Leisure Apparel industry expect the industry to grow by $83 billion by 2020 (30% growth).

Distribution Channel:

In early 2016, Sports Authority, one of the biggest distributors of Under Armour's products, filed for Bankruptcy. In 2015, 70% of UA's total revenues were generated through sporting goods retailers. Before the collapse of this giant of the Sporting Goods, Dick's and Sports Authority represented 22% of the company's total sales. Dick's, bought Sports Authority franchise after they closed down and decided to reopen some of their stores and rebrand them. In order to counter-affect the loss of a major distributor, UA entered an agreement in late 2016 with Kohl's. The initial contract authorized UA to sell their product in all of 1,200 Kohl's locations in the US. Kohl's had a decent fourth quarter in 2016, yet the chief executive business to the new trends and officer, Kevin Mansell, said that he expected Under Armour's sales to considerably increase revenues of his firm "We see a massive opportunity with Under Armour with children, women and footwear". The company is also using many other retailers in the US such as high-end stores like Barneys where it sells button down shirts, bomber jackets and parkas. Eventually, UA, is planning on moving to higher end products and more fashion, lifestyle inspired products. The fact is that Under Armour has been the leader for athletic performance gear in the US for the last couple of years but the company is only starting to feel the backlash of their existing strategy. Once concern is that the company has not been able to adapt its core customers growing demands of leisure, casual sportswear. For instance, Adidas managed to climb back the hill when they were all the way down of a trough. The company completely renewed and redesigned its line of products, in order to meet customer's needs. Kevin Plank and its management team said that the company needed a change and that major initiatives were ahead. "We need to become more fashion" is the answer he gave answering an analyst question during the last earning call. I strongly believe that it isn't too late for Under Armour to enter the casual markets, as the brand image as well as recognition is reasonably strong in the US. By entering this market, we can expect UA's margin to increase as these product line would most likely be sold at a higher price. In addition, UA wants to open more self-owned stores in order to realize higher margins on sales by not subcontracting other company to distribute its merchandise. Furthermore, the website sales are increasing on constant bases, and this would also increase the margin and ultimately have an impact on the current inventory level (that are said to be too high.) When the company realize a sale without having to display in a store is saves the company so money (carrying costs, shipping and inventory costs).

Effective Strategy:

Sponsorships and Athletic endorsement represents a considerable portion of the company implementation and growth strategy. The company has been sponsoring numerous Educational Institution ranging from middle school to colleges. The company also sponsors the major leagues in the US such as the MLS, MLB. NFL and NBA, even if It's not as the major sponsor. The company sponsor some franchise and provide them with adequate performance training gears (Cool and dry shirts, performance socks, gloves, catchers/runners gear etc.). Under Armour secured major deals recently with notable Universities, for instance, the company signed three deals with Notre Dame, UCLA, UoW worth a total of $466 million over a period of 10 years. All in all, UA sees a real growth potential through college sponsorships and is, therefore, not afraid to spend and invest in it. This is considerably enhancing the company's image as well as visibility. 2020-2021 season. This would be the company's first major professional league partnership. "This is a major signal from Under Armour that they're ready to play with the big boys," said T.J. Brightman, president of Bel Air-based A. Bright, and the company even competed with Nike over the NBA sponsorship for the next season and eventually winded up losing. In addition to the sponsorship Under Armor also has an aggressive endorsement strategy towards professional players.

Under Armour also signed a contract with the Major Baseball League to serve as the major sponsor for the

International Growth Potential:

One of the biggest challenges that the company is facing is to be able to exports itself into the global market. As expressed in the industry outlook, the Asian market is expected to overtake the American one by 2020. In order to benefit from this shift in geographical demand, UA is going to start to lean on the issue more seriously. Indeed, the brand is barely implemented in Asia but also in Europe. In order to drastically increase its brand awareness in these regions of the world Under Armour started to sponsor and endorse teams and players in major professional sporting leagues outside the US. In order to realize the same operation in Europe than it did in the US by signing the MLB, Under Armour has reportedly entered talks with the most famous soccer team in the world, Real Madrid. If the deal goes through, Under Armour would succeed to Adidas and this would therefore be a major hit to the hegemony of the two worldwide leaders. According the Forbes, the current
how well it will take advantage of this opportunity. "We have innovation centers in China, Taiwan and other places in Asia," said Yvonne Tei, Under Armour's marketing director. deal runs through 2020 and Adidas and Real Madrid still haven't reached an agreement come the future. This would not only be the biggest catch of UA, but also the biggest transaction deal in the history of the sport. The company also wants to endorse European professional players in order to massively increase the brand awareness in the rest of the world.

Kevin Plank said that "someday more than half of our revenues will come from outside of our home country."

Foreign Distribution: In 2013, Under Armour opened new high concept store in Shanghai, China, called the "Experience Store". In China, Under Armour has been selling its products directly to customers through their 200 "brand house" stores. Knowing that both Adidas and Nike have above 60% of their revenues generated solely from international operations, this shows promising prospects for Under Armour. The extent to which the company will actually manage to inflate its revenues over the long run will be highly influenced by

Currency Exposure/Arbitrage:

The company profit margin decreased during the last quarter going to 44.8 from 48%. Nevertheless, the margins posted remain higher than the sportswear industry and its peers (35%). The decrease in margins is mainly due to inventory management lag, and also exchange rate losses with foreign currencies. This gives us two vital information, the first being that the company's foreign sales considerably increased (to the point where margin are impacted by currency losses) and secondly that due to the recent implementation in those countries, UA simply hadn't had the chance to find proper arbitrage deals and opportunities with domestic companies. Moreover, the price at which the company needs to sell its product must be considerably lower due to the strong US dollar relative to other currencies (Yuan, Yen, Bat etc.)

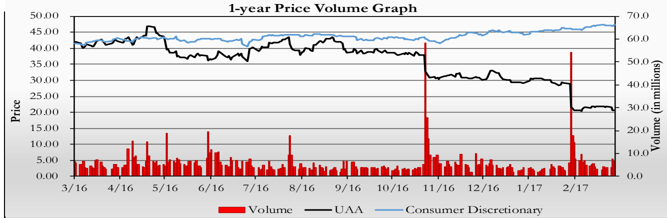
Conclusion:

All in all, the company is still highly profitable as shown with the profit margin and still has a fair amount of growth potential. These ratios are probably showing a mispricing of the security. The quarterly results may be disappointing but the plunge of the share price may be due to an overreaction of the markets caused by the human factor (Market inefficiency). The company has not given up at all and has launched interesting initiatives to prove investors wrong such investing in a lifestyle inspired line of product. The challenge to overcome is to figure out a way to break through worldwide markets just like its two main competitors, which would most likely reinsure the market and send Under Armour's shares back higher.

Under Armour, Inc. (UAA) | CENTER FOR GLOBAL FINANCIAL STUDIES | BULLISH

Analysis by Alexandre Thiam	Current Price:	$20.59	Intrinsic Value	$22.09	Target 1 year Return: 23.39%
3/3/2017	Divident Yield:	0.4%	Target Price	$25.31	Probability of Price Increase: 96.6%

1-year Price Volume Graph



Description

Under Armour, Inc., together with its subsidiaries, develops, markets, and distributes branded performance apparel, footwear, and accessories for men, women, and youth primarily in North America, Europe, the Middle East, Africa, the Asia-Pacific, and Latin America.

General Information

Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	November 3, 2015
Next earnings date	NM
Estimated Country Risk Premium	7.08%
Effective Tax rate	37%
Effective Operating Tax rate	44%

Market Data

Market Capitalization	$8,599.92
Daily volume (mil)	5.20
Shares outstanding (mil)	438.53
Diluted shares outstanding (mil)	444.85
% shares held by institutions	62%
% shares held by investments Managers	52%
% shares held by hedge funds	2%
% shares held by insiders	15.31%
Short interest	10.53%
Days to cover short interest	8.38
52 week high	$47.95
52-week low	$20.30
Levered Beta	0.19
Volatility	38.35%

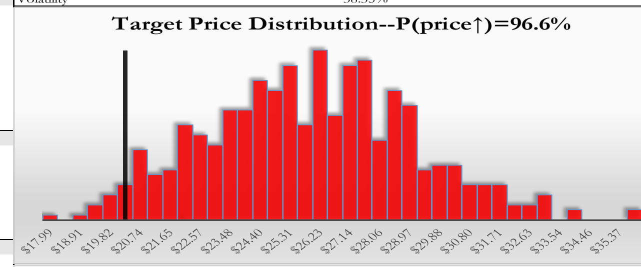
Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2015	1.89%	-28.10%
3/31/2016	-2.80%	-5.90%
6/30/2016	-1.57%	-25.35%
9/30/2016	-1.38%	-1.68%
12/31/2016	-9.42%	-15.58%
Mean	-2.65%	-15.32%
Standard error	1.9%	5.2%

Peers

Hanesbrands Inc.
Coach, Inc.
Michael Kors Holdings Limited
Ralph Lauren Corporation
V.F. Corporation
Lululemon Athletica Inc.
PVH Corp.
Fossil Group, Inc.

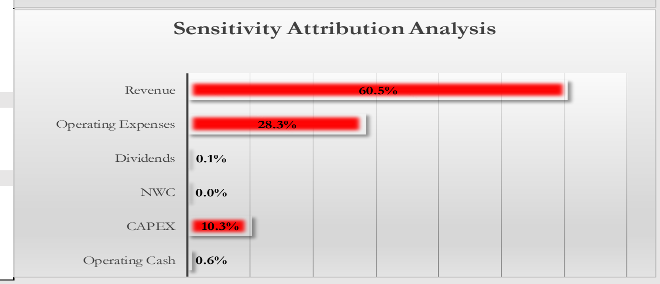
Target Price Distribution--P(price↑)=96.6%



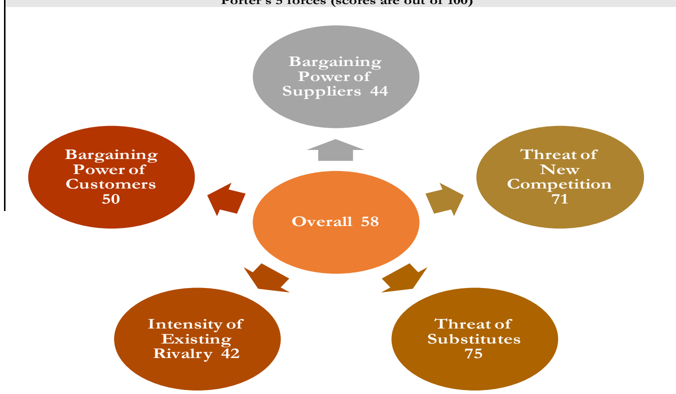
Management	Position	Total compensations growth	Total return to shareholders
Plank, Kevin	Founder, Chairman, Chief Exe	13.04% per annum over 5y	8.75% per annum over 5y
Chandler, Kerry	Chief Human Resources Office	N/M	0% per annum over 0y
Maurath, Karl-Heinz	Chief Revenue Officer	-11.29% per annum over 3y	34.71% per annum over 3y
Bergman, David	Chief Financial Officer	N/M	N/M
Fipps, Paul	Chief Information Officer an	N/M	N/M
Allega, Lance	Vice President of Investor R	N/M	N/M

Profitability	UAA (LTM)	UAA (5 years historical average)	Industry (LTM)
ROIC	11.0%	18.25%	13.55%
NOPAT Margin	7%	12.82%	8.2%
Revenue/Invested Capital	1.66	1.42	1.64
ROE	16.0%	21.94%	15.40%
Adjusted net margin	6%	12.55%	7.6%
Revenue/Adjusted Book Value	2.68	1.75	2.01
Invested Funds	**UAA (LTM)**	**UAA (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	5.8%	11.7%	21%
Estimated Operating Cash/Total Capital	5.8%	9.0%	N/A
Non-cash working Capital/Total Capital	24.3%	23.3%	23%
Invested Capital/Total Capital	85.3%	85.8%	78%
Capital Structure	**UAA (LTM)**	**UAA (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.12	0.05	0.17
Cost of Existing Debt	4.51%	2.94%	3.82%
Estimated Cost of new Borrowing	4.23%	4.74%	3.82%
CGFS Risk Rating	CCC	CC	CC
Unlevered Beta (LTM)	0.19	1.16	0.47
WACC	5.21%	12.32%	6.94%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	21.8%	6.6%	2.10
12/31/2017	8.9%	5.3%	0.71
12/31/2018	8.0%	5.8%	0.71
12/31/2019	16.3%	6.3%	0.82
12/31/2020	12.9%	6.6%	0.88
12/31/2021	9.8%	6.8%	0.91
12/31/2022	8.9%	8.6%	1.18
12/31/2023	7.9%	10.3%	1.45
12/31/2024	6.9%	12.0%	1.72
12/31/2025	5.9%	13.7%	2.02
12/31/2026	5.0%	15.3%	2.31
Continuing Period	4.0%	17.0%	2.63

Period	Invested Capital	Net Claims	Price per share
Base Year	$1,195.06	$1,473.29	$21.97
12/31/2017	$1,432.68	$1,684.27	$24.88
12/31/2018	$1,861.57	$1,731.27	$28.09
12/31/2019	$2,329.29	$1,742.72	$31.68
12/31/2020	$2,905.04	$1,727.95	$35.48
12/31/2021	$3,708.59	$1,621.31	$39.53
12/31/2022	$4,295.01	$1,393.13	$43.69
12/31/2023	$4,736.94	$962.80	$48.03
12/31/2024	$5,242.79	$359.16	$52.45
12/31/2025	$5,719.52	-$405.75	$56.91
12/31/2026	$6,104.10	-$1,403.66	$61.36
Continuing Period			

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March 3, 2017

NYSE- Trinseo S.A. (TSE)

Analyst: Joseph Nastasi

Sector: Materials
Industry: Chemicals

Company Description:

Trinseo S.A. is a global materials company and manufacturer of plastics, latex, and rubber. Trinseo's products are incorporated into a wide range of industries such as home appliances, automotive, building and construction, carpet, consumer electronics, consumer goods, electrical and lighting, medical, packaging, paper and paperboard, rubber goods and tires. Trinseo has 434 manufacturing plants in 14 countries. Prior to Trinseo's formation, it was wholly owned by Dow Chemical Company, and in 2010 was acquired by Bain Capital. Trinseo S.A. went public in 2014 and Bain Capital has divested its entire ownership in Trinseo during 2016.

BUY

Current Price:	$71.80
Target Price:	$85.79
Market Cap:	3.16B
S&P Debt Rating:	B+
Ke:	15.5%
ROE:	43.2%
Net Income Margin:	7.0%
Total Asset Turnover:	1.6
Equity Multiplier:	5.63
Cash/Total Assets:	19.3%

Catalysts:

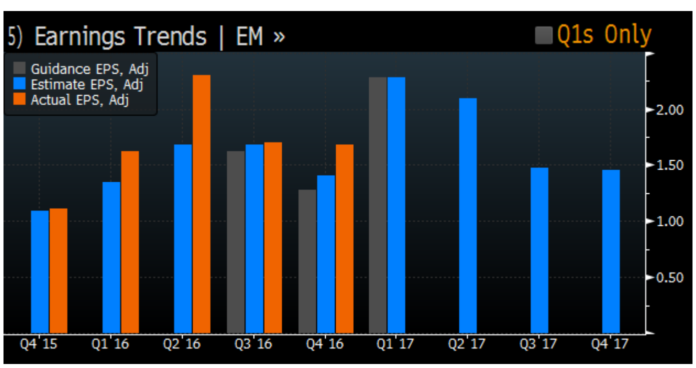
- **Short Term(within the year):** Q1 2017 Earnings
- **Mid Term(1-2 years):** President Trump's Fiscal promise of $1 trillion for infrastructure revitalization, massive tax cut, and reduced regulation (from agencies like the EPA)
- **Long Term(3+):** Innovative new products that will lead to sustainable margins and increased market share

Thesis:

Trinseo S.A. has been rapidly growing since its IPO inception in 2014. Prior to its IPO, Trinseo was wholly owned by DOW Chemical Company, which gave it a great foundation. Trinseo has consistently beat earnings expectations, generated increasing cash flows from operations, and greater free cash flow. This free cash flow has been spent well from management on R&D, capital expenditures, stock buybacks, and dividends. Trinseo has been able to be highly successful in a challenging Chemical Industry environment that is highly dependent on commodity prices due to its great products. Trinseo's products are incorporated into countless industries where there is market share to be gained. These new innovative products are able to take advantage of new trends and consumer demands. The marketing strategy of passing lower cost onto consumers with more efficient products that are environmentally conscious is a huge selling point. Even with these lower cost, Trinseo is able to operate at high profitability margins, which is impressive. Trinseo is underpriced right now compared to its competitors even considering its significant run. Trinseo is in its early growth stage and has great foundations to continue its upward movement in its stock price.

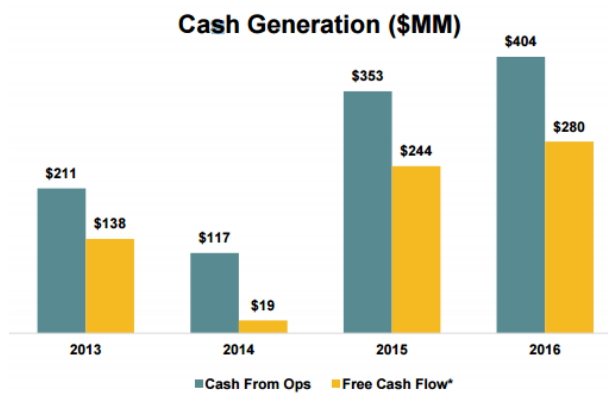
4th Quarter Earnings Performance:

Trinseo S.A. reported strong 4th Quarter earnings with CEO Chris Pappas stating, "We has record performance across several metrics, including net income, adjusted EBITDA, and cash generation. Trinseo has consistently beat earnings and guidance EPS estimates for the past five quarters.



Net income was reported at $78 million for this quarter, which is a 18% increase from the previous quarter and a 82% increase from the previous year. EBITDA was reported at $142 million for this quarter, which is a 13% increase from the previous quarter and a 23% increase from the previous year.

Cash flow generation is one of the driving growth factors of Trinseo.



The increase in cash flow from operations has given Trinseo flexibility. Trinseo has increased capital expenditure from $109 million in 2015 to $124 million in 2016. In the 4th quarter, Trinseo repurchased $21 million or about 9% of their outstanding stock. Also in the 3rd quarter, Trinseo initiated an annualized dividend of $1.20 per share. In total, $242 million or about 86% of free cash flow was returned to shareholders. Trinseo set very strong guidance by adjusting Q1'17 net income of $100 million to $108 million and Adjusted EPS of $2.19 to $2.37. Also, full year 2017 net income guidance of $310 million, Adjusted EBITDA of $580 million, and Adjusted EPS of $6.82.

Industry Outlook:

The Chemical Industry is highly cyclical with demand driven by economic growth. The energy, consumer goods, and industrial manufacturing sectors are highly dependent on chemical products in order to operate. President Trump's new administration should improve demand for the industry with the campaign promise of revitalizing U.S. manufacturing. Recovery in crude oil and natural gas prices will spur higher demand from the energy industry. The Chemical Industry contains high barriers to entry, which allows prices and margins to remain stable and increase. This industry is generally considered slow growth and has lagged behind other sectors due to volatile commodity prices, which accounts for a majority of these companies cost of goods sold.

Trinseo S.A. is a leader of growth in this industry with leading market positions worldwide in styrene-butadiene latex, European styrene, European synthetic rubber, and European polystyrene. Trinseo gains its competitive edge by innovating new products to meet consumers changing demands. Trinseo's CEO Chris Pappas described the industry outlook as "Better across the board." Pappas stated, "We have sold out in rubber. Good performance in the tire market. Our latex business I would describe as better. Price increases are taking hold. Cost reductions are taking hold. Performance plastics continues to be strong, better. Polycarbonate we are sold out."

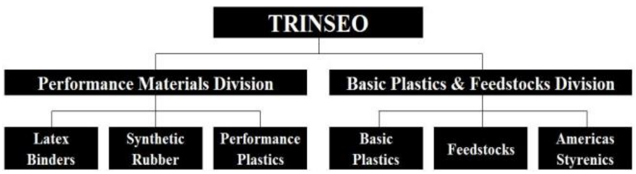
Innovative Products:

- **SPRINTAN SLR 3402:** Synthetic rubber tire that provides excellent rolling resistant, wet grip, and abrasion resistance for more balanced tire properties. Trinseo marketing efforts for these are labeling them as "green tires" because tires account for 20 to 30 percent of total fuel consumption and the low rolling resistance tires can reduce fuel consumption up to three percent. This means saving 21 gallons of fuel compared to traditional tires over a typical life span of a tire. Trinseo will be attending the Tire Technology Expo, Europe's leading international Tire Design Manufacturing Exhibition and Conference.
- **EMERGE PC:** Offers design freedom and high-quality aesthetics together to meet the requirements of both residential and commercial automotive charging stations. Provides materials for public charging stations that will withstand aggressive conditions like weather, high impact performance, and weather resistance.
- **CALIBRE Polycarbonate Resins:** These materials allow superior processing which can be modeled into complex shapes and forms, giving LED lighting manufactures a flexibility in product design. Also, materials are nearly as transparent as acrylic and glass and can help customers achieve uniform light diffusion, while maintaining maximum light output. By 2020, LED lighting is expected to represent 36 percent of all lighting sales. The widespread use of LED light is a great potential for energy savings.
- **PULSE GX50:** Developed for automotive interior component applications. The material offers a four percent decrease in density enabling lighter final parts, increasing efficiency. This is giving car manufacturers an alternative to aluminum that is cheaper and more efficient. This product is used in the BMW i8.

Business Model:

Trinseo S.A. has a diversified net sale by end market for its products. The proportion of 2016 Net Sales by End Markets are 15% Automotive, 14% Building & Construction/Sheet, 12% Tires/Rubber Goods, 9% Board & Specialty Paper, 8% Graphical Paper, 8% Appliances, 7% Packaging, 5% Consumer Electronics, 5% Textile, and 17% Other. The proportion of 2016 Net Sales by Geography were 60% Europe, 22% Asia Pacific, 14% United States, and 4% Other.

Trinseo operates its business under two divisions: Performance Materials and Basic Plastics & Feedstocks, which are split further into three segments shown below.



The Performance Materials division in 2016 had adjusted EBITDA of $341 million and Basic Plastics & Feedstocks had adjusted EBITDA of $364 million. The strategy of the Performance Materials division is to accelerate growth and for the Basic Plastics & Feedstocks division is to improve profitability. In the Latex Binders segment margins were improved, cost were reduced, and there was a new investment of a reactor in China resulting in an increase of annual adjusted EBITDA from the prior year of 19%.

There was an Asia sales volume record in the 4th quarter. Another sector to highlight is the Performance Plastics with an annual adjusted EBITDA increase of 26%. There was record sales volume to the automotive market. A positive trend that Trinseo is taking advantage of is the regulatory reforms in the EU, Japan, and Korea to improve fuel efficiency with its rolling resistant tires and lightweight plastic interior for automobiles. Trinseo's business strategies are to:

- Provide sustained cash generation that allows the Company to return cash to its shareholders through quarterly cash dividends and repurchasing of shares.
- Making strategic capital investments to extend market share position and meet expected growing demand
- Pursuing strategic acquisitions and joint ventures to extend market share especially in emerging markets
- Continuing to innovate and provide technological differentiation

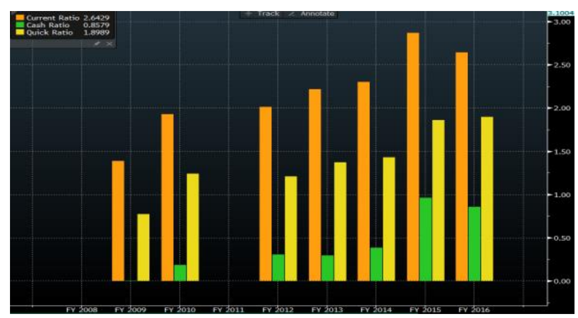
Leverage Comparison:

Trinseo uses significantly higher leverage compared to its competitors.

Capitalization (Debt/Equity)		
	History	*LFY*
TSE	1.14	0.44
Competitors	0.25	0.30

Kd		
	History	*LFY*
TSE	9.3%	7.0%
Competitors	5.0%	3.9%

Millions of USD	FY 2013	FY 2014	FY 2015	FY 2016
12 Months Ending	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Market Capitalization	–	851.0	1,375.5	2,892.5
- Cash & Equivalents	196.5	220.8	431.3	465.1
+ Preferred & Other	0.0	0.0	0.0	0.0
+ Total Debt	1,336.4	1,202.2	1,207.8	1,165.4
Enterprise Value	–	1,832.5	2,152.1	3,592.8



Trinseo's high debt to equity and cost of debt is a concern. However, this is drastically improving. Trinseo has drastically increased its cash from operations and thus created much greater free cash flow. This has given Trinseo the flexibility to pay back some of its outstanding debt. This rapidly growing amount of free cash flow also has brought up conversation of potential acquisitions, which CEO Chris Pappas responded with "I guess that's always a possibility." The table above shows how Trinseo's cash & equivalents have been increasing and total debt has been decreasing. The graph shows Trinseo's increasing liquidity with the current ratio (in orange), the cash ratio (in green), and the quick ratio (in yellow) all with a positive trend.

These positive indicators of improving debt along with greater profitability, specifically in the Performance Products segment led to Moody raising Trinseo's debt rating from B2 to B1 on February 28th. I believe Trinseo's debt to equity ratio and cost of debt will move towards the industry average. Trinseo went public in 2014, so it is in its growth phase and being highly leveraged helps spur even greater growth. Trinseo with its rapidly increasing free cash flow and with management focused on debt reduction will become less leveraged, the cost of debt will decrease, and the WACC will decrease which is at 12.1% compared to the industry average of 9.3%. This reduction in the cost of debt is one area of value creation in the future.

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Profitability Comparison:

Trinseo has rapidly been increasing its profitability with positive trends of gross profit, EBITDA, and net income. This is shown below:

In Millions of USD	FY 2013	FY 2014	FY 2015	FY 2016
12 Months Ending	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue, Adj	5,307.4	5,128.0	3,971.9	3,716.6
Growth %, YoY	-2.7	-3.4	-22.5	-6.4
Gross Profit, Adj	358.0	297.3	469.1	587.6
Margin %	6.7	5.8	11.8	15.8
EBITDA, Adj	311.3	289.4	501.1	621.4
Margin %	5.9	5.6	12.6	16.7
Net Income, Adj	14.5	-14.9	197.4	340.5
Margin %	0.3	-0.3	5.0	9.2

EBITA Margin	History	LFY
TSE	4.8%	10.6%
Competitors	14.1%	18.3%

ROIC	History	LFY
TSE	11.9%	23.2%
Competitors	21.8%	20.3%

The revenue decrease was primary due to lower raw materials costs. The rapid increase in net income is due to improved performance across all segments, including record sales volume in Synthetic Rubber.

The increase in these profitability margins show how management has been have to generate greater profits out of every dollar of revenue. Even with the high margins, Trinseo's EBITA margin is still behind the industry average, which shows there is room for growth. Trinseo's sensitivity attribution analysis is highly dependent on revenue, operating expense, and CAPEX. Revenue has been depressed due to commodity prices, which makes the rapid increase in this stock very impressive compared to its competitors who have been lacking in growth. Trinseo's strategy is all about passing fewer costs to its customers, but is still able to retain its high margins.

Summary:

In conclusion, Trinseo is a buy at its current price due to its upward growth potential. Management set very strong Q1'17 earnings guidance that shows their optimism about the current macroeconomic environment the company is operating in. President Trump's objectives to massively increase spending on infrastructure will spur economic growth due to the infrastructures sector dependence on chemical products in order to operate. Even though Trinseo net sales by geography were only 14% in the United States, about 75% of its total income is taxable in the United States. A tax reduction, promised by President Trump, is also a catalyst for growth.

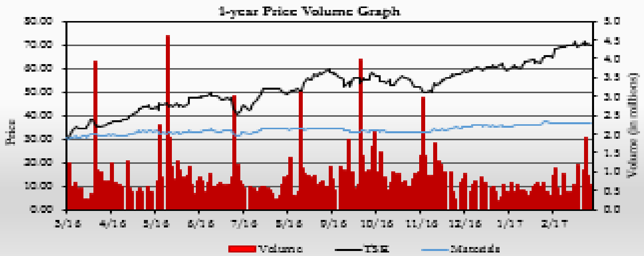
Trinseo's innovative diverse range of products transformed into end products in almost every industry is what sets them apart from their competitors. Also, how their strategy is to pass on lower cost to consumers that keep up with the trends of consumers changing needs. Trinseo operating cash flow is consistently improving which is key to their long-term growth of greater capital expenditure and R&D expenditure to retain and improve their market share in countless industries worldwide. Management's strategy to provide sustained cash generation in order to return cash to shareholders through quarterly dividends is key. Trinseo's one-year target price of 85.79 is reasonable due to all their potential areas of growth.

CENTER FOR GLOBAL FINANCIAL STUDIES

Trinseo S.A. (TSE) — **NEUTRAL**

Analysis by Joseph Nastasi	**Current Price:**	**$71.80**	**Intrinsic Value**	**$100.62**
3/3/2017	**Divident Yield:**	**0.5%**	**Target Price**	**$85.79**

Target 1 year Return: 19.96%
Probability of Price Increase: 92



Description

Trinseo S.A., a materials company, manufactures and markets synthetic rubber, latex, and plastic products in Europe, the Middle East, North America, Latin America, and the Asia Pacific.

General Information

Sector	Materials
Industry	Chemicals
Last Guidance	November 3, 2015
Next earnings date	NM
Estimated Country Risk Premium	5.97%
Effective Tax rate	18%
Effective Operating Tax rate	16%

Market Data

Market Capitalization	$3,156.20
Daily volume (mil)	0.85
Shares outstanding (mil)	43.96
Diluted shares outstanding (mil)	47.48
% shares held by institutions	103%
% shares held by investments Managers	61%
% shares held by hedge funds	32%
% shares held by insiders	0.15%
Short interest	3.11%
Days to cover short interest	2.19
52 week high	$72.60
52-week low	$29.89
Levered Beta	2.43
Volatility	0.00%

Past Earning Surprises

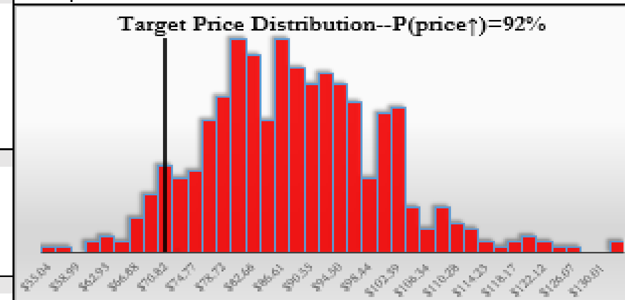
Quarter ending	Revenue	EBITDA
12/31/2015	-8.01%	-24.34%
3/31/2016	-11.60%	-16.01%
6/30/2016	-1.10%	-0.18%
9/30/2016	-6.09%	-24.48%
12/31/2016	0.56%	-17.46%
Mean	-5.25%	-16.49%
Standard error	2.2%	4.4%

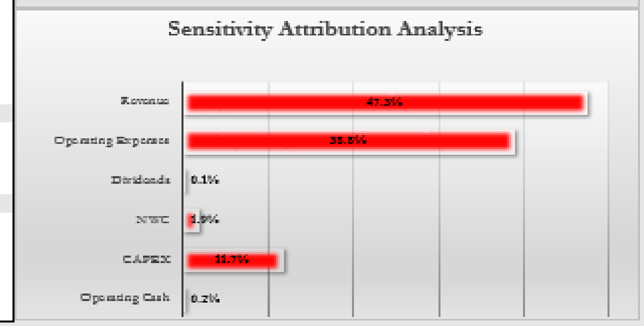
Peers

Westlake Chemical Corporation
Celanese Corporation
Eastman Chemical Company
LyondellBasell Industries N.V.
Air Products and Chemicals, Inc.

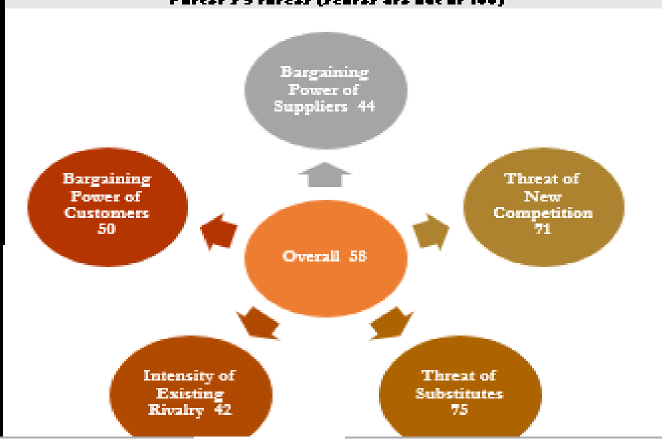
Management	Position	Total compensation growth	Total return to shareholders
Pappas, Christopher	Chief Executive Officer, Pre	-100% per annum over 4y	N/M
Chaclas, Angelo	Chief Legal Officer, Senior	N/M	0% per annum over 0y
Harner, Marilyn	Senior Vice President of Hum	64.86% per annum over 1y	61.6% per annum over 1y
Niziolek, Barry	Chief Financial Officer and	N/M	N/M
Leib, Ryan	Principal Accounting Officer	N/M	N/M
Stasse, David	Vice President of Treasury &	N/M	N/M

Profitability	TSE (LTM)	TSE (5 years historical ave	Industry (LTM)
ROIC	29.0%	11.56%	15.05%
NOPAT Margin	11%	4.14%	14.4%
Revenue/Invested Capital	2.76	2.79	1.04
ROE	51.3%	30.48%	18.19%
Adjusted net margin	9%	2.22%	12.7%
Revenue/Adjusted Book Value	5.92	13.73	1.43
Invested Funds	**TSE (LTM)**	**TSE (5 years historical ave**	**Industry (LTM)**
Total Cash/Total Capital	23.6%	16.0%	13%
Estimated Operating Cash/Total Capital	9.6%	10.8%	N/A
Non-cash working Capital/Total Capital	21.9%	27.3%	12%
Invested Capital/Total Capital	66.1%	75.7%	82%
Capital Structure	**TSE (LTM)**	**TSE (5 years historical ave**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.42	0.54	0.26
Cost of Existing Debt	7.74%	9.28%	3.77%
Estimated Cost of new Borrowing	5.74%	5.04%	3.77%
CGFS Risk Rating	D	C	B
Unlevered Beta (LTM)	1.46	0.87	1.02
WACC	13.01%	9.66%	9.65%





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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	-6.4%	10.5%	2.23
12/31/2017	-3.5%	12.8%	2.74
12/31/2018	4.6%	12.8%	2.63
12/31/2019	-0.9%	13.2%	2.32
12/31/2020	25.2%	14.9%	2.98
12/31/2021	22.2%	15.6%	2.82
12/31/2022	19.1%	16.3%	2.62
12/31/2023	16.1%	17.0%	2.42
12/31/2024	13.1%	17.6%	2.24
12/31/2025	10.0%	18.2%	2.07
12/31/2026	7.0%	18.8%	1.92
Continuing Period	4.0%	19.3%	1.78

Period	Invested Capital	Net Claims	Price per share
Base Year	$1,650.17	$707.55	$137.57
12/31/2017	$1,587.03	$462.27	$155.01
12/31/2018	$1,609.75	$311.63	$174.05
12/31/2019	$1,487.32	$106.76	$194.77
12/31/2020	$1,346.68	$178.95	$217.56
12/31/2021	$1,301.61	$279.55	$242.99
12/31/2022	$1,409.91	$363.49	$271.30
12/31/2023	$1,633.56	$403.46	$302.54
12/31/2024	$1,795.26	$308.86	$337.85
12/31/2025	$2,433.95	$137.35	$375.00