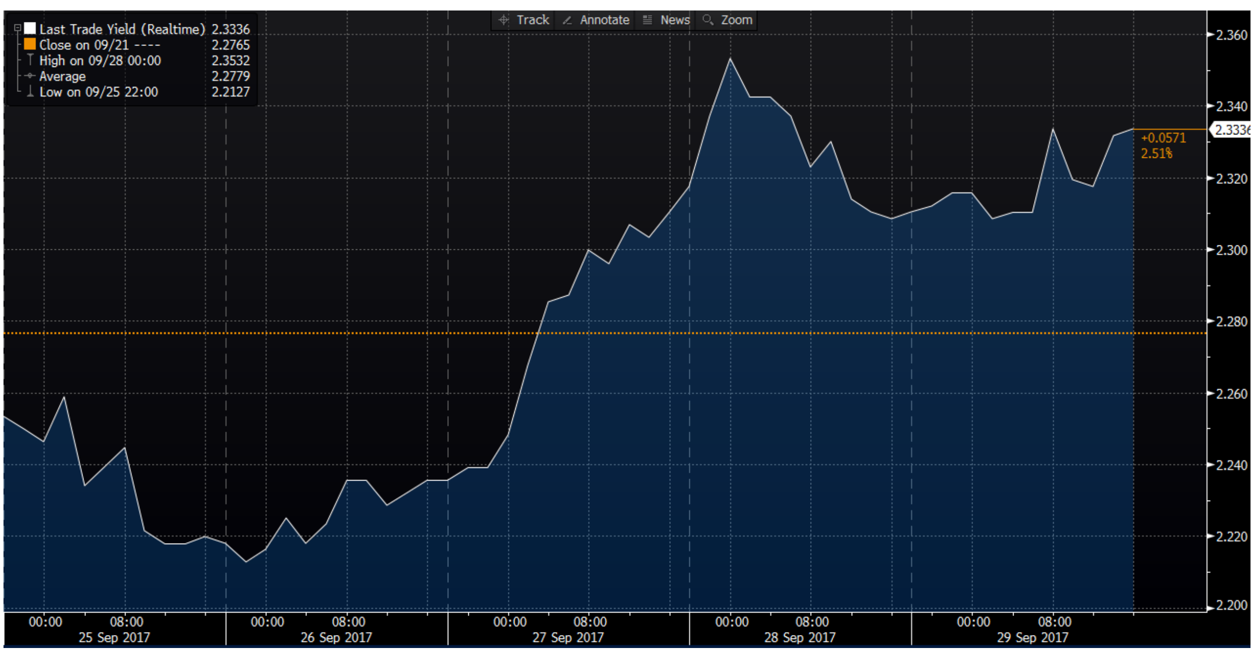
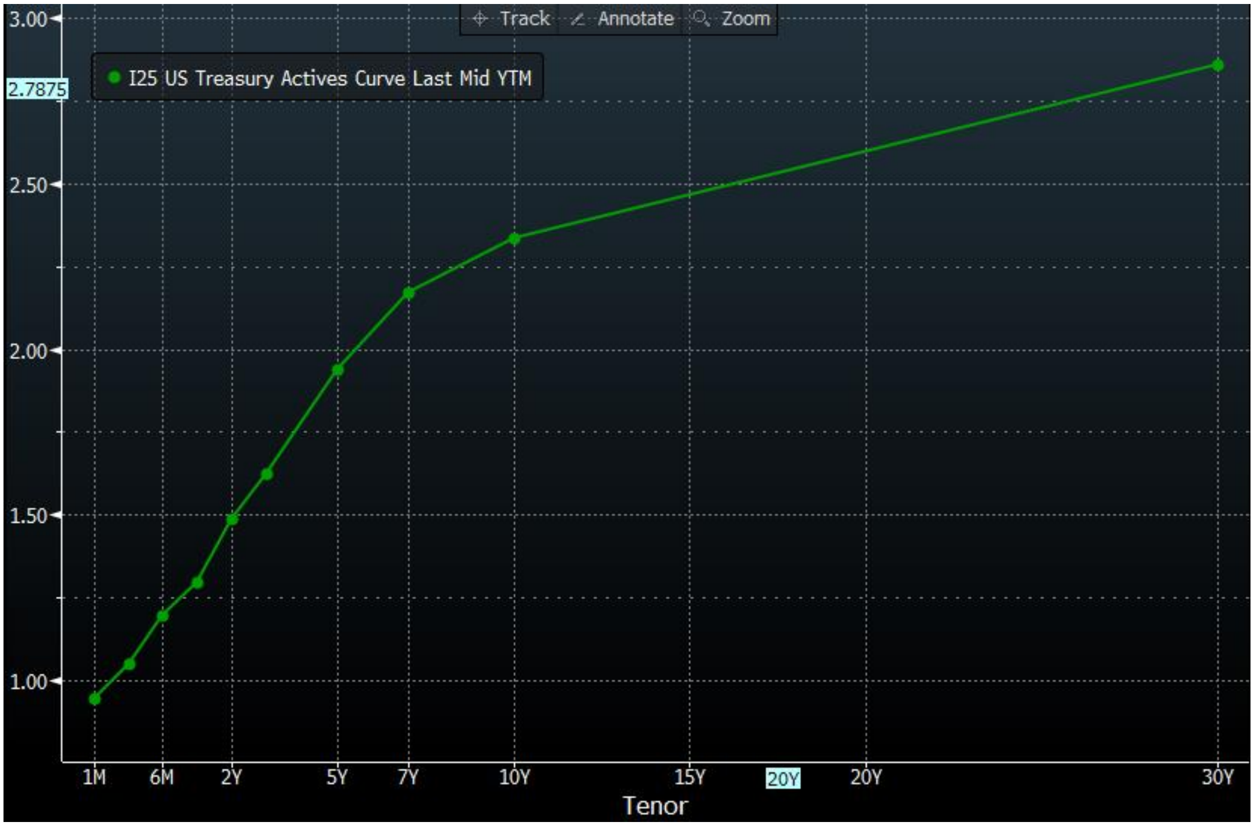
Bond Report

Last week in the market, North Korea tensions kept money pouring into the bond market early in the week, while a shift later in the week from political news pulled money back out. On Monday, yields were down from continued threats from North Korea and the weekends German elections. Investors are trying to find safe investment vehicles in the time of political and global uncertainty. Tuesday, yields rose around a basis point collectively after Janet Yellen gave a more elaborate response to the upcoming rate hikes. She reiterated that even though the target inflation of 2% hasn't been met, it is entirely necessary to push rates up from post-recession lows to avoid inflation rising too rapidly. Experts are projecting a 78% chance of the third rate hike this year in December. Wednesday's trading drove the 10-year yield 8 basis points up and the 30-year up 9.8 basis points, the biggest 1 day jump in the past 6 months. Trump released details on the proposed tax plans to cut corporate tax rate to 20% as well as individual household tax reform. The news was well received and a sell-off caused the jump in rates. On Thursday, prices remained fairly stable as the market sentiment tried to put a number to the likelihood of success in tax reform. The process is likely to be complicated and have some roadblocks, but overall confidence looks to be high. Closing the week out, news of Trump interviewing for Janet Yellen's replacement hit the market. The 2-year and 10-year both rose 2.4 and 2 basis points respectively. The 2-year closed at 1.479% and the 10-year closed at 2.328%. The 30-year fell 1 basis point to close the week at 2.859%.





What's next and key events

This coming week we should expect to see some volatility as sentiment on President Trump's effectiveness in Office. Tensions in North Korea are also of concern, which will likely cause more volatility and a potential rush from investors again. Some other key events to watch include Monday's Construction Spending report. We hope to see some insight on the relief efforts after the past two Hurricanes to gauge where the market will move. On Wednesday, Janet Yellen is set to deliver open remarks to the Community Banking in the 21st Century Conference, so we expect to hear more from her on what to expect on rate hikes in more certainty. Lastly, we are in a very macro driven environment, so pay close attention to any events concerning Trump, North Korea and GDP growth. Overall, it is safe to say the volatility experienced will continue into this week and outside geopolitical tensions and spontaneous news about President Trump will continue to bring that to the bond market.

September 29, 2017

Barnes Group: B

Connor Morelli

Sector: Industrials
Industry: Capital Goods
Current Price: $68.65
Target Price: $82.42

Barnes Group Inc. is a global industrial and aerospace manufacturer and service company serving a wide range of end markets and customers. Barnes Group operates in two segments: industrial and aerospace. The industrial segment offers numerous precision parts, systems, and products to end markets including but not limited to transportation, healthcare, packaging and industrial equipment. Industrial products include customized hot runner systems, precision mold assemblies, mechanical springs, nitrogen gas products, and retention rings. The aerospace segment focuses on designing, manufacturing precision-machined, and fabrication to produce critical airframe and engine components through technologically advanced systems. The aerospace segment also offers repair and refurbishment services.

BUY

Current Price:	$68.65
Target Price:	$82.42
Market Cap:	3.7B
Beta:	1.40
EPS:	2.86
52 Week Price Range:	$37.88 – 73.84
Operating Income Margin:	15.6%
ROE:	13.4%
Volume:	235,214
D/E Ratio:	0.42
ROIC	11.5%

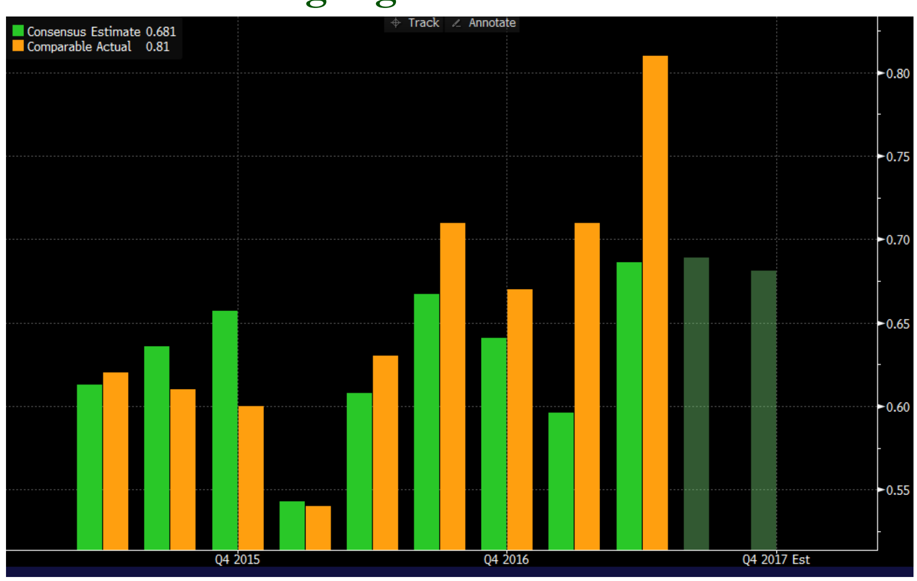
Thesis:

Barnes Group is a global leader in the design and engineering process of precision parts and products to end markets through their two business segments, aerospace and industrials. Barnes Group has experienced consistent double-digit organic sales growth and operating income growth in the mid-teens year over year. Through recent acquisitions, Barnes Group continues to expand globally into Europe and Asia positioning itself to continue to be a global leader in its precision molds and nitrogen gas products as well as being able to continue to supply leading corporations such as General Electric and Rolls-Royce in its Aerospace segment. Value creation for Barnes Group depends on earnings continuing to beat analyst estimates and continued growth in revenue and margins.

Catalysts:

- Short Term (within the year): Quarterly earnings report released on October 27, 2017.
- Mid Term (1-2 years): Industrial business segment strength specifically molding solutions and nitrogen gas products. Continued use and implementation of the Barnes Enterprise System in recent acquisitions.
- Long Term (3+): Continued strategy of acquisition and innovation in new products to strengthen revenue and margins.

2nd Quarter Earnings Performance and Highlights:



Barnes Group continued to beat analyst earnings estimate for the second quarter of fiscal year 2017. On an adjusted basis, EPS for Barnes was $0.81 for the second quarter, up 29% from $0.63 for second quarter 2016. Barnes Group reported sales of $364 million for the second quarter up 19% from the prior year period, which was driven by strong organic growth in the low double digits as well as being bolstered by recent acquisitions. Barnes continued to see improvement within its operating margins. Operating income was reported at $54.1 million, an increase from $48.4 from a year prior. Barnes also experienced significant growth in net income for 2Q 2017. Net income was reported at $45 million for the second quarter, an increase from $33.2 million that was reported for the second quarter of 2016. Each business segment for Barnes, industrials and aerospace, performed markedly better than the previous year's period. The industrial segment grew sales 23% year over year and reported nearly 50% sales growth year over year for molding solutions division of the industrial segment. For Aerospace, this division also reported strengthening sales and margin numbers. Sales were up 10% compared to the year prior and operating margin increased to 17.5%, 360 basis points better than the prior year's period.

Industry Outlook:

The Capital Goods industry, companies that produce durable goods for other companies to use in their end-products, is the largest group of the industrials sector. Industrial goods are very sensitive to market volatility and economic conditions with a beta of 1.2, resulting in the industrial sector experiencing both sharp inclines and declines over relatively shorter time horizons, making industrials an inherently riskier sector. The Purchasing Managers Index is an important measure in grading the outlook of the industrial sector and grades out of a scale 0-100, 100 being the highest grade and a score of 50 considered to be neutral. The PMI follows five measures to grade the overall economic health of manufacturing within the industrial sector which is extremely relevant to Barnes' Group outlook going forward. These five measures are new orders, inventory levels, production, supplier deliveries, and employment environment. The PMI as of August 2017 is 58.80 and increase from 49.4 year over year, indicating a slightly bullish view on the industrial sector currently. Macro data also favors a slightly bullish view on the industrial sector and capital goods in particular. According to the US Census Bureau, United States capital goods manufacturers experienced after tax profits of $80.0 billion in 2Q FY 2017 compared to $71.6 billion the year prior, an increase of 11.73%. Of course, Barnes is diversified globally so worldwide macro trends and foreign currency fluctuations impact the company's ability to generate profit more so than domestic companies. The United States is currently in the expansionary phase of the business cycle and China, Germany, France and the EU are lagging the United States in terms of the business cycle heading towards an expansionary period. This is beneficial in particular to Barnes Group, as a majority of their business exists in the United States, Germany, and China so the company should experience continued organic growth in these geographical regions. The European outlook in particular looks favorable to Barnes Group as the Eurozone cycle trails the United States in part to improving consumer sentiment and accommodating monetary policy. As the business cycle expands, industrials historically outperform the market so growth in the market should continue to outperform. North American industrials should continue to grow organically due to growth in end-market demand put in part by better than expected first half gains. Aerospace and healthcare, both areas Barnes is exposed to, should continue to expand according to Bloomberg Analysts.

Business Segmentation:

Percentage of Sales

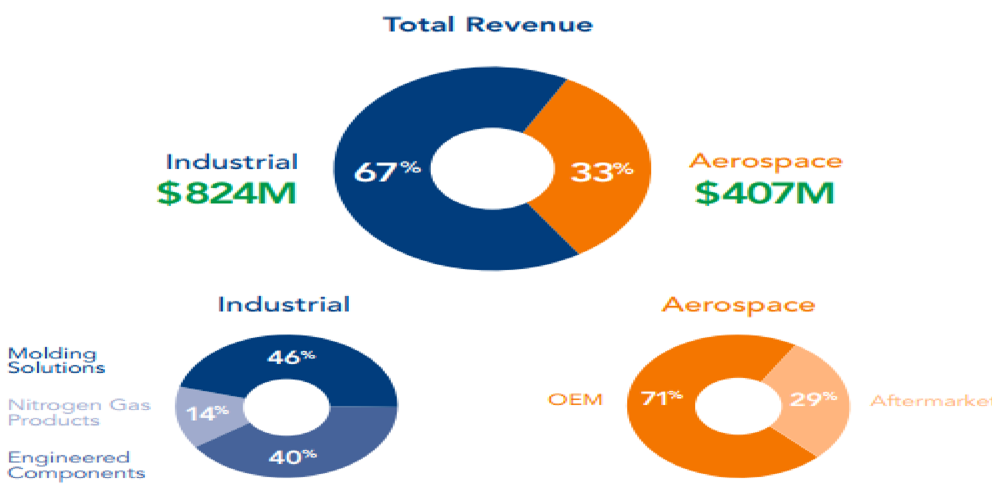
Industrial Segment

Molding Solutions	31%
Engineered Components	27%
Nitrogen Gas Products	9%

Aerospace Segment

Original Equipment Manufacturing (OEM)	23%
Aftermarket: Maintenance, Repair and Overhaul (MRO) and Spare Parts	10%

Revenue Breakdown



Barnes Group operates in two global business segments, industrial products and aerospace. The industrial segment includes three divisions, the molding solutions, nitrogen gas products and engineered components. The aerospace segment focuses on two divisions, original equipment manufacturer (OEM), which includes the maintenance, repair, and overhaul services (MRO) as well as the manufacture and delivery of aftermarket spare parts. Net sales by region are broken up into three regions, North America, Europe, and Asia. Respectively, these regions account for 51%, 32%, and 17% of revenue generated by the industrial and aerospace segments. The mix of products offered by the industrial segment of Barnes' business model is quite diverse. Barnes offers their products and solutions to a number of diversified business end-markets such as transportation, consumer products, packaging, electronics, and healthcare/medical devices. For the fiscal year ending 2016, the industrial segment revenues were reported at $824.2 million or 67% of sales. The molding solutions division currently operates as the most successful division of the industrial segment. For the 2Q 2017, sales increased to nearly 50% while organic sales grew 20%. The industrial segment operates through a number of brands previously acquired by Barnes in North America, Asia, and Europe broadening and diversifying the company's portfolio. Approximately 46% of the industrial segment's revenue derives from the molding solutions division with engineered components and nitrogen gas products accounting for 40% and 11% of revenues respectively. Barnes' diverse portfolio of products and systems allows them to maneuver the global marketplace effectively and allows them to focus on both organic growth and the use of capital for acquisitions. Recently, Barnes decided to close a smaller manufacturing plant, which has allowed the industrial segment to leverage current infrastructure, become more efficient, and save costs estimated at around $5 million.

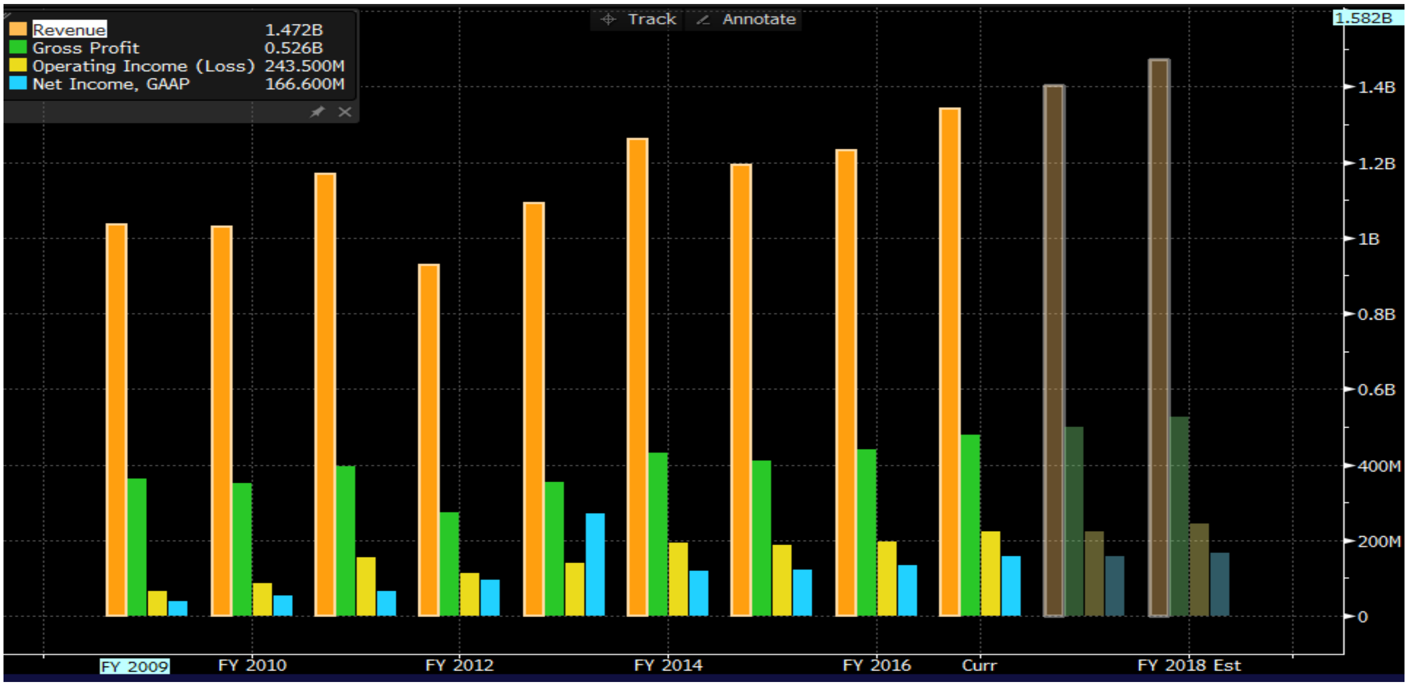
Barnes' aerospace division is a global leader in providing complex fabricated and precision-machined components for the manufacture of turbine engines, airframes, industrial gas turbine builders, and the military. The aerospace segment also provides MRO services to some of the leading turbine manufacturers, commercial airlines, and the military as well. This is achieved through technically advanced processes. The aerospace segment is driven by sales within its OEM and MRO services. This division generates 71% of revenues for aerospace while the aftermarket division generates 29% of revenue. Aerospace generated $407 million in gross revenue for 2016. Operating margins within the aerospace have strengthened year over year increasing to 17.5% compared to 13.9% from the previous year. This was primarily due to the increase in MRO services and spare parts after-market sales. The aerospace segment of Barnes carries significantly more risk compared to the industrial segment. Primarily, the industrial segment is subject to foreign exchange rate risk due to a number of operations taking place in Germany and Switzerland and was seen on the 2015 income statement as revenues dropped due to the strengthening of the US dollar. However, the aerospace segment is the more risky of the two segments due to the small, albeit large customers. GE made up 51% of aerospace's total sales in 2016 while Rolls-Royce and United Technologies Corporation accounted for 13% and 11% respectively. As long as orders continue to increase the risk to the business is minimal however if orders drop, aerospace could suffer greatly. Overall, Barnes' diverse business portfolio allows them to navigate the risks of the global marketplace and set the company up for potential future growth in revenue, income, and cash flow.

Recent Acquisitions and Barnes Enterprise System:

Barnes' recent acquisitions have provided a significant competitive advantage within their market. These acquisitions overall have been a growth driver for Barnes over the last few fiscal years and will serve as a key catalyst for future growth as well. These new acquisitions have also allowed Barnes to develop new products and expand into new geographical areas and markets such as China with the purchase of Adval Tech Holding AG and Adval Tech Holdings Asia known as FOBOHA. FOBOHA was purchased by Barnes in 3Q 2016 for $136.8 million in cash and is headquartered in Germany and has manufacturing locations in Germany, Switzerland, and China. This allows Barnes to expand its global reach in the industrial segment. FOBOHA specializes in the development and manufacture of complex plastic inject molds which will only further strengthen the profitable molding solutions division of Barnes' industrial segment. According to the 2Q earnings call, CEO Patrick Dempsey stated "The FOBOHA business acquisition is a great IT based technology company driven business." Also, the CEO confirmed that mold sales were up nearly 50% for this arm of the business however margins were relatively low. To combat low margins Dempsey stated "The full benefit of the Barnes Enterprise System and plant synergies have yet to be realized. We have a detailed blueprint to improve profitability here and a significant step forward was initiated in the second quarter." To me, this indicates an opportunity for growth of value within this segment due to the organic growth capabilities of this division.

The Barnes Enterprise System (BES) is a significant value creator for the company. BES includes four key elements; culture, alignment, continuous improvement, and results. BES works by leveraging employee drive and dedication along with scalable process, practice sharing and innovation brings superior products and value to customers and shareholders. BES operates by focusing on four critical qualitative processes to increase the five areas that drive performance and profit. By focusing on culture, alignment, continuous and innovative improvements, and customer driven results, Barnes translates these selected areas into value creation and competitive advantages. BES system then translates this into productivity goals that focus on revenue growth and cost reduction. Specifically, volume and pricing work to increase sales effectiveness while competitively leveraging technology into new product innovation. On the cost side of things, BES tries to make SG&A expenses efficient and make their supply chains and logistics services streamlined. These two cost effectiveness measures work to increase the operational efficiency of the business, lowering costs and providing competitive advantages in both sales and costs. Once the BES is fully integrated, as well as the smoothing of commercial and aftermarket processes, the FOBOHA acquisition we should see increased margins and profit, along with organic growth, driving value higher.

Revenue and Profitability Comparison:



Revenues increased year over year for FY 2016 compared to FY 2015. Revenues were reported at $1.230 billion for FY 2016 compared to $1.194 billion for FY 2015, an increase of 3.02%. The decrease in revenue for FY 2015 can be attributed to the strengthening of the USD in the foreign exchange due to the exposure of the industrial segment to European currencies. Aerospace was largely unharmed by the appreciation of the USD due to sales being largely denominated in US dollars. However, revenues for the last 12 months have increased again to $1.342 billion, which is in line with current analyst and Barnes estimates. A large portion of this revenue increase in the last 12 months can be attributed to the strong results stemming from the industrial segment, in particular the molding solutions division. Operating income continues to see strong growth year over year as well as over the last 12 months. FY 2016 over FY 2015 saw an increase in operating income of 4.45% while over the last 12 months operating income has increased 22.85%. Again, this can be attributed to the continued successes of the molding solutions and nitrogen gas products division. EPS saw an increase of 29% over the last 12 months and from FY 2015 to FY 2016, EPS saw an increase of 16.98%. These strong revenue, margin, net income and EPS results and growth rates signal to a healthy company that has positioned itself well for future organic growth and value creation. Barnes has consistently beat expected earnings reports over the last five quarters and there is no reason to believe that trend cannot continue into the near and immediate future driving the value of the stock price higher.

Capital Allocation Comparison:

ROIC (NOPAT/IC)	History	LTM
B	9.9%	11.5%
Competitors	20.7%	18.0%
Target	11.9%	

WACC	History	LTM
B	8.2%	8.6%
Competitors	9.3%	8.7%
Target	8.6%	

Kd	History	LTM
B	4.0%	4.0%
Competitors	5.2%	4.8%
Target	4%	

ROIC /WACC	History	LTM
B	1.22	1.34
Competitors	2.24	2.04
Target	1.39	

The above charts show The Barnes Group's capital allocation measures. Currently Barnes is exposed to debt with a consistent cost of debt of 4.0%, which is slightly above their competitor's average. Barnes Group is currently lowering its total debt exposure and increasing cash and equivalents to cover interest payments and other acquisition costs. Return on invested capital (ROIC) has seen an increase over the LTM, indicating that the company is becoming more efficient at capital allocation. Barnes' weighted average cost of capital (WACC) has also been consistently lower than its competitors, historically and within the LTM. The ROIC/WACC ratio over the LTM performed better than the company's historical ratio. Over the LTM ROIC/WACC was 1.34, a 9.34% increase over the historical ROIC/WACC ratio. This ratio indicates that the company is currently creating value with its assets.

Conclusion:

Overall, Barnes Group is a buy at its current price level. Even though shares are trading at near 52-week highs there is upwards organic growth potential through existing businesses and recent and future acquisitions. Barnes Group recent acquisitions have yet to see their margins normalized and organic growth through these new businesses has not been seen yet. I believe as the BES is put in place by management in new acquisitions such as FOBOHA, we should see continued organic growth through new and continuing business segments, driving value higher. Also, revenue growth should continue to increase in large part due to a strengthening European economy and a continuation of growth domestically and abroad, particularly in Asia. Coupled with increasing margins, continued beats on earnings, a diversified business portfolio, and overall organic growth within their industrial and aerospace segments, Barnes is a buy at current price levels.

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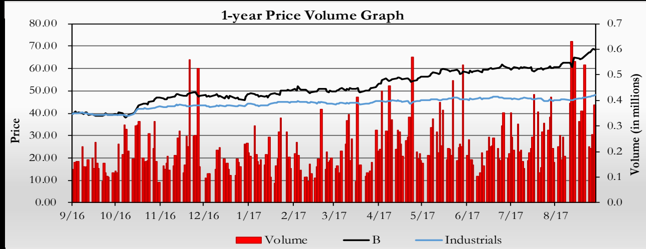
Barnes Group Inc. (B) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Connor Morelli	Current Price:	$68.65	Intrinsic Value	$75.00	Target 1 year Return: 20.89%
9/28/2017	Divident Yield:	0.8%	Target Price	$82.42	Probability of Price Increase: 97.2%

1-year Price Volume Graph



Description

Barnes Group Inc. operates as an industrial and aerospace manufacturer and service provider, serving a range of end markets and customers.

General Information

Sector	Industrials
Industry	Machinery
Last Guidance	November 3, 2015
Next earnings date	October 27, 2017
Estimated Country Risk Premium	5.54%
Effective Tax rate	28%
Effective Operating Tax rate	30%

Market Data

Market Capitalization	$3,695.96
Daily volume (mil)	0.24
Shares outstanding (mil)	53.84
Diluted shares outstanding (mil)	54.64
% shares held by institutions	84%
% shares held by investments Managers	82%
% shares held by hedge funds	1%
% shares held by insiders	7.45%
Short interest	1.66%
Days to cover short interest	3.24
52 week high	$73.84
52-week low	$37.88
Volatility	24.28%

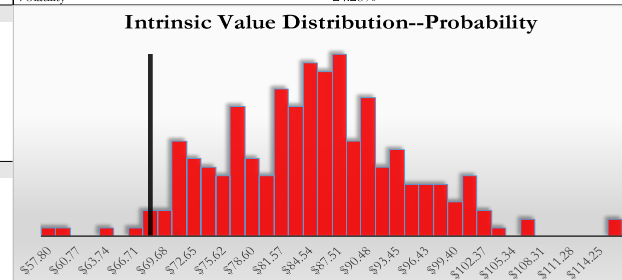
Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	-2.48%	-1.88%
9/30/2016	-1.65%	-4.47%
12/31/2016	-2.94%	0.91%
3/31/2017	5.17%	11.92%
6/30/2017	5.93%	6.09%
Mean	0.80%	2.51%
Standard error	2.0%	2.9%

Peers

- Woodward, Inc.
- EnPro Industries, Inc.
- Actuant Corporation
- Graco Inc.
- Harsco Corporation
- Hillenbrand, Inc.
- Altra Industrial Motion Corp.
- Mueller Industries, Inc.

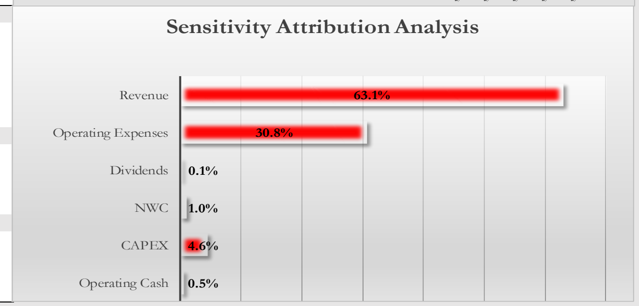
Intrinsic Value Distribution--Probability



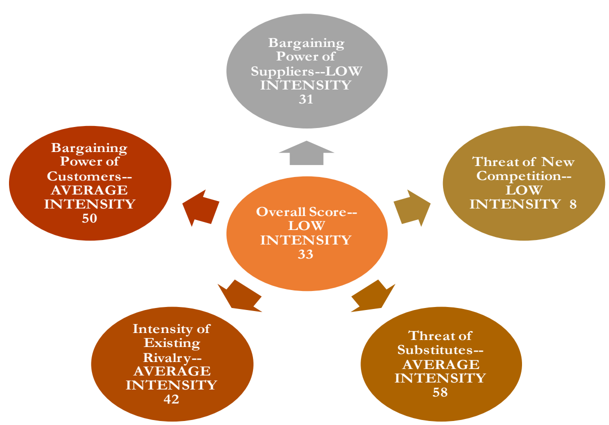
Management	Position	Total compensations growth	Total return to shareholders
Dempsey, Patrick	Chief Executive Officer, Pre	26.24% per annum over 5y	1.87% per annum over 5y
Stephens, Christopher	Chief Financial Officer and	-0.65% per annum over 5y	1.87% per annum over 5y
Mayo, Scott	Senior Vice President and Pr	-20.19% per annum over 2y	14.58% per annum over 2y
Beck, Michael	Senior Vice President and Pr	N/M	0% per annum over 0y
Berklas, James	Executive Officer	85.19% per annum over 1y	35.46% per annum over 1y
Pitts, William	Director of Investor Relatio	N/M	N/M

Profitability	B (LTM)	B (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	11.5%	9.85%	17.98%
Operating Margin	14%	11.88%	8.94%
Revenue/Capital (GAAP)	0.84	0.83	2.01
ROE (GAAP)	13.4%	12.0%	11.7%
Net margin	11.7%	10.3%	5.2%
Revenue/Book Value (GAAP)	1.15	1.17	2.26
Invested Funds	**B (LTM)**	**B (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	5.8%	4.7%	9.7%
NWC/Capital	16.3%	18.0%	21.5%
Operating Assets/Capital	40.5%	41.2%	37.6%
Goodwill/Capital	37.4%	37.4%	31.2%
Capital Structure	**B (LTM)**	**B (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.28	0.32	0.51
Cost of Existing Debt	4.0%	4.0%	4.8%
CGFS Rating (F-score, Z-score, and default Probability)	AA	A	B
WACC	7.9%	8.2%	8.7%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	14%	14.1%	0.79
6/30/2018	9%	7.2%	0.77
6/30/2019	5%	7.8%	0.75
6/30/2020	5%	8.7%	0.74
6/30/2021	5%	9.1%	0.73
6/30/2022	5%	9.4%	0.72
6/30/2023	4%	9.6%	0.71
6/30/2024	4%	9.9%	0.69
6/30/2025	4%	10.7%	0.67
6/30/2026	4%	15.6%	0.66
6/30/2027	4%	15.6%	0.62
Continuing Period	4%	15.6%	0.59

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	11.1%	7.9%	$74.39
6/30/2018	5.6%	7.8%	$81.52
6/30/2019	5.9%	7.8%	$88.06
6/30/2020	6.5%	7.8%	$94.82
6/30/2021	6.6%	7.8%	$101.78
6/30/2022	6.7%	7.8%	$108.96
6/30/2023	6.8%	7.8%	$116.35
6/30/2024	6.8%	7.8%	$124.35
6/30/2025	7.2%	8.1%	$132.41
6/30/2026	10.2%	8.4%	$141.06
6/30/2027	9.7%	8.4%	$149.99
Continuing Period	9.2%	8.4%	

September 27, 2017

The Brink's Company: BCO

Ryan Fuchs

Sector: Industrials
Industry: Security Services
Current Price: $80.25
Target Price: $96.93

Company Description: The Brink's Company is a global leader in security services for banks, retailers, and a variety of other commercial and governmental customers. Brink's services include armored car transportation, money processing, long-distance transport of valuables, and other value-added solutions.

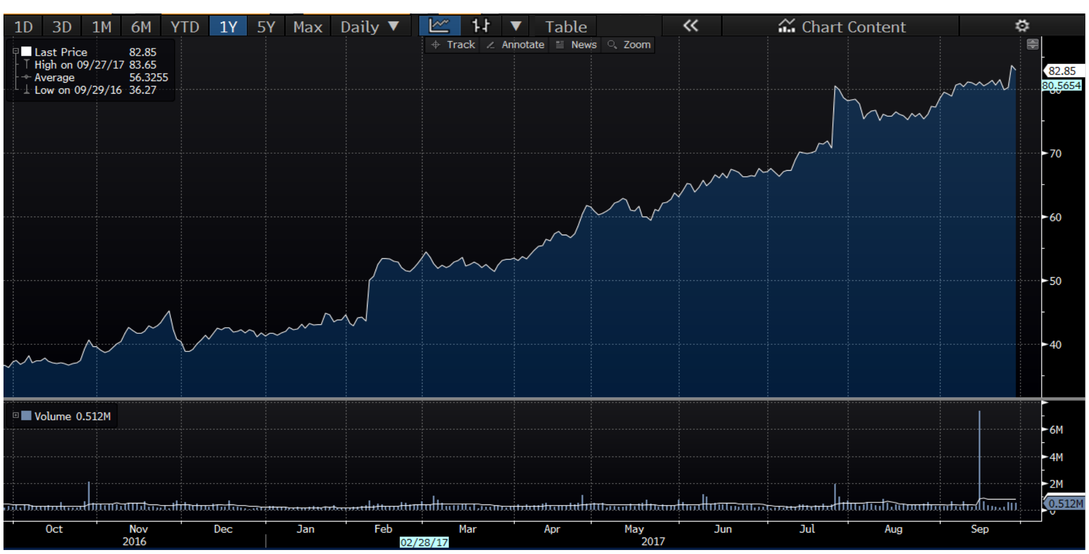
BUY

Current Price:	$80.25
Target Price:	$96.93
Market Cap:	4.18B
Beta:	2.03
ROIC:	29.29%
ROE:	37.64%
EBITDA Growth	69.84%

Catalysts:

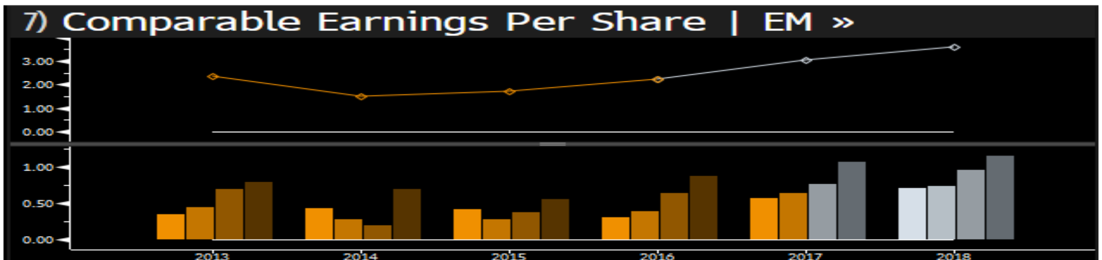
- Short Term(within the year): Strengthening international presence through strategic acquisitions in existing markets
- Mid Term(1-2 years): Increased profitability in US by closing the margin gap with competitors
- Long Term(3+): Reduce overall fleet costs by designing new trucks with a separate body and chassis

Thesis: Brink's is a leading provider of security services worldwide. After releasing improved 2nd quarter earnings, the company is in position to continue growing past their targets in 2019. Synergies derived from tactical acquisitions in already existing markets will immediately generate earnings, creating short-term growth for the firm. In terms of long-term growth, closing the margin gap between Brink's and their most successful U.S. competitors serves as the key driver for this stock. Through operational excellence, they have already began to do so as last quarter's operating margin was up 2.1% in North America. By increasing margins and market share in existing markets through operating excellence, Brink's will continue growing towards being the premier security service provider worldwide.



Earnings Performance:

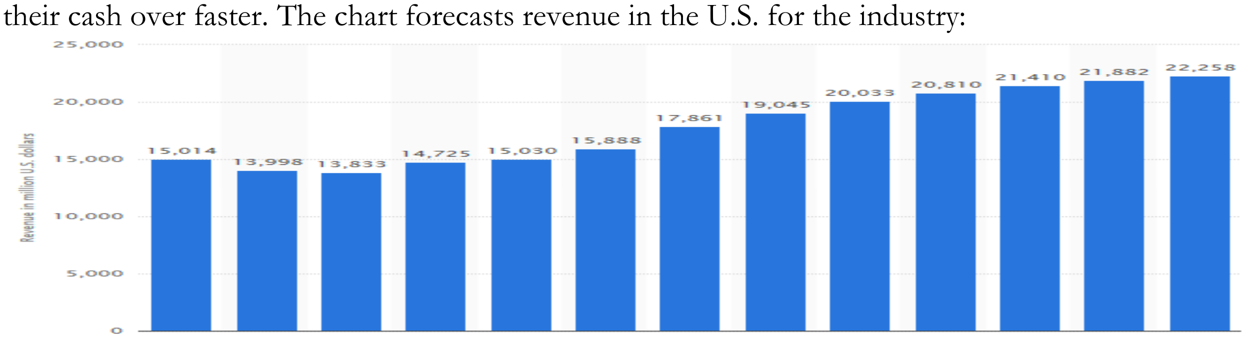
After incurring losses in both 2014 and 2015, Brink's increased its profits and margins to finally generate a net income in 2016. Brink's managed to cut a 2014 net income of -$83.9M to -$11.9M in just one year, followed by a positive net income of $34.5M in 2016. The company's operating profit grew 157.5% from $56,000 in 2015 to $144,200 in 2016. This was driven by cutting labor costs, helping decrease SG&A by over $80,000 from the previous year. Brink's carried its success over through the 2nd quarter of 2017, where Brink's experienced an operating profit of $59.7M, up 52.3% from 2016's 2nd quarter. This included a $6.5M increase in operating profit from last quarter in North America, the main segment Brink's is targeting in their strategic 3-year plan. Revenue in this segment also grew 3% in the 2nd quarter, shooting up to $311M. This continued success is the result of Brink's operating excellence, where the company has generated $101.3M in net cash provided by operating activities in just the last 6 months. Driven by this operating excellence, EPS has went up about 35% to 3.02 these last 6 months and is forecasted to continue growing.



(USD)	2013	2014	2015	2016	2017	2018
FY	2.37	1.49	1.69	2.24	3.02	3.59
Q1	.350	.430	.410	.300	.570	.703
Q2	.440	.270	.270	.380	.640	.737
Q3	.690	.190	.370	.640	.753	.950
Q4	.790	.690	.550	.870	1.06	1.15

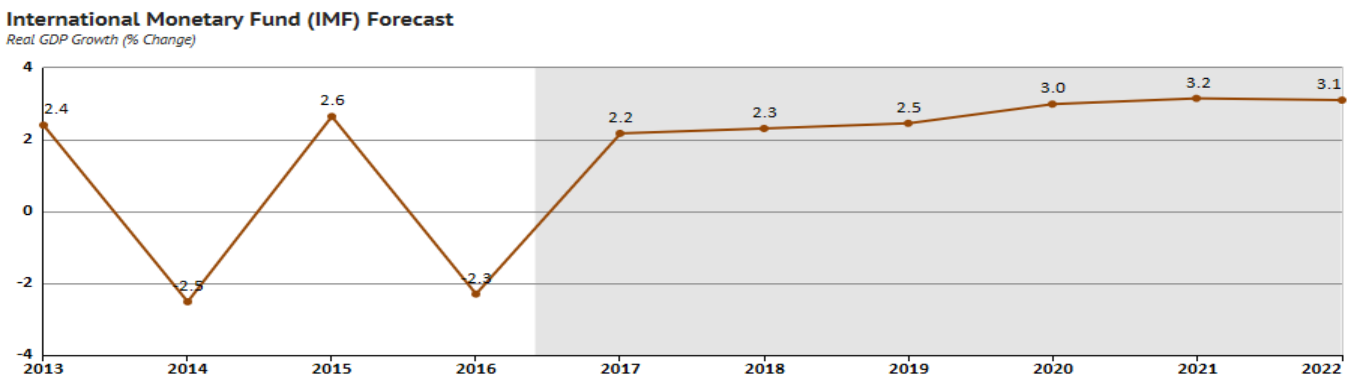
Industry Outlook:

The security services industry is extremely reliant on consumer spending. The more consumers spend, the faster businesses will run out of cash and call for deliveries. With consumer spending expected to grow by 2.8% in 2017, the U.S. remains the most profitable segment for the industry. Furthermore, this industry feeds on business performance. The president's proposed tax plan to lower the corporate tax rate will indirectly benefit the security services industry. The demand for cash-in-transit deliveries will grow as both businesses performance and the number of businesses grow directly with the lower tax rate. Banks serve as the primary customer for businesses in this industry strictly based off volume. The increase in long-term interest rates by the Federal Reserve also provides growth in the US for this industry. If long-term interest rates rise, short – term borrowing will increase. This would create increased demand for security service companies, as banks will turn their cash over faster. The chart forecasts revenue in the U.S. for the industry:



International Expansion:

Brink's has made a heavy emphasis on increasing its market share in already existing markets these last six months. The company should experience immediate growth through strategic acquisitions in these existing markets. As announced in July, Brink's will acquire Argentinian transportation company Maco Transportadora de Caudales S.A. This will be a major driver for short term growth as Brink's can immediately integrate them into their existing operations in Argentina, where Brink's is already the #2 provider for security services. This acquisition is especially strategic as Argentina is the fastest growing country in Brink's most profitable segment, South America. In the 2nd quarter of 2017, South America's revenue grew 20% to $204.6M. Those numbers will only go up, with Argentina's GDP increasing 2.7% in the 2nd quarter of 2017. The upwards trending GDP (chart shown below) in Argentina will demand for more cash deliveries as consumers are spending more, creating an increase demand for Brink's trucks.



CEO Doug Pertz projects the cost synergies produced by this acquisition to result in a post-integration multiple of about six times adjusted EBITDA. Later this year, Brink's is set to acquire Temis, a cash management company in France. This acquisition will also easily integrate into Brink's operations. Temis will immediately raise Brink's cash delivery route density in the Paris metropolitan area, creating short-term growth for the company. Synergies for these acquisitions seem to be endless from improved distribution to geo-arbitrage.

Competitive Advantage in the U.S.:

It is no secret that the U.S. is the greatest opportunity to create value in the security services industry. President Trump's ambition to drop the corporate tax rate to 15% is the main driver for the growth of security services in the U.S. If Trump drops the corporate tax rate, businesses will be flourishing and the number of businesses will increase. This will increase the demand for cash-in-transit deliveries because more businesses will need money faster. Brink's margin gap is the widest with it's U.S. competitors. However, the company is closing that gap fast by drastically increasing margins. The company has seen it's operating margin increase by almost 3% and it's EBITDA margin increase by over 2.5% from year-to-year. CEO Doug Pertz said "there are no structural differences between our margins and those of our most successful competitors."

Operating Margin (%)				
Ticker	Market Cap	2015	2016	TTM
BCO	4.3B	1.8	4.8	6.6
SCTBF	5.8B	4.7	4.7	4.7
SOHGY	12.8B	7.6	6.9	6.8
G4S	431.8B	2.7	5.3	6.3
*Ratios derived from Morningstar.com				

This spreadsheet compares Brink's operating margin to its U.S. competitors. As you can see, Brink's is steadily closing the margin gap with competitors of the largest market cap in the industry.

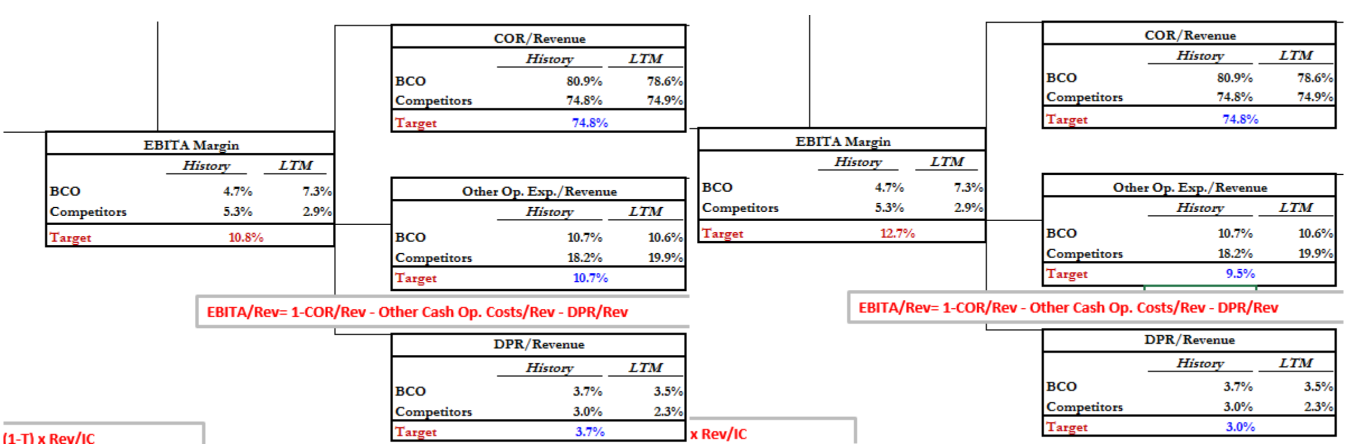
In Millions of USD except Per Share 12 Months Ending	FY 2011 12/31/2011	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016
Returns						
Return on Common Equity	16.12	19.54	9.50	-14.88	-3.17	10.53
Return on Assets	3.19	3.58	2.25	-3.58	-0.58	1.75
Return on Capital	12.38	14.02	8.92	-9.24	-4.69	6.72
Return on Invested Capital	23.49	29.47	16.41	0.80	-1.36	12.62
Margins						
Gross Margin	18.81	19.03	19.04	17.24	19.27	19.72
EBITDA Margin	9.45	8.85	8.71	3.77	6.42	9.13
Operating Margin	5.30	4.69	4.32	-0.77	1.85	4.77
Incremental Operating Margin	8.25	-78.27	—	-88.16	—	—
Pretax Margin	4.90	4.26	3.69	-1.38	1.34	4.14
Income before XO Margin	3.20	3.53	2.39	-2.41	-0.83	1.54
Net Income Margin	1.98	2.38	1.50	-2.36	-0.39	1.14
Net Income to Common Margin	1.98	2.38	1.50	-2.36	-0.39	1.14

Brink's has also increased its marketing operation, with hopes to increase it's market share in the U.S. through brand recognition. This emphasis on U.S. expansion has already positively attributed to earnings so far, as operating profit in North America has increased \$5.5M from the 1st to 2nd quarter.

Reduced Fleet Costs:

Later this year, Brink's is set to release 200 newly designed trucks separating the vehicle's body and chassis. This new model is supposed to allow the company to replace trucks in the future at about 40% of the current cost it takes to replace each truck. Since each engine will need replacing quicker than the armored body, the company can separate the armor while the engine is in reparation rather than fixing the whole truck at once. These new trucks will decrease depreciation and operating expenses, ultimately increasing Brink's EBITA Margin. The EBITA Margin's sensitivity to the DPR and Other Operating Expense margins is shown below:

BEFORE NEW TRUCKS AFTER NEW TRUCKS



Debt Flexibilities:

On Friday September 29, 2017, Brink's announced its intent to enter a new $1.5B senior secured credit facility. This includes a $1B revolving credit facility and a $500M term loan offered by Brink's. The $1B revolver provides Brink's flexibility because the credit does not require any fixed payments. This should drive the company's industry leading ROIC even further as it now has excess capital to invest in strategic areas.

Equity Valuation CDS Spreads Profitability Balance Sheet ESG

	Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	ex/Sales (%)	Return on Invested	Return on	Return on
	Median	4.77%	4.44%	14.18%	10.53%	2.52%	4.66%	3.79%	10.69%	5.66%	16.64%
100)	BRINK'S CO/THE	5.60%	69.84%	14.28%	10.00%	164.27%	4.56%	3.71%	29.29%	6.72%	37.64%
101)	PROSEGUR CASH SA	-1.26%	4.10%	23.51%	19.92%	6.41%	11.07%	5.18%	19.74%	9.31%	33.69%
102)	TAIWAN SECOM	-0.18%	-4.51%	26.86%	17.71%	-54.51%	6.74%	7.51%	11.86%	4.32%	9.41%
103)	G4S PLC	14.94%	15.80%	7.76%	5.93%	54.51%	3.35%	1.53%	11.55%	4.94%	35.97%
104)	PROSEGUR COMP SEGURI...	9.10%	9.86%	14.09%	11.07%	-19.50%	4.75%	3.88%	11.38%	5.77%	18.54%
105)	SECURITAS AB-B SHS	9.47%	4.79%	6.21%	4.75%	7.68%	3.07%	1.88%	10.01%	5.93%	21.48%
106)	CORECIVIC INC	0.15%	-0.65%	24.55%	16.01%	2.75%	11.76%	5.05%	9.61%	6.54%	14.73%
107)	SECOM CO LTD	3.93%	18.37%	21.74%	14.00%	2.28%	9.29%	4.96%	8.47%	5.54%	10.04%
108)	SOHGO SECURITY SERVIC...	6.75%	0.51%	10.35%	6.76%	-0.95%	4.36%	2.66%	7.41%	4.97%	9.57%

Loans given under the revolver and the $500M term loan will mature five years after the revolving credit facility is closed. The company intends to use the proceeds from the term loan to repay existing debt. Any remaining proceeds will be allocated to working capital needs, CAPEX, and acquisitions. This increased flexibility gives the company both short and long-term growth opportunities. Brink's accumulation of cash from year-to-year and their decrease D/E ratio puts them in position to take on such debt. Brink's cash grew about $40M from 2015 to 2016, with their capitalization decreasing .15 in the LTM.

Capitalization (Debt/Equity)		
	History	*LTM*
BCO	0.30	0.17
Competitors	0.41	0.38

Conclusion:

Brink's provides both short and long-term growth to our portfolio. After disastrous years in 2014 and 2015, it is clear that Brink's is moving back in the right direction behind its strategic three-year plan. While the revolving credit facility accumulates a large amount of debt, Brink's simultaneously issued term loans that will pay off a significant amount of the revolver. The company will use the flexibility provided by the revolver to increase its market share in both the U.S. and other existing markets, mainly in the Americas. Through operational excellence in tactical markets, I believe Brink's is on track to become the premier security service in the industry. With new management and strategy driving them in the right direction, we must capitalize on this opportunity before the stock grows any higher.

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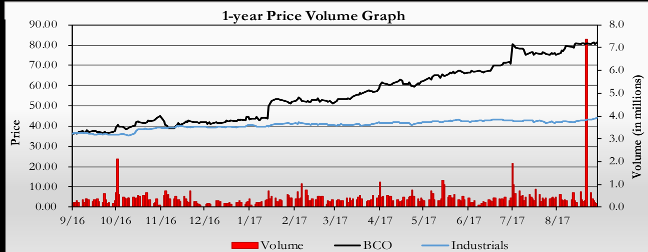
The Brink's Company (BCO) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by RYAN	Current Price: $80.25	Intrinsic Value $85.85	Target 1 year Return: 21.37%
9/29/2017	Divident Yield: 0.6%	Target Price $96.93	Probability of Price Increase: 97.5%



Description

The Brink's Company provides secure transportation, cash management services, and other security-related services worldwide.

General Information

Sector	Industrials
Industry	Commercial Services and Supplies
Last Guidance	November 3, 2015
Next earnings date	October 26, 2017
Estimated Country Risk Premium	8.54%
Effective Tax rate	27%
Effective Operating Tax rate	26%

Market Data

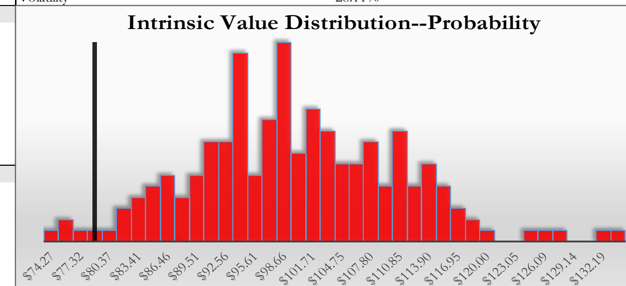
Market Capitalization	$4,051.10
Daily volume (mil)	0.57
Shares outstanding (mil)	50.48
Diluted shares outstanding (mil)	51.50
% shares held by institutions	84%
% shares held by investments Managers	77%
% shares held by hedge funds	8%
% shares held by insiders	1.15%
Short interest	1.50%
Days to cover short interest	1.46
52 week high	$84.00
52-week low	$36.04
Volatility	28.11%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	2.74%	-22.43%
9/30/2016	1.07%	-17.31%
12/31/2016	6.14%	-18.71%
3/31/2017	12.98%	9.92%
6/30/2017	10.08%	-22.14%
Mean	6.60%	-14.14%
Standard error	2.2%	6.1%

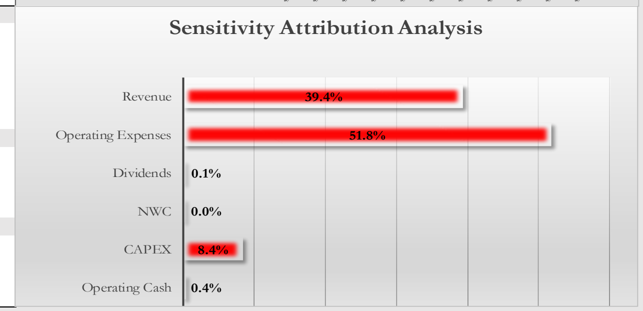
Peers

Diebold Nixdorf, Incorporated

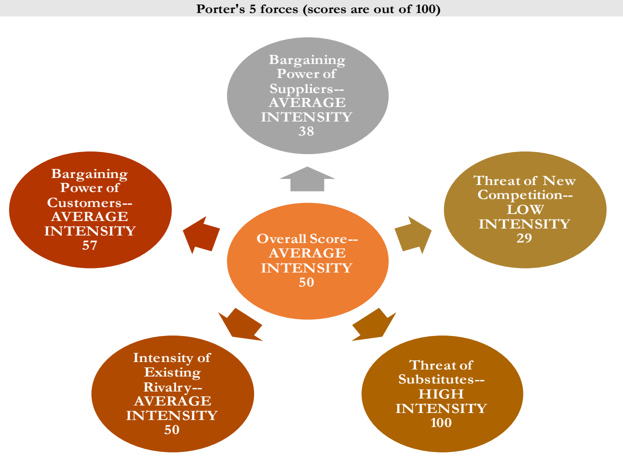


Management	Position	Total compensations growth	Total return to shareholders
Pertz, Douglas	Chief Executive Officer, Pre	N/M	0% per annum over 0y
Domanico, Ronald	Chief Financial Officer and	N/M	0% per annum over 0y
Marshall, McAlister	Chief Administrative Officer	8.57% per annum over 5y	2.38% per annum over 5y
Beech, Michael	Executive Vice President and	-3.57% per annum over 1y	44.32% per annum over 1y
Zukerman, Amit	Executive Vice President	25.52% per annum over 2y	31.53% per annum over 2y
Pal, Rohan	Chief Information Officer, C	N/M	N/M

Profitability	BCO (LTM)	BCO (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	26.9%	17.13%	259.98%
Operating Margin	5%	3.43%	2.10%
Revenue/Capital (GAAP)	5.03	5.00	123.58
ROE (GAAP)	24.3%	10.4%	22.6%
Net margin	2.7%	1.5%	4.6%
Revenue/Book Value (GAAP)	8.89	6.94	4.87
Invested Funds	**BCO (LTM)**	**BCO (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	20.3%	21.0%	21.7%
NWC/Capital	17.4%	11.3%	26.4%
Operating Assets/Capital	39.9%	44.8%	24.9%
Goodwill/Capital	22.3%	23.4%	27.0%
Capital Structure	**BCO (LTM)**	**BCO (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.56	0.47	-0.64
Cost of Existing Debt	4.0%	5.6%	5.8%
CGFS Rating (F-score, Z-score, and default Probability)	BBB	A	BBB
WACC	6.5%	10.7%	10.7%



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	6%	8.6%	4.33
6/30/2018	6%	11.0%	3.39
6/30/2019	7%	11.3%	2.19
6/30/2020	7%	10.9%	1.69
6/30/2021	6%	10.5%	1.40
6/30/2022	6%	10.1%	1.21
6/30/2023	5%	9.9%	1.07
6/30/2024	4%	10.1%	0.97
6/30/2025	4%	9.7%	0.88
6/30/2026	3%	9.3%	0.81
6/30/2027	3%	9.0%	0.76
Continuing Period	2%	8.6%	0.71

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	37.2%	6.5%	$84.66
6/30/2018	37.4%	6.5%	$95.83
6/30/2019	24.7%	6.7%	$105.70
6/30/2020	18.3%	6.9%	$115.66
6/30/2021	14.6%	7.2%	$125.74
6/30/2022	12.2%	7.4%	$135.96
6/30/2023	10.6%	7.7%	$146.38
6/30/2024	9.8%	8.1%	$157.06
6/30/2025	8.6%	8.5%	$168.09
6/30/2026	7.6%	9.0%	$179.59
6/30/2027	6.8%	9.5%	$191.72
Continuing Period	6.1%	9.5%	

Below, insert a screenshot of your "OUTPUT" page from the Pro-Forma. Or, if you built your own model, insert screenshot of it here.

September 29, 2017

Cleveland Cliffs Inc: CLF

Michael Vitale

Sector: Materials
Industry: Metals and Mining
Current Price: $7.29
Target Price: $17.42

Company Description: Cleveland-Cliffs. is a leading mining and natural resources company. Founded in 1847, they are recognized as the largest and oldest independent iron ore mining company in the United States. They are a major supplier of iron ore pellets to the North American steel industry from their mines and pellet plants located in Michigan and Minnesota. Additionally, they operate an iron ore-mining complex in Western Australia. By 2020, Cliffs expects to be the sole producer of hot briquetted iron in the Great Lakes region with the development of its first production plant in Toledo, Ohio.

BUY

Current Price:	$7.29
Target Price:	$17.42
Market Cap:	2.16B
Beta:	2.74
ROIC:	24.93%
Average Volume:	7,237,565
EBITA Margin	16.89%

Thesis: CLF has strong growth factors due to their control over the iron ore business in the Great Lakes region, their ability to maintain profitable long-term relationships due to their high quality standard, and emergence into the EAF market with an innovative product. The value creation for this stock will be based around their implementation of their HBI production plant. Furthermore, China's decrease in production will lead to an increase in domestic demand of which CLF controls 55%. We can expect the net income and adjusted EBITA to more than double through 2018 due to an increase in revenue.

Catalysts:

- **Short Term(within the year)**: Tailwinds provided by Washington D.C. and the highly probable 1T USD infrastructure program.
- **Mid Term(1-2 years):** Recent milestone achieved of becoming the sole producer of high-quality HBI for the EAF steel market in the Great Lakes region.
- **Long Term(3+):** Reduction in Chinese production due to environmental policies combined with eventual import tariffs will lead to an increase of CLF's exports as well as an increase in domestic demand.

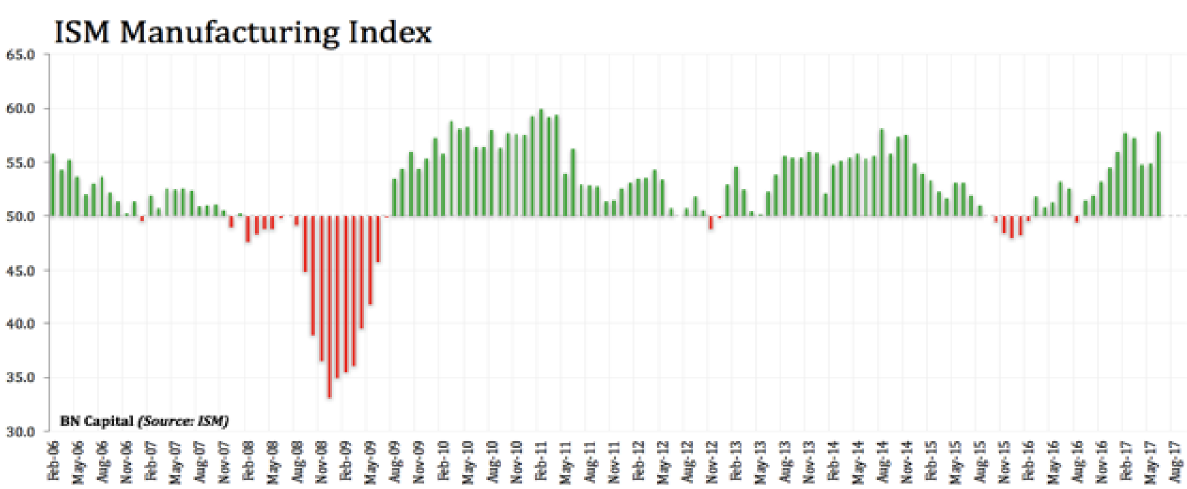
Business Description:

As the largest iron ore producer in North America, Cliffs is well positioned to serve the region's steel producers. With the unique advantage of being the low-cost producer of pellets in this market, the fluctuations of the commoditized price of seaborne iron ore has a limited impact on them. Cliffs' U.S. Iron Ore operations located in Michigan and Minnesota had an annual rate capacity of 27.4 million tons of iron ore pellet production in 2016, which represents approximately 55 percent of total U.S. pellet production capacity. Today, Cliffs continues to be a leading iron ore mining company and operator. Pioneers in developing the beneficiation and pelletizing process, the Company holds the top position as the largest iron ore producer of pellets in North America, as well as one of the lowest cost producers in the world. Cliffs made clear that they own the iron ore business in the great lake area. They are the only supplier in this area and are able to ship products at low costs due to cheap logistics and a top tier logistics network. One of the main reasons why Cliffs is able to sustain profitable long term relations with clients and exploiting the US iron ore market is the high quality standard. Blast furnaces need to be fed with pellets of a constant quality to keep operating at high levels, which makes substituting suppliers difficult for consumers. Cliffs also makes pallets for special operations, which puts even more pressure on customers to stick to one supplier. This is something many competitors are unable to match, especially given the low transportation costs of Cliffs.

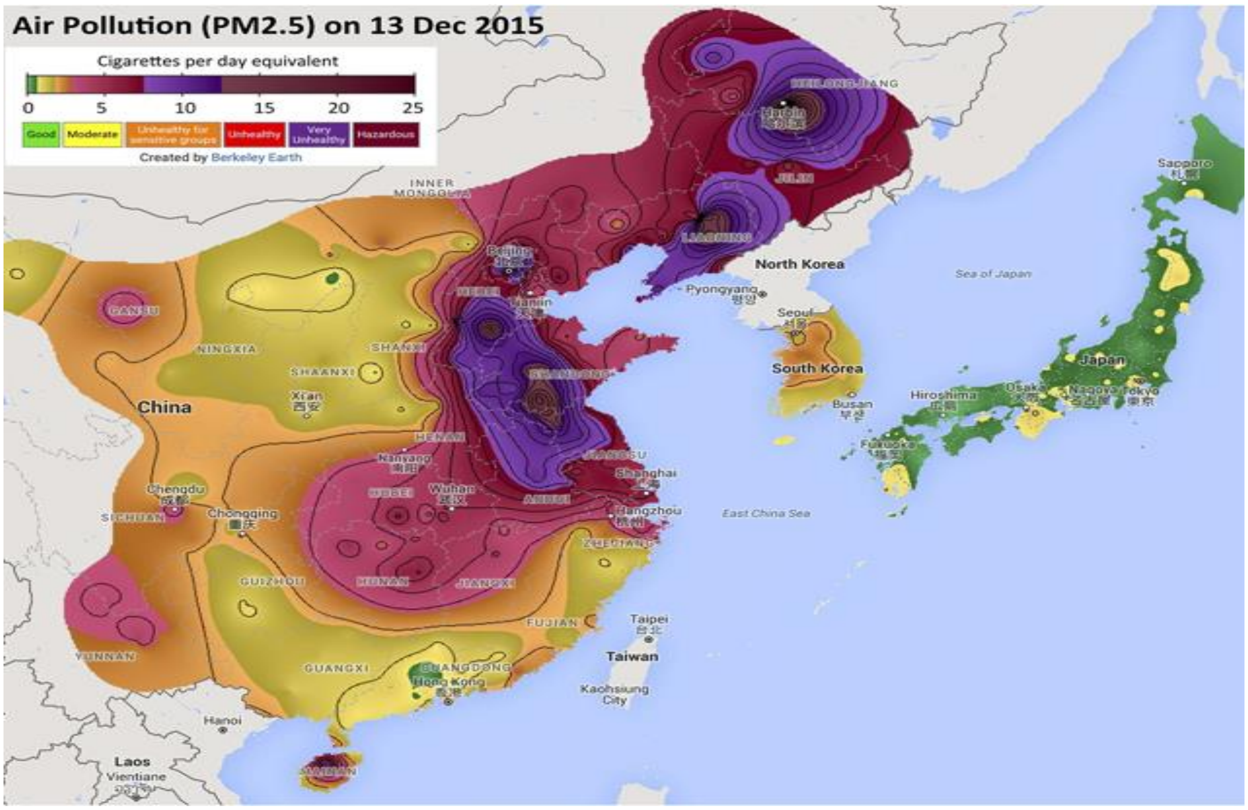
- 2016 Production volume: 23.4 million tons
- Remaining Proven and Probable mineral reserves: 1,945 million long tons

Industry Outlook:

The predictable manufacturing economic environment is the US is due to maturity and legal aspects. As seen in the graph, the economic trends in both China and the US have contributed to the bullish outlook with the leading indicators at 2014 peak levels showing massive momentum in manufacturing.



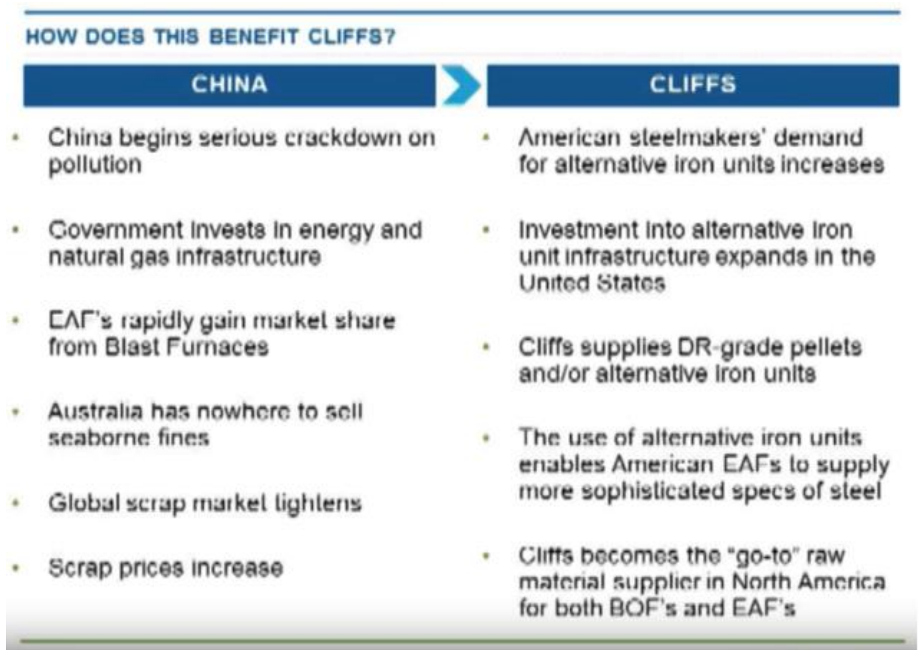
China is increasingly starting to worry about pollution and finally taking serious steps to reduce it. This already led to a 120 million tons reduction of low-quality steel in the first half of this year. One of the reasons is the poor quality of the steel production in China. Sinter feed is the main source for sinter plants that produce large quantities of low quality steel at very low prices in China. In other words, this is the heart of the steel dumping machinery causing trouble all over the world. These environmental changes have caused an effect that has to be solved since it is causing serious health problems in the biggest metropolitan areas.



China's government is seeking a 45% reduction of energy intensity by 2020. This is currently being executed and has to deliver results as soon as possible. China has two solutions to this problem; they can change their production methods by using iron ore pellets or by switching to electric arc furnaces (EAF). Changing their methods would be a huge boost to Cliffs because the production of iron ore pellets needs waters and other producers simply don't have enough water supply to feed China's needs. Cliffs productions circumstances being located in the Great Lakes region is perfect. Secondly, China's shift towards EAF's has three main outcomes; demand for Australian and Brazilian steel will be reduced, China's scrap demand will increase, China's scrap market is not developed and unable to handle demand. The second and third will provide enormous opportunity for Cliffs because China is going to need to import scrap from the US to satisfy domestic demand. This will squeeze the US scrap market, which will dramatically increase prices. This will lead to the need for substitutes in the US market, and substitutes is where Cliffs saves the day.

Product Overview/Growth Strategy:

Five iron ore mines located in Michigan and Minnesota produce various grades of iron ore pellets, including standard and fluxed, for use in blast furnaces. As the mines are located near the Great Lakes, the majority of the pellets are transported by rail to loading ports for shipments via boat. EAF steel producers require a reliable and quality source of iron-based metallic, which only Cliffs can provide. In 2015, Cliffs developed at its Northshore Mining operation a new product, DR-grade pellets, for feedstock in DRI production. Cliffs is well positioned to enter the market for ferrous scrap substitutes and sell to leading mini mills in the United States and China. They are pursuing this opportunity to further capitalize on the growing potential of electric arc furnace (EAF) steel production in North America and become a supplier of DR-grade pellets, pig iron and other alternative iron units (HBI). Cliffs is heavily investing in an HBI plant in Toledo Ohio. This plant should be completed by 2020 and deliver high quality hot briquetted iron needed in EAF. Estimated at producing a nominal capacity of 1.6 million metric tons of HBI per year. The products resulting from these operations can be used in high tech products much higher up the value chain. One of the problems for Cliffs is that the US is importing roughly 3 million metric tons of alternative iron ore from Brazil, Russia and Ukraine and HBI from Venezuela. These imports have two problems that can be solved by Cliffs natural resources. First, these imports are coming from unreliable sources. The second point is that it comes in varying qualities, which means that furnaces cannot produce the quality they are supposed to deliver. This increasingly becomes a problem when companies keep investing in electric arc furnaces, as China will be. That is why demand is/will be increasing. As the chart above illustrates, China begins to tighten up on pollution restrictions, meaning EAF's start to gain more importance and market share. When EAF's gain market share, the scrap market will follow and begin to tighten thus, pushing prices up. As prices increase and Trump's import tariffs start to solidify US steelmakers, are/will seek alternative iron units. Cliffs has all alternative units available now with their new facility in Toledo. It will be the sole producer in its region, and have the lowest cost distribution network available, making Cliffs the main supplier in North America.



Earnings/Debt:

Their abnormally high debt/capital ratio of 247.77% and LT debt/ total assets ratio of 115% can be attributed to their increase of capital expenditures budget from $10 million to $115 million in relation to early spending related to the HBI production plant in Toledo, OH. Also their increase in SG&A expense from $10 million to $110 million to incorporate HBI prefeasibility spending and higher-than-anticipated incentive compensation accruals. The company's full year 2017 interest expense is expected to be approximately $135

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

Equity Valuation | CDS Spreads | Op Stats | Profitability | Balance Sheet | ESG

Name (BI Peers)	Debt/EV	bt/EBITDA	Net ebt/EBITDA	Debt/Capital	Financial Leverage	Tangible BV/Share	LT Debt/Total Assets	Quick Ratio	Current Ratio
Median	0.34	1.17	0.98	27.83%	2.18	3.12	18.06%	1.01	1.82
100) CLEVELAND-CLIFFS INC	0.56	3.42	2.75	247.77%	--	-2.85	115.05%	1.16	2.11
101) FERREXPO PLC	0.47	1.17	0.98	69.41%	4.20	0.84	43.48%	0.70	1.13
102) VALE SA-PREF	0.43	1.99	1.58	41.68%	2.59	6.46	27.94%	0.71	2.01
103) FORTESCUE METALS GRO...	0.30	0.96	0.56	31.47%	2.12	3.12	22.76%	0.89	1.18
104) RIO TINTO PLC	0.21	0.98	0.48	27.83%	2.36	21.36	18.95%	1.15	1.60
105) CAP SA	0.39	1.78	1.40	29.70%	3.02	8.17	18.24%	0.58	1.84
106) ATLAS IRON LTD	0.64	0.70	0.16	24.53%	2.03	0.03	17.88%	1.14	1.80
107) KUMBA IRON ORE LTD	0.08	0.00	-0.62	10.97%	2.24	--	7.87%	2.18	3.18
108) AFRICAN RAINBOW MINER...	0.14	2.99	1.38	10.30%	1.42	8.18	6.21%	0.40	1.57

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

million. In the short term however, their current ratio of 2.11 and quick ratio of 1.16 show that they are covered for short term liabilities.

Cliffs recorded net income from continuing operations of $77 million in the second quarter of 2017, including a $5 million, or $0.02 per share, loss on extinguishment of debt. This compares to net income from continuing operations of $30 million recorded in the prior-year quarter, which included a $4 million gain on extinguishment of debt. A 2017-second quarter net income of $30 million included a $46 million non-cash loss from discontinued operations. Cliffs' net interest expense during the second quarter was $31 million, a 38 percent decrease when compared to the second-quarter 2016 expense of $51 million, because of approximately $930 million in principal amount of debt reduced over the previous 12 months. Total debt at the end of the second quarter of 2017 was $1.6 billion; approximately $900 million lower than the $2.5 billion total debt at the end of the prior-year quarter. Cliffs had net debt of $1.3 billion at the

In Millions of USD except Per Share / 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 Est 12/31/2017	FY 2018 Est 12/31/2018
EBIT					
Consensus Estimate	296.5	132.4	235.0	502.8	393.0
Comparable Actual	–	–	–		
EBIT Surprise %	–	–	–		
GAAP Actual	130.1	151.3	240.8		
Adjusted Actual	788.9	829.7	267.2		
EBITDA					
Consensus Estimate	694.8	268.7	349.5	591.0	511.4
Comparable Actual	929.7	292.9	373.5		
EBITDA Surprise %	33.8	9.0	6.9		
GAAP Actual	634.1	285.3	356.2		
Adjusted Actual	1,292.9	963.7	382.6		
Gross Margin %					
Consensus Estimate	8.85	11.60	17.90	23.70	27.30
GAAP Actual	26.3	11.7	18.5		
Adjusted Actual	26.3	11.7	18.5		
Pretax Income (Loss)					
Consensus Estimate	-73.5	57.2	67.6	311.0	314.4
Comparable Actual	–	–	40.8		
Pretax Income (Loss) Surpri...	–	–	-39.6		
GAAP Actual	-19.7	313.1	207.0		
Adjusted Actual	622.9	598.6	67.1		
Net Income					
Consensus Estimate	-1,699.2	-105.7	54.1	313.3	273.0
Comparable Actual	258.5	-124.2	113.8		
Net Income Surprise %	–	-17.5	110.3		
GAAP Actual	-7,275.4	-787.7	174.1		

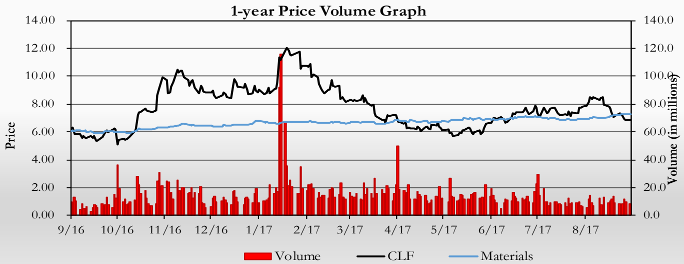
end of the second quarter of 2017, compared to $2.3 billion of net debt at the end of the second quarter of 2016. Based on the assumption that iron ore and steel prices will average for the remainder of 2017 their respective year-to-date averages, the company estimates they would generate approximately $310 million of net income and $650 million of adjusted EBITDA1 for the full-year 2017. Based on the Bloomberg estimates above, the EBITA, Gross Margin, and Net Income all will be considerably increasing though 2018. These increases will mitigate the fact that they took such a large hit in terms of financing expenses through debt.

Conclusion:

Cleveland-Cliffs, Inc. would be a great addition to our portfolio. Their second quarter results show how powerful the US iron ore business is. Cliffs is unrivaled in their operational, commercial, logistical, and quality giving them a clear advantage against competitors. Moving forward Cliffs will continue to capitalize on their strength as a leading supplier of customized iron units with the development of their HBI production plant in Toledo, OH. As President Trump begins to make headway on his infrastructure package, the increase in domestic steel production will positively respond. Coupled with his powerful determination to implement a tariff on China, Cliffs new and current client list should begin to grow. As domestic and global steel production trends start moving towards the adoption of EAF's the demand for HBI will sky rocket, and Cliffs will be ready to answer. Being in such a cyclical industry, the low production during the colder month will provide a great low price buying opportunity for us.

Cleveland-Cliffs Inc. (CLF) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Michael Vitale	Current Price:	$7.29	Intrinsic Value	$17.27	Target 1 year Return: 176.01%
9/29/2017	Divident Yield:	0.0%	Target Price	$20.12	Probability of Price Increase: 100%



Description

Cleveland-Cliffs Inc., a mining and natural resources company, produces and supplies iron ore.

General Information

Sector	Materials
Industry	Metals and Mining
Last Guidance	November 3, 2015
Next earnings date	October 20, 2017
Estimated Country Risk Premium	6.29%
Effective Tax rate	35%
Effective Operating Tax rate	35%

Market Data

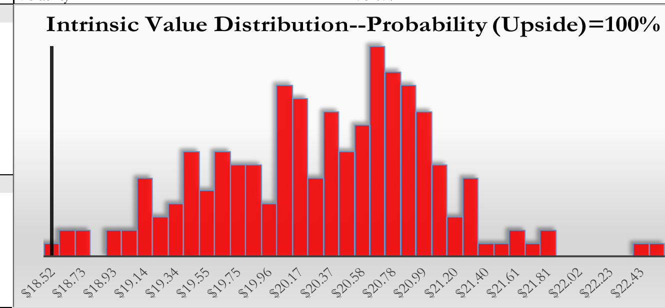
Market Capitalization	$2,161.53
Daily volume (mil)	14.02
Shares outstanding (mil)	296.51
Diluted shares outstanding (mil)	253.62
% shares held by institutions	84%
% shares held by investments Managers	42%
% shares held by hedge funds	11%
% shares held by insiders	0.73%
Short interest	11.54%
Days to cover short interest	3.17
52 week high	$12.37
52-week low	$4.91
Volatility	78.47%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	9.54%	3.47%
9/30/2016	-8.68%	-53.78%
12/31/2016	7.87%	24.03%
3/31/2017	-6.11%	-39.78%
6/30/2017	12.96%	6.20%
Mean	3.11%	-11.97%
Standard error	4.4%	14.8%

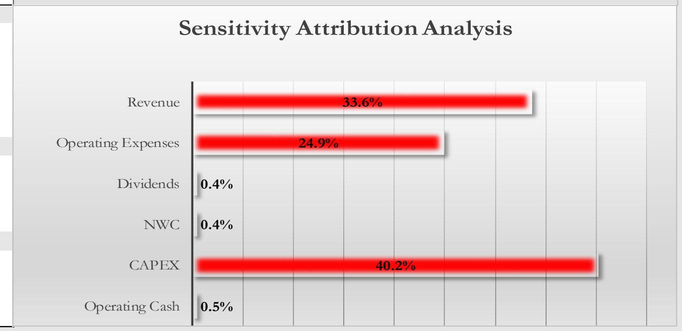
Peers

AK Steel Holding Corporation
Commercial Metals Company
Worthington Industries, Inc.
Carpenter Technology Corporation
Ryerson Holding Corporation
Steel Dynamics, Inc.
Allegheny Technologies Incorporated
Nucor Corporation

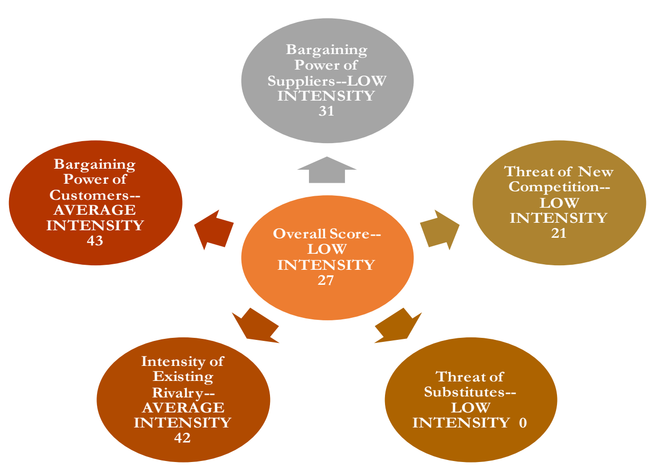


Management	Position	Total compensations growth	Total return to shareholders
	Chairman, President & CEO	0.31% per annum over 2y	8.53% per annum over 2y
Tompkins, P.	Executive VP & COO	3.53% per annum over 5y	-11.37% per annum over 5y
Harapiak, Maurice	Executive Vice President of	-19.85% per annum over 1y	432.28% per annum over 1y
Smith, Clifford	Executive Vice President of	-24.79% per annum over 2y	8.53% per annum over 2y
Fedor, Terry	Executive Vice President of	-14.14% per annum over 1y	432.28% per annum over 1y
Flanagan, Timothy	Executive VP, CFO & Treasure	N/M	N/M

Profitability	CLF (LTM)	CLF (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	43.6%	9.51%	14.36%
Operating Margin	11%	13.28%	4.35%
Revenue/Capital (GAAP)	4.05	0.72	3.30
ROE (GAAP)	-4.3%	-1.2%	17.9%
Net margin	2.4%	9.4%	3.2%
Revenue/Book Value (GAAP)	-1.76	-0.13	5.63
Invested Funds	**CLF (LTM)**	**CLF (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	32.3%	14.8%	10.3%
NWC/Capital	19.2%	7.6%	34.9%
Operating Assets/Capital	48.5%	70.8%	42.9%
Goodwill/Capital	0.0%	0.0%	11.9%
Capital Structure	**CLF (LTM)**	**CLF (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	1.67	1.45	0.53
Cost of Existing Debt	7.9%	6.8%	6.0%
CGFS Rating (F-score, Z-score, and default Probability)	AA	BBB	BBB
WACC	13.3%	7.9%	9.2%



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	25%	11.1%	0.21
6/30/2018	-2%	12.8%	0.20
6/30/2019	-2%	9.0%	0.20
6/30/2020	-1%	9.8%	0.20
6/30/2021	-1%	10.8%	0.20
6/30/2022	-1%	11.7%	0.20
6/30/2023	0%	13.1%	0.20
6/30/2024	0%	14.2%	0.20
6/30/2025	1%	15.3%	0.20
6/30/2026	1%	16.5%	0.20
6/30/2027	2%	17.7%	0.21
Continuing Period	2%	18.9%	0.21

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	2.3%	13.3%	$16.71
6/30/2018	2.6%	17.0%	$19.59
6/30/2019	1.8%	16.8%	$22.07
6/30/2020	1.9%	16.7%	$24.45
6/30/2021	2.1%	16.6%	$26.71
6/30/2022	2.3%	16.5%	$28.82
6/30/2023	2.6%	16.4%	$30.75
6/30/2024	2.8%	16.3%	$32.44
6/30/2025	3.1%	16.2%	$33.86
6/30/2026	3.3%	16.1%	$34.95
6/30/2027	3.6%	16.0%	$35.64
Continuing Period	4.0%	15.9%	

September, 29, 2017

Footlocker: FL

Niall McGeever

Sector: Consumer Discretionary
Industry: Athletic Apparel and Footwear
Current Price: $35.12
Target Price: $49.44

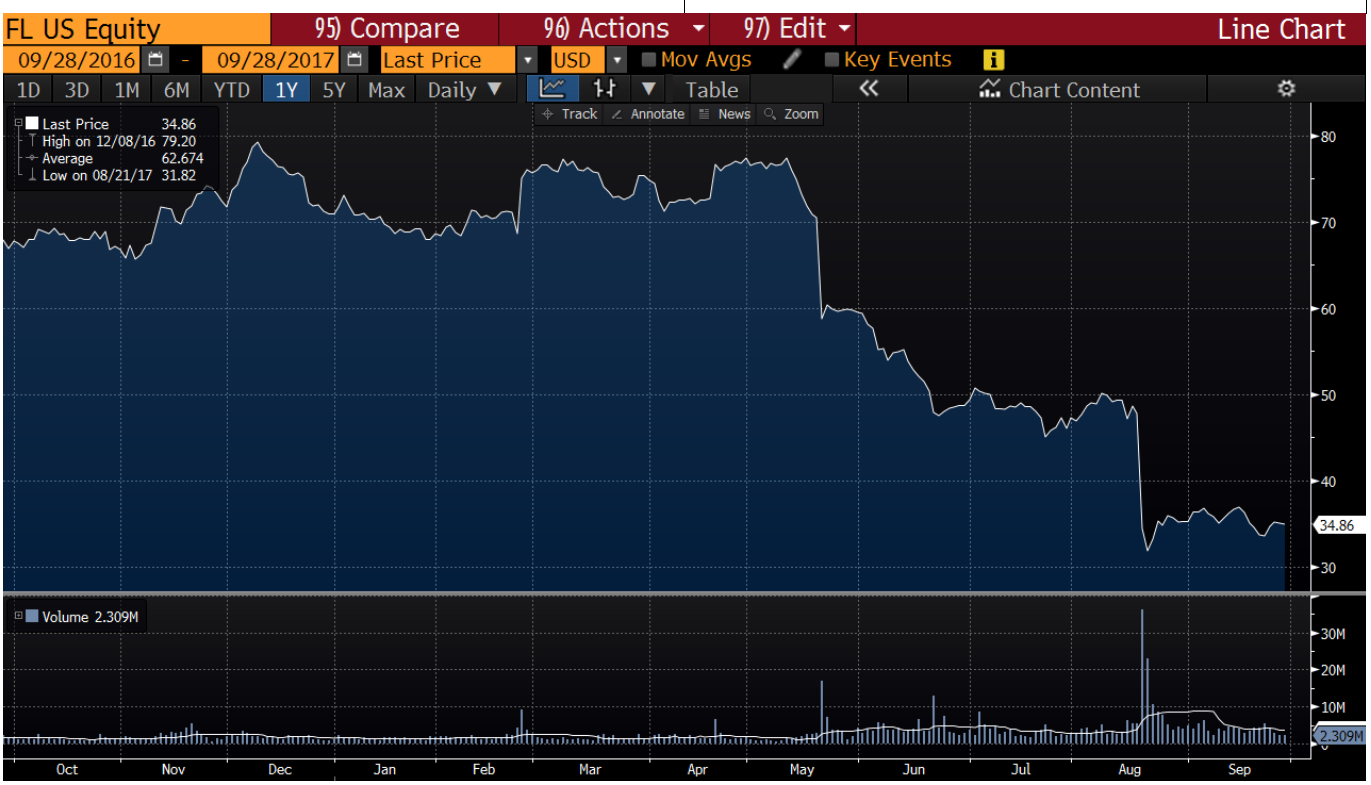
Company Description: Foot Locker is a leading global retailer of athletically inspired shoes and apparel. Foot Locker sells a premium product through an overall great customer experience. Foot Locker operates 3,363 athletic retail stores in 23 countries in North America, Europe, Australia, and New Zealand. Foot Locker also operates a direct-to-consumer business offering through the websites it operates.

BUY

Current Price:	$35.12
Target Price:	$49.44
Market Cap:	4.355B
Beta:	0.13
PE Ratio(TTM):	7.87
EPS(TTM):	4.33
Dividend & Yield:	1.24(3.54%)

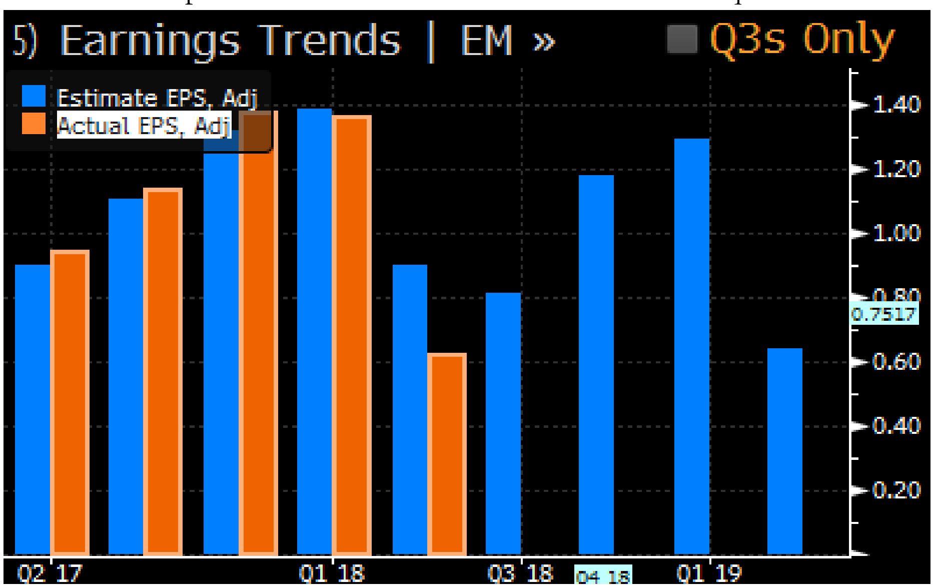
Catalysts:

- Short Term: Increased availability of key products.
- Mid Term: Direct to consumer business growth. New retail store openings.
- Long Term: Continued expansion in North America and Europe.



Thesis: Foot Locker is well positioned in the premium footwear and apparel market. Foot Locker's revenues will get a boost from new sneaker styles coming out later this year. Foot Locker will be able to reduce cost by closing down underperforming brick-and-mortar stores. I advise to buy Foot Locker because its stock price is currently undervalued. I expect the price of this stock to rise in the future from $35.12 to $49.44.

Earnings Performance: Foot Locker's earnings per share were 62 cents and revenue was $1.7 billion compared to estimates of 90 cents per share and revenue of $1.8 billion. This was a weak quarter due to footwear sales down mid-single digits. Sales were down across all market segments. With Adidas sales decreasing in Europe. The problem for quarter 2 was the lack of new styles in the market. The third quarter look set for an increase due to new product innovation by Nike and Adidas. Popular styles such as VaporMax, Dualtone, Special Forces Air Force 1s, NMDs, Tubular Shadow, EQT, X_PLR, and Ultra BOOST will be increased in production this quarter. This is good news for Foot Locker because they are its top performers. These two factors will help Foot Locker increase revenue in the next quarter.



Source: Bloomberg

Industry Outlook: The global athletic footwear market is valued around $80 billion. The industry is expected to grow at a compound annual growth rate of 2% until 2024. Foot Locker is well positioned in the premium footwear market because of the experience that it sells to customers. Even though Amazon has a contract with Nike to sell a limited assortment of products it cannot replicate the same experience. Foot Locker has increased its direct-to-consumer business that has helped to spur revenue growth. Foot Locker has a strong retail presence in which stores are strategically placed in metropolitan areas. Foot Locker will close over 100 stores this year but will also open up new stores. This shows that Foot Locker is willing to take risk to find profitable locations. As the majority of the retail locations are leased, Foot Locker does not carry a high cost opening or closing a store. Foot Locker has a good balance in this space because traditional customers can still go to the store and buy sneakers while another customer can buy sneakers on one of Foot Locker's online platforms.

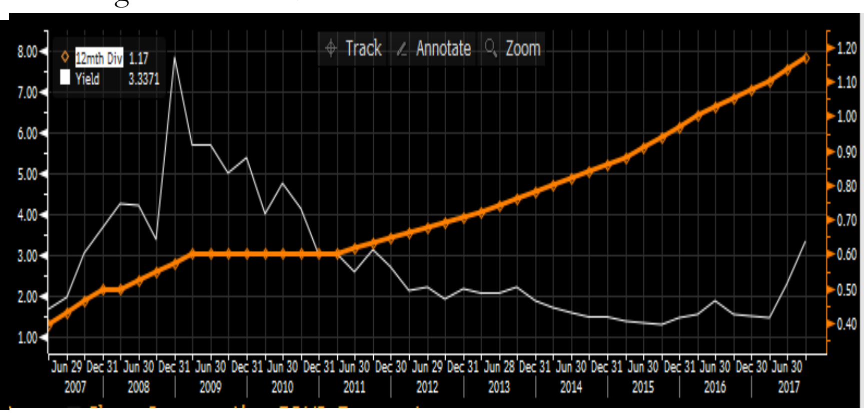
Direct-to-Customer Growth: Foot Locker has continued to expand its direct-to-customer businesses posting an overall comparable sales gain of 5.4% in Q2 2017. Foot Locker has a large e-commerce business that includes eastbay.com, final-score.com, eastbayteamsales.com, sp24.com, footlocker.com, ladyfootlocker.com, six02.com, kidsfootlocker.com, champssports.com, footaction.com, footlocker.ca, footlocker.eu, runnerpoint.com, and sidestepshoes.com. In the last earnings calls transcript, Foot Locker CEO, Dick Johnson said that the company is committed to addressing the fundamental shift in consumer behavior. As a result, Foot Locker has invested consumer-facing technology, an enhanced e-commerce platform and new POS software. This increase in capital spending should help them expand their direct-to-consumer business, which is where the industry is shifting. Revenues in direct-to-customers sales have steadily increased every year since 2014.

In Millions of USD except Per Share	FY 2014		FY 2015		FY 2016		FY 2017	
12 Months Ending	02/01/2014		02/01/2015		01/30/2016		01/28/2017	
Revenue	6,505.0	100.0%	7,151.0	100.0%	7,412.0	100.0%	7,766.0	100.0%
Athletic Stores	5,790.0	89.0%	6,286.0	87.9%	6,468.0	87.3%	6,744.0	86.8%
Direct-to-Customers	715.0	11.0%	865.0	12.1%	944.0	12.7%	1,022.0	13.2%

Source: Bloomberg

Share Repurchasing: Foot Locker announced a 3-year, $1.2 billion share repurchase program that extends through January 2020. This replaced Foot Locker's previous $1 billion program which has spent $795 million since it was announced two years ago. This averages to a share buyback ratio of 4.4% over the last three years which is 97% higher than its competitors in the industry. Foot Locker has also continued to raise its dividend payment, which is now 3.54%. The 1-year, 3-year, and 5-year dividend growth have all been in the 11% range, which shows that the company is committed to raising its dividend. These two things show that Foot Locker remains committed to increasing shareholder value.

12 Month Yield	3.34%
Indicated Yield	3.54%
1 Yr Dividend Growth	11.43%
3 Yr Dividend Growth	11.68%
5 Yr Dividend Growth	11.14%
Last Price	USD 35.06
Payment Frequency	Quarterly



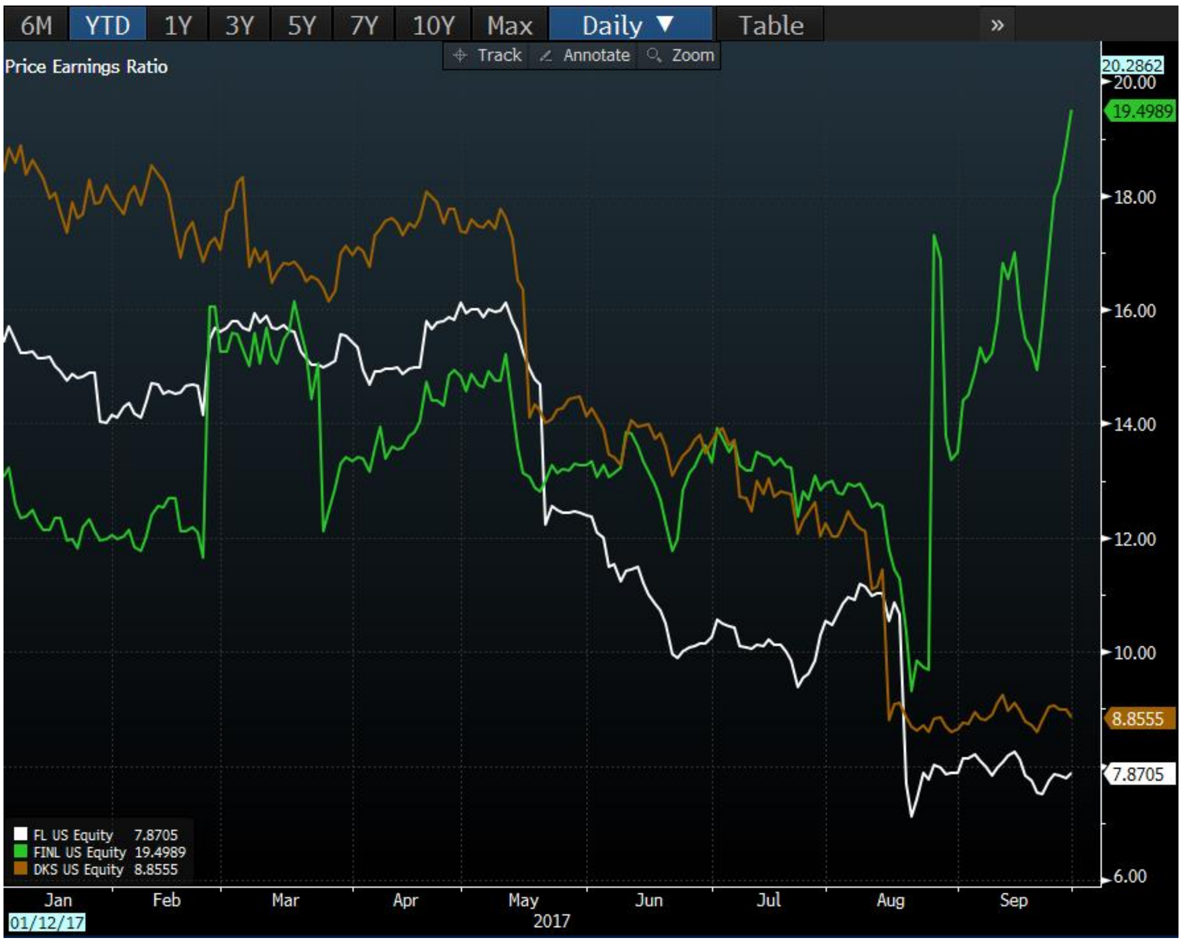
Source: Bloomberg

Cash on Balance Sheet: Foot Locker has increased its cash balance every year since 2012. Currently Foot Locker has over $1 billion in cash on their balance sheet. This is more than enough to sustain Foot Locker through potential weak quarters. With the cash on hand Foot Locker could do many things to invest in the business. Capital Expenditure is expected to be $277 million in 2017, which shows that Foot Locker is committed to investing back into the business. This could include acquiring a new company. On the last earnings call, CFO Lauren Peters said 70% of the cash is offshore. With the new corporate tax rate proposal, bringing this money back into the United States will be significantly cheaper.

In Millions of USD except Per Share	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
12 Months Ending	01/28/2012	02/02/2013	02/01/2014	02/01/2015	01/30/2016	01/28/2017
Total Assets						
+ Cash, Cash Equivalents & STI	851.0	928.0	867.0	967.0	1,021.0	1,046.0
+ Cash & Cash Equivalents	851.0	880.0	858.0	967.0	1,021.0	1,046.0
+ ST Investments	0.0	48.0	9.0	0.0	0.0	0.0

Source: Bloomberg

P/E Ratio: Foot Locker is trading at a P/E ratio of 7.87x, which is below its competitors Finish Line and Dick's Sporting Goods. Foot Locker historically has traded in the 15x P/E ratio range. One bad quarter should not have dropped the ratio by half. At this current ratio, Foot Locker represents a good value buy.



Source: Bloomberg

Expansion: Foot Locker is committed to opening new stores as well as expanding current ones. This expansion includes the United States, Canada, Europe, and Asia Pacific. Foot Locker believes that it can gain market share in Europe and Asia Pacific that is vital to the growth of Foot Locker. Strategic openings in key cities is a priority because these stores sell more volume. Foot Locker is committed to installing mini hubs in cities so that they can supply their stores with inventory on a daily basis. This will accelerate inventory turnover, which increases the profitability of the stores.

	January 30, 2016	Opened	Closed	January 28, 2017	Relocations/ Remodels	Square Footage (in thousands)	
						Selling	Gross
Foot Locker U.S.	971	10	33	948	73	2,453	4,250
Foot Locker Europe	606	22	6	622	43	907	1,971
Foot Locker Canada	125	1	7	119	10	265	432
Foot Locker Asia Pacific	94	3	2	95	9	134	220
Kids Foot Locker	374	45	8	411	26	688	1,175
Lady Foot Locker	156	—	32	124	1	167	280
Champs Sports	550	7	12	545	36	1,930	2,978
Footaction	268	5	12	261	17	786	1,309
Runners Point	121	2	1	122	2	162	267
Sidestep	88	—	2	86	1	81	135
SIX:02	30	1	1	30	—	61	101
Total	3,383	96	116	3,363	218	7,634	13,118

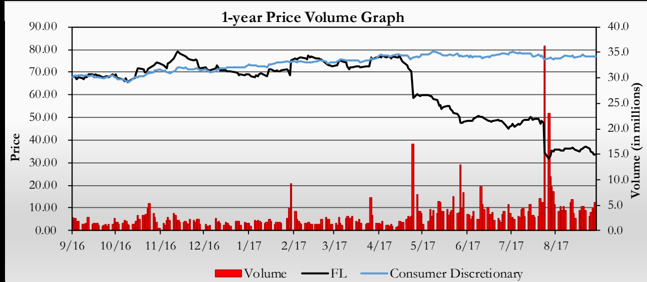
Source: Foot Locker

Conclusion: In conclusion, I am proposing a BUY for Foot Locker stock. Foot Locker remains well positioned in the luxury footwear and apparel industry. Foot Locker had a bad last quarter but has come up with a plan to turn the company back around. The new plan will ensure growth and maximize shareholder wealth. Foot Locker is changing with the new developments in the industry. A one-year target price of $49.44 can easily be achieved.

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

Analysis by Niall McGeever	Current Price:	$35.12	Intrinsic Value	$41.40	Target 1 year Return: 44.3%
9/29/2017	Divident Yield:	3.5%	Target Price	$49.44	Probability of Price Increase: 100%

1-year Price Volume Graph



Description

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

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	November 18, 2017
Estimated Country Risk Premium	5.75%
Effective Tax rate	27%
Effective Operating Tax rate	28%

Market Data

Market Capitalization	$4,354.79
Daily volume (mil)	2.78
Shares outstanding (mil)	124.00
Diluted shares outstanding (mil)	132.95
% shares held by institutions	84%
% shares held by investments Managers	76%
% shares held by hedge funds	9%
% shares held by insiders	0.79%
Short interest	9.65%
Days to cover short interest	2.48
52 week high	$79.43
52-week low	$31.56
Volatility	31.69%

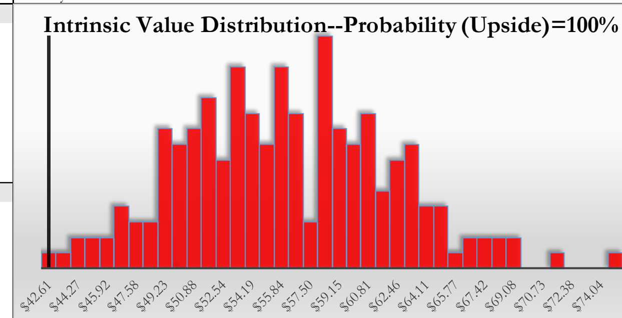
Past Earning Surprises

Quarter ending	Revenue	EBITDA
7/30/2016	-0.06%	-2.07%
10/29/2016	-1.67%	-1.33%
1/28/2017	-1.45%	-3.68%
4/29/2017	-1.82%	-5.21%
7/29/2017	-8.70%	-28.09%
Mean	-2.74%	-8.08%
Standard error	1.5%	5.0%

Peers

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

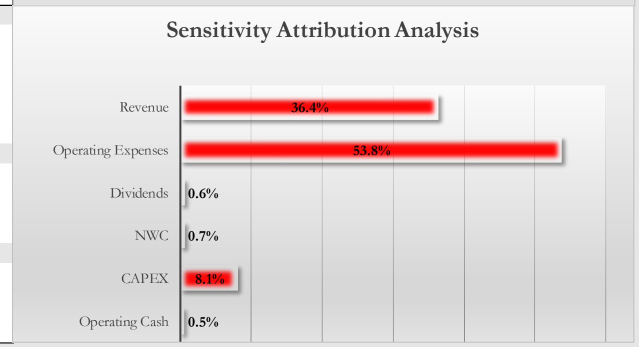
Intrinsic Value Distribution--Probability (Upside)=100%



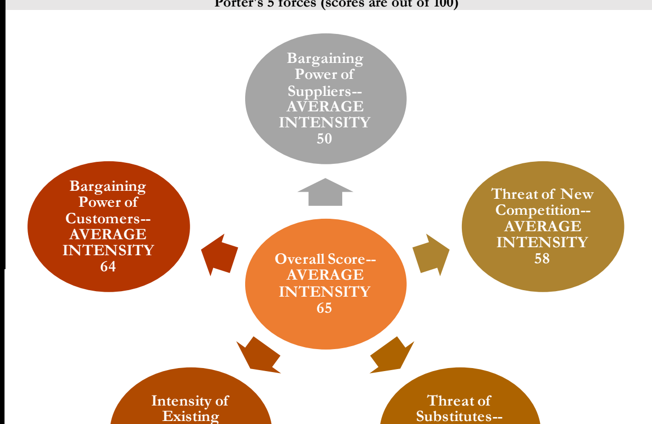
Management	Position	Total compensations growth	Total return to shareholders
Johnson, Richard	Chairman, Chief Executive Of	-100% per annum over 4y	7.51% per annum over 4y
Peters, Lauren	Chief Financial Officer and	-100% per annum over 4y	7.51% per annum over 4y
Alviti, Paulette	Chief Human Resources Office	-100% per annum over 3y	17.18% per annum over 3y
Kimble, Lewis	Executive Vice President and	N/M	0% per annum over 0y
Jacobs, Stephen	Executive Vice President and	N/M	0% per annum over 0y
McHugh, Robert	Executive Vice President of	-100% per annum over 3y	17.18% per annum over 3y

Profitability	FL (LTM)	FL (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	36.6%	33.54%	20.18%
Operating Margin	9%	7.93%	3.07%
Revenue/Capital (GAAP)	4.30	4.23	6.57
ROE (GAAP)	21.3%	20.8%	16.0%
Net margin	7.5%	7.3%	3.7%
Revenue/Book Value (GAAP)	2.84	2.86	4.29
Invested Funds	**FL (LTM)**	**FL (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	34.5%	36.9%	15.8%
NWC/Capital	37.5%	32.2%	32.6%
Operating Assets/Capital	22.8%	25.4%	45.8%
Goodwill/Capital	5.2%	5.9%	5.8%
Capital Structure	**FL (LTM)**	**FL (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.04	0.05	0.05
Cost of Existing Debt	8.6%	8.3%	4.0%
CGFS Rating (F-score, Z-score, and default Probability)	AAA	A	BB
WACC	10.0%	13.9%	9.6%

Sensitivity Attribution Analysis



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	2%	13.9%	1.31
7/29/2018	-4%	11.6%	1.28
7/29/2019	1%	10.8%	1.10
7/29/2020	5%	11.3%	1.03
7/29/2021	5%	11.6%	0.95
7/29/2022	4%	11.3%	0.88
7/29/2023	4%	11.1%	0.82
7/29/2024	4%	11.0%	0.77
7/29/2025	3%	10.7%	0.73
7/29/2026	3%	10.5%	0.70
7/29/2027	2%	10.2%	0.67
Continuing Period	2%	9.9%	0.65

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	18.2%	10.0%	$40.05
7/29/2018	14.8%	10.3%	$48.15
7/29/2019	11.9%	10.5%	$55.89
7/29/2020	11.6%	10.6%	$63.55
7/29/2021	11.1%	10.8%	$71.20
7/29/2022	10.0%	10.9%	$78.85
7/29/2023	9.1%	11.1%	$86.49

September, 26, 2017

Paycom Software Inc: PAYC

Kevin Boland

Sector: Information Technology
Industry: Application Software
Current Price: $74.75
Target Price: $91.34

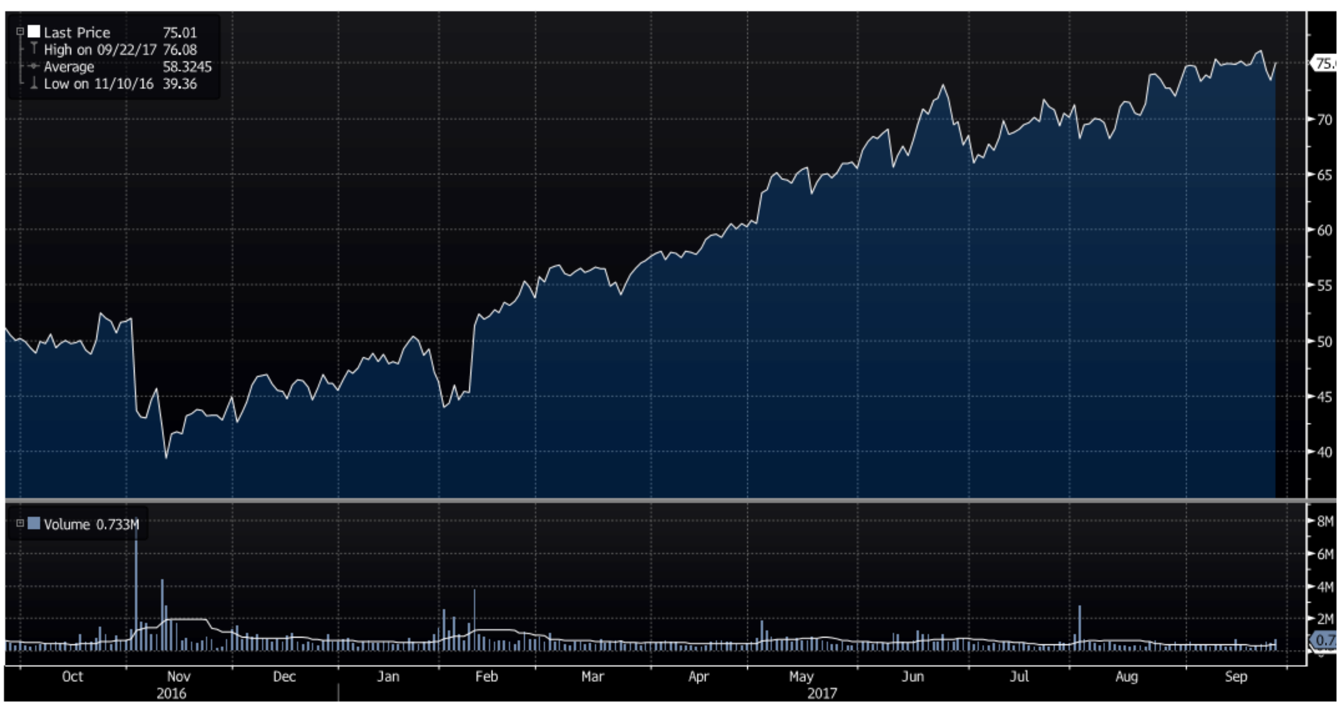
Company Description: Paycom Software, Inc. provides cloud-based human capital management (HCM) solutions, in the form of software as a service (SaaS) for small to midsized U.S. companies. Paycom assists in tracking the employment life cycle by providing data analytics and a range of applications for these companies to utilize. Included in these applications are the tools to track and manage talent acquisition, labor management, payroll, human resources and more.

BUY

Current Price:	$74.75
Target Price:	$91.34
Market Cap:	4.4B
Beta:	1.72
EBITDA Margin:	16.4%
ROE:	39.89%
WACC:	9.6%
ROIC:	21.62%

Catalysts:

- **Short Term (within the year):** Strong earnings report and unique product package.
- **Mid Term (1-2 years):** Market expansion in existing and foreign markets
- **Long Term (3+):** Focus on innovation through research and development to combat high industry competition.

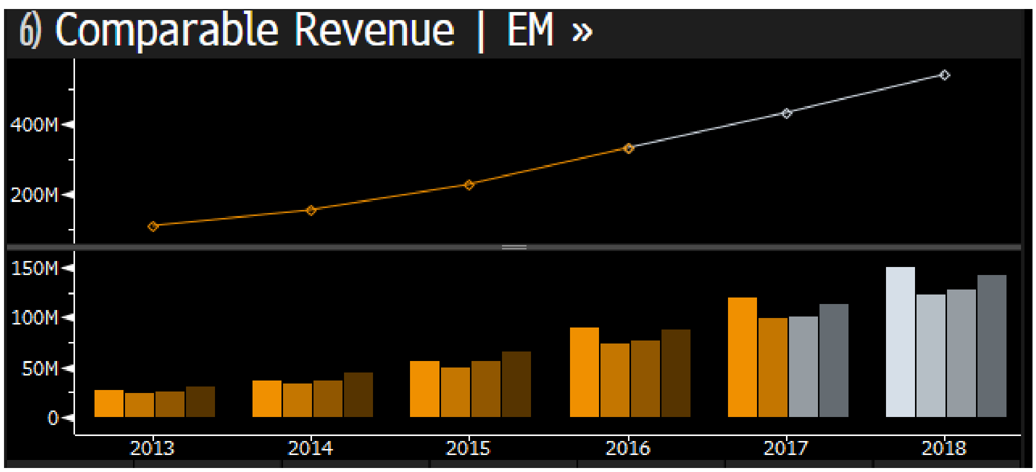


Thesis:

Paycom represents an opportunity for growth in the short and long term. The information technology industry alone is a great investment based on the constant need for innovation and simplification of tasks in the business sector. Combined with Paycom's outperforming revenues and tremendous quarter over quarter growth, the company has established a solid foundation for success. To continue this success and boost sales even higher, Paycom has begun to solidify its position in existing markets, while at the same time expanding into new markets. The U.S. based company eventually plans on expanding internationally, opening up a whole new world of opportunity. To solidify its position long-term, Paycom focuses on innovation through research and development. In this highly competitive industry, Paycom is aware that product differentiation means everything.

Earnings Performance:

Paycom's earnings are seasonal with Q1 being the most rewarding. There is usually a drop in Q2 and a steady rise in revenues to finish the year. This can be attributed to the fact that most companies process their payroll forms in Q1. However, Paycom's Q2 earnings for 2017 were quite promising. Paycom's founder and CEO, Chad Richison stated "Our second-quarter results reflect the strength of our position as more companies look to technology to help attract, retain and manage their talent". Revenues soared to $98.2 million, an increase of 33% from Q2 of 2016. Paycom even posted its highest sales week in the history of the company. This being in what is supposed to be their, seasonally, worst quarter. Revenues are expected to be similar in the following quarter, with the ability to break $100 million. A high client satisfaction record has helped retain revenue at an annual rate of 91% over the last three years. This repeat business drives revenue and provides a solid base if non-repeat sales are low. Another key factor of the earnings report was an increase in EBITDA from $22.6 million Q2 2016 to $27.8 million Q2 2017. This increase and already high number relative to revenue shows that Paycom's business structure has produced consistent organic growth. EBITDA is one of the most important factors when trying to decide if a company has real ability to grow on its own or not.

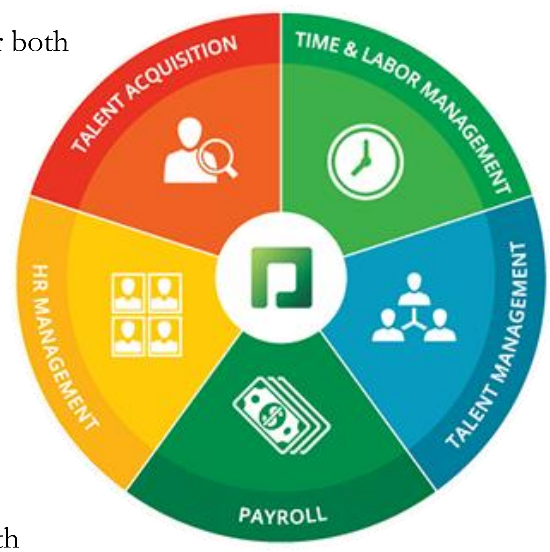


Industry Outlook:

The information technology industry has been quite successful this year. This industry is fueled by tremendous investment in research and development that ultimately produces excellent products. Software as a service (SaaS), Paycom's main product, is one of the driving forces behind innovation in this industry. 57% of software decision makers in the U.S. have used SaaS to complement or replace existing applications. The presence of cloud-computing and big data represent other lucrative investment opportunities for information technology companies to build their business model around. Cloud adoption is still in an earlier stage of growth. This gives small-medium companies, such as Paycom, a chance to emerge from the pack. This can be done mainly through the quality of the product and the ability to meet the ever-changing demands of the consumer. More and more technology companies are expanding into different sectors globally and redefining what it means to be an information technology company (Amazon, Apple, and Facebook). While Paycom has nowhere near the product package as those companies, it shows the ability for expansion of a technology company into a business segment. There is an ability to find a niche in this rapidly growing, competitive industry. In order to stay relevant here companies, must be able to adapt to change.

Product Differentiation:

Paycom's end to end SaaS HCM solution is very helpful for both employees and employers. Employers are given the data and applications to analyze and track employees from recruiting to retirement. The software allows for employers to have every resource needed to perform HR duties and more. On the other end, Employees can also view pay stubs, W-2's, benefits information and manage vacation time in their own employee portal. What makes Paycom's HCM software stand out from other competitors are its centralized applications and its easy adoption by clients. While there are many competitors who offer products that overlap with Paycom's, few to none of them offer these in one package. Most companies utilize multiple software's, sometimes from different suppliers to fulfill their HCM needs. With Paycom's product, only one software is needed. There is low customization, which makes implementation of the software easier. The user-friendly software allows for a decreased administrative burden on employers



and an increased employee productivity. By not wasting time training employees on how to use the software, precious time and money is saved by the employer.

Market Expansion:

Paycom hopes to gain market share from large competitors in the HR services industry, such as ADP and SAP. Paycom is currently positioned in 32 of the 50 largest metropolitan areas in the U.S. They plan to incorporate multiple sales teams within these areas so that a greater number of people are reached in high business areas. Along with this, Paycom has begun to target larger employers in hopes of increasing the company's revenues per client. In their expansion efforts, Paycom plans to open 10 to 14 additional offices over the next two years, with potential of eventually expanding internationally. Paycom currently only operates in the U.S. but the need for HCM services exist everywhere. These new offices will be run by existing managers from day one to ensure a smooth transition. They have also staggered the openings of these offices so that disruption of activates are kept at a minimum. A new office at Paycom usually reaches its sales maturity in around 24 months. The opening of new offices throughout the years has been quite successful. As you can see below, the number of clients has consistently increased as more and more sales offices have opened in different areas. The retention of these clients is one of the drivers of revenue. Paycom's has done a great job at this with the annual revenue retention rate of 91% over the last three years. Paycom's opening of new offices will further expand these numbers and acquire clients who are committed to repeat business.

	Year Ended December 31,		
	2016	2015	2014
Key performance indicators:			
Clients	17,817	15,004	12,775
Clients (based on parent company grouping)	10,464	8,906	7,945
Sales teams	42	36	31
Annual revenue retention rate	91%	91%	91%

Focus on Research and Development:

Since the beginning of operations, Paycom has made Research and Development a main priority. They invested early in the company's cloud based architecture that enables them to develop and deploy applications quickly and affordably. They have also strategically picked out their technology team from Oklahoma and Texas. This decision produced high-quality talent for a lower price, compared to other areas of the country. Because of cost-effective decisions like these, Paycom has been able to raise R&D expenses over the last three years by 143%, 99% and 102%, respectively. Despite these increases in R&D, R&D expenses to sales (R&D intensity) remain low at 6.37%. In the Q2 earnings call, Richison stated "I mean, we've increased our R&D anywhere from 80% to 100% each quarter of a prior year quarter. And we've also been able to expand the margin. And that's because the R&D expenses are turning into revenue generating products that the clients are able to use". He sees this low R&D intensity as a testament to its effectiveness. R&D expenses are turning into revenue generating products in cost-effective and timely manner. The quality of the research has been a catalyst behind sales. In fact, Paycom had the top trending app on the iOS Apple Store for employee self-service. The app was launched in July and Richison credits R&D for the feat. While R&D intensity is bound to increase overtime from this low figure, this shows that Paycom has a competitive advantage over other firms because they have produced better more effective research. Paycom also does not pay a dividend. This shows they are commiting their extra capital elsewhere in places like R&D that can help advance the products and company as a whole for years to come.

Name (BICS Best Fit)	R&D/Sales
Median	12.96%
PAYCOM SOFTWARE INC	6.37%
REALPAGE INC	12.96%
COTIVITI HOLDINGS INC	0.00%
GUIDEWIRE SOFTWARE ...	25.34%
TABLEAU SOFTWARE INC...	36.61%
ZENDESK INC	29.19%
ALLSCRIPTS HEALTHCAR...	12.12%
INOVALON HOLDINGS I...	6.82%
PTC INC	20.11%

Conclusion:

Paycom is a company whose stock has seen a tremendous growth in price this year. This does not mean it is too late to invest in this company. There is still value to be made in this situation and it all drives from revenue. Paycom has positioned itself properly for future success with a great product that promotes repeat sales. Revenues will continue to grow, especially in Q1 2018 when the majority of payroll sales exist. The capital allocation into cost-effective R&D will ensure this for future years to come. This stock still has the ability to grow consistently for the long-term future.

SIENA college

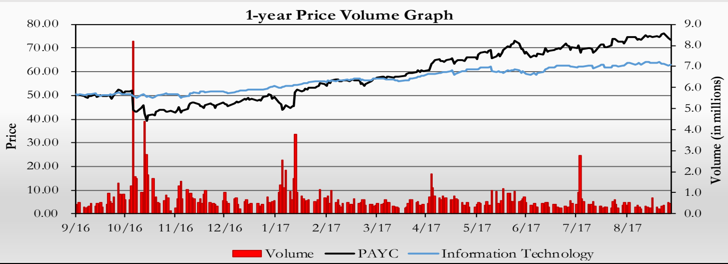
BJORKLUND FUND

Paycom Software, Inc. (PAYC)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Kevin Boland	Current Price:	$74.75	Intrinsic Value	$82.69	Target 1 year Return: 22.2%
9/29/2017	Divident Yield:	0.0%	Target Price	$91.34	Probability of Price Increase: 99%



Description

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

General Information

Sector	Information Technology
Industry	Software
Last Guidance	November 3, 2015
Next earnings date	November 1, 2017
Estimated Country Risk Premium	5.69%
Effective Tax rate	20%
Effective Operating Tax rate	25%

Market Data

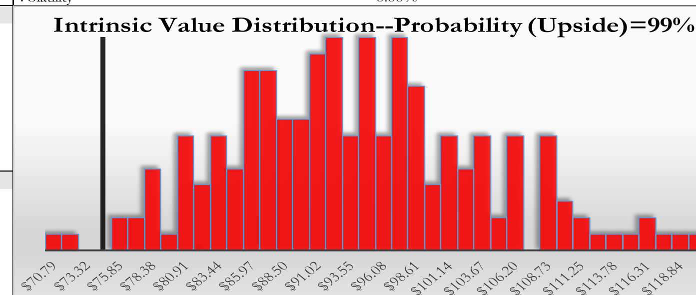
Market Capitalization	$4,453.27
Daily volume (mil)	0.37
Shares outstanding (mil)	59.58
Diluted shares outstanding (mil)	59.02
% shares held by institutions	89%
% shares held by investments Managers	79%
% shares held by hedge funds	5%
% shares held by insiders	20.22%
Short interest	18.51%
Days to cover short interest	23.45
52 week high	$76.75
52-week low	$39.15
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	3.33%	16.51%
9/30/2016	-0.13%	-74.16%
12/31/2016	0.75%	-18.94%
3/31/2017	2.67%	-2.38%
6/30/2017	1.79%	-43.33%
Mean	1.68%	-24.46%
Standard error	0.6%	15.8%

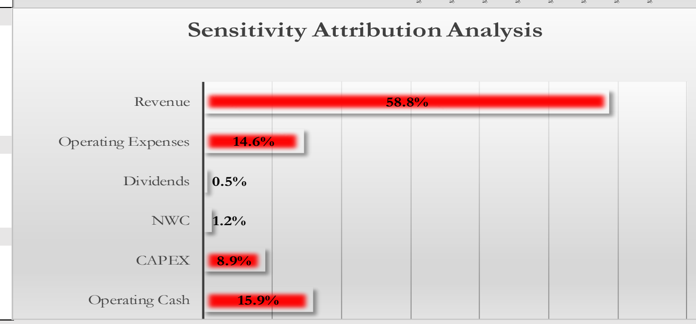
Peers

Cornerstone OnDemand, Inc.
Paylocity Holding Corporation
The Ultimate Software Group, Inc.
Workday, Inc.
Ellie Mae, Inc.
HubSpot, Inc.
Zendesk, Inc.
Bottomline Technologies (de), Inc.

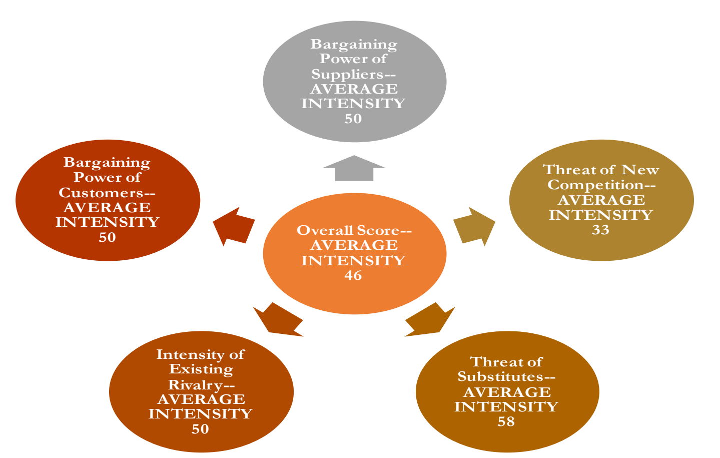


Management	Position	Total compensations growth	Total return to shareholders
Richison, Chad	Founder, Chairman of the Boa	45.81% per annum over 4y	N/M
Boelte, Craig	Chief Financial Officer	53.02% per annum over 4y	N/M
Kerber, William	Chief Information Officer	51.57% per annum over 4y	N/M
York, Jeffrey	Chief Sales Officer	46.33% per annum over 4y	N/M
Pezold, Stacey	Chief Learning Officer	87.63% per annum over 1y	20.89% per annum over 1y
Oden-Hall, Kathy	Chief Marketing Officer	N/M	N/M

Profitability	PAYC (LTM)	PAYC (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	58.1%	18.50%	-50.38%
Operating Margin	13%	12.83%	-5.74%
Revenue/Capital (GAAP)	4.44	1.44	8.77
ROE (GAAP)	46.9%	36.4%	6.5%
Net margin	14.3%	6.5%	6.4%
Revenue/Book Value (GAAP)	3.29	5.57	1.02
Invested Funds	**PAYC (LTM)**	**PAYC (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	37.9%	20.2%	77.1%
NWC/Capital	-16.0%	-10.6%	-23.5%
Operating Assets/Capital	49.2%	34.4%	32.5%
Goodwill/Capital	28.9%	55.1%	13.8%
Capital Structure	**PAYC (LTM)**	**PAYC (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.19	0.24	0.22
Cost of Existing Debt	4.0%	5.8%	5.3%
CGFS Rating (F-score, Z-score, and default Probability)	BBB	BBB	BBB
WACC	8.3%	11.4%	10.7%



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	35%	22.5%	1.61
6/30/2018	25%	32.8%	1.49
6/30/2019	25%	33.2%	1.09
6/30/2020	23%	33.1%	0.88
6/30/2021	20%	33.0%	0.75
6/30/2022	18%	32.9%	0.66
6/30/2023	15%	32.7%	0.58
6/30/2024	13%	32.6%	0.52
6/30/2025	11%	32.4%	0.47
6/30/2026	8%	32.3%	0.42
6/30/2027	6%	32.2%	0.38
Continuing Period	4%	32.1%	0.34

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	36.4%	8.3%	$80.77
6/30/2018	48.9%	8.1%	$87.95
6/30/2019	36.0%	8.9%	$96.95
6/30/2020	29.1%	9.0%	$106.71
6/30/2021	24.6%	9.4%	$117.66
6/30/2022	21.5%	9.4%	$129.47
6/30/2023	19.1%	9.4%	$142.11
6/30/2024	17.0%	9.4%	$155.56
6/30/2025	15.3%	9.5%	$169.77
6/30/2026	13.7%	9.5%	$184.67
6/30/2027	12.3%	9.5%	$200.21
Continuing Period	10.9%	9.5%	

September, 2017

Quanta Services, Inc.: PWR

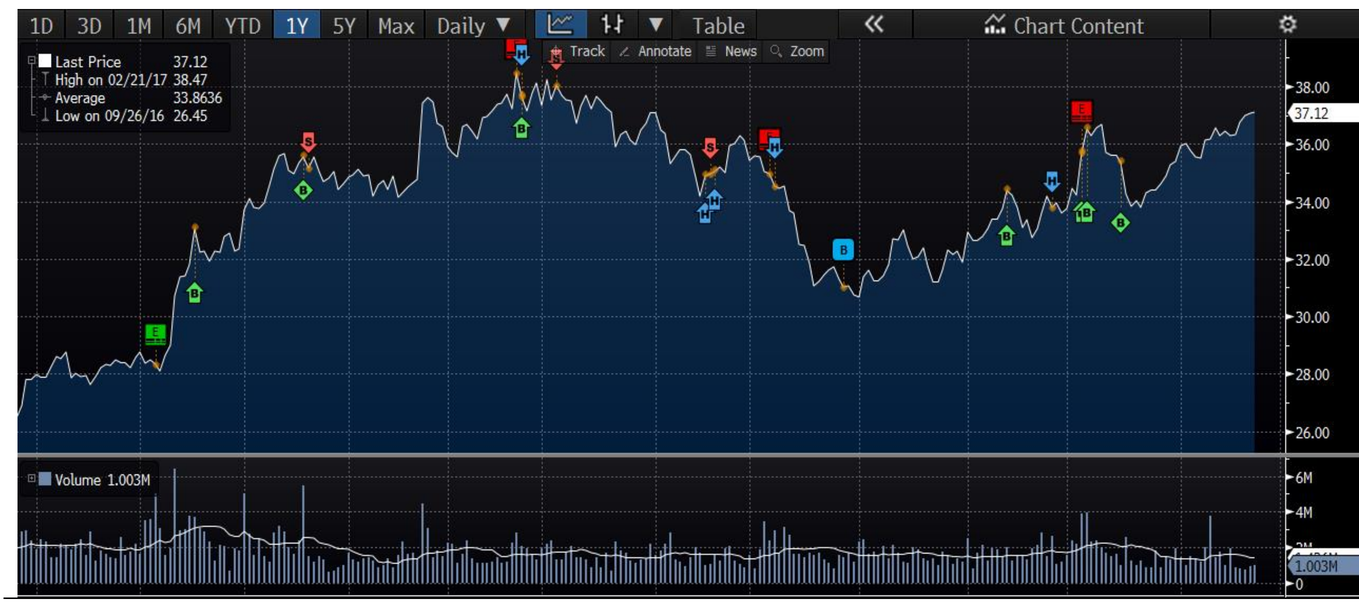
Joseph Carey

Sector: Industrials
Industry: Infrastructure Construction
Current Price: $ 37.37
Target Price: $ 45.83

Company Description: Quanta Services, Inc. is a leading specialty contractor of electric power infrastructure services and oil and gas infrastructure services. The business is split and reported separately by those segments respectively. The electric services segment accounts for roughly 63% of revenue, while oil and gas services make up the remaining 37%. Quanta Services is primarily based in the U.S, but have large operations in Canada and comparatively small operations in Australia.

Buy

Current Price:	$37.12
Target Price:	$45.83
Market Cap:	5.76B
Average Volume:	1.003M
D/E Ratio:	.108
ROIC:	7.17%
EBITA Margin:	7.31%



Thesis:

Quanta Services Inc. is going to capitalize on favorable market conditions, as well as an environment for growth. With new management, they have a solid growth strategy in place to develop organically and through M&A. Overall, widening margins and changing scope of the business will lead to value creation and thus stock appreciation. I think they are priced around their 52-week high for solid reasons, and more double digit growth can be expected.

Catalysts::

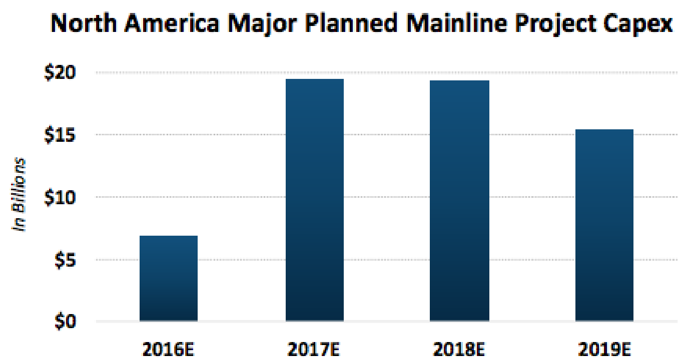
- **Short Term (within the year):** Being contracted for Hurricane relief at higher margins, lessening effects of seasonality
- **Mid Term (1-2 years):** Trump's executive order to increase Infrastructure spending by $1T. Easing of complicated regulations
- **Long Term (3+):** Ability to secure more large scale projects through competitive bidding.

Business Overview:

Quanta Services provides end to end energy solutions for electric and oil and gas infrastructure. They are the leading and largest provider of specialty contracting in North America with a workforce of just over 29,00 employees. The business is segmented into electric power services and oil and gas power services respectively. Both segments are fully integrated to handle the logistics of the projects, down to the final stages of construction. The electric services segment specializes in design, installation, upgrade, repair and maintenance of electric power transmission and distribution infrastructure and substation facilities along with other engineering and technical services. Quanta also specializes in repair from inclement weather such as hurricanes. The scope goes as far as including installation and maintenance of all major renewable energy sources. The oil and gas segment offers specialty contracting to build processing plants, pipeline transmission, and off shore energy solutions. The primary source of financing for these projects is bonds, and we are in a favorable market for bond offerings especially in the coming 12 months due to a hawkish Fed. There are a few key business drivers that affect operating performance including weather conditions. In order to maintain project scheduling, weather needs to be accommodating to allow their specialty work to be done. So far this year has been very dry, which should surface in above projected Revenue growth. Another business driver is the regulatory environment for project approval and standards set by the governing FERC. The last main driver of the business is oil prices even though that segment only accounts for 37% of their revenues. We are currently in a very unpredictable state for future prices, but at the current level of around $48, it doesn't encourage growth in infrastructure investment in crude oil transmission. In terms of capital structure, Quanta is highly unlevered with a D/E of .108. The company primarily finances with a huge working capital allowance and cash reserves. Quanta pays no dividends so all corporate profit is reinvested into the business for continued growth.

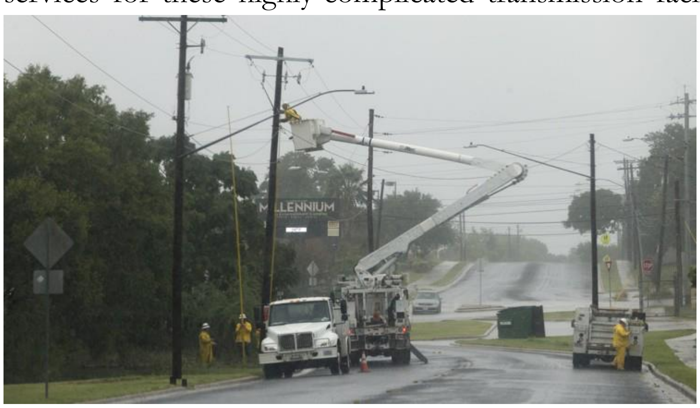
Growth Strategy:

Quanta Services has a solid growth strategy to create significant value in the next 3 years. One key strategy, or key function of the business is forming strategic alliances and long term contracts. Each states a non-binding or binding intent to work together over a period of time, generally they shoot for a partnership of 2 to 4 years. The company's backlog has grown showing this directly, which we can use to guide future growth forecasts. It is a stable measure because historically the backlog has been recognized as completed revenue within a few years from initial recognition. More strategically, they primarily focus on Mergers and Acquisitions to expand their business by offering more end to end specialty contracting services, as well as geographical diversification. The idea of geographical expansion is to smooth the company's revenues and operating performance, offering safer investment for shareholders. This is because weather plays a major role in project completion, so Quanta does experience seasonality effects but are trying to reduce that. They also focus on forward vertical integration to be able to bid and contract out entire projects. While this is beneficial for Quanta, it also helps them keep project costs down and thus maintain preferred vendor status. For an example, during the 2nd quarter of 2017 they acquired Stronghold, which offers midstream and downstream energy offerings. These are the transportation and storage of oils and logistics behind that end of the spectrum. Combined, this offers a secondary offering to complement their energy development and transmission services. Quanta Services is also developing a telecommunications business internally providing significant organic growth. In the next twelve months, estimates expect this segment to add additional revenue of $200M. Quanta is also pursuing an employee development school to foster workers to offer exceptional quality and keep them safe on the field, which in effect keeps costs down but incur a hefty cost of the education. This answers problems that have been caused from inexperienced workers and increased supervision costs incurred to oversee safety. One giant opportunity for Quanta Services is the outdated and insufficient power grid in the U.S. The project scaling of this work is much larger, and projects that size have higher margins due to inherent risks. Quanta services is becoming a major competitor in these larger projects, changing the scope of the business to include large and small scale specialty work. This is valuable because they will have better operating performance that can be reinvested to continue double digit growth. With a shift in project structure, I predict the margin structure should expand to about 10-12% with slightly higher SG&A expense to offset the gain. Overall, expect a 1-1.5% growth in operating margin.



Hurricane Relief Effects:

Quanta Services specializes in emergency response to natural disasters as a facilitator in restoration of power. They offer immediate on sight relief for electricity restoration as well as repair to damaged infrastructure. Quanta advertises that they can provide relief anywhere in the lower 48 within 24 hours. In Hurricane Harvey, hundreds of high-voltage transmission lines, including six 345 kilovolt (kV) lines and more than two hundred 69 kV–138 kV lines experienced storm-related forced outages. Quanta Services offers specialty contracting services for these highly-complicated transmission facilities. The company is based out of just outside of Houston, Texas, so they are likely to have been the contracted company of the job due to their location and size. With the timing of the storms, we can expect revenue growth to beat estimates due to seasonality smoothing from increased demand now, as well as larger operating margins. However, there is no public information on specific monetary value of the damage at this time other than estimates of total damage. I estimate a 1% increase in Operating margin with revenue growth stabilizing around 12% for the 2017 fiscal year. Due to recent storm patterns in the past 10 years, a new ideology has formed, creating a big opportunity for Quanta Services because of their specialization. High-risk states are beginning to consider the immediate threat of storms beyond visible concerns. Their Power grids and infrastructure need to be redesigned and engineered to become more reliable in event of inclement weather. In doing so, Quanta services



will be able to capitalize on the opportunity with their engineering staff and electricity transmission specialists, providing larger margins in the future as well as utilizing the comprehensive solutions gained through M&A activity.

Company Performance:

Quanta Services business offers strong fundamentals, with significant working capital and a strong balance sheet. Compared to their closest competitors, Quanta is a top performer in EBITDA margin and NI margin, proving the management's ability to control costs and return a profit year over year. Last year, gross profit grew 9.8% compared to revenue growth of only 1%, implying the cost structuring initiatives are effective. Quanta Services has high volatility in revenue growth, likely due to the strong economic link of the business. Even still, Quanta has a historical average growth of roughly 12%. Currently, Quanta has increased their backlog year over year by 1.6%. I see this as a positive because historically, this work is completed within a few years from recognition. In this backlog is some of their larger scale projects like Wind Catcher 3, where we can expect to see a larger margin shift in the business financials. Going deeper into the segments, its hard to determine with adequate reliability what segment truly is the business driver. Both grow at similar levels and experience volatility from macroeconomic influences. One thing that must be noted, is the former COO became the CEO in March 2016, pushing for cost reduction and a growth strategy as mentioned earlier. The only financial area of concern is the account receivables holding a significant portion of Assets, but I believe that is inherent nature of long-term projects and the billing schedule of the industry.

Growth by Segment YoY

	2014	2015	2016
Revenue			
Electric Power	-	-6.89%	1.79%
Oil and Gas	-	7.80%	-5.92%
Operating Income			
Electric Power	-	-21.74%	9.22%
Oil and Gas	-	-12.20%	4.60%

	Name (BI Peers)	Ticker	Mkt Cap	EBITDA to Net Sales LF	EBITDA Mgn 3Yr Avg	OPM LF	NI Mrgn Adj LF
	Median		3.80B	4.57%	6.22%	3.10%	2.40%
100)	QUANTA SERVICES INC	PWR US	5.76B	7.31%	7.41%	4.99%	2.98%
101)	CHICAGO BRIDGE & IRON...	CBI US	1.66B	-33.03%	8.18%	-34.79%	-23.73%
102)	FLUOR CORP	FLR US	5.73B	0.86%	6.22%	-0.33%	2.07%
103)	STUART OLSON INC	SOX CN	117.05M	2.62%	3.59%	1.11%	0.23%
104)	TUTOR PERINI CORP	TPC US	1.36B	3.51%	5.15%	2.73%	2.40%
105)	AECON GROUP INC	ARE CN	827.99M	4.34%	5.10%	0.78%	0.14%
106)	AECOM	ACM US	5.57B	4.57%	5.96%	3.10%	2.22%
107)	JACOBS ENGINEERING GR...	JEC US	6.92B	6.30%	6.54%	5.11%	3.78%
108)	SNC-LAVALIN GROUP INC	SNC CN	7.97B	8.99%	6.96%	7.51%	5.41%

Industry Outlook:

The overall sentiment on the Infrastructure industry and Industrial segment is rather promising. We are in a very highly priced market due to both optimism in President Trump as well as already enacted pieces of legislation. Industrials are still forecasted to grow at a rate between 6% and 14% until 2022. Energy Infrastructure specifically, is forecasted CAGR between 12% and 20%. In my estimates, I project low double digit growth around 13%, conservatively capturing overall segment growth as well as specific industry outlook. That growth estimate isn't including the lightly reported telecom segment, where CAGR estimates in North America are upwards of 70% due to the development of 5G technologies. While it is unlikely to become the driver of the business, capturing some of this segment will substantially boost revenue for the next 5 years at least. Some drivers of the overall industry include Trump signing an executive order, which is to ease regulation in infrastructure approval, as well as provisions to pump $1T into failing infrastructure. President Trump signed the executive order mid-august. We can expect the actual budgeting to be released post-tax reform. The easing of regulation involves shortening environmental permitting process and centralizes project paperwork. The inherent goal is to bring project approval down to 2 years from the historical mark of 7 years. Another major function of the executive order is to leverage $200B in federal money to provide for $1T in infrastructure spending. In my opinion, the easing of regulation is much more valuable than the boost in spending. This is because roughly 3x the amount of work will get passed through the tedious regulatory process than before. Another positive for the industry is the FERC just appointed the minimum number of members to complete the approval committee, which needs to be in place in order approve pipeline projects. Bloomberg estimated that $50B of energy projects were being held up from the prior quorum period. In result, Quanta recently booked Wind Catcher project 3, which is the biggest project ever awarded and it was an unanticipated. Management expects many more "spontaneous" projects coming to light because of economy outlook and sentiment in the market.

Ownership Summary:

The majority holders of PWR are Investment Advisors such as Vanguard and BNY Mellon. The stock trades about $37 million a day on average, so there is liquidity opportunities compared to thinly traded competitors. In the last year, there has been a shift to a heavier weight from hedge funds. No single holder from one of these funds owns more than 4% stake in the company though, so I don't believe a management change is the focal point of their investment. The interest of hedge funds stems from growth prospects in the double-digit range for the next 5 years and a solid expansion strategy to achieve those results. Company insider trading is very limited, but most recent purchases have been buy orders. Even though this stock is at the higher end of a 52-week range, it offers significant value creation from company initiatives to lower OPEX and grow revenues organically and through acquisitions. The most recent analyst recommendations project a price in between $42 - $48 in the forward twelve months. I believe that fails to include the scale of work that will be recognized in quarter 3 from the Hurricanes.

QUANTA SERVICES INC CUSIP 74762E1

1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Options 7) Debt

Compare Current Stats Against 09/01/16

Ownership Type	08/28/16	Curr	Change
11) Investment Advisor	76.44	73.36	-3.08
12) Hedge Fund Manager	11.83	14.63	+2.80
13) Bank	3.18	3.77	+0.59
14) Pension Fund	3.48	3.46	-0.02
15) Individual	1.11	1.12	+0.01
16) Brokerage	0.19	1.04	+0.85
17) Sovereign Wealth Fund		0.84	
18) Holding Company	0.67	0.71	+0.04
19) Insurance Company	0.60	0.64	+0.04
20) Government	2.33	0.31	-2.02
21) Unclassified	0.03	0.05	+0.02

Conclusion:

With a positive outlook on the industry, Quanta is positioned as best in class because of their financials and overall size. They are highly capable of capturing larger project work, which will positively affect their margins and profitability. This upcoming quarter, we should expect to see positive revenue and earnings surprise partly from the relief efforts in Hurricane Harvey and possibly Irma. With stock buyback in place, dilution from M&A is not an area for concern. I think we will see a shift in project scope and inherently the business environment that Quanta deals in shift for the better. Overall, I think Quanta Services is a fairly valued company but has above average potential for double digit return in the coming 12 months.

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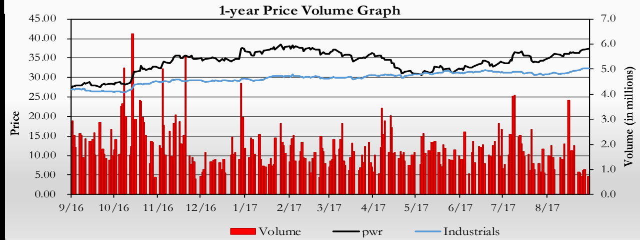
Quanta Services, Inc. (pwr) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Joseph Carey	Current Price:	$37.59	Intrinsic Value	$40.96	Target 1 year Return: 21.91%
9/27/2017	Divident Yield:	0.0%	Target Price	$45.83	Probability of Price Increase: 81.4%



Description

Quanta Services, Inc. provides specialty contracting services to the electric power, and oil and gas industries in the United States, Canada, Australia, and internationally.

General Information

Sector	Industrials
Industry	Construction and Engineering
Last Guidance	November 3, 2015
Next earnings date	November 1, 2017
Estimated Country Risk Premium	7.20%
Effective Tax rate	36%
Effective Operating Tax rate	34%

Market Data

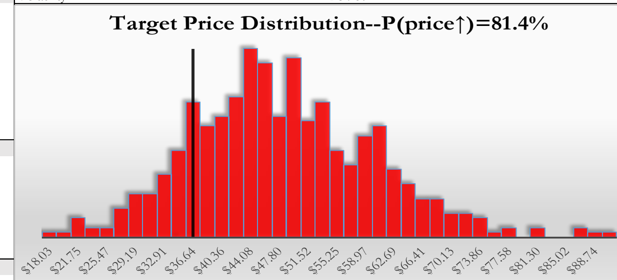
Market Capitalization	$5,832.85
Daily volume (mil)	0.66
Shares outstanding (mil)	155.17
Diluted shares outstanding (mil)	155.37
% shares held by institutions	91%
% shares held by investments Managers	73%
% shares held by hedge funds	10%
% shares held by insiders	0.54%
Short interest	1.87%
Days to cover short interest	1.77
52 week high	$38.82
52-week low	$26.97
Levered Beta	0.84
Volatility	28.96%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	-8.09%	-43.64%
9/30/2016	-5.01%	-3.70%
12/31/2016	-4.27%	-11.29%
3/31/2017	4.89%	-20.56%
6/30/2017	0.91%	-12.82%
Mean	-2.32%	-18.40%
Standard error	2.3%	6.9%

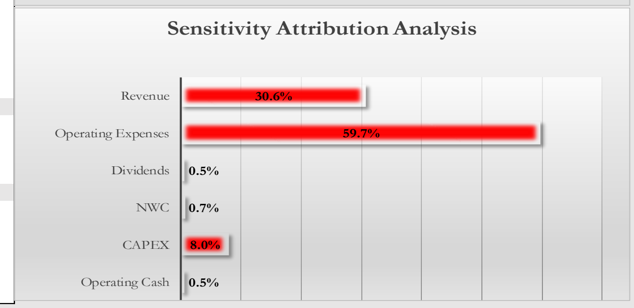
Peers

- MasTec, Inc.
- Jacobs Engineering Group Inc.
- Chicago Bridge & Iron Company N.V.
- Fluor Corporation
- EMCOR Group, Inc.
- AECOM
- Tutor Perini Corporation
- Granite Construction Incorporated

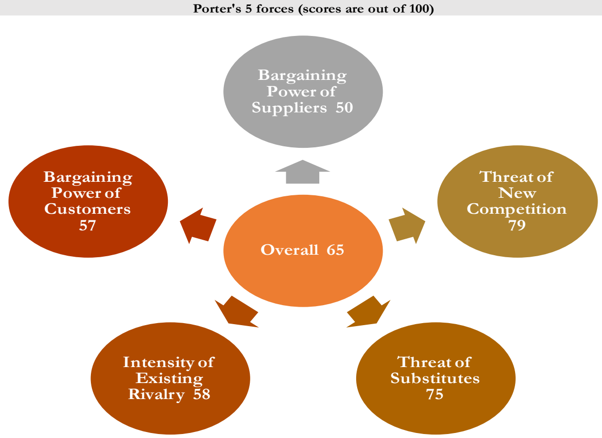


Management	Position	Total compensations growth	Total return to shareholders
Austin, Earl	Chief Executive Officer, Pre	49.28% per annum over 5y	5.6% per annum over 5y
Jensen, Derrick	Chief Financial Officer	29.43% per annum over 5y	5.6% per annum over 5y
Morris, Jesse	Executive Vice President of	-11.98% per annum over 2y	10.79% per annum over 2y
Wisenbaker, Randall	Executive Vice President of	N/M	0% per annum over 0y
Lemon, Jerry	Chief Accounting Officer	N/M	N/M
Rupp, Kip	Vice President of Investor R	N/M	N/M

Profitability	pwr (LTM)	pwr (5 years historical average)	Industry (LTM)
ROIC	12.7%	13.28%	6.42%
NOPAT Margin	6%	6.24%	2.8%
Revenue/Invested Capital	2.18	2.13	2.28
ROE	20.9%	16.03%	6.95%
Adjusted net margin	5%	5.93%	2.7%
Revenue/Adjusted Book Value	4.00	2.70	2.60
Invested Funds	**pwr (LTM)**	**pwr (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	1.6%	3.6%	20%
Estimated Operating Cash/Total Capital	1.6%	2.7%	N/A
Non-cash working Capital/Total Capital	19.5%	18.1%	12%
Invested Capital/Total Capital	71.7%	67.1%	74%
Capital Structure	**pwr (LTM)**	**pwr (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.43	0.27	0.13
Cost of Existing Debt	4.48%	4.73%	3.73%
Estimated Cost of new Borrowing	4.62%	4.57%	3.73%
CGFS Risk Rating	CC	CC	CCC
Unlevered Beta (LTM)	0.69	0.58	1.15
WACC	7.86%	7.50%	11.35%



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



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	16.0%	5.8%	1.61
6/30/2018	10.2%	5.5%	1.47
6/30/2019	7.1%	5.9%	1.49
6/30/2020	6.7%	5.9%	1.42
6/30/2021	6.3%	5.9%	1.43
6/30/2022	5.9%	6.0%	1.44
6/30/2023	5.5%	6.0%	1.45
6/30/2024	5.1%	6.0%	1.45
6/30/2025	4.7%	6.0%	1.46
6/30/2026	4.3%	6.0%	1.47
6/30/2027	3.9%	6.0%	1.48
Continuing Period	3.5%	6.1%	1.38

Period	Invested Capital	Net Claims	Price per share
Base Year	$2,856.74	$2,144.37	$41.41
6/30/2018	$3,075.08	$2,179.34	$46.12
6/30/2019	$4,127.60	$2,078.35	$51.46
6/30/2020	$3,494.23	$1,703.85	$57.13
6/30/2021	$3,916.41	$1,281.31	$63.04
6/30/2022	$4,535.57	$808.31	$69.18
6/30/2023	$5,152.98	$282.76	$75.55
6/30/2024	$5,754.19	-$297.05	$82.13
6/30/2025	$6,115.03	-$932.39	$88.91
6/30/2026	$6,468.54	-$1,624.02	$95.88
6/30/2027	$6,811.97	-$2,372.18	$103.02
Continuing Period			

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September 27, 2017

Steven Madden, LTD.: SHOO

Paul Martinez

Sector: Consumer Discretionary
Industry: Textile – Footwear Apparel
Current Price: $42.05
Target Price: $52.49

BUY

Current Price:	$42.05
Target Price:	$52.49
Market Cap:	2.5B
Average Volume:	.574M
Beta:	0.18
WACC:	9.7%
ROIC:	26.0%
EPS:	2.08

Company Description: Steven Madden, LTD., designs, markets, and sells brand name and private label footwear for women, men and children as well as private label fashion handbags and accessories within the United States and abroad as well.

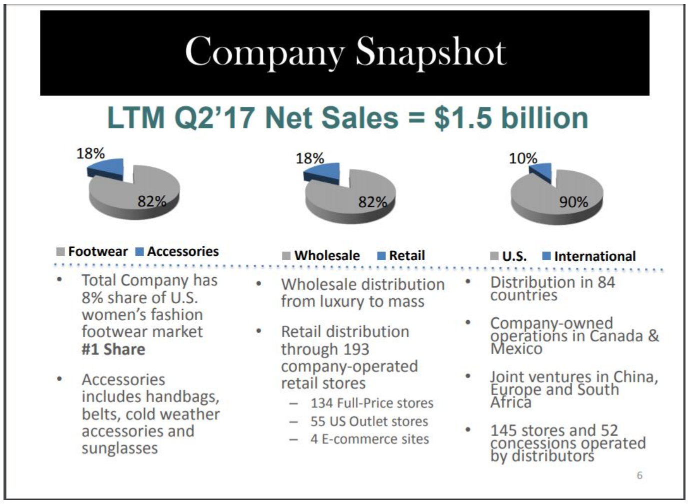
Thesis: Steven Madden LTD., is a leader in the footwear and apparel industry. Steven Madden generates the majority of their revenue from their wholesale women's footwear segment. This segment has been experiencing double-digit growth and can continue to see this growth through the rest of 2017 and 2018 as well. Steven Madden LTD., generates their value from increasing revenues, consistently exceeding earnings estimates, acquisitions of competitors, and a growing international segment.

Catalysts:

- **Short Term (within the year):** Acquisition and integration of Schwartz & Benjamin. Will continue to see positive margins through 2017 and large profit margins through 2018.
- **Mid Term (1-2 years):** Enhanced distribution channels while online shopping continues to increase. Relationship with Amazon.
- **Long Term (3+):** Increasing international exposure. Increased number of Joint Ventures to aid in becoming an international brand. Expect double-digit revenue growth in international segments going forward.

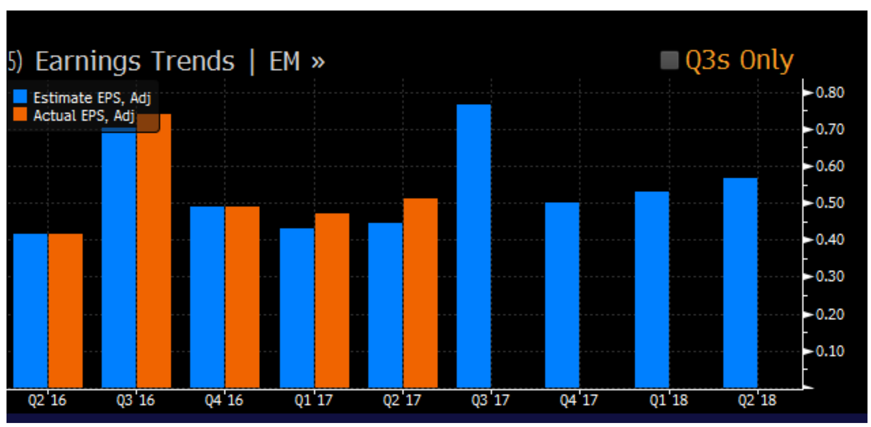
Business Description:

Steven Madden LTD., designs, markets, and sells fashion-forward footwear for women, men, and children. The company operates its business through the following segments: Wholesale Footwear, Wholesale Accessories, Retail, First Cost and Licensing. Steven Madden LTD., currently has 190+ retail stores that operate in the United States, Mexico, Canada, South Africa, and China. Steven Madden utilizes department stores, specialty stores, and certain boutique stores for the majority of its revenue. Some of Steven Madden's major accounts include Macy's, Bloomingdale's, Nordstrom, and Wal-Mart. Steven Madden has been able to establish great relationships with their distributors, which allows exposure to countries all over the world. The company's wholesale operation accounts for about 85% of its revenue, with women's wholesale footwear contributing to about 63% of that. In addition, Steve Madden's private handbag label and other accessories are making substantial contributions to revenue as well.



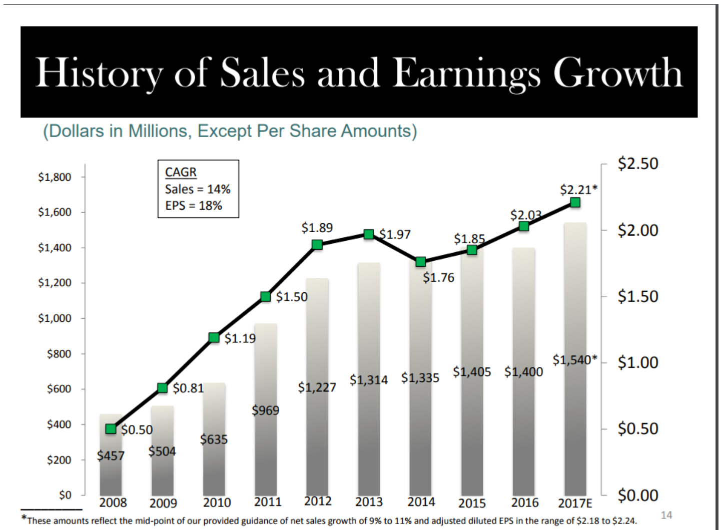
Earnings Performance:

Steven Madden LTD., like many other retail companies, experiences fluctuations during certain seasons due to certain trends and holidays, such as Christmas. With that being said, Steven Madden LTD. has met or exceeded all of their earnings calls since 2012. Throughout 2017, Steven Madden LTD. has exhibited above estimated earnings performance and is expecting to have even larger earnings in Quarter 3. Edward Rosenfeld, CEO, commented, "The strong momentum in our business continued into the second quarter, as we delivered another quarter of robust sales and earnings growth despite the challenging retail environment. Once again, we saw outstanding performance in our core Steven Madden Women's wholesale footwear division, where our trend-right product assortment continues to resonate with consumers and drive market share gains". Last quarter, net sales growth totaled 15%, and diluted EPS increased 24%. Steven Madden's wholesale segment, which is their largest segment, experienced double-digit organic sales growth. An important statistic to consider when valuing retail companies is the company's same store growth, which is a better indicator of actual sales growth. Steven Madden has had large success in this category; they have experienced a 5.4% growth in same store sales since 2016 Q2.



Growth Strategy:

As mentioned, Steven Madden LTD. is experiencing huge growth numbers and will continue to do so for the next couple of years. The picture to the left shows the increasing net sales of the company and reports a CAGR of 14%. As of last quarter earnings, Steven Madden reported an 8% organic growth. They plan to take advantage of these growth numbers by opening eight more outlet stores and seven more full-price stores in the United States by the end of this year. With the addition of these stores, Steven Madden would have more than 200 stores in the U.S. Aside from their growth, Steve Madden LTD. maintains a direction of long-term stability by renewing their store leases and signing long-term leases for stores through 2027. Not only is growth occurring organically, they also are expanding in other ways. Over the past 8-10 years, Steven Madden has made leaps and bounds to acquire and license other brands and producers to beat out their competitors. Currently, Steven Madden's major focus through 2017 is to focus on trending and marketing the right products at the right time to stay ahead of the constantly changing fashion industry. Second, they would like to maintain the momentum that they have had in their women's footwear division. Steven Madden has a clear and distinct plan for how they are going to achieve these goals, which include developing new and distinctive brands and increasing international exposure, both of which will be touched upon a little later.



Acquisitions:

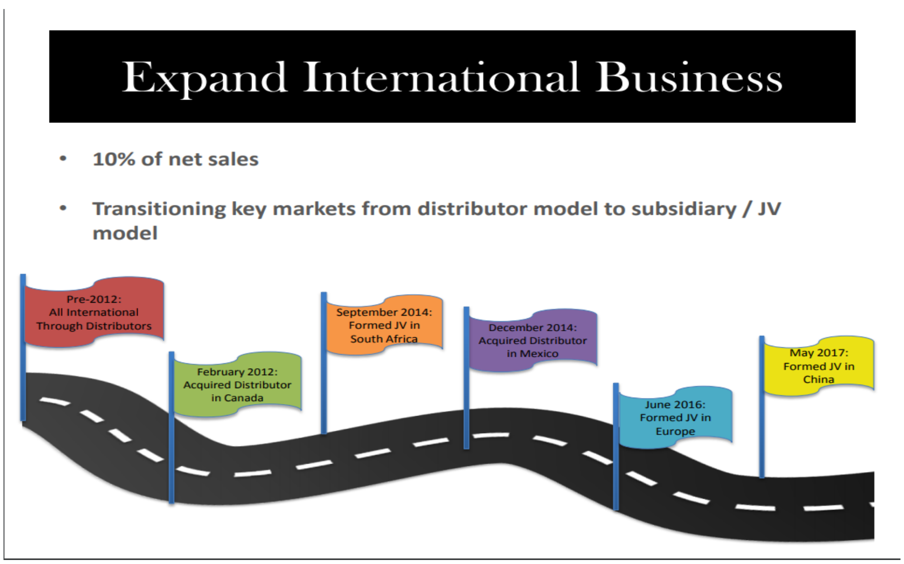
As per management, "The size of our business continues to grow organically and as a result of business acquisitions". During 2016, Steve Madden acquired Schwartz & Benjamin LLC, MadLove LLC, SM Europe, and Blondo (EBIT of +122% TTM 2017). Schwartz & Benjamin is Steven Madden's largest acquisition out of all of these, and is continuing to be integrated and implemented. Schwartz & Benjamin specializes in design, sourcing, and the sale of licensed private label footwear. Throughout 2017, there has been higher than expected margins and profits due to this acquisition and are expected to continue all the way through 2018. Edward Rosenfeld, CEO, commented after finalizing the acquisition, "We are very pleased to complete the acquisition of Schwartz & Benjamin, a company known for its outstanding capability in designer and accessible luxury footwear. We see opportunity to expand the business by combining Schwartz & Benjamin's strengths – which include premier execution in the design and sourcing of high-quality footwear as well as a strong

SCHWARTZ & BENJAMIN

portfolio of brand partners – with our proven business model and infrastructure”. This acquisition was financed through cash at closing plus an earn-out provision based on financial performance through January 31st, 2023. As of right now, Steven Madden LTD. does not have any debt and finances the majority of their acquisitions in a similar manner. Schwartz TTM net sales as of 2016 were approximately 87.6 million. Last quarter, Schwartz & Benjamin accounted for 20.7 million of net sales, which was approximately 6% of sales during that quarter. In describing the acquisition, senior management said “There will be meaningful profit contribution in 2018”. Steven Madden will continue to implement their growth strategy by acquiring and licensing more companies and brands both domestically and internationally.

International Exposure:

Another highlight that Steven Madden has just finished up at the end of the last quarter was Madden Asia’s joint venture in China. In May 2017, they closed on a deal with C.Banner, which is one of the largest women’s footwear retailers in China. Both Steven Madden and C.Banner have seen positive results. With this joint venture, they are expecting to have opened 15-20 new shop-in-shops by the end of the year. Going forward, this joint venture plans on opening 150 new stores in China by the end of 2020. As depicted in the picture to the left, there has been an increasing amount of international involvement, and despite some slowing down within European economies, Steven Madden has still experienced profitability. With this being said, and the success of the China JV, there are talks of other potential joint ventures with partners in Taiwan, Macau, Singapore, and Malaysia. Management is hopeful that these joint ventures can be put into place by the end of the year. Along with these partnerships internationally, a primary focus for Steven Madden is continuing to develop and improve their distribution channels. Currently, they are working with Amazon to create a private label for Amazon that will be able to be distributed through Amazon, which will promote more exposure abroad. With double-digit growth



internationally and an increase in international exposure, we can expect to see even larger growth numbers and higher margins.

Industry Outlook:

Normally, the Consumer Discretionary Industry benefits the most right after the economy emerges from a recession. Many believe that since the market is at the most bullish it has ever been, a recession or an adjustment in the economy is near. This thought leaves some hesitant about investing in the Consumer Discretionary Industry, however, I believe that the market is still climbing and has potential to grow even more before it gets to its next peak. Reports from the Census Bureau even show a 0.6% gain in net sales for the industry. Many Consumer Discretionary companies are taking a hit due to the online shopping trend that is occurring among millennials and others as well. One counter to this problem is a strong brand name; this allows companies to protect themselves from substitution from other online providers. As mentioned, with the market being at the most bullish it has ever been, many are nervous about this industry. With this being said, the housing market is strong, unemployment is low, wage growth has started to pick up again, and interest rates will remain relatively low. All of these are signs that would indicate a healthy economy. The current industry outlook and economy has placed Steven Madden in the perfect position going forward. With their negotiations, and upcoming relationship with Amazon, they are going to be able to get a step ahead of competitors with these distribution channels. On top of this, Steven Madden has established a strong brand name and has a flexible price range that would make products still appealing in the event that the economy does begin to slow down, which it does not look likely any time soon.

Ownership/Management:

Primarily Investment Advisors currently hold Steven Madden, which is at about 80%. Out of that 80%, Vanguard, Blackrock, and Fidelity hold about 20%. Followed by individual investors holding close to 9% and finally hedge fund investors holding about 5% of shares. I believe that this is a good indication because it shows that there is confidence in holding the stock as well as hedge fund investors believing that there is extreme upside potential. In addition to this, Steven Madden in Q1 repurchased about a million shares and in Q2 purchased back another 900,000 shares. This is another indicator that internally they believe that their

Ownership Type	09/24/17	Curr↓	Change
11) Investment Advisor	79.77	79.76	-0.01
12) Individual	8.94	8.94	0.00
13) Hedge Fund Manager	4.94	4.94	0.00
14) Pension Fund	2.15	2.15	0.00
15) Insurance Company	1.22	1.22	0.00
16) Sovereign Wealth Fund	1.13	1.13	0.00
17) Bank	0.88	0.88	0.00
18) Government	0.48	0.48	0.00
19) Holding Company	0.35	0.35	0.00
20) Endowment	0.06	0.06	0.00
21) Brokerage	0.05	0.05	0.00

company is undervalued. This also would be a good sign for investors because this now means that their shares are worth more going forward and are less likely to be impacted by dilution.

Competitors Comparison:

In the fashion industry, competition is extremely high; there are so many different products, brands, and substitutes for whatever you may need/want. Steven Madden lists this as one of their major risks and impacts on performance. According to management, their major competitors are Guess, Ugg, Crocs, and Aldo.

	Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	ex/Sales (%)	Return on Invested Capital	Return on Assets	Return on
	Median	3.48%	5.52%	12.93%	9.41%	8.38%	6.16%	2.49%	13.88%	9.21%	13.66%
100)	STEVEN MADDEN LTD	5.16%	7.39%	14.03%	12.63%	10.51%	8.80%	1.14%	17.24%	13.37%	18.04%
101)	DECKERS OUTDOOR CORP	-0.56%	8.94%	13.16%	10.32%	8.38%	7.42%	2.49%	13.88%	10.30%	14.80%
102)	WOLVERINE WORLD WIDE ...	-2.62%	5.52%	11.05%	9.41%	12.74%	6.14%	2.22%	9.82%	6.26%	15.34%
103)	CROCS INC	-6.57%	394.51%	4.82%	1.49%	86.56%	0.10%	1.28%	1.69%	0.16%	-7.69%

With this in mind, Steven Madden has outperformed competitors and is leading this sector at their tier level. They are beating their competitors and are way above industry median in many profitability sections. One of the most important ratios to look at in the picture above is ROIC. Currently, Steven Madden is leading their competitors with a 17.24% ROIC. This is only second to Nike, however. Nike is not comparable due to size and difference in offered products. Steven Madden by far is best in class and has positioned themselves to increase these returns and increase their margins going forward.

Market Share – Key Customers

Retailer	Rank in Department
Nordstrom	#1
Macy's	#1
Lord & Taylor	#1
Dillards	#2
DSW	#1
Zappos	#1

Conclusion:

Steven Madden is only going to increase throughout 2017 and 2018 and would definitely fit well into our portfolio. Steven Madden has set growth strategies that are propelling them forward and have distinct plans on how they want to accomplish their goals moving forward. With their three pillars of growth, there is only upside for this company. Organic growth coming from correct positioning marketing and brand recognition. Their increasing amount of international exposure through joint ventures and established distribution channels. Finally, their acquisition strategy that has allowed them to lock in more brands and profits without entering into any debt. Steven Madden is as buy.

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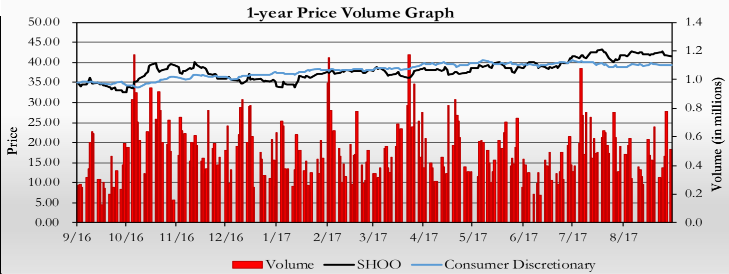
Analysis by Paul Martinez	Current Price:	$42.95	Intrinsic Value	$46.78	Target 1 year Return: 22.2%
9/29/2017	Divident Yield:	0.0%	Target Price	$52.49	Probability of Price Increase: 97.8%



Description

Steven Madden, Ltd. designs, sources, markets, and sells fashion-forward name brand and private label footwear for women, men, and children worldwide.

General Information

Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	November 3, 2015
Next earnings date	October 30, 2017
Estimated Country Risk Premium	5.69%
Effective Tax rate	26%
Effective Operating Tax rate	32%

Market Data

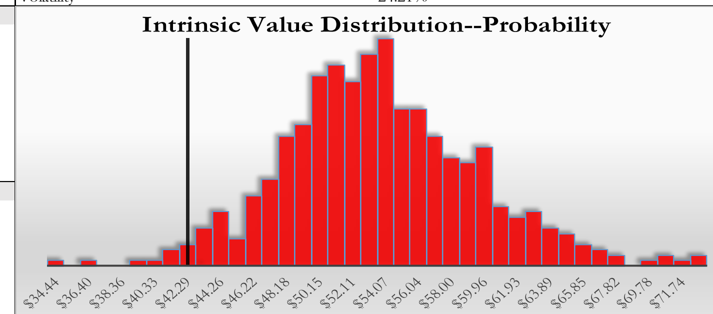
Market Capitalization	$2,487.61
Daily volume (mil)	0.33
Shares outstanding (mil)	59.16
Diluted shares outstanding (mil)	58.54
% shares held by institutions	84%
% shares held by investments Managers	84%
% shares held by hedge funds	4%
% shares held by insiders	9.67%
Short interest	3.94%
Days to cover short interest	5.04
52 week high	$43.80
52-week low	$32.30
Volatility	24.21%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2016	-2.95%	-7.67%
9/30/2016	-1.21%	2.93%
12/31/2016	-3.52%	-13.86%
3/31/2017	0.30%	4.67%
6/30/2017	3.78%	8.44%
Mean	-0.72%	-1.10%
Standard error	1.3%	4.2%

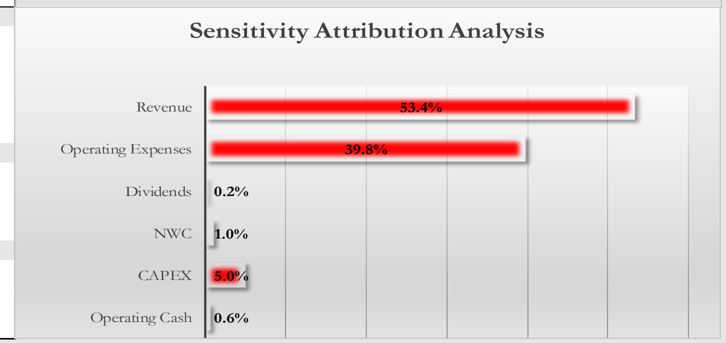
Peers

Deckers Outdoor Corporation
The Finish Line, Inc.
Wolverine World Wide, Inc.
DSW Inc.
Skechers U.S.A., Inc.
Crocs, Inc.
Under Armour, Inc.
Columbia Sportswear Company

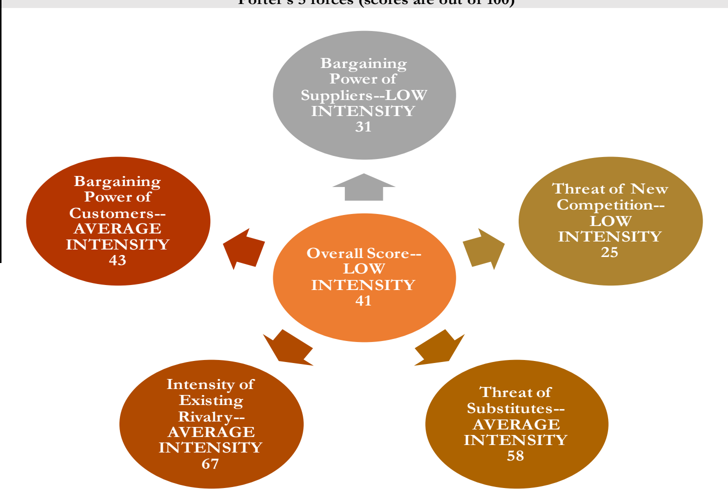


Management	Position	Total compensations growth	Total return to shareholders
Rosenfeld, Edward	Chairman and Chief Executive	22.12% per annum over 5y	5.37% per annum over 5y
Varela, Amelia	President and Director	-12.18% per annum over 5y	5.37% per annum over 5y
Dharia, Arvind	Chief Financial Officer, Chi	-3.06% per annum over 5y	5.37% per annum over 5y
Sinha, Awadhesh	Chief Operating Officer	6.11% per annum over 5y	5.37% per annum over 5y
Paradise, Michael	Executive Vice President and	N/M	0% per annum over 0y
Madden, Steven	Founder and Creative & Desig	N/M	N/M

Profitability	SHOO (LTM)	SHOO (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	24.5%	26.03%	19.20%
Operating Margin	9%	10.39%	4.94%
Revenue/Capital (GAAP)	2.58	2.51	3.89
ROE (GAAP)	16.4%	17.8%	9.3%
Net margin	8.2%	8.6%	4.0%
Revenue/Book Value (GAAP)	2.00	2.06	2.34
Invested Funds	**SHOO (LTM)**	**SHOO (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	20.9%	22.6%	23.5%
NWC/Capital	29.5%	22.2%	37.2%
Operating Assets/Capital	29.1%	36.9%	31.0%
Goodwill/Capital	20.5%	17.1%	8.2%
Capital Structure	**SHOO (LTM)**	**SHOO (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.00	0.00	0.11
Cost of Existing Debt	4.0%	4.0%	6.5%
CGFS Rating (F-score, Z-score, and default Probability)	A	BB	BBB
WACC	9.0%	9.7%	11.8%



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	5%	11.3%	1.46
6/30/2018	8%	9.6%	1.52
6/30/2019	7%	9.8%	1.34
6/30/2020	6%	9.9%	1.20
6/30/2021	6%	10.0%	1.09
6/30/2022	5%	10.1%	1.00
6/30/2023	5%	12.4%	0.92
6/30/2024	4%	12.3%	0.84
6/30/2025	4%	12.3%	0.78
6/30/2026	3%	12.3%	0.72
6/30/2027	3%	12.3%	0.67
Continuing Period	2%	12.3%	0.62

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	16.5%	9.0%	$46.09
6/30/2018	14.5%	8.7%	$51.04
6/30/2019	13.2%	8.6%	$56.26
6/30/2020	11.9%	8.6%	$61.72
6/30/2021	10.9%	8.7%	$67.64
6/30/2022	10.1%	8.7%	$73.28
6/30/2023	11.4%	8.8%	$79.05
6/30/2024	10.4%	8.8%	$85.10
6/30/2025	9.6%	8.9%	$91.34
6/30/2026	8.9%	9.0%	$97.57
6/30/2027	8.2%	9.0%	$103.94

SIENA college

BJORKLUND FUND

September 29th, 2017

The Children's Place: PLCE

Joshua Weiss

Sector: Services
Industry: Apparel Stores
Current Price: $117.55
Target Price: $143.65

The Children's Place is a retailer that specializes in children's apparel. They sell apparel, accessories, footwear and other items mainly for ages newborn to 12.

BUY

Current Price: $117.55
Target Price: $143.65
Market Cap: 2.08B
Beta: .31
ROE: 26.32%
EPS: 6.97
Net Income Margin: 7.1%

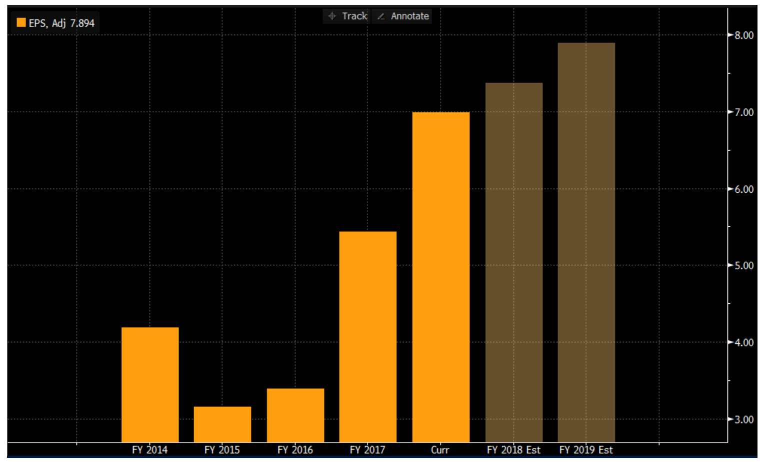
Thesis:

The Children's Place is one of the largest children's apparel retailers. With the bankruptcy of their largest competitor and growth with digital sales over the next few years, the company's EPS will continue to increase at the exponential rate that it did this past year. Due to these large EPS and EDITDA increases I believe that The Children's Place in undervalued.

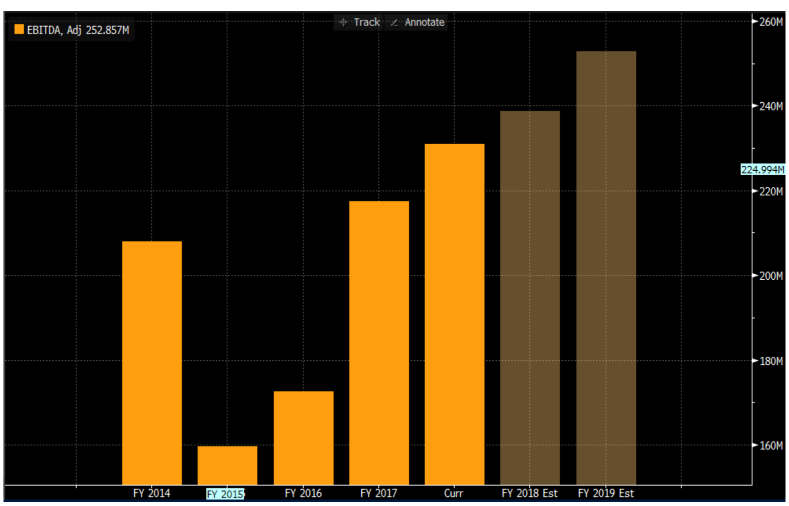
Catalysts:

- Some Short Term catalysts are that their largest competitor Gymboree filed for bankruptcy and will be closing over 300 stores. Also another catalysts in the next few months is the start of the partnership with Amazon Canada.
- Increase from 300 SKUs to 4000 SKUs with their partnership in Amazon along with the growth of their PLCC/loyalty programs and the creation of the CRM system.
- The main long term catalysts that The Children's Place has been focusing on is the expansion of points of distribution internationally. They currently have 161 points in 19 different countries and plan to expand that to over 300 points of distribution by the end of 2020

Earnings Performance:



As shown in the picture to the right the Earnings per Share for The Children's Place since last year has went from 3.39 to 5.44, an increase in 60%. Looking at their competitors such as Target, Walmart, Gap, Gymboree and Carter's, The Children's Place has a greater increase in 1 year % change of EPS than all of them. Compared to these competitors except for Gap Inc., it beats all of them in ROE while being significantly smaller than all of these companies. Along with beating there competitors on all of this, they also dominate the industry as a whole by beating the industry median in everything except DVD 12M Yld and Chg PCT 1M. The Children's Place Price to Earnings ratio is at 16.91 which is higher than all the competitors besides Walmart which is at 17.92, only 1.01 greater than The Children's Place. Another way to show that The Children's Place is doing extremely well is by the increase in the companies EBITDA. As shown below in the chart, the companies EBITDA has been growing drastically from January of 2016 at 172.6 to 217.4 in January of 2017. This is an increase in 26% over the year duration and when you take into account the EBITDA from the end of July of 2017, EBITDA has increased 33.78% from January 2016. This shows that the company is growing at a very fast rate right now and the projections show that they will not be slowing down and are projected to be at 252.9 by the beginning of 2019.



	Name (BICS Best Fit)	Mkt Cap (USD)	Last Px	Chg Pct 1D	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld
	Median	1.42B	21.48	0.25%	15.92%	0.23%	0.57%	15.08	15.47%	3.50%
100)	CHILDREN'S PLACE INC/...	2.08B	118.15	0.51%	11.30%	3.45%	60.26%	16.91	26.32%	1.18%
101)	WINMARK CORP	555.40M	131.75	-0.19%	-0.08%	-4.13%	9.35%	24.72	--	0.32%
102)	DULUTH HOLDINGS INC -...	658.59M	20.29	0.25%	3.57%	23.66%	-37.74%	34.98	17.97%	--
103)	GUESS? INC	1.42B	17.03	-1.90%	9.31%	0.23%	-56.11%	33.71	4.31%	5.28%
104)	TAILORED BRANDS INC	710.38M	14.44	1.91%	22.17%	-3.36%	-7.07%	7.58	--	4.99%
105)	URBAN OUTFITTERS INC	2.62B	23.90	-0.13%	16.93%	2.92%	3.92%	15.08	14.45%	--
106)	GAP INC/THE	11.58B	29.53	0.03%	25.02%	-1.78%	-16.16%	14.45	29.66%	3.12%
107)	DSW INC-CLASS A	1.73B	21.48	0.47%	15.92%	3.48%	-7.71%	16.00	11.50%	3.72%
108)	AMERICAN EAGLE OUTFIT...	2.53B	14.30	0.63%	19.67%	2.50%	14.94%	12.37	18.94%	3.50%
109)	CALERES INC	1.31B	30.52	-0.23%	13.12%	0.08%	0.57%	14.51	14.06%	0.92%
110)	CHICO'S FAS INC	1.15B	8.95	1.36%	16.54%	-6.92%	21.50%	12.03	15.47%	3.66%

Business Overview:

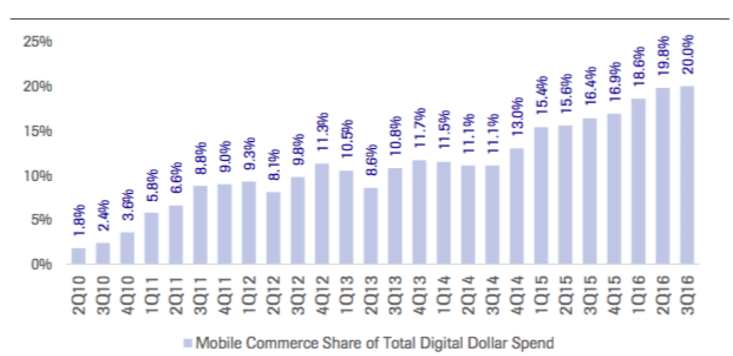
The Children's Place is an apparel store that specializes in children's apparel retail. It was founded in 1969 and then after 19 years was sold to the Dabah family in 1981 who still own it today. The company went public in 1997 and 1/3rd of the stocks are owned by the CEO Ezra Dabah and his family. Their product line is aimed at children ages from newborn to 12. In the market of retail, they offer prices that are much lower than most of the principal brand name competitors. Although a majority of their stores are in malls and sales of malls have been decreasing due to online shopping, The Children's Place has done a great job over the past few years to do extremely well. They have been closing stores that have been underperforming and are using their real estate to optimize their revenues. With doing this it leaves them with maximum flexibility and leverage to adjust and react to rapid and major changes that could happen in the real estate industry. It controls a majority of the market share for the U.S baby and infant market and throughout the past year have done extremely well in every category. From the data that is shown below in The Children's Place's 10K, their Operating income has grown by almost 50% which is the direct cause in the almost doubling of the net income in one year. The increase in operating income coming from the $60,000,000 increase in net sales and only a $13,000,000 increase in cost of sales can come from many different factors such as the partnership with amazon, more online shopping such as ordering online and picking up at the store or even just the closing of poorly performing stores in order to gain back the real estate value.

		Fiscal Year Ended	
	January 28, 2017	January 30, 2016	January 31, 2015
	(In thousands, except earnings per share)		
Net sales	$ 1,785,316	$ 1,725,777	$ 1,761,324
Cost of sales (exclusive of depreciation and amortization)	1,113,723	1,100,645	1,139,024
Gross profit	671,593	625,132	622,300
Selling, general, and administrative expenses	454,143	469,898	470,686
Depreciation and amortization	65,734	62,685	60,494
Asset impairment charges	4,026	2,371	11,145
Other (income) costs	282	98	(68)
Operating income	147,408	90,080	80,043
Interest expense	(1,953)	(1,718)	(1,323)
Interest income	1,558	1,020	1,155
Income before provision for income taxes	147,013	89,382	79,875
Provision for income taxes	44,677	31,498	22,987
Net income	$ 102,336	$ 57,884	$ 56,888
Earnings per common share			
Basic	$ 5.51	$ 2.83	$ 2.62
Diluted	$ 5.40	$ 2.80	$ 2.59
Weighted average common shares outstanding			
Basic	18,584	20,438	21,681
Diluted	18,959	20,702	21,924

Industry Outlook:

The industry as a whole is actually struggling a lot. With the use of online shopping more frequently, less people go into the retail stores and buy the products. This goes especially for most of The Children's Place and their competitor's stores where they are mainly set up in malls. One of these reasons is the drastic increase in online shopping, including mobile commerce. Since 2010, mobile commerce has increased from 2% to 20% of total share of digital dollars spent. To put into perspective as well, since 2010 Amazon sales has risen from $16 billion to $80 billion, while Sears revenue last year was $22 billion. With Amazon sales basically tripling Sears, reports also show that almost half of U.S households have Amazon Prime accounts. Another issue with the retail industry is that there are way too many malls built. There is expected to be a decrease from 1200 malls to about 900 malls within the next decade. Lastly a key issue for retail companies is that a lot more people instead of being materialistic with their money and going out to buy clothes or accessories from stores, they spend a lot more of their money on going out

The Growth of Mobile Shopping



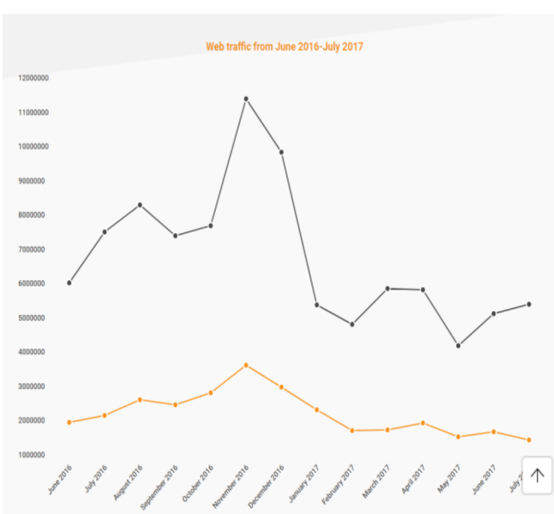
to get food with friends. This seems like it is due from a social media standpoint because many teens are not going to the malls and stuff as much or even retail stores because they are driven to do anything that will make them social media acceptable. Although these all seem like the industry is doing very poorly, the companies that are well established and have a good online buying basis have been doing very well and beating the market in almost every quarter, just like The Children's Place has.

Gymboree Bankruptcy Effect on Children

Many large retail companies such as JC Penney, RadioShack, and Macy's along with 6 others have already filed for bankruptcy this year. Along with these companies, a major competitor of The Children's Place, Gymboree also filed for bankruptcy very recently. With this they will be closing 330 stores nationwide, and of these 330 stores, 75% or 248 stores are located in malls. Of these 248 stores located in malls, 189 of them are located in A or B malls. Malls are classified by the amount of sales they make. An A mall is a mall that make over $400 million in sales, a B mall that is anything above $200 million in sales and below $400 million and then a C mall is anything below $200 million in sales. Of the 248 stores located in malls that are closing, The Children's place have stores that are 72% directly co-located in the same mall, which means they have a store in the same mall that Gymboree is closing in. Of these 179 stores that are co-located, 139 of them are located in the A or B malls that Gymboree are closing down in. That means that almost 80% of the stores that are directly co-located are in malls that are making well anywhere from $200 million and up as a whole. I believe that this will further increase The Children's Place total market share that they have on the industry. I also believe that it will greatly increase sales due to the fact of so many closing stores from their main competitor that many people will turn to them now to go and purchase at their store instead.

Online Distributions and Partnerships

The Children's Store has been very keen on doing everything in their power to become better at digital sales due to the increase in online shopping over the past decade. One of the ways they did this was by bringing in a new Chief Digital Officer, Steve Rado. He has a great background of the industry and has done significantly well since he has got there. One partnership that has definitely benefited them has been their partnership with Amazon. With the partnership in Amazon, The Children's Place is looking to increase from 300 SKUs since they started their partnership in 2014, to 4,000 SKUs for holiday time in 2017. They said they partnership with Amazon in order to utilize key tools that they have to increase sales and also increase their brand recognition since Amazon has such a large online purchasing audience. The partnership has gone very well with The Children's Place



being the number two overall brand for kids and babies on prime day. Another thing they are planning on doing is that an outside retailer is building them a new CRM system. A CRM system allows you to keep tract of everything your customer does up to date. It allows you to track every interaction they have with your business and manage their account. They are used to help improve customer relationships and also get a customer to come back as much as possible. Lastly, one thing they have done to greatly increase their online shopping is allowing customers to do a digital delivery. They have two options, they can either have it shipped to their house or even buy it online and just walk into the store and pick it up already paid for. This has done very well for them because many parents are in a rush and don't always have time to go shopping for their kids, so now instead they order online and pick it up in the store and skip the hassle of shopping and waiting in lines. Below is a chart of the web traffic of The Children's Place (black line) vs Gymboree (orange line) in the past year.

Conclusion:

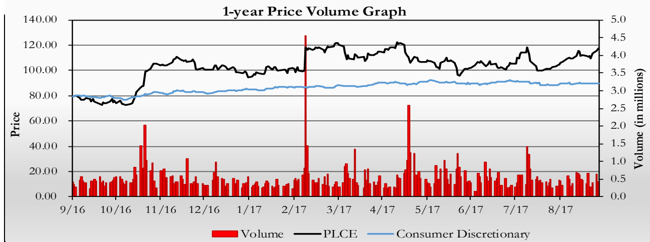
The Children's Place is a must buy. With all their earnings being either very close or doing better than all their competitors that are much bigger than them shows that they have what it takes to do very well in the market at this time. They are weeding out all the stores that have been underperforming and I believe that this will help there company because they will not be wasting money on stores that are losing them money. Also those companies that are marked as their competitors are in the same apparel industry but are not solely focused on children's apparel and accessories which is why I think they will always be around and doing well because they have a great brand association with anything children related. With all of these earning growths, their largest competitor going bankrupt and the increase of digital sales with Amazon I believe that The Children's Place is undervalued and will do very well for us in the next year or so.

The Children's Place, Inc. (PLCE)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Joshua Weiss	Current Price:	$117.55	Intrinsic Value	$140.85	Target 1 year Return: 31.24%
9/30/2017	Divident Yield:	1.0%	Target Price	$153.11	Probability of Price Increase: 99.8%



Description

The Children's Place, Inc. operates as a children's specialty apparel retailer.

General Information

Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	November 3, 2015
Next earnings date	November 9, 2017
Estimated Country Risk Premium	5.69%
Effective Tax rate	40%
Effective Operating Tax rate	45%

Market Data

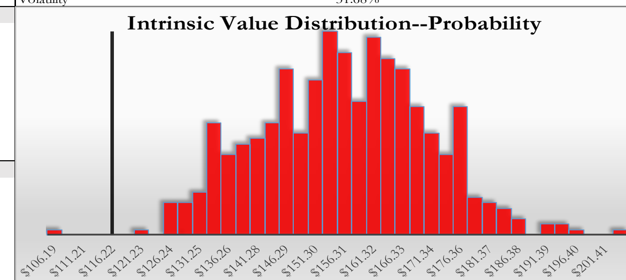
Market Capitalization	$2,073.57
Daily volume (mil)	0.30
Shares outstanding (mil)	17.64
Diluted shares outstanding (mil)	18.43
% shares held by institutions	84%
% shares held by investments Managers	111%
% shares held by hedge funds	10%
% shares held by insiders	1.31%
Short interest	26.28%
Days to cover short interest	9.55
52 week high	$125.30
52-week low	$70.90
Volatility	31.68%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
7/30/2016	-0.74%	59.68%
10/29/2016	0.77%	0.39%
1/28/2017	-2.29%	3.28%
4/29/2017	1.90%	4.72%
7/29/2017	-2.48%	-7.71%
Mean	-0.57%	12.07%
Standard error	0.9%	12.1%

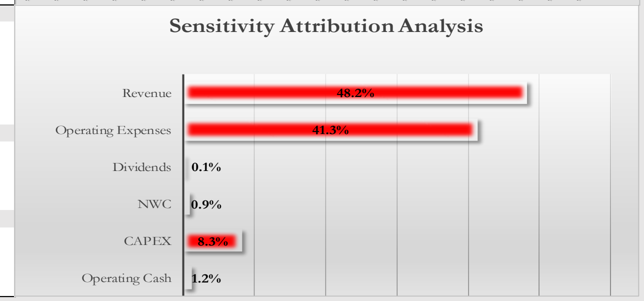
Peers

- Express, Inc.
- American Eagle Outfitters, Inc.
- DSW Inc.
- The Finish Line, Inc.
- Urban Outfitters, Inc.
- Lululemon Athletica Inc.
- Chico's FAS, Inc.
- Carter's, Inc.

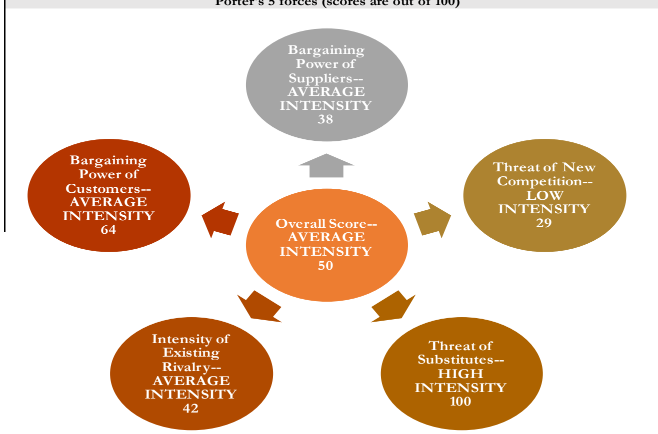


Management	Position	Total compensations growth	Total return to shareholders
Elfers, Jane	CEO, President & Director	-100% per annum over 4y	4.78% per annum over 4y
Pruthi, Anurup	Chief Financial Officer and	-100% per annum over 2y	26.86% per annum over 2y
Scarpa, Michael	Chief Operating Officer and	-100% per annum over 4y	4.78% per annum over 4y
Low, Kevin	Senior Vice President of Sto	-100% per annum over 3y	13.36% per annum over 3y
Poole, Gregory	Senior Vice President of Glo	-100% per annum over 4y	4.78% per annum over 4y
Kovac, John	Senior VP & Chief Informatio	N/M	N/M

Profitability	PLCE (LTM)	PLCE (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)	36.3%	15.65%	28.02%
Operating Margin	5%	3.67%	4.58%
Revenue/Capital (GAAP)	6.72	4.27	6.12
ROE (GAAP)	26.0%	9.8%	15.5%
Net margin	7.1%	3.4%	5.8%
Revenue/Book Value (GAAP)	3.64	2.93	2.67
Invested Funds	**PLCE (LTM)**	**PLCE (5 years historical average)**	**Peers' Median (LTM)**
Cash/Capital	46.7%	38.3%	28.4%
NWC/Capital	10.2%	19.1%	19.1%
Operating Assets/Capital	43.1%	42.4%	47.9%
Goodwill/Capital	0.0%	0.0%	4.6%
Capital Structure	**PLCE (LTM)**	**PLCE (5 years historical average)**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.10	0.00	0.09
Cost of Existing Debt	4.6%	4.0%	4.3%
CGFS Rating (F-score, Z-score, and default Probability)	AA	BBB	A
WACC	7.1%	9.7%	9.5%



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



Valuation

Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	3%	8.9%	1.61
7/29/2018	1%	12.5%	1.57
7/29/2019	2%	12.7%	1.26
7/29/2020	2%	12.5%	1.08
7/29/2021	2%	12.3%	0.95
7/29/2022	2%	12.1%	0.84
7/29/2023	2%	11.9%	0.77
7/29/2024	2%	11.7%	0.71
7/29/2025	2%	11.6%	0.66
7/29/2026	2%	11.4%	0.62
7/29/2027	2%	11.3%	0.58
Continuing Period	2%	11.1%	0.55

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	14.3%	7.1%	$141.54
7/29/2018	19.7%	5.8%	$154.00
7/29/2019	16.0%	6.5%	$168.11
7/29/2020	13.5%	6.6%	$182.16
7/29/2021	11.6%	6.8%	$196.23
7/29/2022	10.2%	7.0%	$210.37
7/29/2023	9.1%	7.2%	$224.62
7/29/2024	8.3%	7.4%	$239.03
7/29/2025	7.6%	7.6%	$253.69
7/29/2026	7.0%	7.9%	$268.68
7/29/2027	6.6%	8.2%	$284.11
Continuing Period	6.2%	8.5%	