October 15, 2018

Callaway Golf: (ELY)

Eric Munn

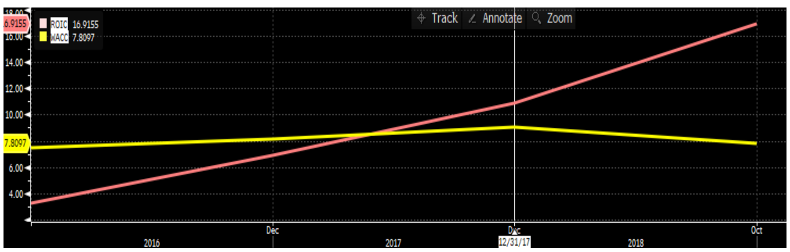
Sector: Consumer Discretionary
Industry: Sporting Goods
Current Price:
Target Price:

Business Description: Callaway Golf Company designs, manufactures and sells high quality golf clubs, golf balls, golf bags and other golf-related and lifestyle apparel, gear and accessories. The company is a leader in advanced products with sleek design for both functionality and style.

HOLD

Current Price:	$23.27
Target Price:	$26.61
Avg.Volume:	.972M
Market Cap:	$2.2B
D/E:	1.11x

Trailing 12 Month adj. EBIDA Margin Growth: 55%
Short Interest Ratio: 5.2 Days
ROIC/WACC: 2.1x



Green Line: Main Competitor
White: Positive Q2 Earnings Report
Red: Negative analyst report
Green: Additional 20 million Topgolf investment

Thesis:

Callaway Golf Company is taking the necessary steps to develop and foster growth across all of its business segments after an extremely strong 1H of 2018. Increases in the market share for balls and a focus on efficient production shows a focus on their most profitable segment. Callaway has strategically deployed capital into complimentary companies that have diversified its earnings. The growth of this company is dependent on the strength of product releases in the 1H of 2019

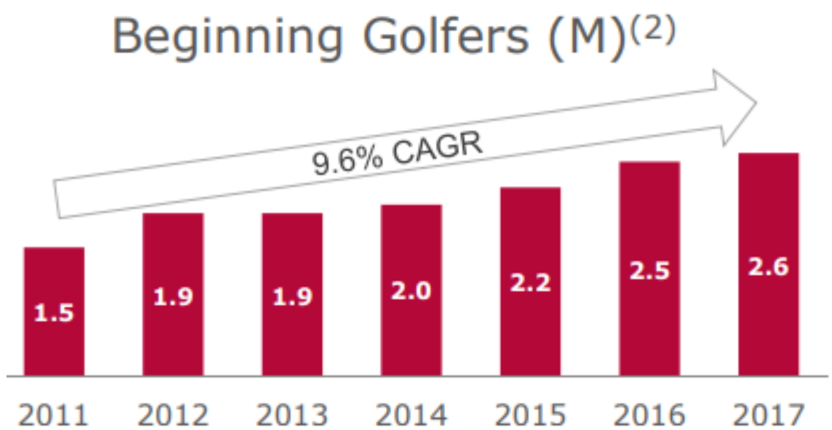
Catalysts:

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

- Short Term(within the year): Continued increase in ball market share
- Mid Term(1-2 years): Successful product releases for 1H 2019
- Long Term(3+): Increase in golf interest beyond the stabilization of 23-24 million

Industry:

The golf industry is constantly under scrutiny because of its lack of consistent growth. However, participation has increased in important areas. According to National Golf Research, an additional 8.3 million people who played exclusively off course. 21 million total people participated in off course golfing. Golf Datatech research shows a 4% increase in people trying the sport. NGF President, Joe Beditz, provided an overview of the industry conditions: "Golf participation is evolving. On-course, green-grass participation is holding its own and off-course is continuing to grow. There's no denying that we're down from our pre-recession highs, but it appears to us that traditional participation is stabilizing and there may be a new support level between 23 million and 24 million." Overall participation is around 32 million. The recent resurgence of Tiger Woods has sparked interest in the game of golf. Tiger just won his first PGA championship in 5 years. There was 5.2-x increase in ratings YoY for the tournament he won. Callaway is poised to benefit from the macro tailwinds caused by increased viewership and ratings.

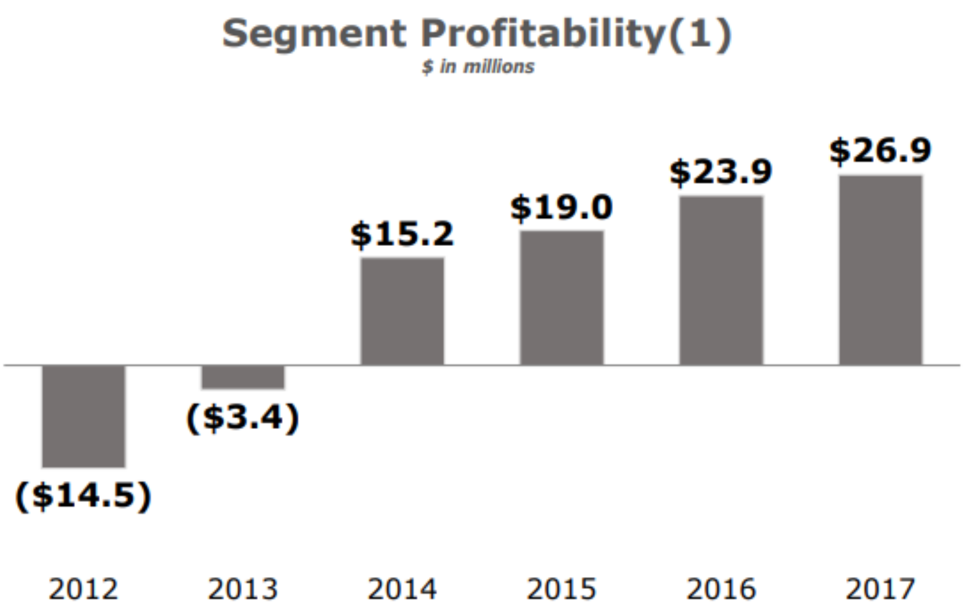


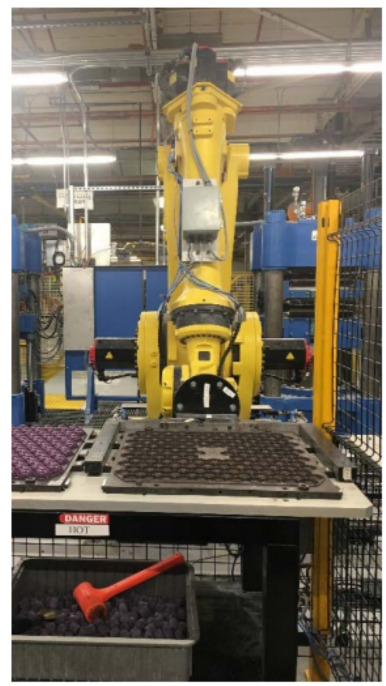
Business Segment Analysis:

Golf Clubs: Golf clubs continue you to be Callaway's major edge in the market. 2Q club revenue of $232.8M grew 18.6 YoY, led by major upside in the Rouge offerings. Callaway had already had major success with the EPIC series, but the new offerings caused a net sales increase of 5.2% for woods, 35% for irons and 12.4% for putters. The success of the product launch is a precursor for more growth upon the next product launch.

Golf Balls: Balls contributes 15 percent to the revenue. Callaway continues to lag behind its main competitor, Acushnet:GOLF, in ball market share. The market share has increased from around 14% to 16% YoY. The golf ball segment was the most profitable. With a YoY increase of 12.5% on the price for the ChromeSoft X, consumers are becoming more open to quality that is worth the price. The high-level technology is creating more opportunity for market share.

According to an analyst question on the Q2 earnings call, there is room for improvement in margin. A 33 million dollar update on the Chicopee Ball Manufacturing plant will likely improve efficiency and lower costs. The overall profitability should increase as the margins increase. As the smallest piece of revenue, but the most profitable. The expectation is that there will be a continued focus on improvement in this segment.





Gear and Accessories: In August 2017, the Company acquired TravisMathew for $124.6 million in an all-cash transaction, subject to customary working capital adjustments, and in January 2017 acquired OGIO for $66.0 million. Callaway made strategic acquisitions of OGIO and Travis Mathew to diversify their earnings. The introduction of this business segment has worked will thus far. There was a 64% increase in the gear, accessories and other category driven by the TravisMathew business. The acquisitions increased the SG&A, but the 1H percentage of revenue is 26%, which is 4% lower than the 1H of 2017.

Off Course Investment:

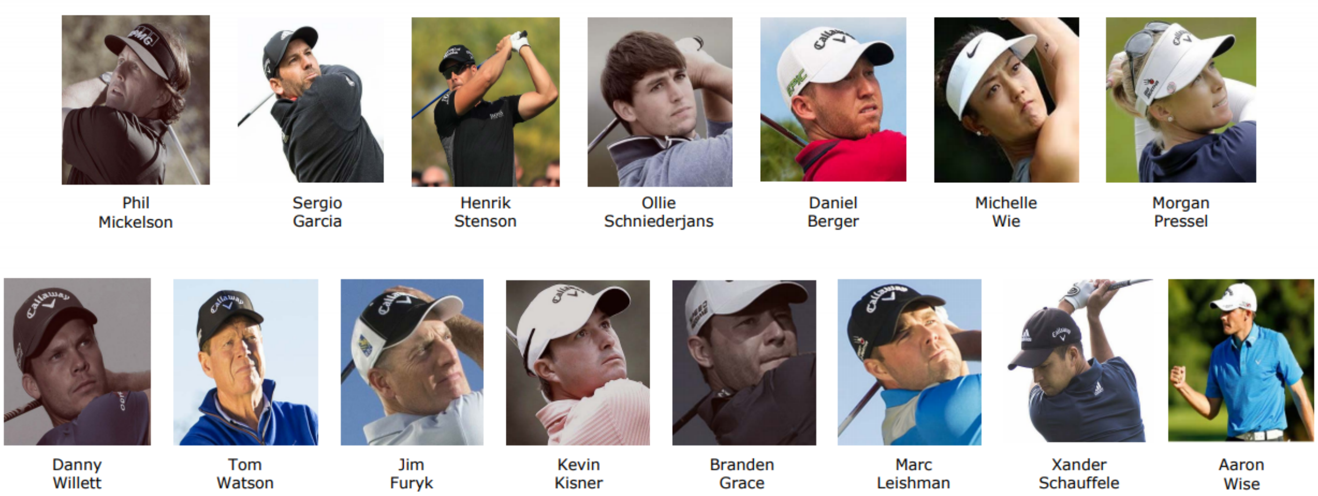
Callaway is taking advantage of the influx of youth and off course golfers. By keeping up with trends in the industry, the company is refusing to lag behind.

Callaway is the sole brand partner with TopGolf. Topgolf is a combination of a driving range and a bar/nightclub. They initially invested in 2006. They currently have 14% ownership with their investment at 70.5 million. Management believes that the company's valuation is north of 2.1 billion. They have also been able to realize profit. In 2016, the Company completed the sale of a small portion of its preferred shares of Topgolf for total proceeds of $23.4 million, and recognized a pre-tax gain of $17.7 million. While an IPO is unlikely, Callaway has invested in multiple rounds over the past decade and are likely to continue to increase their stake.

Topgolf is a combination of a driving range and a bar/nightclub. It creates a casual atmosphere and creates interest in the game of golf. It had 41 locations as of September 2018 and is looking to grow about 22% in the coming year. 51% of the participants are non-golfers. According to the NGF report, over half of the people who visited off-course golf facilities also golfed on a course at some point during the year. Only 8.3 million people golfed off-course only. Offcourse golf is growing and is helping to grow the entire industry. Callaway is ahead of the rest of the industry with this investment.

PGA Tour Athletes:

The best way to foster brand recognition and sales is through the PGA tour. Tiger Woods last appearance is evidence of the impact of player recognition on golf interest. Callaway has some of the best golfers in the world. They recently introduced Sam Burns (College Player of the Year) and Maverick McNealy (Former #1 in the World Amateur). They are adding young players that will likely become a force in the sport. Management has committed to a strategic pipeline in high schools and colleges to find new athletes. The website features "What's in the bag", which highlights the clubs used while winning a championship. Their most recognizable athlete, Phil Mickelson, will be facing off with Tiger Woods on a nine million dollar bet. The event will increase the interest in Callaway Golf because of Woods's influence and recent Tour Championship. Mickelson will be displaying Callaway's clubs to the world.



Product Cadence:

Callaway has a length and strong track-record of technologically advanced products. The introduction of the Rouge Line of clubs and Chrome Soft balls helped to drive the 1H YoY growth of 28%. In the 2nd quarter earning calls, analysts had a focus on product cadence. Concerning the 2H. Chip Brewer, the CEO, admitted that the forecasts for 2H "are significantly impacted by product cadence." The 1H was front loaded with the new products. The market has already adjusted for a 2H with no new launches. Before investing more money into this stock, the future product pipeline needs unveiling. However, because of the release and success of the EPIC line in 2017, the Rouge series and Chrome Soft balls series in 2018, there is a strong upside for betting on a strong 1H of 2019. However, holding the current shares is the right choice for now.

Stock Repurchase:

Callaway announced a stock repurchase plan on May 9, 2018. The company will repurchase up to 50 million in open market or private transactions. While there are no specific deadlines, these buy backs represent management's confidence in the company's health. The 2018 Q1 20 million dollar buybacks was a strong indicator that management believed the price was going to increase. It was the largest since 2008.

Fundamentals Graph:

The company is extremely seasonal because of the timing of the golf season. Operating margins are always down in the third and fourth quarter. Investors account for them and rather look forward to 1H. The lack of major price change during the 2H is on the graph below. Callaway has managed to increase their ROIC/WACC. The ROIC/WACC ratio is the biggest driver of the price.

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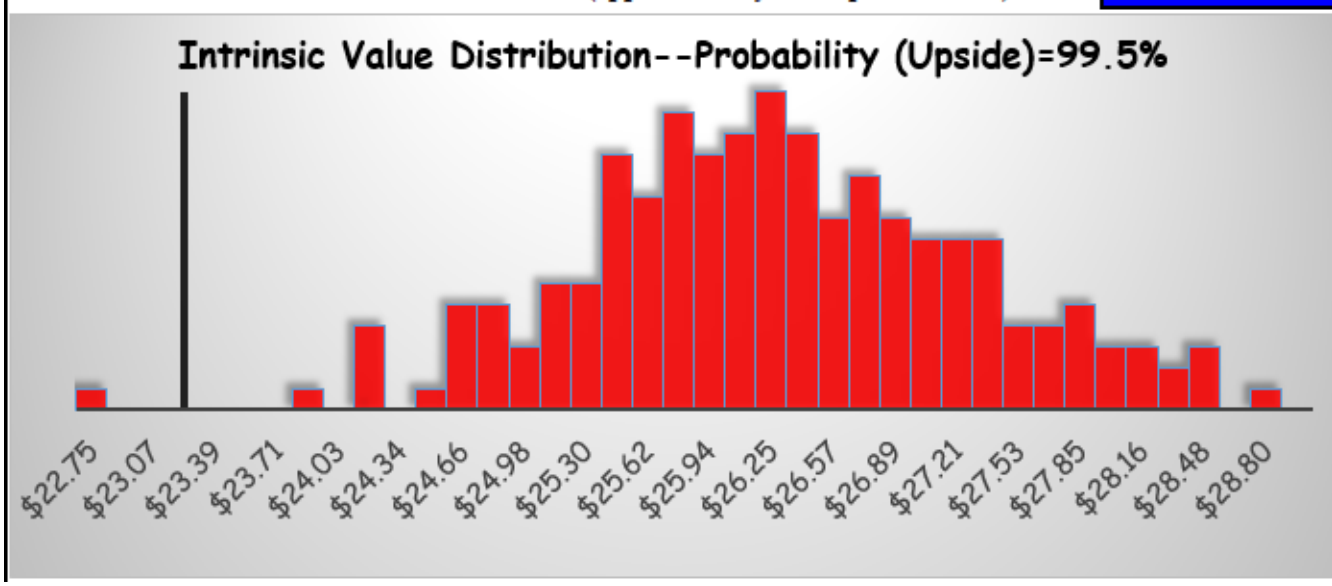
In Millions of USD except Per Share	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	Current
3 Months Ending	03/31/2016	06/30/2016	09/30/2016	12/31/2016	03/31/2017	06/30/2017	09/30/2017	12/31/2017	03/31/2018	06/30/2018	10/15/2018
Return on Invested Capital	4.86	5.85	5.40	36.44	28.11	31.83	31.60	8.25	12.24	16.09	16.09
Weighted Average Cost of Cap	7.30	7.90	7.98	8.12	8.59	9.22	9.65	9.08	7.84	8.34	7.81

Conclusion:

Callaway is poised to come off a historic 1H. The industry is stabilizing, but indications increases in off course golfers and new golfers is cause for optimism. Their track record of innovative products gives cause for optimism on product releases in 2019. All three business segments have had major increases in revenue, which should continue in the 1H of 2019 because management has shown a willingness to focus on innovation and investment in the most profitable areas of the business. Callaway has continued to invest in their marketing through their pros and it has paid dividends. Management has confidence in their company by committing to more stock repurchases. Finally, the ROIC/WACC correlated with the success of the stock price.

Expected Case:

Number of Monte-Carlo simulation trials (approximately 1 min per 300 trials)------->	200



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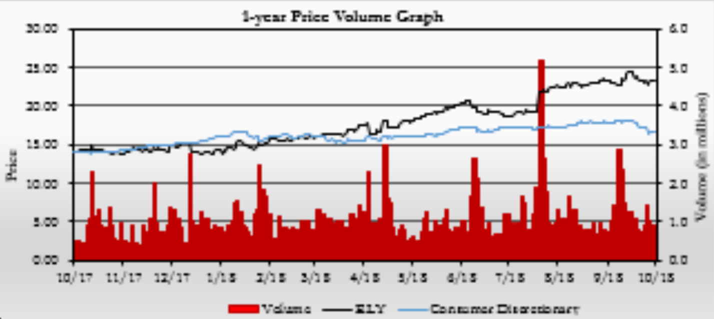
Callaway Golf Company (ELY) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Eric Munn	Current Price:	$23.28	Intrinsic Value	$26.00	Target 1 year Return: 20.15%
10/15/2018	Divident Yield:	0.2%	Target Price	$27.93	Probability of Price Increase:



Description

Callaway Golf Company, together with its subsidiaries, designs, manufactures, and sells golf clubs, golf balls, golf bags, and other golf-related accessories in the United States and internationally.

General Information	
Sector	Consumer Discretionary
Industry	Leisure Products
Last Guidance	May 8, 2018
Next earnings date	October 22, 2018

Market Assumptions	
Estimated Equity Risk Premium	5.73%
Effective Tax rate	24%

Market Data	
Market Capitalization	$2,198.56
Daily volume (mil)	0.61
Shares outstanding (mil)	94.44
Diluted shares outstanding (mil)	97.03
% shares held by institutions	94%
% shares held by investments Managers	76%
% shares held by hedge funds	9%
% shares held by insiders	1.27%
Short interest	8.04%
Days to cover short interest	6.63
52 week high	$24.67
52-week low	$13.49
Volatility	26.43%

Past Earning Surprises		
Quarter ending	Revenue	EBITDA
6/30/2017	3.45%	14.98%
9/30/2017	15.70%	1212.02%
12/31/2017	4.73%	-12.34%
3/31/2018	8.09%	24.30%
6/30/2018	7.11%	17.33%
Mean	7.82%	251.26%
Standard error	1.0%	11.8%

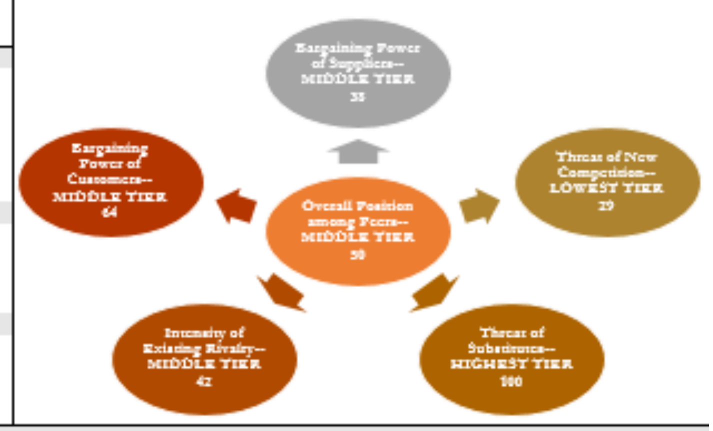
Market and Credit Scores
Recommendation (STARS) Value--0
Recommendation (STARS) Description--0
Quality Ranking Value--B-
Quality Ranking Description--Lower
Short Score--2
Market Signal Probability of Default % (Non-Ratings)--0.05%
CreditModel Score (Non-Ratings)--bbb-

Industry and Segment Information	
LTM Revenues by Geographic Segme	LTM Revenues by Business Segments
United States--54%	Golf Clubs (Excluding Gear/Accessories/Other)
Europe--13%	Golf Balls--15%
Japan--19%	Gear/Accessories/Other--23%
Rest of Asia--7%	--
Other Foreign Countries--6%	--

Peers	
Acushnet Holdings Corp.	Vista Outdoor Inc.
Malibu Boats, Inc.	Brunswick Corporation
Nautilus, Inc.	Johnson Outdoors Inc.
Mizuno Corporation	Technogym S.p.A.
MCBC Holdings, Inc.	Marine Products Corporation

Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Brewer, Oliver	President, CEO & Director	3.26% per annum over 5y	5.7% per annum over 5y
Lynch, Brian	Senior VP, CFO, Chief Ethics Officer, General C	27.87% per annum over 3y	14.44% per annum over 3y
Leposky, Mark	Senior Vice President of Global Operations	15.08% per annum over 4y	1.25% per annum over 4y
Arnott, Richard	Senior Vice President of Global Marketing		0% per annum over 0y
Hocknell, Alan	Senior Vice President of Research & Developm	-100% per annum over 2y	22% per annum over 2y
Thomas, Jennifer	VP & Chief Accounting Officer		

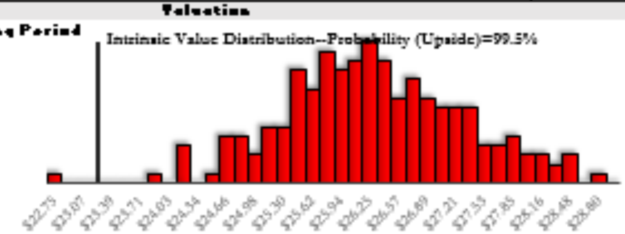
Porter's 5 forces (Scores are percentiles)

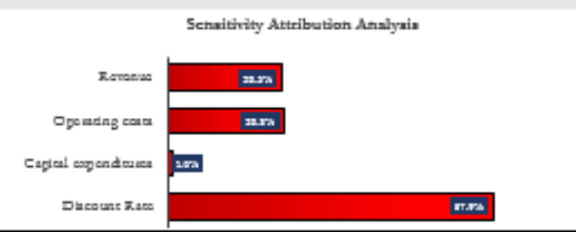


Profitability	ELY (LTM)	ELY Historical	Peers' Median (LTM)
Return on Capital (GAAP)	15.8%	1.38%	19.64%
Operating Margin	12%	2.13%	11.74%
Revenue/Capital (GAAP)	1.27	0.65	1.67
ROE (GAAP)	12.8%	6.0%	16.7%
Net margin	7.6%	4.1%	8.2%
Revenue/Book Value (GAAP)	1.690897824	1.47	2.06
Invested Funds	**ELY (LTM)**	**ELY Historical**	**Peers' Median (LTM)**
Cash/Capital	9.6%	8.2%	17.8%
NWC/Capital	21.9%	27.4%	15.0%
Operating Assets/Capital	63.2%	59.2%	46.4%
Goodwill/Capital	5.3%	4.6%	12.7%
Capital Structure	**ELY (LTM)**	**ELY Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.16	0.23	0.31
Cost of Debt	11.2%	7.7%	5.0%
CGFS Rating (F-score, Z-score, and default Probabilit	BBB		
WACC	51.9%	12.5%	10.5%

Valuation

Forecast Assumptions	Explicit Period (6 years)	Continuing Period
Revenue Growth CAGR	4%	2.5%
Average Operating Margin	14%	13%
Average Net Margin	10%	9%
Growth in Capital CAGR	8%	3%
Growth in Claims CAGR	0%	3%
Average Return on Capital	9%	6%
Average Return on Equity	9%	6%
Average Cost of Capital	9%	9%
Average Cost of Equity	9%	9%





October 15, 2018

Trinity Industries Inc.: TRN

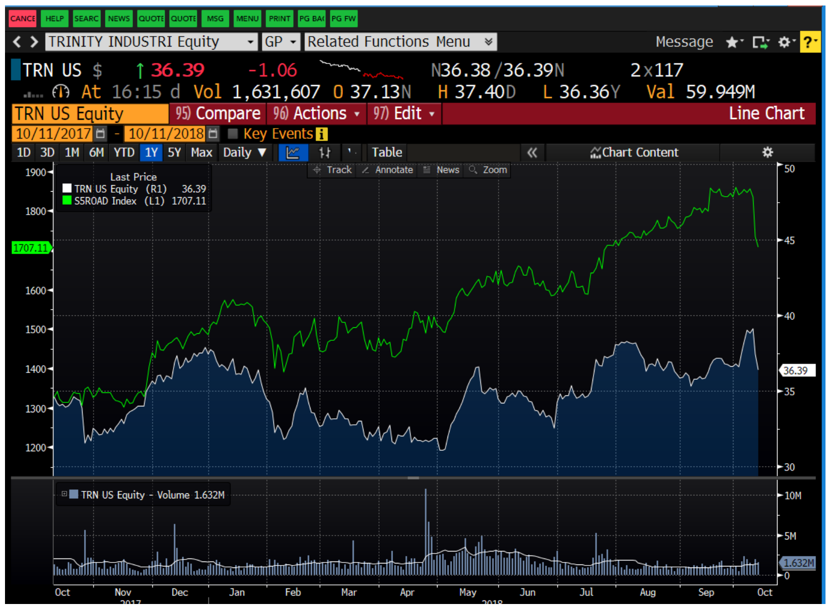
Kyle Farrell

Sector: Rail and Road
Industry: Industrials
Current Price: $36.55
Target Price: $34.61

Company Description: Trinity Industries manufactures railcar, energy, construction, marine, and leasing products and services to the energy, chemical, agriculture, transportation, and construction sectors of the U.S and international markets.

SELL

Current Price:	$36.55
Target Price:	$34.61
Market Cap:	5.31B
ROIC:	3.7%
WACC:	8.0%
ROIC/WACC:	0.36
Average Volume:	614,650



Thesis: Trinity Industries is looking to increase segment-specific growth by filing forms for a spin-off of their construction, inland barge, and energy segments to an independent company called Arcosa. Coupled with the steel and aluminum tariffs on U.S allies and Saudi Arabia restricting oil production, Trinity is facing an adverse market environment that will increase operating costs and slow growth. While the split off is intended to stimulate growth by focusing management, projected revenue growth will not counter these factors to create positive shareholder value.

Catalysts:

- **Short Term(within the year):** Spin-off will move construction, inland barge, and energy business segments from Trinity Industries to Arcosa.
- **Mid Term(1-2 years):** Ramifications of Trump's tariffs on steel and aluminum imports will increase costs of production. Slowing coal production and rising oil prices due to Saudi Arabia tightening exports.
- **Long Term(3+):** Focus on growth in biggest business segment (railroad and leasing) to increase profit margins.

Business Segments:

Trinity Industries operates in five business segments. The biggest two segments Trinity operates with are their rail group and railcar leasing and management services, which makes up 76% of their operating assets. Currently, Trinity has construction products, inland barrage, and energy segments as well that makes up 18%. Corporate and eliminations account for the other 6% of assets. In December 2017, Trinity announced their plans to create a spin-off company called Arcosa, which will be an independent entity from Trinity that will absorb the construction, inland barge, and energy segments. Trinity will retain rail and railcar leasing and management services.

Rail Group:

Trinity's Rail Group produces railcars, railcar parts and components, and railcar maintenance industries around the globe. In the US, they provide these products to the energy and chemicals, agriculture, automotive, and construction industries. TrinityRail Maintenance Services provides railcar maintenance services companies. Trinity North American Freight Car manufactures freight railcars that transport automobiles, cement, sand, coal, and steel. Trinity Tank Car manufactures pressurized and non-pressurized tank railcars to transport fuels and food products. Trinity has three railcar parts and components companies: Standard Forged Products LLC, McConway & Torley LLC, and Trinity Parts & Components LLC. Standard Forged produces railcar and locomotive axles and steel products, McConway makes coupling devices, and Trinity Parts produces railcar parts and components.

Railcar Leasing and Management Services:

Trinity Railcar Leasing and Management Services provides railcar leasing and other rail industry services. As part of this group, TrinityRail Asset Management Company creates and manages Railcar Investment Vehicles for investors interested in diversifying their portfolios with railcar financial instruments.

Energy Group:

Trinity Energy Equipment Group manufactures energy-related products. Trinity Structural Towers manufactures wind towers in North America, while Trinity Meyer Utility Structures offers steel utility products for electricity transmission and distribution. Trinity Containers offers pressurized and non-pressurized storage and distribution containers that store propane, natural gases, and other chemicals. Platinum Energy Services manufactures oil and gas storage equipment.

Construction Group:

Trinity's Construction Products Group consists of Trinity Construction Materials and Trinity Highway Products. Trinity Construction produces and distributes natural commodities, such as clay, crushed stone, sand, asphalt rock, and others. Trinity Highway produces guardrails, crash cushions, end terminals, and cable barrier guardrail systems.

Inland Barge:

The Inland Barge Group produces items for marine industry and includes Trinity Marine Products (TMP). TMP manufactures barges that transport cargoes on inland waterways. They carry petroleum products, fertilizer, ethanol, and other liquid cargoes. The dry cargo barges include barges that transport grain, coal, and others.

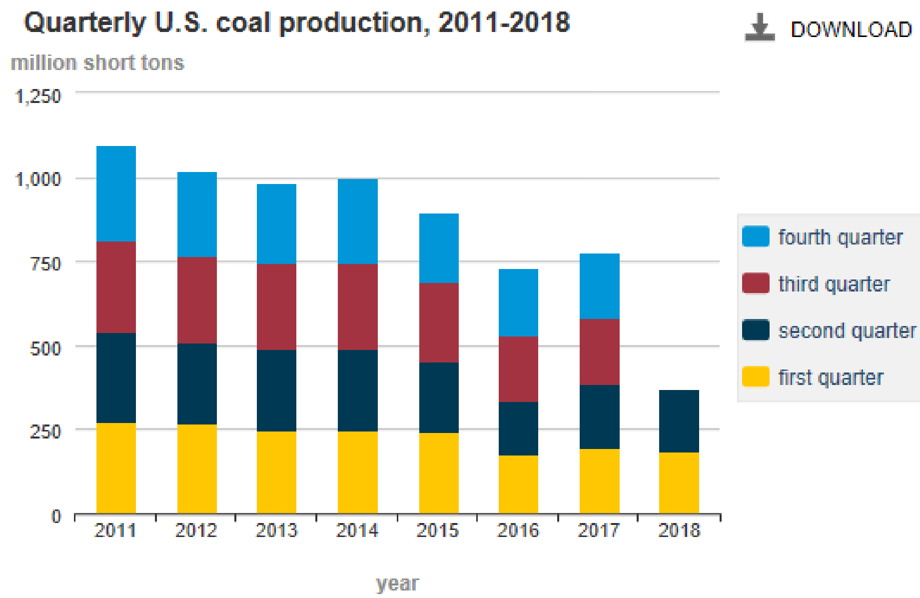
Spin-Off Announcement:

In Q4 2017, Trinity Industries management announced their intentions to create a spin-off company for their infrastructure-related business segments. According to Trinity's April 2018 investor presentation, Arcosa will absorb the construction, inland barge, and energy business segments. In total, Arcosa will account for approximately 19.76% of Trinity's current assets. The spin-off will be a tax-free activity to investors, and for every three shares of Trinity stock owned, current investors will receive one share of Arcosa stock. The spin-off is planned to be completed on November 1st, 2018. This spin-off will also move approximately $722 million in revenues away from Trinity. Below shows Trinity's 2018 revenue in terms of the spin-off.

Base Year 2018	3653.6	
	Revenue	
	Trinity	Arcosa
Rail	357.1977	
Construction		218.9128
Inland Barage		42.84075
Energy		395.6739
Railcar Leasing	2399.656	
Eliminations	-255.752	-36.536
Corporate	407.1561	101.0754
Total	2908.258	721.9668

Railroad Industry Driver:

The railroad industry is driven by the production of coal. Most railroad companies use railcars and intermodal cars to transport coal from one area to another. Below shows U.S coal production per fiscal quarter. Q1 and Q2 of 2018 saw a decrease in coal production compared to its 2017 counterpart. Q1 2018 coal production reached 187.8 million tons and Q2 2018 had production of 180.8 million tons, compared to 197.1 million tons and 187.1 tons in Q1 and Q2 of 2017 respectively. Imports of coal from Colombia, Canada, and Indonesia saw an increase as well to 68.4%, 13.6%, and 17.2% respectively. A higher reliance on imported coal would not benefit the railroad industry as a whole because increases in coal prices could decrease demand for the commodity. This decreases overall demand for coal transportation, which ultimately hits Trinity's bottom line. With the decrease in coal production, Trinity Industries and Arcosa have less cargo to transport via inland barges and railcars. Below shows the U.S coal production by quarter for fiscal years 2011 through now.



Tariffs on Canada, Mexico, and EU:

President Trump announced in May 2018 that the United States will impose an imported steel and aluminum tariff on the European Union, Canada, and Mexico. The tariff imposes a 25% tax on steel imports and a 10% tax on aluminum imports. With these tariffs, President Trump is hoping to stimulate steel production within the United States. The problem with this is that steel manufactures have a majority of their manufacturing plants outside of the US. In addition, steel mills are not prepared to immediately meet the new demand from companies around the country. With this, Trinity and Arcosa will have to increase inventory and operating costs.

Revenue Growth:

According the analysts on Bloomberg, Trinity is projected to have a 10.9% revenue growth in 2019 and 15.6% growth in 2020. To appropriately estimate projected revenue growth for Trinity, total assets under control must be used to evaluate how much revenue can be attributed to each business segment under Trinity and Arcosa. While investors in Trinity would own Arcosa on spin-off date, it is important to consider situations where Arcosa exceeds expectations or completely fails. Last fiscal year, Trinity saw a decrease in revenue by 8.6%, yet had an increase in net income margin by 11.7%. This is due to a $364.3 income tax benefit to the company. Fiscal year 2017 saw a $337.4 million deferred income tax that carries over into 2018. To reasonably estimate revenue growth, the continuing revenue growth rate would be 2.5%, which emulates the real GDP growth of the U.S economy in the long run. Below shows the projected revenue growth based on assets.

2021		2022		2023		2024		2025		2026		2027		2028	
Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa
485.298385		537.775281		591.613065		646.095207		700.41219		767.33		819.527709		868.704287	
	237.54		244.12		250.38		256.29		261.82		267.05		272.39		277.84
	46.486		47.774		49		50.156		51.237		52.262		53.307		54.373
	429.34		441.24		452.56		463.24		473.22		482.68		492.34		502.19
3260.23767		3612.77779		3974.46037		4340.47176		4705.3736		5154.9		5505.59242		5835.96098	
-347.47156	-39.645	-385.044795	-40.743	-423.592418	-41.789	-462.6014	-42.775	-501.4921	-43.697	-512.3	-44.57	-547.1473	-45.462	-579.979418	-46.371
553.17329	109.68	612.98972	112.71	674.357375	115.61	736.459511	118.34	798.37339	120.88	874.65	123.3	934.148665	125.77	990.203188	128.28
3951.23779	783.39	4378.498	805.1	4816.8384	825.76	5260.42508	845.25	5702.6671	863.46	6284.6	880.73	6712.12149	898.35	7114.88904	916.31
11.62%	2.98%	10.81%	2.77%	10.01%	2.57%	9.21%	2.36%	8.41%	2.15%	7.60%	2.00%	6.80%	2.00%	6.00%	2%
14.59%		13.58%		12.58%		11.57%		10.56%		9.55%		8.55%		7.54%	
	4734.6		5183.6		5642.6		6105.7		6566.1		7165.3		7610.5		8031.2

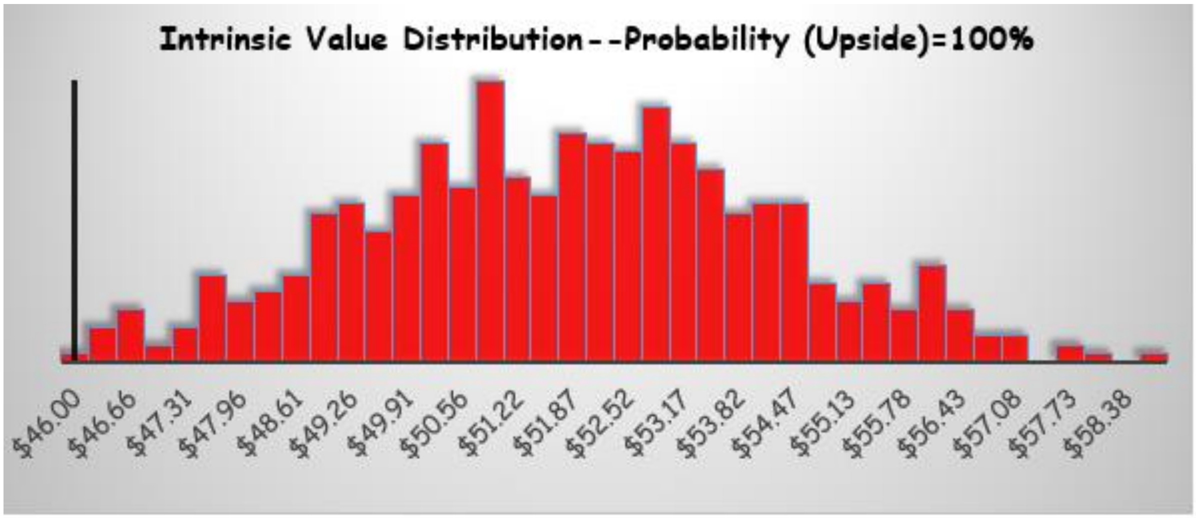
	2029		2030		2031		2032		2033		2034	
	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa	Trinity	Arcosa
	925.44		976.55		1020.6		1056.4		1093.5		1115.4	
4		283.4		289.07		294.85		300.74		306.76		312.89
3		55.46		56.57		57.701		58.855		60.032		61.233
9		512.23		522.47		532.92		543.58		554.45		565.54
	6217.1		6560.5		6856.7		7097.2		7346.2		7493.1	
1	-617.86	-47.299	-651.98	-48.244	-681.42	-49.209	-705.32	-50.194	-719.43	-51.197	-733.82	-52.221
3	1054.9	130.85	1113.1	133.47	1163.4	136.14	1204.2	138.86	1246.4	141.64	1271.4	144.47
1	7579.5	934.64	7998.2	953.33	8359.3	972.4	8652.5	991.85	8966.7	1011.7	9146	1031.9
		2%		2%		2%	2%	2%	2%	2%	2%	2%
	6.53%		5.52%		4.52%		3.51%		3.51%		3%	
2		8514.2		8951.5		9331.7		9644.4		9978.4		10178

This shows the future growth beyond 2020 for Trinity and Arcosa based on their proportion of assets that are owned post-spin-off.

Sensitivity Analysis:

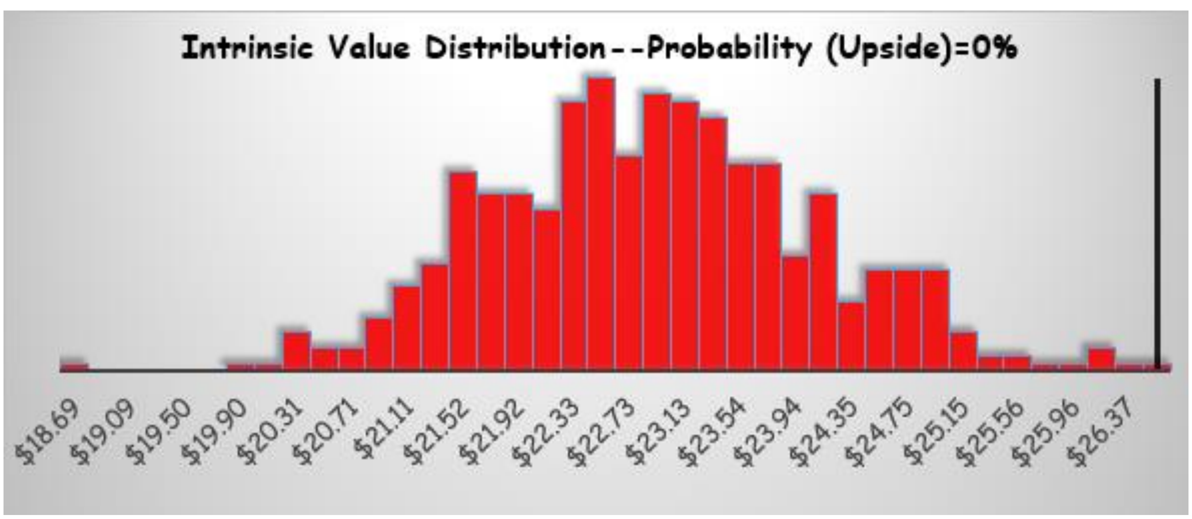
Bullish Case:

Best-case scenario for Trinity would be that this spin-off is successful in achieving focused growth in railroad and infrastructure segments, meeting high projected revenue growth of 10.4% and 15.6% in 2019 and 2020 respectively. In addition, the spin-off would decrease the cost of debt for Trinity to 5.2%, as some of the risk from infrastructure business segments would no longer be present. Furthermore, increased production of steel in the United States would alleviate some of the costs of the 25% tariff on foreign steel imports, and an uptick in coal extraction in the United States would increase use of railroad and rail car services. The scenario seems highly unlikely, as coal extraction has slowed the first half of 2018 compared to 2017 and steel mills are unable to handle the heavy demand increase for US-made steel. Intrinsic value of Trinity Industries would be $51.70 and a 1-year target price would be $56.86, yielding a 28.93% return.



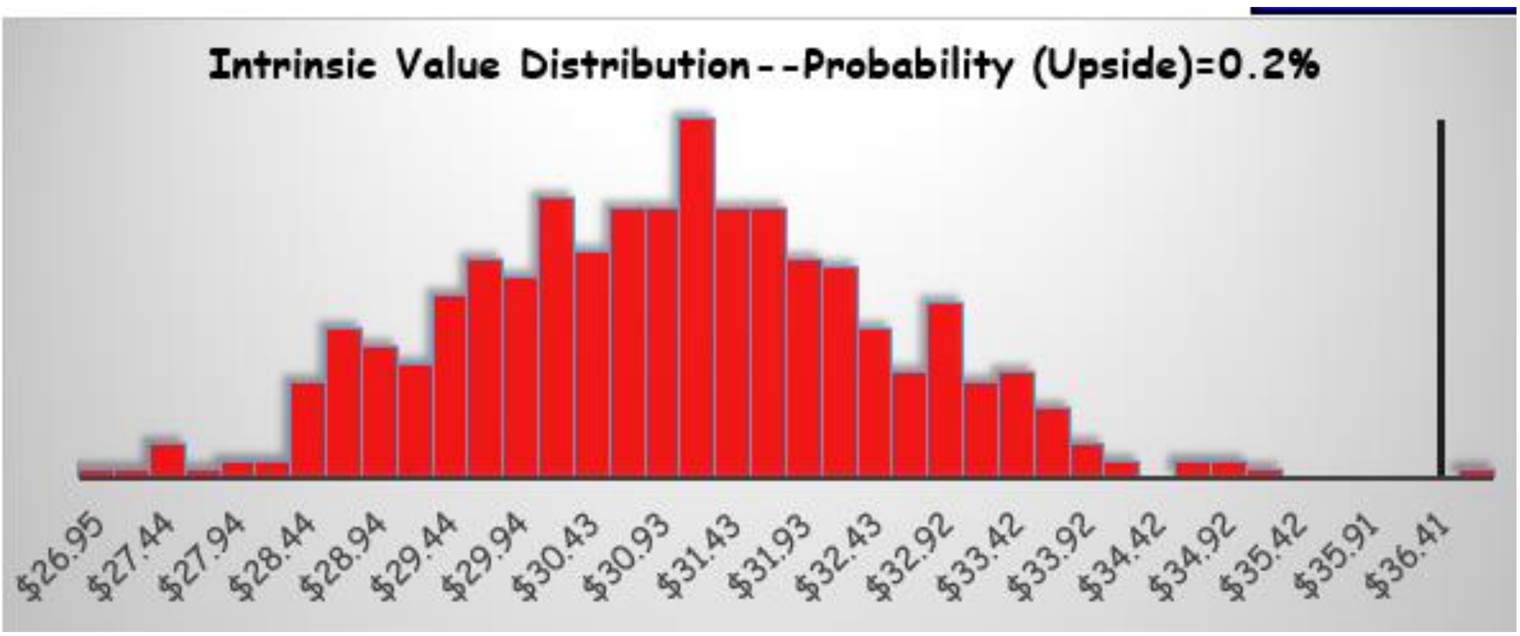
Bearish Case:

For Trinity Industries, the worst thing that could happen is that Arcosa fails to take off as planned, stifling growth and possibly ending Arcosa as a publically traded company. In this case, the only revenue growth that would happen for investors would be from Trinity. This significantly reduces value to investors because Arcosa becomes worthless in the future. Still considering oil prices and tariffs, revenue growth would lower to 8.28% and 12.42% and have a cost of debt of 6.2%. Arcosa's failure would not affect the cost of debt for Trinity since Trinity will not have any interest in the new independent company. In addition, operating costs are assumed to increase to 85% as oil prices increase and imports for raw materials increase. The intrinsic value becomes $21.69 and the 1-year target price moves to $24.81.



Conclusion:

Under realistic circumstances, such high market estimates for revenue growth in 2019 and 2020 are unrealistic to attain. Based on the revenue growth projects spelled out previously, it would be based on the projected growth of Trinity based on its operating assets. Projections that are more realistic would be to expect revenue to grow 8.28% and 12.42% as a whole. Cost of debt would remain steady at 6.2%, since Trinity will still be exposed to the same market and business risks pre-spin-off. Revenue growth tapers to 2.5% in the continuing period. Operating costs for the firm increase slightly to 83% because President Trump's tariffs on steel and aluminum will increase raw material and inventory costs for Trinity and Arcosa. Saudi Arabia announcing a restriction on oil production will increase oil prices, which will cut into Arosa's net profit margin due to higher costs of goods. It is most realistic to see an intrinsic value of $32.80 and a 1-year target share value of $30.66, which yields a 1-year return of -3.73%. This leads to a sell of Trinity for investors.

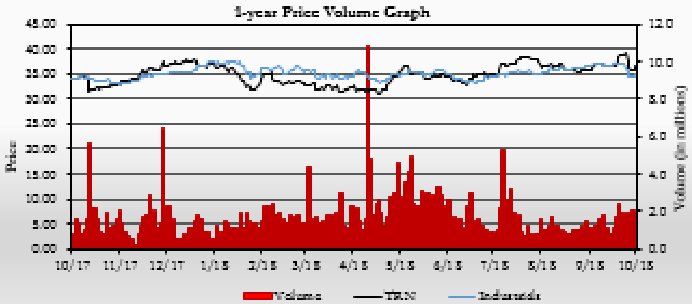


SIENA college

BJORKLUND FUND

Trinity Industries, Inc. (TRN) — CENTER FOR GLOBAL FINANCIAL STUDIES — NEUTRAL

Analysis by Kyle Farrell	Current Price:	$36.50	Intrinsic Value	$30.66	Target 1 year Return: -3.73%
10/15/2018	Divident Yield:	1.4%	Target Price	$34.61	Probability of Price Increase: 0.2



Description

Trinity Industries, Inc. provides various products and services to the energy, chemical, agriculture, transportation, and construction sectors in the United States and internationally.

General Information

Sector	Industrials
Industry	Machinery
Last Guidance	May 8, 2018
Next earnings date	October 24, 2018

Market Assumptions

Estimated Equity Risk Premium	5.39%
Effective Tax rate	23%

Market Data

Market Capitalization	$5,311.83
Daily volume (mil)	0.61
Shares outstanding (mil)	147.71
Diluted shares outstanding (mil)	151.60
% shares held by institutions	72%
% shares held by investments Managers	59%
% shares held by hedge funds	23%
% shares held by insiders	1.85%
Short interest	2.66%
Days to cover short interest	2.97
52 week high	$39.35
52-week low	$30.39
Volatility	37.81%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2017	-1.42%	-10.05%
9/30/2017	1.63%	5.78%
12/31/2017	-13.56%	-30.20%
3/31/2018	-5.54%	5.56%
6/30/2018	-4.11%	-2.88%
Mean	-4.60%	-6.36%
Standard error	1.0%	4.7%

Market and Credit Scores

Recommendation (STARS) Value--3
Recommendation (STARS) Description--Hold
Quality Ranking Value--B+
Quality Ranking Description--Average
Short Score--0
Market Signal Probability of Default % (Non-Ratings)--0.45%
CreditModel Score (Non-Ratings)--a-

Industry and Segment Information

LTM Revenues by Geographic Segme	LTM Revenues by Business Segments
Mexico--7%	Rail Group--10%
United States--97%	Construction Products Group--6%
Intercompany---4%	Inland Barge Group--1%
--	Energy Equipment Group--11%
--	Railcar Leasing and Management Services Group

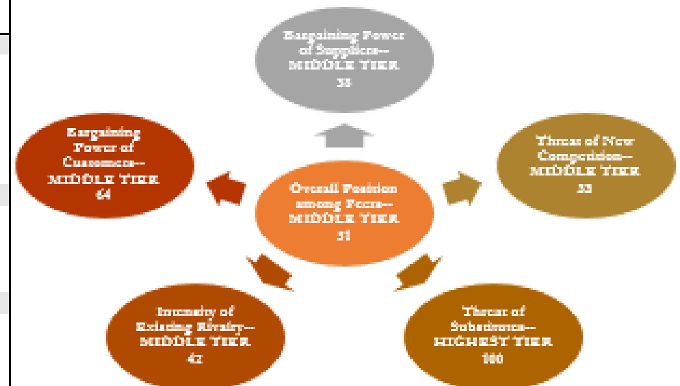
Peers

The Greenbrier Companies, Inc.	--
Westinghouse Air Brake Technologies Corporati	--
Icahn Enterprises L.P.	--
--	--
--	Astec Industries, Inc.

Management

Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Wallace, Timothy	Chairman, President & CEO	-1.25% per annum over 5y	9.41% per annum over 5y
Perry, James	Senior VP & CFO	3.51% per annum over 5y	9.41% per annum over 5y
Rice, S.	Senior VP & Chief Legal Officer	-4.35% per annum over 5y	9.41% per annum over 5y
McWhirter, William	Senior VP and Group President of the Construc	-0.91% per annum over 5y	9.41% per annum over 5y
Smith, Stephen	VP & Chief Technical Officer		
Howard, W.	Chief Information Officer & VP of Information T		

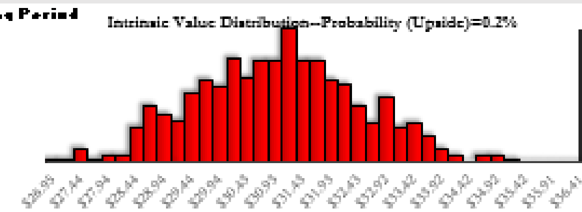
Porter's 5 forces (Scores are percentiles)

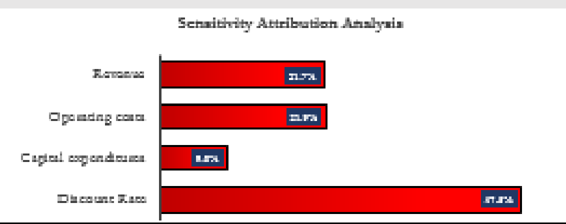


Profitability	TRN (LTM)	TRN Historical	Peers' Median (LTM)
Return on Capital (GAAP)	3.3%	9.19%	3.02%
Operating Margin	8%	12.10%	3.25%
Revenue/Capital (GAAP)	0.42	0.76	0.93
ROE (GAAP)	13.0%	15.1%	16.6%
Net margin	15.1%	13.2%	6.7%
Revenue/Book Value (GAAP)	0.864293507	1.15	2.46
Invested Funds	**TRN (LTM)**	**TRN Historical**	**Peers' Median (LTM)**
Cash/Capital	9.0%	14.4%	13.3%
NWC/Capital	5.8%	8.8%	12.0%
Operating Assets/Capital	75.5%	68.9%	42.6%
Goodwill/Capital	9.8%	9.9%	5.0%
Capital Structure	**TRN (LTM)**	**TRN Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.40	0.47	0.30
Cost of Debt	29.9%	28.4%	5.0%
CGFS Rating (F-score, Z-score, and default Probabilit	CCC		
WACC	9.1%	28.4%	10.4%

Valuation

Forecast Assumptions	Explicit Period (5 years)	Continuing Period
Revenue Growth CAGR	6%	2.5%
Average Operating Margin	17%	17%
Average Net Margin	8%	9%
Growth in Capital CAGR	3%	3%
Growth in Claims CAGR	0%	3%
Average Return on Capital	6%	7%
Average Return on Equity	8%	8%
Average Cost of Capital	10%	10%
Average Cost of Equity	12%	12%





SIENAcollege BJORKLUND FUND

January 2, 2018

Sector: Consumer Discretionary
Industry: Recreational Powerboats

Malibu Boats, Inc: MBUU

Michael Grasso

Company Description: Malibu Boats, Inc. designs, manufactures, markets and sells recreational powerboats. Their boats are used for sports like water skiing, wakeboarding, fishing, as well as general boating.

BUY/HOLD/SELL

Current Price:	$47.73
Target Price:	$55.82
Market Cap:	984.5M
Average Volume:	198,000
Shares Outstanding:	20.63M
Short Interest:	639K

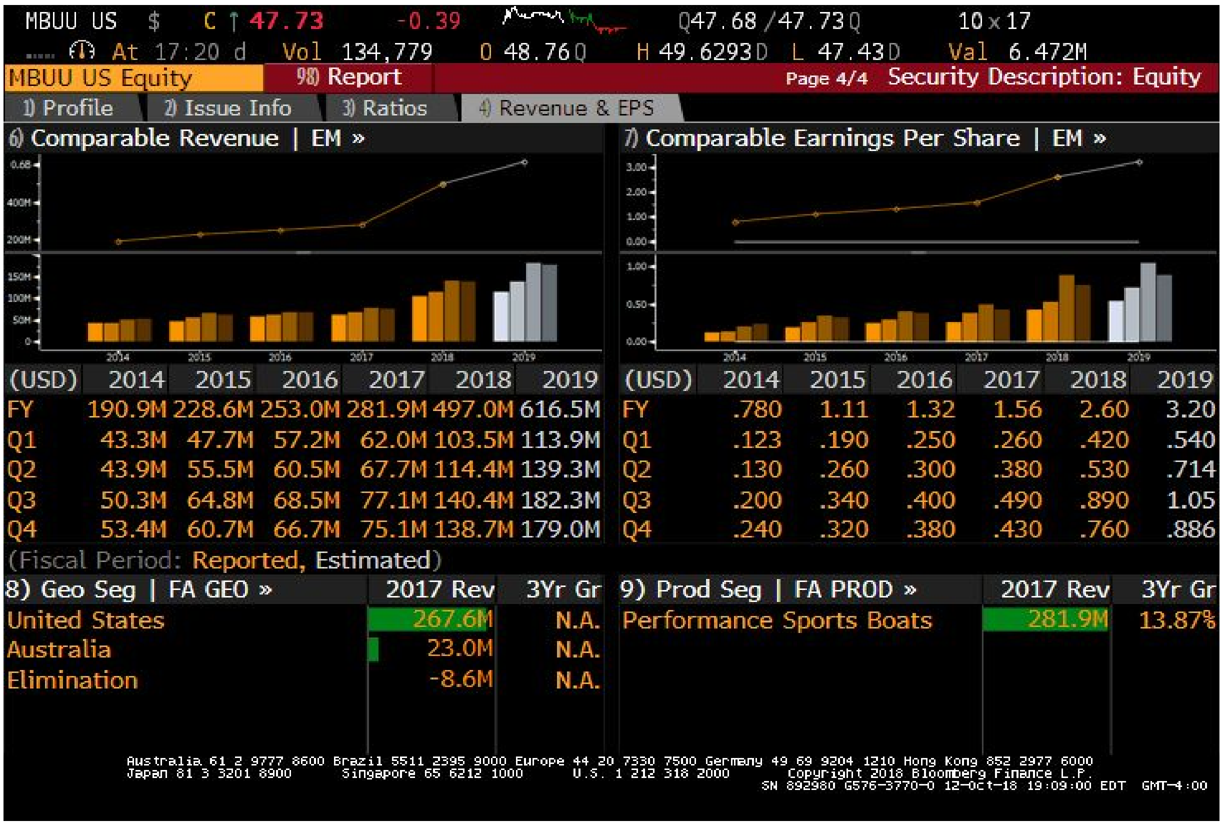
Thesis: Malibu Boats, Inc. is a leading designer, manufacturer, and marketer in the industry of performance sports boats. The company has acquired a large portion of their competition. Therefore, this positions them as a company to be one of the leaders in the recreational boating industry. These acquisitions will continue to cause revenue to grow at a substantial rate. Since the Bjorklund fund is currently holding Malibu Boats as 2.5% of the total weighting in the portfolio, should hold the current stock in Malibu Boats.

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

- Short Term(within the year):
- Mid Term(1-2 years):
- Long Term(3+):

Earnings Performance & Industry Analysis:

It is very likely that forward momentum in the boating industry will occur. The strong economy as well as the stock market combined with rising real estate sales are an indicator that boat sales will continue to be strong and grow. This industry has seen growth for seven consecutive years and does not show any signs of slowing this progress in growth. Natural disasters, mostly hurricanes cause a large amount of damage to the recreational boating industry each year. Even though they tend to hinder growth increasing at an even stronger rate, the majority of boat owners that have damage caused to their boat repair their boats or replace them. This will still provide revenue for boat and parts sales in the industry. One important detail to mention is that fluctuations in the stock price appear to be macroeconomic and industry based. The recent drop in stock price of Malibu Boats follows the exact trend that the other major competitors are seeing. Overall, with the reduction in the corporate tax rate, innovation and sales have the potential to grow at an even faster rate.



As can be seen, the acquisitions made in the middle of the calendar year in 2018 dramatically increased the annual revenue from 281 million to 497 million. This jump in revenue should continue to grow with the further development, marketing, and sales of these brands. Especially since one of the acquisitions occurred in the end of August of 2018, revenue and EBITDA will continue to grow at a faster rate. Cobalt alone is capable of providing very substantial revenue. Therefore, Malibu Boats will maintain a wide variety of boating platforms which will draw a great amount of earnings in the upcoming years.

MBUU US $ C C 47.73 -0.39 Q47.68 / 47.73Q 10 x 17
On 12 Oct d Vol 134,779 O 48.76Q H 49.6293D L 47.43D Val 6.472M

MBUU US Equity 96) Actions 97) Export 98) Settings Financial Analysis

ADJ Malibu Boats Inc Periodicity Annuals Cur USD

1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG 9) Custom

11) Adj Highlights 12) GAAP Highlights 13) Earnings 14) Enterprise Value 15) Multiples 16) Per Share 17) Stock Value

In Millions of USD	2011 Y	2012 Y	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	Current/LTM	2019 Y Est	2020 Y Est
12 Months Ending	06/30/2011	06/30/2012	06/30/2013	06/30/2014	06/30/2015	06/30/2016	06/30/2017	06/30/2018	06/30/2018	06/30/2019	06/30/2020
Market Capitalization	–	–	–	222.4	358.8	213.7	464.0	862.1	984.5		
- Cash & Equivalents	–	14.8	16.0	12.2	8.4	25.9	32.8	61.6	61.6		
+ Preferred & Other	–	0.0	0.0	8.8	3.9	4.7	3.1	5.5	5.5		
+ Total Debt	–	21.2	23.6	0.0	77.3	71.1	53.4	108.5	108.5		
Enterprise Value	–	–	–	219.0	431.6	263.6	487.7	914.5	1,036.8		
Revenue, Adj	100.0	140.9	167.0	190.9	228.6	253.0	281.9	497.0	497.0	616.5	692.8
Growth %, YoY	–	40.9	18.5	14.3	19.7	10.6	11.5	76.3	76.3	24.0	12.4
Gross Profit, Adj	16.3	30.0	43.6	50.8	60.4	66.8	75.0	120.3	120.3	151.7	171.6
Margin %	16.3	21.3	26.1	26.6	26.4	26.4	26.6	24.2	24.2	24.6	24.8
EBITDA, Adj	7.4	18.7	25.8	33.9	40.4	46.2	49.2	68.9	68.9	110.3	126.8
Margin %	7.4	13.3	15.4	17.8	17.7	18.3	17.4	13.9	13.9	17.9	18.3
Net Income, Adj	-0.5	11.2	18.1	13.3	17.5	21.7	53.2	68.8	53.1	65.0	76.1
Margin %	-0.5	8.0	10.8	6.9	7.6	8.6	18.9	13.8	10.7	10.5	11.0
EPS, Adj	-0.01	0.27	0.43	1.20	1.11	1.20	2.96	3.39	2.61	3.20	3.66
Growth %, YoY	–	–	60.1	178.3	-7.5	8.6	146.0	14.5	33.4	-5.8	14.5
Cash from Operations	6.6	15.5	25.9	23.8	12.6	35.6	35.9	58.5	58.5		
Capital Expenditures	-1.3	-2.7	-2.9	-5.9	-5.4	-6.2	-9.3	-10.4	-10.4	-15.0	-13.5
Free Cash Flow	5.3	12.8	23.0	17.9	7.2	29.4	26.6	48.0	48.0	46.1	85.5

Competition:

The largest competitor of Malibu Boats is Brunswick Corporation which owns more than 20 brands of boats. A few brand names that Brunswick owns are Sea Ray, Boston Whaler, Ray Glass, and Meridian. Brunswick greatly outperforms Malibu Boats as it's the leader in the industry which 5.1B in market cap. However, this is not the case with the other competition. Malibu has a strong market cap, ROE, and revenue growth that shows not only how profitable they can be in the near future, but how they are a strong competitor against companies like MCBC holdings and Marine Products Corp. With the new acquisitions that Malibu has obtained, this should give them an even greater competitive advantage against these other businesses in the industry. In this consumer discretionary market, there will always be a desire for luxury boats like what Malibu Boats sells. The upper and middle class are almost the entire market for Malibu Boats, so even if the economy takes a downturn, there will still be business done with Malibu. The reason that this is so significant is because it will continually provide revenue, providing resistance against Malibu going out of business.

Growth:

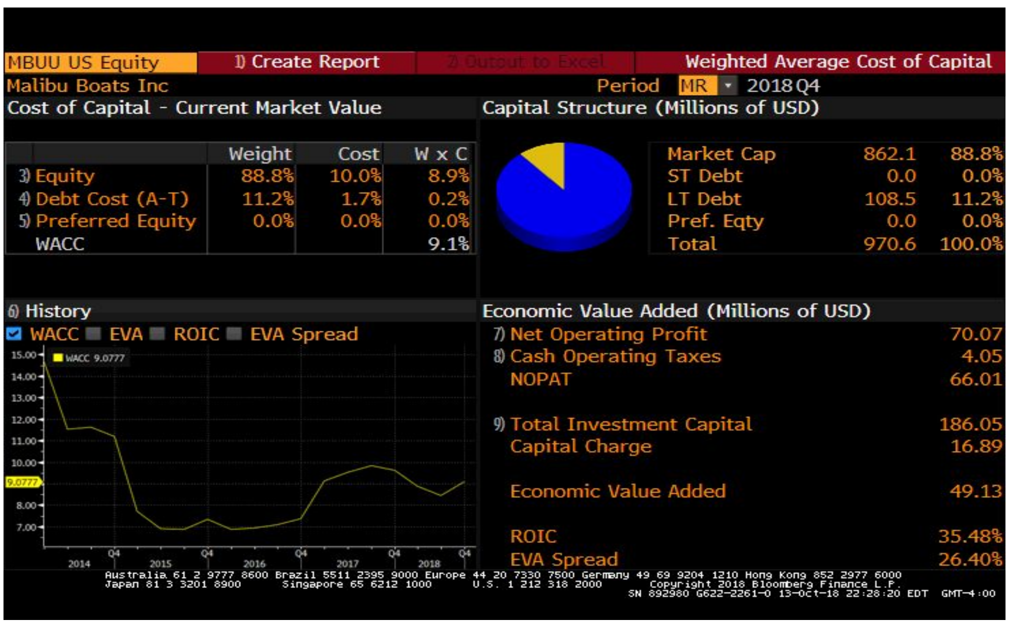
Not only has Malibu Boats grown more than double the size it was a year ago, but the growth of the company looks incredibly promising over the years to come. With the acquisitions of the very profitable brands that Malibu acquired in 2018, it can be seen in the graph below that the company more than doubled in the rate of growth this year alone. With the acquisition of Pursuit Boats, this should continue to cause growth to rise quickly, much like it has been and can be seen in the graph below. Revenue from the acquired companies should provide a great amount of growth in revenue, ebitda, and most margins. The debt left from the acquisition of cobalt is not nearly as high as some of the competitors. Therefore, financially, Malibu Boats is in a great spot to maintain such strong growth. lot of potential in this market

Acquisitions & Capital Structure:

Malibu Boats acquired two separate boating companies in 2018. The first occurred in late June when they purchased Cobalt boats, which was previously a privately owned company. The aggregate purchase price agreed upon was $130 million. Cobalt manufactures and sells boats for cruising, skiing, entertainment, surfing, fishing and other recreational uses on lakes, rivers, intercoastal waterways and oceans. Cobalt is a very prestigious brand with a portfolio of twenty-four models across six industry-leading series. Cobalt sells its boats through a dealer network of 132 locations in the United States, Canada, and overseas. For the last 12 months ended March 31, 2017, Cobalt generated approximately $140 million in net sales. The second acquisition is currently occurring with the obtainment of Pursuit Boats for $100 milion. It is said to close in the fourth quarter, which is present time. Both of these acquisitions cover a very large portion of the recreational boating market. Since the debt from acquiring Cobalt is only at $108 million, this will be able to be paid off without providing any financial stress on Malibu Boats. If revenue growth increases like predicted, the total long term debt will sit at around 1/6th of the revenue that they will obtain in the financial year ending in 2019.

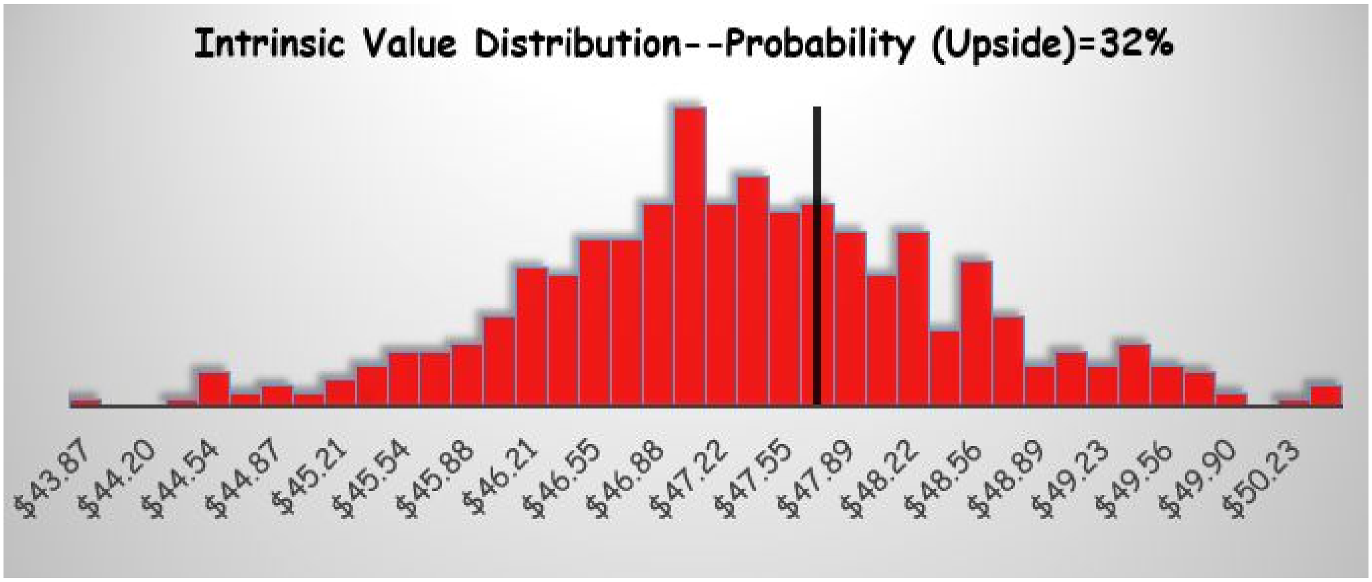
Capital Structure Data View As Reported Details View Key Documents						
For the Fiscal Period Ending	12 months Jun-30-2016		12 months Jun-30-2017		12 months Jun-30-2018	
Currency	*USD*		*USD*		*USD*	
Units	Millions	% of Total	Millions	% of Total	Millions	% of Total
Total Debt	71.1	*78.0%*	53.4	*50.6%*	108.5	*43.7%*
Total Common Equity	15.4	*16.8%*	47.3	*44.8%*	134.4	*54.1%*
Total Minority Interest	4.7	*5.1%*	4.9	*4.7%*	5.5	*2.2%*
Total Capital	**91.1**	***100.0%***	**105.6**	***100.0%***	**248.4**	***100.0%***

As can be seen, common equity is the majority of financing that Malibu boats uses. Equity financing has greatly increased in the past 3 years of operations. In 2016, 78% of the total financing that Malibu boats used was from debt. A significant portion of debt was paid of by the end of the annual year in 2017. With the acquisitions of Cobalt and Pursuit boats, the debt roughly doubled. However, considering their income and full capital structure, this debt should not be an issue with being paid off.



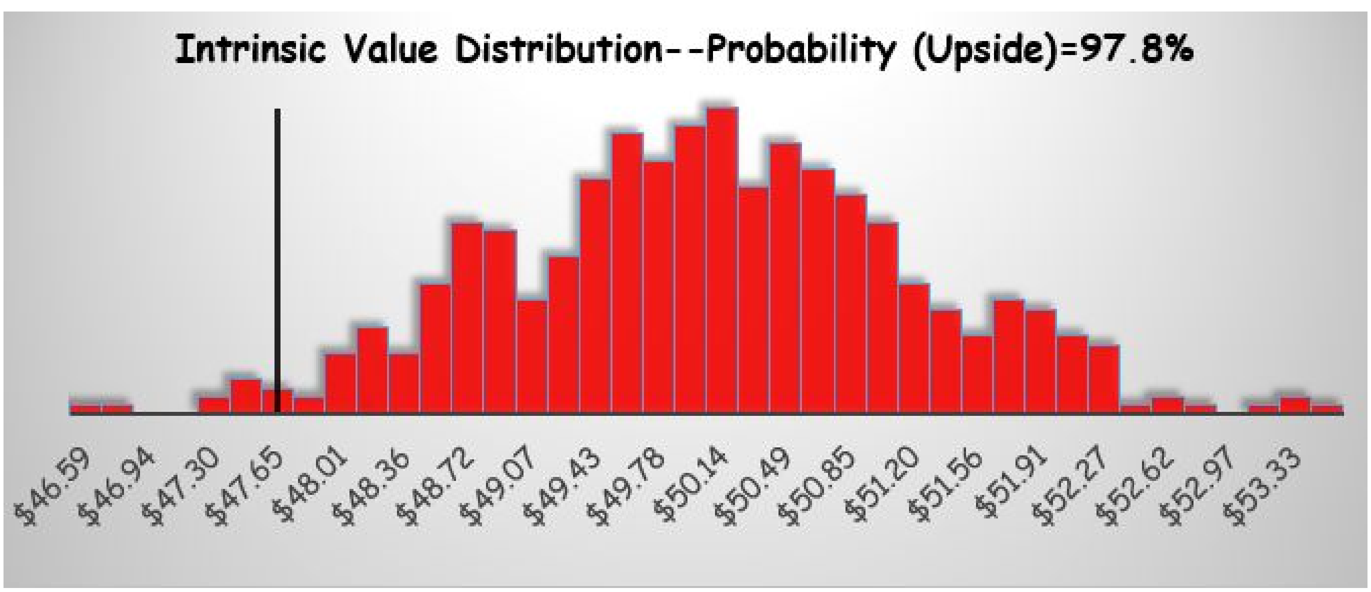
Bear Case:

Considering all possible options, there is a possibility that Malibu Boats sees either a price decline or price stagnancy around where the price sits in current time today. In order for this to happen, a few things might be able to be seen. First off, revenue growth does not grow at the rate that is predicted. Also, Malibu continues to take acquisitions of competition, essentially biting off more than they can chew putting them too far in debt. Thirdly, if the economy takes a strong downturn, the entire industry might take a small hit in total boat sales. This would probably lead to a decrease in stock price for Malibu. The graph has been computed with a 10% decline in price for projected revenue in the next five years.



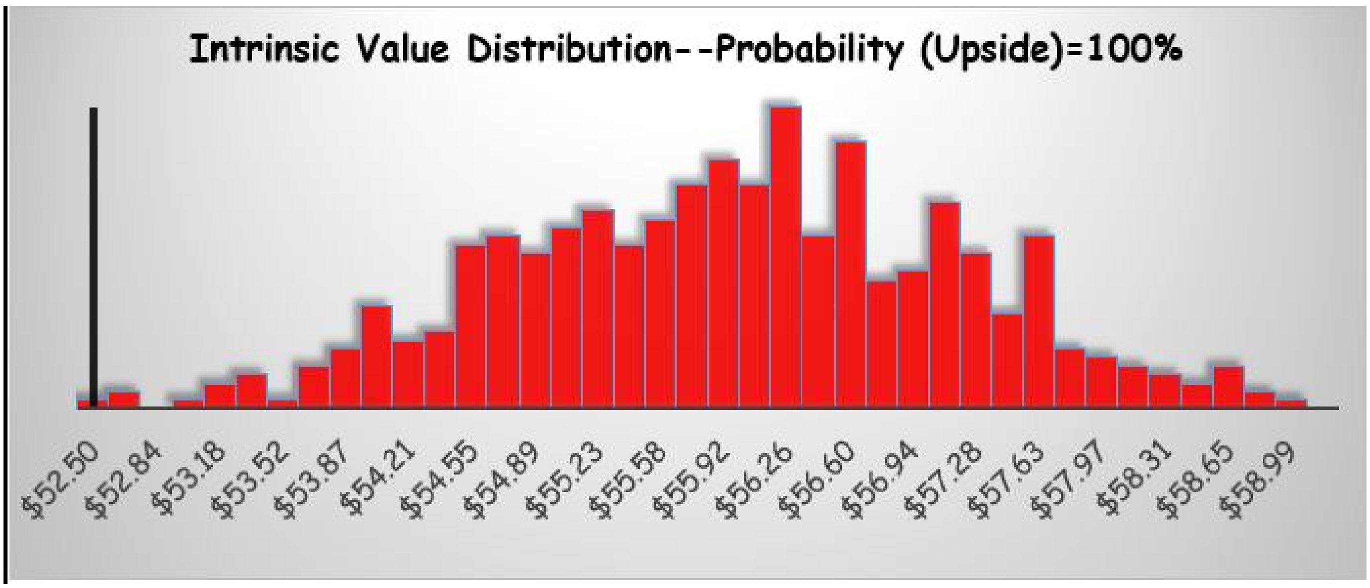
Realistic Case:

The more realistic case for Malibu is that the current trend in growth and margins maintain the projected path. This would put Malibu even further ahead of competition considering the steep rate of growth in revenue. This graph is calculated with the original formula without adding additional growth for the possibility that the stock price increases more than expected with the level of growth.



Bull Case:

The possibility that Malibu would exceed expectations in the upcoming quarters exists as well. This would be able to be seen if the growth in revenue as well as stock price due to this increases more than analysts are predicting. This graph is calculated with the predicted revenue growth combined with an additional 10% growth since this is very possible. This would also cause margins to dramatically increase.



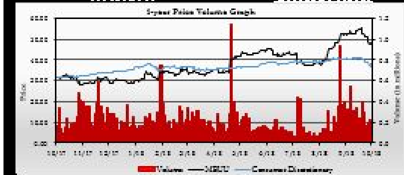
Conclusion:

Overall, Malibu has great growth potential with the acquisitions that they just acquired as well as they are currently acquiring. Growth is increasing at a very steep rate with the dramatic jump in revenue. Debt is manageable since the capital structure of the company is strong. Within the next 6 to 7 years, revenue should more than double what it currently sits at. Also, since they hold a very strong and strategic spot in the industry compared to competitors, it should be a safe holding our investment in this company and not selling our shares.

SIENA college | BJORKLUND FUND

Malibu Boats, Inc. (MBUU) — CENTER FOR GLOBAL FINANCIAL STUDIES — NEUTRAL

Analysis by Michael Graves	Current Price: $47.73	Intrinsic Value $49.67	Target 1 year Return: 14.71%
10/13/2018	Divident Yield: 0.0%	Target Price $54.75	Probability of Price Increase:



Description

Malibu Boats, Inc. designs, manufactures, distributes, markets, and sells recreational powerboats.

General Information

Sector	Consumer Discretionary
Industry	Leisure Products
Last Guidance	May 8, 2018
Next earnings date	November 1, 2018

Market Assumptions

Estimated Equity Risk Premium	5.00%
Effective Tax rate	21%

Market Data

Market Capitalization	$984.47
Daily volume (mil)	0.19
Shares outstanding (mil)	20.63
Diluted shares outstanding (mil)	20.20
% shares held by institutions	107%
% shares held by investments Managers	99%
% shares held by hedge funds	11%
% shares held by insiders	0.59%
Short interest	9.10%
Days to cover short interest	9.22
52 week high	$59.57
52-week low	$27.44
Volatility	0.00%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2017	8.44%	-15.85%
9/30/2017	5.74%	35.78%
12/31/2017	5.47%	4.34%
3/31/2018	11.81%	24.84%
6/30/2018	12.75%	28.85%
Mean	7.24%	15.75%
Standard error	1.4%	5.8%

Market and Credit Scores

Recommendation (STARS) Value--[illegible]
Recommendation (STARS) Description--[illegible]
Quality Ranking Value--NR
Quality Ranking Description--Not Ranked
Short Score--[illegible]
Market Signal Probability of Default % (Non-Rating)--0.42%
CreditModel Score (Non-Rating)--bb-

Industry and Segment Information

LTM Revenues by Geographic Segments	LTM Revenues by Business Segments
United States--100%	Malibu U.S.--61%
#VALUE!	Cobalt--36%
#VALUE!	Malibu Australia--5%
#VALUE!	Eliminations---2%
#VALUE!	..

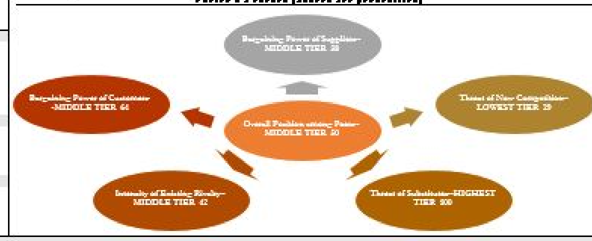
Peers

Nautilus, Inc.	Marine Products Corporation
MCBC Holdings, Inc.	Acushnet Holdings Corp.
Johnson Outdoors Inc.	Clarus Corporation
Callaway Golf Company	Escalade, Incorporated
Brunswick Corporation	Vista Outdoor Inc.

Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Springer, Jack	CEO & Director	25.89% per annum over 6q	[illegible]
Wilson, Wayne	CFO & Secretary	23.55% per annum over 6q	
Anderson, Ritchie	Chief Operating Officer	22.29% per annum over 6q	
Alberna, Robert	President		
Hoblett, Tim	Co-Owner		
Hoblett, Kimberly	Co-Owner		

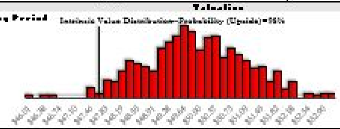
Profitability	MBUU (LTM)	MBUU Historical	Peers' Median (LTM)
Return on Capital (GAAP)	51.7%	-3.78%	15.68%
Operating Margin	19%	14.84%	7.91%
Revenue/Capital (GAAP)	4.75	-0.70	2.13
ROE (GAAP)	57.8%	-12.8%	15.8%
Net margin	6.6%	0.5%	8.4%
Revenue/Book Value (GAAP)	10.88333317	-1.49	1.99
Invested Funds	**MBUU (LTM)**	**MBUU Historical**	**Peers' Median (LTM)**
Cash/Capital	29.9%	0.7%	10.2%
NWC/Capital	9.1%	9.1%	22.8%
Operating Assets/Capital	61.4%	79.2%	45.8%
Goodwill/Capital	42.2%	9.8%	14.6%
Capital Structure	**MBUU (LTM)**	**MBUU Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.45	0.28	0.19
Cost of Debt	6.7%	5.5%	5.5%
CGFS Rating (Z-score, Z-score, and default Probability)	D		
WACC	11.9%	9.1%	10.5%

Porter's 5 forces (Scores are percentiles)



Valuation

Forecast Assumptions	Explicit Period (5 years)	Continuing Period
Revenue Growth CAGR	7%	2.5%
Average Operating Margin	14%	14%
Average Net Margin	9%	9%
Growth in Capital CAGR	14%	9%
Growth in Claims CAGR	8%	9%
Average Return on Capital	14%	7%
Average Return on Equity	16%	7%
Average Cost of Capital	10%	10%
Average Cost of Equity	11%	11%



October 6, 2018

Symantec: SYMC

Samantha St.Germain

Sector: Information Technology
Industry: Software
Current Price: $19.46
Target Price: $22.52

Company Description: Symantec is offers digital security solutions in the consumer and enterprise markets. Offering products to protect against information risk, product lines include Norton, Lifelock, and Blue Coat. Symantec offers integrated security solution for desktop, mobile, wireless, and cloud computing.

Hold

Current Price:	$19.46
Target Price:	$22.52
Market Cap:	12.46B
Volume:	5.28
SI/Float	17.6M/2.99%
EPS	$0.34
Operating Margin	28.1%
Organic Growth	-2%

Thesis: Symantec (SYMC) is currently trading far below its 52 week high of $33.92. The main drop came from an SEC investigation, which is now closed with only minimal changes to past revenue. While the stock has opportunity for growth, the firm faces multiple issues with its current product line, increasing sales cycles, and increasing cost which will limit upside growth.

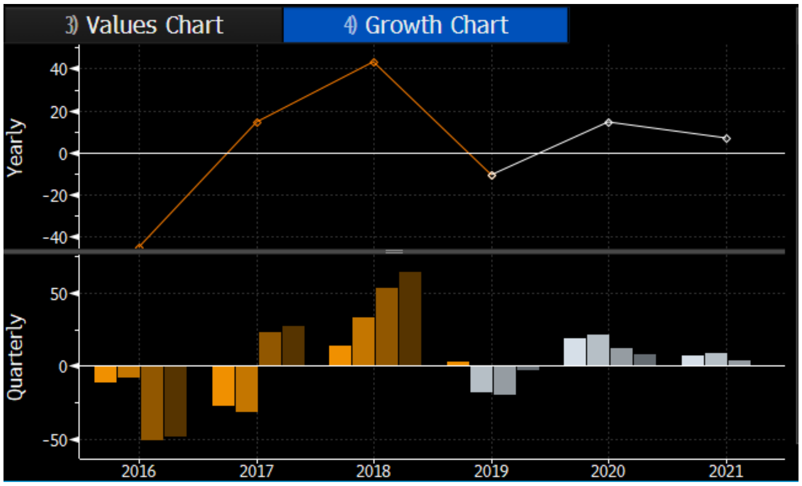
Catalysts:

- Drop in Demand for Norton Products caused by free alternatives, smaller companies, and a move from PC to mobile options.
- Increase in Sales timeline for Enterprise security decreasing profitability.
- Increasing cost of capital due to debt rating downgrade will make it more expensive to secure funding for new projects.

Earnings Performance:

For Q1 FY19, Symantec reported $1.165 billion in revenue and $0.34 EPS. This reflects revenue contraction of 5% from Q1 FY18. However, EPS was up 3% from $0.33 the previous year. Operating Margin decreased 260 bps to 28.1% from 30.7%, dropping operating income 13% from $377 million in Q1 FY18 to

$327 million in Q1 FY19. Net income did increase to $671 million from $664 million the prior year, an increase of 5%. Operating expenses remained about the same.



EPS Growth (Bloomberg)

The Consumer Digital Safety segment, accounting for 51% of revenue, saw 7% growth from Q1 FY19. This can be attributed to the bundle of the LifeLock and Norton product lines. Enterprise Security, accounting for the other 49% of revenue, saw a 16% decrease from Q1 FY18. This decrease can be attributed to longer sales cycles. Trends in both Consumer Digital Safety and Enterprise Security will be discussed in later sections.

	Q1FY19	Q1FY18	Y/Y Growth
Revenues and Earnings Results			
GAAP Revenues	$1,156	$1,175	*(2%)*
Non-GAAP Revenues	$1,165	$1,228	*(5%)*
Diluted GAAP EPS	($0.10)	($0.22)	*(55%)*
Diluted non-GAAP EPS	$0.34	$0.33	*3%*
Revenues by Segment - Non-GAAP			
Enterprise Security	$565	$669	*(16%)*
Consumer Digital Safety	$600	$559	*7%*
Expenses and Profitability - Non-GAAP			
Operating expenses	$652	$655	*(0%)*
Operating income	$327	$377	*(13%)*
Operating margin	*28.1%*	*30.7%*	*(260 bps)*
Net income	$231	$221	*5%*
Fully diluted shares outstanding	671	664	*1%*

Financials from Symantec First Fiscal Quarter 2019 Supplemental Information (Dollars and shares in million)
http://s1.q4cdn.com/585930769/files/doc_downloads/2018/Q1FY19-Supplemental-Information.pdf

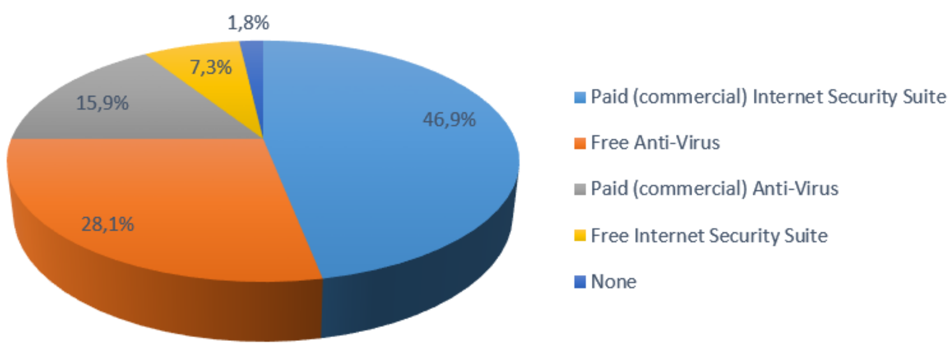
SEC Investigation Drops Price:

In May 2018, Symantec issued a statement stating that it was currently under investigation by the SEC due to concerned raised by a former employee about the firm's revenue recognition. On May 10th the stock closed at $28.97 and opened on May 11th at $20.02, a 30.89% drop in price. The stock price was dropping prior to the investigation, already down 14.59% from its 52 week high of $33.92. While the company could not comment on the investigation in the Q1 FY19 earnings call, CEO Gregory S. Clark did mention that there was "negative press in the market during the quarter".

On September 24th, Symantec issued a statement about the findings of the investigation. The Audit Committee found that $12 million of revenue from a $13 million transaction in Q4 2018 should not have been reported until Q1 2019. With the audit investigation complete, the results have been factored into the price by investors and anticipation for the results will no longer be dragging the price of the stock down. However, with the following factors weighing down the price, investors have reason to be wary.

Competition in Consumer Digital Safety:

In 2017, 62.2% of users used paid security solution for their devices. This is down 5% from the previous year. While Norton is one of the top security solutions, the whole industry faces pressure from free security products such as AVG. Norton products have also faced downward pressure from a decreased demand for PCs, with consumers moving to more mobile options.



Graph and Data from 2017 IT Security Survey by AV Comparatives
https://www.av-comparatives.org/surveys/it-security-survey-2017/#q4

Revenue from Norton decrease from $1,887 in 2015 and $1,670 in 2016 to $1,597 in 2017. This translates to an 11.5% drop in sales in 2016 and a 4.4% decrease in 2017. The decline slowed due to transition to a subscription based service.

Revenue from the Lifelock acquisition equaled $67 million; making up for some of Norton's lost sales. Lifelock offers digital security products and fraud protection to its customers, a field of growing importance as the threat of identity theft increases. So while Lifelock will become an integral part of Symantec's business over the next several years, the threat to Norton will be a drag on growth.

According to Bloomberg, Smaller Endpoint Security Vendors are gaining more traction in the market. While Symantec only saw 2% revenue growth for their endpoint security in 2017, top competitor McAfee saw 10% growth. Firms that only make up 1% of the market also saw higher growth, with CrowdStrike growing 128% in 2017, Cylance growing 47% and Palo Alto Networks growing 33%. Symantec still has the most market share with 22% of the Endpoint Security market, second being McAfee at 17%.

Increase in Sales Timeline:

A main concern for the Q1 2019 was the increasing sales period in the enterprise system. In the earnings call, CEO Gregory Clark spoke about the how the Integrated Cyber Defense Platform "continues to gain traction with customers, and we continue to close a large number of enterprise deals with multi product platform sales." It is important to recognize the increased timeline for those sales. In Q1 2018 the duration of projects was 15.5 months compared to Q1 2019 which was 16.5 months.

Due to this increase in sales cycles, Q1 2019 decreased in billing by $110 million. This decrease equates to 3.8% of billings for FY18. In terms of revenue, this equates to an approximate $60 million or revenue for FY19. While renewals in products take about 12 months, new and larger sales often take up to 36 months. As deals become larger and more complex, approval time for these deals increases. Overall for Q1 of 2019, sales for the Enterprise Security Segment were down 16% from Q1FY18.

Increasing sales cycles come from two different areas. The first is from security trends. As both technology and cyber threats become more advanced, security measure must also advance. Firms need security more than ever, and with threats becoming more advanced and complex, so do the solutions to protect firms against them. These longer sales cycles will cause revenue recognition to be deferred long than in previous periods, therefore putting downward pressure on sales growth.

Increasing Cost of Capital:

With the acquisitions of Blue Coat Systems for $4.5 billion and LifeLock for $2.3 billion, the company issued $750 of new debt. In addition, Symantec increased buyback authorization to $1.3 billion. This resulted in a downgraded credit rating by Standard and Poor's.

While Moody's kept the credit rating unchanged, Standard & Poor's dropped the rating to BB+, below investment grade. Fitch also has rated at BB+. Moody's released a statement saying:

> "The ratings could be downgraded if the company is unable to achieve its aggressive integration and cost cutting plans, if combined organic revenue does not show signs of stabilizing or leverage is not on track to fall towards 3x over the next eighteen months. Given the company's elevated financial leverage, integration risks and turnaround challenges, an upgrade is unlikely in the near term."

Moody's put the Baa rating under review in May 2018 pending results of the Audit Committee investigation. Upon the results of the investigation, Moody's kept Symantec's rating stable.

This increased credit risk has increased the cost of capital, discounting the value of the company. In the beginning of 2017, the WACC was 5.79%. The WACC currently sits at 8.33%, a 0.44% increase in costs. With the current economic outlook for the company, an upgrade in nowhere in the near future. Symantec's Debt to EBITDA is currently 7.12.

Conclusion:

Symantec has taken a huge hit in stock price, but this is not necessarily a bad thing. If anything, the decrease in price has brought it in line with value. While the firm should be able to recover some value now that the investigation has concluded, there are multiple factors that weigh on future growth.

Norton and similar products face pressure from multiple lines of competition. From free alternatives to smaller companies outpacing growth of established competitors, Norton is losing market share. Over the past year, the decline of Norton has been slowed by the acquisition of Lifelock, allowing Symantec to bundle products. While this has slowed the decline, it does not fix the core problems with Symantec's products.

The Enterprise Security segment has its own share of battles. The increasing digital threat landscapes give firms like Symantec an opportunity for growth, but the complexity also increases sales timelines due to larger, more complex projects and longer approval times. Symantec faces these increasing timelines hurting their bottom line and will need to balance new, larger deals with a mix of smaller, less time-consuming projects to keep cash flow strong.

As Symantec acquires firms to supplement problems with core products, like the Norton and Lifelock relationship, they will have to increase debt financing. A major concern is their credit rating decreasing, already below investment grade for Standard and Poor's with Moody's stating it is unlikely to increase the rating in the near future. If Symantec wants to finance more projects in the future, they will face higher costs to do so, decreasing the profitability of those products.

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CENTER FOR GLOBAL FINANCIAL STUDIES

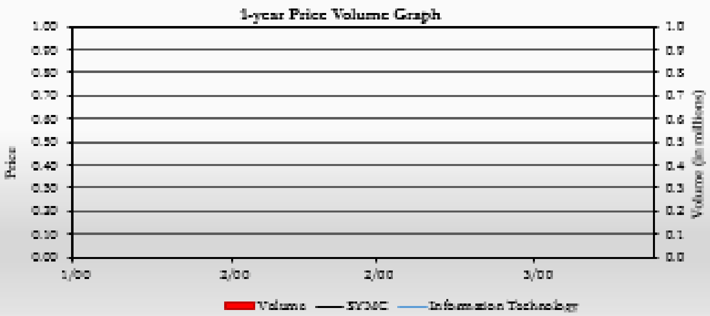
Symantec Corporation (SYMC)

NEUTRAL

Analysis by Sam St.Germain	Current Price:	$19.46	Intrinsic Value	$17.19
10/11/2018	Divident Yield:	1.5%	Target Price	$22.16

Target 1 year Return: 15.38%

Probability of Price Increase: 3%



Description

Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide.

General Information

Sector	Information Technology
Industry	Software
Last Guidance	May 8, 2018
Next earnings date	October 31, 2018

Market Assumptions

Estimated Equity Risk Premium	8.16%
Effective Tax rate	20%

Market Data

Market Capitalization	$12,368.62
Daily volume (mil)	5.31
Shares outstanding (mil)	621.54
Diluted shares outstanding (mil)	671.75
% shares held by institutions	98%
% shares held by investments Managers	83%
% shares held by hedge funds	9%
% shares held by insiders	1.08%
Short interest	2.85%
Days to cover short interest	2.11
52 week high	$32.95
52-week low	$17.81
Volatility	30.88%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
6/30/2017	-2.30%	-66.60%
9/29/2017	-2.82%	-63.74%
12/29/2017	-4.43%	117.35%
3/30/2018	2.68%	-39.64%
6/29/2018	0.52%	-59.17%
Mean	-1.27%	-22.36%
Standard error	0.9%	24.3%

Market and Credit Scores

Recommendation (STARS) Value--3
Recommendation (STARS) Description--Hold
Quality Ranking Value--B
Quality Ranking Description--Below Average
Short Score--0
Market Signal Probability of Default % (Non-Ratings)--0.24%
CreditModel Score (Non-Ratings)--bb

Industry and Segment Information

LTM Revenues by Geographic Segme	LTM Revenues by Business Segments
#VALUE!	Enterprise Security Implied Billings--53%
EMEA (Europe, Middle East and Africa)--24%	Consumer Digital Safety Implied Billings--47%
APJ (Asia Pacific and Japan)--18%	--
#VALUE!	--
#VALUE!	--

Peers

Check Point Software Technologies Ltd.	--
Palo Alto Networks, Inc.	--
FireEye, Inc.	--
Fortinet, Inc.	--
Proofpoint, Inc.	--

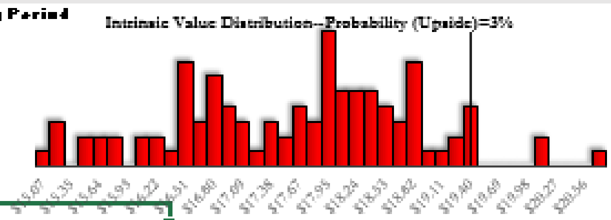
Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Clark, Gregory	CEO & Director		0% per annum over 0y
Fey, Michael	President & COO		0% per annum over 0y
Noviello, Nicholas	Executive VP & CFO		0% per annum over 0y
Taylor, Scott	Executive VP, General Counsel & Secretary	-100% per annum over 4y	4.81% per annum over 4y
Thompson, Hugh	Chief Technology Officer		
Hipenia, Cynthia	Vice President of Investor Relations		

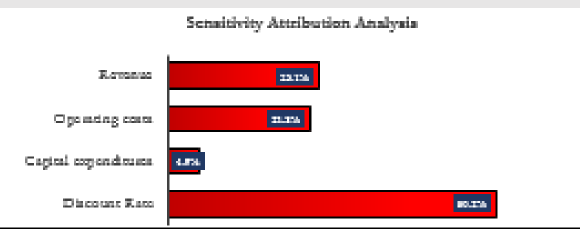
Porter's 5 forces (Scores are percentiles)

Profitability	SYMC (LTM)	SYMC Historical	Peers' Median (LTM)
Return on Capital (GAAP)	-1.8%	-1.45%	28.46%
Operating Margin	-6%	14.43%	27.33%
Revenue/Capital (GAAP)	0.31	-0.10	1.04
ROE (GAAP)	16.9%	8.8%	15.5%
Net margin	22.0%	16.3%	23.9%
Revenue/Book Value (GAAP)	0.765368225	0.54	0.65
Invested Funds	**SYMC (LTM)**	**SYMC Historical**	**Peers' Median (LTM)**
Cash/Capital	25.5%	31.8%	49.8%
NWC/Capital	-14.9%	-12.6%	-30.8%
Operating Assets/Capital	32.1%	33.7%	30.3%
Goodwill/Capital	57.2%	42.5%	14.4%
Capital Structure	**SYMC (LTM)**	**SYMC Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.35	0.26	0.36
Cost of Debt	4.0%	3.8%	5.0%
CGFS Rating (F-score, Z-score, and default Probability	CCC		
WACC	8.5%	10.2%	13.7%

Valuation

Forecast Assumptions	Explicit Period (13 years)	Continuing Period
Revenue Growth CAGR	7%	4.0%
Average Operating Margin	32%	30%
Average Net Margin	28%	23%
Growth in Capital CAGR	8%	4%
Growth in Claims CAGR	2%	4%
Average Return on Capital	8%	7%
Average Return on Equity	12%	8%
Average Cost of Capital	10%	11%
Average Cost of Equity	13%	13%





October 15, 2018

Company Name:
Craft Brew Alliance (BREW)

Marko Stojanovic

Sector: Consumer Staples
Industry: Beverages - Brewers
Current Price:$16.75
Target Price:$18.90

Company Description: Craft Brew Alliance is publicly traded craft brewing company with the headquarters in Portland, OR. The BREW was formed with the merger of Widmer Brothers Brewing and Redhook Ale Brewery in 2008. The Alliance divides its business between beer, comprising brewing and selling craft beers, and pubs and other operations, including five pubs, four of which neighbor its breweries. Its beers are distributed through an agreement with Anheuser-Busch, which owns about 32% of the Alliance.

HOLD/SELL

Current Price:	$16.75
Target Price:	$18.90
Market Cap:	328M
ROE:	13.59
LTD/TE (FY2017)	24.08
LTD/TE(YTD)	7.35
EBITDA margin %:	10.4
WACC:	10.76%
ROIC/WACC:	.31

Thesis:

BREW has shown growth in revenue, even though brewing industry was set to default. It also improved it gross profit margin in last 4 years. The good financial position allowed them to acquired three partner companies, which will give them new market share. BREW has new products on the line, with focus on non-alcoholic beverages such as sake, medical mushroom beer, nonalcoholic beer and few others. The partnership with Anheuser-Busch is accelerating topline growth and increasing shareholders value. International sales are growing, especially Kona is 45% up. This shows that there is potential for growth and BREW is making moves to create more values.

Catalysts::

- **Short Term**(within the year): Acquisition of three partners: Appalachian Mountain Brewery, Cisco Brewers, Wynwood Brewing Co.
- **Mid Term**(1-2 years):International Distribution agreement 20M in 2019, Develop new non-alcoholic products. Improve gross margin.

- **Long Term**(3+): US master brewing agreement +10 years, possible merger with Anheuser-Busch.

Earnings Performance:

BREW has shown ability to surprise the analysts by beating their estimates in last 5 earning calls. The last quarter the estimate of revenue was beat by $0.09 which leads to Revenue of $61.82M. Big surprise was in quarter 1 when they beat the revenue by $3.63M with total of $47.49M. They also beat the estimate for EBITDA in last 5 quarters by improving their EBITDA margin to 10.4% for 2017.

Their ROIC/WACC is .31 with a target of .51, which shows small possibility of value creation. However, competitors ROIC/WACC is targeted to be .47 which shows that BREW is in the range of the competitors.

ROIC /WACC		
	History	*LTM*
BREW	**0.31**	**0.52**
Competitors	**0.60**	**0.47**
Target	**0.52**	

Brew also increased their barrels sales compared to 2017 first 6 months, which lead into positive net income in 2018. They sold 391.600 barrels in first 6 months of 2018, which is approximately 23,000 barrels more compare to 2017. They also increased the shipment of barrels for first 6 month approximately 11,900 barrels. Total barrels that BREW have sold in 2017 was 855,000.

Following is a summary of our financial results:

Six Months Ended June 30,	Net sales	Net income (loss)	Number of barrels sold
2018	$109.3 million	$4.6 million	391,600
2017	$104.9 million	$(0.1) million	378,400

Industry Background:

Beer industry has been on pressure in past two years due to legalization of Marijuana in few states. Beer industry has value of $111.4B with 1.4% drop in 2017. The sales of alcoholic beverages dropped overall due to legalization of Marijuana and this provided the problems for breweries. However, this legalization allowed the breweries to expend their portfolio of beers with new products that will contain the substances from Marijuana. On the Appalachian Mountain Brewery web page, they show the interest in exploring the CBD/THC market and producing products that will contain those substances. With this said, BREW has acquired the company that is looking to explore the market of beers that will contain the CBD/THC substances. Cannabis market is currently valued at $9B and expected to grow to $21B in 2021. This could be big sale driver in the future, and Appalachian Mountain could be the driver for BREW. Since there is no data available for marijuana beer, this is still big question and could go either way. If it is to believe, market is there for beer-cannabis we just need the time to see if it is going to react positively or not. The rumors are that BREW will announce their infusion-beer on October 31st which will open the new market and possibility for revenue improvements.

Ownership:

BREW has avg. volume of 109.26K with 19.36M shares outstanding. The big portion of BREW is owned by Anheuser-Busch 32%. They got into agreement that Anheuser-Busch has right to buy all other outstanding stock shares for at least minimum price of $24.5 beginning of August 2018. The agreement seems very attractive to the current shareholders that own the stock at the current price, however there is big possibility the deal will never go trough since Anheuser-Busch already has significant control over BREW and is managing most of the BREW's productions and helping them with Intentional exports.

We can also see the huge increase in hedge funds ownership since last year, which signals that there is potential value in BREW and the smartest people are taking long position on it. Also we can see increase in ownership of investment advisors as well.

	Holder Name	Portfolio Name	Source	Opt	Position	% Out	Latest Chg	File Dt
			Companie	All				
1.	Anheuser-Busch InBev...		Proxy		6,069,047	31.34	0	03/26/18
2.	Dimensional Fund Advi...	Dimensional Fund Adviso...	13F		1,309,199	6.76	21,704	06/30/18
3.	BlackRock Inc		ULT-AGG		655,989	3.39	84,282	06/30/18

Compare Current Stats Against 10/08/17

Institutional - Based on Current Filings

51) Institutional	10/08/17	Curr	Change
11) % of Shares Held	33.10	39.46	+6.36
12) % of Float Held	66.44	67.88	+1.44
13) # of Institutions	131	155	+18.32%
14) # of Buyers	36	48	+33.33%
15) # of Sellers	37	29	-21.62%
16) # of New Buyers	22	21	-4.55%
17) # of Selloffs	16	5	-68.75%
18) % Chg in Inst Positions	+1.68	+5.78	+4.10

Top Fund Objective Ownership (%)

52) Fund Objective	10/08/17	Curr	Change
21) Blend	54.39	50.07	-4.32
22) ETF	17.18	17.90	+0.72
23) Value	10.50	15.98	+5.48
24) Growth	9.44	8.32	-1.12
25) Long Short	7.23	6.16	-1.07
26) Country Fund	0.32	0.60	+0.28
27) Unclassified	0.66	0.58	-0.08
28) Asset Allocation	0.27	0.37	+0.10
29) Market Neutral		0.01	

Top Geographic Ownership (%)

53) Geographic	10/08/17	Curr	Change
31) UNITED STATES	39.14	47.03	+7.89
32) BELGIUM	37.77	38.54	+0.77
33) Unknown	22.49	12.94	-9.55
34) UNITED KINGDOM	0.42	0.45	+0.03
35) GERMANY	0.12	0.39	+0.27
36) HONG KONG		0.36	
37) SINGAPORE		0.12	
38) SWITZERLAND	0.01	0.11	+0.10
39) CANADA	0.05	0.05	0.00

Top Ownership Type (%)

54) Ownership Type	10/08/17	Curr	Change
41) Corporation	37.77	38.54	+0.77
42) Investment Advisor	31.01	35.17	+4.16
43) Individual	22.49	12.94	-9.55
44) Hedge Fund Manager	6.93	12.22	+5.29
45) Pension Fund	1.48	0.68	-0.80
46) Insurance Company	0.11	0.21	+0.10
47) Brokerage	0.15	0.13	-0.02
48) Bank	0.03	0.11	+0.08
49) Foundation	0.01	0.00	-0.01

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

Competitors:

The brewery industry has been growing lately and there has been many competitors that is going against BREW. Comparing their sizes and location of selling, biggest competitors that they recognize are Boston Beer Company, Molson Coors Brewing etc. If we compare the Gross margin, we can see that both of their two biggest competitors have higher gross margin. However, as we saw in investor presentation, BREW is working on improving the gross margin and creating value for company. And it already has improved their gross margin by approximately 4% since last 2 years and projections are that it will keep improving in the future. It also shows that their EBITDA margin is lower than their main competitors and this margin has improved over last 2 years from 7.3% to 10.4% and it is projected to keep growing in the future. Even though their competitors have both EBITDA and gross margin much higher, BREW has potentials to improve this margins and take over the market from competitors. BREW is stating that they will do capital investments to drive toplines and lower the fixed overheads from 67% capacity utilization to 80%.

The partnership with Anheuser-Busch is also allowing them to spread in the International and Domestic market much easier and at lower cost. They entered in the Brewing Agreement with Anheuser-Busch in 2016 that will produce 300,000 barrels per year in Anheuser-Busch brewery and save approximately $10 per barrel with this deal. The deal is valid for 10 years and could be renewed after that.

Name (BI Peers)	Gross Margin TTM	EBITDA Margin TTM	Operating Margin	Profit Margin TTM
Median	51.26%	22.01%	18.95%	12.12%
100) CRAFT BREW ALLIANCE ...	33.72%	10.42%	2.76%	10.01%
101) BOSTON BEER COMPAN...	52.09%	17.45%	13.78%	8.49%
102) MOLSON COORS BREWI...	41.03%	21.89%	15.48%	9.05%
103) CONSTELLATION BRAND...	50.44%	35.91%	33.75%	22.47%
104) BROWN-FORMAN CORP-...	67.82%	34.21%	31.99%	23.04%
105) FARMER BROS CO	37.25%	6.90%	2.01%	-2.47%
106) COCA-COLA BOTTLING ...	34.23%	4.87%	2.41%	0.26%
107) NATIONAL BEVERAGE C...	39.89%	22.13%	20.94%	15.93%
108) MONSTER BEVERAGE C...	61.59%	35.89%	36.58%	23.59%
109) KEURIG DR PEPPER INC	58.88%	23.21%	20.91%	12.14%

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

BREW US Equity | 96) Actions | 97) Export | 98) Settings | Financial Analysis

ADJ Craft Brew Alliance Inc — Periodicity Annuals — Cur USD

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom

11) Adj Highlights | 12) GAAP Highlights | 13) Earnings | 14) Enterprise Value | 15) Multiples | 16) Per Share | 17) Stock Value

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	06/30/2018	12/31/2018	12/31/2019
Market Capitalization	255.0	160.5	325.5	370.7	328.0		
- Cash & Equivalents	1.0	0.9	0.4	0.6	5.8		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	14.9	19.5	29.3	33.3	10.8		
Enterprise Value	268.9	179.1	354.3	403.5	333.0		
Revenue, Adj	200.0	204.2	202.5	207.5	211.9	214.3	223.7
Growth %, YoY	11.6	2.1	-0.8	2.4	2.9	3.3	4.4
Gross Profit, Adj	58.7	62.2	59.6	65.3	71.5	73.1	78.1
Margin %	29.4	30.5	29.4	31.5	33.7	34.1	34.9
EBITDA, Adj	14.6	14.3	11.3	16.2	22.1	22.5	25.2
Margin %	7.3	7.0	5.6	7.8	10.4	10.5	11.2
Net Income, Adj	3.2	2.4	-0.3	17.0	21.2	8.4	10.2
Margin %	1.6	1.2	-0.1	8.2	10.0	3.9	4.5
EPS, Adj	0.17	0.13	-0.02	0.88	1.09	0.43	0.52
Growth %, YoY	35.2	-23.8	–	–	3,178.1	-51.1	20.3
Cash from Operations	9.9	11.6	7.4	16.8	12.9		
Capital Expenditures	-15.8	-15.7	-15.7	-18.3	-17.7	-18.0	-12.0
Free Cash Flow	-5.9	-4.1	-8.3	-1.6	-4.8	6.3	9.3

Earning call:

In the last earning call for 2ndQ, BREW announced that beer gross margin is 640 basis points higher (39.4%) than compared to 2ndQ in 2017. They also stated that next mission is to strengthen their topline expansion. With this said, they also mention that they have Innovation Team that is lunching the project group "pH" which shows that they are willing to learn what market wants at the time where beer industry is going down and it is on the way to drop even more. It also says that they use Adjusted EBITDA to evaluate operation performance and the results compare to last year are almost double. This signals that improving Adjusted EBITDA will lead to higher EBITDA margin which is forecasted to grow in the future. It also shows that their operating income is growing and it is projected to grow in the future. This is a good sing that could bring more value to the company .

One of the question during the call was about their SG&A cost and is it going to go up in the future. The explanation from CEO Andy is the marketing expenses will ticker this number up, hoping for positive results out of it. He also mention that the number range would stay around 25-30%. There was also question about cost of cans vs bottles, and COO Scott Mennen explained that cost of cans will be cheaper even with new tariffs proposed on China imports. It shows that they are focusing their production on cans and not bottles. He stated that going forward they will have more beer cans as percentage of volume which will lower the production cost.

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ADJ Craft Brew Alliance Inc | Periods 10 Annuals | Cur USD

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom

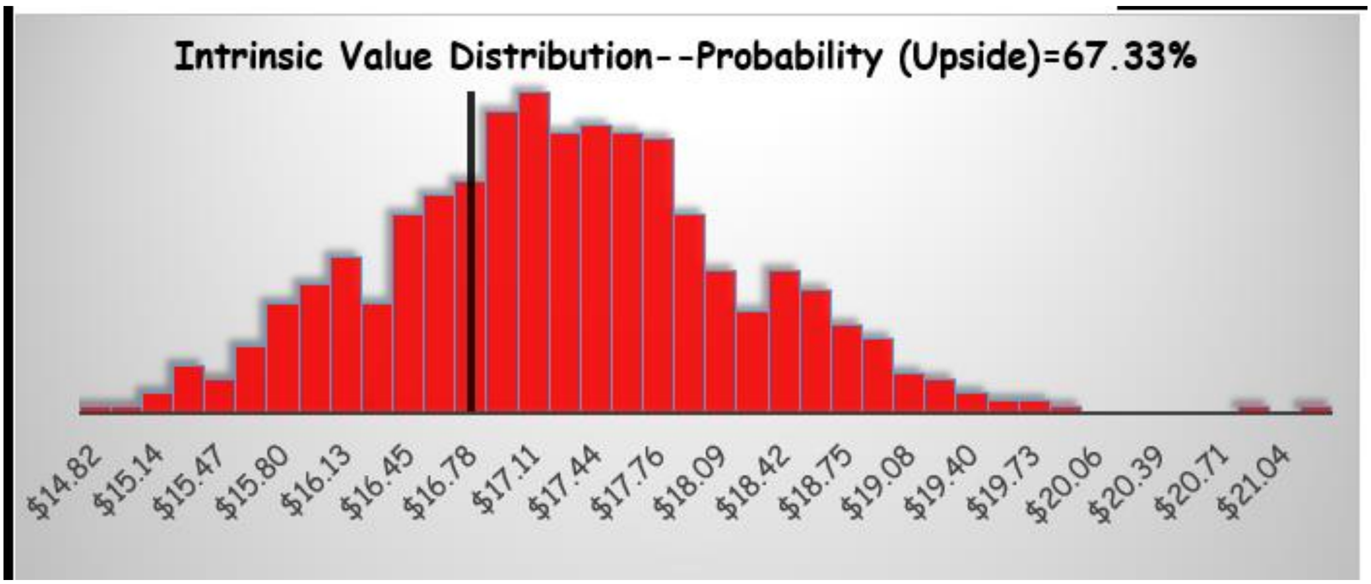
11) Adjusted | 12) GAAP | 13) As Reported | 14) Reconciliation | 15) SBC & Amort | 16) Adj % | 17) GAAP %

In Millions of USD except Per Share	2016 Y	2017 Y	Last 12M	2018 Y Est	2019 Y Est	2020 Y Est
12 Months Ending	12/31/2016	12/31/2017	06/30/2018	12/31/2018	12/31/2019	12/31/2020
Revenue	202.5	207.5	211.9	214.3	223.7	234.0
+ Sales & Services Revenue	202.5	207.5	211.9			
+ Other Revenue	–	–				
- Cost of Revenue	142.9	142.2	140.5			
+ Cost of Goods & Services	142.9	142.2	140.5			
Gross Profit	59.6	65.3	71.5	73.1	78.1	83.5
+ Other Operating Income	0.0	0.0	0.0			
- Operating Expenses	59.1	59.5	59.8			
+ Selling, General & Admin	59.2	60.5	60.0			
+ Research & Development	0.0	0.0				
+ Other Operating Expense	-0.1	-0.9	-0.3			
Operating Income (Loss)	0.5	5.7	11.7	11.2	13.4	14.0
- Non-Operating (Income) Loss	0.7	0.8	0.6			
+ Interest Expense, Net	0.7	0.7				
+ Interest Expense	0.7	0.7	0.6			
- Interest Income	0.0	0.0				
+ Foreign Exch (Gain) Loss	0.0	0.0				
+ (Income) Loss from Affiliates	–	–				
+ Other Non-Op (Income) Loss	0.0	0.0	0.0			
Pretax Income (Loss), Adjusted	-0.2	5.0	11.1	11.4	14.0	17.6

	2018	2017	2018	2017
Net income (loss)	$ 4,452	$ 1,724	$ 4,613	$ (63)
Interest expense	107	173	241	354
Income tax provision (benefit)	1,732	882	1,794	(309)
Depreciation expense	2,608	2,508	5,301	5,338
Amortization expense	43	65	86	130
Stock-based compensation	202	197	687	554
(Gain) loss on disposal of assets	22	143	(494)	146
Adjusted EBITDA	$ 9,166	$ 5,692	$ 12,228	$ 6,150

Conclusion:

BREW has shown the willingness to learn about market and try to introduce new products that will bring more revenue. The market of Cannabis is growing at 36.4% CARG ,however there is still no answer how will market react to cannabis-beer . As beer industry is on the way to have another negative growth rate, BREW has shown positive results with acquiring three new companies and willingness to go with new products. They also improved their margins which implies that their strategies are working well. It is very risky industry at this moment and my recommendation is to HOLD. Analysts have targeted price of $21.75 and there is 50/50 on hold and buy, while no analyst said to sell it.



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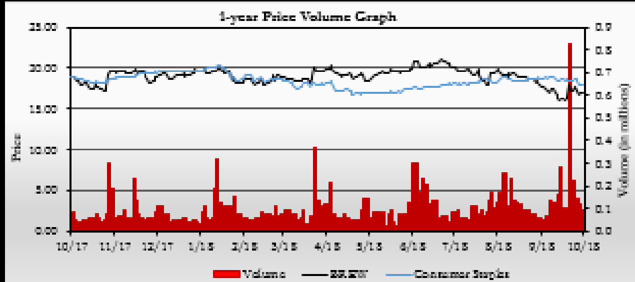
Craft Brew Alliance, Inc. (BREW)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Al Capone	**Current Price:**	$16.94	**Intrinsic Value**	$17.07	**Target 1 year Return: 11.55%**
10/14/2018	**Divident Yield:**	0.0%	**Target Price**	$18.90	**Probability of Price Increase: 67.**



Description

Craft Brew Alliance, Inc. brews and sells craft beers and ciders in the United States and internationally.

General Information	
Sector	Consumer Staples
Industry	Beverages
Last Guidance	May 8, 2018
Next earnings date	November 8, 2018

Market Assumptions	
Estimated Equity Risk Premium	6.00%
Effective Tax rate	28%

Market Data	
Market Capitalization	$328.00
Daily volume (mil)	0.10
Shares outstanding (mil)	19.36
Diluted shares outstanding (mil)	19.56
% shares held by institutions	58%
% shares held by investments Managers	25%
% shares held by hedge funds	11%
% shares held by insiders	18.69%
Short interest	2.97%
Days to cover short interest	5.24
52 week high	$21.00
52-week low	$15.76
Volatility	46.96%

Past Earning Surprises

Quarter ending	**Revenue**	**EBITDA**
6/30/2017	3.43%	70.70%
9/30/2017	-1.32%	47.60%
12/31/2017	0.06%	32.79%
3/31/2018	7.93%	203.12%
6/30/2018	-0.29%	49.95%
Mean	**1.96%**	**80.83%**
Standard error	1.0%	1775.0%

Market and Credit Scores
Recommendation (STARS) Value--0
Recommendation (STARS) Description--0
Quality Ranking Value--B-
Quality Ranking Description--Lower
Short Score--0
Market Signal Probability of Default % (Non-Ratings)--1.35%
CreditModel Score (Non-Ratings)--b+

Industry and Segment Information

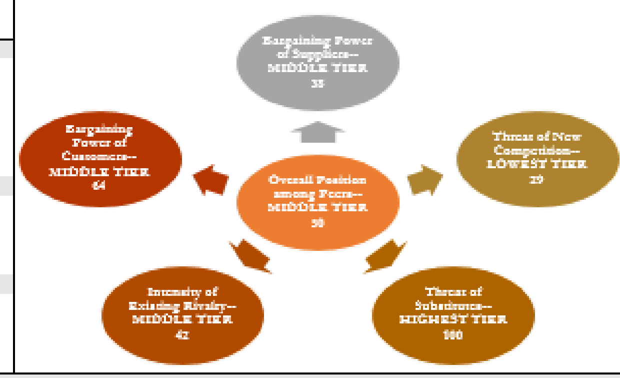
LTM Revenues by Geographic Segme	**LTM Revenues by Business Segments**
United States--100%	Beer Related--87%
--	Brewpubs--13%
--	--
--	--
--	--

Peers

--	Cerveceria San Juan S.A.
--	Ceylon Beverage Holdings PLC
Shepherd Neame Limited	Harboes Bryggeri A/S
--	--
Kulmbacher Brauerei Aktien-Gesellschaft	Phoenix Beverages Limited

Management	**Position**	**Total Compensation Growth**	**Stock Price Growth During Tenure**
Thomas, Andrew	Chief Executive Officer	17.24% per annum over 5y	19.09% per annum over 5y
Mennen, J.	COO & VP	0.41% per annum over 3y	-1.69% per annum over 3y
Kunze, Kenneth	Chief Marketing Officer & Vice President	-4.83% per annum over 3y	-1.69% per annum over 3y
Hahm, Derek	Vice President of Sales	42.8% per annum over 1y	13.61% per annum over 1y
Widmer, Kurt	Founder	-100% per annum over 3y	-1.69% per annum over 3y
Widmer, Robert	Founder		

Porter's 5 forces (Scores are percentiles)



Profitability	**BREW (LTM)**	**BREW Historical**	**Peers' Median (LTM)**
Return on Capital (GAAP)	4.8%	2.58%	5.41%
Operating Margin	5%	1.99%	13.88%
Revenue/Capital (GAAP)	0.92	1.30	0.39
ROE (GAAP)	8.8%	1.6%	7.1%
Net margin	5.2%	1.0%	3.8%
Revenue/Book Value (GAAP)	1.690039484	1.63	1.87
Invested Funds	**BREW (LTM)**	**BREW Historical**	**Peers' Median (LTM)**
Cash/Capital	2.5%	0.7%	12.3%
NWC/Capital	26.7%	21.5%	2.5%
Operating Assets/Capital	63.2%	68.7%	93.5%
Goodwill/Capital	7.6%	8.9%	0.0%
Capital Structure	**BREW (LTM)**	**BREW Historical**	**Peers' Median (LTM)**
Total Debt/Market Capitalization	0.13	0.18	0.28
Cost of Debt	3.5%	3.2%	5.0%
CGFS Rating (F-score, Z-score, and default Probabilit	A		
WACC	10.8%	8.6%	13.0%

Valuation

Forecast Assumptions	**Explicit Period (4 years)**	**Continuing Period**
Revenue Growth CAGR	12%	4.5%
Average Operating Margin	12%	12%
Average Net Margin	6%	6%
Growth in Capital CAGR	10%	4%
Growth in Claims CAGR	0%	4%
Average Return on Capital	10%	11%
Average Return on Equity	11%	11%
Average Cost of Capital	11%	11%
Average Cost of Equity	11%	11%