

Macroeconomic Overview

This past week, all major U.S. indices increased on a weekly basis, closing near record highs. Main driver of stock prices in the past week were positive earnings reports, as well as optimistic reports about the Ukraine crisis. In effect, the Dow Jones Industrial Average and the NASDAQ Composite gained 1.64% and 3.55% respectively, while the S&P 500 increased by 2.46% during the last week. Small cap stocks measured by the Russell 2000 index followed their trend of the past week with returns throughout the week of 2.28%. The

U.S. Stocks		
Index	% Change Week-to-Date	% Change Year-to-Date
DJIA	1.64%	1.10%
S&P 500	2.46%	1.85%
NASDAQ Composite	3.55%	3.33%
Russell 2000	2.28%	1.53%
VIX	-20.81%	-17.43%

VIX week-to-date change of -20.81% indicates that volatility levels keep decreasing at a faster rate during the past week compared to its year-to-date change of -17.43%. The yield on the 10-year U.S. T-note increased by 7 basis points to 2.02%, indicating that investors' demand for safer investments decreased during the week. In addition, oil prices kept increasing to a price of \$52.67. The oil price recovery is caused primarily by a decrease in spending by major oil producers and a continuing decrease in the number of U.S. oil rigs. However, gas prices are still

relatively low, which led to a 9.3% decrease in gas station sales which currently is the primary driver of retail sales that declined 0.8% in January, for now two consecutive months. Together with the 0.9% decline in December it reflects the weakest performance in the retail sector since 2009.

This week's stock price momentum was primarily driven by positive U.S. company earnings reports. Companies keep surprising on the upside and beating earnings in the fourth quarter. Many companies are reporting profits although being under pressure due to the strong dollar compared to major currencies. The analytics firm FactSet again increased their projections of fourth quarter earnings, now reporting an overall earnings growth of 3.1% in the S&P 500. In addition to fourth-quarter earnings reports, optimistic outlooks in the Ukraine crisis have had positive impacts on the market. Increased investor confidence about the global market due to a cease-fire agreement between the Ukraine and Russia after months of fighting contributed to the rise in stock prices in the past week.

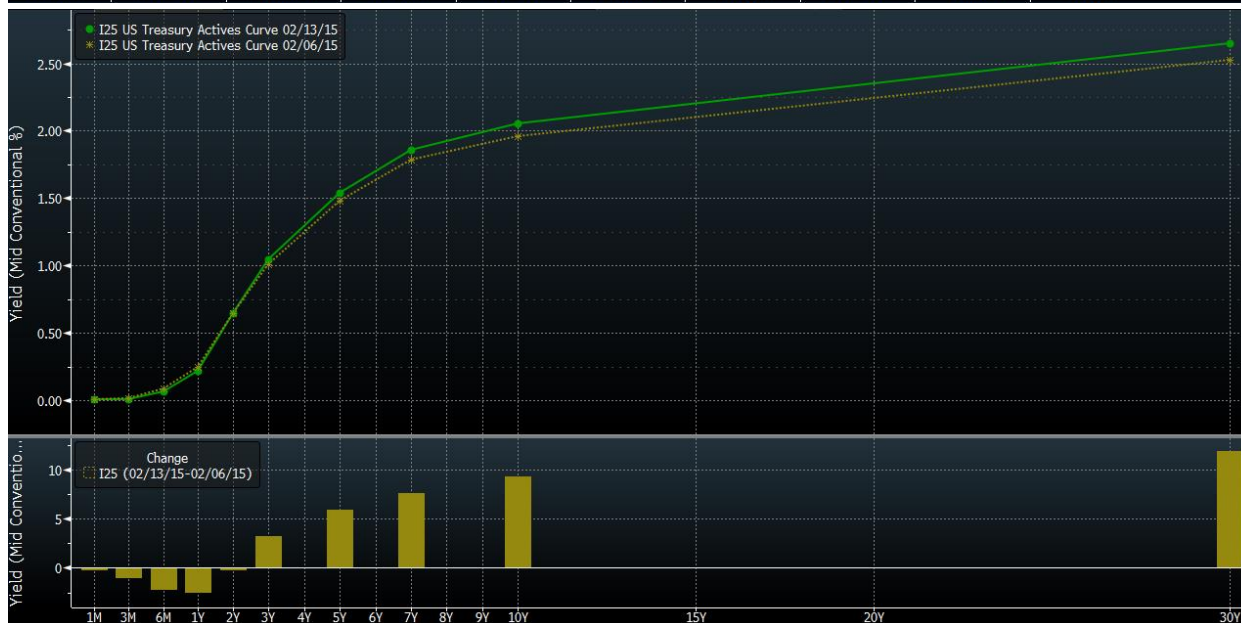
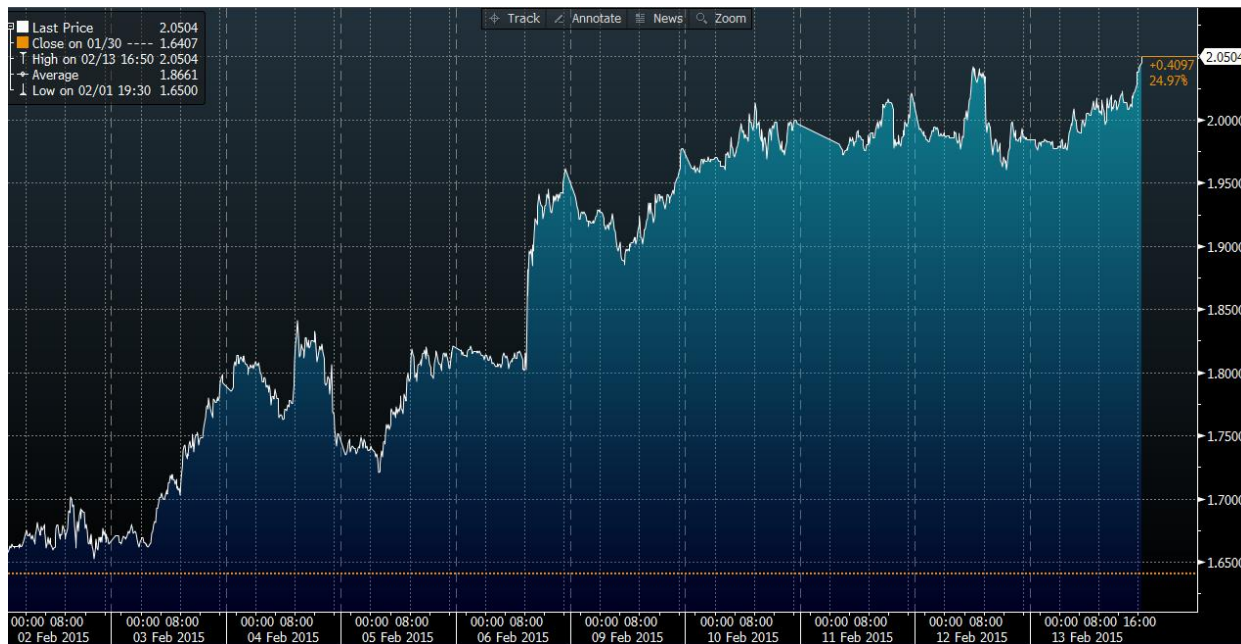
Debt negotiations between Greece and its creditors additionally proved to have an impact on the movement of the stock market. Stocks were suffering in the beginning of the week after talks by Greece's government, stating their intent of cancelling some of the reforms that are part of the country's bailout package. Later that week stock prices bounced back when talks between Greece and European Commission officials took a positive turn. The market reached its week highs on Friday after reports stating that Greece's government will do everything in their power to fulfil their contracts with the nation's creditors. Positive reports in Europe led to a rally in Euro stocks. Germany's Dax index improved to an all-time high after reports that the Eurozone grew greater than expected primarily due to the 1.4% growth of the German economy. However, it is expected that more capital will be flowing from the Eurozone to the U.S. market which experienced larger growth of 2.5% on a year-over-year basis.

On Tuesday, China reported that the country's January inflation further decreased to 0.8% year on year, slightly below expectations of 1%. It is an additional decrease from 1.5% in December. Analysts expect the decrease to lead to another cut in interest rates. The reported January inflation rate is China's lowest inflation since 2009, another indicator of China's weakening economy.

Next week, investors will be looking forward to see data from different economic reports that will have an impact on the markets. On Monday 16th, Japan will report on fourth quarter GDP with a consensus forecast of 3.7% annualized growth compared to the previous quarter. On Tuesday 17th, the Reserve Bank of Australia will hold their Monetary Policy Meeting Minutes, reporting on their most recent policies. The same day, the United Kingdom will release CPI data (YoY). The following day, Wednesday 18th, the Bank of Japan will hold a press conference, talking about their most recent interest rate decisions, economic outlook, inflation and monetary policy. The same day, the Bank of England will hold its Monetary Policy Meeting Minutes, talking about interest rates movements.

Bond Report

U.S. Government Bonds have continued to fall this past week, producing the biggest two-week sell off since June of 2013. The 10 year U.S. treasury yield curve rate has increased from 1.68% on February 2nd to 2.02%, this past Friday. This past week, specifically February 10th, marks the first time the treasury yields have been above 2% in a month. This is due to the decreasing worry of the global economic outlook. The demand for more risky assets has increased which can be observed by stock indexes hitting record highs in 2015, this past Friday. Data released on Friday also showed stimulated growth in the Eurozone in the fourth quarter of 2014, as European stocks increased to a seven-year high. Greek stocks and bonds also surged which has helped raise government bond prices in neighboring weak economies of the Eurozone. Although the Eurozone has been noticeably taking a turn for the better, U.S. yields are still considerably higher than those in Europe. The combination of low bond prices and increasing yields has sparked the attention of foreign investors. During this past Wednesday's 10-year note auction, foreign demand rose to its highest level since 2011. \$64 billion of new treasury notes and bonds sold at the auction, that being \$24 billion in 3-year notes, \$24 billion in 10-year notes, and \$16 billion in 30-year bonds.



What's Next & Key Earnings





























































































































On Monday, February 16th, trading markets will be closed for Presidents Day.

On Tuesday, February 17th, FOMC member Charles Plosser is set to speak. These speeches are closely watched by investors because FOMC members are responsible for setting the benchmark interest rate, as well as identifying indicators on possible changes in monetary policy in the future.

On Wednesday, February 18th, the U.S. Building Permits report will be released. Building Permits measures the change in the number of new building permits issued by the government. Building permits are a key indicator of demand in the housing market. A higher than expected reading should be taken as bullish for the USD, while a lower than expected reading should be taken as bearish for the USD.

On Wednesday, February 18th, the Producer Price Index (PPI) will be released. This is a measurement in the change in the price of goods sold by manufacturers. It is a leading indicator of consumer price inflation, which accounts for the majority of overall inflation.

On Wednesday, February 18th, the FOMC will release its Meeting Minutes. Meeting Minutes are a detailed record of the committee's policy-setting meeting held about two weeks earlier. The minutes offer detailed insights regarding the FOMC's stance on monetary policy, so traders carefully examine them for information regarding the outcome of future interest rate decisions.

Symbol	Company	EPS	Forecast	Prev.	Imp.	Period End
Tuesday, February 17, 2015						
 A	Agilent Technologies		0.41	0.88	  	01/2015
 ADI	Analog Devices		0.61	-	  	01/2015
 CF	CF Industries		5.08	2.62	  	12/2014
 XEC	Cimarex Energy		0.83	1.53	  	12/2014
 BCA	Corpbanca		0.18	-	  	12/2014
 DVN	Devon Energy		1.05	1.34	  	12/2014
 FE	FirstEnergy		0.75	0.89	  	12/2014
 FLS	Flowserve		1.13	0.93	  	12/2014
 FOSL	Fossil		3.1	1.96	  	12/2014
 GPC	Genuine Parts		1.06	1.24	  	12/2014
 MDT	Medtronic		0.97	0.96	  	01/2015
 NBR	Nabors Industries		0.4	0.39	  	12/2014
 OIBR	Oi		0.17	0.00	  	12/2014
 GT	The Goodyear Tire&Rubber		0.65	0.87	  	12/2014
 VNO	Vornado		0.45	0.69	  	12/2014
 WM	Waste Management		0.6	0.72	  	12/2014
Wednesday, February 18, 2015						
 ACT	Actavis		3.61	3.19	  	12/2014
 ALLE	Allegion Public		0.68	0.68	  	12/2014
 CAR	Avis		0.19	1.91	  	12/2014
 ABX	Barrick Gold		0.17	0.19	  	12/2014
 XRAY	DENTSPLY		0.61	0.62	  	12/2014
 DUK	Duke Energy		0.88	1.4	  	12/2014
 EOG	EOG Resources		0.99	1.31	  	12/2014
 FLR	Fluor		1.1	1.15	  	12/2014
 GRMN	Garmin		0.78	0.76	  	12/2014
 GGAL	Grupo Financiero Galicia		-	0.85	  	12/2014
 MRO	Marathon Oil		0.05	0.76	  	12/2014
 MAR	Marriot		0.65	0.65	  	12/2014
 NI	NiSource		0.52	0.14	  	12/2014
 UGP	Ultrapar Participacoes		0.64	0.30	  	12/2014
 WMB	Williams		0.24	0.15	  	12/2014

Thursday, February 19, 2015

 ED	Consolidated Edison	0.55	1.48	  	12/2014
 DTV	DIRECTV	1.4	1.33	  	12/2014
 DNR	Denbury Resources	0.23	0.26	  	12/2014
 DISCA	Discovery	0.41	0.41	  	12/2014
 DISCK	Discovery C	0.41	0.41	  	12/2014
 EQIX	Equinix	1.03	0.79	  	12/2014
 FTR	Frontier	0.05	0.05	  	12/2014
 GG	Goldcorp	0.2	0.13	  	12/2014
 HRL	Hormel Foods	0.64	0.63	  	01/2015
 HST	Host Hotels&Resorts	0.28	0.12	  	12/2014
 INTU	Intuit	-0.13	-0.10	  	01/2015
 MHK	Mohawk Industries	2.21	2.44	  	12/2014
 NEM	Newmont Mining	0.1	0.5	  	12/2014
 NBL	Noble Energy	0.34	0.28	  	12/2014
 JWN	Nordstrom	1.34	0.73	  	12/2014
 PDCO	Patterson	0.6	0.54	  	01/2015
 PCLN	Priceline.com	10.09	22.16	  	12/2014
 PSA	Public Storage	1.44	1.34	  	12/2014
 PWR	Quanta Services	0.51	0.61	  	12/2014
 SCG	Scana	0.73	1.01	  	12/2014
 WMT	Wal-Mart Stores	1.54	1.15	  	01/2015

Friday, February 20, 2015

 COG	Cabot Oil&Gas	0.22	0.2	  	12/2014
 DE	Deere&Company	0.83	2.11	  	12/2014
 ENB	Enbridge	0.53	0.33	  	12/2014
 TV	Grupo Televisa	0.94	-	  	12/2014
 HDB	HDFC Bank	11.47	-	  	12/2014
 HCN	Health Care	0.33	0.47	  	12/2014
 IRM	Iron Mountain	0.29	0.35	  	12/2014
 LH	Laboratory of America	1.63	1.8	  	12/2014
 PNW	Pinnacle West Capital	0.18	2.2	  	12/2014
 PEG	Public Service Enterprise	0.46	0.77	  	12/2014

Alteva, Inc. (AMEX:ALTV)

Financial Analysis By: Etienne Lehideux – Telecoms

Company Profile as of 2/12/2014

Market Price: \$7.55
Industry: Integrated Telecommunication Services
Market Cap: \$45.1M
52-Week: \$5.25-9.1
Beta: 0.49



Thesis

- Strategic restructuring and new management focused on creating value for shareholders
- Long term investments in salesforce and marketing will drive revenue growth
- Liquidation value analysis shows current price undervalued

Alteva, Inc is a leading company in the UCaaS business that heavily invested in sales growth and margin improvement initiatives over the past two years. It differentiates itself with industry leading technology, more than ten years of know-how, and a powerful network and infrastructure. The company is a BUY because FY 2015 will be the year where revenues take off as it is time for their investments to generate returns. After their organizational restructuring and management changes, investors ran away from the stock, ignoring its valuation, and overlooked opportunities for growth. Finally, a conservative liquidation value analysis shows that the company is largely undervalued.

Company Overview

Alteva, Inc., a cloud-based communications company, provides unified communication solutions for organizations. The company operates in two segments, Unified Communications and Telephone. The Unified Communications segment offers hosted unified

communications as a service solutions, such as business productivity application integration, audio conferencing and Web collaboration, email, access, compliance, mobility, call center, disaster recovery, device management, anti-virus, e911, paging and intercom systems, fax, Web browser integration, reporting and analytics, and CRM integration solutions; network design and management, and wholesale services; and customer premise equipment. The Telephone segment provides local and toll telephone, high-speed broadband, fiber Internet access, and satellite video services to residential and business customers. The company was formerly known as Warwick Valley Telephone Company and changed its name to Alteva, Inc. in May 2013. Alteva, Inc. was founded in 1902 and is headquartered in Philadelphia, Pennsylvania.

Strategic Restructuring

A dividend cut and management restructuring led investors to run away from the company's stock. Investors ignored the valuation and saw these events threats to the company's future. As dividend investors leave, an opportunity emerges for more aggressive investors that are looking for a cheap investment. The commented timeline below shows that the company is undergoing radical strategic changes and is investing in long term value for its shareholders.

May 2013: *The Company announced a reduction in workforce of its Warwick, New York facility of approximately 17% due to the decline in work associated with the Telephone segment.*

Their "legacy" Telephone segment is not what matters anymore. Telephone revenues are declining although the decline is offset by the cost cutting initiatives.

August 2013: *The Company announces the discontinuation of their 12% dividend to pursue growth opportunities.*

Alteva's stock price fell 30% to fluctuate between \$7 and \$8. Traditional dividend investors escaped as what they valued most were the large dividends historically paid by the company.

September 2013: *Alteva sells its USA Datanet business' assets.*

The sale of these "non-core" assets is referred to as the sale of the Syracuse, NY operations and will allow reducing costs and focus on the UC business. The business was generating an annual \$2,000,000 in revenue and cost \$3,000,000 to operate.

Mars 2014: CEO David Cuthbert and COO Jay Conn were let go as part of a restructuring designed to prepare the company for profitable growth.

April 2014: *The Company exercised a Put Option related to the Orange County-Poughkeepsie Limited Partnership for gross proceeds of \$50 million.*

The end of the partnership with Verizon reinforced Alteva's balance sheet. The proceeds will be used to pay taxes, reimburse debt, and invest in growth opportunities.

May 2014: *The Company continued to carry out its plan to contain costs by reducing its company-wide headcount by 7%.*

August 2014: *Brian J. Kelley is appointed CEO. The Alteva Board authorized a repurchase program for up to \$3.0 million of its common stock. The Company is evaluating selected strategic opportunities to supplement its organic growth potential via acquisitions.*

The share repurchase program should give a hint that the management believes their stock is undervalued. At the same time, the stock price drops to an all-time low of \$5.29

August 2014: *Juniper Investment offers to buy Alteva for \$8/ share in cash.*

The offer provides some color on the valuation of Alteva and the stock price comes back to \$7-\$8 levels.

September 2014: *The Company's Board of Directors (the "Alteva Board") adopted a Stockholder Rights Plan that provides for the distribution of one right of each share of common stock outstanding.*

This "poison pill" aims at avoiding hostile takeovers. It shows the management is committed to continue leading the company towards growth and shareholders returns.

January 2015: *Following pressure from Juniper Investment Management (7.8% ownership), the Company hired external financial advisor Oppenheimer to help evaluate strategic alternatives to enhance shareholder value.*

Alteva's management seem to care about the company and its shareholders. They want to be on board when their investments in the UC business turn into returns and that the industry's promised growth takes off. At the same time, they have been listening to their shareholders and hired an external financial advisor to satisfy them.

Value Drivers

Since Q1 2013, Alteva, Inc. is generating more revenues from its UC segment than from its "legacy" Telephone segment. From 51.1% in Q1 2013, the UC segment increased in share of the company's total revenues to 56.9% in Q3 2014. 92% of UC revenues are recurring and the company generally locks contracts in for 36 months. Excluding the former Syracuse operations, UC revenues increased 16% year over year during Q3 2014.

Revenue Growth

The main driver of Alteva's revenues will be its hosted UC subscriber growth. User base increased at annual rate of 19% between Q3 2013 and Q3 2014, reaching 49,000 users. There were 47,000 users on the hosted platform at the end of Q2 2014, which shows that the growth is consistent. Sales growth and new users highly depends on newly trained master sales agents' performance. The company invested in outside salesforce to sell Alteva and provide training on their products in order to gain market share. Management expects the project to be fully efficient by Q3 2015, and according to Alteva CEO Brian Kelley, the company is already bidding larger businesses. This long term distribution strategy should allow the company to increase Monthly Recurring Revenues, as well as to increase deal flow and size.

Cost Structure

Alteva managed to reach gross margins of 55% for its UC business in Q3 2014, which is an improvement from 50% in Q3 2013. The item that prevents Alteva's UC business to be profitable is SG&A expenses. During fiscal year 2014, they included severance expenses due to the recent reduction in workforce, which are non-recurring items. They also included costs related to the training of additional salesforce and sales agent related processes setup. The company will still suffer from these costs until Q1 to Q2 2015 but they will decrease as the only expenses related to the sales agents will be commissions.

Unified Communications

The idea of unified communications really started to grow in the 2000s as an increasing number of ways communication appeared. Businesses tended to have different suppliers for different communication tools and demanded a unified solution to centralize the experience and reduce their costs. Seeing this innovation as a threat to their existing products, established communication solutions providers such as Cisco, Avaya, or AT&T started buying unified communications start-ups and killing them. Although, the trend for businesses has been to switch from traditional PBX system to IP communications that can integrate with other applications; hence the obvious need for unified communications.

Several encouraging trends lead to think that the unified communications industry is bound to grow. [InformationWeek's](#) 2014 Unified Communications Survey found that 44% of their respondent had UC systems deployed and in used, which is an improvement from 38% in 2011. Another survey from [Evolve IP](#) found that 84% of the IT and business professionals that were not using UC in 2013 were planning or considering implementing it in the next 1-3 years. InformationWeek's survey also found that 62% of the businesses asked thought that improved employee collaboration was their top business driver by a large margin. Increasing workforce mobility among businesses is also a key factor for the rise of the industry. Indeed, the report also showed that more than half of the companies interviewed had work from home programs, which encourages the use of unified communications services.

As an analyst from [Infonetix, Inc](#) notes, the "*sales of premises-based PBX systems have been stagnant to declining over the past few years*", creating opportunities for cloud services to continue to "*expand with businesses worldwide seeking out hosted alternatives*".

The industry is also seeing some consolidation. In November 2014, Vonage announced it would acquire privately-held Telesphere Networks Ltd for \$114 million in cash and stock, valuing the company at 2x or less their estimated 2015 revenues. Such activity provides some color on UCaaS businesses' valuation.

Competitive landscape and advantages

As a hosted UC provider, Alteva, Inc. competes with both premise-based voice and video providers such as Avaya and Cisco as well as cloud-based voice and UC providers such as 8x8, Inc., Verizon and Comcast. As the market expands, there is an increasing number of services providers and competitors. The competitive landscape for hosted UC includes traditional telephone providers, managed service providers, system integrators, as well as non-traditional competitors. The peer group used for this analysis included 8x8, ShoreTel, Level 3 Communications, as well as larger companies including Cisco and Verizon.

Alteva, Inc. is considered an industry leader in unified communications, as it delivers best-in-class products and implementations as well as an unmatched customer service. First, the company is a Broadsoft carrier, which is recognized best in quality for VoIP products. Alteva has built four Broadsoft switches (Philadelphia, St Louis, Denver, Los Angeles) well spread across the country to avoid network failure. Also, the quality and density of their network allows achieving greater quality of service metrics than the industry. Alteva is also considered a mature product, as it has been working on UCaaS since 2003. It has developed a leading platform in terms of its tailored integration of communication services into one platform. Another competitive advantage is pricing. Although the company does not offer real price advantage on basic VoIP offering, Alteva is very competitive when it comes to more sophisticated clients. Their platform attracts clients with complex multi-service needs, who can see the difference in the pricing.

Liquidation Value

NOTE: This thesis point was inspired by Daniel Gilcher's 01/08/2015 [article](#), initially published on Seeking Alpha.

In April 2014, Alteva exited a limited partnership with Verizon that resulted in gross proceeds of \$50 million. The proceeds were used to pay taxes on the related gains, repay outstanding senior debt, fund working capital needs and support growth initiatives. Based on the company's Q3 2014 financial statements, a very conservative liquidation value per share would be higher than the current stock price.

Some notes on the liquidation valuation:

- Cash and equivalents are liquidated at 100%, receivables at 90%, and other current assets at 80%
- PP&E was accounted for at cost, based on the company's latest 10K for FY 2013.
- Alteva's intangible assets consist of customer relationships, a trade name, a website, and license seats and are accounted for as their Net Value
- For conservatism' sake, a 40% discount rate has been applied to PP&E and Intangibles.

In Millions, except per share		Liquidation Ratio	
Cash & equivalents	28.9	100%	28.9
Receivables	3.1	90%	2.79
Inventories	0.2	80%	0.16
Other current assets	1.3	80%	1.04
PP&E at cost	76.4	60%	45.84
Intangibles	16.9	60%	10.14
Total Assets	126.8		88.87
Minus: Liabilities			19.51
Equals: Liquidation Value			69.36
Shares O/S			6
Liquidation value per share			\$11.56

This very conservative valuation approach gives a price per share of \$11.56, which is 53% higher than the current market price.

Forecasts

Generally speaking, Alteva's management provides very poor guidance during earning calls. Considering recent developments, it would be difficult to justify that the company is expected to reach profitability during its FY 2014. The valuation attached assumes a year over

year growth rate in sales of 10% for FY2014, 15% for FY2015 and 20% for FY2016. It assumes a conservative long term growth rate of 2% and multiples lower than the peer group. It assumes that total operating costs will be 100% of the revenues in FY2014, will drop to 95% FY2015 to reach a long term of 85%. Even if the UC business does not know an explosive growth in the coming years, ALTEVA is mispriced due to poor coverage and interest in the industry. Based on these assumptions, the 1 year target price of \$13 seems to be a fair valuation of Alteva, Inc.

General Info			Market Data			P/E			Price		
Sector	Industry	Description	Enterprise Value	Symbol	Market Cap	TEV/EBITDA	P/B	EBITDA Margin	Total Debt/TEV	EBIT/Inv. Exp.	Altman Z
Telecommunication Services	Diversified Telecommunication Services	Altiva, Inc. is a cloud-based communications company, provides unified communications solutions for organizations. The company operates in two segments, Unified Communications and Telephony. The unified communications segment offers hosted unified communications as a service solution, such as business productivity applications, integration, audio conferencing and Web collaboration, email, instant, compliance, mobility, call center, disaster recovery, device management, multi-vendor, system, fax, Web to connect integration, reporting and analytics, and CRM integration solutions; network design and management, and network services; and customer premise equipment. The Telephony segment provides local and toll telephone, high-speed broadband fiber Internet access, and satellite video services to residential and business customers. The company was formerly known as Warrick Valley Telephone Company and changed its name to Altiva, Inc. in May 2013. Altiva, Inc. was founded in 1902 and is headquartered in Philadelphia, Pennsylvania.	\$16.2B	NasdaqGSSEHGT	\$712.65	57.6x	2.3x	6%	0%	21.32	
Chief Executive Officer	Chief Financial Officer	Chief Executive Officer	376663	NYSECTH	\$22,420.00	6.1x	1.3x	39%	48%	2.0x	1.24
Chief Executive Officer	Chief Financial Officer	Chief Executive Officer	583	NYSECTH	\$179,522.07	7.8x	2.1x	24%	33%	3.8x	1.37
Chief Technology Officer	Chief Technology Officer	Chief Technology Officer	6.14	NYSEVZ	\$202,494.33	8.2x	16.7x	28%	37%	(0.46)	2.69
Chief Marketing Officer	Chief Marketing Officer	Chief Marketing Officer	77.2%	NasdaqGSSEHGT	\$85.6x	3.7x	4%	35%	1.3x	0.81	
Senior Vice President of	Senior Vice President of	Senior Vice President of	7.6%	NasdaqGSSEHGT	\$8,387.42	8.1x	2.2x	45%	39%	1.3x	
Senior Vice President of	Senior Vice President of	Senior Vice President of	0.80	NYSEVZ	\$18,146.27	16.4x	2.6x	26%	1.3x		
Senior Vice President of	Senior Vice President of	Senior Vice President of	\$9.11	NYSEVZ	\$1,549.22	8.0x	N/A	28%	67%	1.7x	
Senior Vice President of	Senior Vice President of	Senior Vice President of	\$3.25	NasdaqGSSEHGT	\$1,698.48	8.2x	1.8x	12%	16%	15.7x	1.31
Senior Vice President of	Senior Vice President of	Senior Vice President of	47.89%	ALTV	\$43.99	1.8x	2.3x	-42%	37%	1.8x	2.79
Management			Comp. FY2011			Comp. FY2012			Comp. FY2013		
Title			Last			Last			Last		
Chief Executive Officer			-			-			-		
Chief Financial Officer			-			-			-		
Chief Technology Officer			-			-			-		
Chief Marketing Officer			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-			-		
Senior Vice President of			-			-					

Alliance Resource Partners, L.P (ARLP: NASDAQ)

Financial Analysis By: Benjamin Linaud– Basic Materials

Company Profile as of 4/23/2014

Market Price: \$37.45

Industry: Energy

Market Cap: \$2,773.57M

52-Week: \$35.79-\$53.84

Beta: 0.74

<u>Source</u>	<u>Target Price</u>	<u>Recommendation</u>
Siena	\$41.60	Buy
Capital IQ	49.2	Buy
Yahoo Finance	49.2	Buy
Bloomberg	49.2	Buy



Market Price: \$37.45

Thesis

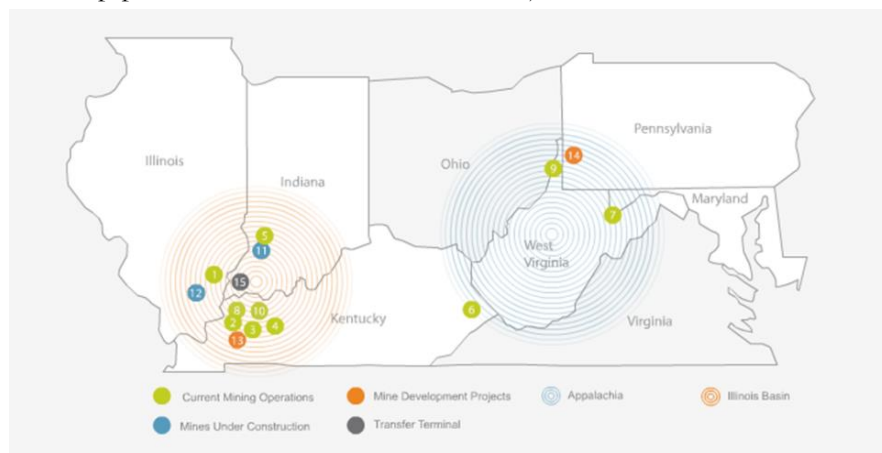
- Competitive advantage from strategic geographical locations
- High margins compared to the industry average
- High return on invested capital relative to peers
- Growth in free cash flows and value creation
- Diversification in oil and gas industry
- Growth opportunities through recent investments

Alliance Resource (ARLP) is a low-cost operator company focusing on generating free cash flows, distributing dividends to shareholders, and reinvesting almost 100% of its cash into the company. Its mining assets are positioning strategically close to its customers allowing the company to reduce its transportation costs and reducing shipping costs for customers. ARLP is doing better than its competitors by producing higher quality coal and being more reliable on its supplies. By generating high margins with a low cost strategy, the company is able to generate growth in free cash flows. Alliance has increased cash distributions to unitholders for 26 consecutive quarters reflecting a history of robust growth. The recommendation for ARLP is a **buy** with a target price of: \$41.6

Company Overview

Alliance Resource Partners, L.P. is engaged in the production and marketing of coal primarily to utilities and industrial users in the United States. It operates 10 underground mining complexes in Illinois, Indiana, Kentucky, Maryland, and West Virginia. The company also leases lands and operates a coal loading terminal on the Ohio River at Mt. Vernon, Indiana; and purchases and resells coal. As of December 31, 2013, it had approximately 1.1 billion tons of coal reserves in Illinois, Indiana, Kentucky, Maryland, Pennsylvania, and West Virginia. In addition, the company provides mine products and services comprising design and installation of underground mine hoists for transporting employees and materials in and out of mines; design of systems for automating and controlling various aspects of industrial and mining environments; and design and sale of mine safety equipment, including its miner, and equipment tracking and proximity detection systems. Further, it offers ash and scrubber sludge removal, coal yard maintenance, and arranging alternate transportation services. Alliance Resource Management GP, LLC serves as the general partner of Alliance Resource Partners, L.P. The company was founded in 1971 and is headquartered in Tulsa, Oklahoma.

The map presented below shows the two major areas where ARLP controls its mining assets: Appalachia and Illinois Basin. The two



mines noted in blue (White Oak in Illinois, and Gibson South in Indiana) have been constructed in 2013 and are currently in expansion for future coal production. ARLP is the third largest eastern U.S coal producer in the eastern United States, producing 40.8 million tons in 2014. Alliance is also a leader in mining safety, with a lost-time-accident incidence rate of 31% below the national average for bituminous underground coal mines. Their mining operations are located close to major utility generating plants, which are their main customers. ARLP higher percentage of sales is related to long term contracts with its customers. The firm has

also a master limited partnership (MLRP), meaning that the company is not subject to federal or state income tax.

Management and ownership:

Top Holders				
	Units Held	% O/S	Unit Change	Filing Date
Alliance Holdings GP, L.P.	31,088,338	42.0	0	02/14/14
Energy Income Partners LLC	3,674,132	5.0	78,235	09/30/14
Bank of America Merrill Lynch (US)	2,072,870	2.8	5,440	09/30/14
Impala Asset Management, LLC	1,568,184	2.1	45,059	09/30/14

Joseph W. Craft III is President, Chief Executive Officer and Director since August 1999 and has indirect majority ownership of ARLP managing general partner. Mr. Craft serves also as President, Chief Executive Officer and Chairman of the Board of Directors of AGP, the general partner of Alliance Holding GP (AHGP). AHGP owns 42% of ARLP (as shown on the left table).

Joseph W. Craft III holds 69.9 % of AHGP (table on the left). The most recent insider transaction was on the 9th of February 2015 by the vice president and controller Robert J. Fouch who purchased \$154,224 worth of Alliance Resource Partners LP.

Top Holders				
	Units Held	% O/S	Unit Change	Filing Date
Craft (Joseph W III)	41,814,168	69.9	-76,200	10/30/14
Neuberger Berman, LLC	7,000,699	11.7	608,541	12/31/14
Kayne Anderson Capital Advisors, L.P.	1,197,243	2.0	-557,295	12/31/14
Energy Income Partners LLC	1,058,418	1.8	1,949	09/30/14

Brian L. Cantrell is Senior Vice President and Chief Financial Officer since October 2003. Mr. Cantrell also serves as Senior Vice President and Chief Financial Officer of AGP, the general partner of AHGP.

The management team has been working in the coal industry for decades and seems to be implied in the company's activities. The fact that Alliance Holding owns 42% of ARLP is a good sign as *Joseph W. Craft III* holds 69.9% of the holding company. The specific experience, qualifications, attributes or skills that led to the conclusion that Mr. Craft should serve as a Director includes his long history of significant involvement in the coal industry, his demonstrated business acumen

and his exceptional leadership of the Partnership since its inception. Management is highly focused in generating cash flows and reinvesting them into the company to generate higher return on investments leading ARLP to the creation of value.

Industry Overview

The coal industry is seasonal and cyclical. Members of this industry are generating sales by mining, processing, and marketing coal, though a small subset design and manufacture equipment used to extract the fuel and other materials. Pricing are highly dependent on supply and demand from worldwide energies. Future production should decrease in 2015, increasing coal price, which should allow companies to generate more profits. The major portion of US coal production is being consumed by utilities. Demand is expected to remain flat in future years in the US for 2015. Coal also has to compete with other energy sources such as oil and natural gas. Historically, coal has enjoyed a solid cost advantage, but that gap has been recently reduced.



As we can see on the left graph, natural gas and coal prices are positively correlated. Natural gas price has been decreasing since April 2014, driving down the price of coal. Gas price is expected to increase in the future. With lower oil price, it should result a slower rate of growth in natural gas supply due to increased financing costs and a consequent reduction in supply of associated gas. The increase in gas price should lead to an increase in coal consumption.

Porter Five Forces

-Substitutes: Main substitutes for coal are other sources of energy such as oil and gas. Their relative prices are impacting coal price, which also ARLP revenues. Natural gas and coal prices are positively correlated. If the gas price is too low, coal demand should decrease, leading to lower coal prices. The price of natural gas is expected to increase later in 2015 as discussed in the industry overview, meaning that a potential improvement in the industry should be expected in 2015.

-New entrants: There are important barriers to entry in the US coal industry. It is highly competitive with numerous producers in all coal-producing regions. Most of coal reserves have been acquired by existing companies and initial investments are important for new companies. Also, coal production is already at a high level with low demand for the commodity, reducing potential profit for new entrants.

-Suppliers' Bargaining Power: It is difficult for ARLP, as a supplier, to drive prices higher. Coal prices are primarily linked to coal consumption patterns of domestic electricity generating utilities, which in turn are influenced by economic activities, government regulations, weather, and technological developments. ARLP has a better advantage thanks to its products' quality and services offered to customers. Reliability and transportations are the two main factors attracting customers in the industry. ARLP is amongst the leader in these areas. Other competitors do not have the same ability than Alliance Resource to reduce operating costs. As a consequence, competitors sell the commodity at higher prices, giving a competitive advantage to ARLP.

-Buyers' Bargaining power: Low demand and limited number of buyers allow them to drive prices down. The two largest customers in 2014 were *Louisville Gas and Electric Company* and *Tennessee Valley Authority* representing almost 30% of ARLP's sales. On the other hand, costs for switching from coal to gas or any other energy are high for utility customers. It would also be a long process based on needed changes in infrastructures. Also, utilities' contractual obligations to the coal miners could affect their decision to switch fuels purely based on spot price economies. ARLP already proposes lower prices than its competitors and is able to match its demand by producing more coal every year. The company increased its coal reserve by 50% from 2013 to 2014, allowing the firm to secure its position as a low cost preferred provider limiting the risk of losing existing customers.

Competition: The coal industry is highly competitive with a lot of producers all over the country. ARLP main competitors include Alpha Natural Resources, Inc., Arch Coal, Inc., CONSOL Energy, Inc., Foresight Energy LLC, James River Coal Company, Murray Energy, Inc., Patriot Coal Corp., and Peabody Energy Corp. Some of these producers (such as CONSOL energy) are larger, have greater financial resources and larger reserve bases Alliance Resource do. The firm has also to compete with smaller producers in the

Illinois Basin, Central Appalachian and Northern Appalachian regions. ARLP main competitive advantage comes from its low coal prices, quality (including sulfur and heat content), and transportation to its clients, increasing customers' satisfaction. By having strategic mine locations, ARLP is able to reduce substantially its transportation costs. In addition, the company offers multiple transportation options to its customers such as rail, truck and barge. Also, Alliance Resource is able to secure about 90 to 95% of its sales through long-term contracts and already secured 93% of its coal sales volume for 2015. Another competitive advantage comes from the MLP structure (no federal or state income tax), which allows ARLP to generate more value than its peers. On the other hand, the company is also exporting a portion of its coal internationally. The competition is important and prices are mainly influenced by external factors such as economic conditions, weather patterns and political instability.

Due to its performance and industry's position, ARLP was able to acquire from an affiliate of Patriot Coal Corporation the rights to different coal supply agreements. The Partnership also comprised the acquisition of other assets from Patriot, including mining equipment and coal reserves. ARLP is expecting to gain additional market shares and demand from competitors in the future.

Financials: ARLP vs Competitors

ARLP revenue growth was 4.21% for its last fiscal year compared to -2.1 % for its peers. ROIC was 32.8% which was more than 20% higher than its peers with a ROIC of 9.21% in 2014. Also, EBITDA margin represented 23.7% in 2014, almost 20% higher than its peers and almost 10% higher than the industry average. By generating higher return on investment and having higher margins than its peers, ARLP has been able to create more value and is well positioned to gain market share in the future.

Past performances

ARLP reached its highest production capability in 2013 with a 5.1% growth compared to 2014. The Tunnel Bridge mine production increased by 2.6 million tons, (better than anticipated) from 3.74 to 6.34 tons in 2014 compared to 2013. Also, the new Gibson South mine added approximately 840,000 tons to the total production. As exposed before, these levels of production allowed ARLP to increase its total reserve by 50%, allowing the company to secure their position as a low cost preferred provider. Past acquisitions increased reserve of coal, also provided flexibility to expand operations and making new investments to increase potential future growth. From 2013 to 2014 the company's revenues increased by 4.3% to a sales record of \$2.3 billion. Adjusted EBITDA was \$202M in Q4 vs. \$176M a year ago, an increase of 14.7%. Adjusted EBITDA increased by 14.2% from 2013 to 2014. By having a better cost management than its peers, ARLP has been able to create value.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cash from Operations	520.6	574	555.9	704.7	739.2
Capital Expenditures	-289.9	-372.7	-459.2	-354.4	-311.5
Free Cash Flow	230.7	201.3	96.6	350.2	427.7

As shown on this table, Alliance Resources has increased cash distributions by 17% compounded annually over the past five years.

Estimations

-Revenue growth driver: ARLP is expecting to gain market share from its competitors struggling in a challenging industry. Cost of production has increased compared to revenues. As a consequence, supply will be cut in Appalachia and Illinois Basin, making it more difficult for competitors to match demand. In addition, ARLP will benefit from its coal reserve to match the demand and will be best positioned to take advantage of the situation.

Analysts and the company itself are expecting an increase in coal prices in the future due to an increase in gas prices in 2015 as discussed in the industry overview. More importantly, ARLP is looking for a new growth driver due to industry's uncertainties. As a result, ARLP is looking to invest in US oil and gas mineral interest to adapt its strategy for the future. The acquisition of long term assets will provide opportunities to generate long term cash flows. ARLP believes that the US will be the top producer of gas and oil in the future, so they are seeing a great opportunity here. The company has already invested \$11.5 million and is looking to invest an additional \$50 million over the next 2 to 4 years.

Strong performances at Appalachian mines offset lower than expected sales in the Illinois Basin. Costs in Illinois basin were higher than expected due to difficult mining conditions. However, for 2015, revenues from Illinois Basin are looking better than expected due to past investments. ARLP expects better earnings growth than most coal peers due to the Tunnel Ridge, Gibson South and White

Oak project. White Oak growth should be steady in the future and net income is expected to be \$30 million from a loss of \$5.7 million. Finally, the company expects its exportations to grow with an increase of the international demand in the coal industry. 2015 revenue is expected to be \$2.44 billion at the midpoint of ARLP guidance, which would represent 6% revenue growth.

-Costs: CAPEX is projected to decrease to \$300 in 2015 from \$311.5 in 2014. Future CAPEX will come from the purchase of coal reserves, mining equipment and underground infrastructure from Patriot, White Coal mine expansion and preparation plant capacity at the River view mine, and additional equipment for Gibson south mine.

Also, the firm expects to invest \$50 million in oil and gas industry as exposed before. The company will be able to reduce its CAPEX in 2015 by benefiting from lower costs for equipment and the availability of good quality used equipment.

Operating expenses are going to increase due to a probable increase in oil price, increasing transportation's costs and costs from the use of equipment. Further acquisition should also increase operating costs.

As a result, Margins are expected to be lower. On the other hand, potential growth from new investments and a decrease in CAPEX should lead to potential growth in free cash flows, so creation of value.

Valuation:

-WACC: The long term cost of capital for the valuation is 10%. This has been increased from 8.6%.as the coal industry is being riskier with regulation that are limiting carbon emission, and the possibility of a lower demand.

-Growth: Analysts estimate a growth of 4% in 2015, with a decrease to 1.8% in 2016. By being conservative due to uncertainty in natural gas price and uncertainty from coal demand, growth has been reduced to 3% for 2015 and 1.5% on the long run.

-Operating costs have been increased from 64% to 71% in the long term due to a potential increase in oil price and an increase in cost from the expansion of White oak mines, Gibson South and Tunnel Ridge mine.

-Unlevered beta has been increased from 0.74 to 1 due to a higher projected risk in the industry.

-Return on invested capital is 16.6% for the valuation of the company. Again, this is conservative as the company has been able to generate an average ROIC of 38% in the last 10 years.

As a result, ARLP's intrinsic value is calculated at \$44 per share and the 1 year target price is \$41.6 per share, a potential upside of 18.13% with conservative projections. The ROIC is the most important driver of value creation for Alliance resource. The company is mainly focused on investing free cash flows in the company and distributing attractive dividend to shareholders. The stock price of \$37.45 per share is considered undervalued. The recommendation is a **buy**.

[illegible]

Lions Gate Entertainment Corporation (LGF: NYSE)

Financial Analysis By: Brian Johnke – Consumer Discretionary

Company Profile as of 2/12/2014

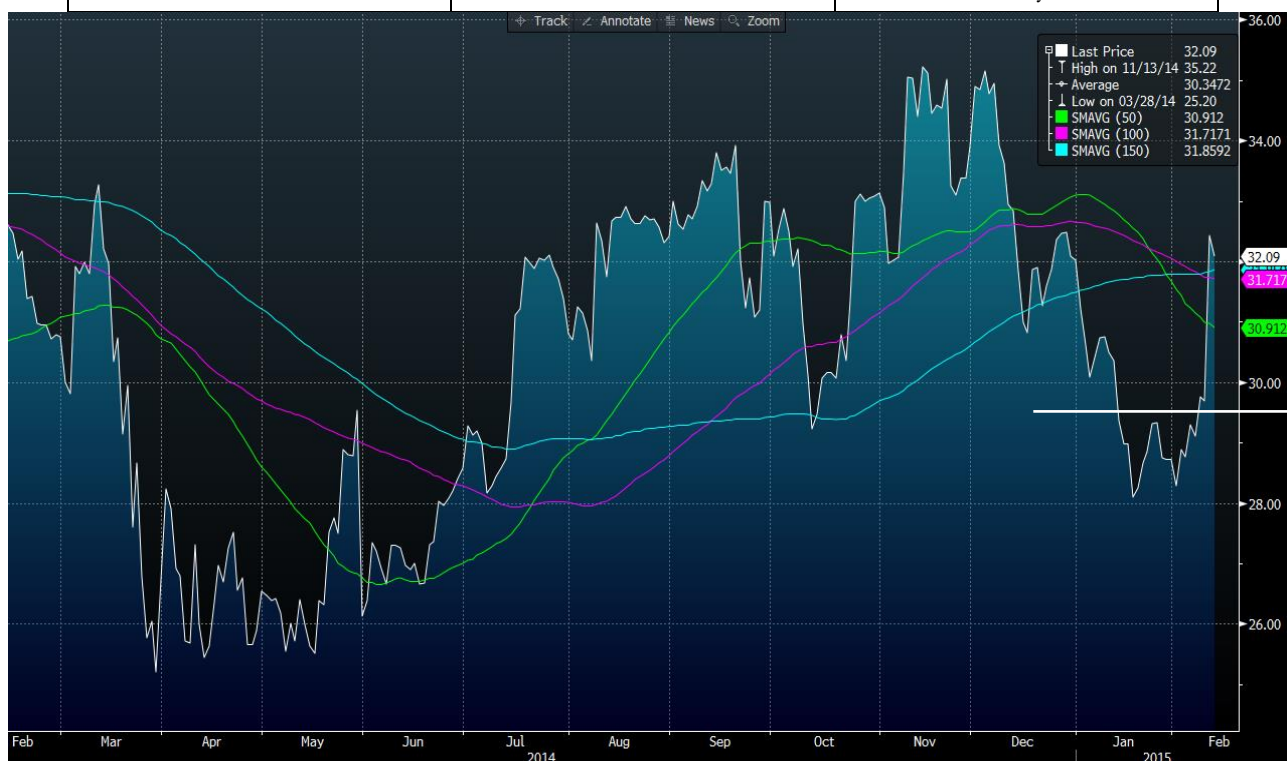
Market Price: \$32.09

Industry: Media

Market Cap: \$4.534B

52-Week: \$24.54 - \$35.75

<u>Source</u>	<u>Target Price</u>	<u>Recommendation</u>
Siena	\$39.27	Buy
Bloomberg	\$38.27	Buy
Capital IQ	\$40	Buy
Yahoo Finance	\$38.83	Buy



Thesis

- Proactive Management and Board of Directors
- Global Expansion Opportunities
- Diversified and Expanding Content Catalog
- Merger or Acquisition Target

Lionsgate is a BUY because of their large and expanding content library. The company has recognized the enormous opportunity that is global expansion as it positions itself to be able to distribute its content overseas. Lionsgate is also becoming a strong acquisition candidate as larger companies see the value in Lionsgate's diversified content library.

Company Overview

Lions Gate Entertainment Corporation Is a Canadian-Multinational Entertainment company operating out of Santa Monica, California. Lionsgate Produces and distributes motion pictures including but not limited to The Hunger Games, Divergent, and John Wick franchises. Lionsgate also engages in television programming and syndication, home entertainment, digital distribution, and new channel platforms. Lionsgate is actively involved in the acquisition of North American and Worldwide distribution rights which has helped grow their content catalog to over 15,000 films, television shows, and programs.

Management

Lionsgate is led by a qualified management team and board of directors that has been proactive in generating value for shareholders. Chairman of the Board Dr. Mark Rachesky began building his 38% stake of Lionsgate in 2004. Dr. Rachesky recognized the value that CEO Jon Feltheimer and Vice Chairman Michael Burns were going to be able to generate by expanding Lionsgate's content library. Michael Burns joined Lionsgate's Board of Directors in 1999 and became Vice Chairman in March, 2000. Burns, alongside CEO Jon Feltheimer, has played a substantial role in building Lionsgate into the company it is today. His experience in raising equity within the entertainment and media industry has been beneficial to Lionsgate as it continues to expand its content library. CEO Jon Feltheimer, a thirty year veteran of the entertainment industry, held leadership positions at New World Entertainment and Sony Pictures prior to his current role at Lionsgate. During his fourteen years as CEO, Feltheimer has helped grow Lionsgate from an \$80 million market cap in 2000 to over \$4.5 billion today. During his tenure annual revenue has increased from \$80 million in 1999 to approximately \$2.5 billion, a number that has been reached in each of the past three years.

Global Expansion Opportunities

In August 2014, Lionsgate relocated its international sales operations from the United States to London, a move that will help continue its growth as a premier next generation global content leader. By being closer to their overseas markets, Lionsgate will be able to take advantage of more growth opportunities in the international marketplace. This past summer, Lionsgate and Alibaba launched Lionsgate Entertainment World, a subscription streaming service for mainland China. Lionsgate Entertainment World is available exclusively through Alibaba's set-top-box and offers subscribers access to content from Lionsgate's diverse library of movies and television shows. Lionsgate also recently reached a deal with Hunan TV & Broadcast Intermediary Co Ltd., another Chinese company. The terms of the agreement include a combined investment of approximately \$1.5 billion in film production over the next three years by Lionsgate and Hunan TV. This deal will enable Lionsgate to develop content tailored towards the Chinese marketplace. Lionsgate will also help facilitate the distribution of content produced by Hunan TV in the United States. Lionsgate understands the importance of the opportunity that being a global company presents and continues to grow into a global content leader.

Diversified and Expanding Content Catalog

Lionsgate's entertainment library is made up of over 15,000 films, television shows and programs. Some of their top films include *The Hunger Games* series, *Divergent* series, the last two films of *The Twilight Saga*, and many other titles that Lionsgate has either produced or acquired the rights to. Lionsgate has 21 cable series on 16 different networks including *Anger Management* starring Charlie Sheen, critically acclaimed *Nurse Jackie*, and multiple Emmy winner *Mad Men*, they are also behind the highly rated Netflix *Original Orange is the New Black*. Lionsgate's extensive library of over 15,000 titles has reached over \$500 million in annual revenue. As digital content consumption rises, Lionsgate is well positioned to continue to generate revenue by distributing its library across multiple platforms.

Merger or Acquisition Target

Over the next Year or Two Lionsgate will be the topic of many M&A discussions. Many analysts believe that Chairman of the Board Dr. Mark Rachesky will unload his 38% stake during this time frame, at a premium of course. Rumored to be interested in this majority stake include Alibaba and Dacian Wanda Group Co among others. Alibaba would be an excellent suitor for this stake because of the existing streaming deal it has with Lionsgate. Lionsgate's biggest asset is its entertainment library and as demand for content increases many companies will be interested in acquiring Lionsgate's ever growing content library.

A merger is something that Lionsgate might also consider in coming years. Last week (2/11/15) Lionsgate agreed to a stock exchange agreement with Dr. John Malone, the majority shareholder of Starz. Terms of the agreement are as follows: Lionsgate will exchange 3.43% of its common stock outstanding for 4.51% of Starz common stock outstanding and 14.50% of voting power on Starz common stock. The deal will help Lionsgate continue to distribute content globally. A full merger between Lionsgate and Starz is a realistic possibility in the future. After this deal was announced shares of Lionsgate traded up over 8%.

Conclusion

Lionsgate is a BUY at its current price of \$32.09 set with a one year target price of \$39.27 because of their efforts to continually grow as a premier next generation content leader. Lionsgate's ability to generate substantial revenue through the distribution of their entertainment catalog across multiple platforms will play a crucial role in their future growth, while also making them a prime acquisition target.

Lions Gate Entertainment Corp.

NEUTRAL

General Info			Peers		Market Cap.	
Sector	Consumer/Discretionary		Viacom, Inc.	\$27,133.87		
Industry	Media		DreamWorks Animation SKG Inc.	\$1,711.22		
Las Guidance	(Invalid identifier)		Cinemark Holdings Inc.	\$4,453.34		
Next earnings date	5/29/2015		Scriptus Networks Interactive, Inc.	\$10,093.67		
Market Data			Regal Entertainment Group	\$3,412.40		
Enterprise value	\$5,871.82		Time Warner Inc.	\$67,925.77		
Market Capitalization	\$4,487.81		Twenty-First Century Fox, Inc.	\$73,027.25		
Daily volume	1.70		AMC Entertainment Holdings, Inc.	\$2,944.58		
Shares outstanding	139.85		Discovery Communications, Inc.	\$20,211.34		
			AMC Networks Inc.	\$4,867.41		
Diluted shares held by institutions			Current Capital Structure			
2.91%			Total debt/market cap			24.06%
2.91%			Cost of Borrowing			3.99%
10.56%			Interest Coverage			504.14%
12.44			Altman Z			2.36
\$35.75			Debt Rating			CCC
\$24.54			Levered Beta			1.21
0.51			WACC (based on market value weight)			8.02%
6-month volatility			31.37%			
Past Earning Surprises			EBITDA			Norm. EPS
Revenue			11%			5.8%
-3.5%			23.2%			43.8%
Last Quarter-1			6.6%			23.2%
Last Quarter-2			-6.8%			70.0%
Last Quarter-3			-12.4%			-6.7%
Last Quarter-4			0.4%			21.2%
Profatama Assumptions			Rev. Growth			
Operating Cash/Cash			LTM			12%
Unlevered Beta			LTM+1Y			27%
Reinvested Capital			LTM+2Y			3%
Continuing Period Revenue Grow			LTM+3Y			4%
Long Term ROIC			LTM+4Y			4%
Invested Capital Growth			LTM+5Y			4%
Justified TEV/EV			LTM+6Y			4%
Justified TEV/EBITDA			LTM+7Y			4%
Justified TEV/EBIT			LTM+8Y			4%
Justified TEV/FCF			LTM+9Y			4%
ROIC			VACC			EVA
LTM			8.0%			\$223.75
LTM+1Y			8.1%			\$219.20
LTM+2Y			8.2%			\$219.63
LTM+3Y			8.3%			\$223.87
LTM+4Y			8.4%			\$232.66
LTM+5Y			8.5%			\$229.21
LTM+6Y			8.6%			\$228.17
LTM+7Y			8.7%			\$230.44
LTM+8Y			8.8%			\$233.68
LTM+9Y			8.9%			\$237.90
Base			Monte Carlo Simulation Assumptions			
Revenue Variation			0			100%
Op. Costs Variation			0			100%
Market Risk Premium			6%			5%
Long term Growth			4%			1%
Terminal Value			0			0.1
Professional			Title			
Faltner, Jon			Chief Executive Officer and			\$
Barge, James			Chief Financial Officer and			\$
Beards, Steven			Co-Chief Operating Officer			\$
Goldsmith, Brian			Co-Chief Operating Officer			\$
Wilkes, Peter			Senior Vice President of Inv			\$
Levin, Wayne			Chief Strategic Officer and			\$
Historical Performance			LGF			
Growth			13.1%			0.9%
Retention Ratio			63.9%			11.1%
ROIC			3.8%			18.6%
EBITDA Margin			19.2%			17.1%
Revenue/Invested capital			207.5%			13.7%
Excess Cash/Revenue			4.1%			14.7%
Unlevered Beta			0.56			10.3.3%
TEV/EV			1.6%			18.5%
TEV/EBITDA			26.3%			0.95
TEV/EBIT			28.6%			2.4%
TEV/FCF			21.2%			11.0%
Non-GAAP Adjustments			Straightline			10 years
Operating Leases Capitalization			100%			10 years
R&D Exp. Capitalization			100%			10 years
Expl./Drilling Exp. Capitalization			0%			N/A
SC&A Capitalization			0%			N/A
Revenue			Invested capital			UFCF
\$2,475.42			\$284.48			-\$83.39
\$3,145.79			\$375.35			\$324.85
\$3,241.24			\$378.03			\$305.45
\$3,354.79			\$386.32			\$299.72
\$3,478.53			\$403.98			\$311.72
\$3,607.01			\$409.28			\$296.67
\$4,210.7			\$421.07			\$313.05
\$3,746.74			\$435.71			\$329.63
\$3,892.29			\$450.79			\$341.50
\$4,043.28			\$466.47			\$343.85
\$4,200.47			\$2,791.06			
Total Debt			Other claims			Equity
\$1,412.59			\$48.74			\$5,165.74
\$1,412.59			-\$125.34			\$5,536.27
\$1,412.59			-\$235.16			\$5,325.93
\$1,412.59			-\$465.58			\$45.77
\$1,412.59			-\$650.25			\$6,804.54
\$1,412.59			-\$820.32			\$7,277.25
\$1,412.59			-\$1,006.74			\$7,786.16
\$1,412.59			-\$1,208.93			\$8,333.52
\$1,412.59			-\$1,421.80			\$8,921.23
\$1,412.59			-\$1,633.89			\$9,536.85
Monte Carlo Simulation Results			Intrinsic Value			1y-Target
Mean est.			\$37.25			\$4

MusclePharm Corp. (MSLP: OTCPK)

Financial Analysis By: Skyler Scavone – Consumer Discretionary

Company Profile as of 2/11/2015

Market Price: \$8.4
Industry: Personal Products
Market Cap: \$110.6M
52-Week: \$6.16-14.19
Beta: .52

Source	Target Price	Recommendation
Siena	10.77	BUY
Capital IQ	18.67	BUY
Yahoo Finance	18.67	BUY
Bloomberg	18.67	BUY



Thesis

- Positive industry outlook
- Continued innovation and evolving pipeline
- Strategic spending to generate future returns
- Improving financial data

Weaker than expected third quarter results sent MusclePharm shares down 34% since November. With growth prospects now and in the future in all segments of operation MusclePharm will continue to grow at an impressive rate. Complemented by an already strong pipeline, management is continuing to focus on innovation and being ahead of the curve. Furthermore, strategic spending in recent years has put MusclePharm in a position to capitalize on these industry outlooks. Despite such high levels of spending, financial metrics are improving year over year and quarter on quarter. For these reasons I am initiating a BUY on MSLP at a price of \$9.00 with a target price of \$10.77, and am confident holding this position through earnings at the end of March. It should be noted that guidance should happen anytime now (supposed to be January 2015) and could move the price up being the first catalyst since Q3 earnings.

Company Overview

MusclePharm Corporation is a scientifically driven company that develops, manufactures, markets, and distributes branded nutritional supplements in the United States and internationally. It offers an array of powders, capsules, tablets, and gels. Its recognized brands, including MusclePharm Hybrid and Core Series, the Arnold Schwarzenegger series, and Fitmiss are marketed and sold in over 110 countries and available in over 35,000 retail outlets globally. The MusclePharm Hybrid series includes Assault, Amino1, and Combat Protein Powder. The core line features BCAA 3:1:2, CLA Core, and Fish Oil which serve to balance the everyday needs of athletes. The Arnold Schwarzenegger series physique supplements consist of protein gainers, muscle builders, multi vitamins, and nitric oxide boosters. The FitMiss segment is aimed and formulated towards the female lifestyle to cover an arrangement of needs, including weight loss, multi-vitamins, protein shakes, detox, skin care, and pre-workout energy mixes. These scientific nutritional supplements are clinically proven and are developed through a six-stage research process that utilizes the expertise of leading nutritional scientists, doctors and universities. MusclePharm has cited its growth strategy as one focused on driving innovation to serve the needs of all athletes and to “fuel the engine of sport through new products and brand extension”. At the forefront of its strategy is an increase of product distribution and sales through further market penetration domestically and internationally. Additionally the company is looking to keep improving margins by streamlining operations and seeking operating efficiencies. Going forward there will be a focus on the testing of safety and efficacy of its products new and old, as well as increasing awareness of products by increasing marketing and branding opportunities through endorsements, sponsorships, and brand extensions.

Management

From a management standpoint MusclePharm Corporation has seen a number of changes in the near term as the company looks to enter new realms in terms of size. Co-founder Bradley Pyatt has been its Chief Executive Officer since April 2008, prior to this he played professional football. His expertise falls in kinesiology and exercise science and he has learned and developed innovative approaches to training that have improved his speed, strength and overall performance. Brad is backed by Richard Estalella, President and Director, who came on board in 2013 and assumed his presidential role a year later. Previously with Arbonne International, Estalella was pivotal in the company's expansion of operations and distribution upgrades; he was also the Senior VP of Warehouse Operations for Office Depot and established many of its retail markets which helped grow it into a \$9 billion company. Another member to note is President of Sales Jeremy DeLuca who brings over 14 years of sports nutrition which includes co-founding Bodybuilding.com in 1999. His brother is still the president of this company which has led to a generous relationship between the two entities. During his tenure at Bodybuilding.com he was actively involved in all aspects of business from marketing and sales to e-commerce and helped to company top \$200 million in sales.

Business Segments: MusclePharm classifies its revenues under three main distributions channels of which are discussed below:

Specialty Market: This is comprised of online and brick-and-mortar sales of the core and hybrid series. Here distributors are used as well as direct sales to larger customers. Last fiscal year this segment netted \$68m in revenue (62%) compared to \$46m (40%) year over year. Through the first three quarters of this year this segment has netted \$59m which is now only 41% of YTD revenue. The company hopes grow this segment by offering continued line extensions, as well as leveraging retailers to grow new customer acquisitions.

International: A presence outside the United States is important to MusclePharm as international sales grew 69% (remained the same 30% of revenue) last year. Through the first three quarters of this year International sales are \$56m (39% of total) compared to \$34m through four quarters last fiscal year. There will be a continued focus on growth in this segment by offering new products, as well as improving the supply cycles and opening new distribution centers to reduce shipping time and costs.

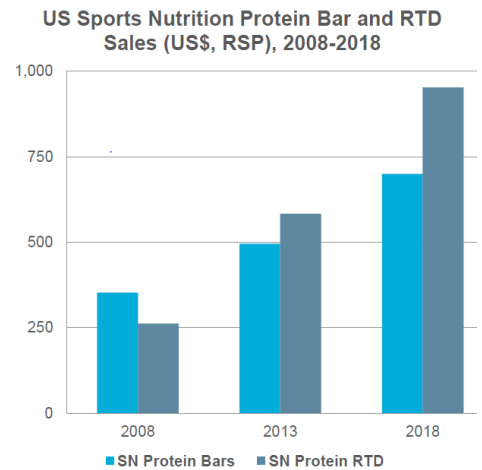
FDM (Food, Drug, Mass): This segment includes majority of the new product lines including the Arnold Schwarzenegger Series and FitMiss segment. This channel was introduced in 2013 and netted \$8.1m in sales which accounted for ~7% of business. As of the 2013 10-k they anticipated FDM would represent 15% of business in 2014. Through three quarters this year FDM has netted \$18.6 in sales and about 13% of revenue.

Positive Industry Outlook:

The nutritional supplement group is one of the fastest growing industries in the world. In 2012, Vitamins, Minerals and Supplements (VMS) saw \$32 billion in revenue for supplements alone and are projected to rise to over \$60 billion in 2021. This number is still miniscule compared to the \$310 billion in prescription drugs, of which some could take a more preventive approach to health and shift some of this market to nutrition. Energy, too, remains a concern among consumers with the U.S. sales of energy drinks rising 16% to \$8.7 billion in 2012 a positive note for MusclePharm looking to enter this channel. One can observe US sales growth and projections in protein bars as well as “Ready to drink RTD” protein below, statistics that will contribute to the success of CocoProtein discussed later. Another development for MusclePharm is in the natural channel of which grew 13.5% from 2012-2013 with many companies such as Whole Foods opening a number of new stores. Regarding the female sector targeted by FitMiss, in 2013 US sales of activewear reached \$11.5 billion, a 9% jump from the previous year. With women more focused on fitness the future outlook for FitMiss is a positive one. A market in which MusclePharm will soon expand is Brazil. In 2012 the consumption of supplements grew 23%, but still only made up 2% of the population compared to 57% population usage in the United States.

Continued innovation and evolving pipeline

A major factor in the rise of MusclePharm has been its commitment to high quality, safe products. Brad Pyatt made it to the NFL among the world’s best athletes and the most access possible to supplements, yet he still became “frustrated” with the supplements he was provided. He was unsatisfied with the results relative to the advertising, and even went as far as saying they hindered his performance and caused injury. It was when his strength coach encouraged him to stop taking these supplements that Pyatt found his mission in life. He is committed to providing a superior line of sports nutrition products that are safe, free of banned substances, tested and certified. Following this mission the team at MusclePharm has brought some new products to the market and has additional projects in the pipeline. In Q1 of this year the Schwarzenegger line was launched and the first promotion “Arnold Blueprint” helped result in 30% of total revenues in the quarter and a top line well above guidance. Many key customers cited this as “the most successful launch in the industry they have ever had”. According to management most of this can be attributed to the promotion which can be repeated, and a similar event not yet seen on the top line known as Olympiad took place in Q3 of this year. Previously these two domestic events were the only ones attended each year, now quarterly tradeshows are being attended on a global scale. Also in Q3 of this year CocoProtein and Combat Crunch were brought to market with huge success while GNC and Vitamin Shoppe’s are only just now starting to get these products in store. Management is also working on getting these products into current larger retailers such as Costco and some other convenience store chains. As evidenced in the industry outlook one can see the potential of RTD proteins like CocoProtein and protein bars (Combat Crunch is 2nd highest rated protein bar on the market) moving forward. President Richard Esalella cited the impact of a move into ready-to-drinks as follows, “we are playing in about 50% of the space available with our current products in the the market, now we’ve expanded to 400%”. Additionally due diligence is being done in a new “Natural Channel” headed by the hiring of Brian Casutto a man with over 15 years in the natural products field; the channel isn’t expected to launch until Q2, but should be addressed next guidance call and could be a price driver. The FitMiss channel is also seeing developments including a ready-to-drink version of Delight currently sold in Walgreens, following the successful launch of CocoProtein this should follow soon after.



Strategic spending to produce future returns

In late 2013 MusclePharm acquired BioZone Pharmaceutical, Inc. for 1.2 million shares of MSLP stock; however the synergistic benefits from this acquisition have not yet been seen. Also to be noted prior to the acquisition BioZone was performing in the red and has since become profitable. The revenue stream from BioZone, however, is not where the benefit will be seen. MusclePharm already had patterns for capsules, tablets, and powders, but now has the ability to manufacture its own liquids at the BioZone site. There are two products already with an optimistic outlook as a result of the BioZone acquisition. Using the Qzone technology from BioZone the DROPZ energy product is being developed (will launch in 2015) using co-crystallized caffeine which is extended and safer while requiring less sugar and caffeine. The potential of this product is supported by the future outlook of the energy field. Also due to BioZone, Musclegel, a product that was always appreciated but could not be manufactured consistently and therefore was not marketed, will now be marketed and manufactured consistently in house. This product is similar to CocoProtein in terms of ready to go sources of protein, but is slightly leaner in terms of protein-calories and offers a wider array of flavors. In Q3 2014 MusclePharm

opened a geographically strategic distribution center into California to compliment the BioZone location in the same state. Previously shipping everything from Tennessee, this will help margins and increase speed to customers, and will also aid in international expansion. According to allusions by management it seems the next step internationally is a site in Brazil and possibly Austrailia. As stated above the outlook in Brazil is one of positive nature. This was mentioned in the Q3 earnings call as possibly happening before further domestic vertical integration occurs.

Improving financial data

Despite the rapid expansion and spending, from a financial standpoint MusclePharm is improving. In terms of LTM as of 9/30/14 capital expenditures were up 150%, and operating expenses up 41% (consisting of R&D up 236%, Selling/Marketing up 67%, Advertising 65%) showing the immense focus on top line growth. Regardless of all of this spending, though still negative, MusclePharm was able to improve free cash flows by 20% over this span. While the SG&A margin is down 7 points in the LTM (and 8.4 points QoQ in Q3), the gross and EBITDA margins are improving with projections seeing profitability next year. Also, profitability metrics are improving with ROA and ROE seeing large shifts in the last twelve months. In 2013 MusclePharm raised 20.2 million through five different stock issuances; however in September of 2014 the company has chosen to finance its operations through an \$8 million revolving credit with ANB Bank. This shift from equity to debt as a means of capital shows more of a concern for shareholder returns. Also the board approved a \$5 million repurchase plan indicating the belief that the stock is currently undervalued.

CENTER FOR GLOBAL FINANCIAL STUDIES

Muscle Pharm Corp.		MSLP	Analyst Skyler Scavone	Current Price \$8.55	Intrinsic Value \$9.90	Target Value \$10.77	Divident Yield 0%	Target Return 25.96%	NEUTRAL
General Info		Peers	Market Cap.		Management				
Sector	Consumer Staples	USANA Health Sciences Inc	\$1,221.43	Professional	Title	Comp. FY2011	Comp. FY2012	Comp. FY2013	
Industry	Personal Products	Natural Grocers by Vitamin Cottage, Inc	\$684.30	Pratt, Bradley	Co-Founder, Chairman and Chief	\$ 2,012,020.00	\$ 588,006.00	\$ 4,462,542.00	
Last Guidance	Nov-14-2014	Youngevity International, Inc	\$95.76	Estadella, Richard	President and Director	\$ -	\$ -	\$ 1,546,763.00	
Next earnings date	3/31/2015	Mannatech, Incorporated	\$59.36	Gregory, Cory	Co-Founder and Executive Vice	\$ 1,884,635.00	\$ 374,986.00	\$ 1,978,213.00	
Market Data		Lifevantage Corporation	\$112.96	Prosser, Donald	Chief Financial Officer and Treas	\$ -	\$ 26,223.00	\$ 561,762.00	
Enterprise value	\$115.93	Herbalife Ltd.	\$3,196.48	Greenwell, James	Chief Operating Officer	\$ -	\$ 12,223.00	\$ 522,762.00	
Market Capitalization	\$110.60	IGI, Laboratories, Inc	\$563.25	DeLoach, Jeremy	President of Sales & Marketing	\$ 1,781,130.00	\$ 377,831.00	\$ 2,956,069.00	
Daily volume	0.01	Medifast Inc.	\$396.20	Historical Performance					
Shares outstanding	13.11	Kroger Sp a	\$10.98		MSLP	Peers	Industry	All U.S. firms	
Diluted shares outstanding	10.21	Natural Alternatives International Inc.	\$37.37	Growth	684.9%	13.8%	7.3%	6.0%	
% shares held by institutions	9.64%	Current Capital Structure		Retention Ratio	0.0%	86.0%	49.6%	61.6%	
% shares held by insiders	23.52%	Total debt/market cap	7.14%	ROIC		20.4%	14.1%	11.8%	
Short interest	0.00%	Cost of Borrowing	2.05%	EBITA Margin	0.0%	13.3%	12.5%	13.7%	
Days to cover short interest	0.00	Interest Coverage	-10439.34%	Revenues/ Invested capital	556.4%	172.6%	256.9%	202.3%	
52 week high	\$14.20	Altman Z	2.15	Excess Cash/ Revenue	#DIV/0!	7.5%	9.9%	18.5%	
52-week low	\$6.16	Debt Rating	D	Unlevered Beta	2.05	0.91	1.11	0.95	
5y Beta	2.45	Levered Beta	1.61	TEV/REV	0.5x	1.4x	1.7x	2.4x	
6-month volatility	52.15%	WACC (based on market value weights)	10.98%	TEV/EBITDA		9.7x	10.4x	11.3x	
Past Earning Surprises				TEV/EBITA		11.4x	12.1x	15.4x	
	Revenue	EBITDA	Norm. EPS	TEV/UPCF		35.3x	20.3x	26.8x	
Last Quarter	3.4%			Non GAAP Adjustments					
Last Quarter-1	19.1%	0.0%		Operating Leases Capitalization	100%	Straightline		10 years	
Last Quarter-2	45.3%			R&D Exp. Capitalization	100%	Straightline		10 years	
Last Quarter-3	23.6%			Expl./ Drilling Exp. Capitalization	0%	N/A		N/A	
Last Quarter-4	0.2%			SG&A Capitalization	0%	N/A		N/A	
Proforma Assumptions		Forecasted Profitability							
		Period	Rev. Growth	Adj. Op. Cost/Rev	Revenue	NOPLAT	Invested capital	UPCF	
Operating Cash/Cash	25.0%	LTM	117%	95%	\$182.21	\$2.73	\$51.38	-\$23.38	
Unlevered Beta	1.50	LTM+1Y	54%	93%	\$279.81	\$9.64	\$62.39	-\$1.88	
Rev/ Invested Capital	175.0%	LTM+2Y	6%	92%	\$297.05	\$12.33	\$65.50	\$9.22	
Continuing Period Revenue Growth	3.0%	LTM+3Y	5%	92%	\$311.90	\$13.64	\$68.50	\$10.64	
Long Term ROIC	13.0%	LTM+4Y	5%	91%	\$327.50	\$15.80	\$71.34	\$12.96	
Invested Capital Growth	Follows Forward Rev. Growth	LTM+5Y	4%	91%	\$341.39	\$16.96	\$75.78	\$12.52	
Justified TEV/REV	0.5x	LTM+6Y	4%	91%	\$355.04	\$17.67	\$79.55	\$13.90	
Justified TEV/EBITDA	10.0x	LTM+7Y	3%	90%	\$366.56	\$19.84	\$82.52	\$16.87	
Justified TEV/EBITA	13.0x	LTM+8Y	2%	90%	\$374.78	\$20.81	\$85.75	\$17.58	
Justified TEV/UPCF	18.0x	LTM+9Y	1%	90%	\$379.46	\$22.70	\$89.74	\$18.71	
Valuation									
	ROIC	WACC	EVA	Enterprise Value	Total Debt	Other claims	Equity	Adjusted Price	
LTM	10.8%	11.0%	\$1.48	\$151.70	\$8.28	\$3.77	\$139.65	\$10.86	
LTM+1Y	16.7%	11.0%	\$3.55	\$172.37	\$15.02	\$10.31	\$147.03	\$11.52	
LTM+2Y	19.7%	11.1%	\$5.67	\$183.31	\$15.77	\$10.75	\$156.79	\$12.19	
LTM+3Y	20.8%	11.1%	\$6.62	\$192.58	\$16.07	\$11.30	\$165.21	\$12.89	
LTM+4Y	23.0%	11.2%	\$8.52	\$201.19	\$16.16	\$9.61	\$175.41	\$13.65	
LTM+5Y	23.8%	11.1%	\$9.56	\$209.94	\$16.16	\$8.77	\$185.01	\$14.40	
LTM+6Y	23.3%	11.2%	\$9.60	\$217.35	\$16.16	\$7.14	\$194.04	\$15.16	
LTM+7Y	24.9%	11.3%	\$11.23	\$224.95	\$16.16	\$1.70	\$207.08	\$16.13	
LTM+8Y	25.2%	11.3%	\$11.84	\$230.74	\$16.16	-\$4.60	\$219.18	\$17.11	
LTM+9Y	26.5%	11.4%	\$13.45	\$236.46	\$16.16	-\$13.19	\$233.49	\$17.81	
Monte Carlo Simulation Assumptions		Monte Carlo Simulation Results							
	Base	Stdev	Min	Max	Distribution	Intrinsic Value		1y-Target	
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	\$10.86	\$11.52	
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(ε)	\$0.32	\$0.25	
Market Risk Premium	6%	N/A	5%	7%	Triangular	3 σ(ε) adjusted price	\$9.90	\$10.77	
Long term Growth	3%	N/A	3%	685%	Triangular	Current Price	\$8.55		
Terminal Value	0	0.1	N/A	N/A	Normal	Analysts' median est.		\$18.67	

Pandora Media Inc. (P: NYSE)

Financial Analysis By: Tom Kaczmarek - Technology

Company Profile as of 2/12/2015

Market Price: \$14.93
Industry: Broadcasting
Market Cap: \$3.122 B
52-Week: \$14.56- 40.44
Beta: 0.32

	Target	Rating
Siena	\$10.00	SELL
Capital IQ	\$21.42	BUY
Yahoo	\$21.61	BUY
Bloomberg	\$21.63	BUY



Thesis

- No Estimated Profit in 2015
- Entrance of Large Competitors
- Harmful Executive Compensation
 - Increasing Stock Dilution
- Overly Optimistic Growth Expectations

Company Overview

Pandora Media Inc. has been a leading provider of personalized music streaming since its inception in 2000. Pandora allows listeners to generate custom music stations based upon particular interests, and uses complex musical analysis to recommend similar songs or musicians. The Music Genome Project has been the cornerstone of Pandora's success, which catalogs each song in the company's library based on 450 different fields. Pandora has managed to hold a majority of market share in two important industry metrics: listening hours and active users. This has been accomplished through utilization of mobile, desktop, and in-car offerings to create a multi-device experience for the user. The media company has seen explosive growth over the past three years, despite the fact that it currently services only the United States, Australia, and New Zealand. As Pandora currently has over 250 million registered users, growth domestically is naturally slowing as the company reaches maximum exposure in the market. Additionally, although an industry leader, Pandora Inc. has not been able to generate profit over the last five years. The outlook for 2015 is a strategic vision which hopes to create long-term growth by sacrificing short-term profitability. Currently there are multiple internal and external threats both short and long term which place Pandora in a disadvantage position for the next twelve months. For these reasons, a **SELL** position is recommended.

Expected Future Losses

Pandora Inc. has not generated positive net income over the course of the last five years, and this trend is expected to continue throughout the next twelve months. Although considerable investments are being made into the company's longevity, Pandora CFO Mike Herring stated "product and development is an investment to drive revenue 13 to 36 months out," meaning that recent investments should not expect yields this year. As of the company's Q4 earnings call, adjusted EBITDA will be the company's primary form of guidance over non GAAP EPS. This change of reporting is immediately concerning for two reasons: 1) the massive amount of executive compensation excluded from adjusted EBITDA, and 2) The compensation incentives associated with the company's NEOs.

Brian McAndrews joined the company in late 2013, focusing the company towards Ad revenue generation and away from technological innovation. Along with Brian are five other new executives which have joined the team in the last year. One task for this team to tackle is that The Music Genome Project, the secret sauce behind Pandora's personalized experience, has become an aging competitive advantage. While not directly replicated on a large scale, primary competitors have crafted programs with similar user experiences. While R&D expenses have outgrown revenue growth (R&D expenses increased 67% to \$53.2 M in 2014), no significant innovations have materialized for the consumer. Instead of reinvesting heavily into product innovation, the company's new Chief Executive has led the charge in making much more appealing advertisements for the company's free service customers (95% of users). The company's Sponsored Listening Ad product is the main highlight of the company's recent improvements, which is aimed to increase monetization. This service allows free users to enjoy one hour of commercial free listening in exchange for watching a video advertisement from a sponsor. While this service reduces the irritation of constant musical interruption, this system does little to divert customers away from other services, and places less incentive to invest in the company's premium service.

Currently, Pandora Inc. is destroying value. Following an earnings miss on Pandora's most profitable quarter (Q4), the company is poised to take a projected loss of \$35.2 M in the relatively weak Q1. Pandora has increased headcount over the past year by 33%, focusing primarily on sales and marketing. Pandora Inc. is well aware of profitability issues, and is attempting to solve that problem through all around growth. A recent focus on local ad revenue generation has been successful in cannibalizing the company's primary revenue stream. Pandora's free service has reached a critical mass of ad offering potential. While increasing advertisement time per hour is lucrative, excessive commercialization is a strong deterrent for customers. As a result, advertisements per hour are not able to dramatically change. With the same amount of time per hour to advertise within, establishing localized advertisements only lessens the amount of national advertisements possible. Additionally, localized advertisements are the predominant source of revenue for terrestrial radio stations, establishing additional revenue generation competition.

One final note regarding the twelve month outlook on profitability: in his most recent earning's call, Mike Herring, CFO, announced that "we believe by **not** optimizing earnings growth in the near term we will accrue the benefits and long term revenue growth in market share expansion." While long term vision is important (especially for a CEO with vested stock compensation over the next three years), profitability and value creation over the next twelve months should not be expected.

Harmful Executive Compensation

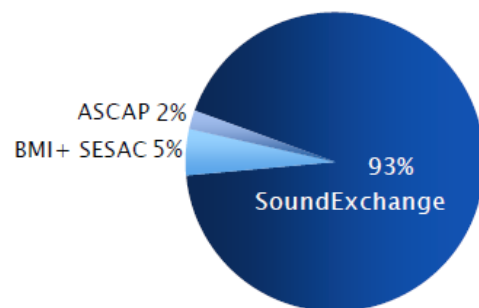
One of Pandora's fastest growing rates is the company's stock based compensation. The company has begun giving guidance on adjusted EBITDA rather than historical adjusted EPS. Excluded from adjusted EBITDA is the company's stock based compensation expense, which is projected to exceed \$120 M in 2015. Despite the fact that Pandora has just missed earnings on its most profitable quarter, over \$25 M in stock based compensation will be disbursed in Q1. In the past year, Pandora's management team met a target goal of exceeding \$30 M adjusted EBITDA and was rewarded with a 75% salary bonuses. What should raise concern is non-adjusted EBITDA, which for 2014 was \$-14.7M. Despite no profit projected for 2015, stock based compensation will rise by 41%. Additionally, the company currently has 12.24 M outstanding options with a weighted average exercise price of \$4.91.

Date	Stock Based Compensation Expense	Net Income
FY2014	87.055M	-30.406M
FY2013	42.260M	-40.703M
FY2012	9.187M	-16.107M
FY2011	1.455M	-1.764M

Royalty Litigation

2015 will be a landmark year for music royalties. Currently, the Copyright Royalty Board located in NYC is preparing for litigation between Pandora Inc. and Soundexchange (a leading provider of royalty services) regarding royalty rates through streaming services. Royalty rates are extremely significant for Pandora's profitability, currently accounting for 40% of the company's expenses. There are two basic forms of royalty rights which Pandora must outlay on each song streamed through the service. Public Performance Rights royalties are established through major contractors such as Broadcast Music Inc. (BMI) and the American Society of Composers, Authors, and Publishers (ASCAP). Public Performance Rights royalties are relatively small, only accounting for 7% of Pandora's total royalty costs or \$30.73 Million in 2014. Upcoming litigation surrounds Pandora's royalty rates for the other royalties required for digital streaming, Sound Recording Royalties. Soundexchange currently dominates royalty collection for satellite and internet radio, and persistently lobbies for increasing royalty rates. Royalty rights have increased 53% in the past 5 years and are expected to increase 9% through 2015. As the date of trial moves closer, increasingly artists have become outspoken requesting changes to the royalty rates and disbursement process. Increases in royalty rates will have a direct impact upon 40% of Pandora's expenses.

CY2013 Content Acquisition Cost



Overly Optimistic Growth Expectations

The music streaming market has been rapidly growing over the past five years. As a result, Pandora has experienced annual revenue growth in the last three years of 99.1%, 132.5%, and 44.4%. Moving forward, growth in the digital streaming market is expected to slow. PWC estimates annual growth to decline from 25% in 2015 to only 6% in 2018. While market growth slows domestically, emerging streaming markets such as India are expected to thrive. Pandora will face significant challenges throughout this expansion process due to the very assess which has made the company a success. Pandora's Music Genome Project has been able to create a catalog of 1.5 Million songs, each of which has been deciphered to create an optimal listening experience. While this intricate process creates a quality product, it is also limiting. Compared to Pandora's 1.5 M song library; competitors Spotify, Rdio, and iTunes Radio possess 20 M, 25 M, and 27 Million songs respectively. The one key difference between these providers and Pandora is there ease of international expansion. With these services already established in international markets, significant development costs will need to be incurred to attempt to compete on a global scale, which may be difficult for the company which is yet to generate profit.

Commonly projected growth estimates are not possible with Pandora's current locations of business. Of the company's 250 M registered users, only 2.5 M reside in New Zealand or Australia. While 25% growth in these market segments is more than obtainable, generating an additional 55.125 Million subscribers in the United States to justify the necessary increases in ad revenue is less feasible. With the threats from new entrants and limited increase in new domestic users, revenue growth for 2015 is expected to be 10%.

Entrance of Large Competitors

In an already crowded marketplace, Pandora faces threats from not only product imitators but also entrance from large companies looking to diversify into the segment. The entry of Google Play, iTunes Radio and Beats Music will create a crowded environment in 2015. Earlier this week reports emerged regarding Apple Inc.'s iOS 8.4 update plans, which places significant emphasis on streaming music offerings. Following last year's \$3 Billion purchase, Apple has planned to incorporate Beats Electronics products into iOS and Android devices. Within Q2 of 2015, Apple is expected to launch a Beats powered music service which will install directly into the Music application on iOS devices. This seamless integration poses a significant threat to Pandora's market share, which currently generates 78% of revenue through mobile devices. A migration of some iOS users to Apple's new streaming option is expected, and the possibility of an Android application as well aims to compete with Pandora's primary target audience in the last half of 2015.

One of Pandora's most direct competitors, Spotify LTD, has demonstrated the quick adoption (and migration) cycle of streaming services. In July 2011, Spotify had only one tenth of Pandora's 100 million registered users. As of Q4 2014, Spotify has outgrown Pandora by nearly 300%, and has created a much more balanced revenue model. While Pandora has approximately 250 M registered users, only 77M are still actively engaged with the service. Of those users, Pandora has been able to convert less than 5% to become paying customers of the company's Pandora One premium service. Conversely, Spotify now has 60 M active users, and paying customer rate of 25% which dwarfs Pandora's attempts to create subscription revenue. Additionally, Spotify offers customizable services in over 58 markets, as compared to Pandora's 3 market places.

Entering 2015, the primary competitors in Pandora's market will include:

- Apple (AAPL) (with both Beats and iTunes Radio)
- Sirius (SIRI)
- Google (GOOG)
- iHeart Radio (IHRT)
- Spotify (Privately held)
- Rdio (privately held)

The impact of competition has become evident through Pandora's user base. Pandora's rate of active engagement has already begun to decline. At the company's IPO in 2011, the company had a 37% active listener rate, compare to 30.6% currently. Active user growth is slowing dramatically, from 49.5% in 2012, to 24.7% and just 5.2% in 2013 and 2014 respectively. The entrance of new players into a now developed marketplace has become noticeable, and with competition heavily investing into the market this year, it will be difficult for Pandora Inc. to continue to adapt.

Conclusion

Although Pandora Inc. is operating debt free and is experiencing double digit revenue growth, creating profit from increased revenue has not been feasible. Pandora was the first publically traded player in the digital streaming marketplace, but as the market has scaled, other large companies have begun fighting for a share. Long term investments may yield profitability and competitiveness in late 2016 or beyond, but increased dilution, excessive executive compensation, a lack of product innovation, an increasingly competitive marketplace, barriers to international expansion, and looming royalty rate increases prove challenging in the short term. For these reasons, a **SHORT** position is recommended over the next twelve months with a price target of \$10.00.

CENTER FOR GLOBAL FINANCIAL STUDIES

Pandora Media, Inc. P		Analyst Tom Kaczmarek	Current Price \$14.99	Intrinsic Value \$8.62	Target Value \$9.98	Dividend Yield 0%	Target Return -33.43%	BEARISH
General Info		Peers	Market Cap.	Professional	Title	Management		
Sector	Information Technology	Sinclair Broadcast Group, Inc.	\$2,453.13	McAndrews, Brian	Chairman, Chief Executive	Comp. FY2013	Comp. FY2013	Comp. FY2014
Industry	Internet Software and Services	Cumulus Media Inc.	\$958.99	Herring, Michael	Chief Financial Officer, P	\$ 29,167,388.00	\$ 29,167,388.00	\$ -
Last Guidance	Feb-05-2015	Nexstar Broadcasting Group, Inc.	\$1,655.70	Fleming-Wood, Simon	Chief Marketing Officer	\$ 8,445,668.00	\$ 8,445,668.00	\$ -
Next earnings date	NM	Media General, Inc.	\$1,988.71	Trimble, John	Chief Revenue Officer	\$ 412,020.00	\$ 412,020.00	\$ -
Enterprise value	\$2,780.12	CTC Media, Inc	\$626.16	Conrad, Thomas	Advisor	\$ 2,907,947.00	\$ 2,907,947.00	\$ -
Market Capitalization	\$3,134.71	Tribune Media Company	\$5,664.56	Westergren, Timothy	Founder and Director	\$ 4,527,197.00	\$ 4,527,197.00	\$ -
Daily volume	4.84	iHeartMedia, Inc.	\$383.08	Historical Performance				
Shares outstanding	209.12	Current Capital Structure		P	Peers	Industry	All U.S. firms	
Diluted shares outstanding	205.27	Total debt/market cap		Growth	-1.9%	12.4%	6.0%	
% shares held by institutions	96.58%	Cost of Borrowing		Retention Ratio	-47.9%	84.0%	61.6%	
% shares held by insiders	4.64%	Interest Coverage		ROIC	-6.5%	16.0%	11.8%	
Short interest	12.88%	Altman Z		EBITDA Margin	21.3%	14.1%	13.7%	
Days to cover short interest	3.85	Debt Rating		Revenues/Invested capital	34.3%	132.0%	202.3%	
52 week high	\$40.44	Levered Beta		Excess Cash/Revenue	11.6%	54.8%	18.5%	
52-week low	\$14.56	WACC (based on market value wgt)		Unlevered Beta	0.86	1.14	0.95	
5y Beta	0.80	Norm. EPS		TEV/REV	2.4x	3.3x	2.4x	
6-month volatility	59.73%	EBITDA		TEV/EBITDA	8.8x	16.7x	11.3x	
Past Earning Surprises		Rev. Growth		TEV/EBITDA	11.1x	19.3x	15.4x	
Revenue		Rev. Growth		TEV/UCF	10.1x	30.5x	26.8x	
Last Quarter		LTM		Non-GAAP Adjustments				
Last Quarter-1		LTM+1Y		Operating Leases Capitalizati	100%	10 years	10 years	
Last Quarter-2		LTM+2Y		R&D Exp. Capitalization	100%	10 years	10 years	
Last Quarter-3		LTM+3Y		Expl./Drilling Exp. Capitalizati	0%	N/A	N/A	
Last Quarter-4		LTM+4Y		SG&A Capitalization	0%	N/A	N/A	
		LTM+5Y		Forecasted Profitability				
		LTM+6Y		Revenue	NOPLAT	Invested capital	UFCF	
		LTM+7Y		\$920.80	\$27.62	\$403.42	\$27.62	
		LTM+8Y		\$1,933.68	\$100.31	\$664.54	-\$160.81	
		LTM+9Y		\$2,069.04	\$147.29	\$681.38	\$130.45	
				\$2,193.18	\$197.89	\$749.18	\$130.08	
				\$2,280.91	\$223.09	\$828.79	\$143.48	
				\$2,372.15	\$241.93	\$912.79	\$157.93	
				\$2,467.03	\$251.07	\$1,011.99	\$151.87	
				\$2,565.72	\$261.14	\$1,081.01	\$192.12	
				\$2,668.34	\$271.53	\$1,146.43	\$206.11	
				\$2,775.08	\$282.70	\$1,208.82	\$220.32	
				Valuation				
				Enterprise Value	Other claims	Equity	Adjusted Price	
				\$1,871.42	-\$103.85	\$1,975.27	\$9.58	
				\$96.85	\$94.67	\$2,217.12	\$10.73	
				\$80.30	-\$3.48	\$2,389.32	\$11.57	
				\$139.00	-\$117.50	\$2,657.66	\$12.84	
				\$159.01	-\$239.90	\$2,888.64	\$13.90	
				\$163.06	-\$311.71	\$3,054.51	\$14.73	
				\$169.36	-\$370.92	\$3,214.22	\$15.46	
				\$161.46	-\$463.19	\$3,376.04	\$16.24	
				\$162.17	-\$562.75	\$3,551.60	\$17.08	
				\$164.39	-\$669.41	\$3,731.15	\$17.84	
				Monte Carlo Simulation Assumptions				
				Sidev	Monte Carlo Simulation Results			
				Base	Intrinsic Value	1y-Target		
				0	Mean est.	\$9.58	\$10.73	
				0	σ(c)	\$0.32	\$0.25	
				6%	σ(c) adjusted pric	\$8.62	\$9.98	
				3%	Current Price	\$14.99		
				0	analysts' median est.		\$21.42	

Profire Energy Inc. (PFIE: NASDAQ)

Financial Analysis By: Kyle White – Energy

Company Profile as of 2/11/2015

Market Price: \$2.59

Industry: Oil & Gas Equipment & Services

Market Cap: \$152.4M

52-Week: \$2.08-5.89

Source	Target Price	Recommendation
Siena	4.80	BUY
Capital IQ	4.44	BUY
Bloomberg	4.20	BUY
Yahoo Finance	5.19	BUY



Thesis

- Exceptional financials (Zero debt, Strong YoY revenue growth)
- Leader in BMS and other oilfield services
- Strategically positioned to capitalize on growing North American market demand
- Future expansion potential abroad

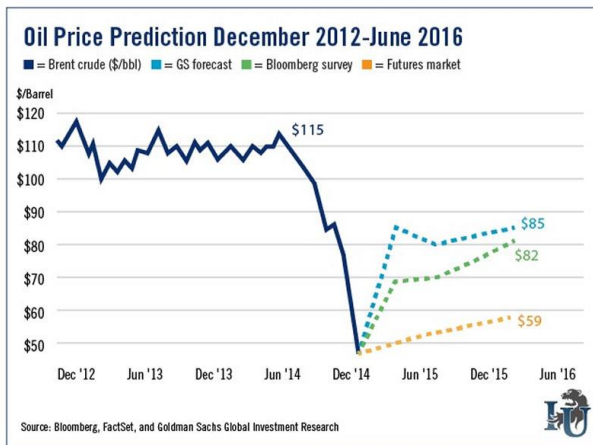
Many traders have nervously watched oil, and all companies dependent on it plunge from its record high in June of 2014. Now currently trading at around \$50, the consensus of many analysts is that oil will search even further for a bottom, and sink past the breaking point for many smaller firms. Many of these companies, including well diversified oil majors, will find themselves slashing CAPEX spending, and in many instances the revenue streams of the oilfield service industry that relies on them. Profire Energy has been no exception to the rule, and as result been traded all the way down to \$2.59, 56% below its 52-week high and 24% above its 52-week low. Oversold and off the radar of many analysts, Profire, with a combination of strong top and bottom line growth, a commanding market share, and an incredible opportunity within the oilfield services industry, is a definite buy with a one year target price of \$4.80, a potential upside of 85%. As oil CAPEX shifts away from increasing well counts, and more towards increasing well efficiency, government regulation begins to take effect, and opportunities open up abroad, Profire will continue to prove itself as an innovative leader in the oilfield service industry.

Company Overview

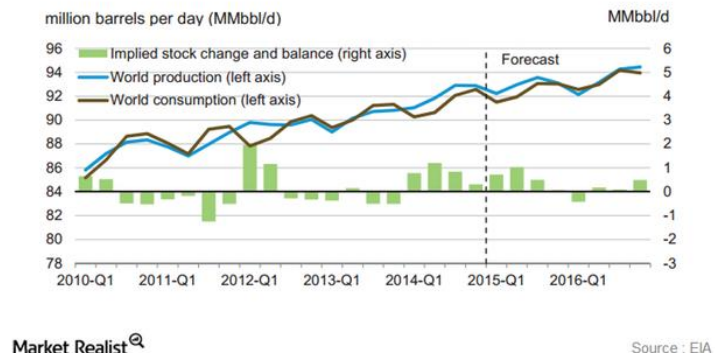
Profire Energy, Inc. designs, assembles, installs, sells, and services oilfield combustion management technologies and related products for the oil and gas industry. Its products and services aid oil and natural gas producers in the production and transportation of oil and natural gas. The company provides burner management systems, including PF 2100, which allows the end-user to manage various combustion vessels; and PF 1800, a burner management system option that provides fundamental burner management functionality, such as burner re-ignition and temperature management. It also offers flare ignition systems; specialized burner management systems for use in specific firetube vessels; valve train products comprising valves, valve actuators, gauges, and installation products; and miscellaneous componentry products, such as solar-power generation kits, add-on cards, and a proprietary airplate that meters secondary airflow to the burner allowing for optimized combustion and reduced emissions. More recently the company has introduced its chemical management division along with its acquisition of VIM Injection Management, providing the company with even greater opportunities to increase oil producer efficiency and making all the more relevant in a down, and possibly new normal oil market.

Industry Outlook

Understanding the influence oilfield producers exert over oilfield services is critical to gaining an accurate picture of any company operating within the industry. All producers, but especially small and mid-cap outfits that have exploded with the rise of oil shale extraction, have financial foundations largely backed by debt, and were supported on the idea that \$90-\$100 oil was going to continue to be the norm. Even under \$70 oil conditions, debt servicing was still at a level where CAPEX could proceed for many companies along a relatively expansive path, meaning that the overall concern was still acquire new valuable plays in producing regions, and placing wells on that acreage. Now being squeezed by an increasingly uncertain settling point of \$50, many companies are slashing CAPEX, reducing payrolls, and as time goes on, will likely die off as the consequences of debt financing come due.



World Liquid Fuels Production and Consumption Balance



While analyst's former predictions on the bottom for oil have hardly proved accurate, and will likely continue to behave this way, the charts above shed some light on the fact that price recovery will neither be quick or painless. The supply glut that has built up due to the showdown between US producers and OPEC, and lackluster demand from economies like China which have been primary drivers for high per barrel cost, mean that the problem for many US firms will not disappear overnight, and will continue to weigh on prices throughout much of 2015. While many oilfield service companies will also suffer under these conditions, Profire, with promises of increased efficiency is likely to experience the spotlight effect as many companies strive to drive down costs.

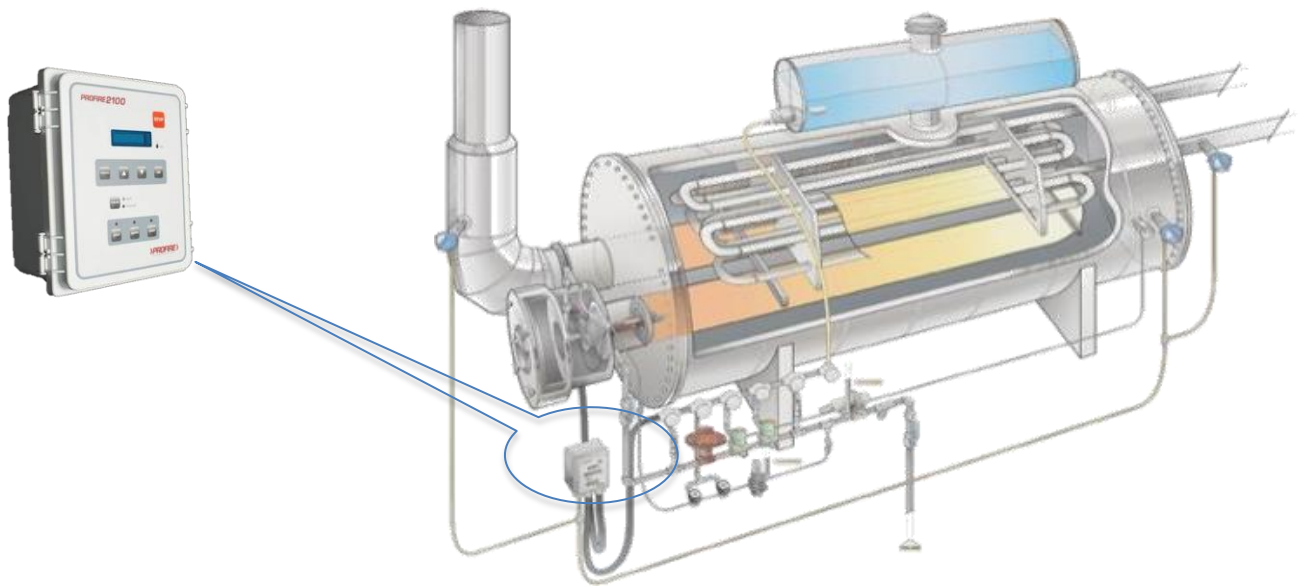
Impeccable Financials

While depressed oil prices have put somewhat of a damper on Profire's recent share prices, it is largely unwarranted. It appears as if the market believes that this is just another oil company, and as a result its value is dependent on the price of oil. Over the last two years Profire has experienced tremendous year-over-year growth in all aspects of its business, showing a 48% increase in YoY revenue growth from 2013 to 2014, and a 350% increase in its EBITDA margin. In the first half of its 2015 fiscal year the company was yet again on pace to produce another record breaking year, but will likely have the brakes put on by the downturn in oil. While significant growth is still expected for 2015, estimates have been brought down accordingly to reflect weak third quarter demand. Debt free since 2007 and intent on remaining so, the company has recently issued roughly \$18 million in new shares to fund what should be viewed as a year preparing for long-term future growth. In 2014 and 2015 alone the company has seen robust investment in R&D, marketing, sales, and CAPEX spending, each increasing on average by 66%, in order to solidify growth opportunities the company sees beginning in 2015 and continuing into the future. It is worth mentioning that free cash flows experienced by the company have so far been negative moving from an outflow of \$1 million in 2013 to an outflow of \$3 million in 2015. It should also be noted that this is largely in part to increasing CAPEX spending that will provide the launching point for explosive growth which could be expected to as soon

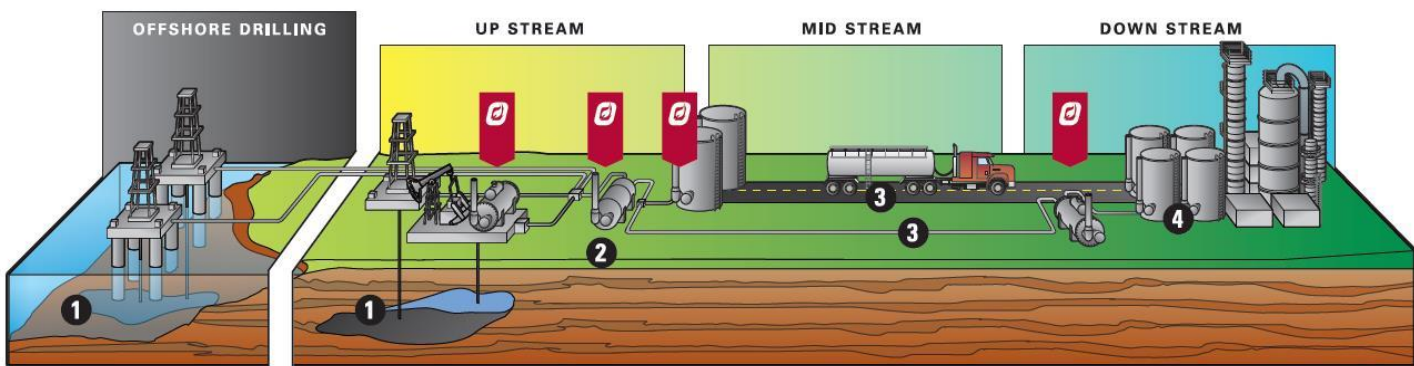
as late 2015 as companies in the energy industry begin to search for ways to improve efficiency. One other point that demonstrates the strong financial position of Profire Energy is the recent acquisition of VIM Injection Management through stock acquisition of roughly \$1 million. It may seem that this move would suggest overvaluation of Profire's shares, but a more valuable way of looking at it is that two companies with complementing technology bases wished to capitalize on the future growth potential they could share together instead of separately.

Leader in BMS and CMS Expansion

Profire Energy is currently the only publicly traded company that specializes in BMS across the oilfield service industry, and the other significant player, Titan Logix, has recently been knocked out due to a string of recent recalls. While the company does maintain 3 or 4 private competitors, Profire controls about 80% of the current market. In their 10K the company stated that much larger players such as Honeywell and Siemens do provide BMS, they typically only operate in extremely complex refinery systems and larger forced air pipelines and the company does not see them moving into their competitive space anytime soon. Much of the BMS in the market today, most of which are manually monitored, lit, and maintained are dangerous and inefficient. Profire with its suite of innovative systems, allow for safe, efficient, and remote monitoring and re-ignition of all systems that require burner flames to maintain appropriate functionality.



Using this unique position with the oilfield services industry, Profire expects to increase revenues by 37-40% in 2015, and improve its market share through its already innovative systems and robust investment in R&D moving into the future. As mentioned previously in the write-up, another area that Profire expects to incorporate seamlessly into its structure is Chemical Management Systems that provide a great deal of cost benefit to new and existing wells. Monitoring valve systems that release methanol and other chemicals into wells in order to assist with extraction and based on tests performed by the company, these systems provide on average, savings of 40% and above on chemical requirements, per well. While Profire offers extractors and producers of oil and natural gas many efficiencies at well sites, it is also worth noting that the company's products are invaluable in many areas of the petro-chemical supply line as illustrated below. Many systems including refining, pipeline management, and water and chemical extraction all require burners to provide consistent heat and viscosity in order to insure proper function of these systems.



Many of the technologies described above are patent pending, and should provide competitive advantage moving into the future, providing a comfortable, if narrow moat against companies seeking to capitalize upon an increasingly profitable market space. Another interesting note is how the company achieves its current sales. While some companies such as Chesapeake come buy directly through the company, many sales come through contractors. Many jobs up for bid are competed for by many of the contractors Profire sells to, meaning that even when one doesn't obtain a contract, the other likely will and the sale is made regardless.

Strategic Positioning

It's already been stated numerous times, but the down oil market provides an incredible opportunity for a company like Profire. Prior to the recent downturn, much of the CAPEX spending of oil companies large and small revolved around increasing well sites, and only a sliver of that considerable spending made its way to efficiency improvements. In a report issued by the UN "According to data from the International Energy Agency, the energy intensity of oil refining has fallen by 13% since 1980 in OECD countries, due to improvements in processing efficiency." Given that was over a period of 30 years, the recent slump will almost definitely give oil and gas companies to observe efficiencies as a major priority over increasing well counts. This is especially true when you consider that the *energy intensity of oil and gas extraction has increased by nearly 33%* since that same period. Estimates show that of the 1.3 million well located in North America alone, about 80%, or 1.04 million of those wells are directly compatible with Profire's BMS and CMS products. This means that there is a market out there worth approximately \$14 billion and it hasn't even been scratched, and that is in wells alone. This means that Profire, which has currently sold and outfitted some 35,000 units, has only penetrated about 2% of the current available market. Noticing the incredible opportunity at hand, and as mentioned above, the company has rigorously invested in its marketing and sales department, along with R&D to insure that they become the know brand for providing these systems and making sure that they are providing the most technologically advanced and economic solution available. Expanding further on the possible future sales in front of Profire is this; it is very likely that over the next few years, many companies will seek out Profire's products out of sheer economic sense, but it is a great deal more likely that many more will be driven to them by increasing government regulation concerning emissions and safety standards. Legislation throughout Utah, Colorado, North Dakota, and Wyoming are all beginning to enforce legislation that would require monitored control devices at any and all ignition systems along the oil and gas supply line. On top of this key development, EPA guidelines on emissions will begin to go into effect later this year, many of which could be met using Profire's BMS products.

International Expansion Opportunities

While Profire is currently focusing on opportunities in the North American market, and particularly producers and distributors in the United States, the company has acknowledged that there is a great deal of opportunity outside the continent. While many of the companies Profire provides services for now are international, it has not explicitly moved to work towards scalable business models with original equipment providers overseas. The company does have some distribution in Australia, Mexico, and Brazil but it represents a small fraction of current revenues. After the company reaches more maturity in its current markets, it has stated that it will likely push for operations in France, Italy, Russia, Ukraine, India, Nigeria, the Middle East all of which represent fresh markets where this technology has not yet been implemented. International expansion likely represents the next big step for Profire, though it likely won't see much attention until 2020 and beyond.



Scenario Analysis

On Thursday February 12th, Profire is expected to release its third quarter earnings, which have effectively been guided down as of January due to the weighing force of low commodity prices. Even still it is unlikely that even in the worst case scenario, in which Profire completely misses on earnings, and underperforms throughout the rest of the year, that its stock price will dip much lower than \$2.10. A continually depressed commodities market, longer than most analysts' predictions, would largely influence this scenario. In a midland scenario, oil begins to recover, but Profire can only capitalize on the partial strength of its newly acquired sales and marketing staff, along with only adequate advancements made by its R&D focus. In this scenario it should be expected for the companies stock

to trade in the \$3.00-\$3.50 range. This price would likely only be buoyed by a higher price in oil. A more realistic stance however is both a slow but steady increase in the price of oil and gas up through 2017, in which Profire Energy will continue to make good on increased marketing capabilities and industry focus on increased efficiency, which few companies provide the means to achieve. In this scenario it is reasonable to expect the stock to trade anywhere around \$4.5 up to its target of \$4.80. Scenario analysis reveals that even in a neutral environment, Profire Energy Inc. is a definite buy with 75% likelihood that it will achieve at least a 15% based on its current price of 2.59.

Conclusion

At the risk of much repetition, Profire Energy is a strongly recommended buy at its current price and even all the way up to \$3.00 as the likelihood of satisfactory returns is still probable. Profire is a company that has grown rapidly within recent years under competent management and through the value proposition of its products. Hit incredibly hard by the wave of selloffs in energy starting back in November, Profire has been unfairly oversold, but fortunately now presents an incredible buying opportunity. With high-tech, innovative products that seek to economize the oil/gas drilling, extraction, and distribution network, Profire will continue to create value with a LT WACC of 10% given its debt free environment, and an ROIC of roughly 16% given the substantial potential for growth in an industry seeking to drive down costs. Management has gone through extensive efforts to build a solid foundation for the plethora of interesting opportunities that are to be found in its future, and it is what makes Profire Energy Inc. a unique and truly unrealized gem.

CENTER FOR GLOBAL FINANCIAL STUDIES

Profire Energy, Inc.		PFIE	Analyst Kyle White	Current Price \$2.66	Intrinsic Value \$3.93	Target Value \$4.83	Divident Yield 0%	Target Return 81.54%	BULLISH
General Info		Peers	Market Cap.	Management					
Sector	Energy	Titan Logix Corp.	\$33.05	Professional	Title	Comp. FY2012	Comp. FY2013	Comp. FY2014	
Industry	Energy Equipment and Services			Hatch, Brenton	Chairman, Chief Executive Offi	\$ 381,658.00	\$ 377,589.00	\$ 332,186.00	
Last Guidance	Nov-11-2014			Limpert, Andrew	Chief Financial Officer, Principal	\$ 224,800.00	\$ 224,800.00	\$ 292,807.00	
Next earnings date	NM			Albert, Harold	Chief Operating Officer and Dire	\$ 385,463.00	\$ 387,711.00	\$ 313,845.00	
Market Data		Natural Gas Services Group Inc.	\$238.74	Historical Performance					
Enterprise value	\$122.47			PFIE		Peers	Industry	All U.S. firms	
Market Capitalization	\$141.14			Growth	40.3%	18.3%	13.0%	6.0%	
Daily volume	0.13			Retention Ratio	7.0%	135.9%	88.4%	61.6%	
Shares outstanding	53.06	Current Capital Structure			ROIC	15.5%	18.5%	11.8%	
Diluted shares outstanding	50.78	Total debt / market cap	0.00%	EBITDA Margin	17.1%	23.9%	17.8%	13.7%	
% shares held by institutions	16.77%	Cost of Borrowing	0.00%	Revenues / Invested capital	123.0%	53.0%	114.7%	202.3%	
% shares held by insiders	59.46%	Interest Coverage	149870.39%	Excess Cash / Revenue	#DIV / 0!	29.1%	17.6%	18.5%	
Short interest	4.22%	Altman Z		Unlevered Beta	-1.37	1.15	1.20	0.95	
Days to cover short interest	0.00	Debt Rating	AAA	TEV / REV	3.1x	2.8x	2.2x	2.4x	
52 week high	\$5.89	Levered Beta	1.42	TEV / EBITDA	12.2x	8.4x	10.1x	11.3x	
52-week low	\$2.08	WACC (based on market value weights)	9.06%	TEV / EBITA	12.7x	13.0x	14.9x	15.4x	
3y Beta	0.66			TEV / UFCF	31.1x	21.7x	40.6x	26.8x	
6-month volatility	70.34%			Non GAAP Adjustments					
Past Eaming Surprises				Operating Leases Capitalization	100%	Straightline	10 years		
Revenue	EBITDA	Norm. EPS		R&D Exp. Capitalization	100%	Straightline	10 years		
Last Quarter	-13.2%	-26.9%	0.0%	Expl. /Drilling Exp. Capitalization	0%	N/A	N/A		
Last Quarter-1	18.6%	-7.1%	0.0%	SG&A Capitalization	53%	Straightline	10 years		
Last Quarter -2	37.2%	68.2%	66.7%						
Last Quarter -3	5.7%	-31.4%	-50.0%						
Last Quarter -4	24.9%	-16.0%	0.0%						
Proforma Assumptions				Forecasted Profitability					
		Period	Rev. Growth	Adj. Op. Cost/Rev	Revenue	NOPLAT	Invested capital	UFCF	
Operating Cash / Cash	25.0%	LTM	97%	57%	\$50.72	\$13.12	\$42.14	\$2.85	
Unlevered Beta	1.42	LTM+1Y	55%	57%	\$78.46	\$19.87	\$70.67	\$0.51	
Rev / Invested Capital	123.0%	LTM+2Y	20%	57%	\$94.16	\$23.40	\$90.11	\$3.96	
Continuing Period Revenue Growth	4.0%	LTM+3Y	18%	58%	\$111.51	\$27.35	\$111.85	\$5.60	
Long Term ROIC	10.6%	LTM+4Y	16%	58%	\$129.85	\$31.53	\$135.63	\$7.75	
Invested Capital Growth	Follows Forward Rev. Growth	LTM+5Y	14%	58%	\$148.60	\$35.78	\$161.14	\$10.27	
Justified TEV / REV	3.1x	LTM+6Y	12%	58%	\$167.11	\$39.94	\$187.86	\$13.21	
Justified TEV / EBITDA	10.0x	LTM+7Y	10%	58%	\$184.59	\$43.82	\$215.15	\$16.54	
Justified TEV / EBITA	12.7x	LTM+8Y	8%	58%	\$200.21	\$47.21	\$242.24	\$20.12	
Justified TEV / UFCF	18.2x	LTM+9Y	6%	58%	\$213.17	\$49.94	\$268.28	\$23.89	
Valuation									
	ROIC	WACC	EVA	Enterprise Value	Total Debt	Other claims	Equity	Adjusted Price	
LTM	41.2%	9.1%	\$17.55	\$247.57	\$0.00	-\$7.40	\$254.97	\$4.89	
LTM+1Y	37.2%	9.2%	\$19.58	\$276.14	\$0.00	-\$16.29	\$292.42	\$5.58	
LTM+2Y	33.3%	9.3%	\$21.43	\$292.96	\$0.00	-\$23.19	\$316.15	\$6.01	
LTM+3Y	30.3%	9.4%	\$23.41	\$309.94	\$0.00	-\$31.76	\$341.69	\$6.50	
LTM+4Y	28.3%	9.5%	\$25.30	\$326.40	\$0.00	-\$42.37	\$368.78	\$7.01	
LTM+5Y	26.4%	9.6%	\$26.99	\$341.88	\$0.00	-\$55.24	\$397.12	\$7.57	
LTM+6Y	24.8%	9.7%	\$28.28	\$355.76	\$0.00	-\$70.54	\$426.30	\$8.10	
LTM+7Y	23.4%	9.8%	\$29.02	\$367.51	\$0.00	-\$88.38	\$455.88	\$8.65	
LTM+8Y	22.0%	9.9%	\$29.10	\$376.65	\$0.00	-\$108.80	\$485.46	\$9.21	
LTM+9Y	20.6%	10.0%	\$28.39	\$382.63	\$0.00	-\$131.77	\$514.40	\$9.69	
Monte Carlo Simulation Assumptions						Monte Carlo Simulation Results			
	Base	Stdev	Min	Max	Distribution	Intrinsic Value		1y-Target	
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	\$4.89	\$5.58	
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(s)	\$0.32	\$0.25	
Market Risk Premium	5%	N/A	5%	7%	Triangular	3 σ(s) adjusted price	\$3.93	\$4.83	
Long term Growth	4%	N/A	3%	40%	Triangular	Current Price	\$2.66		
Terminal Value	0	0.1	N/A	N/A	Normal	Analysts' median est.		\$4.44	

Sanchez Energy Corporation (NYSE: SN)

Financial Analysis By: Ryan Ahlers – Energy

Company Profile as of 2/11/2015

Market Price: \$14.97

Industry: Oil and Gas Exploration and Production

Market Cap: \$877.2M

52-Week: \$38.95 - \$6.22

Beta: 2.04



Thesis

- High cash holdings and liquidity
- High growth potential and reduced risk from flagship assets
- Increased efforts on driving costs lower along with increased well performance
- Hedging strategy reduces exposure to commodity volatility → protects future cash flows

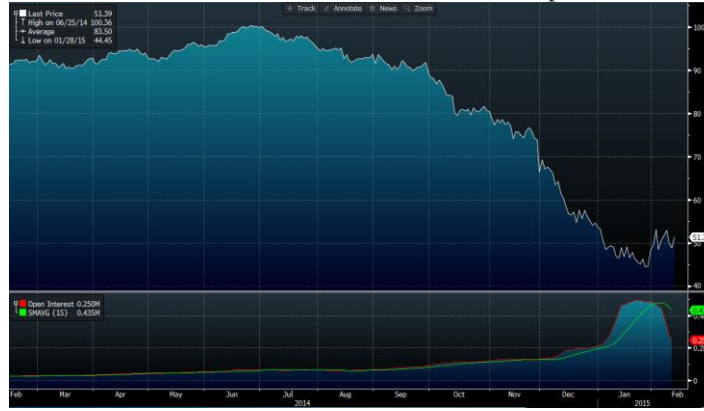
Company Overview

Sanchez Energy Corporation is an oil and gas exploration and production company located in the United States. Sanchez Energy has a main focus on the acquisition and development of oil resources, onshore, along the U.S. Gulf Coast. The company operates in the Eagle Ford Shale with 226,000 acres and the Tuscaloosa Marina Shale (TMS) with 57,000 acres. Some of the company's top management is run by a father-son management team with A.R. Sanchez, Jr., as the Executive Chairman of the Board and Antonio R. Sanchez, III, as President and Chief Executive Officer. A.R. Sanchez Jr. has more than 40 years of experience in the oil and natural gas industry and Antonio R. Sanchez, III previously worked at J.P. Morgan Securities Inc. employed as an investment banker specializing in mergers and acquisitions.

Industry Outlook

The energy sector and specifically the Oil and Gas Exploration and Production industry is heavily influenced by the price of oil. Companies in this industry find and produce oil to sell it at the market price for their main source of revenue. Over the past 8 months oil price has plummeted from a high of about \$100/barrel to a low of about \$44/barrel. This volatility in the market and decrease in

oil price puts stress on oil related companies, specifically companies that cannot pay their interest payments. Going forward, it is unclear whether oil prices will continue to decrease or if the floor has been hit and prices will start to rebound.

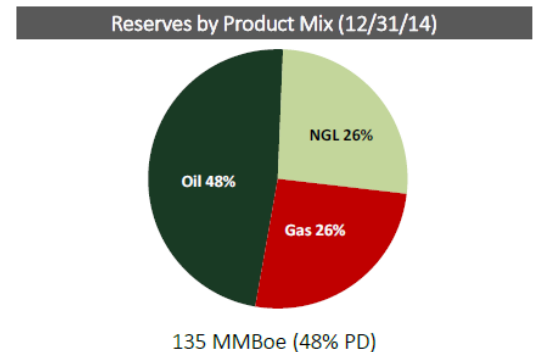


High Cash Holdings and Liquidity

Sanchez Energy's revenue comes from three main sources: crude oil, natural gas and natural gas liquids. Natural gas and natural gas liquids allow Sanchez to diversify their product lines and revenue source, which is especially helpful when oil is at such low levels. Sanchez Energy Corporation has grown its cash balance from \$63M in 2011 to \$474M in 2014 due to their increased production of 609 Boe/d at IPO (12/31/11) to 43,000 Boe/d, 71x increase, by the end of 2014. This high cash balance, along with their operating cash flows, will allow them to fully fund their operations and capital plan internally without raising additional debt and increasing risk during a time of volatile oil prices. To further help the company's internal funding, Sanchez has reduced their capital budget by over 50% for 2015 from ~\$1.0 - \$1.2 billion to ~\$600 - \$650 million, which is also planned to be fully funded from cash and operating cash flows. Furthermore, Sanchez Energy is in a liquid position to pay any short term liabilities or fund future development with \$774 million in liquidity through cash and undrawn revolver facility with the option to further increase liquidity to over \$1.1 billion, if necessary. Sanchez Energy's high liquidity level will allow them to continue operating during this low commodity market.

High Growth Potential and Reduced Risk from Flagship Assets

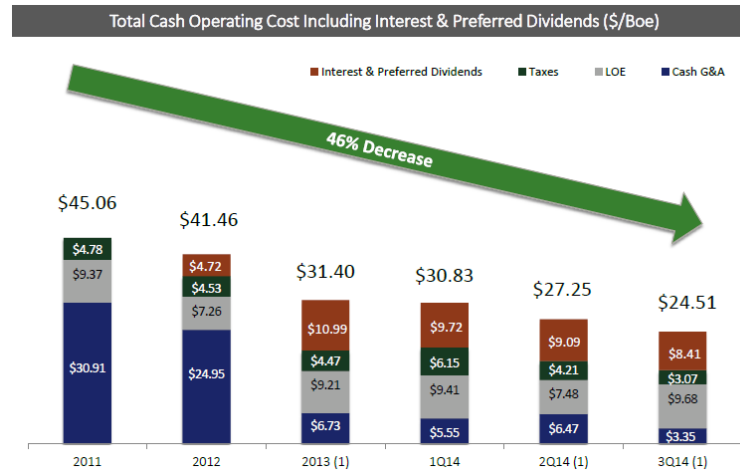
The Eagle Ford Shale is Sanchez Energy's flagship asset, currently 226,000 acres, that is continuously being expanded by the acquisition of more land within the Eagle Ford Shale. Along with the Eagle Ford Shale they own the Tuscaloosa Marine Shale asset, currently 69,000 acres, which is believed to be at the core of the entire Tuscaloosa Marine Shale. These assets are crucially important to the success of Sanchez Energy Corporation because of the growth that they will bring. The Eagle Ford Shale is believed to have about 3,300 net drilling locations which is approximately 20 years of drilling at their current rig count, but as they explore and research more post-acquisition it is believed by management that the assets could provide even more wells and stronger growth. The growth potential within these assets comes from the fact that the resources are not fully utilized and/or discovered yet. During Q1 of 2015 alone Sanchez Energy has the expectation to bring 15 more wells online, resulting in significant year-over-year production growth. With these growth procedures Sanchez has managed to increase production 91% from Q2 to Q3 2014, which is 228% higher than the same period one year ago and in terms of revenue, an increase of 37% Q2 to Q3 2014 and 120% higher than the same period a year ago. Along with the growth the assets bring to Sanchez Energy, they also reduce the exposure risk they have to one particular commodity. With their recent acquisition in the Eagle Ford Shale in Q3 2014, Catarina, they have moved to a more balanced production mix close to 50-50 with oil consisting of 48%, natural gas 26% and liquid natural gas 26% from Q2 with 73% of production being oil.



Increased Efforts On Driving Costs Lower Along With Increased Well Performance

Sanchez Energy Corporation's stock price is highly leveraged by their operational expenses and how well they manage their expenses. For the upcoming year, management has a continued and renewed focus on efficient operations and driving costs lower. In 2014 the average total well cost was \$15 million, for 2015 Sanchez Energy is projecting they can achieve a total well cost of \$12 million and, ultimately, they believe they can obtain a total well cost of \$10 million. From the beginning of 2014 to Q3 2014 Sanchez Energy has seen a 5% to 10% decrease in drilling costs at their Wycross region of Eagle Ford Shale due to the widespread use of direct sourcing of

chemicals and proppant, adoption of less damaging fluid systems and tests to increase fracking size. Another area Sanchez Energy is reducing costs is an increase in direct sourcing and long term contract for drilling. Through this, they expect to have average cost per stage of well completion go from \$125,000 per stage down to \$90,000 per stage which has only been used in 12 out of 25 wells as of the end of 2014, resulting in an estimated savings of over 40% of completion cost. Sanchez Energy expects to implement direct sourcing and long term contract work to 90% - 100% of all wells in 2015 from roughly 50% in 2014. Strategies such as these have yet to be implemented across all drilling sites in the Eagle Ford Shale or the Tuscaloosa Marina Shale allowing for great potential to lower costs in the near future.

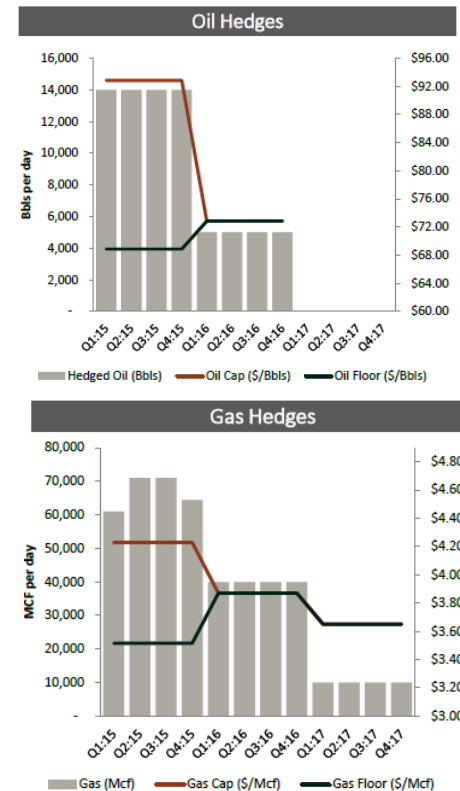


Hedging Strategy Reduces Exposure to Commodity Volatility

With the fall of oil prices over the past eight months from a high of around \$100/barrel to a low around \$40/barrel companies that rely and are affected by the price of oil, such as Sanchez Energy, must be properly hedged to lessen the effect of potential low oil prices and gas prices. Sanchez Energy currently has a hedging program implemented that protects cash flow, development and capital spending by hedging roughly 60% of anticipated total 2015 production hedged at the mid-point of production guidance range. Oil is hedged for 2015 at a price of roughly \$92/barrel and gas roughly \$4.20/Mcf, protecting Sanchez Energy from the downside in the commodity market. Sanchez Energy also implements a strategy of staggering contracts and commitments respective to both drilling and completion of operations in order to adapt to changes in commodity prices. With the current low price of oil, Sanchez Energy has the ability to scale down for 2015 – 2016, depending on oil prices, and scale back up when commodity prices recover to higher levels in an attempt to reduce their exposure to the volatile market.

Conclusion

Based on the research, a BUY position is recommended for Sanchez Energy Corporation with a 1-year price target of \$20.90. Currently, Sanchez Energy Corporation is undervalued on the market because of the effect low oil prices has on energy sector companies, but more importantly because the market has not yet realized the value of many aspects that are to come of the company in the near future. Sanchez Energy has high cash holdings and is very liquid which reassures that they can ride out this commodity storm. Even in this time of low commodity prices Sanchez has high growth potential and reduced risks from their assets unrealized by the market. A major shift among top management to increase cost driving efforts and performance among their operations will make them more efficient in help in increasing their margins in the next year. Lastly, Sanchez Energy is perfectly able to thrive during this low oil price era because of their hedging strategy and their ability to adapt to any type of commodity environment with their short term staggering contracts and commitments. With the experienced and qualified management running the firm, expect to see Sanchez Energy Corporation stock price appreciate over the next year.



CENTER FOR GLOBAL FINANCIAL STUDIES

Sanchez Energy Corporation		Analyst Ryan Ahlers	Current Price \$15.40	Intrinsic Value \$20.90	Target Value \$21.80	Divident Yield 0%	Target Return 41.64%	BULLISH
General Info		Peers	Market Cap.	Management				
Sector	Energy	Canizo Oil & Gas Inc.	\$2,368.41	Professional	Title	Comp. FY2011	Comp. FY2012	Comp. FY2013
Industry	Oil, Gas and Consumable Fuels	PDC Energy, Inc.	\$1,677.93	Sanchez, Antonio	Executive Chairman	\$ -	\$ 800,000.00	\$ 7,495,538.00
Last Guidance	Feb-02-2015	Comstock Resources Inc.	\$262.28	Sanchez, Antonio	Founder, Chief Executive Officer	\$ 350,000.00	\$ 1,126,014.00	\$ 5,585,974.00
Next earnings date	3/2/2015	Swift Energy Co.	\$132.45	Long, Michael	Chief Financial Officer, Executive	\$ 273,156.00	\$ 1,600,200.00	\$ 2,585,788.00
Market Data		Petrin Virginia Corporation	\$500.20	Heinson, Christopher	Chief Operating Officer and Seni	\$ -	\$ -	\$ -
Enterprise value	\$2,041.74	Bonanza Creek Energy, Inc.	\$1,397.85	Hink, Kirsten	Principal Accounting Officer and	\$ -	\$ -	\$ -
Market Capitalization	\$299.43	Rosetta Resources, Inc.	\$1,469.61	Guerra, Frank	Executive Vice President and Co.	\$ -	\$ -	\$ -
Daily volume	1.47	Laredo Petroleum, Inc.	\$1,888.02	Historical Performance				
Shares outstanding	55.84	Goodrich Petroleum Corp.	\$147.08	sn	Peers	Industry	All U.S. firms	
Diluted shares outstanding	49.51	Midstates Petroleum Company, Inc.	\$91.22	Growth	58.0%	13.6%	1.2%	6.0%
% shares held by institutions	108.05%	Current Capital Structure		Retention Ratio	0.0%	118.7%	8.3%	61.6%
% shares held by insiders	9.35%	Total debt /market cap	85.52%	ROIC		14.5%	17.9%	11.8%
Short interest	32.97%	Cost of Borrowing	6.11%	EBITA Margin	0.0%	26.5%	20.3%	13.7%
Days to cover short interest	4.65	Interest Coverage	2.20%	Revenues / Invested capital	13.5%	25.9%	849.5%	202.3%
52 week high	\$38.95	Altman Z	1.00	Excess Cash / Revenue	#DIV/0!	15.1%	10.6%	18.5%
52-week low	\$6.22	Debt Rating	CC	Unlevered Beta	0.68	1.33	1.06	0.95
5y Beta	0.59	Levered Beta	2.04	TEV/REV	7.1x	5.7x	5.6x	2.4x
6-month volatility	104.15%	WACC (based on market value weights)	9.60%	TEV/EBITDA	6.0x	9.8x	10.1x	11.3x
Past Earning Surprises				TEV/EBITA	18.1x	21.5x	16.7x	15.4x
Revenue	EBITDA	Norm. EPS	TEV/UFCF	41.3x	27.3x	26.8x	Non GAAP Adjustments	
Last Quarter	-0.6%	-1.0%	21.1%	Operating Leases Capitalization	100%	Straightline	10 years	
Last Quarter-1	3.9%	6.7%	-14.8%	R&D Exp. Capitalization	100%	Straightline	10 years	
Last Quarter -2	4.0%	1.6%	-24.0%	Expl./Drilling Exp. Capitalization	0%	N/A	N/A	
Last Quarter -3	4.1%	9.6%	-18.2%	SG&A Capitalization	0%	N/A	N/A	
Last Quarter -4	4.5%	1.2%	0.0%					
Proforma Assumptions				Forecasted Profitability				
	Period	Rev. Growth	Adj. Op. Cost/Rev	Revenue	NOPLAT	Invested capital	UFCF	
Operating Cash /Cash	25.0%	LTM	110%	40%	\$623.67	\$148.77	\$2,377.69	-\$893.51
Unlevered Beta	1.00	LTM+1Y	-1.5%	35%	\$1,664.59	\$494.09	\$1,555.33	\$344.44
Rev./Invested Capital	80.0%	LTM+2Y	7%	35%	\$2,464.49	\$667.58	\$1,574.30	\$648.61
Continuing Period Revenue Growth	3.0%	LTM+3Y	55%	42%	\$3,275.62	\$846.18	\$1,534.13	\$886.35
Long Term ROIC	12.7%	LTM+4Y	7%	40%	\$3,938.54	\$988.33	\$1,514.38	\$1,008.08
Invested Capital Growth	Equals to Maintenance	LTM+5Y	6%	42%	\$4,432.14	\$1,085.41	\$1,528.83	\$1,075.96
Justified TEV/REV	4.0x	LTM+6Y	4%	40%	\$4,801.53	\$1,150.41	\$1,553.84	\$1,120.40
Justified TEV/EBITDA	10.0x	LTM+7Y	3%	42%	\$5,088.84	\$1,194.15	\$1,596.01	\$1,151.98
Justified TEV/EBITA	13.0x	LTM+8Y	2%	40%	\$5,323.89	\$1,223.95	\$1,645.56	\$1,174.40
Justified TEV/UFCF	30.0x	LTM+9Y	1.5%	42%	\$5,525.64	\$1,244.42	\$1,699.65	\$1,190.34
Valuation								
	ROIC	WACC	EVA	Enterprise Value	Total Debt	Other claims	Equity	Adjusted Price
LTM	11.5%	10.1%	\$6.29	\$2,378.06	\$1,746.16	\$0.00	\$1,225.12	\$21.89
LTM+1Y	7.5%	10.1%	-\$45.42	\$1,808.35	\$1,746.16	\$0.00	\$1,218.15	\$22.56
LTM+2Y	10.7%	10.1%	\$12.92	\$2,066.63	\$1,746.16	\$0.00	\$1,322.04	\$24.05
LTM+3Y	12.1%	10.1%	\$43.20	\$2,362.50	\$1,746.16	\$0.00	\$1,378.96	\$25.09
LTM+4Y	15.5%	10.1%	\$131.11	\$2,543.58	\$1,746.16	\$0.00	\$1,438.76	\$25.40
LTM+5Y	12.9%	10.1%	\$72.15	\$2,712.35	\$1,746.16	\$0.00	\$1,383.31	\$25.09
LTM+6Y	14.3%	10.1%	\$122.51	\$2,863.75	\$1,746.16	\$0.00	\$1,421.46	\$24.98
LTM+7Y	11.7%	10.1%	\$48.89	\$3,012.65	\$1,746.16	\$0.00	\$1,348.25	\$24.82
LTM+8Y	12.7%	10.1%	\$90.72	\$3,227.31	\$1,746.16	\$0.00	\$1,451.59	\$25.22
LTM+9Y	10.3%	10.1%	\$5.86	\$3,338.06	\$1,746.16	\$0.00	\$1,333.40	\$23.88
Monte Carlo Simulation Assumptions								
	Base	Stdev	Min	Max	Distribution	Monte Carlo Simulation Results		
Revenue Variation	0	10%	N/A	N/A	Normal	Mean est.	\$21.89	\$22.56
Op. Costs Variation	0	10%	N/A	N/A	Normal	σ(e)	\$0.32	\$0.25
Market Risk Premium	5%	N/A	5%	7%	Triangular	3 σ(e) adjusted price	\$20.93	\$21.81
Long term Growth	3%	N/A	1%	58%	Triangular	Current Price	\$15.40	
Terminal Value	0	0.1	N/A	N/A	Normal	Analysts' median est.		\$15.69

Take-Two Interactive Software (TTWO: NASDAQ)

Financial Analysis By: Jarret Reaume – Technology

Company Profile as of 2/11/2014

Market Price: \$27.32

Industry: Software

Market Cap: \$2.41B

52-Week: \$18.45-30.80

Beta: 0.76

Source	Target Price	Recommendation
Siena	\$37.40	BUY
Capital IQ	\$33.80	OUTPERFORM
Yahoo! Finance	\$33.56	BUY
Bloomberg	\$34.06	BUY



Thesis

- Positioned in a market that expects continued, steady growth
- Owner of two established development studios with several top-selling game franchises
- Economies of scale from recurring revenue streams
- Right time to buy based on release pipeline
- Balance in game releases differentiates itself from competitors

At a market price of \$27.32, Take-Two Interactive Software is a recommended buy because of its industry's outlook and how the company is in position to capitalize on an interesting period in its product pipeline. Take-Two will create value going forward due to economies of scale created from its highly-selling products being sold digitally. Margins will increase because of the lowered cost of getting its products to customers, and revenues will increase because of growing market demand and a re-release of the firm's best-selling product. It is important to buy the stock before March 24, 2015 which is when the product releases.

Company Overview

Take-Two Interactive Software, Inc. is a developer, marketer, distributor, and publisher of interactive software games and accessories. The firm's products are made for console gaming systems, handheld gaming systems, personal computers, smartphones, and tablets. These products are brought to market through physical retail stores, digital download, and online streaming devices. Take-Two owns two development studios, Rockstar and 2K, each of which have several successful game franchises. Take-Two boasts an impressive list of game franchises that have established themselves amongst the industry leaders. Some of these names that are released under Take-Two's studios include Grand Theft Auto, Max Payne, Red Dead, BioShock, and the NBA 2K series. Many of these titles are released

annually such as NBA 2K, while others go through gaps of several years between releases. In addition to game releases, Take-Two also generates revenue from downloadable content (DLC) and subscription-based content. Take-Two Interactive Software, Inc. was founded in 1993 and its headquarters are located in New York, New York. The firm's initial public offering took place on February 10, 1997.

Management

Strauss H. Zelnick, Esq., J.D., has served as Chairman since March 2007 and has been Chief Executive Officer since January 2011. Mr. Zelnick has held executive positions in several industries including music, film, television, and entertainment software. He holds a J.D. from Harvard University as well as a M.B.A. from Harvard Business School. He manages the day-to-day operations of the firm and originates investments with a focus on the industries he has over 25 years of experience in.

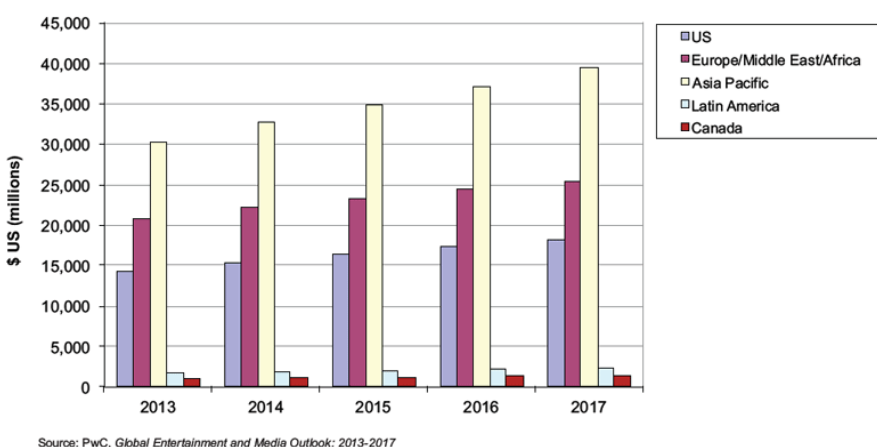
Karl Slatoff has been the President of Take-Two Interactive Software since May 2013. Mr. Slatoff structures and monitors investments with a focus on interactive entertainment. He is the Chief Operating Officer at Take-Two and has previously worked at the Walt Disney Company and Lehman Brothers. He holds an M.B.A. from Harvard Business School.

Lainie Goldstein is Chief Financial Officer and has held the position since June 2007. Ms. Goldstein has over 15 years of experience in the software and entertainment industries as well as eight years overseeing the finance function of publicly traded companies. She has previously worked at Grant Thornton and is a Certified Public Accountant. Ms. Goldstein received her BS in Accounting from The American University.

Market Growth

The market for video games has grown steadily with improvements in technology. Advancements in processing power and continuously increasing storage capacity have made games look and feel better than ever before. In 2013 and 2014, the next generation of console video game systems like Sony's PlayStation 4, Microsoft's Xbox One, and Nintendo's Wii U came to market and changed the landscape of the industry. Therefore, millions of people have just recently upgraded to these systems. As a result, the video game software industry looks to experience growth in the next few years because consumers will want to purchase games to match their new system. As seen in the graph to the right, the growth of video game sales is expected to continue growing at a steady pace for the next several years. The Asia Pacific region jumps out as the area that looks to see the most growth. This is a great sign for the interactive software industry because the largest market is growing at the fastest pace. Based on this outlook, Take-Two can expect to see continued growth because of the new console systems as well as a growing demand for video games.

Global Video Game Market Growth 2013 – 2017



Development Studios

A major aspect of the success of Take-Two is the quality of the studios it owns. Rockstar Games and 2K Games are both development studios that have created top-selling games for many years and are expected to continue to release great game franchises. These two studios have combined to develop ten original titles that have sold over 5 million units each.

First, Rockstar Games has operated since 1998 and has released several highly-sold titles. Rockstar works in different genres such as crime, science-fiction, role-playing, and strategy. This diversification helps the studio to branch out creatively and reach a wide audience. However, most of Rockstar's game franchises are rated "M" which excludes the 18 and younger demographic.

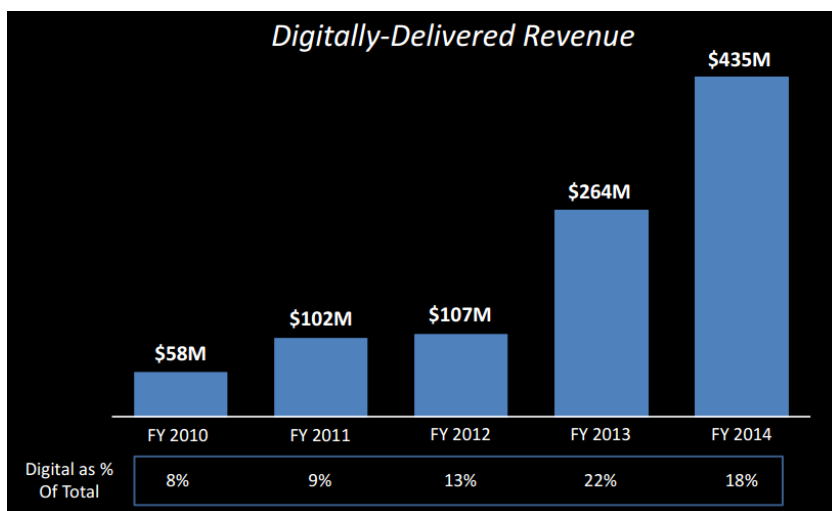
2K Games operates quite differently from Rockstar. Most of 2K's games are targeted at all age groups while generally leaning towards younger gamers. For example, the NBA 2K series, a basketball simulation franchise, is 2K's highest-selling



game and is rated “E” for everyone. The differentiation between the two studios works well because they create very different types of games. This means that growth for one studio’s titles will not cut into the market share for the other studio. Therefore, both studios can be expected to grow simultaneously.

Recurring Revenue Streams

A significant way in which Take-Two is separating itself from its competitors is through recurring revenue streams. Essentially, these revenues consist of sales that happen after a consumer has already purchased a game. The revenues come in the form of downloadable content that adds to a game such as new missions or items. Since the additional content doesn’t have to be packaged, shipped, or sold in a retailer, profit margins will increase substantially. The interactive software industry as a whole has had trouble getting this concept off and running because many consumers are reluctant to spend more money after their initial purchase of a video game. However, Take-Two’s titles seem to differ from its other competitors. For example, in the FY2014, digitally-delivered revenues



increased to 18% of total revenues as opposed to only 8% from FY2010. This type of growth should continue as Q3 2015 showed digitally-delivered revenues at 28% of total revenues. The image below shows that operating income is expected to increase in the next two years compared to sales. The FY2014 revenue numbers are high due to the release of Grand Theft Auto V on Xbox 360 and PlayStation 3 during that year. Compared to the other two previous years, Take-Two is expected to have better margins which will result in the higher operating income numbers in 2015 and 2016 as shown below.

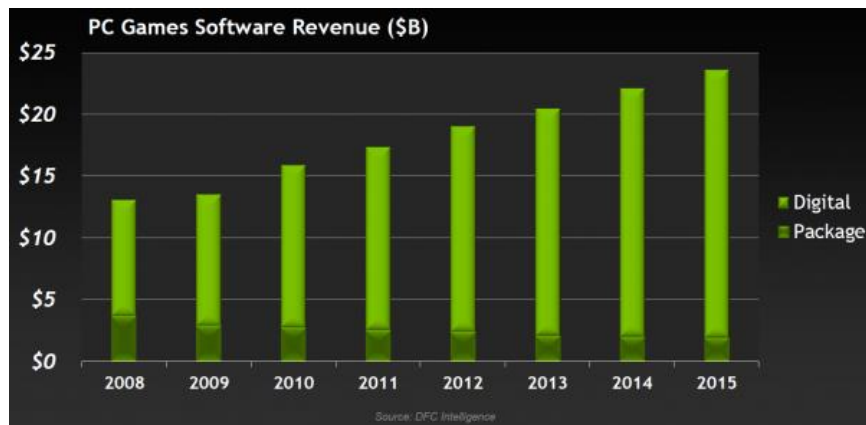
In Millions of USD except Per Share	FY 2012	FY 2013	FY 2014	Last 12M	FY 2015 Est	FY 2016 Est
12 Months Ending	2012-03-31	2013-03-31	2014-03-31	2014-12-31	2015-03-31	2016-03-31
Revenue	825.8	1,214.5	2,350.6	978.1	1,710.2	1,534.9
- Cost of Revenue	528.9	715.8	1,414.3	492.5		
Gross Profit	297.0	498.6	936.2	485.6	803.3	731.9
+ Other Operating Revenue	0.0	0.0	0.0	0.0		
- Operating Expenses	381.2	493.4	521.0	525.3		
Operating Income	-84.3	5.2	415.3	-39.7	246.8	199.6

The recent growth in this area is highly attributed to the flagship game franchises of Rockstar and 2K studios. Grand Theft Auto V and NBA 2K15. For Grand Theft Auto V, the positive response to its online version, Grand Theft Auto Online, is what drove the digital revenue growth. Gamers can pay real money in order to receive money in the online game. Additionally, NBA 2K15’s “MyTeam” mode allows consumers to pay for cards that can be used to enhance their team in the game. These transactions can be made either through the game or directly from 2K’s smartphone companion application. These new ways to generate revenue from consumers even after they already spent \$60 for a game will increase Take-Two’s profit margins because of the low costs that come from digital downloads. Also, digitally-downloaded games will increase margins because of the savings from packaging and shipping costs as well as the exclusion of a retail store. If Take-Two can continue to be a leader in the adoption to digital downloads, it will be a major competitive advantage over industry peers.

Timing of Release Pipeline

Much like the pharmaceutical industry, interactive software companies must be mindful of their schedule of releases. It is important to make sure there are no wide gaps between revenue-generating products so that the business can consistently generate free cash flows. In the case of Take-Two, the next few months will have a great impact on the stock price because of what is planned to be released. The most notable release is Grand Theft Auto for the PC. It may not seem like such a big deal considering the game has already released for the PlayStation 4, PlayStation 3, Xbox One, and Xbox 360. However, the PC gaming community is extremely large compared to the console gaming community. Far more people own personal computers than console systems. Also, many people prefer the enhanced experience on PCs because of the much higher processing and graphic capabilities. For these reasons, Grand Theft Auto should easily beat market expectations when it releases in late March.

It can be seen in the chart to the right that PC games software revenue has steadily grown for the past seven years and it expected to continue that growth after this year. The figure also shows that over \$20 billion in revenue comes from digital sales. With the aforementioned lower costs of digitally-delivered content, the profit margins for PC games will increase. Not only will operating expenses decrease, but revenues will increase in the future creating economies of scale and value for companies that can sell PC games at a high rate.



Differentiation from Competitors

There are several large video game companies that compete with Take-Two for market share. Some of these companies include Electronic Arts, Activision, and Ubisoft. Each of these companies develops game franchises that are successful in the marketplace. However, the main differentiator between Take-Two and these companies is the balance between annual and periodical game releases. Basically, these three companies either release most of their games annually, like Electronic Arts, or periodically, like Activision and Ubisoft. This creates a gap between revenue streams which results in losses for the company. As mentioned before, Take-Two benefits from the way it schedules its releases. Revenues can be predicted each year from titles like NBA 2K and WWE 2K. But, when a new installment of Grand Theft Auto is released, which is roughly every 4-6 years, Take-Two experiences drastically higher revenues.

Take-Two's competitors don't have a franchise like Grand Theft Auto that can impact the earnings of a company so greatly. The image to the right shows the impact Grand Theft Auto V had on Take-Two's financials. In 2013, the company experienced modest revenues and hardly any operating income. In 2014, only a few months after the game's release, revenues nearly doubled. Operating expenses only increased from \$493.4 million to \$521 million from 2013 to 2014. The result was operating income of \$415.3 million and a net income of \$361.7 million.

FY 2013	FY 2014
2013-03-31	2014-03-31
1,214.5	2,350.6
715.8	1,414.3
498.6	936.2
0.0	0.0
493.4	521.0
5.2	415.3

The upcoming release of Grand Theft Auto V will have a similar effect on Take-Two's earnings which will drive the stock price up. The recurring revenue streams which will follow will create extra value as margins increase along with sales from digital content.

Conclusion

Take-Two is currently at a very intriguing point and it is a good idea to buy its stock at \$27.32. The long-term outlook of its industry is encouraging because of the consistent growth that is expected to continue for several years. The release of the next generation of gaming consoles ensures that video game sales will continue to grow because no consumer will buy a \$400 system and then not purchase games to play on it.

The prestige of Take-Two's studios, Rockstar and 2K, are an example of the stability and quality that solidify Take-Two's reputation. Both studios have developed games that fans are loyal to and it shows in revenues. Both studios have been operating for nearly two decades and show no signs of slowing down.

One of the best reasons to buy Take-Two's stock right now is because of recurring revenue streams which were addressed before. Take-Two will continue to bring content to its customers digitally which will decrease the costs of selling through a retailer. The revenue from each game will stay the same, but the cost to bring it to the consumer will decrease. The economies of scale from this alone will add value to the firm and increase its stock price. In addition, downloadable content that is offered digitally will increase profit margins even more. When customers pay for new missions and other content, the profit margins will increase even more. This is an aspect of the software industry that Take-Two is in position to take serious advantage of because of its game franchises.

The timing is very interesting because Grand Theft Auto V on PC will likely surpass all expectations when it comes out in late March. The large PC gaming community will help this title generate large profits for Take-Two similarly to how it did when the game was released on Xbox 360 and PlayStation 3 in late 2013. The market will be surprised by the numbers that this release will lead to and the

stock will increase. However, the recurring revenue that will follow from downloadable content sales will drive the price up to the target price of roughly \$37.

This stock is a better choice than its competitors because of its balanced release schedule and how that improves its position to generate cash flows in this growing industry. No other company has the game franchises with the same pedigree that are being released on such a consistent basis. This strategy and competitive advantage puts Take-Two in a great position to take full advantage of the digital revenue phenomenon.

CGFS

Ubiquiti Networks, Inc. (UBNT: NASDAQ)

Financial Analysis By: Sofian Belhadj – Telecommunication

Company Profile as of 2/11/2015

Market Price: \$28.90

Industry: Wireless communication

Market Cap: \$2.54B

52-Week: \$25.67-56.85

Beta: 2.36

Source	Target Price	Recommendation
Siena	\$38.70	BUY
Capital IQ	\$37.93	BUY
Yahoo Finance	\$37.93	BUY
Bloomberg	\$37.93	BUY



Thesis

- Growing opportunity in Emerging markets
- Disruptive business model
- Research & Development based on crowdsources with a growing community
- Increasing gross margin
- Introduction of new line of products

Company Overview

Ubiquiti Networks, Inc. founded in 2005 and is located in San Jose in the apartment of a 26 years old wireless engineer from Apple, Robert Pera CEO. The company develops wireless networking hardware and software for facilities around the globe.

UBNT generates revenues from two different segmentations: Service Provider Technology which englobe the fixed wireless, broadband, routing and wireless backhaul systems, and the Enterprise Technology which correspond to new technologies launched such as switching, Voice over IP and security gateway. The company was not interested into create the best wireless products such Cisco for example but wanted to create a Wireless Internet Service Provider to compete with wireline competitors. Ubiquiti workforce is currently composed of 312 full time employees who are able to provide a product's 90% cheaper than their respective competitors in the wireless business with no tradeoff on quality and performance. The company therefore does not use a sales team but a vast network of distributor around the planet. The company has no support organization to deal with customer's problems instead an online forum of clients exchanging information between members in order to help, advise and recommend products. UBNT has a

unique model based on eliminating most of SG&A (4% of revenue in 2014) costs for a telecommunication equipment company by leverage the internet for marketing, sales, support and customers feedback. The company has a hyper efficient sales model that relied on software to innovate and focus on the cost reduction of hardware. The company mission is to bring connection to underserve in underpenetrated areas.

Management

Ubiquiti Networks, Inc. is led by the Founder and CEO Robert J Pera since 2005. From the creation in January 2003 and 2005 Robert Pera serves has a director of Ubiquiti, Pera was a wireless engineer at Apple, Inc. Pera holds a B.A. in Japanese Language, a B.S. in Electrical Engineering, and an M.S. in Electrical Engineering (emphasis in Digital Communications RF Circuit Design) from the University of California, San Diego. In 2012 Pera became the majority owner of NBA team Memphis Grizzlies. Pera is the youngest chairman and board member of Ubiquiti and is 37 years old. At the present time Mr. Pera own 65% of the UBNT stock.

Craig L foster is serving as a CFO of Ubiquiti since March 2013 and as a member of the board since October 2013. From June 2012 to February 2013 Mr. Foster was a director of Credit Suisse in the technology infrastructure and software division in the United States. In 2007 to June 2012 Mr. Foster served as an executive director of UBS Securities LLC. Craig. Foster holds an M.B.A. in Finance from the Wharton School of Business and a B.A. in Economics from the University of California, San Diego. On February 9, 2015 Mr. Foster sale 7,044 shares for an amount of \$209,419 which represent 44% of its holding and it remains Mr. Foster 9,000 shares. Mr. Foster working compensation of is equal to \$330,000.

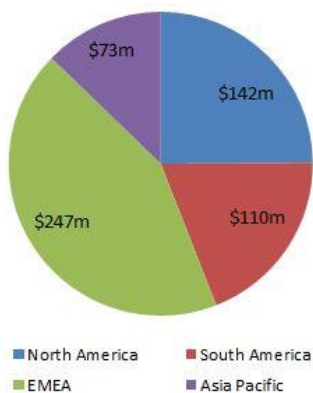
Dr. Sanford served Ubiquiti as a consultant from September 2007 to April 2010 and has served the company as chief technology officer since May 2010. Dr. Sanford was chief technology officer of Cushcraft Corporation from August 2003 to July 2007, the company was specialized in manufacture and designing of antenna. On December 2004, a patent for “Antenna system and method” have been issued and assigned to Ubiquiti with the invention of Dr. Sanford. Dr. Sanford holds a B.S. in Electrical Engineering from Syracuse University, an M.S. in physics from Georgia State University and a Ph.D. in Electromagnetics from École polytechnique fédérale de Lausanne.

Benjamin Moore serves as a VP of the Business Development since May 2008. On February the 4th Mr. Moore announced a new item in the Ubiquiti portfolio of technology, the AirFiberX which is an outdoor antenna allowing 200km distance transmission of internet Mr. Moore holds a B.A. in Business Management from Utah Valley University.

The management team is focused on the vision of the company which is to continue developing robust R&D internally and democratize UBNT products in underserved market. During the past conference call on February 5th 2015, the management has strongly highlighted their “high hope” of the introduction of new enterprise product.

Growing opportunity in Emerging market

UBNT’s segmentation by region is highlighting an increase from 2013 to 2014 of 3.2% for EMEA region, in total representing 43.1% of revenues.



The company is only proving a repartition of Europe, Middle East and Africa, Ubiquiti has for objectives to make accessible technology for country or region that are not able to have a wired connection because of the price of building in those infrastructure. The Africa GDP outlook for 2015 is projected at 4.4 percent and the exponential rise of internet users in this region is a positive sign for Ubiquiti to launch their AirFiberX model that is dedicated for masses customers. Additionally in Africa the number of mobile subscribers has increased from 16 million people in 2000 to over 500 million in 2015. Bases on the growth level, the need for wireless equipment transmitter would need to double from their current number. The Middle East and Africa will have the strongest mobile data traffic growth of any region in the world with 72 percent annually from 2015 to 2019.

The Asia Pacific region represents 13.2% of Ubiquiti revenue, the region remains the leader for global growth. India and China growth rate converged to provide 5.5 percent increase from 2015 to 2019. Asia Pacific represents potential for UBNT to continue developing their sales.

Disruptive business model

Ubiquiti differentiated business model, combined with building innovating technology by a talented Research and development that is providing ultra-low cost products. High costing wireless solutions are considered as established players, if customers decide to change solution it would be for price sensitivity and therefore would go for the cheapest option. UBNT business model is based on shared common goal, distributors and resellers are integrated in the process because the company does not have a sales force team. UBNT is able to innovate faster than competition because of the integration of UBNT community which is scalable around the world and which work with the involvement of customers in the products features directly with the engineering team. The trend created by information provided by the community is very efficient in term of cost. The most difficult strategy is to match customer's preferences with the introduction of new UBNT products, with this business model the customer adoption is integrated in the process because client's suggestions and improvement has been integrated in new products features. Concerning the time reaction of the company for elaborating final product, UBNT is very rapid to market their products. The CEO Mr.Pera is running the Research and Development program which is mainly located in California but also in other part of the world such as Lithuania, Russia and finally Taiwan. The business model is constantly evolving to satisfy their customers by introducing product faster than the competition with disruptive pricing model. The business model is totally different from the competitors with a CEO very concerned about innovation and with a clear company goal is sending positive sign for Ubiquiti potential investors.

Research & Development based on crowdsources with a growing community

Ubiquiti is focus on growing their crowdsourcing platform in order to understand better their clients and do not make any crucial mistakes because of a lack of understanding of the wireless market. The purpose of the crowdsourcing is to differentiate from competitors and improve innovations within Ubiquiti. By having access to a global platform with multitude of users there is less market uncertainty about the incremental innovations. The objective is to find a radical innovation in-house with the access of input provided by customers on the crowdsources platform. Ubiquiti business is highly dependent on emerging markets and the crowdsource platform would have a positive impact to control and monitor emerging markets thoughts. In emerging market the loyalty on company brand are very low, therefore customers have a tendency to replicate technology without approval which mean morsels market share of Ubiquiti. The crowdsources model cost less than having to collect data directly from customers, it is also a way to create solutions for problems, performing the market better and finally developing a public awareness of the company in region where there is a critical needs for wireless technology.

Porter five forces

New entrants are very important parameters considering Ubiquiti business model. The counterfeit for UBNT has been problematic into Latin America and in Asia Pacific region. The problem has been solved by taking a closer look at the production protection in China.

The buyer's volume is increasing especially looking at growing number of the connected population in emerging market. The disruptive pricing low cost model is without compromising the quality. The customers are very price sensible and therefore would go for the cheaper option. There is an enthusiastic viral demand in SME business in emerging market for Ubiquiti products in hospitality and tourism.

Substitutes are not able to compete with Ubiquiti price ranges which are generally 80 to 90% cheaper thanks to the company business model. In the low cost wireless business Ubiquiti is the market leader. The potential substitutes come from satellite internet provider or LTE such as 4G but are much more expensive in term of price and investment for customer.

In the market Ubiquiti has several competitors such as Aruba, Cisco and Ruckus. In term of comparison those companies are not competing with Ubiquiti because the price range of their products is targeting another part of the market. For example Ruckus rely on their sales channel and their marketing to get exposure from small business. Ubiquiti is therefore 'not competing with this rival in their existing market' (CEO of UBNT, Mr. Pera)

Ubiquiti relies on supplier for a standard production in China. The chips that are in most UBNT products are provided by Qualcomm (QCOM) which makes Ubiquiti highly dependent of Qualcomm product. The distribution is provided by chosen distributor that have no preferred price or any discount. In fact the end user has to shop directly from one of Ubiquiti reseller or distributor.

Increasing gross margin

The products range of Ubiquiti is composed of Service provider which is made for an outdoor usage and it is called AirMax and represented on average 60% of 2014 revenue. The second most important component is also a Service provider and it is a wireless backhaul for outdoor usage, they are called EdgeMax and AirFiber and represented 19% of the revenue in 2014. Finally Ubiquiti is providing Enterprise Product such as enterprise Wi-Fi (UniFi), video surveillance (UniFi Video) and control and automation products that are made for monitoring temperature; motions and computer (mFi) represent 21% of the revenue for 2014.



In the previous earning call, Mr Pera CEO highlighted high margins that Ubiquiti continue to provide in Q1 2015 with a net margin of 29.3% that is lower compared with the previous year with 30.9% on 2014. The CEO justifies this decline by the currency risk and especially with a strong dollar, every Ubiquiti products are priced in USD and for those reasons clients were more conservative while placing their order. Forecasted gross margin should increase because of the introduction of new products in Ubiquiti line. In comparison Cisco operating margin was 21.2 in 2014. In term of efficiency Ubiquiti is smarter, leaner and fitter.

The company has cash generating in 2015 with only 4.9 M in capital expenditure and a cash flow from operation with 327 M.

Introduction of new line of products

The launch of new products corresponding to the customer demand for Ubiquiti products to serve SME enterprises is a great outlook for the company for coming quarter. UBNT growth would probably catch new revenue with the introduction of the AirFiber 5X, UniFi switch and the UniFi VOIP.



The AirFiber 5X is presented at \$400 compared to \$1,000 for its direct competitor product from Mimosa B5C, the product has been compared by professional and it is cheaper with a lower latency and a better noise resistance. The management team is very optimistic by the launch of this new antenna.



UniFi is also a new switches products introduced in 2015, it is an advance software that able to control and monitor the traffic on the wireless network. The company is proud to introduce this product at less than \$100 and that is offering a longer range of connection within an house or office by about 600 ft or 183 metters. This technology has been created for company to create an affordable enterprise wireless with no software fees compared to competitors.



The introduction of the UniFi VoIP phone in 2015 is targeting the enterprise telephony with disruptive pricing starting at \$149 composed with a 5 inch high definition screen his running with android and his able to run apps directly on the desk phone.

Valuation

The valuation of Ubiquiti Networks, inc. has been made using a proforma that is presented on the last page of the report.

The Revenue growths for FY 2014 and 2015 are reflecting the projection of the company. The company projection is increasing over time because of the introduction of new products and expectation of sale increase in EMEA and Asia Pacific region that would enable Ubiquiti to increase their sales. Concerning the operating cost a conservative approach have been taken by incrementing by 1% to 68% over the period. Concerning the WACC, a premium of 1% has been added to 2013 level of 16.5%, even though no change in the capital structure is expected.

All this assumptions are assumed to be conservative compared to the company current projection. The 1-year target price is \$38.7 which shows an upside an upside potential of 28.85% from the current market price.

Conclusion

The recommendation is a BUY for UBNT with a target price of \$38.7. The company offers a unique model that is well established in the industry. UBNT is owned by Mr. Pera who is an innovative owner who well understands the technology and has set an interesting vision for Ubiquiti. Mr Pera is well aligned with the company goal and currently owns 65% of UBNT's outstanding shares. The company has shown strong growth in the past with low cost, high quality and highly appreciated products by Ubiquiti's community all over the world.

General Info			Market Data			Pears			Almanac Z			
Sector:	Information Technology		Enterprise value	\$2,377.5B	Symbol	ANET	Market Cap	\$1,889.0B	TEV/EBITDA	28.5x	EBIT/Int. Exp.	5.5x
Industry:	Communications Equipment		Market Capitalization	\$2,654.8B	Nasdaq: ARUN	ANET	Shares outstanding	87.5M	NYSE: ANET	30.2x	EBIT/Int. Exp.	5.5x
Description: Ubiquiti Networks, Inc. operates with its subsidiaries, providing various networking products and solutions for service providers and enterprises in the United States and internationally. The company's service providers provide platform products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure products, including network infrastructure for fixed wireless broadband, wireless broadband systems, and routing and core network products. The company also provides various network infrastructure												

