

FleetCor Technologies Inc. is an independent global provider of specialized payment products and services to commercial fleets, major oil companies and petroleum markets. The Company serves commercial accounts in countries in North America, Europe, Africa and Asia.

SHORT

Current Price:

\$198.19

Target Price:

\$156.61

Market Cap:

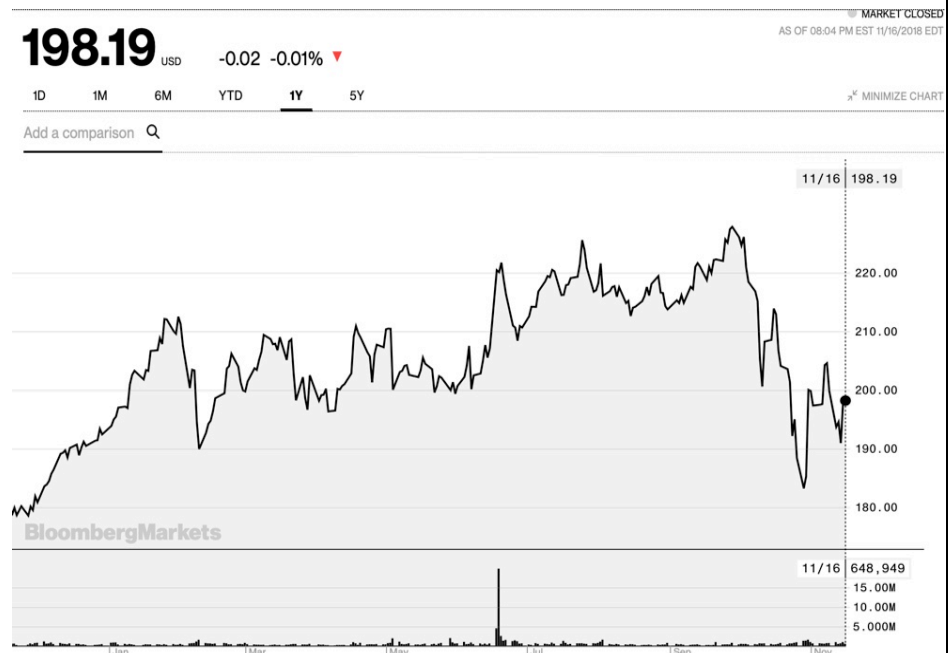
17.5B

Other key Metrics/Ratios

ROIC: .01

Debt to Market Cap: 25%

EBITDA margin: 55%



Thesis: FleetCor in the last few years have been growing as a company but at the same time they have been ripping people off when it comes to misleading prices, holding money to force late charges, and unethical practices towards shareholders, employees, and customers. FleetCor is a company that could become the next Enron and I believe that they are extremely overvalued in the market and that many of the lawsuits that they are currently involved in are going to shine some light on the company to shareholders and to the market.



















Catalysts:

- Short Term: decrease in Revenue
- Mid Term(1-2 years): Lawsuits
- Long Term(3+): Well-known companies increasing in the market

Earnings Performance:

Fleetcor has been performing very well the last few years with an average revenue growth of 20% from 2014 to present. Along with a net income well above 25%. The problem with their earnings though is the fact that the company gets a lot of revenue from late fees, inflated prices and other charges rather than new customers. The picture below shows that program fees, late fees and interest fees made up about 66% of their revenue in 2015. The years following it shows fuel cards taking the spot of the fees. It is interesting because there are no fee data included in the years from 2016-2017. FleetCor makes the majority of its sales from fuel card payments, corporate payments, and toll products, as well as gift and lodging cards. It also offers fleet-related and workforce payment services such as fleet maintenance management and employee benefit payments. Although it is said that they inflate their prices and produce misleading statements which is the reason that their revenue has been as high as it has been. The company processes around 3 billion transactions each year and they make their money from transaction fees, card fees, and network fees and charges, which can be fixed fees, cost-plus-mark-up, or percentage based. It also charges late payment fees based on customer credit risk.

▶ Customer	–	54.00	57.00	61.00
▶ Merchant	–	46.00	42.00	39.00
Merchants and networks	45.10	–	–	–
Customers and partners	54.90	–	–	–
▼ % of Revenue - Supplementary	–	–	–	–
Fuel cards	–	66.00	61.00	49.00
Tolls	–	1.00	6.00	15.00
Corporate payments	–	10.00	10.00	12.00
Other	–	9.00	8.00	11.00
Gift	–	10.00	10.00	9.00
Lodging	–	5.00	5.00	6.00
Program fees, late fees, intere...	66.50	–	–	–
Influenced by absolute price of...	17.00	–	–	–
Tied to fuel-price spreads	16.50	–	–	–

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018	12/31/2018	12/31/2019
 Market Capitalization	13,631.1	13,203.3	12,996.8	17,281.0	17,574.6		
 - Cash & Equivalents	477.1	447.2	475.0	913.6	924.4		
 + Preferred & Other	0.0	0.0	0.0	0.0	0.0		
 + Total Debt	3,593.7	2,935.0	3,858.2	4,518.6	4,472.9		
 Enterprise Value	16,747.7	15,691.2	16,380.0	20,886.0	21,123.1		
 Revenue, Adj	1,199.4	1,702.9	1,831.5	2,249.5	2,400.1	2,412.0	2,626.3
 Growth %, YoY	34.0	42.0	7.6	22.8	11.4	7.2	8.9
 Gross Profit, Adj	—	—	—	—	—	2,412.0	2,626.3
 Margin %	—	—	—	—	—	100.0	100.0
 EBITDA, Adj	644.6	937.5	952.2	1,047.1	1,337.0	1,362.3	1,508.2
 Margin %	53.7	55.1	52.0	46.5	55.7	56.5	57.4
 Net Income, Adj	360.9	417.1	471.4	551.7	705.3	969.2	1,097.9
 Margin %	30.1	24.5	25.7	24.5	29.4	40.2	41.8
 EPS, Adj	4.15	4.43	4.95	5.90	7.61	10.47	11.96
 Growth %, YoY	21.9	6.8	11.7	19.1	39.8	77.5	14.3
 Cash from Operations	608.3	754.6	705.9	675.7	811.6		
 Capital Expenditures	-27.1	-41.9	-59.0	-70.1	-76.9	-76.1	-80.5
 Free Cash Flow	581.3	712.7	646.9	605.6	734.7	967.4	1,092.6

Company Reviews

Workers from FleetCor wrote many reviews similar to the ones below which state their company and their management as being deceitful. Stating that, “the company has tendency of deliberately posting payments late to charge its customers thousands of dollars in late fees” and that the company steals from its employees and customers. Both of the reviews below portray FleetCor as a corrupt company and all signs point to another company like Enron.



"Worst Company Ever"

★☆☆☆☆ Former Employee - Anonymous Employee

☒ Doesn't Recommend
 ☐ Neutral Outlook
 ☒ Disapproves of CEO

I worked at FLEETCOR full-time (More than 3 years)

Pros

The only pros are the co-workers are nice people to work with.

Cons

This company steals from both their employees and their customers. They hold customer payments so they can charge huge late fees and than customer service and sales deal with the fall out. This company practices who you know and not what you know as far as advancement goes. If you are part of the in crowd you can do whatever you want and get away with it.

Based upon the reviews that are above the company is shown to do things that are unethical in business and can hurt their reputation as a company and as a stock that is looking to increase in price. There are multiple lawsuits that are currently open against this company and one is from an employee of the company itself. This shows many problems that have to do with the business, its workers, and it is going to cause a problem with investors.



"Low Pay - Unethical Practices- Rip Off customers with fees"

★☆☆☆☆ Current Employee - Sales Representative in Norcross, GA

Doesn't Recommend Negative Outlook Disapproves of CEO

I have been working at FLEETCOR full-time (More than 3 years)

Pros

The company has good benefits and that's about all.

Cons

The company is deceitful and is currently in litigation with its employees for overtime pay.

The company has been sued by its customers and had to settle out of court.

The company has a tendency of deliberately posting payments late to charge its customers thousand of dollars in late fees. The joke is, the company is called "FEE COR."

Some of the managers are unprofessional. They speak ill of employees to other employees.

Fleetcor's practices need to be investigated by the Federal government. It might be another Enron






Ownership:

Compare Current Stats Against 11/11/18							
Institutional - Based on Current Filings				Insider - Based on Last 6 Months			
51) Institutional	11/11/18	Curr	Change	52) Insider	11/11/18	Curr	Change
11) % of Shares Held	92.36	125.1	+32.74%	21) % of Shares Held	0.82	1.14	+0.32%
12) % of Float Held	93.12	126.53	+33.41%	22) % Chg Insider Positions	+35.71	+35.71	0.00%
13) # of Institutions	768	777	+1.17%	23) # of Insiders	20	20	0.00%
14) # of Buyers	225	239	+6.22%	24) # of Buyers Opn Mkt	0	0	
15) # of Sellers	233	246	+5.58%	25) # of Sellers Opn Mkt	0	0	
16) # of New Buyers	150	123	-18.00%	26) # of Shrs Bought Opn Mkt	0	0	
17) # of Selloffs	82	76	-7.32%	27) # of Shrs Sold Opn Mkt	0	0	
18) % Chg in Inst Positions	+8.54	+4.39	-4.15%	28) Avg Opn Mkt Buy Price	0	0	0.00%
				29) Avg Opn Mkt Sell Price	0	0	0.00%
Top Geographic Ownership (%)				Top Ownership Type (%)			
53) Geographic	11/11/18	Curr	Change	54) Ownership Type	11/11/18	Curr	Change
31) UNITED STATES	90.69	90.65	-0.04%	41) Investment Advisor	85.82	87.61	+1.79%
32) UNITED KINGDOM	3.16	3.22	+0.06%	42) Hedge Fund Manager	7.19	5.36	-1.83%
33) JAPAN	1.67	1.57	-0.10%	43) Pension Fund	1.58	1.69	+0.11%
34) Unknown	0.88	0.9	+0.02%	44) Bank	1.38	1.31	-0.07%
35) CANADA	0.79	0.78	-0.01%	45) Insurance Company	1.24	1.29	+0.05%
36) SWITZERLAND	0.43	0.48	+0.05%	46) Government	1.21	1.23	+0.02%
37) NORWAY	0.43	0.44	+0.01%	47) Individual	0.88	0.9	+0.02%
38) GERMANY	0.39	0.43	+0.04%	48) Sovereign Wealth Fund	0.45	0.41	-0.04%
39) FRANCE	0.33	0.31	-0.02%	49) Brokerage	0.17	0.13	-0.04%

FleetCor's percent of sellers is currently higher than its percent of buyers and the number of new buyers has dropped by 18%. The way that the company is operating in the unethical practices that they have been doing makes me believe that their reputation is starting to diminish. People are starting to realize them as a unethical company and they may not see them as a suitable stock to have shares in. Comparing Fleetcor to a few of their challengers they have an adjusted ROIC of .01 while all competitors are over 5.0 and the median is 11. This is important because it is showing the truth about the company. They claim that much of their revenue comes from acquisitions and new customers but their ROIC shows differently. The company has almost no return from their investments and acquisitions.

Name (BI Peers)	Mkt Cap (USD)	P/E	ROE	Adj ROIC AR	Debt/Cap LF
Median	17.57B	32.06	17.97%	11.38	52.01%
100) FLEETCOR TECHNOLOG...	17.57B	26.03	20.17%	0.01	55.67%
101) GLOBAL PAYMENTS INC	17.35B	37.40	12.50%	6.42	56.78%
102) FIRST DATA CORP- CL...	16.64B	15.37	35.72%	5.58	71.89%
103) TOTAL SYSTEM SERVIC...	16.23B	29.05	22.52%	10.78	59.61%
104) WORLDPAY INC-CLASS A	25.60B	459.14	2.15%	11.38	42.50%
105) WEX INC	6.88B	38.50	10.42%	5.43	56.27%
106) SQUARE INC - A	29.19B	--	-5.24%	9.98	47.92%
107) GREEN DOT CORP-CLA...	4.47B	36.19	15.59%	13.36	6.69%
108) FIDELITY NATIONAL I...	35.32B	35.48	10.10%	6.98	47.06%
109) PAYPAL HOLDINGS INC	100.20B	39.14	17.32%	13.64	11.69%

Debt

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018	12/31/2018	12/31/2019
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 Enterprise Value	16,747.7	15,691.2	16,380.0	20,886.0	21,123.1		

FleetCor's Market capitalization grew from \$13.6 Billion in 2014 to \$17.5 Billion current LTM. Their total Debt has increased from \$3.5 Billion to \$4.47 Billion which insinuates that they have a Debt to Market Cap of around 25%. This shows the total amount of outstanding company debt as 25% meaning that they use a decent amount of debt to purchase their assets. I believe that this value is going to increase in the future because of the road that FleetCor is going down. With their Lawsuits that are mentioned below it is a strong indicator that they are going to have a lot of expenses piling up for these cases. This along with their Revenue estimate to not be much more then it was this past year can lead to a decrease in the net profit that FleetCor is going to see. This all tying in with the diminishment of their reputation can cause a dramatic decrease in FleetCors production and a good size drop in their stock price.

Lawsuits

Currently Fleetcor has multiple lawsuits pending and in action. One being a lawsuit that was filed against them for alleged securities laws violations. Claiming that Fleetcor misled investors with regard to the sources of reasons for its earnings and growth and that they falsely stated that they disclose that they falsely stated that they disclose their fees to customers clearly and that it focuses its business on helping employers control spending and save money, while the Company in reality owes its ostensible success to overcharging customers, disseminating misleading marketing materials, and engaging in predatory sales practices, and that FleetCor's contracts did not clearly disclose the Company's fees and FleetCor's improper business practices did not help customers control spending or save money. FleetCor filed their motion to dismiss the case and it was denied on May 15, 2018

On June 15, 2018 Former Attorney General of Louisiana, Charles C. Foti, Jr. a partner at the law firm of Kahn Swick & Foti, LLC ("KSF"), announces that KSF has commenced an investigation into FleetCor

December 19, 2016, Chevron terminated its 10-year relationship with FleetCor. Beginning in March 2017, news and analyst reports revealed allegations against the Company for misconduct involving fraudulent billing, misleading marketing and predatory sales tactics. In May 2017, Chevron filed a breach of contract lawsuit against the Company relating in part to the Company's mistreatment of customers. Lastly, between May 10, 2016 and March 10, 2017, the Company's President/CEO/Chairman, CFO and four other directors disposed of 685,720 shares of FleetCor stock at artificially inflated prices, receiving over \$108 million in proceeds. This case was also filed to be dismissed by FleetCor and was denied, allowing the case to move forward.

A lawsuit filed in Georgia alleges Fleetcor violated the Fair Labor Standards Act (FLSA) by allowing its more than 350 inside sales representatives to work in excess of 40 hours per week to meet sales quotas despite reportedly being told by managers during the hiring process that the position was "not a 40 hour per week" role.

"In the beginning of the plaintiff's employment, Fleetcor simply did not have any formalized structure or system to track and record the plaintiff's work hours or those of other inside sales representatives," the lawsuit claims. "Inside sales representatives were instructed to keep timesheets manually, but were also instructed to not record any more than forty hours per week, regardless of the actual hours worked. The lawsuit claims that that worker and many other workers worked well over 40 hours and FleetCor refused to pay overtime to them or without proper pay to them."

Competition

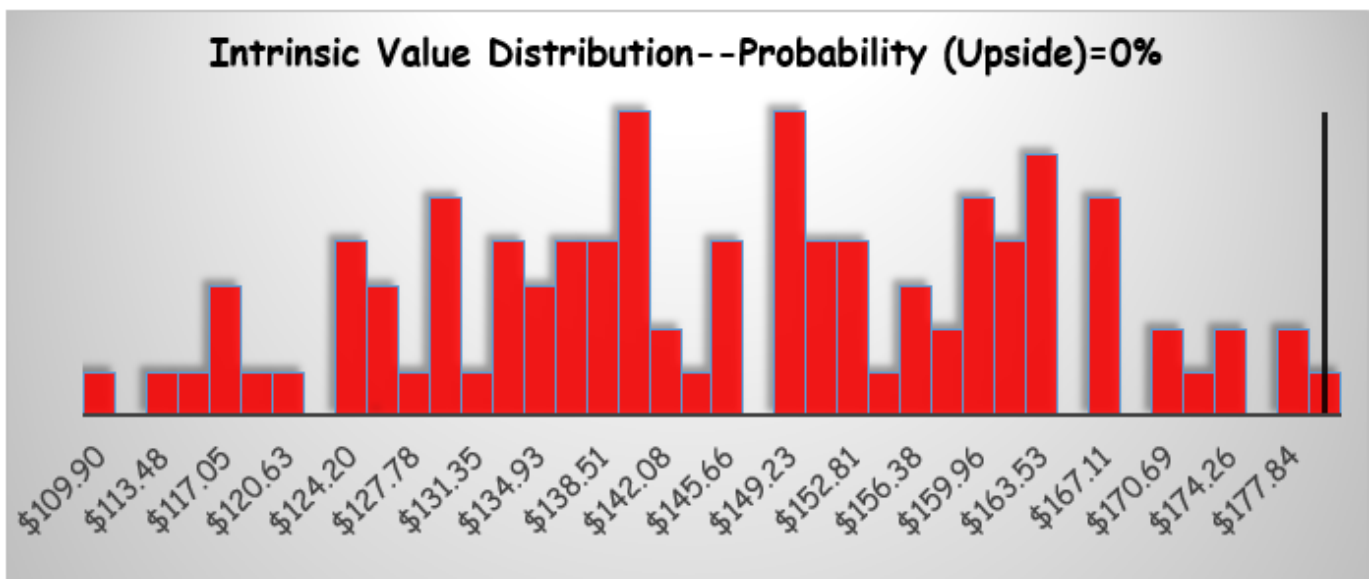
On June 7th 2018 it was announced that Wex and Shell have teamed up for commercial fleet cards which started on August 1st 2018. WEX will deliver a variety of features through the new fleet cards, allowing Shell's customers a greater modernization and ease of use. The two aim to offer innovation that progresses to support the company's rate of growth. This syndication adds to Shell's last round of updates earlier this year to WEX Spec, a fueling transactional



technology. These new Fleet cards are going to pose a threat for FleetCor because they supposedly get more then 60% of their revenues from fuel cards. With the lawsuits, the loss of possible revenue, the increase in expenses, and completion coming into the fleet card market this could create some big problems for FleetCor.

Conclusion:

FleetCor is showing itself as an unethical company that does not seem to be pleasing many people inside or outside of the company. The lawsuits that are currently floating around the company show me that they are not a company that I would want to buy into. I see this company not going far when they are completely ruining the reputation that they built and are going to leave many of their current investors question whether they can trust that company or not. From the looks of it now, FleetCor is not a company that people would want to be a part of because of the ethical issues that they have been undertaking in. With well-known companies also coming into the fleet card market I don't see a reason why FleetCor will continue to be able to mislead their prices and do the things that they have been doing to their customers when their customers can just go to a different company for the same product. Another reason why FleetCor is going to see problems that I believe is the fact that they grew too fast and a lot of the capital that they have now is going to be used to pay of their future debts because of their future decrease in revenue. I believe that based on many of the issues FleetCor is involved in they can drop in price to around \$156 per share.



FleetCor Technologies, Inc. (FLT)

CENTER FOR GLOBAL FINANCIAL STUDIES

BEARISH

Analysis by Kyle Agresta
11/16/2018

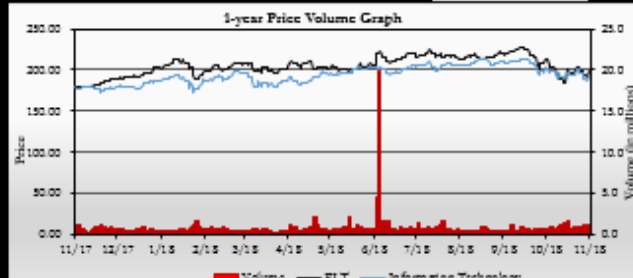
Current Price:
Dividend Yield:

\$198.19
0.0%

Intrinsic Value
Target Price:

\$143.62
\$156.61

Target 1 year Return: -20.98%
Probability of Price Increase: 0%



Description	
FleetCor Technologies, Inc. provides commercial payment solutions in North America, Latin America, Europe, and Australasia.	
General Information	
Sector	Information Technology
Industry	IT Services
Last Guidance	May 8, 2018
Next earnings date	February 1, 2019
Market Assumptions	
Estimated Equity Risk Premium	5.00%
Effective Tax Rate	24%

Market Data	
Market Capitalization	\$17,569.24
Daily Volume (mil)	0.62
Shares outstanding (mil)	88.65
Diluted shares outstanding (mil)	92.66
% shares held by institutions	96%
% shares held by investment managers	83%
% shares held by hedge funds	7%
% shares held by insiders	1.19%
Short interest	1.61%
Days to cover short interest	2.31
52-week high	\$230.24
52-week low	\$176.96
Volatility	26.09%

Part Earning Surprises	
Quarter ending	Revenue
9/30/2017	-0.26%
12/31/2017	0.77%
3/31/2018	-2.87%
6/30/2018	-1.87%
9/30/2018	2.01%
Mean	-0.45%
Standard error	1.2%

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--0	
Quality Ranking Description--0	
Short Score--0	
Market Signal Probability of Default % (Non-Rating)--0.97%	
Credit Model Score (Non-Rating)--bb	

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segment
United States--62%	North America--64%
Brazil--18%	International--36%
United Kingdom--11%	--
Other--10%	--
--	--

Management	
Clarke, Clara Ronald	Chairman, President & CEO
Dey, Eric	CFO & Corporate Secretary
Coughlin, John	Executive Vice President of Global Corporate & Government
Gavrilov, Alexey	Former President of Continental Europe
Eskander, James	Head of investor relations
Bauman, Sean	Senior Vice President and General Counsel

Total Compensation Growth	
37.99% per annum over 5y	18.53% per annum over 5y
56.58% per annum over 5y	18.53% per annum over 5y
60.83% per annum over 5y	18.53% per annum over 5y
0% per annum over 0y	

Peers	
Global Payments, Inc.	PayPal Holding, Inc.
WEX Inc.	Euronet Worldwide, Inc.
Total System Services, Inc.	Paycom, Inc.
Square, Inc.	--
	MoneyGram International, Inc.

Profitability	
FLT (LTM)	FLT Historical
Return on Capital (GAAP)	-0.2%
Operating Margin	40.2%
Revenue/Operating (GAAP)	0.00
ROE (GAAP)	-0.2%
Net margin	39.73%
Revenue/Book Value (GAAP)	-0.000534018

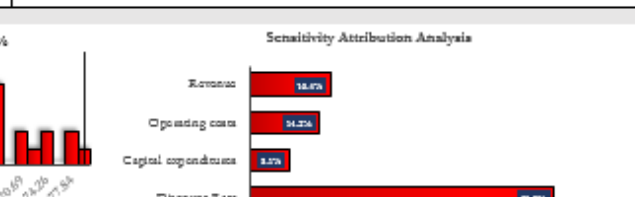
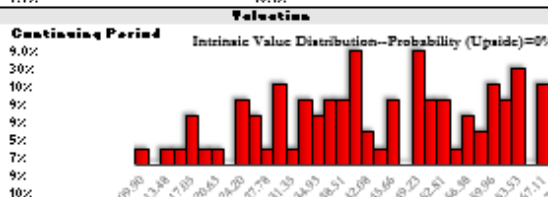
Peer's Median (LTM)	
Return on Capital (GAAP)	11.15%
Operating Margin	46.21%
Revenue/Operating (GAAP)	0.24
ROE (GAAP)	18.6%
Net margin	24.7%
Revenue/Book Value (GAAP)	0.75



Invested Funds	
FLT (LTM)	FLT Historical
CapEx/Capital	-1.3%
HW/Capital	-0.3%
Operating Assets/Capital	101.8%
Goodwill/Capital	-0.1%

Peer's Median (LTM)	
CapEx/Capital	8.3%
HW/Capital	-0.3%
Operating Assets/Capital	45.6%
Goodwill/Capital	43.6%

Capital Structure	
FLT (LTM)	FLT Historical
Total Debt/Market Capitalization	0.00
Cost of Debt	2.9%
CGFS Rating (F+care, Z+care, and default Probability)	BB
WACC	10.0%



11/17/18

Canada Goose: (GOOS)

Sam Gerardi

Sector: Consumer Discretionary

Industry: Apparel

Current Price: 70.05

Target Price:

Canada Goose Holdings Inc. operates as a holding company. The Company, through its subsidiaries, designs, manufactures, distributes, and retails outerwear for men, women, and children. Canada Goose Holdings serves customers worldwide.

BUY

Current Price: \$92.18
Target Price: \$106.17
Market Cap: \$10.1B
Net income Margin: 16.5%
Default rating: bb+
SI ratio: 4.03
Trade volume: 3.18M



Thesis: Canada Goose is creates some of the best winter outerwear in the world. GOOS is a brand with rich heritage and places an emphasis on sustainable, humane sourcing of its materials. This paired with a strong vision on where the company is going in the future as allowed this company to grow at an impressive rate and shows no sign of slowing down.



















Catalysts:

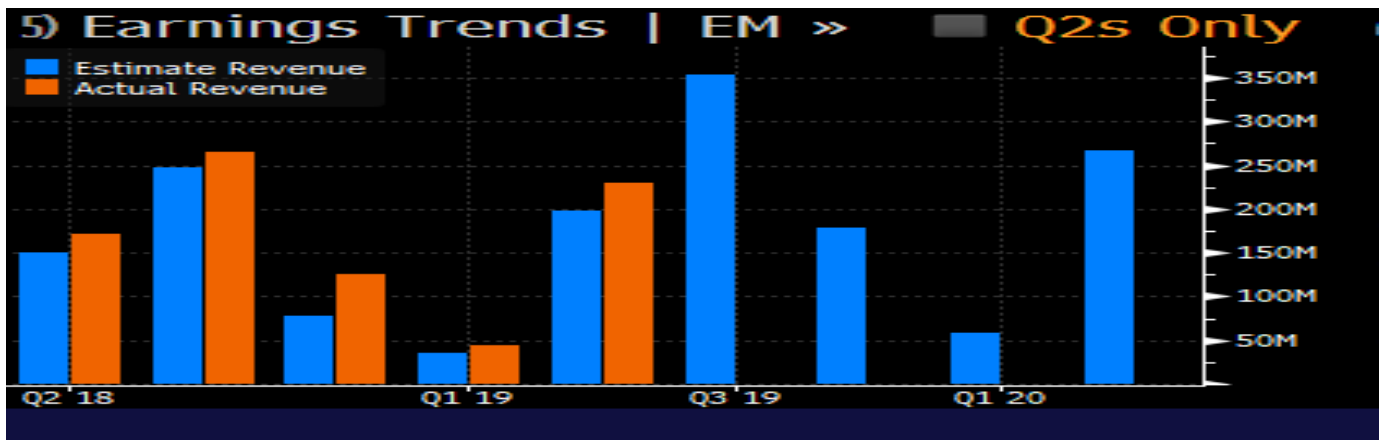
- Successfully incorporate the Baffin acquisition to create a footwear line
- Opening a new stores in China and Hong Kong
- Push more sales through their DTC channels to help reduce operational costs.

Earnings Performance:

GOOS financials speak for themselves. With a simple average for year over year growth of 40.7% since 2016, GOOS has been expanding very rapidly and moving into new markets such as Hong Kong and China, which has proven very successful. Their revenue has gone from \$152.1 million in 2017 to \$179.9 million for their wholesale channel. Their total revenue has gone up 33.7% since the last quarter to \$230.3 million. Their direct to customer (DTC) revenue has also increased to 50.4 million from 20.2 million a year prior. This is significant because this represents 21.9% of their total revenue compared to 11.7% a year prior. GOOS gross margin has gone up to 55.8% from 50.6% last year. This was primarily due to the higher

proportion of DTC revenue as well as underlying gross margin expansion in each respective channel. GOOS also saw gross margin expansion in their wholesale channel to 50.4% from 47.5%. This was driven by production efficiencies from manufacturing and reduction of duties on goods sold due to the CETA Trade Agreement between Canada and the EU. The gross margin for their DTC channel has increased as well. It went from 73.8% last year to 75.2%. GOOS operating income was \$80.1 million and operating margin of 45% this year, which is a sizable increase from the 60.1 million or 39.5% a year prior. GOOS DTC operations has seen the most significant increase in the past year. In 2017, DTC operating income was 6.6 million with an operating margin of 32.4%. Compare this to the 22.7 million and 45% margin, their DTC channel has now become a crucial portion of their business. A review of the firm's most recent quarterly results indicates that GOOS is seeing strong growth in its DTC revenue and continued and significant gross margin increase, which it attributed to its DTC growth. DTC allows the firm to avoid markdowns necessary to sell through distributors or retailers. Lastly, their EBITDA saw a material increase from 73.9 million in 2017 to 153.9 million in 2018, which is a 26% increase year over year.

11) Adj Highlights		12) GAAP Highlights		13) Earnings	14) Enterprise Value	15) Multiples	16) Per Share	17) Stock Value	
In Millions of CAD		2015 Y		2016 Y	2017 Y	2018 Y	Current/LTM	2019 Y Est	2020 Y Est
12 Months Ending		03/31/2015	03/31/2016	03/31/2017	03/31/2018	09/30/2018	03/31/2019	03/31/2020	
	Market Capitalization	-	-	2,256.7	4,672.8	10,109.9			
	- Cash & Equivalents	5.9	7.2	9.7	95.3	32.2			
	+ Preferred & Other	54.9	56.9	0.0	0.0	0.0			
	+ Total Debt	111.4	139.5	146.1	137.1	262.8			
	Enterprise Value	-	-	2,393.1	4,714.5	10,340.5			
	Revenue, Adj	218.4	290.8	403.8	591.2	665.6	800.3	997.3	
	Growth %, YoY	-	33.2	38.8	46.4	44.5	35.4	24.6	
	Gross Profit, Adj	88.6	145.6	212.1	347.6	404.4	504.2	648.5	
	Margin %	40.6	50.1	52.5	58.8	60.7	63.0	65.0	
	EBITDA, Adj	36.0	52.7	73.9	153.9	168.1	220.1	281.8	
	Margin %	16.5	18.1	18.3	26.0	25.2	27.5	28.3	
	Net Income, Adj	18.9	27.3	41.4	97.8	103.2	139.7	181.1	
	Margin %	8.6	9.4	10.3	16.5	15.5	17.5	18.2	
	EPS, Adj	0.18	0.27	0.40	0.88	0.92	1.23	1.58	
	Growth %, YoY	-	45.9	50.7	116.6	86.3	40.4	28.2	
	Cash from Operations	5.0	-6.4	39.3	126.2	47.0			
	Capital Expenditures	-3.8	-15.1	-15.8	-26.1	-26.1	-59.3	-58.1	
	Free Cash Flow	1.1	-21.5	23.5	100.1	20.9	96.3	138.8	
<<		<	>	>>					



Competitive advantage

Canada Goose creates some of the best winter clothing in the world. Their legacy has been decades in the making. From their humble beginnings in 1957 where the company was initially created under the name Metro Sportswear to 1982 when Metro Sportswear created a custom parka for Laurie Skreslet that allowed him to be the first Canadian to summit Mt. Everest, this company has been predicated on performance and function. This is what sets GOOS apart from the rest of the crowd. GOOS specializes in creating the best cold weather gear in the world and their dedication to their craft and passion for creating the highest quality product possible has allowed this company to grow and prosper while others have fallen short. GOOS has managed to create a timeless product while still innovating and pushing the limits of what is possible for a clothing company. The one chink in GOOS's armor was that it only sold one type of product. This changed with the acquisition of Baffin. Baffin designs and manufactures performance outdoor and industrial footwear. GOOS is making a sensible play to significantly expand its offerings with the logical addition of Baffin's high-quality outdoor footwear. This acquisition will allow GOOS to branch out of its typical product mix of just outerwear and bring their passion and expertise to the footwear industry. With the lucrative deal of this acquisition for 24.77 million, this creates the perfect point of entry into this market. This along with Baffin's emphasis on quality and performance, this was a great strategic move to not only diversify their product mix, but now have the potential to make waves in the footwear industry.

Threats

GOOS has to find a fine balance between expanding into new markets to capture more market share while also maintaining product scarcity which is the main factor in the price point of these products. If there is a negative sentiment for the brand or any negative publicity that could detract from the brand could be a major cause of concern. This is due to the fact that the products GOOS produces are premium and scarce. If there is, for example, counterfeit products in the market, this would detract from their quality standard and cause the market to see these products as untrustworthy, thus not allowing GOOS to sell their products at the price points that has allowed them to grow and expand so rapidly.

Addressing the issues stated before, GOOS is highly concentrated in one area of sales, premium outerwear. GOOS is not currently diversified and consists primarily of designing, manufacturing and distributing premium outerwear and accessories. In fiscal 2017, their main product category across all seasons, our jackets, was made up of over 100 styles and comprised the majority of their sales. Consumer preferences often change rapidly. Therefore, GOOS's business is substantially dependent on our ability to attract customers who are willing to pay a premium for their products. Any future shifts in consumer preferences away from retail spending for premium outerwear and accessories would also have a material adverse effect on their results of operations.

Another cause for concern is since GOOS's products are sold at premium prices, any down turn in the economy that would limit discretionary spending could have a material impact on the company's continued growth and profitability.

Lastly, a major hurdle for GOOS is their own success. Canada Goose has had an explosion in growth since 2013. If GOOS's operations continue to grow, they will be required to continue to expand their sales and marketing, product development, manufacturing and distribution functions, to upgrade our management information systems and other processes, and to obtain more space for our expanding administrative support and other personnel. If any of these steps are mismanaged, this could have a material effect on their sales and brand image.

Ownership:

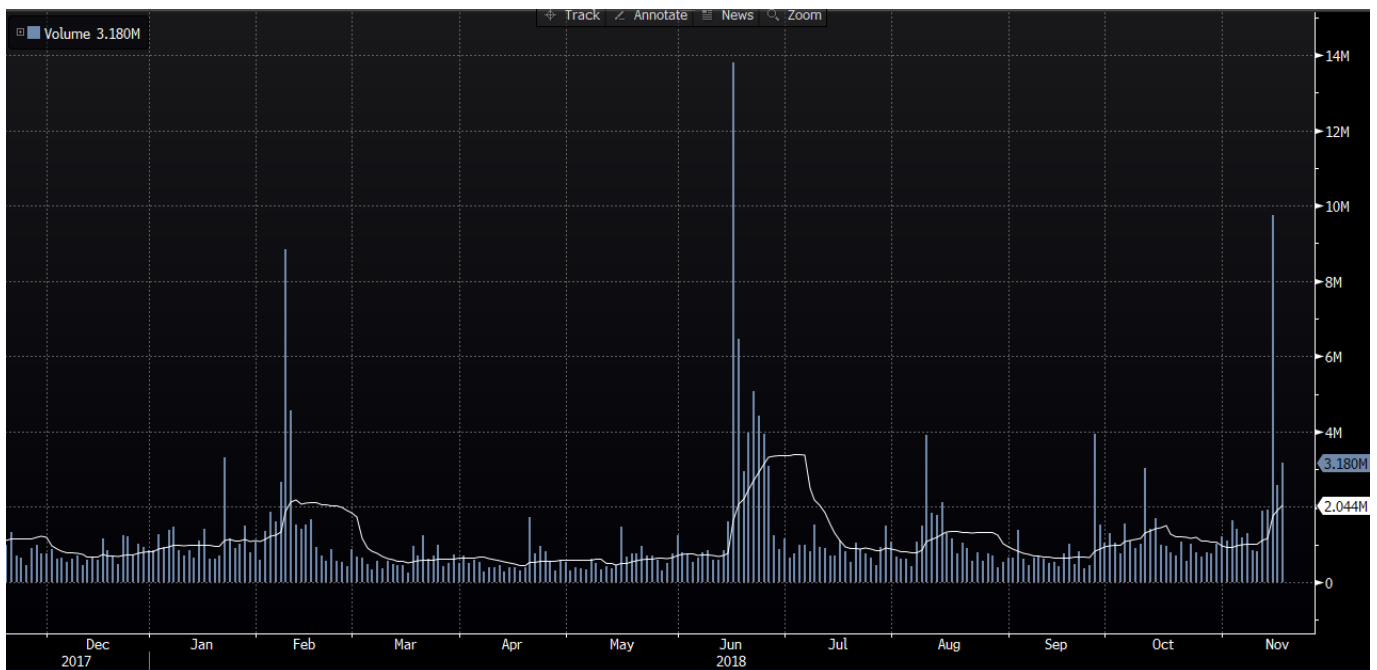
The ownership of GOOS is primarily in the U.S and Canada with 68.48% and 11.38% respectively. Coming in at a close third is Bermuda at 11.3%, This consists of just Fidelity International, which I assume is using Bermuda for tax purposes.

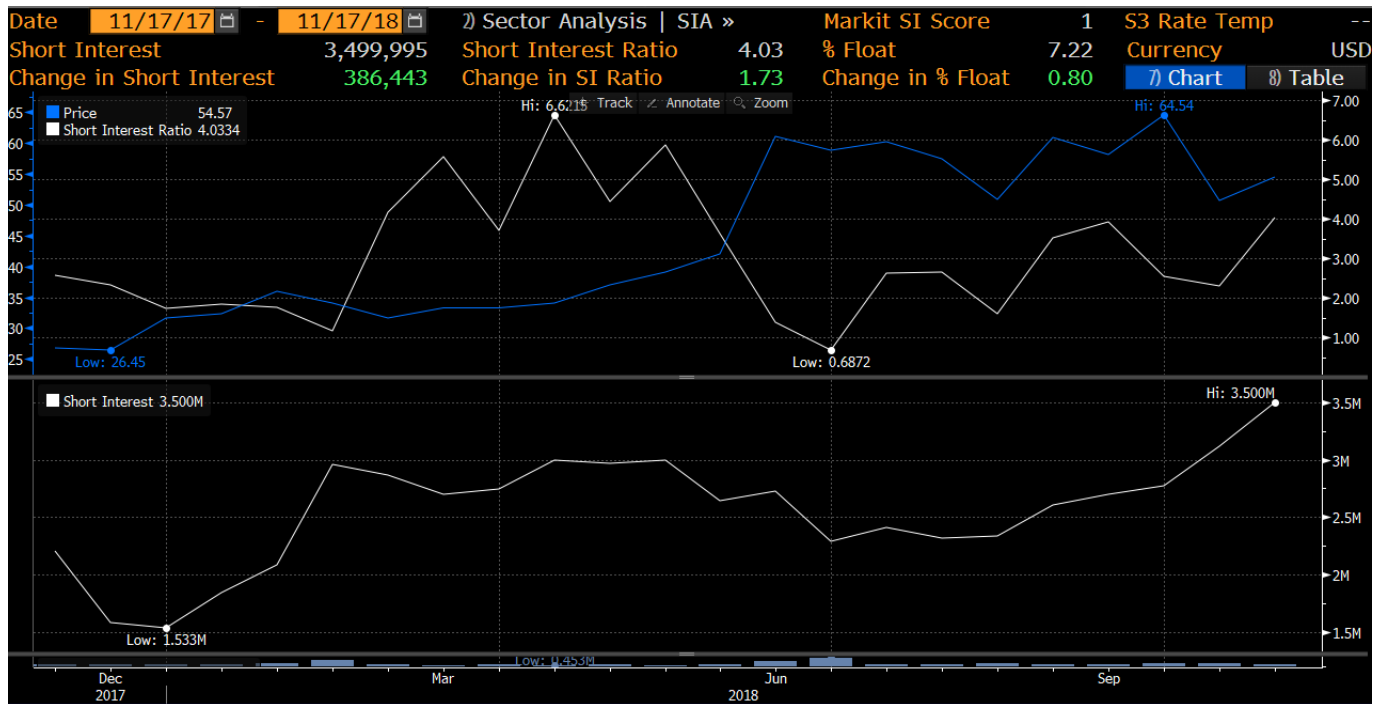
One area that raised some eyebrows is the 7.89% decrease in hedge fund manager position. I do see this as a negative because the timing of the selloff. After the Q2 earnings call, the price jumped from 57.09 to over 70 dollars a share. I believe the hedge funds wanted to capitalize on the capital gains from that 19% jump in price. So although concerning at first, this is not a reaction to an issue with GOOS, just the hedge funds realizing some capital gains.

The average trade volume for GOOS is around 3.2 million shares a day, which is about 6.25% of the float. This makes GOOS a fairly liquid security. Trade volume tends to spike around earnings calls, which means that if there is a missed projection, it could have a major negative impact on the company's value. For the past 2 years, GOOS has beat most of their projections, which is why the price has appreciated so rapidly.

Lastly, the short interest is a thing of note. Currently 7.22% of the shares in the float are short with a short interest ratio of 4.03. This has been trending up marginally since August. I believe that this is because of how fast this company is growing, that supply of the materials needs can be strained in order to meet the demand for their products. With this rapid expansion, only time can tell if GOOS manages this growth responsibility.

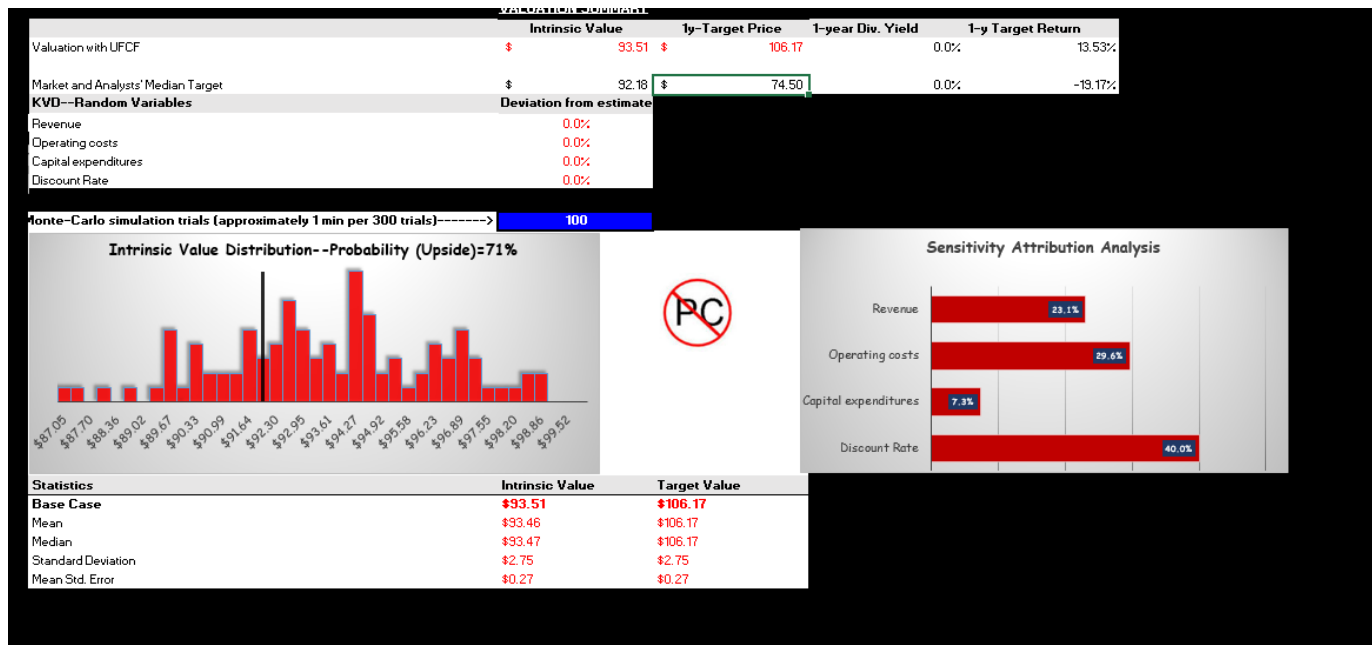
51) Institutional				52) Insider			
	11/11/18	Curr	Change		11/11/18	Curr	Change
11) % of Shares Held	97.15	100.36	+3.21%	21) % of Shares Held	0.29	0.29	0.00%
12) % of Float Held	97.43	100.64	+3.21%	22) % Chg Insider Positions	+0.00	+0.00	0.00%
13) # of Institutions	272	263	-3.31%	23) # of Insiders	3	3	0.00%
14) # of Buyers	81	83	+2.47%	24) # of Buyers Opn Mkt	0	0	
15) # of Sellers	74	80	+8.11%	25) # of Sellers Opn Mkt	0	0	
16) # of New Buyers	76	64	-15.79%	26) # of Shrs Bought Opn Mkt	0	0	
17) # of Selloffs	30	50	+66.67%	27) # of Shrs Sold Opn Mkt	0	0	
18) % Chg in Inst Positions	+31.22	+6.60	-24.62%	28) Avg Opn Mkt Buy Price	0	0	0.00%
				29) Avg Opn Mkt Sell Price	0	0	0.00%
Top Geographic Ownership (%)				Top Ownership Type (%)			
53) Geographic	11/11/18	Curr	Change	54) Ownership Type	11/11/18	Curr	Change
31) UNITED STATES	67.48	68.34	+0.86%	41) Investment Advisor	78.36	86.35	+7.99%
32) CANADA	11.38	12.91	+1.53%	42) Hedge Fund Manager	12.49	4.6	-7.89%
33) BERMUDA	11.3	10.93	-0.37%	43) Other	2.74	2.65	-0.09%
34) Unknown	3.02	2.92	-0.10%	44) Sovereign Wealth Fund	1.95	2.42	+0.47%
35) NORWAY	1.92	1.86	-0.06%	45) Pension Fund	1.35	1.36	+0.01%
36) UNITED KINGDOM	2.27	1.24	-1.03%	46) Bank	1.28	1.24	-0.04%
37) GERMANY	0.77	0.54	-0.23%	47) Government	0.35	0.43	+0.08%
38) LUXEMBOURG	0.41	0.4	-0.01%	48) Brokerage	0.65	0.41	-0.24%
39) SWITZERLAND	0.96	0.39	-0.57%	49) Individual	0.29	0.28	-0.01%





Base/ Bear/ Bull

Base case:



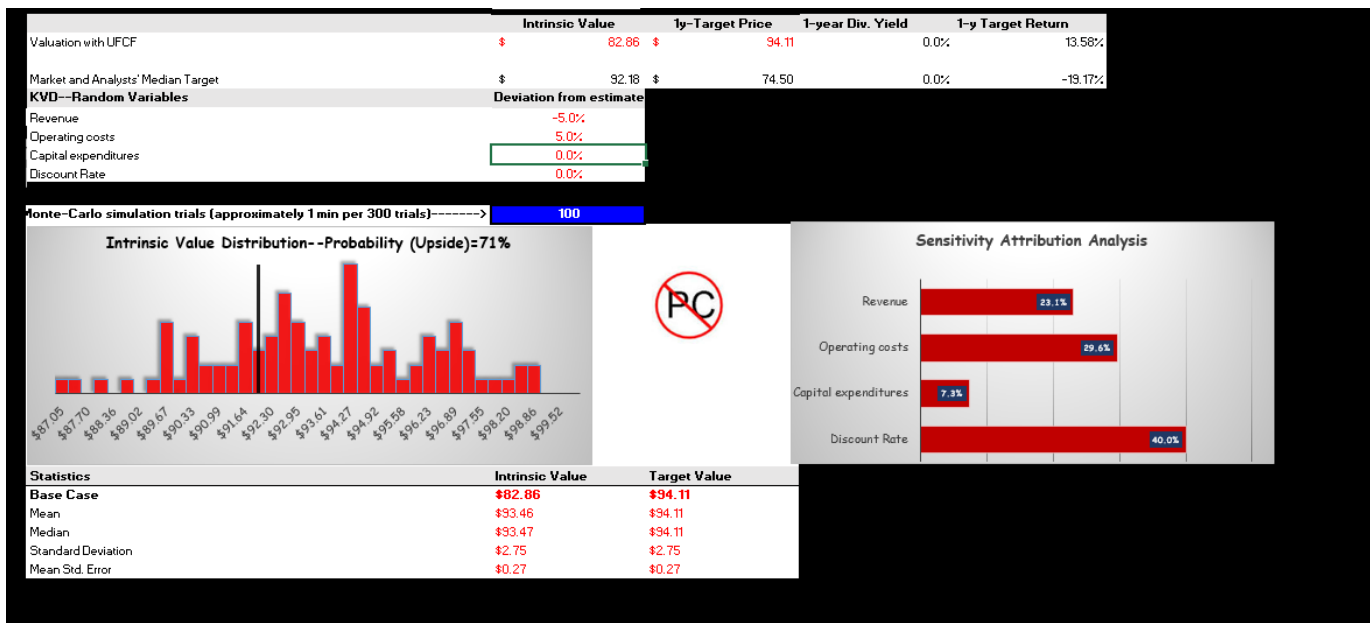
With the Base case, we assume that the GOOS continues its' path of sustained growth and manages its expanding business efficiently.

Bull Case:



With the Bull case, I assumed that the brand would continue to expand, adding 5% to revenue, while utilizing their DTC channels more, driving operating costs down 5%.

Bear Case:



With my Bear case, I assumed that the company's growth was slowing down, pushing revenue down 5% and the cost to source and manufacture their product goes up, driving up operational costs 5%.

Conclusion:

Canada Goose is a company proud of its heritage and has a strong brand message that resonates with its customers. This paired with a strong vision of where the company hopes the drive the brand has allowed GOOS to become a functional fashion statement that is world renowned for its quality and performance. The acquisition of Baffin shows that GOOS recognizes its weaknesses and is filling in the holes in its product mix. With its upcoming shoe line, GOOS is going to continue to marry fashion and function in a way that only GOOS knows how. This is why GOOS should be a buy.

Canada Goose Holdings Inc. (GOOS)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Al Capone
11/17/2018

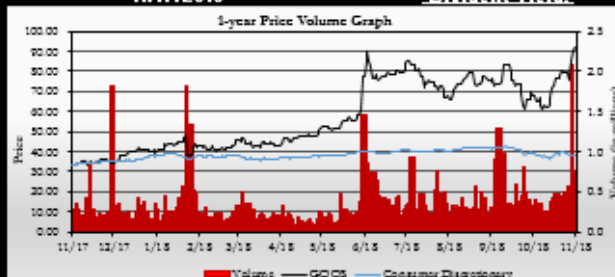
Current Price:
Dividend Yield:

\$92.18
0.0%

Intrinsic Value
Target Price:

\$93.04
\$106.17

Target 1 year Return: 15.18%
Probability of Price Increase: 74.33%



Description	
Canada Goose Holding Inc. designs, manufactures, and retails premium outdoor apparel for men, women, youth, children, and babies.	
General Information	
Sector	Consumer Discretionary
Industry	Textiles, Apparel and Luxury Goods
Last Guidance	May 8, 2018
Next earnings date	February 13, 2019
Market Assumptions	
Estimated Equity Risk Premium	5.40%
Effective Tax rate	28%

Market Data	
Market Capitalization	\$10,109.88
Daily volume (mil)	0.76
Shares outstanding (mil)	109.68
Diluted shares outstanding (mil)	112.06
% shares held by institutions	0%
% shares held by investment managers	38%
% shares held by hedge funds	2%
% shares held by insiders	19.92%
Short interest	0.00%
Days to cover short interest	0.00
52-week high	\$95.58
52-week low	\$32.48
Volatility	0.00%

Quarter ending	
9/30/2017	15.25%
12/31/2017	8.77%
3/31/2018	60.03%
6/30/2018	31.88%
9/30/2018	18.04%
Mean	26.79%
Standard error	1.3%

Part Earnings Surprise	
Revenue	EBITDA
9/30/2017	89.38%
12/31/2017	28.34%
3/31/2018	-221.58%
6/30/2018	-18.90%
9/30/2018	108.50%
Mean	-2.85%
Standard error	4.7%

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--NR	
Quality Ranking Description--Not Ranked	
Short Score--1	
Market Signal Probability of Default % (Non-Rating)--0.37%	
Credit Model Score (Non-Rating)--bb+	

Management	
Reitz, Dani	Chairman, President & CEO
Turlington, Leo	Chief Product Officer
Cameron, Scott	President of Greater China
MacKillop, Kara	Executive Vice President of People & Culture
Sinclair, Jonathan	CFO & Executive VP
Pat, Jacob	Chief Information Officer

Partitions	
Revenue	EBITDA
9/30/2017	89.38%
12/31/2017	28.34%
3/31/2018	-221.58%
6/30/2018	-18.90%
9/30/2018	108.50%
Mean	-2.85%
Standard error	4.7%

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segments
Canada--11%	Wholesale--57%
United States--67%	Direct-To-Consumer (DTC)--43%
Rest of World--21%	--
--	--
--	--

Profitability	
Return on Capital (GAAP)	25.6%
Operating Margin	18%
Revenue/Capital (GAAP)	1.39
ROE (GAAP)	44.8%
Net margin	14.9%
Revenue/Book Value (GAAP)	3.016021891

GOOS (LTM)	
Return on Capital (GAAP)	25.6%
Operating Margin	18%
Revenue/Capital (GAAP)	1.39
ROE (GAAP)	44.8%
Net margin	14.9%
Revenue/Book Value (GAAP)	3.016021891

GOOS Historical	
Return on Capital (GAAP)	8.86%
Operating Margin	11.65%
Revenue/Capital (GAAP)	0.76
ROE (GAAP)	17.9%
Net margin	7.5%
Revenue/Book Value (GAAP)	2.38

Inverted Funds	
Carh/Capital	13.8%
HW/Capital	29.4%
Operating Assets/Capital	48.0%
Goodwill/Capital	8.8%

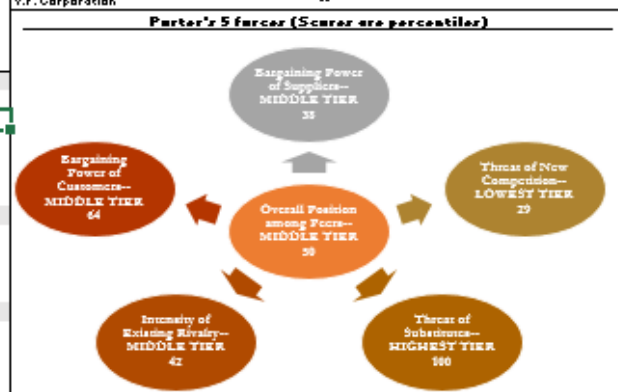
GOOS (LTM)	
Carh/Capital	13.8%
HW/Capital	29.4%
Operating Assets/Capital	48.0%
Goodwill/Capital	8.8%

GOOS Historical	
Carh/Capital	2.7%
HW/Capital	23.0%
Operating Assets/Capital	52.6%
Goodwill/Capital	11.7%

Capital Structure	
Total Debt/Market Capitalization	0.67
Cost of Debt	5.2%
CGFS Rating (F+care, 2+care, and default Probability)	AA
WACC	13.2%

GOOS (LTM)	
Total Debt/Market Capitalization	0.67
Cost of Debt	5.2%
CGFS Rating (F+care, 2+care, and default Probability)	AA
WACC	13.2%

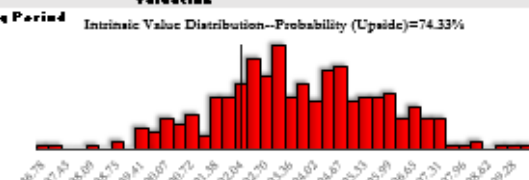
GOOS Historical	
Total Debt/Market Capitalization	0.52
Cost of Debt	5.6%
CGFS Rating (F+care, 2+care, and default Probability)	AA
WACC	12.9%



Forecast Assumptions	
Revenue Growth CAGR	36%
Average Operating Margin	13%
Average Net Margin	9%
Growth in Capital CAGR	27%
Growth in Claims CAGR	2%
Average Return on Capital	24%
Average Return on Equity	28%
Average Cost of Capital	13%
Average Cost of Equity	13%

Explicit Period (11 years)	
Revenue Growth CAGR	36%
Average Operating Margin	13%
Average Net Margin	9%
Growth in Capital CAGR	27%
Growth in Claims CAGR	2%
Average Return on Capital	24%
Average Return on Equity	28%
Average Cost of Capital	13%
Average Cost of Equity	13%

Continuing Period	
Revenue Growth CAGR	36%
Average Operating Margin	13%
Average Net Margin	9%
Growth in Capital CAGR	27%
Growth in Claims CAGR	2%
Average Return on Capital	24%
Average Return on Equity	28%
Average Cost of Capital	13%
Average Cost of Equity	13%



Sensitivity Attribution Analysis



November 17, 2018

Tech Data : (TECD)

Zachary Girvin

Sector: Information Technology

Industry: Electronic Equipment

Current Price: \$74.79

Target Price: \$59.25

Company Description:

Tech Data Corporation distributes technology products. They provide logistical services for companies worldwide. As one of the largest wholesale distributors of technology products, TECD has large distribution channels set up over the globe, and although US based, Europe is their primary market with 61% of sales.



SHORT

Current Price: \$74.79

Target Price: \$59.25

Market Cap: 2.89 B

Key LTM Data		
	TECD	Peers
NOPAT Margin	0.4%	1.1%
Adj. NI Margin	0.4%	0.9%
ROIC	3.75%	4.2%
ROE	4.90%	5.2%
Total Debt/Capital	34.42%	30.3%
Kd	5.60%	6.16%
Credit Quality Rating	BBB-	BBB-
Ke	15.60%	14.17%
WACC	11.80%	11.23%

Thesis:

TECD is in a unique situation. They seem to be a good company in a positive industry, but they may have come across some bad luck with their business. Looking at Balance Sheet items like inventories and a freshly declining cash balance, the short term outlook is quite negative. I believe that TECD can turn this around, but the market is currently overvaluing this stock given its recent volatility.

*This will improve the value of the company in the long run which I believe will happen, but there is a short term opportunity to sell short TECD stock

Catalysts:

- Short Term:
- Consumer Uncertainty
- *Long Term: Balance Sheet items improve, showing a stronger business

Earnings Performance:

TECD grew revenues in 2017 by 40.2%. This was after two poor years of performance. So far TCD has not kept up with projected earnings and this has accounted for part of their drop in market cap. Taking a closer look at the table below, you can see Cash from operations drop roughly 30%. This has shown how the first part of 2018 has been a poor showing for the company. Even more importantly their Net Income Margin has remained almost unchanged over 4 years. After researching the company, it seems as though their company is spread too far and is spending too much on their operations. Revenue for the twelve months ending on

TECD US Equity					96) Actions ▾	97) Export ▾	98) Settings	Financial Analysis				
ADJ Tech Data Corp					Periodicity Annuals ▾				Cur USD ▾		🔍	
1) Key Stats		2) I/S	3) B/S	4) C/F	5) Ratios	6) Segments	7) Addl	8) ESG	9) Custom			
11) Adj Highlights		12) GAAP Highlights		13) Earnings		14) Enterprise Value		15) Multiples		16) Per Share	17) Stock Value	
In Millions of USD		2015 Y		2016 Y		2017 Y		2018 Y		Current/LTM	2019 Y Est	2020 Y Est
12 Months Ending		01/31/2015	01/31/2016	01/31/2017	01/31/2018	07/31/2018	01/31/2019	01/31/2020				
📊	Market Capitalization	2,134.4	2,189.1	3,014.0	3,826.5	2,884.3						
📊	- Cash & Equivalents	543.0	531.2	2,125.6	955.6	792.9						
📊	+ Preferred & Other	0.0	0.0	0.0	0.0	0.0						
📊	+ Total Debt	364.9	366.7	1,363.0	1,637.9	1,519.2						
📊	Enterprise Value	1,956.3	2,024.6	2,251.4	4,508.7	3,610.6						
📊	Revenue, Adj	27,670.6	26,379.8	26,234.9	36,775.0	37,662.7	36,668.0	37,480.4				
📊	Growth %, YoY	3.2	-4.7	-0.5	40.2	29.7	-0.3	2.2				
📊	Gross Profit, Adj	1,394.0	1,286.7	1,301.9	2,115.6	2,193.1	2,209.2	2,263.1				
📊	Margin %	5.0	4.9	5.0	5.8	5.8	6.0	6.0				
📊	EBITDA, Adj	326.4	353.0	372.2	655.4	667.9	748.8	781.2				
📊	Margin %	1.2	1.3	1.4	1.8	1.8	2.0	2.1				
📊	Net Income, Adj	153.5	191.0	201.3	278.9	295.3	378.7	410.7				
📊	Margin %	0.6	0.7	0.8	0.8	0.8	1.0	1.1				
📊	EPS, Adj	4.01	5.29	5.69	7.30	7.66	9.76	10.48				
📊	Growth %, YoY	-22.6	32.1	7.5	28.3	26.2	33.8	7.4				
📊	Cash from Operations	119.4	193.9	656.8	1,097.1	721.1						
📊	Capital Expenditures	-18.6	-20.9	-25.0	-192.2	-193.8	-50.0	-52.0				
📊	Free Cash Flow	100.7	173.0	631.9	904.8	527.3	510.5	418.5				

1/31/18 were at 36,775. EBITDA was a measly 655.4. This shows an extraordinary amount of COGS and other expenses. This has all impacted their cash flow, which is discussed in depth later. For now, note that TECD had expanded in their prior boom year, and as their revenues have decreased which has killed their cash flow. TECD is spending too much to continue their operations and this is destroying value. For the company.

Analyzing the Balance Sheet:

One sign of a struggling company is their cash deposits. While they hit a record high in the beginning of 2017, but they used a lot of this to finance a 2.6 billion dollar acquisition which allows them to boost their revenues, This has now created an issue because this larger business requires more capital to run, and without margins improving to help mitigate the added costs, the cash reserves are being used as a short term cap for this issue. While this one period decline can't be determined as a trend, in the short term, the risk associated with TECD will be increased due to a declined cash base, which can help reduce the company's risk profile. For Tech Data, they have a real issue that needs to be solved.

In Millions of USD except Per Share 12 Months Ending	2013 Y 01/31/2013	2014 Y 01/31/2014	2015 Y 01/31/2015	2016 Y 01/31/2016	2017 Y 01/31/2017	2018 Y 01/31/2018
Total Assets						
+ Cash, Cash Equivalents & STI	340.6	570.1	543.0	531.2	2,125.6	955.6
+ Cash & Cash Equivalents	340.6	570.1	543.0	531.2	2,125.6	955.6
+ ST Investments	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receiv	3,215.9	3,215.7	2,812.0	2,995.1	3,047.9	5,783.7
+ Accounts Receivable, Net	3,215.9	3,215.7	2,812.0	2,995.1	3,047.9	5,783.7
+ Notes Receivable, Net	0.0	0.0	0.0	0.0	0.0	0.0
+ Inventories	2,254.5	2,450.8	1,959.6	2,117.4	2,118.9	3,065.2

In addition to the cash issue inventory levels have increased dramatically. While this could be expected for a wholesale distributor growing in size, the growth in finished goods in inventory has seemed to be at a high rate, which may explain the decline in sales revenue. In my opinion, these factors seem to create doubt that TECD will show positive value creation, and therefore a increase in stock price in the short term. This doubt shows why I fee this stock should be shorted.

Cost of Capital:

From the first page of this analysis you saw my cost of capital for the company. In my opinion a cost of debt of 5.6% is too low. In my evaluation, assumed that given their declining cash reserve, their liquidity ratios would be sub-par, pushing there credit rating to even lower levels. This would have a tremendous impact on the company, due to their sensitivity to the discount rate used in a basic valuation of the company.

Kd	5.60%
Credit Quality Rating	BBB-
Ke	15.60%
WACC	11.80%

I

Shown below is TECD's ROIC/WACC. This number has declined in the past 12 months due their sales revenue drop. This has further destroyed value for the company and needs to be reversed quickly if the company hopes to increase stock prices. Going off of the previous paragraph, if there WAC were to increase in the coming months, due to their declining financials, they may even destroy more value, which wouldn't be good after their large acquisition already stretching them thin.

ROIC /WACC		
	History	LTM
TECD	0.69	0.66
Competitors	0.68	0.56
Target	0.59	

Existing Short Interest:

Currently Short Interest has increased, which reflects the doubts that I have in the company. I think that this will continue in the coming weeks, due to the weakening of TECD's financials, and the market not properly adjusting for it. I feel that this firm has issues that will push the price down soon, and the outside macro factors will currently be of no help to TECD.



A Look at TECD's Investing:

First and foremost the company's goodwill has almost increased five-fold in the past year. I feel that their acquisition of Avnet's Tech solution has overpriced, which they are feeling now. As a result of the over payment, TECD wasted cash and stock, used to purchase this segment. As the initial surge helped them, they are now left trying to recoup their investment, which may not happen for some time. This is another uncertainty that raises the risk level of TECD.

In Millions of USD except Per Share		2015 Y		2016 Y		2017 Y		2018 Y	
12 Months Ending		01/31/2015		01/31/2016		01/31/2017		01/31/2018	
▼ Goodwill		318.0	100.0%	310.0	100.0%	199.0	100.0%	969.2	100.0%
Americas		8.8	2.8%	35.6	11.5%	19.6	9.8%	488.8	50.4%
Europe		309.2	97.2%	274.4	88.5%	179.5	90.2%	395.4	40.8%
APAC		—		—		—		85.0	8.8%
▼ Assets		6,136.7	100.0%	6,358.3	100.0%	7,931.9	100.0%	12,652.6	100.0%
Europe		4,187.3	68.2%	4,279.8	67.3%	4,693.7	59.2%	7,158.1	56.6%
Americas		1,949.4	31.8%	2,078.4	32.7%	3,238.2	40.8%	4,925.6	38.9%
APAC		—		—		—		569.0	4.5%
▼ Long-Term Assets		63.1	100.0%	66.0	100.0%	74.2	100.0%	—	
Europe		39.0	61.8%	36.6	55.5%	38.7	52.1%	—	
Americas		24.1	38.2%	29.4	44.5%	35.6	47.9%	—	
▼ Depreciation and Amortization		68.7	100.0%	57.3	100.0%	54.4	100.0%	150.0	100.0%
Americas		16.7	24.2%	18.2	31.9%	18.8	34.6%	84.3	56.2%
Europe		52.1	75.8%	39.0	68.1%	35.6	65.4%	57.8	38.5%
APAC		—		—		—		8.0	5.3%

We should also look into TECD's efficiency problem. Take it for what you will, but they have a leading revenue geographic segment in Europe. However, Revenue for the Americas was 43.4% of the company's

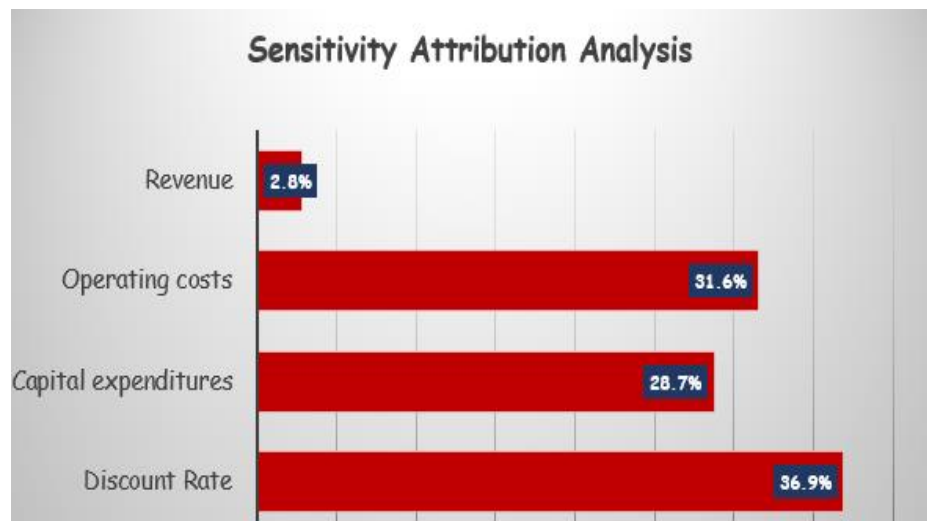
total, but America's Operating Income represented 56.5%. While they have increased their asset base in America more, They have also entered the speculative segment of APAC, which could be a large drain on their operating efficiency. There are many issue with TECD, from financials, to management and beyond.

▼ Revenue	27,670.6	100.0%	26,379.8	100.0%	26,234.9	100.0%	36,775.0	100.0%
Europe	17,264.4	62.4%	16,023.1	60.7%	15,850.4	60.4%	19,713.9	53.6%
Americas	10,406.2	37.6%	10,356.7	39.3%	10,384.5	39.6%	15,950.0	43.4%
APAC	—		—		—		1,111.1	3.0%
▼ Operating Income	267.6	100.0%	401.4	100.0%	291.9	100.0%	410.1	100.0%
Americas	145.1	51.6%	235.6	56.6%	144.2	47.2%	248.4	56.5%
Europe	136.2	48.4%	180.7	43.4%	161.6	52.8%	173.6	39.5%
APAC	—		—		—		17.5	4.0%
Stock-based compensation exp...	-13.7		-14.9		-13.9		-29.4	

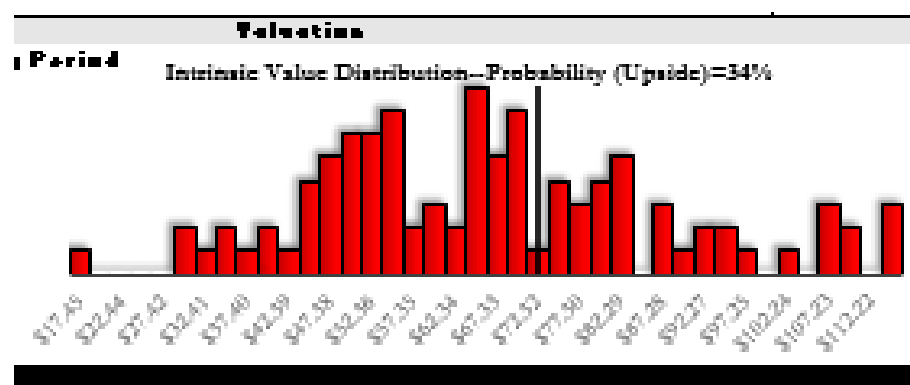
Conclusion:

TECD has a short term that seems pretty shaky and the market will soon react to their weakening financials. Whether through a hike in their cost of debt, or through investor panic, and a demand for a higher return for the added business risk.

For my alternative scenario, kept the cost of borrowing at its current level as given in the proforma. For my base case, I increased the cost of borrowing to 7%, which I feel more properly reflects the company. For keeping the Kd the same for the alternative case, I ended up with a upside of 34%, still a grim outlook on the stock moving forward.



TECD will drop in value in the ear future, and if able we need to closely look at shorting the wholesale distributor as it may be temporarily over valued by the greater part of the market. They still hold a bullish mentality given the previous years, but the time has come that speculative stock will drop due to lacking financials, just like TECD may.



Tech Data Corporation (TECD)

Analysis by Zach Girvin
11/16/2018

Current Price:
Dividend Yield:

\$74.79
0.0%

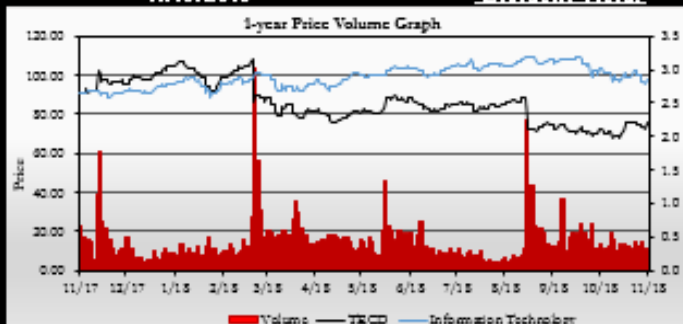
Intrinsic Value
Target Price:

\$46.86
\$59.25

Target 1 year Return: -20.78%
Probability of Price Increase: 10%

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BEARISH



Description	
Tech Data Corporation engages in the wholesale distribution of technology products.	
General Information	
Sector	Information Technology
Industry	Electronic Equipment, Instruments and Components
Last Guidance	May 8, 2018
Next earnings date	November 29, 2018
Market Assumptions	
Estimated Equity Risk Premium	9.31%
Effective Tax Rate	26%

Market Data	
Market Capitalization	\$2,894.66
Daily volume (mil)	0.16
Shares outstanding (mil)	38.35
Diluted shares outstanding (mil)	38.53
% shares held by institutions	99%
% shares held by investment managers	92%
% shares held by hedge funds	2%
% shares held by insiders	1.49%
Short interest	4.34%
Days to cover short interest	3.91
52 week high	\$108.62
52 week low	\$66.93
Volatility	31.91%

Quarter Ending	
Revenue	EBITDA
7/31/2017	-7.22%
10/31/2017	0.75%
1/31/2018	4.71%
4/30/2018	4.69%
7/31/2018	1.63%
Mean	0.91%
Standard error	1.0%

Market and Credit Scores	
Recommendation (STARS) Value--4	
Recommendation (STARS) Description--Buy	
Quality Ranking Value--B+	
Quality Ranking Description--Average	
Short Score--1	
Market Signal Probability of Default % (Non-Rating)--0.51%	
Credit Model Score (Non-Rating)--bbb-	

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segment
Europe--54%	Wholesale - Computer Peripherals--100%
Asia-Pacific--3%	--
America (Excluding United States)--5%	--
U.S.--39%	--

Management	
Hume, Richard	CEO & Director
Dannouits, Charles	CFO & Executive VP
Vetter, David	Chief Legal Officer & Executive VP
Zammit, Patrick	President of Europe
Dutkowsky, Robert	Executive Chairman of the Board
Dau, Andy	Group Marketing Director & Member of Execut

Total Compensation Growth	
CEO & Director	-5.59% per annum over 2y
CFO & Executive VP	18.67% per annum over 3y
Chief Legal Officer & Executive VP	-100% per annum over 3y
President of Europe	-100% per annum over 4y
Executive Chairman of the Board	-100% per annum over 4y
Group Marketing Director & Member of Execut	-100% per annum over 4y

Peers	
SYNNER Corporation	--
Arrau Electronics, Inc.	--
Avnet, Inc.	--
Flex Ltd.	--

Profitability	
TECD (LTM)	TECD Historical
Return on Capital (GAAP)	7.6%
Operating Margin	1%
Revenue of Capital (GAAP)	9.30
ROE (GAAP)	6.4%
Net margin	0.5%
Revenue of Book Value (GAAP)	13.61219572

Peers' Median (LTM)	
Return on Capital (GAAP)	7.84%
Operating Margin	2.43%
Revenue of Capital (GAAP)	2.68
ROE (GAAP)	10.9%
Net margin	1.5%
Revenue of Book Value (GAAP)	7.05



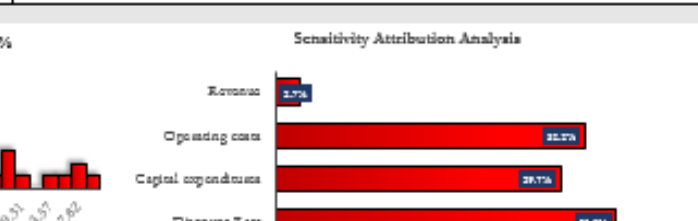
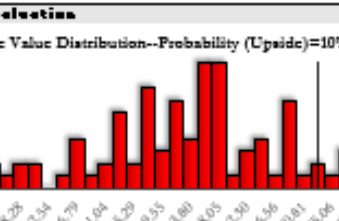
Invested Funds	
TECD (LTM)	TECD Historical
CapEx/Capital	32.0%
NWC/Capital	31.5%
Operating Assets/Capital	13.3%
Goodwill/Capital	23.2%

Peers' Median (LTM)	
CapEx/Capital	18.4%
NWC/Capital	73.4%
Operating Assets/Capital	1.0%
Goodwill/Capital	7.1%

Capital Structure	
TECD (LTM)	TECD Historical
Total Debt/Market Capitalization	0.45
Cost of Debt	5.6%
CGFS Rating (F+care, 2+care, and default Probability)	BBB
WACC	11.9%

Peers' Median (LTM)	
Total Debt/Market Capitalization	0.23
Cost of Debt	6.4%
CGFS Rating (F+care, 2+care, and default Probability)	BBB
WACC	10.7%

Forecast Assumptions	
Explicit Period (10 years)	Continuing Period
Revenue Growth CAGR	9%
Average Operating Margin	11%
Average Net Margin	6%
Growth in Capital CAGR	25%
Growth in Claims CAGR	25%
Average Return on Capital	17%
Average Return on Equity	22%
Average Cost of Capital	12%
Average Cost of Equity	15%



11/16/2018

Fleetcor (FLT)

Michael Grasso

Sector: Financial Transactions

Industry: Financials

Company Description: FleetCor Technologies, Inc. provides commercial payment solutions in North America, Latin America, Europe, and Australasia. Its primary corporate payments products include virtual cards, purchasing cards, travel and entertainment cards, payroll cards, and cross-border payment facilitation.

Limit Buy @ \$165

Current Price:	\$198
Target Price:	\$222.61
Market Cap:	17.5B
NOPAT Margin (Yr)	732M
Adj. NI Margin	30.13
ROE	20.2%
ROIC	11.13%
WACC	9.7%
Debt/E.V.	21%
Short Interest Ratio	1.61



Thesis: Fleetcor has strong sources of cash with recurring revenue and high margins. This combined with their bullish acquisition to diversify business and spread their commerce should provide great growth in upcoming years. Under the condition that no legal issues occur in the upcoming months, a limit buy order on Fleetcor could provide a very strong return if they continue to grow at the current rate.

Catalysts:

- Short Term: Settle accusations and restructure penalties and fees system
- Long Term: Continue to acquire and grow revenue/margins; pay off debt

Product Lines & Business:

Fleetcor payment solutions function much like a prepaid or charge card. However, they tend to have a specific category of expenses. The five major categories of expenses are fuel, lodging, tolls, corporate payments and gifts. Besides these major and popular categories, Fleetcor also provides payment solutions for fleet maintenance, employee benefits and long haul transportation services when needed. Both proprietary and third-parties are used to deliver these payment products. Since Fleetcor has products used in 56 plus

countries on top of having well established brands throughout the world, it brings in revenue for not only other companies that Fleetcor owns, but brings in sales along with loyalty to affiliated merchants. For example, for the fuel payments product line, a few proprietary networks of Fleetcor would be Fuelman, Comdata, or Keyfuels networks. A few third party networks are Mastercard, Visa, and major oil and fuel marketer networks. An important fact to mention is that these products are mainly commercially used. The fuel payment products represented 49% of revenue in 2017. It's also important to note that no single partner has contributed for more than 10% of consolidated revenue in order to diversify the source of revenue, since there is not an incredibly high percentage coming from one specific customer. For the lodging payment network, it includes close to 17,000 hotels across the U.S. and Canada. The corporate payments product line has approximately 700,000 merchants that accept the virtual card payments and has been growing at a rate of 12,500 merchants per month. Overall, Fleetcor capitalizes on product specialization with sales and marketing efforts by deploying product dedicated sales forces to target specific customer segments. They market the products directly through multiple sales channels, including field sales, telesales and digital marketing, and indirectly through their partners, which include major oil companies, leasing companies, petroleum marketers, value added resellers and referral partners. Their two reportable segments are North America and International sales.

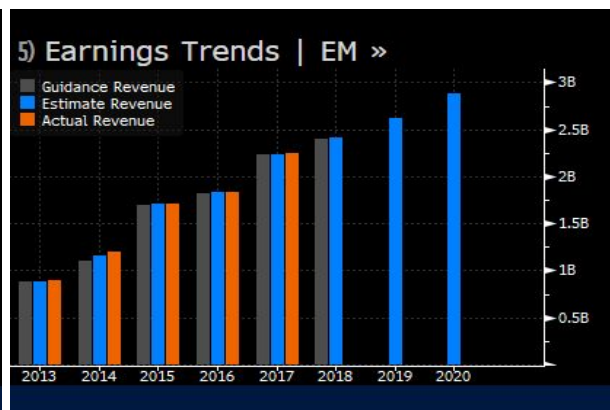
Earnings Performance & Growth:

Two very large factors on the valuation of Fleetcor are revenue and the discount rate. Revenue is very hard to predict on such a cyclical yet volatile business such as Fleetcor since there are so many factors affecting the share price. Since the price of their stock is heavily tied to the trend of the market and the S&P500, the general direction of the market is a great way to

11) Adj Highlights		12) GAAP Highlights		13) Earnings		14) Enterprise Value		15) Multiples		16) Per Share		17) Stock Value	
In Millions of USD		2010 Y	2011 Y	2012 Y	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est	2020 Y Est
12 Months Ending		12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018	12/31/2018	12/31/2019	12/31/2020
Market Capitalization		2,462.9	2,445.2	4,347.7	9,663.2	13,631.1	13,203.3	12,996.8	17,281.0	17,574.6			
- Cash & Equivalents		114.8	285.2	283.6	338.1	477.1	447.2	475.0	913.6	924.4			
+ Preferred & Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
+ Total Debt		469.4	698.8	945.4	1,486.4	3,593.7	2,935.0	3,858.2	4,518.6	4,472.9			
Enterprise Value		2,817.5	2,858.8	5,009.4	10,811.5	16,747.7	15,691.2	16,380.0	20,886.0	21,123.1			
Revenue, Adj		433.8	519.6	707.5	895.2	1,199.4	1,702.9	1,831.5	2,249.5	2,400.1	2,412.0	2,626.3	2,881.5
Growth %, YoY		22.5	19.8	36.2	26.5	34.0	42.0	7.6	22.8	11.4	7.2	8.9	9.7
Gross Profit, Adj		-	-	-	-	-	-	-	-	-	2,412.0	2,626.3	2,881.5
Margin %		-	-	-	-	-	-	-	-	-	100.0	100.0	100.0
EBITDA, Adj		209.1	255.8	373.9	492.8	644.6	937.5	952.2	1,047.1	1,337.0	1,362.3	1,508.2	1,684.0
Margin %		48.2	49.2	52.8	55.1	53.7	55.1	52.0	46.5	55.7	56.5	57.4	58.4
Net Income, Adj		113.0	148.0	217.8	288.4	360.9	417.1	471.4	551.7	705.3	969.2	1,097.9	1,254.3
Margin %		26.0	28.5	30.8	32.2	30.1	24.5	25.7	24.5	29.4	40.2	41.8	43.5
EPS, Adj		1.42	1.77	2.54	3.41	4.15	4.43	4.95	5.90	7.61	10.47	11.96	13.69
Growth %, YoY		-51.7	24.4	43.6	34.2	21.9	6.8	11.7	19.1	39.8	77.5	14.3	14.4
Cash from Operations		139.8	279.6	135.5	375.7	608.3	754.6	705.9	675.7	811.6			
Capital Expenditures		-11.2	-13.5	-19.1	-20.8	-27.1	-41.9	-59.0	-70.1	-76.9	-76.1	-80.5	-87.6
Free Cash Flow		128.6	266.2	116.3	354.9	581.3	712.7	646.9	605.6	734.7	967.4	1,092.6	1,238.6

Financials wise, Fleetcor has a very strong source of cash which helps fund their bullish acquisitions. Revenue has seen strong growth since the IPO in 2010. During years with extreme growth like 2014 - 2015, the company saw a skyrocket in their revenue as well as price per share of stock. Year over year growth going into 2014 and 2015 was above 30% for both years. During this period, the stock price went from just over \$100

per share to \$163 per share during the middle of 2015. The largest growth in price per share that Fleetcor has seen so far was from the second quarter of 2017 to the beginning of 2018. The price rose from just under \$140 per share to \$212. This goes to show how strong of a driver revenue is on the valuation of their stock. On average, Fleetcor has doubled targets' EBITDA within two years of ownership, making M&A a major part of the company's growth. As a result, Fleetcor's own revenue has increased 6x and its market cap has grown 800% to approximately \$18 billion. Fleetcor is in the industry of recurring revenue, low capex, high margins, and a market driving by selling. The company saw 11% organic growth this past quarter, which is the highest seen in a couple of years. This being driven forward combined with the aggressive acquisition strategy that the company possesses will drive overall growth. Specifically for product lines of business, the toll segment went up 17% and lodging went up 21%. The fuel portion went up 5% and the and gift line went up 4%.



Since 2013, Fleetcor has met or exceeded earnings estimates for revenue and net income on a yearly basis every year. The company states that comparing revenue and other measures of earnings after taxes is not the most comparable basis due to the different tax rates and risk premiums that Fleetcor has. This statement is directed at comparing earnings, not overall financials. Not to mention, when the company exceeds earnings estimates, the share price almost always rises significantly.

Ownership:

Insider - Based on Last 6 Months				Top Ownership Type (%)			
51) Insider	11/11/18	Curr	Change	52) Ownership Type	11/11/18	Curr	Change
11) % of Shares Held	0.82	1.14	+0.32	21) Investment Advisor	85.82	87.61	+1.79
12) % Chg Insider Positions	+35.71	+35.71	0.00	22) Hedge Fund Manager	7.19	5.36	-1.83
13) # of Insiders	20	20	0.00%	23) Pension Fund	1.58	1.69	+0.11
14) # of Buyers Opn Mkt	0	0		24) Bank	1.38	1.31	-0.07
15) # of Sellers Opn Mkt	0	0		25) Insurance Company	1.24	1.29	+0.05
16) # of Shrs Bought Opn Mkt	0	0		26) Government	1.21	1.23	+0.02
17) # of Shrs Sold Opn Mkt	0	0		27) Individual	0.88	0.9	+0.02
18) Avg Opn Mkt Buy Price	0	0	0.00	28) Sovereign Wealth Fund	0.45	0.41	-0.04
19) Avg Opn Mkt Sell Price	0	0	0.00	29) Brokerage	0.17	0.13	-0.04

Within the past year, the insider positioning in the stock has dramatically increased. Some of this may to combat the drop in price that the company has seen towards the end of this current year as well as having equity in their own company. However, the company is confident of the growth that they will continue to see, so this goes to show that employees are confident in their stock for the upcoming years. It has increased 36%

as a percent change in their position in the company. It is also important to mention that hedge funds owned over 7% of the stock in the beginning of November this year. Matching instead of exceeding all earnings estimates and the estimates for revenue growth not seeing the ridiculously high numbers as previous years would most likely account for this small decrease for the current holdings of hedge funds. It is important to mention that the company has a large market cap of 17.5 billion, so the 5% of hedge fund ownership is still very significant. Also, the short interest ratio of Fleetcor is very low, being close to 1.9%. If companies like these hedge funds and investment advisors saw a great risk in the short term of this company, it is very likely the short interest would see a change in the short term. However, this is not the case.

Competition:

Name (BI Peers)	Mkt Cap (USD)	Rev - 1 Yr Gr:Y	EPS LF	ROIC:Y↓	ROE	Total Debt to EV
Median	17.57B	15.97%	0.55	9.29%	17.97%	0.20
100) FLEETCOR TECHNOLOGI...	17.57B	22.82%	1.78	6.58%	20.17%	0.21
101) MASTERCARD INC - A	205.57B	15.97%	1.83	45.55%	104.59%	0.03
102) WESTERN UNION CO	8.36B	1.87%	0.47	22.34%	--	0.30
103) VISA INC-CLASS A SHA...	282.75B	12.26%	1.40	20.20%	38.67%	0.06
104) EURONET WORLDWIDE INC	5.86B	15.00%	1.89	14.68%	18.63%	0.16
105) FISERV INC	31.99B	3.47%	0.55	13.92%	44.60%	0.14
106) PAYPAL HOLDINGS INC	100.20B	20.77%	0.37	12.29%	17.32%	0.02
107) GREEN DOT CORP-CLAS...	4.47B	23.84%	0.09	9.96%	15.59%	0.02
108) TOTAL SYSTEM SERVIC...	16.23B	18.17%	0.85	9.29%	22.52%	0.20
109) FIRST DATA CORP- CL...	16.64B	4.04%	0.43	7.70%	35.72%	0.48

The first aspect of competition that is important to point out is the debt to enterprise value across the board for competitors. At first glance, the debt may be a turn off for some investors. However, if you look at the competition, many of Fleetcor's competitors have a significant debt to enterprise value. Western Union, Euronet, First Data Corp and Total System Services all have a significant amount of debt in relation to their enterprise value. The median is .2, which is right where Fleetcor sits. A significant portion of the companies that are not holding nearly as much debt compared to their enterprise or market cap are large cap funds, like Mastercard and Visa who have a market cap of over \$200 billion, or Paypal who has a market cap of over \$100 billion. Earnings per share and revenue growth for recent periods show strength compared to competitors with an EPS of 1.78. This is only beaten by the two of the largest market cap funds on the comparison chart above. The median sits much lower at .55. ROIC and ROE show solidity in the fact that these ratios sit with the lower cap funds on the list, but still show competitive strength since they are not lacking far behind with respect to most businesses of similar size.

Acquisitions & Debt:

Fleetcor has a very aggressive acquisition strategy which it has held since the inception of the company in 2000. The company has acquired over 76 businesses accounting for over \$8.2 billion in total. Two very large deals that took place were the purchase of Comdata which is a fuel card provider for \$3.45 billion and

STP/Sem Parar which is an electronic toll payment company for \$1.1 billion dollars. When capturing other businesses, their strategy is the sole reason that they are able to defy the industry with the sheer numbers of acquisitions. The head of the merger and acquisitions team of Fleetcor answered questions which provide crucial information on this topic. The returns in the business are determined more by the asset class being purchased than the specific company being bought. Most importantly, they will never buy a company unless they have a clear plan on how the profits can be doubled within a short amount of time, usually three to four years. Their plan for this aggressive inorganic growth is that Fleetcor wants to get business into the top 20 countries that make up for the majority of global GDP, which would push growth through the roof. They average four to five acquisitions per year, funded by close to one billion in capital which is the annual cash flow. During the earnings call for the third quarter of this year, Ronald Clarke of Fleetcor mentioned a few important points which are crucial in forecasting the future business of the company. He responded to a question about how the revenue mix would be looking for the company over the next few years by explaining that three-quarters of the companies that the company has their eye on to acquire are in the nonfuel category. Therefore, the company will most likely acquire nonfuel businesses. Since the fuel line of business accounted for almost half of their revenue in 2017, this diversification will have a substantial effect. Since the fuel payment line of business is directly impacted by the fuel industry, this will successfully diversify the business against any possible recessions or issues with the fuel industry including issues with fuel prices as well as a loss of customers. As stated in the 10K, “Since 2002, we have completed over 75 acquisitions of companies and commercial account portfolios, including the acquisition of Cambridge Global Payments in August 2017. Acquisitions have been an important part of our growth strategy, and it is our intention to continue to seek opportunities to increase our customer base and diversify our service offering through further strategic acquisitions”. As mentioned above when comparing Fleetcor to some of the industry competitors, debt is a common financing method for this industry. At first glance, it can deter investors. However, Fleetcor has strong cash flows and recurring revenue, so the repayment of debt upon maturity should not be a concern. For the amount of acquisitions that Fleetcor has made, the debt would be much higher with a comparable amount of acquisition deals.

In Millions of the reported currency, except ratios and % of Total values.

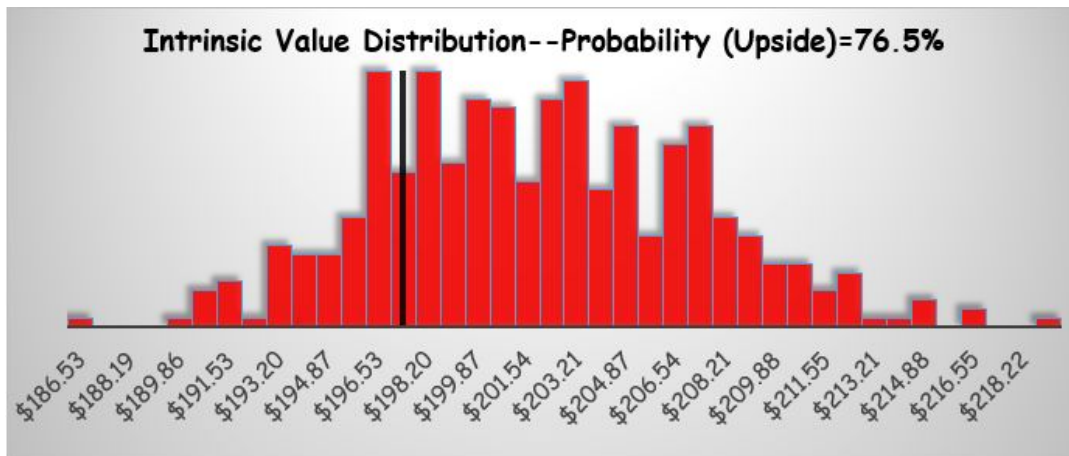
Capital Structure Data View As Reported Details View Key Documents							
For the Fiscal Period Ending		12 months Dec-31-2016		12 months Dec-31-2017		3 months Sep-30-2018	
Currency		USD		USD		USD	
Units		Millions	% of Total	Millions	% of Total	Millions	% of Total
Total Debt	↓	3,858.2	55.6%	4,518.6	55.1%	4,472.9	55.7%
Total Common Equity	↓	3,084.0	44.4%	3,676.5	44.9%	3,562.2	44.3%
Total Capital	↓	6,942.3	100.0%	8,195.1	100.0%	8,035.2	100.0%

Questionable Ethics:

The one questionable aspect of Fleetcor is some of their deceptive predatory pricing on customers. The main customer complaint has to do with unknown fees and double billing. The company has outstanding lawsuits which have been filed over a year and a half ago. The largest of these have been filed in 2017 and reopened in the spring of this past year. Chevron terminated its 10 year contract relationship with Fleetcor. It was stated that allegations against Fleetcor revolved around a pattern of fraudulent billings, misleading marketing and predatory sales tactics. The claim of predatory pricing cannot be easily proven due to the fact that the fine

print in their contracts do mention the sheer amount of fees that customers can be charged. Some possible fees are a service fee for using their card, an administration of account fee, a pay by account fee, debits to accounts fee, client initiated funds transfer fee, a pay by phone fee and an inactive card fee. Late fees are also a consistent issue for customers of fleetcor. Although these fees are stated in the contract for customers, they have consistently accounted for 6% of total revenue of the company over many periods. The industry average for late fees account for around 2% of total revenue of many other companies. Fleetcor most likely limits late fee charges to remain at or below 6% due to the fact that if it exceeds this amount, it will be scrutinized by many lawful organizations looking to investigate this predatory pricing. As stated in the 10K, “Our card programs include a variety of fees and charges associated with transactions, cards, reports, optional services and late payments. Revenues for late fees and finance charges represent 6% of our consolidated revenue for the year ended December 31, 2017”. Also, the company has an issue with management issuing double billings as if management is as organized as this sounds. It is most likely not a coincidence that this occurs, but it would be very hard to prove that is occurs with a malicious intent. It is often said that a “good company” does not mean a stock is a “good stock”. Therefore, under the condition that outstanding lawsuits and further investigation does not make any further progress, this stock would most likely still provide a good return.

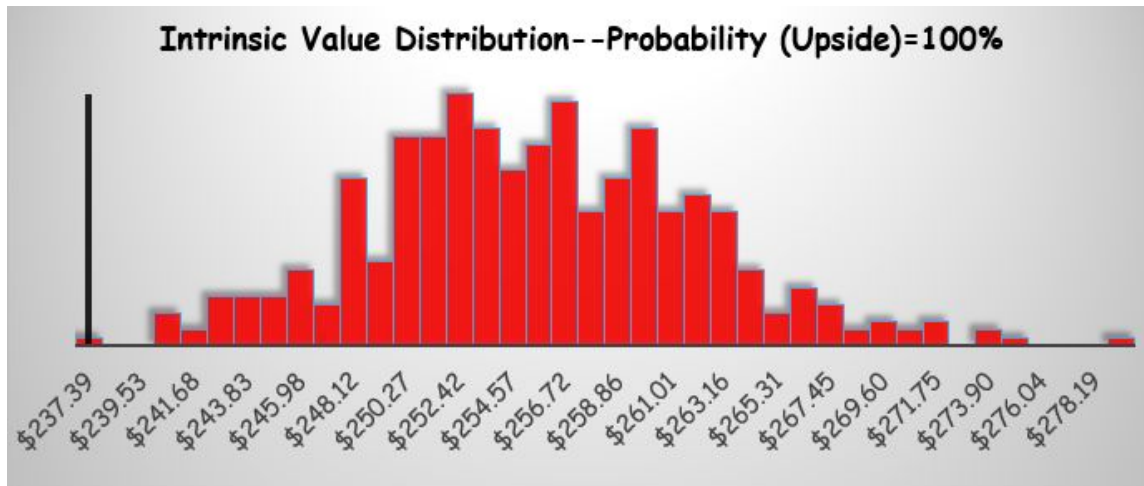
Base Case:



Since the company has now matured to a more sustainable and predictable level of growth since they have been in business for going on 19 years now, growth of revenue was more of a linear progression to where it converges with the continuing period level of 2.5% growth. In 2020, it is predicted that the company will hit 10% revenue growth. From there, the growth decreases until it hits the continuing period. The intrinsic value under this condition was the closest it could get to the current price per share for Fleetcor, which sits around \$198 per share.. The target value for the stock hit just above \$220 per share.

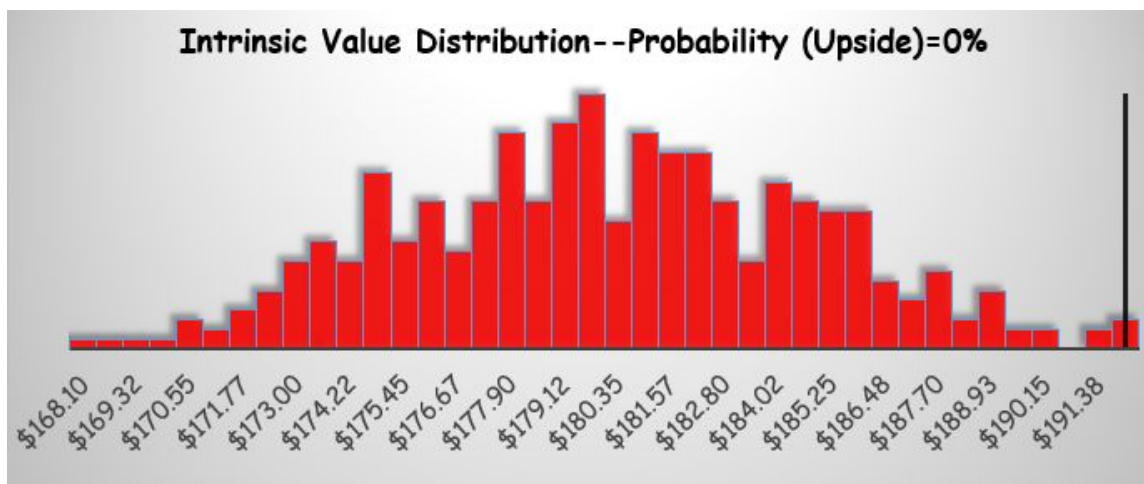
Bullish Case:

In order to value this company with even higher revenue growth, the intrinsic value shot through the roof hitting just about \$255 per share. The target price under this condition was just below \$285 per share. In order to obtain this, revenue growth was increased by 1-2% over the next 14 years until it converges with the continuing period at year 15. This goes to show how volatile the stock price is against a change in revenue.



Bear Case:

In the event of reduced revenue growth, a reduction of 1% of revenue growth had a substantial effect on the target value, pushing it below the current trading price to around \$185 - \$190 per share. Considering that Fleetcor plans on continuing growth at such a strong rate in order to spread their business influence across many more countries, this is on the less plausible side. If a lawsuit occurred, this condition would be more possible. However, since they have an aggressive acquisition strategy combined with margins predicted to increase in the future, there is a fine possibility of avoiding this.



Conclusion:

Fleetcor has very strong cash flows and margins, and predictions continue to grow both of these. Also, the company is comparable in debt to many other competitors in the industry of similar size, which is just the nature of the business. The company has a very strong merger and acquisition strategy, acquiring over 76 companies since their creation in year 2000. The company plans on spreading their business influence across many more countries on top of this. Since their IPO in 2010, their share price has gone up close to 8x up to the current price per share. The downside to the company is their sketchy and deceptive pricing practices on consumers. However, the lawsuits that exist have not made progress since their inception over the past 3 years. Therefore, under the condition that no further progress is made, this company provides a buy in opportunity. Since the company is heavily affected and follows the market, the recent decline in the market has affect Fleetcor similarly. If the stock price reaches \$165 without any legal issues, this provides a great opportunity for a significant return, considering the base case target price was close to \$220 per share.

FleetCor Technologies, Inc. (FLT)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Michael Grasso
11/17/2018

Current Price: \$199.19
Dividend Yield: 0.0%

Intrinsic Value: \$200.03
Target Price: \$222.61

Target 1 year Return: 12.32%
Probability of Price Increase: 74%



Description	
FleetCor Technologies, Inc. provides commercial payment solutions in North America, Latin America, Europe, and Australasia.	
General Information	
Sector	Information Technology
Industry	IT Services
Last Guidance	May 8, 2018
Next earnings date	February 1, 2019
Market Assumptions	
Estimated Equity Risk Premium	6.81%
Effective Tax rate	22%

Market Data	
Market Capitalization	\$17,549.24
Daily volume (mil)	0.65
Shares outstanding (mil)	88.65
Diluted shares outstanding (mil)	92.64
% shares held by institutions	97%
% shares held by investment managers	33%
% shares held by hedge funds	7%
% shares held by insiders	1.9%
Short interest	1.6%
Days to cover short interest	2.31
52-week high	\$230.24
52-week low	\$176.96
Volatility	26.09%

Quarter ending	
9/30/2017	-0.26%
12/31/2017	0.77%
3/31/2018	-2.87%
6/30/2018	-1.87%
9/30/2018	2.01%
Mean	-0.45%
Standard error	1.0%

Earnings Surprises	
Revenue	-0.26%
EBITDA	-1.07%
EBIT	-19.0%
Net Income	-10.8%
EPS	-2.87%
Market	0.73%
Peer	-1.11%

Market and Credit Scores	
Recommendation (STAR5) Value	-0
Recommendation (STAR5) Description	-0
Quality Ranking Value	-0
Quality Ranking Description	-0
Short Score	-0
Market Signal Probability of Default % (Non-Rating)	-0.97%
Credit Model Score (Non-Rating)	-bb

Management	
Clark, Clara Randall	Chairman, President & CEO
Dey, Eric	CFO & Corporate Secretary
Gavrilin, John	Executive Vice President of Global Corporate
Gavrilin, Alexey	Former President of Continental Europe
Egleston, James	Head of Investor Relations
Baugh, Sean	Senior Vice President and General Counsel

Total Compensation Growth	
Chairman, President & CEO	37.99% per annum over 5y
CFO & Corporate Secretary	56.58% per annum over 5y
Executive Vice President of Global Corporate	60.82% per annum over 5y

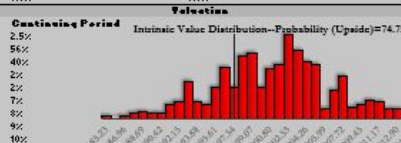
Industry and Segment Information	
Global Payments Inc.	PayPal Holdings, Inc.
Worldpay, Inc.	Euronet Worldwide, Inc.
WEX Inc.	Paycom, Inc.
Teladigm Services, Inc.	Fiorenza, Inc.
Square, Inc.	MoneyGram International, Inc.

Profitability	
Return on Capital (GAAP)	10.5%
Operating Margin	41%
Revenue/Capital (GAAP)	0.26
ROE (GAAP)	23.7%
Net margin	38.4%
Revenue/Book Value (GAAP)	0.444275916
Invested Funds	
CapEx/Capital	10.9%
HW/Capital	3.8%
Operating Assets/Capital	31.8%
Goodwill/Capital	53.4%
Capital Structure	
Total Debt/Market Capitalization	0.54
Cost of Debt	2.9%
OSFS Rating (Frcore, Zscore, and default Probability)	BB
WACC	8.8%

FLT Historical	
Return on Capital (GAAP)	10.74%
Operating Margin	43.22%
Revenue/Capital (GAAP)	0.25
ROE (GAAP)	15.4%
Net margin	28.1%
Revenue/Book Value (GAAP)	0.53
FLT Historical	
CapEx/Capital	8.8%
HW/Capital	-0.1%
Operating Assets/Capital	33.7%
Goodwill/Capital	57.6%
FLT Historical	
Total Debt/Market Capitalization	0.52
Cost of Debt	1.9%
OSFS Rating (Frcore, Zscore, and default Probability)	BB
WACC	7.6%



Forecast Assumptions	
Revenue Growth CAGR	6%
Average Operating Margin	54%
Average Net Margin	43%
Growth in Capital CAGR	10%
Growth in Claims CAGR	0%
Average Return on Capital	9%
Average Return on Equity	14%
Average Cost of Capital	9%
Average Cost of Equity	10%



Sensitivity Attribution Analysis	
Revenue	38.2%
Operating costs	37.4%
Capital expenditures	1.7%
Discount Rate	42.7%

November 15th, 2018

The GAP Inc. : GPS

Ala Saidi

Sector: Consumer Discretionary

Industry: Apparel Retail

Current Price: \$25.75

Target Price: \$32.93

Company Description: The Gap, Inc. is an international specialty retailer operating retail and outlet stores. The company sells casual apparel, accessories, and personal care products for men, women, and children. The Gap operates stores in the United States, Canada, United Kingdom, France, Ireland and Japan.

BUY

Current Price: \$25.75

Target Price: \$32.93

Market Cap: \$9.96B

Average volume: 5.6M

Profit margin: 5.43%

EBITDA: 1.94B



Thesis:

Gap has been experiencing growth in two main brands Old Navy and Athleta. The company reported a good growth on their revenue for their final quarter compared to the past quarters. And is expected to continue up beating on both revenue and earnings. Gaps strategy to expand their stores worldwide will indeed help them reach their financial target.

Catalysts:

- Long term: Stores expansion in the US
 - Fast-fashion
 - Expanding stores worldwide

Brand Performance:

Looking at the brands performance, there is a growth in two main brands Old Navy and Athleta. Old navy grew market share again this last quarter and in Q2 as the 8th largest apparel retailers, second largest apparel brand in the United States. Old navy continued to pace towards \$10B in net sales. Old navy's product engine continues to be the foundation of success for GAP. Old navy will again keep continuing on showing consistency as they will soon be launching its plus collection that will be available in 75 selected stores. The women's plus-size market is north of \$20 billion and is growing above the rate of the overall apparel market. This can result in a significant growth opportunity for the company. In addition to Athleta which delivered another market share gaining quarter and is progressing well against our \$1 billion sales objective. This brand continues to excel in engaging and connecting with new and existing customers and in Q2 the new customer growth rate continued to accelerate, a sign of a healthy, solid growth brand. The company is working on improving these two main brands, believe that quarter by quarter the performance will keep improving.

Business Overview:



The ubiquitous clothing retailer Gap has been filling closets with jeans and khakis, T-shirts, button downs and poplin for some 50 years. The company, which operates about 3,600 owned and franchised stores worldwide, built its iconic casual brand on basics for men, women and children. Over the years it has extended its namesake brand to include GapBody, GapKids and BabyGap and has added brands such as the urban chic Banana

Republic, family budgeteer Old Navy, women's active wear chain Athleta and designer-focused intermix. Most of Gap's products are designed by the company and made by third parties. It generates most of its revenue from the US.

Operations:

Gap's Old Navy brand, a lower version of the Gap brand, is its biggest earner at about 45% of total sales. The Gap brand itself brings in more than a third of sales, followed by upmarket banana republic with about 15%. Athleta, a line of active wear, and intermix, a designer wear brand, account of the remaining revenue. The company owns and operates most of its store locations, franchising slightly more than 10%. Gap rings up more than 85% of its sales in North America primarily in the US. Asia, including Japan and China, is the retailer's second biggest market accounting for nearly 10% of sales, followed by Europe (the UK, Ireland, France and Italy), that contributes about 5%. Gap has about 430 franchised stores across Asia, Europe, Latin America, the Middle East, and Africa. The company has office, distribution and warehouse spaces across the US (Arizona, California, Kentucky, New Mexico, NY....), as well as in Ontario, Canada and China (including Hong Kong), Japan, and the UK.

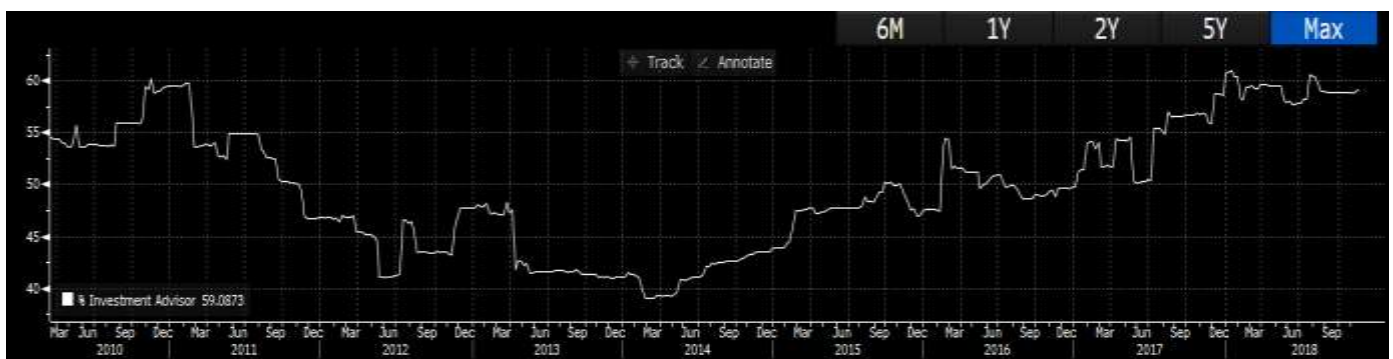
Financial Performance:

Gap has been seen inconsistent revenue growth over the past 5 years, hitting a high of \$16.4 billion in 2014 before failing for two consecutive years. Revenue rebounded slightly in 2017. Net income, however, had been on a straight decline since 2013 (falling 40% through 2016), until changing course in 2017. In fiscal 2017 ended in January 2018, revenue rose 2% to \$15.9 billion primarily due to sales increase at Old Navy and Athleta, partially offset by declines at Gap and banana republic. Same-store sales jumped 6% at Old Navy, and the company ended the year with about two dozen more Old Navy locations. Net Income in 2017 jumped about 25% as cost of goods sold and occupancy expenses fell 2% on improved average selling price and an increase in online sales without corresponding occupancy expenses. Cash at the end of 2017 was \$1.8 billion, flat from the prior year. Cash from operations contributed \$1.4 billion to the coffers, while investing activities used nearly \$700 million, mainly for property and equipment used in the buildout of new stores, supply chain and IT initiatives, and rebuilding Gap's distribution center campus. Financing activities used slightly more than \$700 million on stock buybacks and paid dividends.

Ownerships:

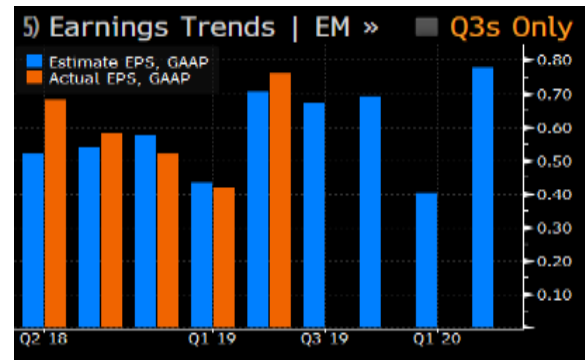
Institutions own 93.38% of GAP'S Float. Investment advisors own 55.92% of the float with Vanguard Group Inc. being the top holder 7.23%. American International Group Inc. come on the second place owning 4.38% of the float. Followed by BlackRock Inc. who also own a portion of 4.07%. Hedge Fund Managers own 2.64% of the total float. Hedge fund and investment advisors both seem to be optimistic as they have been adding to their positions, there is change in the rate of +3.17 for investment advisors and +2.15 for hedge fund managers, between the past year and the current year. Which means that they see the stock as a safe haven within the retail industry.

54) Ownership Type	11/19/17	Curr	Change
41) Investment Advisor	55.92	59.09	+3.17
42) Individual	23.26	19.79	-3.47
43) Other	7.22	7.97	+0.75
44) Hedge Fund Manager	2.64	4.79	+2.15
45) Pension Fund	1.91	2.81	+0.90
46) Bank	2.67	2.02	-0.65
47) Sovereign Wealth Fund	0.69	1.63	+0.94
48) Insurance Company	0.67	0.87	+0.20
49) Government	0.86	0.78	-0.08



Earnings Outlook:

Looking at the earning, the management approach to margin preservation over loss-leading sales as key to turning gap brand sales on the long run, but until inventory aligned there is a risk to 2H expectations. There is a 2% increase in inventory at the namesake that is significantly higher than the 5% drop in comparable sales. Inventory piling up may force markdowns, especially in Q4, that it putting additional pressure on results. Old Navy's 5% and Athleta's double-digit same store sales increases, showing a continued strength. Banana republic's 2% comparable sales gain is encouraging to the company. Gross margin drops 10Bps, due to merchandise margin dip at namesake. 2Q adjusted EPS of 58% missed consensus by 14 cents. The company is expected to show a same-store sales improvement by an addition 1.7%, with banana republic 1.8% better sales, and Old Navy 4% higher.



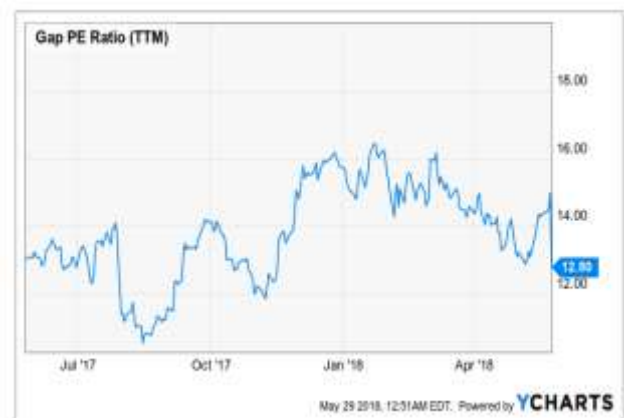
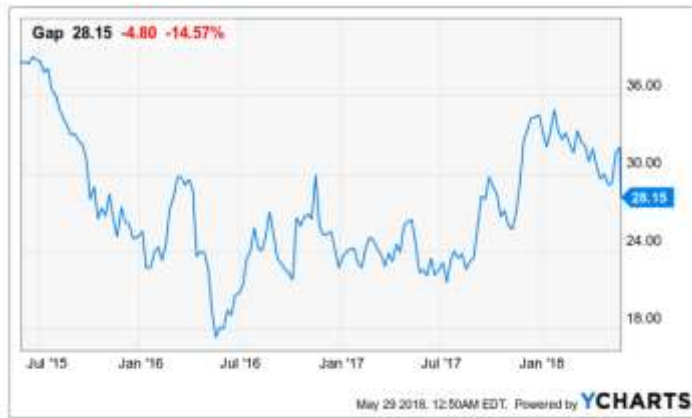
Sales outlook:

Revenue was up 10% to \$3.78B. All brands experiences a positive revenue growth, with Old Navy leading the pack at 12% growth, consistent with its previous performance. Gap, as a brand however continues facing headwinds, and has only grew by 4% for this current quarter. Revenue is expected to increase continuously for the following 5-7 years due to store expansion of both Old Navy and Athleta in different regions and countries. The company is also working on renovating their collections and implementing fast-fashion, this will indeed attract more customers, and increase the market share.

The Gap, Inc. NET SALES RESULTS UNAUDITED

The following table details the company's first quarter net sales (unaudited):

(\$ in millions) 13 Weeks Ended May 5, 2018	Old Navy Global	Gap Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	\$ 1,590	\$ 680	\$ 479	\$ 269	\$ 3,018	80%
Canada	127	77	50	1	255	7%
Europe	—	135	4	—	139	4%
Asia	12	284	25	—	321	8%
Other regions	16	28	6	—	50	1%
Total	\$ 1,745	\$ 1,204	\$ 564	\$ 270	\$ 3,783	100%
(\$ in millions) 13 Weeks Ended April 29, 2017 (3)	Old Navy Global	Gap Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	\$ 1,426	\$ 668	\$ 437	\$ 202	\$ 2,733	79%
Canada	111	77	45	1	234	7%
Europe	—	133	4	—	137	4%
Asia	9	250	24	—	283	8%
Other regions	16	30	7	—	53	2%
Total	\$ 1,562	\$ 1,158	\$ 517	\$ 203	\$ 3,440	100%



Competition:

The retail industry is known for being very competitive as there are many players in this market. Looking at GAP, the company has a large market capital that equals to 9.96B, therefore it is situated as fairly a big corporation compared to its contenders Express Ins., Guess.. The company has an EPS (yearly growth) of 2.18% with a PE ratio of 10.82 that is lower than the competitors PE, and a slightly high ROE of 29.89% compared to Express and Guess with 6.45% and 8.02%.

Segment		Revenue %	Metric		GPS	Low	Comp Range	High
Whole Firm		100%	Est P/E Current Yr		10.05	10.05		37.47
Specialty Apparel Sto...		94%	Sales Growth Yoy...		2.18	-2.49		13.00
Other Spec Retail - D...		6%	EBITDA Margin (%)		12.63	6.29		22.75
			Inv. to Sales Spr...		-0.17	-7.12		0.95
● GPS US ● Median								
Overview		Comp Sheets	Markets	EPS Preview	Ownership	Credit	Custom	
Name (BI Peers)	Mkt Cap (USD)	Last Px	Chg Pct	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE
Median	5.83B	23.48	-2.51%	-6.30%	5.05%	5.39%	19.98	18.96%
100) GAP INC/THE	9.96B	25.90	-1.22%	-4.95%	2.18%	7.64%	10.82	29.89%
101) EXPRESS INC	593.65M	8.09	-7.12%	-7.65%	-2.49%	-46.57%	15.82	6.45%
102) LULULEMON ATHLETICA...	17.81B	134.53	-3.79%	-8.38%	13.00%	20.73%	43.00	31.30%
103) GUESS? INC	1.71B	21.05	-0.61%	-1.54%	7.91%	3.13%	24.14	8.02%
								Dvd 12M Yld
								3.99%
								3.70%
								--
								--
								4.28%

Conclusion: In conclusion, I recommend Gap as a buy, the stock is relatively cheap for a big retail company. The company is opening 200 new Old Navy stores, in addition to 70 new Athleta stores which gives Gap more opportunities. The company is also willing to close few banana republic stores that is certainly good as the management is reacting to the changing in retail environment. This also means that the company will experience less losses by focusing on expanding their big brands and shutting their other brands that do not generate much of revenue. Gap is also willing to adjust to the changes in consumer preferences, this will regulate the turnover in the store base that may lead to higher profit margins as Gap realigns its offering for changing consumer tastes.

The Gap, Inc. (GPS)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Al Capone
11/16/2018

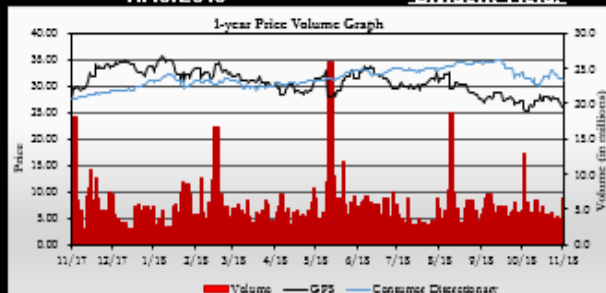
Current Price:
Dividend Yield:

\$25.90
3.7%

Intrinsic Value
Target Price:

\$30.20
\$32.93

Target 1 year Return: 30.84%
Probability of Price Increase: 100%



Description	
The Gap, Inc. operator as an apparel retail company worldwide.	
General Information	
Sector	Consumer Discretionary
Industry	Specialty Retail
Last Guidance	May 8, 2018
Next earnings date	November 20, 2018
Market Assumptions	
Estimated Equity Risk Premium	6.55%
Effective Tax rate	22%

Market Data	
Market Capitalization	\$9,963.94
Daily volume (mil)	6.57
Shares outstanding (mil)	384.71
Diluted shares outstanding (mil)	392.50
% shares held by institutions	57%
% shares held by investment Managers	49%
% shares held by hedge funds	2%
% shares held by insiders	38.59%
Short interest	6.09%
Days to cover short interest	4.67
52-week high	\$35.68
52-week low	\$25.27
Volatility	33.05%

Part Earning Surprises	
Quarter ending	Revenue
7/29/2017	0.35%
10/28/2017	1.91%
2/3/2018	2.22%
5/5/2018	5.55%
8/4/2018	1.56%
Mean	2.32%
Standard error	1.0%

Market and Credit Scores	
Recommendation (STARS) Value--3	
Recommendation (STARS) Description--Hold	
Quality Ranking Value--A	
Quality Ranking Description--High	
Short Score--1	
Market Signal Probability of Default % (Non-Rating)--1.12%	
Credit Model Score (Non-Rating)--a-	

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segments
United States (The United States, Puerto Rico and	Retail - Apparel--100%
Canada--7%	--
Europe--4%	--
Asia--8%	--
Other Regions--1%	--

Management	
Peck, Arthur	President, CEO & Director
Litt-Stall, Teri	Executive VP & CFO
Breitbard, Mark	President & CEO of Banana Republic
Synge, Sonia	President & CEO of Old Navy
Fisher, Darin	Co-Founder & Honorary Lifetime Director
Gilligan, Sally	Chief Information Officer

Total Compensation Growth	
-100% per annum over 4y	
-100% per annum over 1y	
-100% per annum over 2y	

Peers	
L Brands, Inc.	Macy's, Inc.
Nordstrom, Inc.	Burlington Stores, Inc.
Ross Stores, Inc.	V.F. Corporation
The TJX Companies, Inc.	PVH Corp.
Tapestry, Inc.	Tiffany & Co.

Profitability	
GPS (LTM)	GPS Historical
Return on Capital (GAAP)	13.7%
Operating Margin	8%
Revenue/Capital (GAAP)	1.67
ROE (GAAP)	36.4%
Net margin	6.6%
Revenue/Book Value (GAAP)	5.494470973

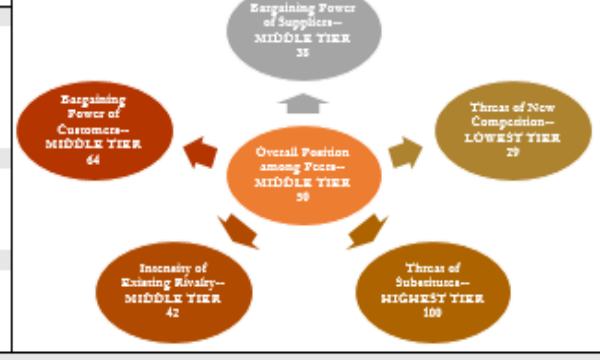
Peers' Median (LTM)	
14.55%	
12.09%	
1.20	
33.1%	
7.5%	
4.43	

Invested Funds	
GPS (LTM)	GPS Historical
Carb/Capital	15.2%
NWC/Capital	4.6%
Operating Assets/Capital	30.2%
Goodwill/Capital	0.0%

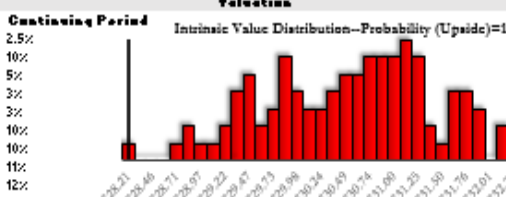
Peers' Median (LTM)	
18.5%	
2.3%	
63.0%	
11.0%	

Capital Structure	
GPS (LTM)	GPS Historical
Total Debt/Market Capitalization	0.6%
Cost of Debt	5.8%
OGFS Rating (F--care, Z--care, and default Probability): BB	
WACC	12.3%

Peers' Median (LTM)	
0.6%	
5.7%	
4.4%	
9.8%	



Fair-est Assumptions	
Revenue Growth CAGR	4%
Average Operating Margin	10%
Average Net Margin	6%
Growth in Capital CAGR	9%
Growth in Claims CAGR	0%
Average Return on Capital	13%
Average Return on Equity	17%
Average Cost of Capital	11%
Average Cost of Equity	12%



Sensitivity Attribution Analysis	
Revenue	18.6%
Operating costs	31.6%
Capital expenditures	11.3%
Discount Rate	8.3%

Company Description: Teva Pharmaceutical Industries Limited is a global pharmaceutical company. The Company develops, manufactures, and markets generic and branded human pharmaceuticals as well as active pharmaceutical ingredients. Teva is based in Jerusalem, Israel.

BUY @ \$21

Current Price: \$22.23

Target Price 1Y: \$25.68

Market Cap: 24B

Avg volume: 9.5M

Shares outstanding: 1B

Debt/Capital 2017: 65%



Thesis:

Teva has a world-leading position in innovating branded treatments, and over 1,000 generic drugs. As the on-going restructuring plan is going as announced, the company is getting more attractive for a long-term investment.

Catalysts:

- Short Term(within the year): **On-going restructuring plan**
- Mid Term(1-2 years): **AJOVY launch in Europe, stabilization in North America**
- Long Term(3+): **Stabilization of generics share**

Q3'18

Earnings Performance and Guidance:

Teva reported revenues of \$4.5B for its 3rd quarter, impacted by a headwind from currency and the Copaxone sales going down due to 3 generics entering the market, the Austedo revenues saw a good growth. Teva reported a Q3 GAAP net loss of \$208M, impacted mainly by impairment charges and recurring amortization of intangible assets (\$297M). The impairment non-GAAP adjustments were regarding product rights and in-process R&D assets acquired in the Actavis Generics transaction. The restructuring program costed \$88M in the quarter, significantly less than the first half of 2018. The revenues of \$4.5B represent a decrease of 19% year over year, mainly due to the generic competition to Copaxone, and price erosion in the US Generics business. The gross margin fell by 200bps due to the same price erosion. However, gross margin saw a slight

improvement compared to the previous quarter this year. The exchange rate (mostly the Russian Ruble, the Argentinian Peso, and the Turkish Lira against the US Dollar) negatively affected revenues by \$80M, and operating income by \$37M. Teva expects and included in the updated 2018 guidance that the Euro will weaken and continue being a headwind in the 4th quarter. The revenues in Europe dropped for the second consecutive quarter, due to the currency and price erosion on Copaxone, that are covering the positive organic growth. Sales in Japan declined, due to negative price regulation changes, and price erosion in the legacy brands products. Other markets were also negatively impacted by the recall of Valsartan, such as Russia, Argentina and Turkey. The trends shown are also explained by the divestiture of the women's health segment, the closure of the Hungarian distribution activities, and the deconsolidation of Venezuela.

Teva started a restructuring program last December, targeting a reduction in Cost of Goods sold, and operating expenses of \$3B in absolute costs. (from \$16.3B in 2017 to \$13.3B in 2019) They are planning to let go of 14,000 employees world-wide, and increase natural currency hedge, especially in Europe. So far, Teva reduced in 9 months the spending base by \$1.8B, and is satisfied with the progress. They had to let go of 9,000 employees, and closed a lot of facilities, they will continue on this path since it is a two-year-plan. In Q3 alone, they reduced R&D expenses and costs, and managed to slow the growth in marketing expenses. Overall, General and Administrative expenses fell by 21% year over year. The long-term target is to have net debt 3 times below EBITDA. They decreased net debt by \$0.8B in the quarter, down to \$27.6B, which is \$3.9B less than when year started. They also issued new corporate bonds during the year to repay some bonds, and get rid of all term loans, also using the FCF.

However, they predict 2019 to be a tough year regarding EBITDA, because of the continuing restructuring plan.

Teva reported a non-GAAP free cash flow of \$704M, an increase of 26% compared to the prior quarter due to less legal settlement and restructuring payments, all of it was used to pay off the outstanding debt. The first quarter free cash flow amounted \$1,894M, including about \$1B of extraordinary items coming from working capital adjustments and settlements.

The updated version of 2018 full year guidance includes a slight increase in revenues to \$18.6-19B, an increase of \$300M only because of the currency headwind, and an adjusted EBITDA margin improvement of 200bps compared to the original plan, up to \$5.2-5.4B. They also increased non-GAAP free cash flow from 2.6-2.8B to \$3.6-3.8B, with a favorable global tax rate of 14%.

Mid-December this year, all the mandatory outstanding convertible preferred shares will be converted, this should increase outstanding common share to 1.1 billion at year-end, but will put an end to the preferred dividend burden.

AJOVY, a preventive migraine drug, was approved on the PDUFA date in September this year. Followed the next week by a very strong launch in North America. Austedo sales keep growing, and Copaxone is maintaining shares, even though prices are going down a little (and affects turnover). AJOVY was shipped one week after the FDA approval, as Teva was in the starting blocks. It is the most flexible Calcitonin Gene-Related Peptide (CGRP) therapy on the market: administered quarterly or monthly, it reduces migraine days for chronic migraines. The expect approval in Europe is mid-2019. They also talk about a promising product: Fasinumab, in phase III (efficacy) in the pipeline, in partnership with Regeneron, which means that only long-term safety remains to be proved. It is a pain therapy not opiate-based, which would reduce pain drugs misuses.

Also, FDA is recommending approbation unanimously on the CT-P10 biosimilar to Rituxan (with partner Celltrion). Generic EpiPen was approved, and is currently launched in the U.S. during the 4th quarter.

The Generic revenues are now stabilizing. Last year, Teva's CEO Kare Schultz announced that they would only remain in profitable generics, and therefore left a portion of the market in 2018.

Business description:

Teva Pharmaceutical Industries Limited has the largest Generics portfolio in the world, along with a wide range of specialty products, and a unique distribution business in Andia. Their portfolio includes over 1,000 generics. In the United States, they are the leader in Generics with 14% market share, and number 2 in Canada with 24% market share. To be noted that's in the United States, 90% of the market are Generics.

In the specialty product segment, they focus mainly on therapeutic areas of the Central Nervous System (CNS), respiratory, pain, and oncology. The major drivers of this segment are AUSTEDO, COPAXONE, and AJOVY. The Andia business is the 4th largest Generic pharmaceuticals distributor, and largest secondary supplier in the US.

Europe represents around 27% of sales, that should face a high single digit growth in the future years.

Teva also offers a free patient support for those who take their treatments, such as injection training for at-home administration.

Here are the main specialty products in Teva's portfolio:

- AJOVY: launched the week of September 24, 2018, AJOVY is a flexible migraine prevention treatment with quarterly or monthly administration, and can be injected at home. For that purpose, Teva offers auto-injectors, and will also offer a prefilled syringe for people less confident with self-injection. The product is easily accessible to both prescribers and patients (24 to 48 hours) across the US. 20% of the prescriptions seem to be for quarterly doses, which are sold 3 times the price of a monthly dose. Headache specialists and neurologists account for 70% of AJOVY prescriptions. Teva is currently negotiating for the formulary access on AJOVY, There exist 3 similar products in term of results, but none in ease of administration (the quarterly dose is unique)
- AUSTEDO: Approved by the FDA in April 2017 and August 2017, can now treat both tardive dyskinesia (an irreversible movement disorder affecting about 500,000 people in the US) in adults and symptoms of Huntington's disease. The drug was also commercialized in Korea in the 2nd quarter of 2017. Teva is currently pursuing AUSTEDO as an indication for Tourette syndrome, that could result in an additional use in the US within 12 to 24 months. As of Q3 2018, it represented \$62M in revenues for Q3 2018, falling in the guidance of \$200M for 2018. This drug has a long patent protection
- COPAXONE: The first generic was approved in Q4 2017, but the drugs still remain the market leader with 77% of the market share. More generics are being approved (3 for now), which will lead to higher price reductions and lower volumes. Copaxone is a 3-times a week injection for people diagnosed with relapsing forms of Multiple Sclerosis.

There are more specialty products currently in Teva's pipeline, presented below:

Phase 2

Phase 3

Registration

Recent Approvals

Fremanezumab
(anti CGRP)

for Post-Traumatic Headache

Fremanezumab
(anti CGRP)

Cluster Headache

Fremanezumab
(anti CGRP)

Migraine (U.S. & E.U.)

Austedo ®

Huntington Disease
(U.S.)

Fasimumab¹

Chronic lower back pain

Fasimumab¹

Osteoarthritis pain

ProAir® e-Respiclick®

E-connectivity
(U.S.)

Austedo ®

Tardive dyskinesia
(U.S.)

Laquinimod

Huntington disease

Austedo® (SD-809)

Tourette syndrome
(U.S.)

CT-P10²

(proposed rituximab
biosimilar)
(U.S.*)

Azilect®⁴

Parkinson's disease
(Japan)

CT-P6²

(proposed trastuzumab
biosimilar)
(U.S.*)

ArmonAir® RespiClick®

Asthma
(U.S.)

BENDEKA ®⁵

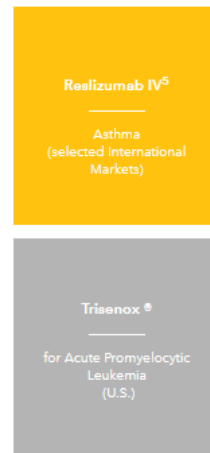
CLL and NHL
(Selected International
Markets)

AirDuo® RespiClick®

Asthma
(U.S.)

QVAR®

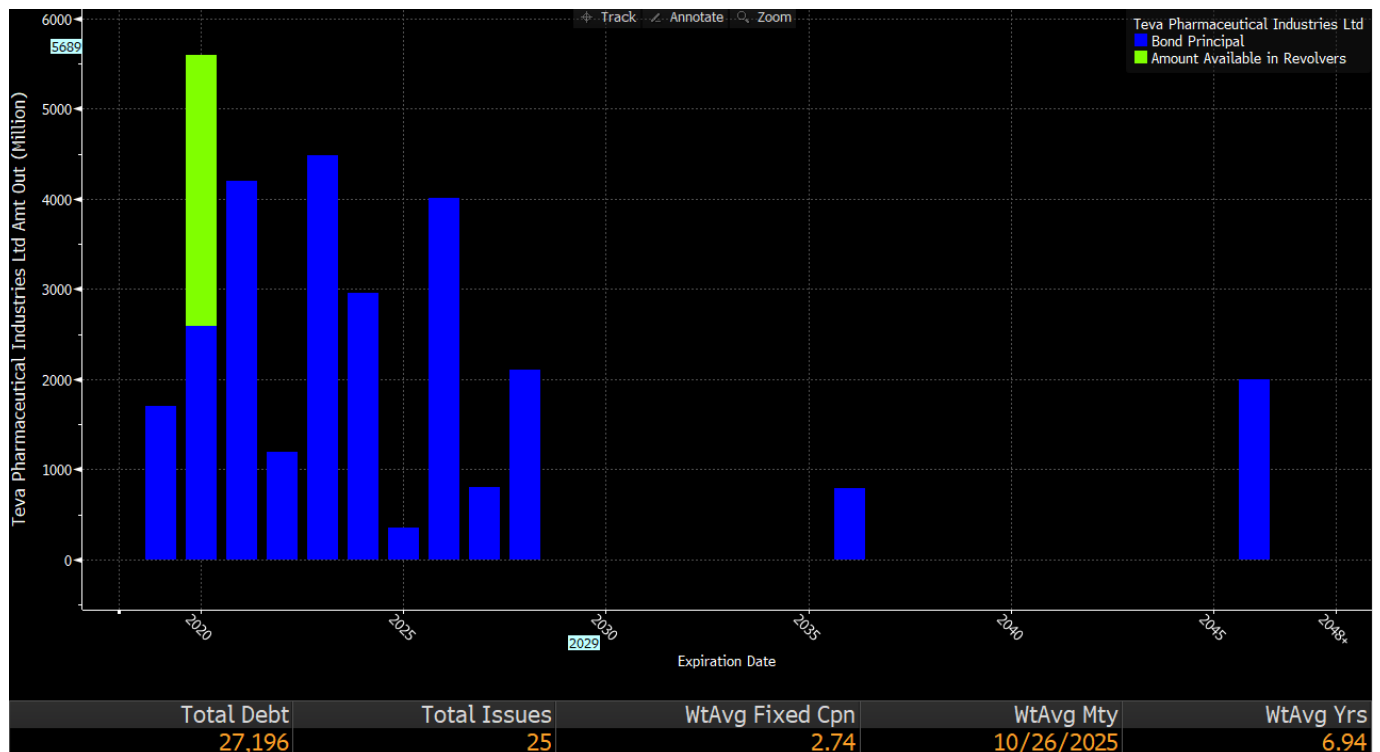
* (beclomethasone
dipropionate BAI)
Asthma (U.S.)



Debt:

Teva's outstanding debt is composed 24 issues of \$27,196M of Senior unsecured bonds with an average maturity in October 2015, that were issued in both USD, EUR, and CHF, and \$3,713M of preferred debt and \$3B in Senior unsecured Loans. The unsecured bonds alone represents 1.13 times the market capitalization.

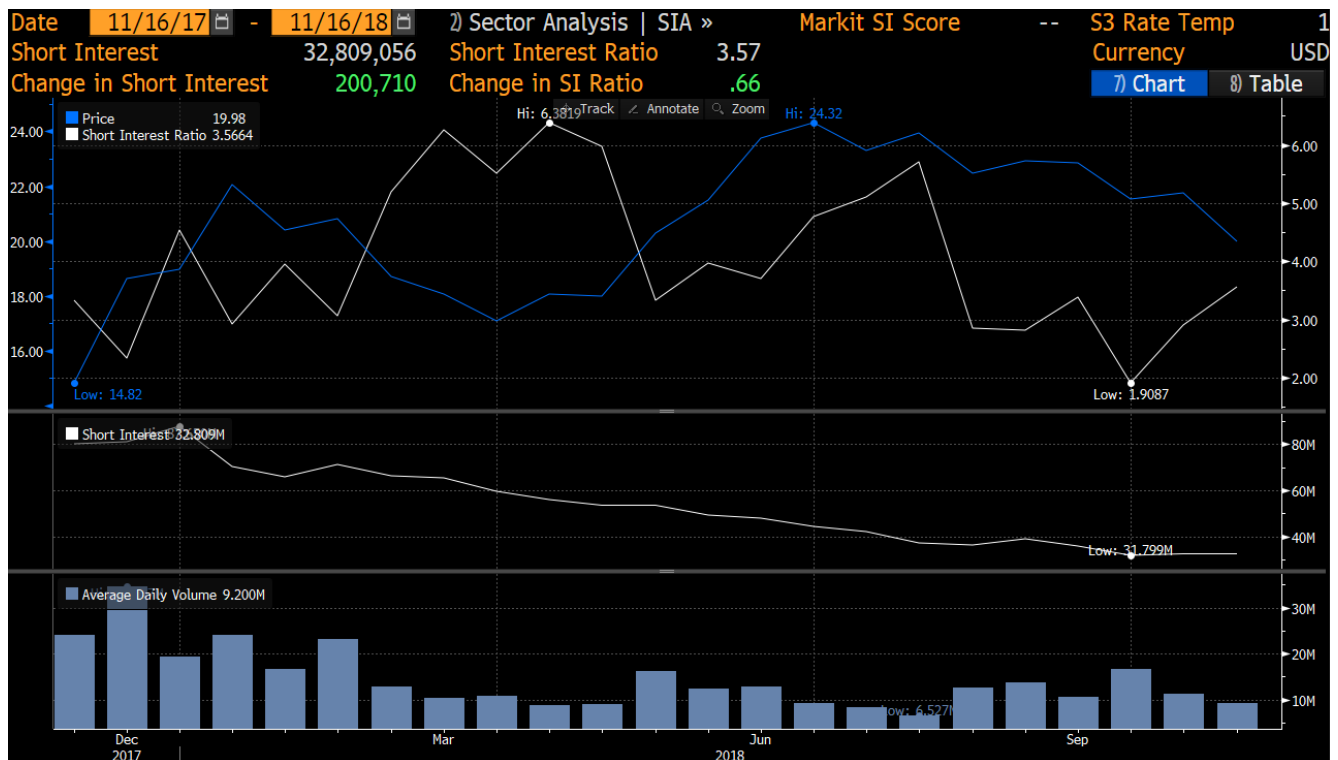
Here is Teva's maturity schedule:



Ownership:

The main holders of Teva's publicly traded shares are Capital Group Company with 16.33% of the float, Franklin Resources Inc. with 9.95%, and Berkshire Hathaway Inc. with 4.25%. Insiders own 0.38% of the current float. Over the past year, short interest has decreased due to the restructuring plan going as announced.

Compare Current Stats Against 11/12/17							
Institutional - Based on Current Filings				Insider - Based on Last 6 Months			
51) Institutional	11/12/17	Curr	Change	52) Insider	11/12/17	Curr	Change
11) % of Shares Held	69.1	86.74	+17.64%	21) % of Shares Held	0	0	0.00%
12) % of Float Held	-70,140,101	-84,004,985	-13864883	22) % Chg Insider Positions	NaN	NaN	NaN%
13) # of Institutions	965	878	-9.02%	23) # of Insiders	0	0	
14) # of Buyers	324	264	-18.52%	24) # of Buyers Opn Mkt	0	0	
15) # of Sellers	319	238	-25.39%	25) # of Sellers Opn Mkt	0	0	
16) # of New Buyers	106	121	+14.15%	26) # of Shrs Bought Opn Mkt	0	0	
17) # of Selloffs	228	104	-54.39%	27) # of Shrs Sold Opn Mkt	0	0	
18) % Chg in Inst Positions	+0.11	+4.11	+4.00%	28) Avg Opn Mkt Buy Price	0	0	0.00%
				29) Avg Opn Mkt Sell Price	0	0	0.00%
Top Geographic Ownership (%)				Top Ownership Type (%)			
53) Geographic	11/12/17	Curr	Change	54) Ownership Type	11/12/17	Curr	Change
31) UNITED STATES	80.29	84.29	+4.00%	41) Investment Advisor	84.2	81.24	-2.96%
32) BAHAMAS	4.23	4.1	-0.13%	42) Hedge Fund Manager	5.55	6.62	+1.07%
33) CANADA	2.19	2.51	+0.32%	43) Corporation	0.02	4.29	+4.27%
34) JAPAN	1.92	1.45	-0.47%	44) Pension Fund	2.08	1.92	-0.16%
35) LUXEMBOURG	1.04	1.17	+0.13%	45) Bank	1.49	1.47	-0.02%
36) UNITED KINGDOM	2.32	1.14	-1.18%	46) Insurance Company	2.49	1.22	-1.27%
37) ISRAEL	2.25	1.13	-1.12%	47) Government	1.42	1.14	-0.28%
38) NORWAY	2.03	1.05	-0.98%	48) Sovereign Wealth Fund	1.98	1.11	-0.87%
39) SWITZERLAND	1.09	0.98	-0.11%	49) Brokerage	0.48	0.69	+0.21%



Conclusion:

Teva is a highly leveraged company, but is delivering on its restructuring plan as announced. Q3 earnings shows that the bleeding related to the drug Copaxone is managed, they maintain a 77% market share despite the new generics, and has stabilized revenues on the US Generics market. The key negative driver for Teva in the near future will remain the Copaxone sales going down, but will be compensated by the large current pipeline, as well as AJOVY sales world-wide. Europe expressed on November 16 a positive recommendation for Ajoy's approval. As the debt burden is actively reducing, Teva gets more attractive. For these reasons, I recommend a long-term buy on Teva Pharmaceutical Industries Limited (TEVA).

Teva Pharmaceutical Industries Limited (TEVA)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Lapras

11/17/2018

Current Price:

\$22.25

Intrinsic Value

\$29.86

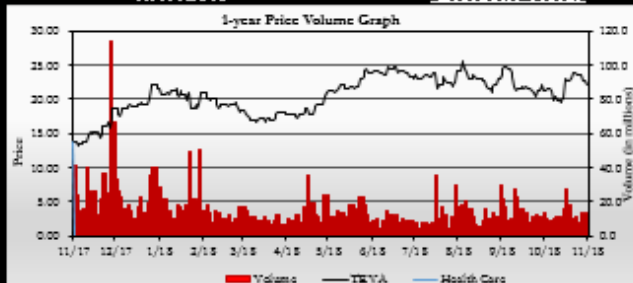
Dividend Yield:

0.0%

Target Price

\$25.03

Target 1 year Return: 12.49%
Probability of Price Increase: 100%



Description	
Teva Pharmaceutical Industries Limited, a pharmaceutical company, developer, manufacturer, marketer, and distributor generic medicines and a portfolio of specialty medicines worldwide.	
General Information	
Sector	Health Care
Industry	Pharmaceuticals
Last Guidance	May 8, 2018
Next earnings date	February 8, 2019
Market Assumptions	
Estimated Equity Risk Premium	5.41%
Effective Tax Rate	14%

Market Data	
Market Capitalization	\$22,666.80
Daily volume (mil)	9.35
Shares outstanding (mil)	609.29
Diluted shares outstanding (mil)	1017.50
% shares held by institutions	62%
% shares held by investment managers	51%
% shares held by hedge funds	6%
% shares held by insiders	0.50%
Short interest	3.22%
Days to cover short interest	2.72
52-week high	\$25.96
52-week low	\$12.71
Volatility	38.66%

Quarter ending	
9/30/2017	0.36%
12/31/2017	3.02%
3/31/2018	5.65%
6/30/2018	-1.38%
9/30/2018	-0.46%
Mean	-1.44%
Standard error	1.0%

Part Earning Surprises	
Revenue	EBITDA
9/30/2017	-21.23%
12/31/2017	-12.48%
3/31/2018	7.41%
6/30/2018	-4.15%
9/30/2018	0.00%
Mean	-6.09%
Standard error	4.6%

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segments
United States--53%	--
Europe--27%	--
Rest of the World--19%	--
--	Other Activities--15%
--	--

Management	
Schultz, Káro	President, CEO & Director
McClellan, Michael	Executive VP & CFO
Sabag, Mark	Executive Vice President of Global Human Resources
de Natorafani, Carlo	Executive Vice President of Global Operations
Fridriksson, Hafur	Executive Vice President of Global R&D
Griffin, Deborah	Senior VP & Chief Accounting Officer

Total Compensation Growth	
0% per annum over 0y	0% per annum over 0y
0% per annum over 0y	0% per annum over 0y
0% per annum over 0y	0% per annum over 0y
0% per annum over 0y	0% per annum over 0y
0% per annum over 0y	0% per annum over 0y
0% per annum over 0y	0% per annum over 0y

Peers	
Allergan plc	Jazz Pharmaceuticals plc
Mylan N.V.	ActaZeneca PLC
Parikka Company plc	China Resources Pharmaceutical Group Limited
Bristol-Myers Squibb Company	MERCK Kammanditgesellschaft auf Aktien
Eli Lilly and Company	Endo International plc

Profitability	
TEVA (LTM)	TEVA Historical
Return on Capital (GAAP)	4.6%
Operating Margin	17%
Revenue/Capital (GAAP)	0.27
ROE (GAAP)	5.9%
Net margin	10.2%
Revenue/Book Value (GAAP)	0.58

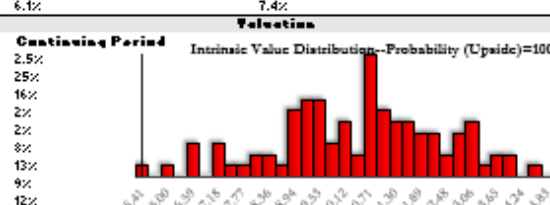
Peer's Median (LTM)	
9.56%	22.38%
0.43	0.6%
9.9%	0.67



Invested Funds	
TEVA (LTM)	TEVA Historical
Cost of Capital	4.7%
WACC/Capital	0.4%
Operating Assets/Capital	35.2%
Goodwill/Capital	59.7%

Peer's Median (LTM)	
9.8%	0.0%
56.2%	27.3%

Capital Structure	
TEVA (LTM)	TEVA Historical
Total Debt/Market Capitalization	0.65
Cost of Debt	2.8%
CGFS Rating (F=care, Z=care, and default Probability: 00	00
WACC	8.1%



Sensitivity Attribution Analysis	
Revenue	31.5%
Operating costs	33.7%
Capital expenditures	3.5%
Discount Rate	31.7%