



# Advisory Board Presentation

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AIM XLIII | December 5, 2016

# AIM XLIII

## Analyst Introductions



**David Arney**  
Cleveland, OH  
MarketAxess, Applied Materials

**James Burke**  
Long Island, NY  
United Health Group, Constellation Brands

**Conor Colpoys**  
Erie, PA  
Herman Miller, CoreCivic

**J.J. del Rosario**  
St. Louis, MO  
Microsoft, LendingClub

**Savanna Dinkel**  
Flower Mound, TX  
Envision Healthcare, Digital Realty

**Grant Ebenger**  
Fort Lauderdale, FL  
O'Reilly Automotive, Infinera

**Ben Fouch**  
Brownsburg, IN  
Wabtec, Activision-Blizzard

**Peter Fox**  
Grosse Pointe Farms, MI  
Kinder Morgan, Intel

**Jimmy Ganas**  
Palatine, IL  
Check Point Software, Endo

**Bryan Hall**  
Pittsburgh, PA  
Hain Celestial, Tempur Sealy

**Neil Jones**  
Cincinnati, OH  
Sherwin-Williams, Kraft Heinz

**Conor Kinasz**  
Des Plaines, IL  
Alphabet, Costco

**Anthony LaGuardia**  
Seattle, WA  
Union Pacific, Alaska Air Group

**Joseph Lanzel**  
Foxboro, MA  
Exxon Mobil, Under Armour

**Christopher Leitten**  
Birmingham, AL  
Gilead Sciences, Verisk Analytics

**Brooke LI**  
Wuxi, China  
Equifax, Mosaic

**Colin Lillibridge**  
Geneva, IL  
Knoll, Align Technology

**Jimmy Mangan**  
Winnetka, IL  
McDonald's, Buffalo Wild Wings

**Jack Markwalter**  
Atlanta, GA  
Newmont Mining, Nvidia

**Nathaniel Marti**  
Mount Vernon, IA  
Total System Services, Rockwell-Collins

**Cameron Perna**  
Rochester, NY  
Jazz Pharmaceuticals, Dunkin' Brands

**Jesse Plante**  
Floral Park, NY  
American Tower Corporation, Nike

**Ben Rosso**  
Raleigh, NC  
Facebook, First Solar

**Ryan Seymour**  
Winnetka, IL  
Whitestone REIT, HCA Holdings

**Theo Sholly**  
Knoxville, TN  
Covanta, Verisign

**Taryn Stamper**  
Spokane, WA  
Hannon Armstrong, Hanesbrands

**Jamie Sullivan**  
Tampa, FL  
Sprouts Farmers Market, Priceline Group



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# Agenda

Course Overview

Economic Outlook

Security Analysis

Portfolio Performance

AIM XLIII Review

Concluding Remarks



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# Course Overview

Fundamentals

Analyst Responsibilities

Investment Philosophy and Policies

# Course Overview

## Fundamentals



### Course Objectives

- Blends traditional academic objectives with the practical experience of hands-on investment management
- Provide students with a thorough grounding in the portfolio management process
- Enhance each student's ability to effectively communicate their approach and analyses leading to their investment recommendations

### Analyst Selection

- Undergraduates submit a resume, transcript, and essay detailing their desires and qualifications to participate in the course
- Analysts are selected based on academic performance, professional experience, and other relevant criteria

### Methodology

- The new AIM class inherits the approximately \$10MM portfolio handed over by the previous class
- Each analyst conducts and presents investment analyses for an existing portfolio stock
- Analysts then cover a stock of their choice to be considered for addition to the portfolio
- Finally, the class votes on the composition of the new portfolio based on each analyst's final recommendation

# Course Overview

## Analyst Responsibilities



### Individual Responsibilities

- In-depth research and coverage of two stocks
- Effective communication of findings to peers
- Completion of various analyst reports and group projects
- Staying up to date on the market and all stocks in the portfolio
- Each class, a student is assigned as "CIO"; responsibilities include a market update and organization of the class period

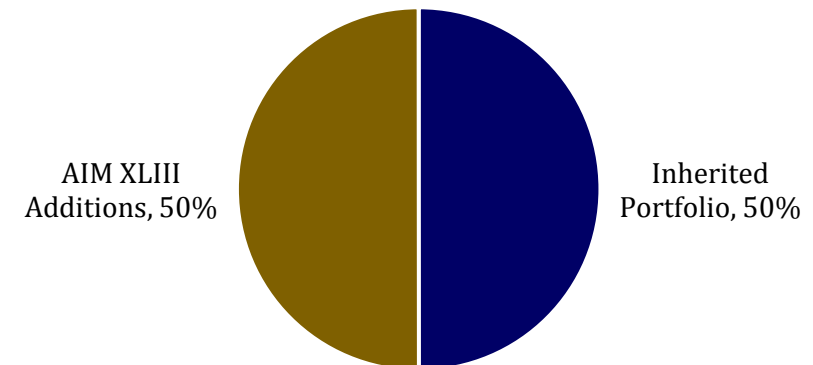
### Group Projects

- Industry / Sector Analysis
- Economic Analysis
- Portfolio Performance
- Newsletter & Webpage

### Analyst Reports

- Company Background
- Earnings Forecast
- Technical Analysis
- Fundamental Analysis
- Beta Forecast
- Intrinsic Valuation

### Portfolio Management



# Course Overview

## Investment Philosophy and Policies



### Investment Philosophy

- Outperform the S&P 500 over the long-term
  - Other benchmarks include the Russell 2000 & the HBI Index (65% S&P 500, 35% Russell 2000)
- Bottom-up approach, accompanied by top-down consideration
- Make well-researched trade decisions that contribute to the growth of the portfolio's value for the use of future classes

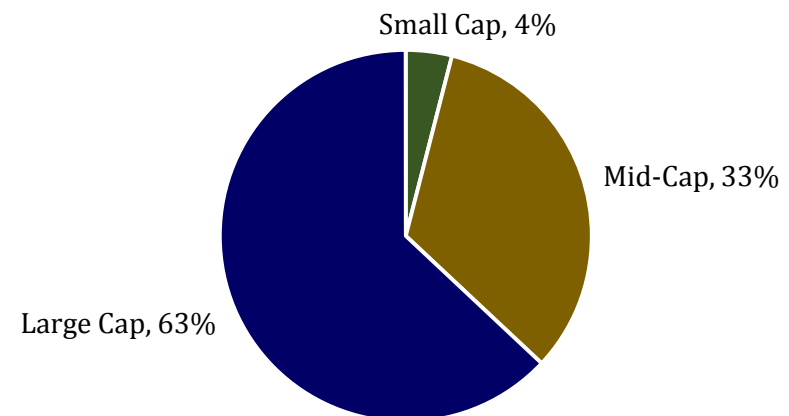
### Investment Guidelines

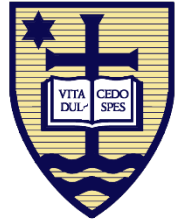
- Only common equities traded on major U.S. exchanges
- Avoid companies whose ethics are not consistent with those of the University (i.e. abortifacients, birth control, tobacco, etc.)
- Target allocation: 35% Small & Mid-Cap, 65% Large Cap (with a -/+ 10% boundary)
- One stock should not exceed over 10% of the portfolio

### Investment Constraints

- Liquidity: Investments limited to common equities
- Time Horizon: 3-5 year outlook
- Laws & Regulation: "Prudent Person Rule"
- Tax Considerations: Not a constraint for the fund given its tax-exempt status

### AIM XLIII Portfolio Composition





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# Economic Outlook

Overview

Sovereign Yields

Central Bank Policy

Labor Market

Household Data and Consumption

Foreign Exchange

Current Events

Impact on Portfolio



# Economic Outlook

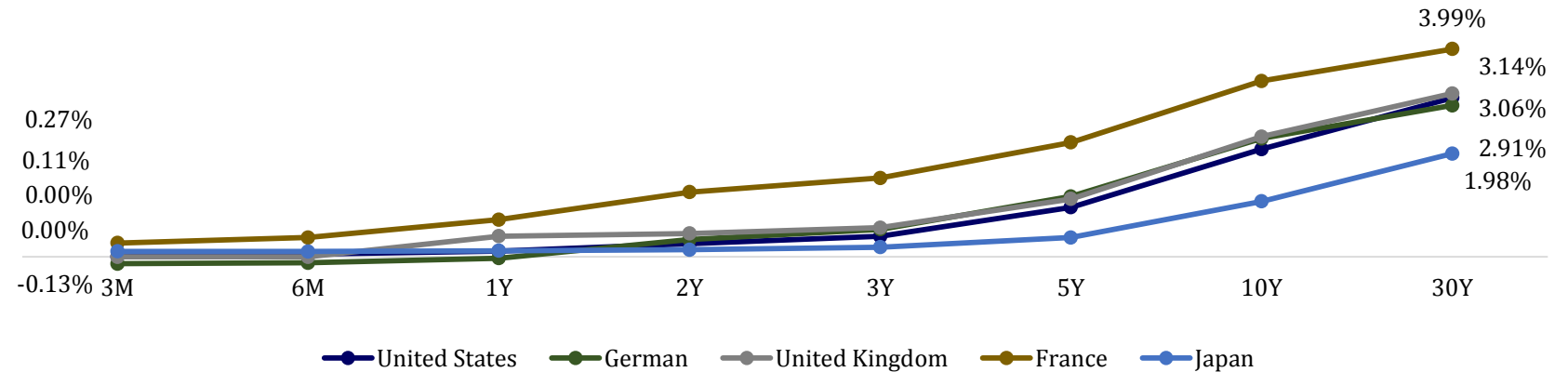


## Negative Interest Rates Demonstrate Stretched Monetary Easing

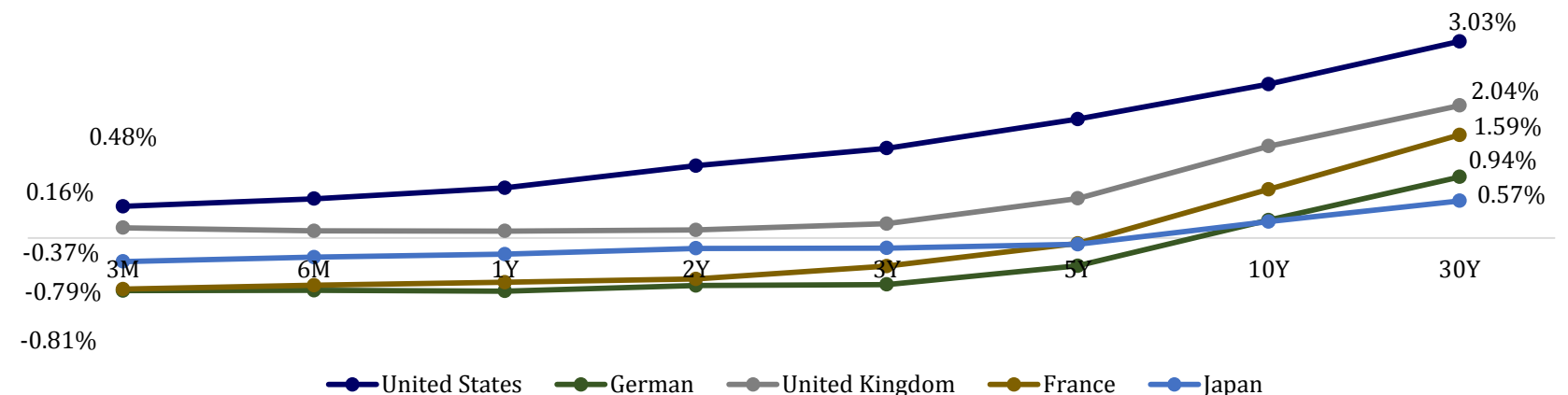
### Short Run: Improving

- Sovereign yields have been trending lower over the last 5 years
- Central banks have eased monetary policy to stimulate growth, especially in Europe
- Low yields on longer dated maturities signals lack of compelling long-term investments
- United States is the exception to the rule with recent yield movement to the upside

### Sovereign Yield Curves 5 Years Ago



### Sovereign Yield Curves Today



Source: Bloomberg

# Economic Outlook

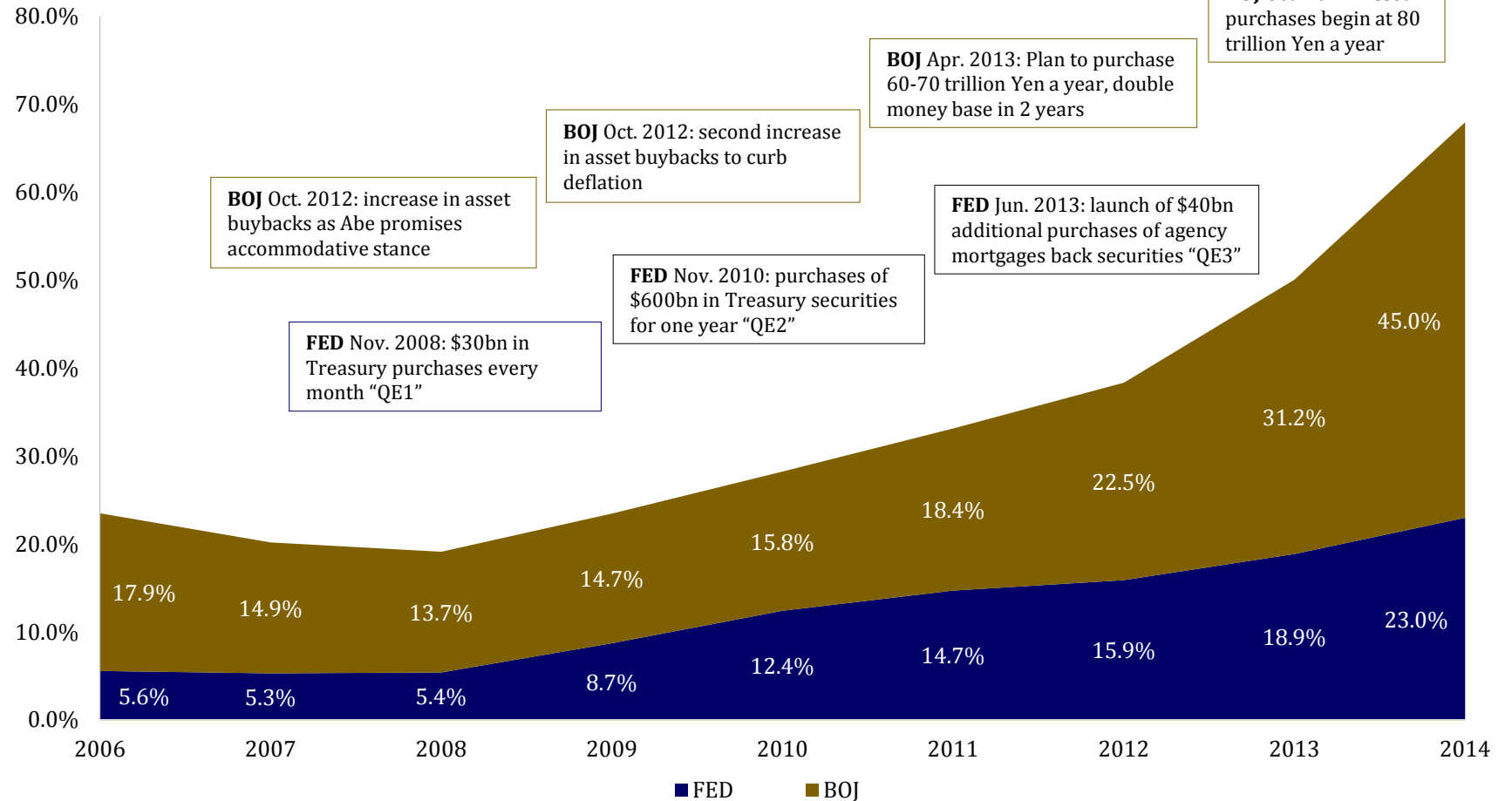


## Central Bank Balance Sheet Expansion

### Commentary

- Central Banks have used their balance sheets to fuel asset purchases
- Goal has been to lower interest rates on longer dated maturities and provided liquidity
- Limits of QE have likely been reached as Central Bank balance sheets have grown
- Indicative of less monetary tools available in the future

### Central Bank Assets to GDP

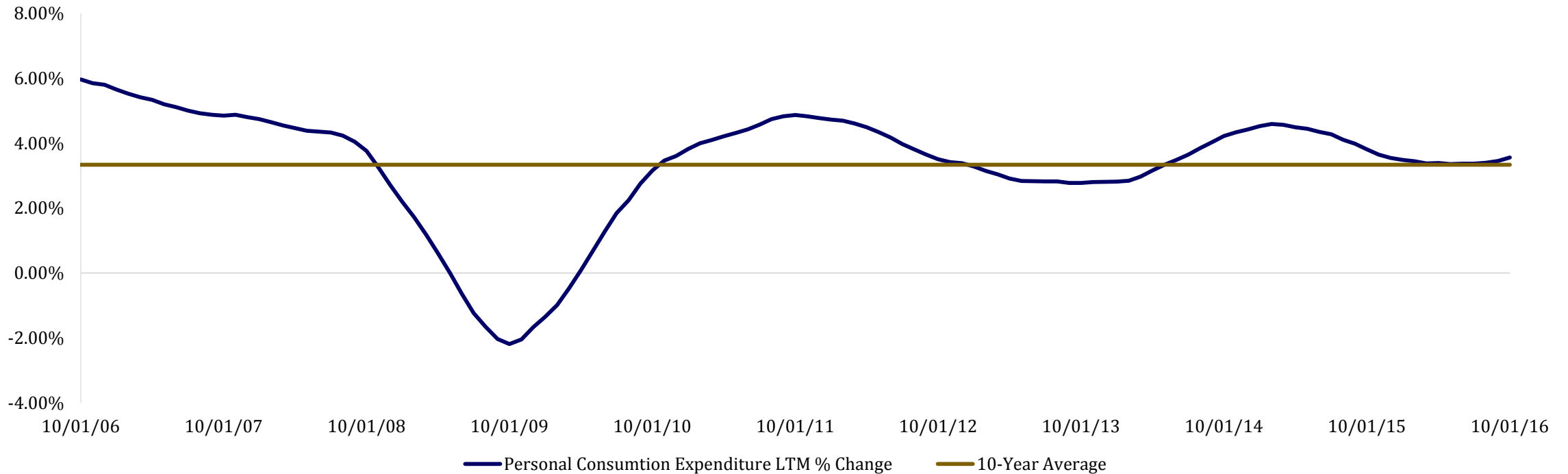


# Economic Outlook

## Personal Consumption Expenditure is Cautiously Optimistic



Personal Consumption Expenditure LTM % Change



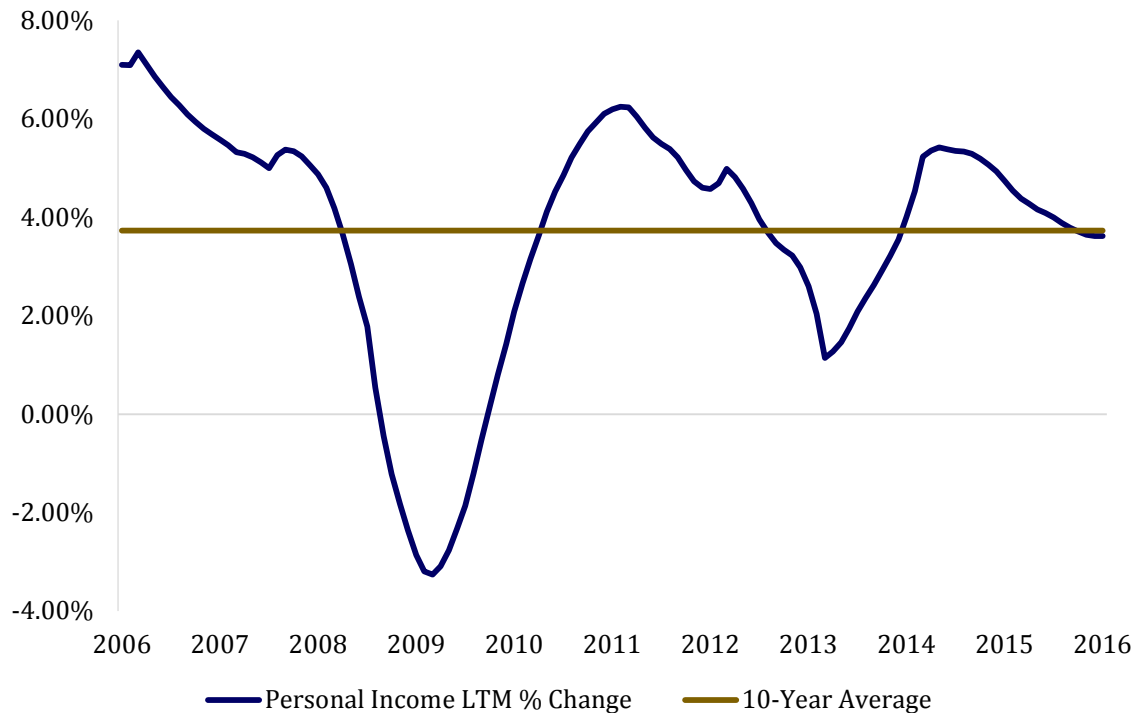
Recent Revival but the Economic Outlook Remains Near the Average

# Economic Outlook

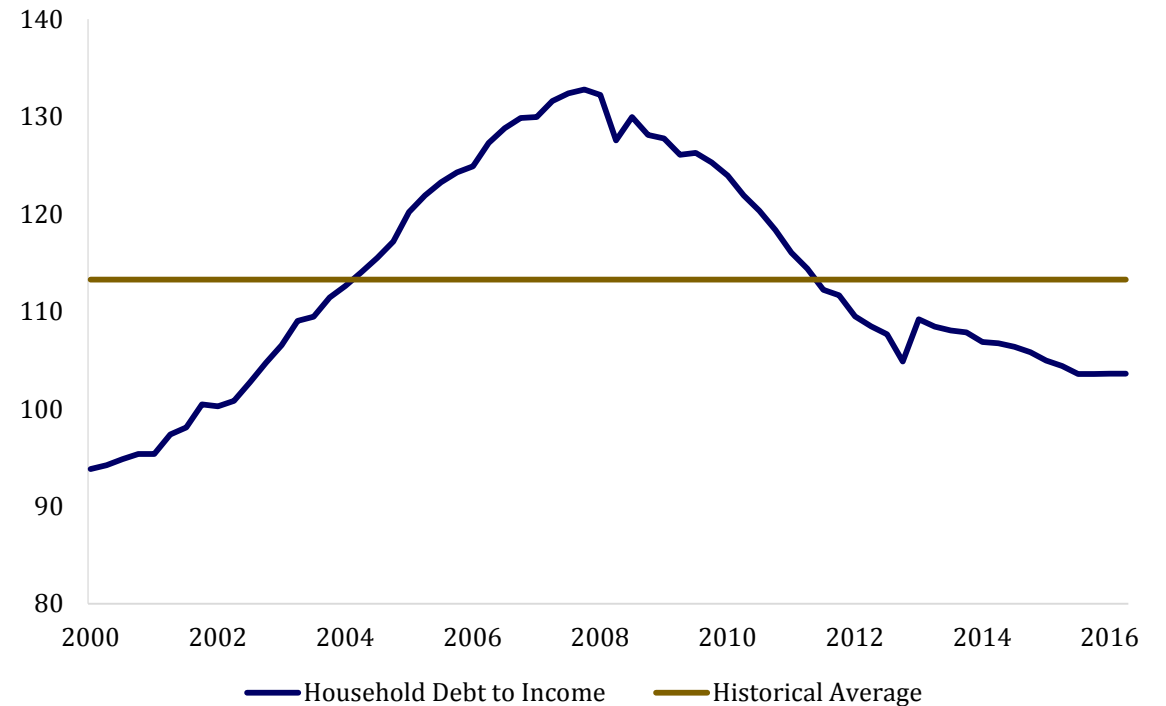


## Personal Income Increasing but Households Still Financially Strapped

Personal Income LTM % Change



Household Debt to Income



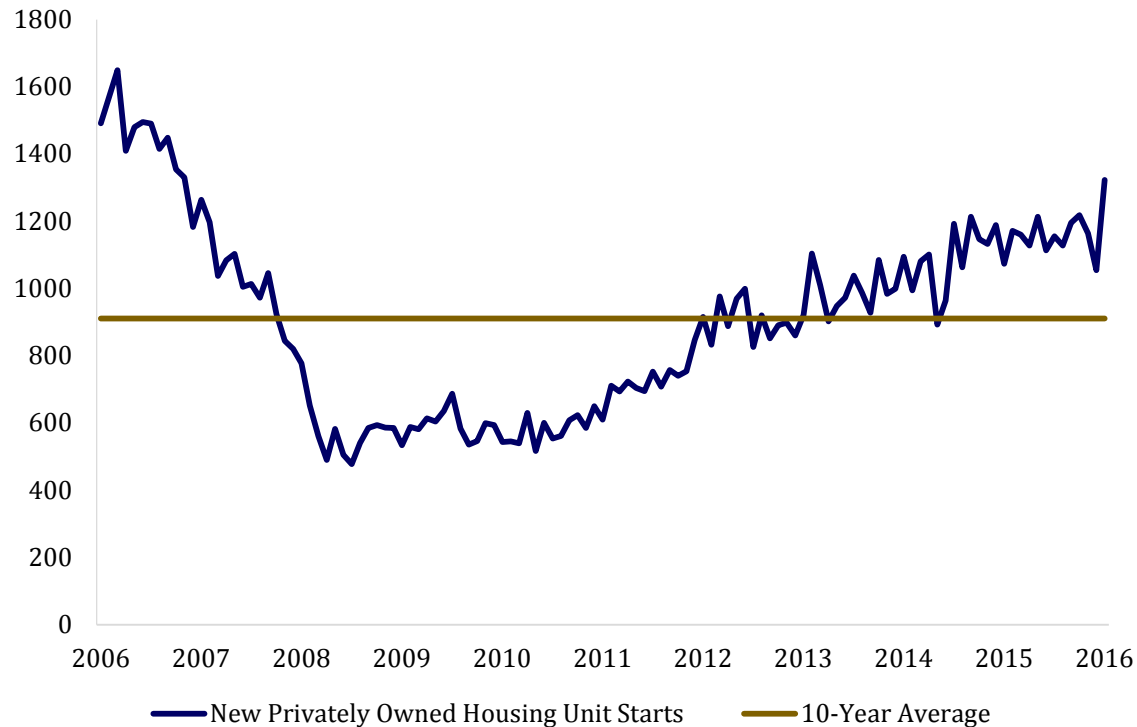
Recent Decline in Household Debt to Income as Incomes Have Risen, but it Remains above the Pre-Recession Levels

# Economic Outlook

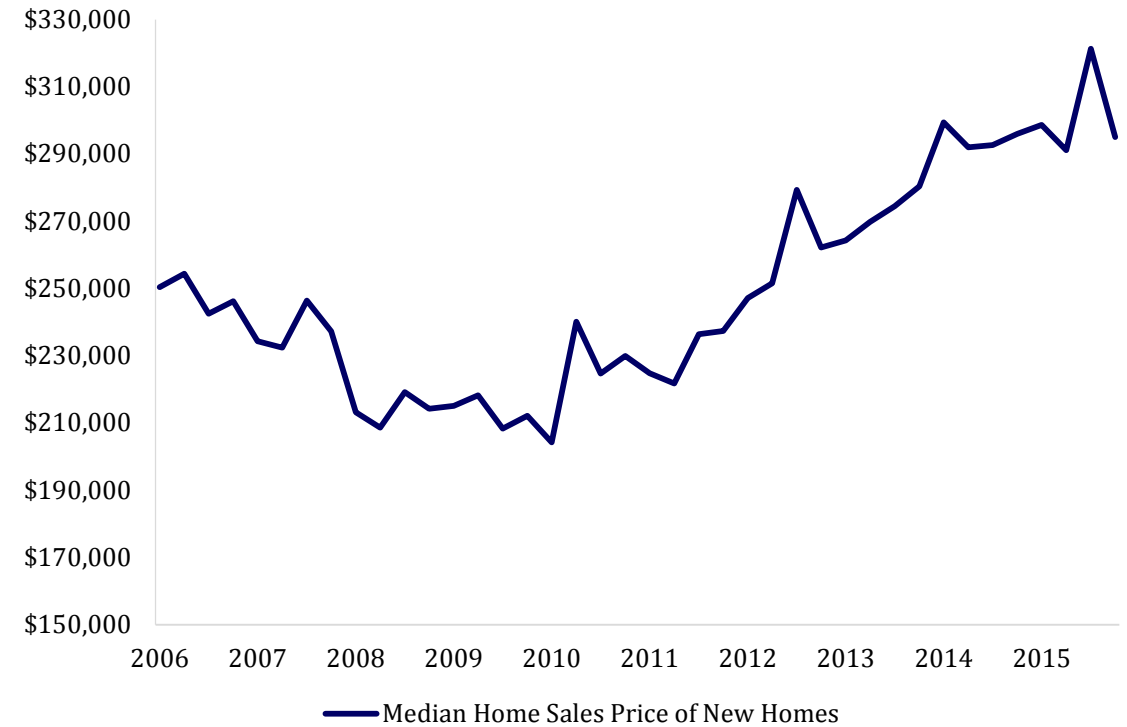


## Households Hurt by Slow Recovery Focused on Upper Class

### New Private Housing Starts



### Median Home Sales Price of New Homes



The U.S. Consumer is Further Hurt by Slow Housing Recovery that Leaves Behind the Average Consumer

# Economic Outlook

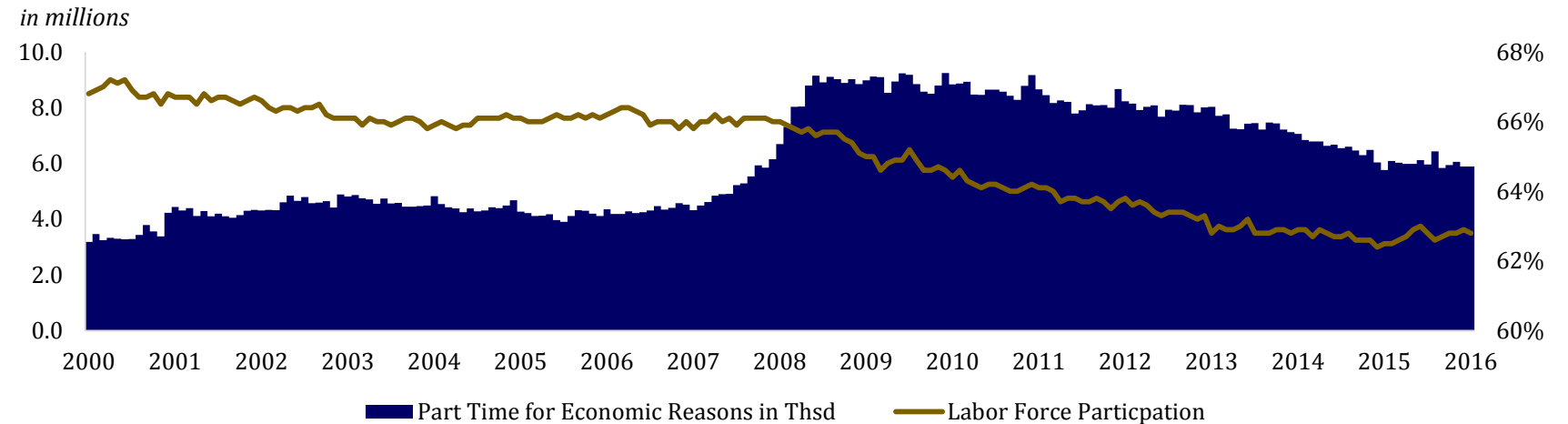


## Long Run Trends in the Labor Market Show a Changing Economy

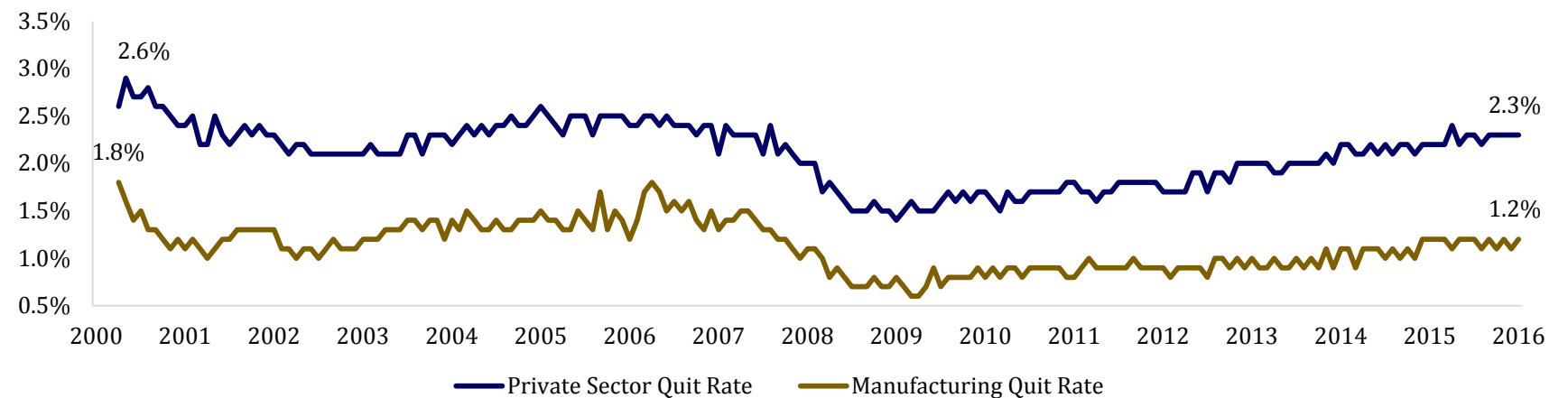
### Short Run: Improving

- U-3 Unemployment rate currently at 4.9%
- U-3 .1% lower since September
- U-6 Unemployment rate currently at 9.5%
- U-6 .2% lower since September
- Household income increased 5.2% yoy to \$56,500 in 2015

### Long Run: Problematic Trends in the Labor Market



### Long Run: Workers Have Less Viable Employment Options



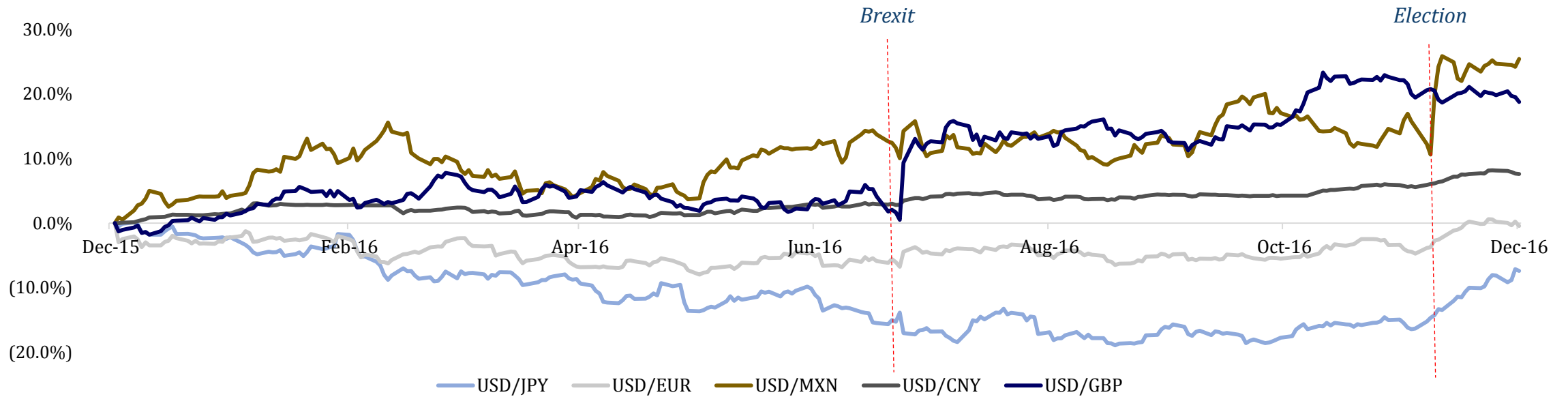
Source: Bureau of Labor Statistics

# Economic Outlook

## Strengthening U.S. Dollar



### One Year Historical Dollar Strength



	USD/JPY	USD/EUR	USD/GBP	USD/MXN	USD/CNY
Day before Brexit	106.16	0.88	0.67	18.23	6.58
Day before Election	105.16	0.91	0.81	18.32	6.79
Current	114.16	0.94	0.79	20.76	6.89

	USD/JPY	USD/EUR	USD/GBP	USD/MXN	USD/CNY
Day before Brexit	-14%	-7%	1%	10%	3%
Day before Election	-15%	-4%	21%	11%	6%
Current	-7%	0%	19%	25%	8%

# Economic Outlook



## Change of Guard Represents Opportunity and Uncertainty

### Trump Presidency

- Boost Infrastructure Spending
- Cut Corporate Taxes
- Affordable Care Act
- Loosening Regulation
- Trade Policy

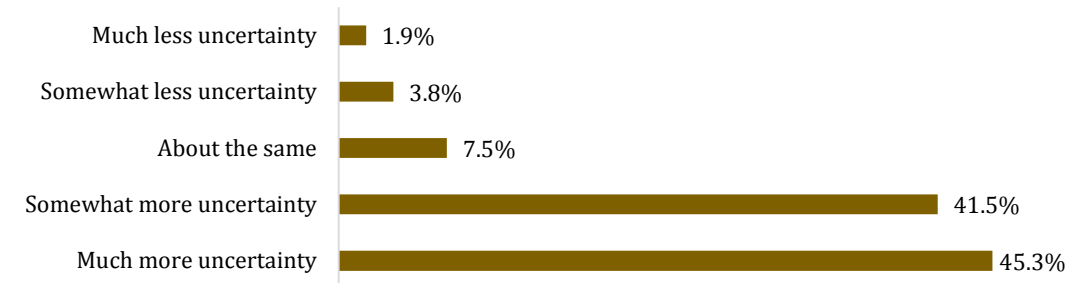
### Current Events

- OPEC Agreement
- Treasury Secretary Steven Mnuchin
  - Dodd Frank/Volker Rule Roll Back
- Fed Meeting on December 13-14
  - Federal Reserve Governor Powell highlights

Source: Wall Street Journal

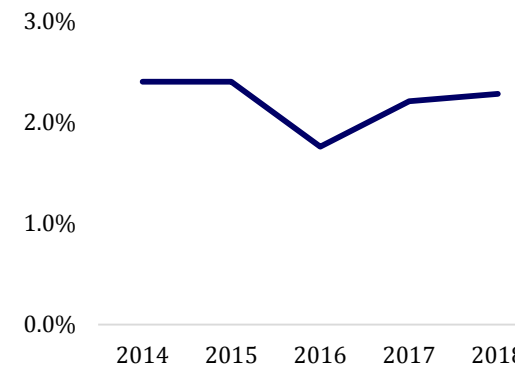
### Less Confidence in the Future

*Compared to recent decades, did this election introduce more or less uncertainty into the economy?*

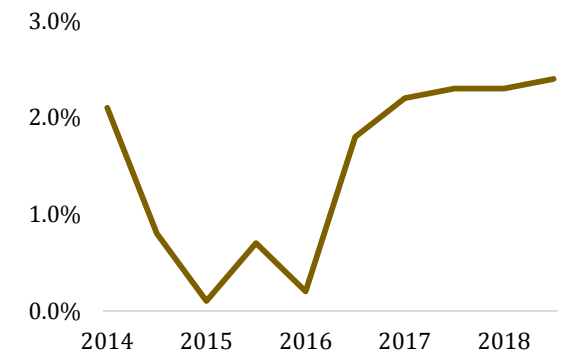


### Revised Estimates for GDP and Inflation

*Annual Change in GDP*



*Annual Change in Inflation*





# Economic Outlook

## Key Themes in the U.S. Economy



Sovereign Yields

*Limits of monetary policy to fuel growth*

**Technology**

Central Bank Policy

*Central Bank balance sheets have expanded at a rapid pace*

**Real Estate**

Labor Market

*The workforce is changing, beginning of a "gig" economy*

**Technology, Consumer Discretionary**

Foreign Exchange

*Strong dollar trend looks set to continue*

**Industrials**

Current Events

*Market supportive rhetoric, but uncertainty as to actual policy*

**Defense, Industrials**

Household and Consumption

*Growing consumer optimism, but households are financially strapped*

**Consumer Discretionary**



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# Security Analysis

Company & Industry Overview

Fundamental Analysis

Discovery

Earnings Analysis

Beta Analysis

Relative Valuation

Discounted Cash Flow Valuation

Alternative Valuation

# Security Analysis

## Equities and Focus of Analysis



Earnings Analysis



Discovery



Company & Industry Overview



Company & Industry Overview



Technical Analysis



Company & Industry Overview



Discounted Cash Flow



Discovery



Relative Valuation



Discovery



Discounted Cash Flow



Company & Industry Overview



Discounted Cash Flow



Company & Industry Overview



Relative Valuation



Beta Analysis



Alternative Valuation Method



Technical Analysis



Fundamental Analysis



Fundamental Analysis

# Constellation Brands

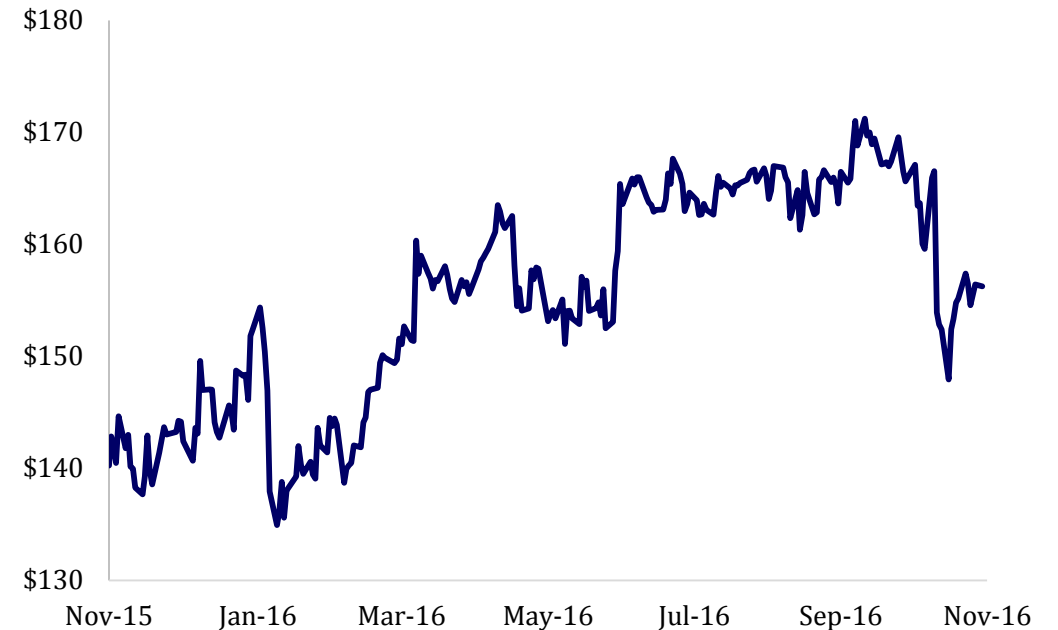
NYSE: STZ



## Constellation Brands

Price (As of November 30, 2016):	\$155.80
TTM Price-to-Earnings:	28.78x
Market Capitalization:	\$31.32Bn
Dividend Yield:	1.02%
TTM Adjusted Earnings per Share:	\$5.82

One-Year Price Chart



Focus

Earnings Analysis

# Constellation Brands

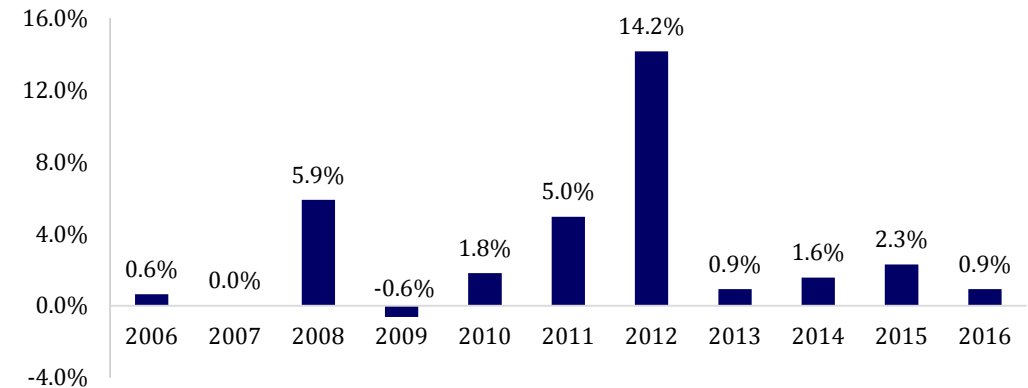
## Earnings per Share (EPS) Forecast



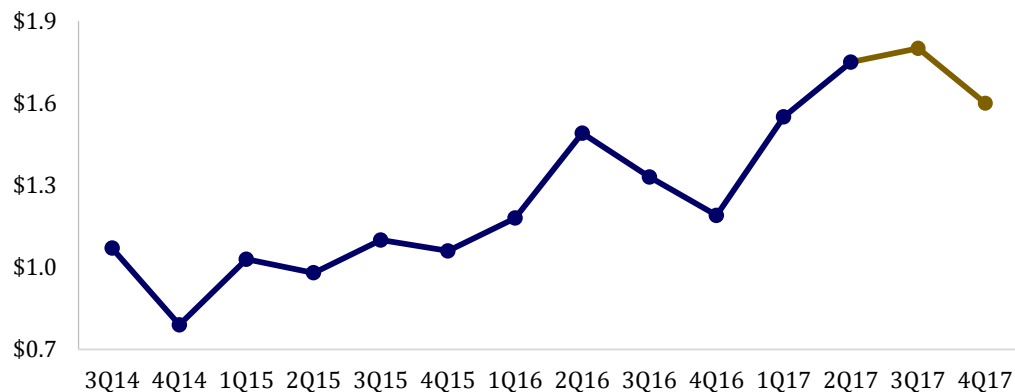
### Overview

- Developed EPS forecasts for next two quarters and next two fiscal years using heuristic analysis, and projected financial statements approach
- Estimates close in line with management guidance and street consensus
- Suggests strong underlying economic story for final valuation

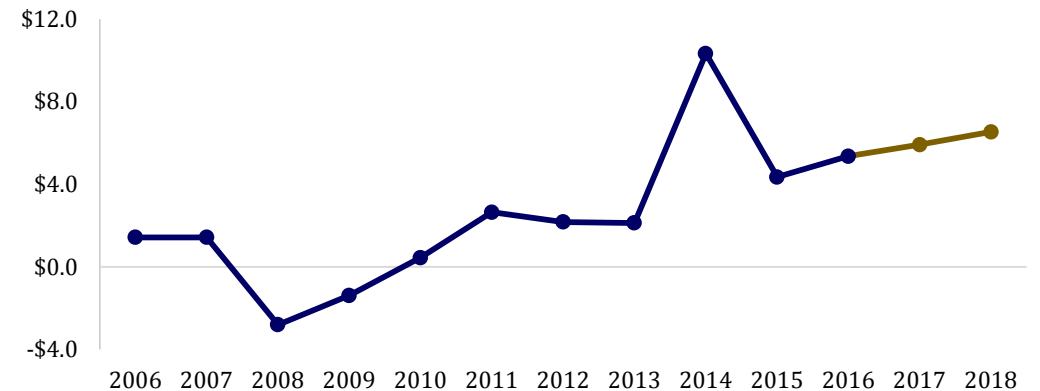
### EPS Surprise



### Quarterly Heuristic EPS



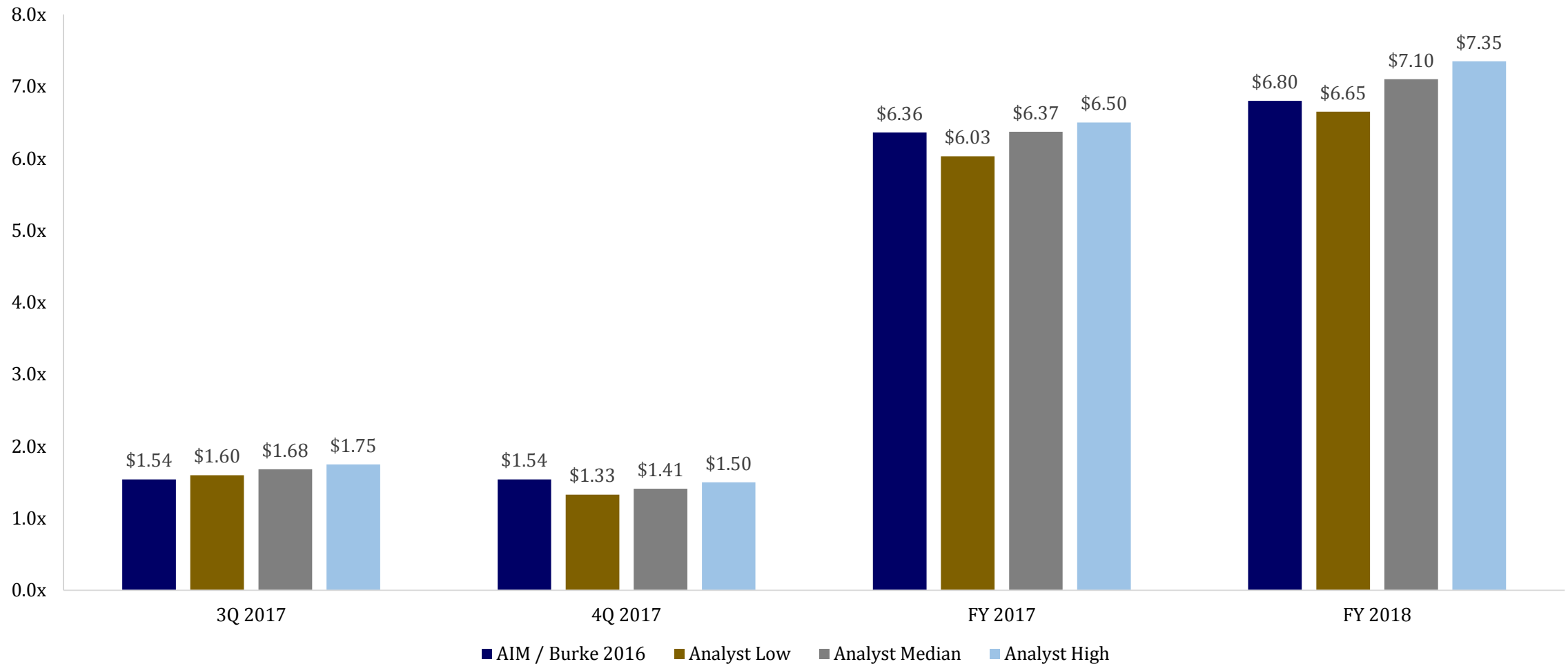
### Annual Heuristic EPS



Source: S&P Capital IQ, Yahoo! Finance

# Constellation Brands

## Earnings per Share (EPS) Forecast



Source: S&P Capital IQ, Yahoo! Finance

# Constellation Brands

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow (Base)	90.0%	\$142.96	\$128.66
Discounted Free Cash Flow (Upside)	3.8%	\$182.12	\$6.83
Discounted Free Cash Flow (Downside)	3.8%	\$132.81	\$4.98
Comparable Company Analysis	2.5%	\$130.00	\$3.25
<b>Intrinsic Value</b>			<b>\$143.72</b>
Price (As of November 30, 2016)			\$155.80
<b>Estimated Upside / (Downside)</b>			<b>(8.4%)</b>

### Investment Thesis

1. Strong management and successful brand alignment has led to consistent industry outperformance
2. As a result, STZ has been the darling stock of the alcoholic beverages over the last few years
3. However, it is currently trading at a very rich multiple and the current price is not justified by intrinsic valuation

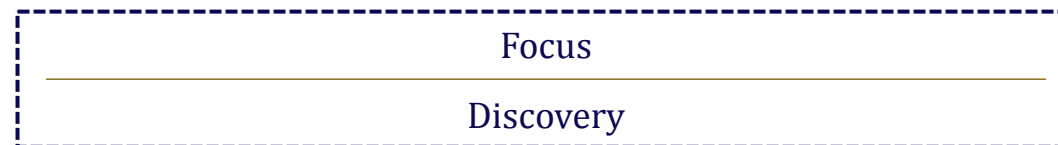
# Herman Miller

Nasdaq: MLHR



Price (As of November 30, 2016):	\$33.70
TTM Price-to-Earnings :	15.75x
Market Capitalization:	\$2.02Bn
Dividend Yield:	1.98%
TTM Adjusted Earnings per Share:	\$2.30

One-Year Price Chart





# Herman Miller

## Discovery Drove Valuation Forecast Assumptions



### Discovery: Site Visit with VP of Investor Relations at Plant in Zeeland, MI



#### **Offices**

Facility newer, but  
VP's office looked  
older

#### **Margins**

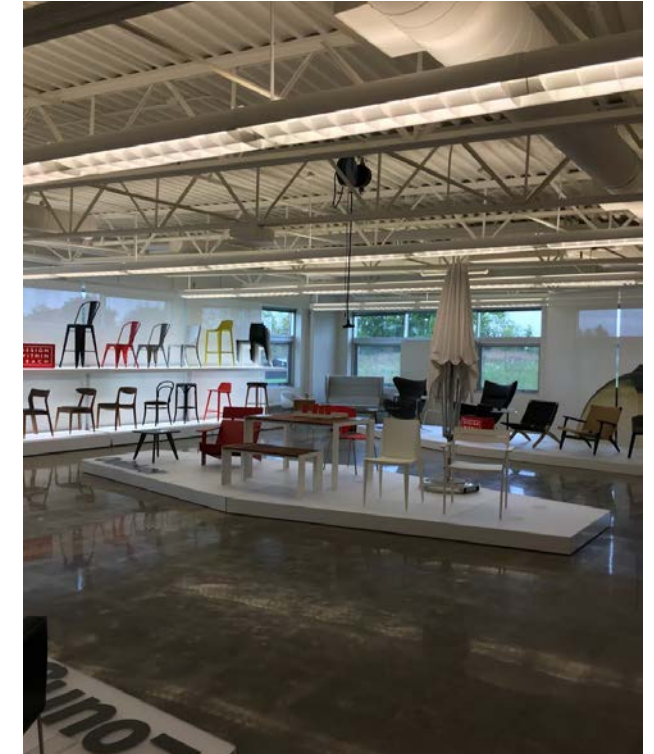
People on the line  
were WORKING

#### **International**

Expansion into  
Asia strongly  
emphasized

#### **Product**

Development  
Up close view of  
new stores



# Herman Miller

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Hold		Portfolio Decision: Hold	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80.0%	\$35.80	\$28.64
Implied Forward P/E Multiple	9.0%	\$30.20	\$2.72
Implied Forward EV/EBITDA Multiple	9.0%	\$27.21	\$2.45
P/BV	2.0%	\$30.16	\$0.60
<b>Intrinsic Value</b>			<b>\$34.41</b>
Price (As of November 30, 2016)			\$33.70
<b>Estimated Upside / (Downside)</b>			<b>2.1%</b>

### Investment Thesis

1. The market overreacted following an earnings miss from MLHR. Since the drop MLHR has begun climbing back towards its intrinsic value based on its international expansion, vertical integration, and operational efficiency.

# LendingClub Corporation

NYSE: LC



Price (As of November 30, 2016):	\$5.62
TTM Price-to-Earnings:	N/A
Market Capitalization:	\$2.22Bn
Short Interest:	17.03%
TTM Adjusted Earnings per Share:	(\$0.28)

One-Year Price Chart



Focus

Company and Industry Overview

# LendingClub Corporation

## Overview



### Company Background

#### Business Model

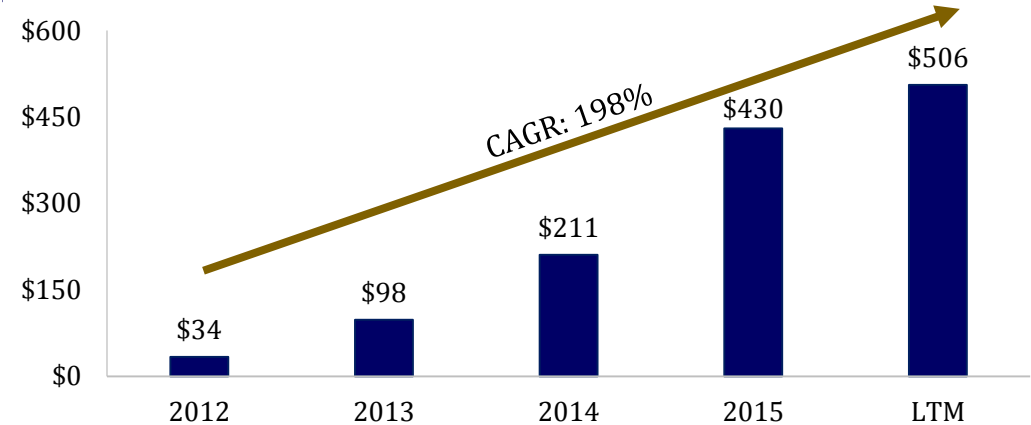
- Online market maker for unsecured credit
  1. Consumers/small businesses apply for loans online
  2. Algorithm assesses credit, approves loans, sets interest rates
  3. LendingClub issues loans and securitizes them
  4. Investors and banks purchase notes as investments
  5. LendingClub takes a percentage of loans originated and of interest/principal serviced

#### Primary Loan Purposes

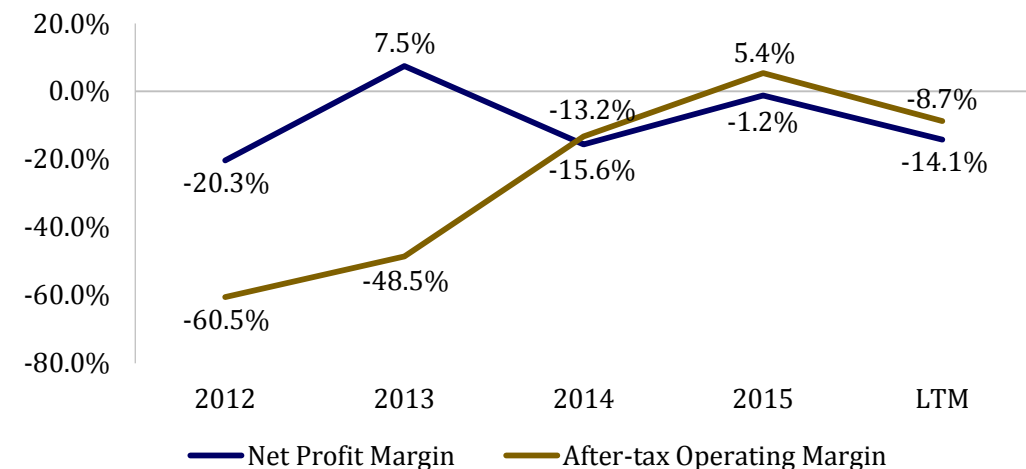
- Personal Loans
- Credit Card Refinancing
- Small Business Loans
- Auto Loan Refinancing

Source: Company Filings

### Historical Revenue (\$MM)



### Historical Margins

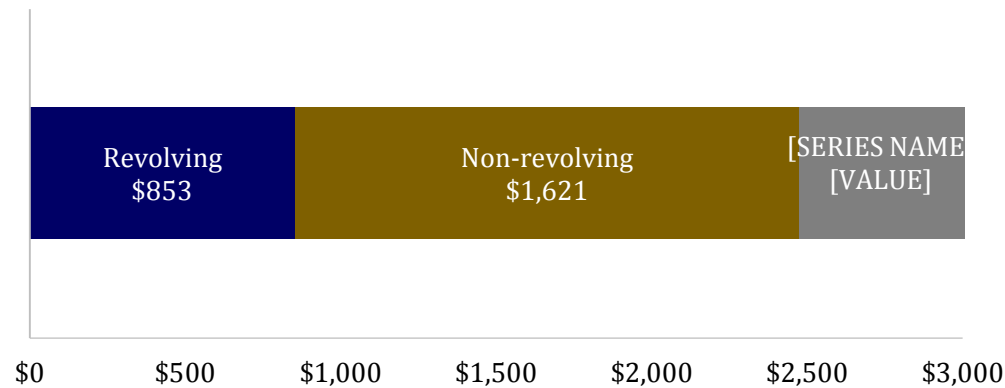


# LendingClub Corporation

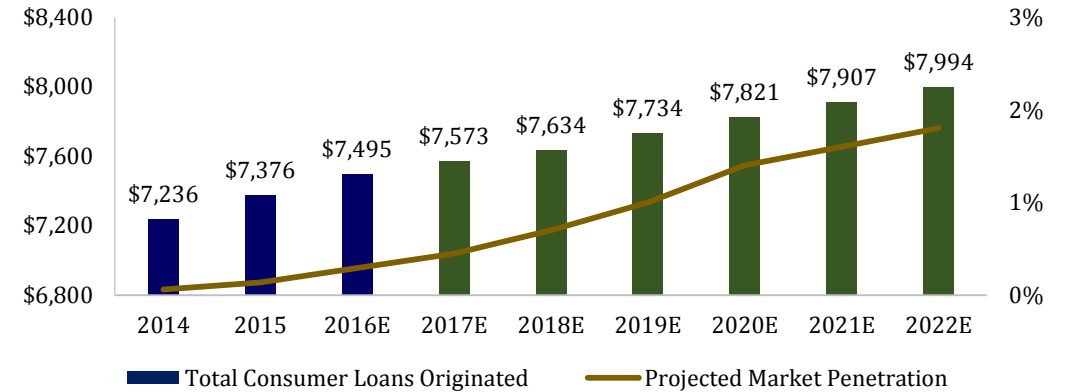
## Industry Trends in Peer-to-Peer Lending



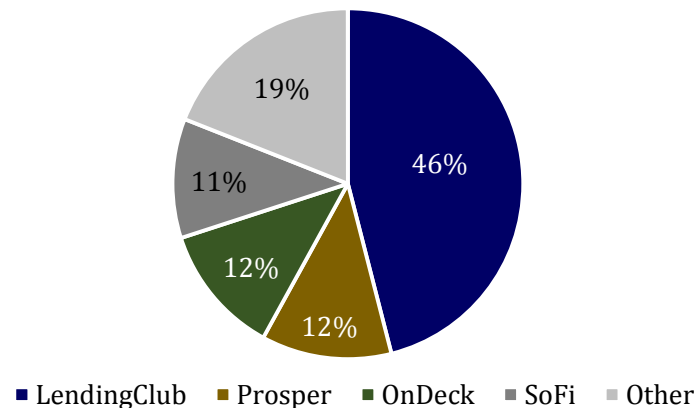
Total Addressable Market: Credit Outstanding (\$Bn)



U.S. Consumer Loan Originations (\$Bn)



US Peer-to-Peer Lending Market Share (2015)



Key Takeaways

### Attractive Form of Borrower Financing

- Competitive interest rates versus credit cards

### Appeal of Unsecured Credit

- Economically difficult for banks to underwrite small loans

### Partnerships versus Direct Competition

- Many banks pursue exposure through trusted platforms that pass due diligence
- Other banks have chosen compete directly

# LendingClub Corporation

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	100.0%	\$6.69	\$6.69
Implied Trailing P/S Multiple	0.0%	\$4.50	\$0.00
Implied Forward EV/Revenue Multiple	0.0%	\$1.67	\$0.00
Implied Forward P/E Multiple	0.0%	N/A	\$0.00
<b>Intrinsic Value</b>			<b>\$6.69</b>
Price (As of November 30, 2016)			\$5.62
<b>Estimated Upside / (Downside)</b>			<b>19.0%</b>

### Investment Thesis

1. Market over-reaction to resignation of Founder and CEO despite strong relationships with investor base
2. New management team tailored to developing relationships with financial institutions
3. Strong value proposition for borrowers; 80% use LendingClub for refinancing/debt consolidation of traditional loans

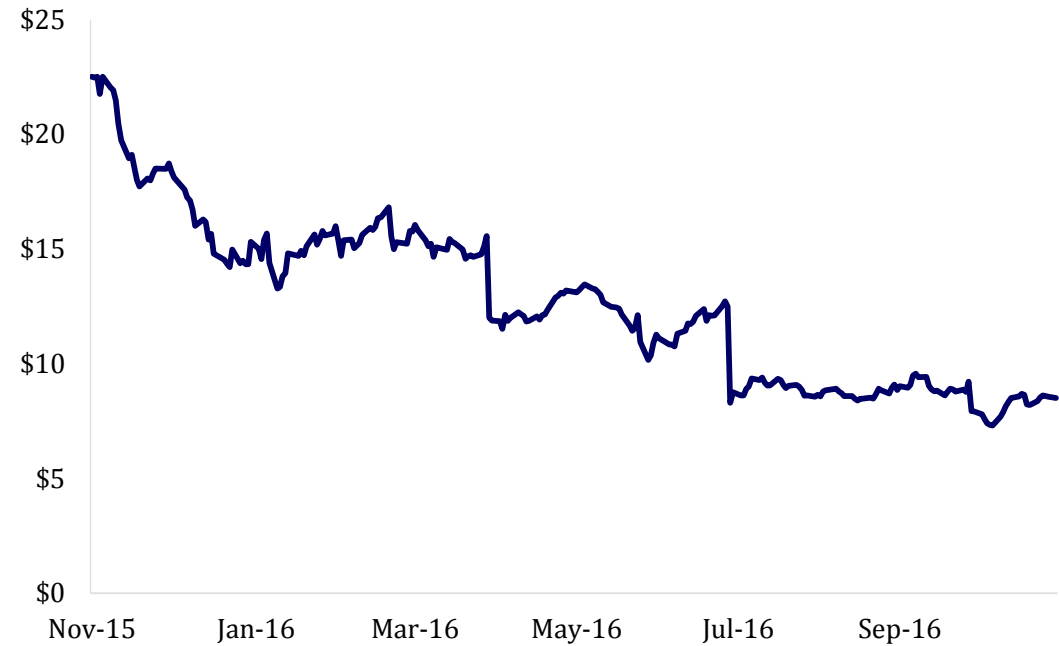
# Infinera Corporation

Nasdaq: INFN



Price (As of November 30, 2016):	\$8.54
TTM Price-to-Earnings:	26.1x
Market Capitalization:	\$1.2Bn
Dividend Yield:	N/A
TTM Adjusted Earnings per Share:	\$0.19

One-Year Price Chart



Focus

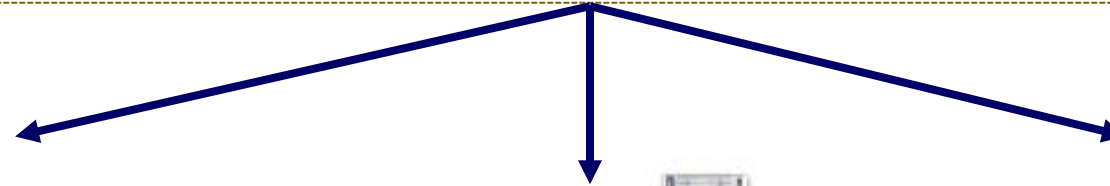
Company and Industry Overview

# Infinera Corporation

## Company and Industry Overview



Infinera has a competitive advantage due to its unique PIC technology, market expansion opportunities, and vertically integrated business model.



Cloud Xpress



XT-Series



XTC-Series



XTM-Series



Infinera PIC Fab

### PIC-Enabled Technology

- PIC Enables Scalable, Intelligent Functions: SDN, integrated switching, sliceable bandwidth
- High Capacity Applications: Long-haul, Metro Cloud, Metro Core

### New Purpose-Built Products

- Cloud Xpress for DC Interconnect
- XT-Series for Long-haul
- XTM-Series & XTC-2 for Metro
- 3x TAM expansion to >\$15B in 2020

### Vertical Integration

- Lower cost structure than competition
- Supply chain control
- Additional functionality due to integration synergies

Competitive advantages have launched INFN to grow Long-Haul market share by 500+ basis points in the past five years.



# Infinera Corporation

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	100.0%	\$10.20	\$10.20
Implied 2017 P / E	0.0%	\$8.60	\$0.00
Implied 2017 EV / EBITDA	0.0%	\$5.88	\$0.00
Implied 2017 EV / Revenue	0.0%	\$8.11	\$0.00
<b>Intrinsic Value</b>			<b>\$10.20</b>
Price (As of November 30, 2016)			\$8.54
<b>Estimated Upside / (Downside)</b>			<b>19.4%</b>

### Investment Thesis

1. INFN's PIC technology and vertical integration will provide a long-term competitive advantage in Long-Haul and will allow the Company to successfully expand into the Metro vertical

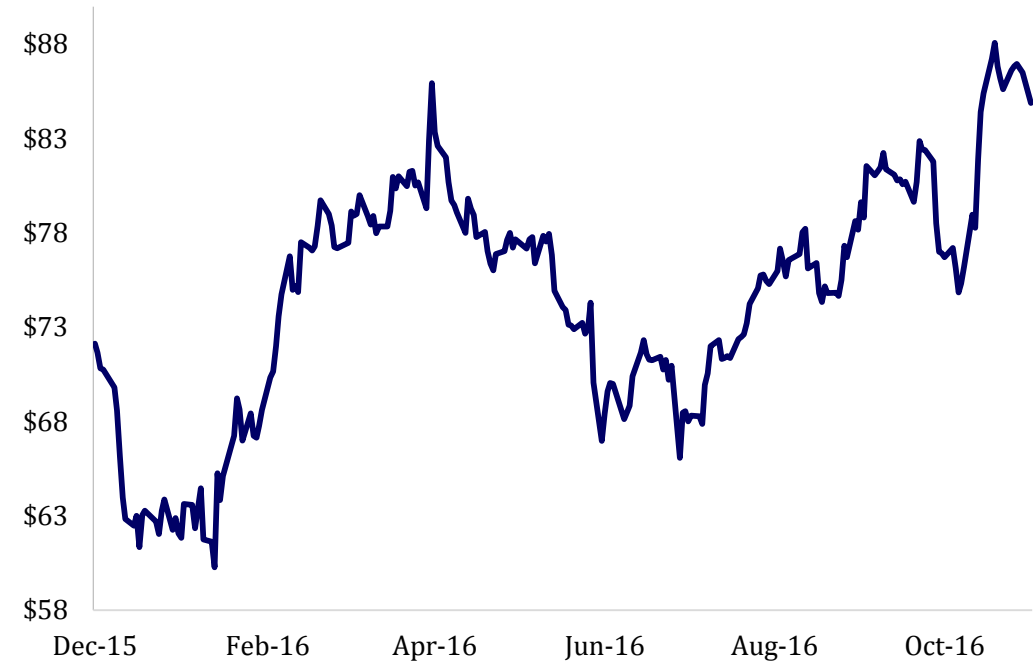
# Wabtec Corporation

NYSE: WAB



Price (As of November 30, 2016):	\$84.51
TTM Price-to-Earnings:	21.26x
Market Capitalization:	\$7.52Bn
Dividend Yield:	0.46%
TTM Adjusted Earnings per Share:	\$3.97

One-Year Price Chart

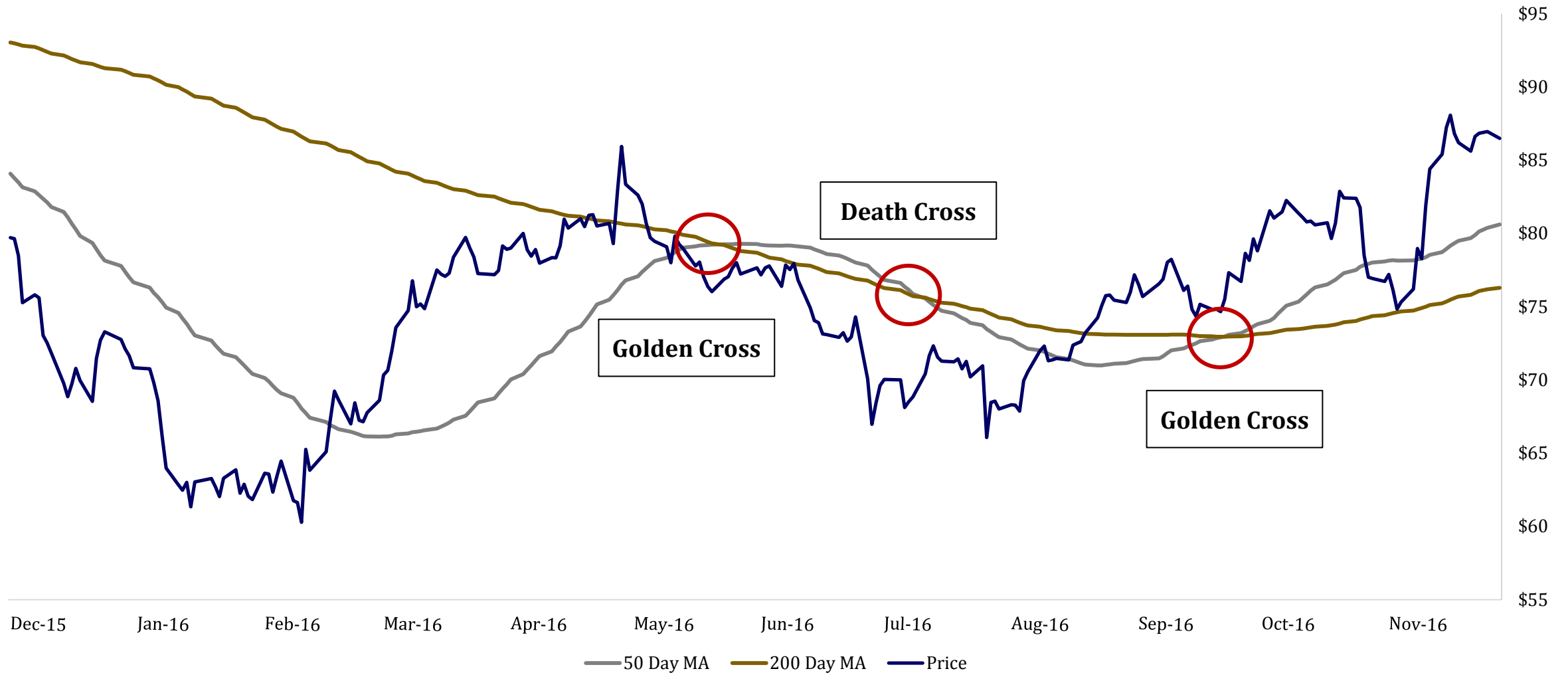


Focus

Technical Analysis

# Wabtec Corporation

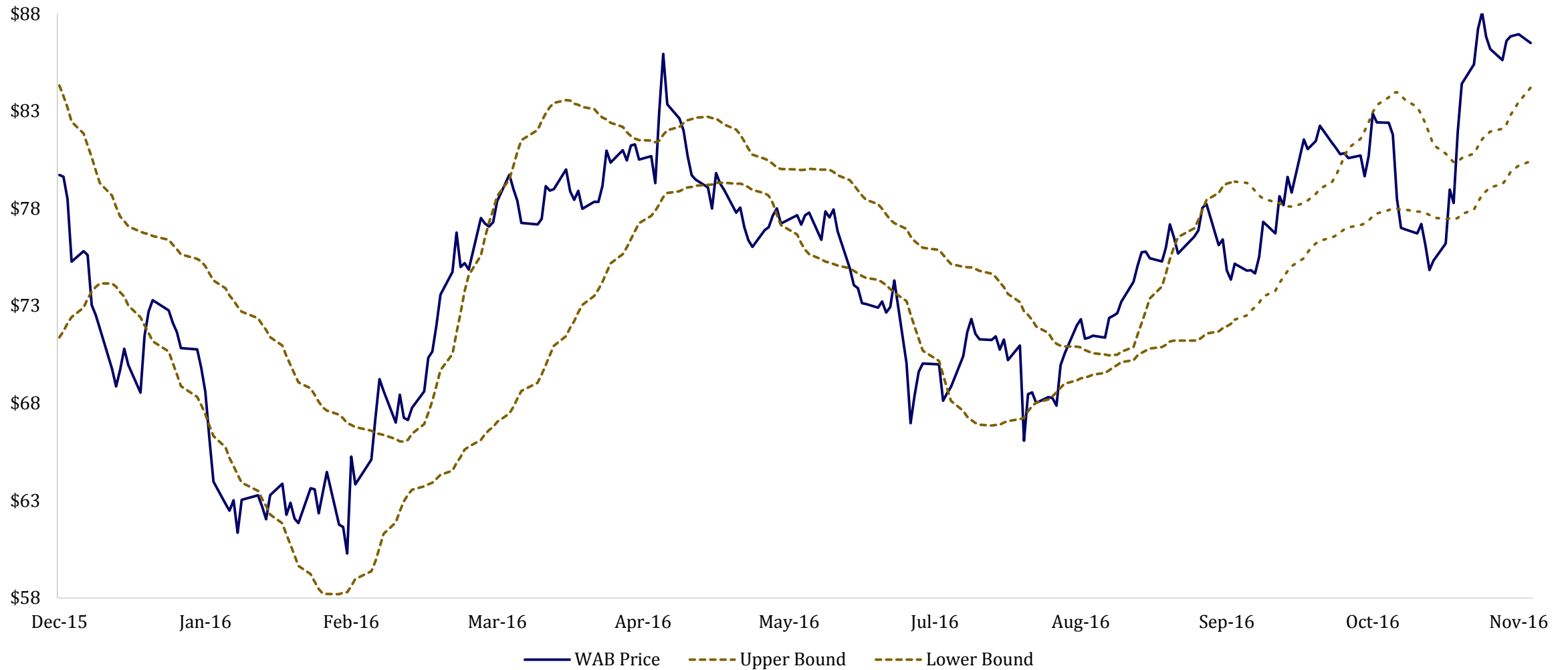
## Moving Averages (One Year)



Source: Yahoo! Finance, Chart School

# Wabtec Corporation

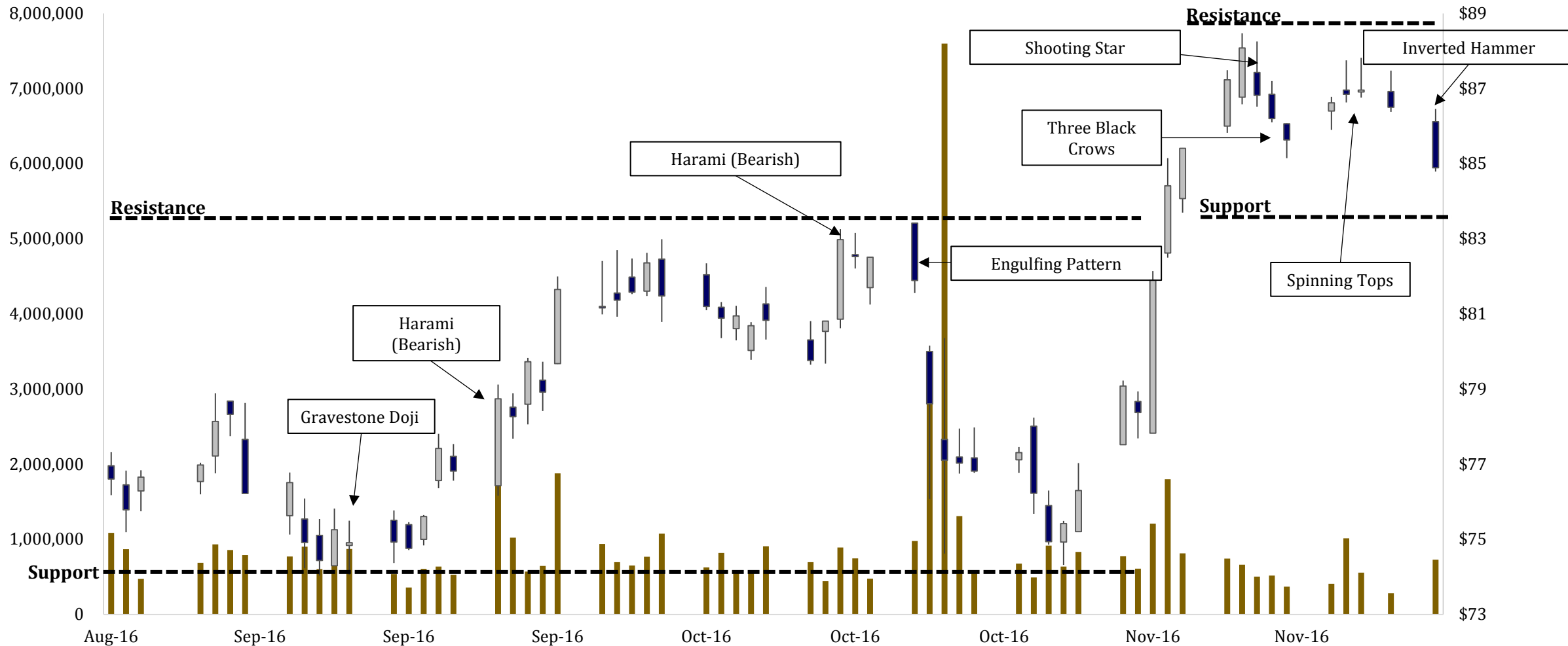
## Bollinger Bands



Source: Yahoo! Finance, Chart School

# Wabtec Corporation

## Candlestick Chart



# Wabtec Corporation

## Valuation, Investment Thesis, and Portfolio Decision



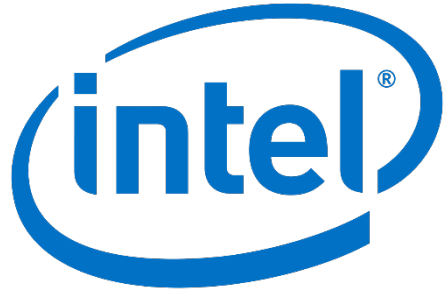
Recommendation: Hold		Portfolio Decision: Hold	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$88.98	\$75.63
Price / Earnings	5.0%	\$90.11	\$4.51
Enterprise / EBITDA	5.0%	\$87.99	\$4.40
Enterprise / Revenue	5.0%	\$71.74	\$3.59
<b>Intrinsic Value</b>			<b>\$88.13</b>
Price (As of November 30, 2016)			\$84.51
Estimated Upside / (Downside)			4.3%

### Investment Thesis

1. Dominance across the domestic market and leadership within almost all product classes in original and aftermarket sales promise a steady revenue stream with decreasing service costs
2. Heavy investment in emerging Rail and Transit technologies will sustain above average growth in the US
3. Expansion into Europe with the Faiveley Transport Group acquisition opens the door to Europe and Near East Transit growth

# Intel Corporation

Nasdaq: INTC



Price (As of November 30, 2016):	\$35.31
TTM Price-to-Earnings:	16.56x
Market Capitalization:	\$167.25Bn
Dividend Yield:	2.93%
TTM Adjusted Earnings per Share:	\$2.13

One-Year Price Chart



Focus

Company and Industry Overview

# Intel Corporation

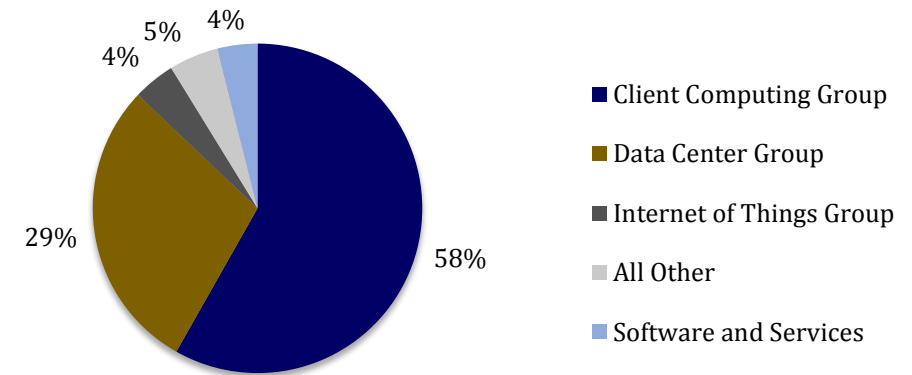
## Company Overview



### Attractive Characteristics

- World's largest microprocessor manufacturer by revenue since 1991
- Maintains 99% market share in the supply of microprocessors to data centers (servers)
- Little geographic revenue concentration
- Stable growth over previous 10 years

### Revenue Breakdown



### Competitors



### Recent Stock Underperformance

- Outperformed even the most optimistic Q3 2016 earnings estimates
- However, provided revised lower guidance for Q4 on slowing PC sales
- Stock reacted disproportionately to the information
  - Initially traded down nearly 7%

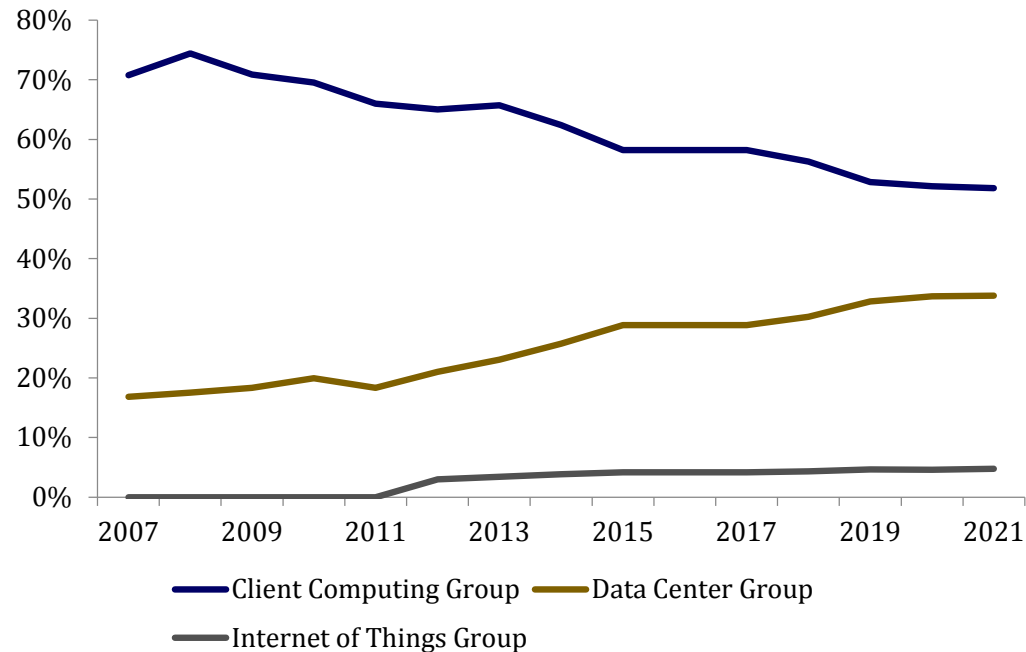


# Intel Corporation

## Adapting to the Changing Marketplace



### Revenue Trends



- Client Computing decline commensurate to decline in worldwide PC sales
- 6% CAGR in Data Center Group driven by cloud computing; expected to grow even more aggressively in coming years

### Strategic Acquisitions



### New Product Developments

- Field Programmable Gate Arrays (FPGAs)
  - Augment performance of server microprocessors; also crucial in development of AI
- Machine Learning
  - R&D boost with acquisition of Nervana, but still lags Nvidia
- Perceptual Computing

# Intel Corporation

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90.0%	\$36.22	\$32.58
Implied Forward P/E Multiple	0.0%	\$48.79	\$0.00
Implied Forward EV/EBITDA Multiple	5.0%	\$26.35	\$1.32
Implied Forward P/FCFF	5.0%	\$35.05	\$1.75
<b>Intrinsic Value</b>			<b>\$35.65</b>
Price (As of November 30, 2016)			\$35.31
<b>Estimated Upside / (Downside)</b>			<b>0.1%</b>

### Investment Thesis

1. Intel remains a bellwether amidst a rapidly growing industry
2. Recent acquisitions have well-positioned Intel to counter declining PC demand
3. Hold on data center market unlikely to shift

# Endo International plc

Nasdaq: ENDP



Price (As of November 30, 2016):	\$16.15
TTM Price-to-Earnings:	N/A
Market Capitalization:	\$3.6Bn
Dividend Yield:	N/A
TTM GAAP Earnings per Share:	(\$4.37)

One-Year Price Chart



Focus

Discounted Cash Flow Valuation

# Endo International plc

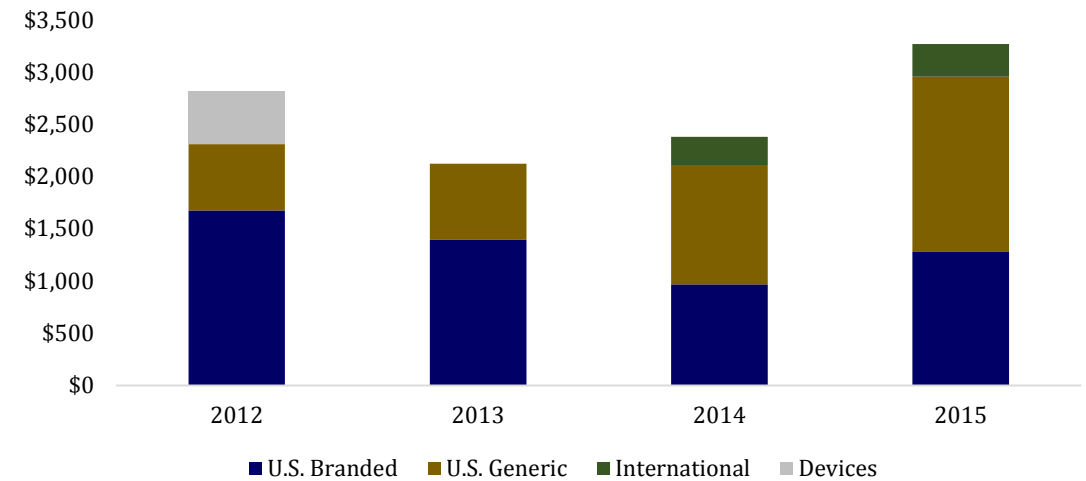
## Overview



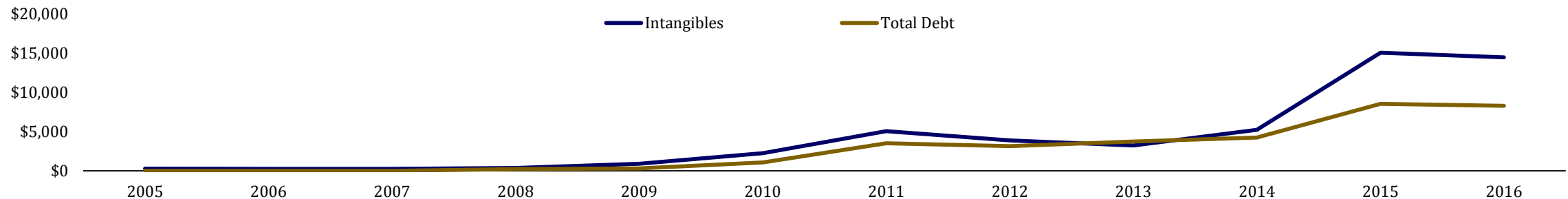
### General Information and Drugs

- Endo International is an Ireland-domiciled, global specialty pharmaceutical company
- The Company focuses on U.S. branded pharmaceuticals, U.S. generic pharmaceuticals, and international pharmaceuticals
- Serial acquirer under former CEO, Rajiv De Silva, who was replaced by former Par CEO Paul Campanelli
- Notable drugs include: Percocet, Belbuca, Voltaren Gel, Xiaflex, Zetia, and Seroquel

### Historical Revenue Breakdown (\$MM)



### Intangible Assets & Total Debt



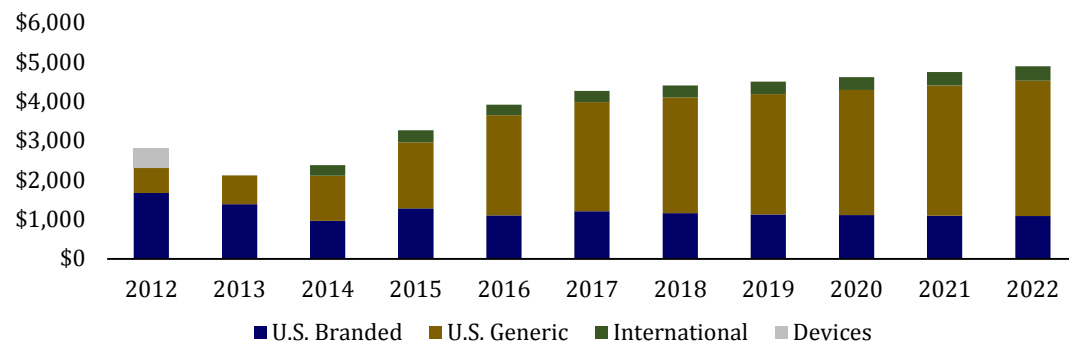
Source: S&P Capital IQ

# Endo International plc

## Discounted Cash Flow



### Revenue Build (\$MM)



### Key Assumptions

- Most revenue assumptions are based on management guidance
  - When not applicable, drug-specific industry averages are used
- Projected costs are predominantly taken as a percentage of sales

### Sensitivity Analysis

		Perpetuity Growth				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC	5%	\$ 31.88	\$ 34.62	\$ 37.69	\$ 41.14	\$ 45.05
	6%	\$ 20.92	\$ 22.69	\$ 24.63	\$ 26.76	\$ 29.11
	7%	\$ 13.19	\$ 14.41	\$ 15.72	\$ 17.14	\$ 18.69
	8%	\$ 7.44	\$ 8.32	\$ 9.25	\$ 10.26	\$ 11.33
	9%	\$ 3.00	\$ 3.65	\$ 4.34	\$ 5.08	\$ 5.86

		Perpetuity Growth				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC	5%	97%	114%	133%	155%	179%
	6%	30%	40%	52%	66%	80%
	7%	-18%	-11%	-3%	6%	16%
	8%	-54%	-48%	-43%	-36%	-30%
	9%	-81%	-77%	-73%	-69%	-64%

### Weighted Average Cost of Capital

#### Assumptions

Market Risk Premium (Rm - Rf)	5.0%
Multiplied by: ENDP Beta	1.30
Adjusted Market Risk Premium	6.5%
Add: Risk-Free Rate of Return (Rf)	2.0%
<b>Cost of Equity</b>	<b>8.5%</b>
Multiply by: ENDP E/(D+E)	40.9%
Cost of Equity Portion	3.5%
<b>Cost of Debt</b>	<b>8.0%</b>
Tax Rate	20%
After Tax Cost of Debt	6%
Multiply by: ENDP E/(D+E)	59.1%
Cost of Debt Portion	3.8%
<b>WACC</b>	<b>7.3%</b>

# Endo International plc

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80.0%	\$13.85	\$11.08
EV / EBITDA	10.0%	\$15.26	\$1.53
EV / Revenue	10.0%	\$11.82	\$1.18
P / E	0.0%	\$0.00	\$0.00
<b>Intrinsic Value</b>			<b>\$13.79</b>
Price (As of November 30, 2016)			\$16.17
<b>Estimated Upside / (Downside)</b>			<b>(14.7%)</b>

### Investment Thesis

1. High risk associated with leverage and intangible assets, especially when selling off major business segments
2. Large exposure to pain management market with opioid-based medication, which have faced industry headwinds

# Kraft Heinz

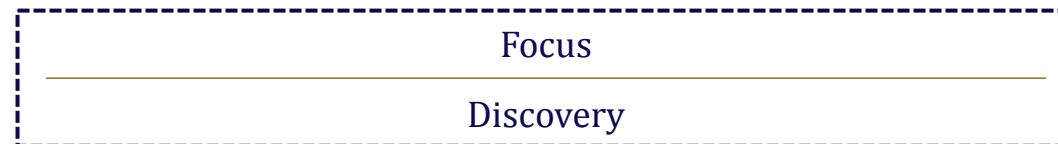
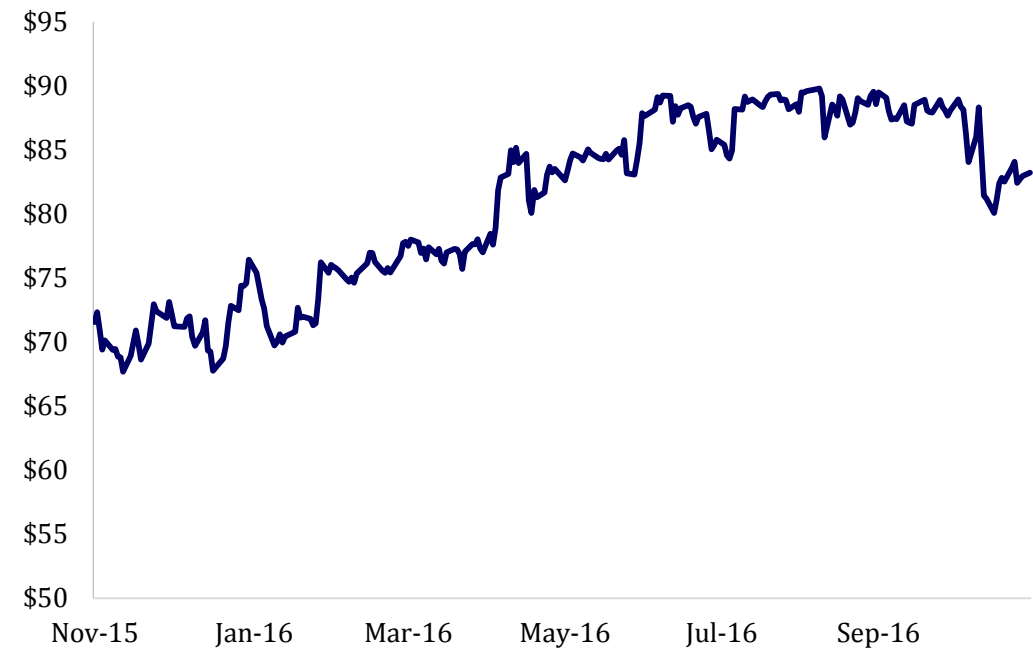
Nasdaq: KHC



## Kraft *Heinz*

Price (As of November 30, 2016):	\$83.95
TTM Price-to-Earnings:	36.8x
Market Capitalization:	\$102Bn
Dividend Yield:	2.9%
TTM Adjusted Earnings per Share:	\$2.58

One-Year Price Chart



# Kraft Heinz

## Discovery Drove Valuation Forecast Assumptions



### Discovery: 3G Capital Vice President at Kraft Heinz

**Sales growth** to outperform in mature geographies

**Gross margin** improvements in-line with H.J. Heinz

**SG&A reductions** in-line with H.J. Heinz

**Future acquisition** likely, no guidance given

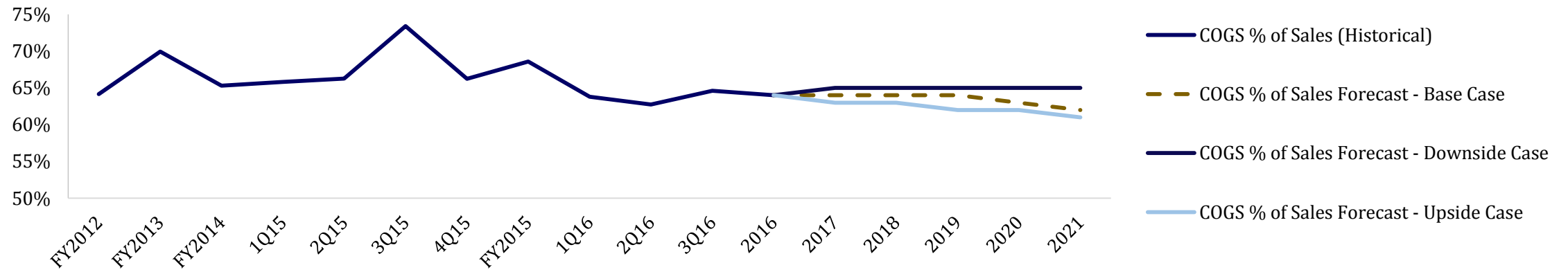


# Kraft Heinz

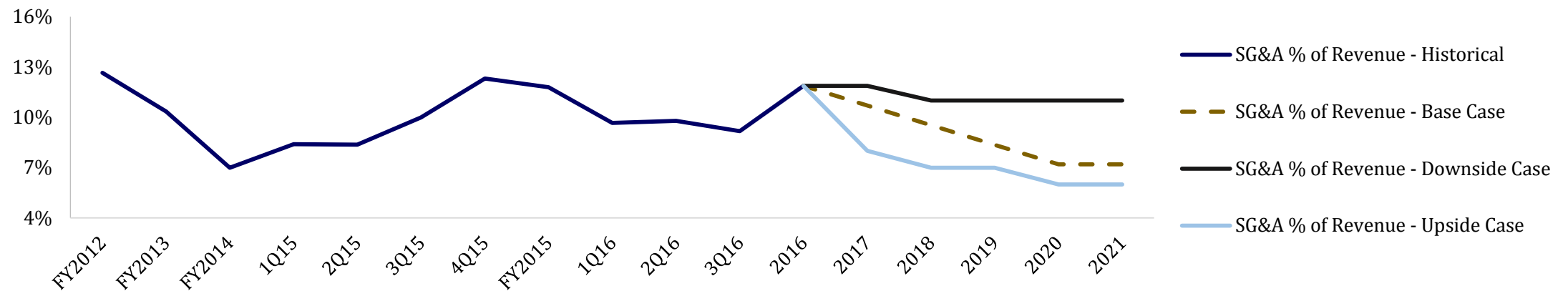


## COGS and SG&A Forecasts Based on Discovery

### COGS % of Revenue



### SG&A % of Revenue



# Kraft Heinz

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$78.36	\$66.61
Implied Forward P/E Multiple	5.0%	\$72.10	\$3.60
Implied Forward EV/EBITDA Multiple	5.0%	\$67.23	\$3.36
Implied Forward EV/Revenue Multiple	5.0%	\$60.66	\$3.03
<b>Intrinsic Value</b>			<b>\$76.61</b>
Price (As of November 30, 2016)			\$83.99
<b>Estimated Upside / (Downside)</b>			<b>(9.6%)</b>

### Investment Thesis

1. The market undervalues 3G Capital's ability to drive sustainable cost reduction and sales growth over the near and long term

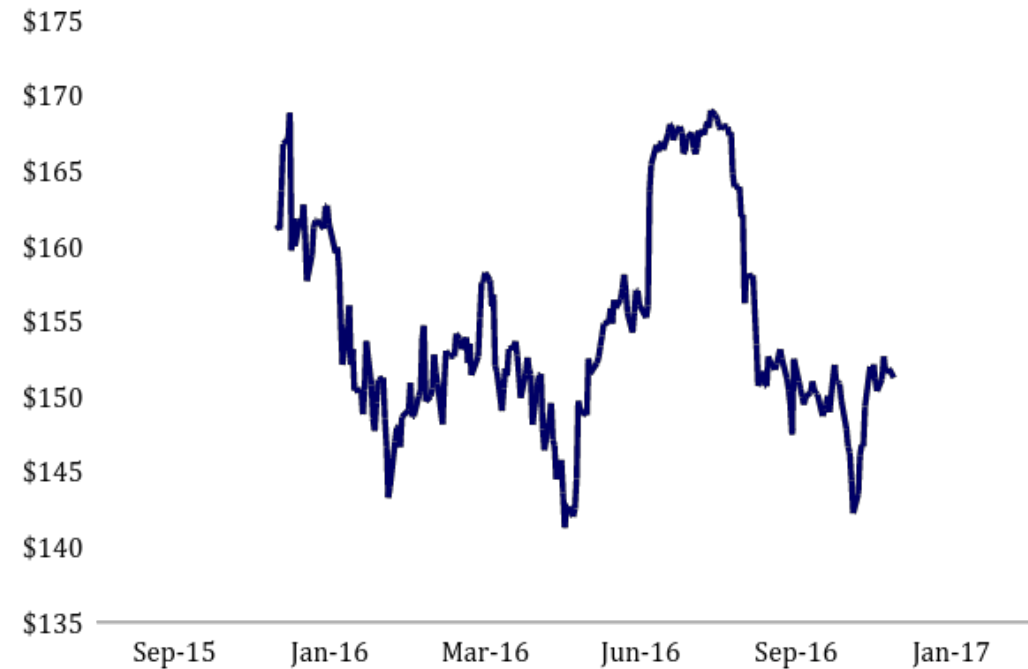
# Costco Wholesale Corp.

NYSE: COST



Price (As of November 30, 2016):	\$151.77
TTM Price-to-Earnings:	23.08x
Market Capitalization:	\$66.22Bn
Dividend Yield:	1.80%
LTM Adjusted Earnings per Share:	\$5.33

One-Year Price Chart



Focus

Relative Valuation

# Costco Wholesale Corp.

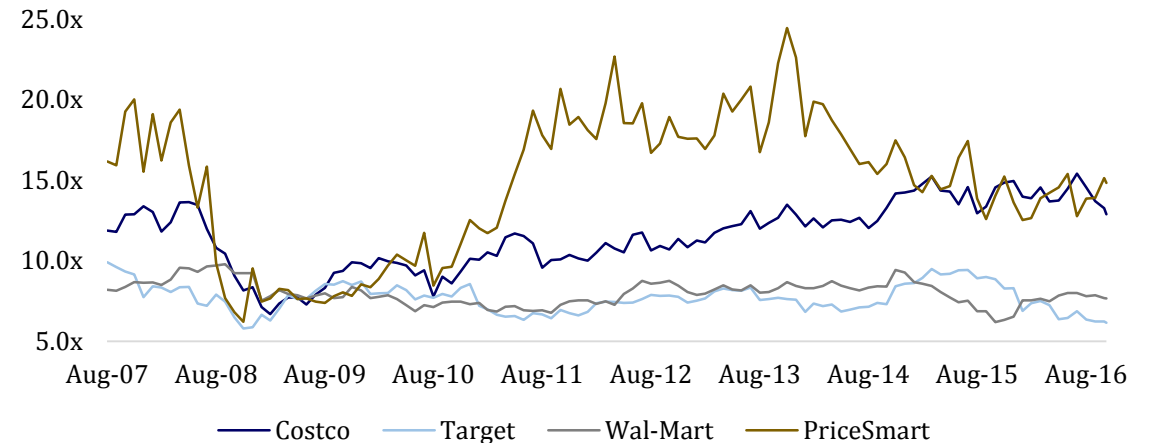
## Historical Multiple Analysis



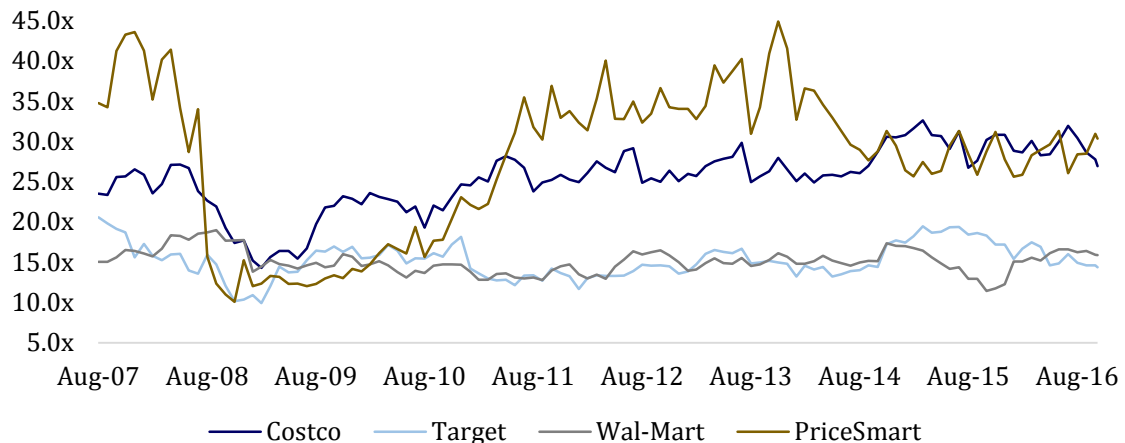
### Overview

- Trades in the upper quartile of peers
- Peer set of both clubs and retailers
- “Amazon resistant”
  - Stronger results recently despite a slowdown in retail

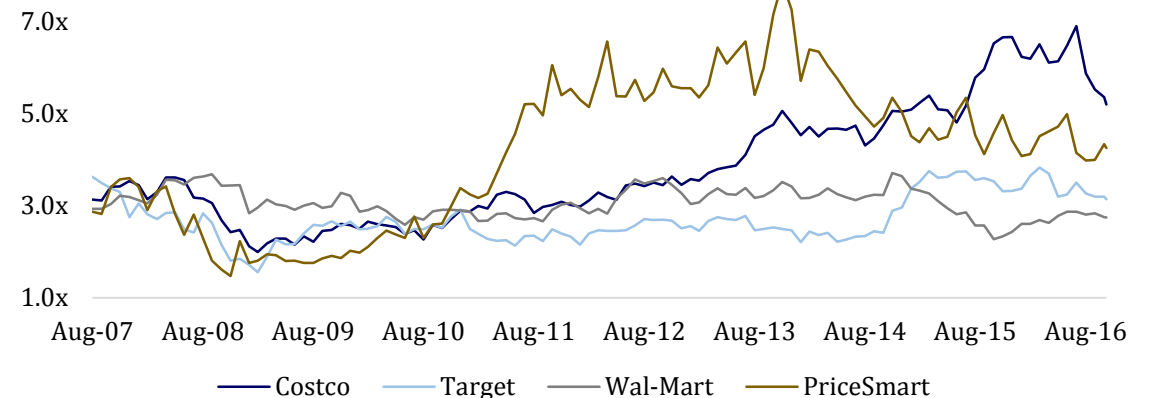
### Historical EV/EBITDA Multiple



### Historical P/E Multiple



### Historical Price to Book Multiple



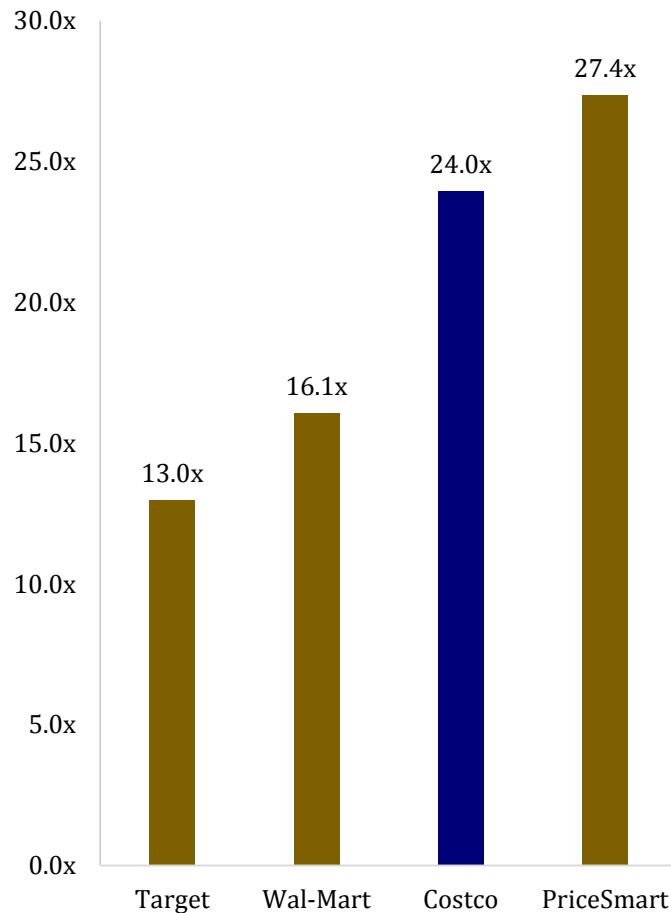
# Costco Wholesale Corp.

## Relative Valuation Calculation



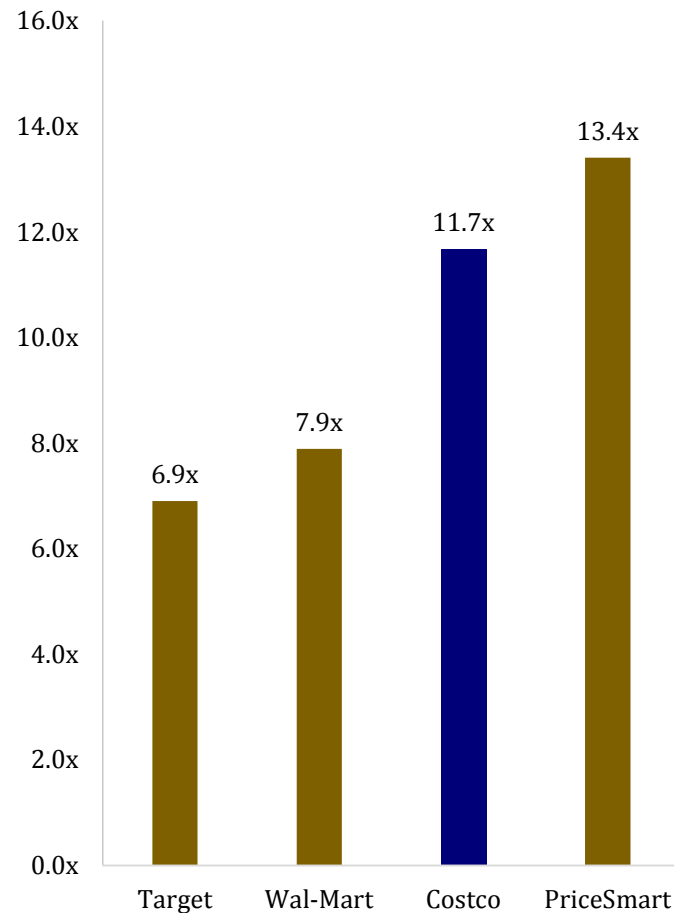
### Forward P/E Multiple

Implied Multiple: 25.3x



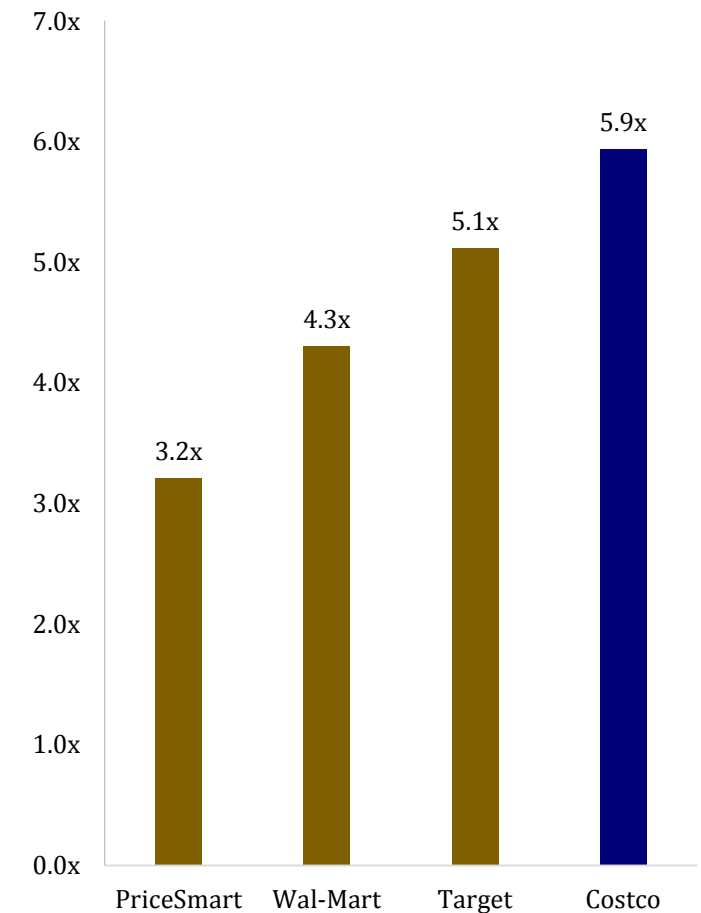
### Forward EV/EBITDA Multiple

Implied Multiple: 11.1x



### Forward Price to Book Multiple

Implied Multiple: 5.1x



# Costco Wholesale Corp.

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$146.84	\$124.81
Implied Forward P/E Multiple	5.0%	\$160.98	\$8.05
Implied Forward EV/EBITDA Multiple	5.0%	\$127.01	\$6.35
Implied Forward Price to Book	5.0%	\$163.66	\$8.18
<b>Intrinsic Value</b>			<b>\$147.39</b>
Price (As of November 30, 2016)			\$150.11
Estimated Upside / (Downside)			(1.8%)

### Investment Thesis

1. Strong customer loyalty and membership program drives continued revenue growth in warehouses
2. Expensive stock within a retail industry experiencing heavy headwinds and competition, specifically from online retail
3. Expanding internationally yet control over supply chain becomes increasingly difficult in foreign markets

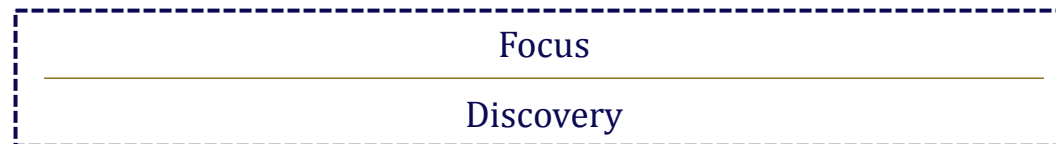
# Alaska Air Group

NYSE: ALK



Price (As of November 30, 2016):	\$82.78
TTM Price-to-Earnings:	11.1x
Market Capitalization:	\$10.16Bn
Dividend Yield:	1.33%
TTM Adjusted Earnings per Share:	\$7.13

One-Year Price Chart



# Alaska Air Group

## Discovery



“If a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favor by shooting Orville down.”

— Warren Buffett, 2008



WARREN BUFFETT  
BETS BIG  
ON AIRLINES  
READ WHY HE CHANGED HIS MIND



### Brandon Pedersen CFO Alaska Air Group

- Transformed into an investable industry, similar to the high quality industrial transports
  - Characterized by: Stock buybacks, dividends, capital allocation plans, investment grade debt, robust ROIC
- Record profitability
  - Gross Margin: 43.1%, EBIT Margin: 25.5%, Net Profit Margin: 15.4%
- Protection against oil prices
- Consolidation and bankruptcies have turned the domestic airline industry into an oligopoly





# Alaska Air Group

## Valuation, Investment Thesis, and Portfolio Decision



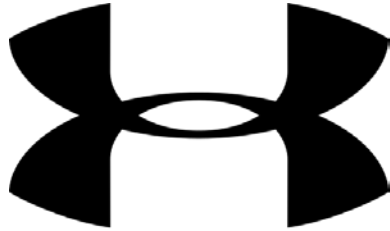
Recommendation: Buy		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Cash Flow	90.0%	\$95.30	\$85.77
Implied Forward P/E	5.0%	\$73.17	\$3.66
TEV/EBITDA	5.0%	\$65.80	\$3.29
TEV/Revenue	0.0%	\$54.94	\$0.00
<b>Intrinsic Value</b>			<b>\$92.72</b>
Price (As of November 30, 2016)			\$82.78
<b>Estimated Upside / (Downside)</b>			<b>12.0%</b>

### Investment Thesis

1. Negative market sentiment toward domestic airlines creates opportunity
2. Best-of-breed operational performance
3. The business is highly affected by the price of aircraft fuel
4. Fear of industry-wide capacity glut

# Under Armour, Inc.

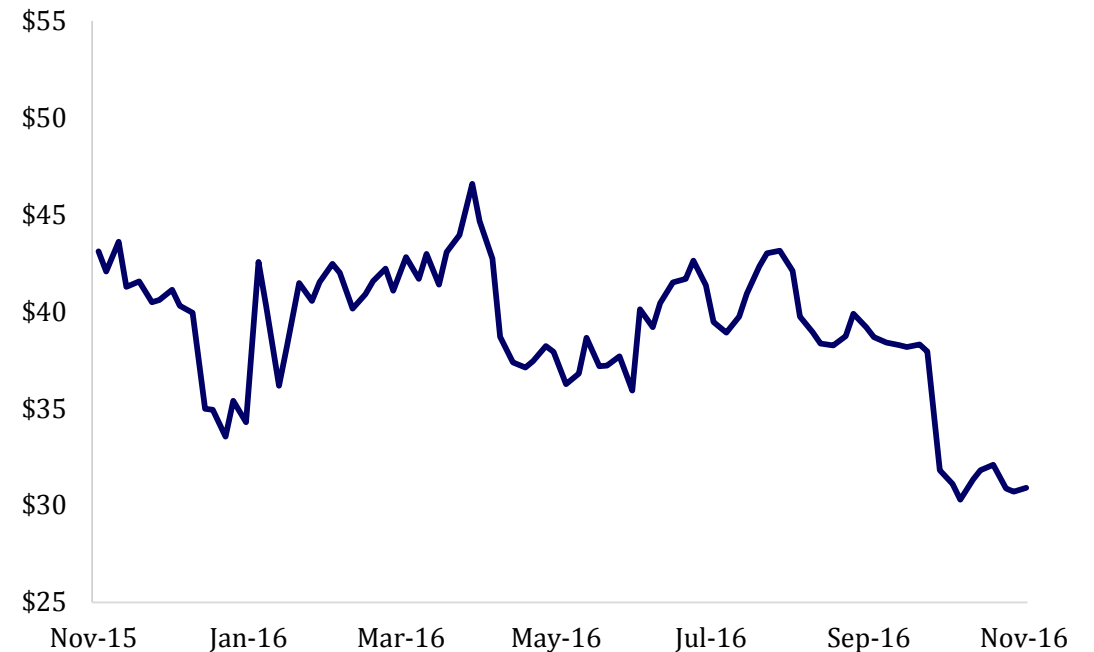
NYSE:UA



**UNDER ARMOUR**

Price (As of November 30, 2016):	\$30.90
TTM Price-to-Earnings:	52.38x
Market Capitalization:	\$12.43Bn
Dividend Yield:	N/A
TTM Adjusted Earnings per Share:	\$0.45

One-Year Price Chart



Focus

Discounted Cash Flow Valuation

# Under Armour, Inc.

## Discounted Cash Flow Valuation



### Revenue Build

	2016	2017	2018	2019	2020	2021	2022
Revenue	4,920,058	6,051,671	7,443,556	9,081,138	11,078,988	13,405,576	16,086,691
% Growth	24.1%	23.0%	23.0%	22.0%	22.0%	21.0%	20.0%
Upside		24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Base		23.0%	23.0%	22.0%	22.0%	21.0%	20.0%
Downside		20.0%	20.0%	20.0%	20.0%	17.5%	17.5%

### Beta

#### Five Year Beta

Weekly Bloomberg Raw	1.12
Weekly Bloomberg Adjusted	1.08
Weekly Regression Raw	1.11
Weekly Regression Adjusted	1.07
R-Squared	14.6%
t-Stat	6.7
<b>Lanzel AIM 2016</b>	<b>1.07</b>

### Key Assumptions

- Mostly % of Sales
  - Used Q1-Q3 2016 to inform assumptions
  - Debt items linked to LTD or Equity
- Almost everything was steady over the last few years, other than revenue and debt
  - Good and Bad?

### WACC

Risk Free Rate	2.30%
Beta	1.1
Market Risk Premium	5.00%
Cost of Equity	7.65%
Cost of Debt	3.34%
Tax Rate	39.83%
Debt to Capital	35.87%
Equity to Capital	64.13%
<b>WACC</b>	<b>5.63%</b>

# Under Armour, Inc.

## Discounted Cash Flow Valuation



	<b>Upside</b>	<b>Base</b>	<b>Downside</b>
PV of FCFE Next Five Years	1,894,458	1,536,692	1,283,936
PV of Additional 10 Years	9,410,611	6,982,394	5,013,825
PV of Terminal Value (Final Growth Stage)	15,059,455	11,173,670	8,023,441
Operating Value of Firm	26,364,524	19,692,757	14,321,202
<i>Probability</i>	<i>10.0%</i>	<i>70.0%</i>	<i>20.0%</i>
Weighted Operating Value of Firm			19,285,622
Plus: Excess Cash			86,139
Firm Value			19,371,762
Less: Value of Debt			1,073,800
Less: Capitalized Operating Leases			891
Plus: Non-Operating Assets			716,207
Equity Value			19,013,278
Shares Outstanding			438,200
<b>Equity Value per Share</b>			<b>\$43.39</b>

# Under Armour, Inc.

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$39.63	\$33.68
Implied Forward P / E Multiple	5.0%	\$36.11	\$1.81
EV / EBITDA Multiple	5.0%	\$18.89	\$0.94
P / Sales	5.0%	\$38.38	\$1.93
<b>Intrinsic Value</b>			<b>\$38.37</b>
Price (As of November 30, 2016)			\$30.90
<b>Estimated Upside / (Downside)</b>			<b>24.5%</b>

### Investment Thesis

1. Short-term reactions in the market have created a buying opportunity in an undervalued stock; revenue growth and profitability
2. Does extremely well amongst youth, younger generation will grow up with UA the way their parents grew up with Nike
3. Taking market share away from competitors; something unique that allowed it to go from "special forces to army"

# Verisk Analytics

Nasdaq: VRSK



## Verisk Analytics®

Price (As of November 30, 2016):	\$83.88
TTM Price-to-Earnings:	24.2x
Market Capitalization:	\$14.05Bn
Beta:	0.65
TTM Adjusted Earnings per Share:	\$3.47

One-Year Price Chart

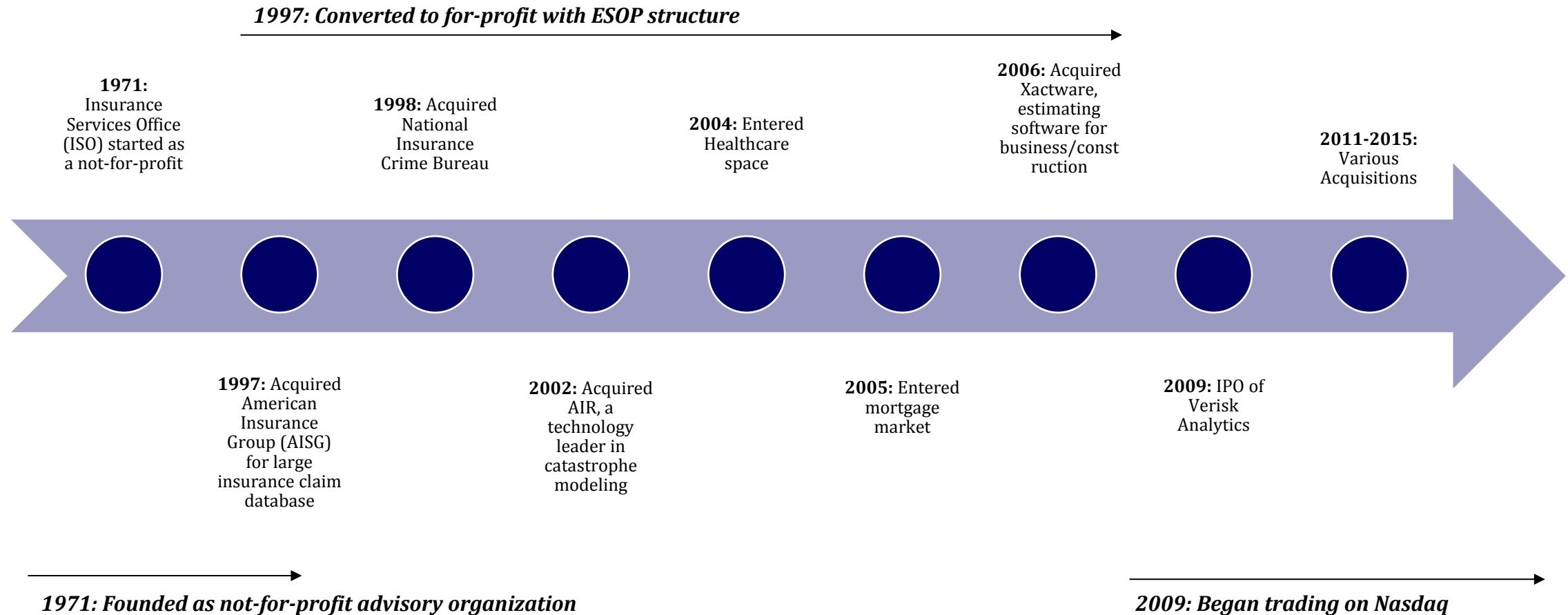


Focus

Company & Industry Overview

# Verisk Analytics

## Development of VRSK Business Model



# Verisk Analytics

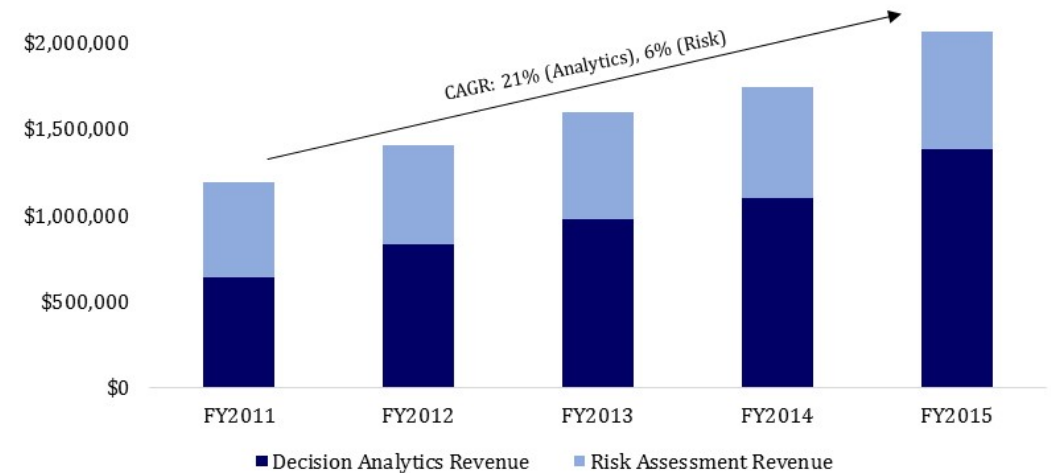


## Strong Competitive Moat Coupled with High Growth

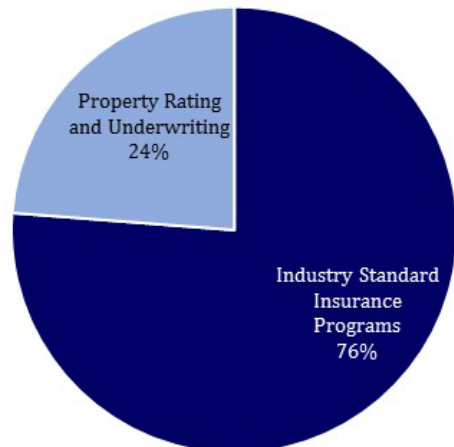
### Company Overview

- Data analytics and risk assessment firm
- Serves customers worldwide in insurance, natural resources, governmental, and risk management
- Uses proprietary data sets and industry expertise to provide predictive analytics and decision support solutions in fraud prevention, actuarial science, insurance coverages, fire protection, catastrophe and weather risk, and data management

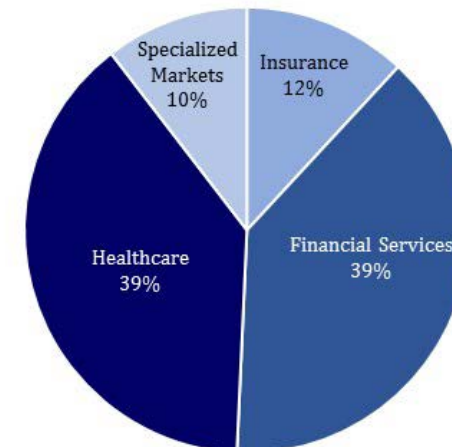
### Historical Segment Revenue



### FY2015 Risk Assessment Segment



### FY2015 Decision Analytics Segment





# Verisk Analytics

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow (Base)	90.0%	\$95.71	\$86.14
Discounted Free Cash Flow (Bear)	7.5%	\$84.49	\$6.34
Discounted Free Cash Flow (Bull)	2.5%	\$107.70	\$2.69
<b>Intrinsic Value</b>			<b>\$95.17</b>
Price (As of November 30, 2016)			\$83.88
Estimated Upside / (Downside)			13.5%

### Investment Thesis

1. Very strong competitive moat and pricing power (price escalators baked into contracts), sticky revenue base that is recession-resistant business model
2. Opportunity for growth through more domestic accounts, desire for international expansion, and tangential verticals
3. Pipeline for M&A remains strong to supplement organic growth

# Buffalo Wild Wings

Nasdaq: BWLD



Price (As of November 30, 2016):	\$169.40
TTM Price-to-Earnings:	30.29x
Market Capitalization:	\$3.06Bn
Dividend Yield:	N/A
LTM Adjusted Earnings per Share:	\$5.56



Focus

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Discounted Cash Flow Valuation

# Buffalo Wild Wings

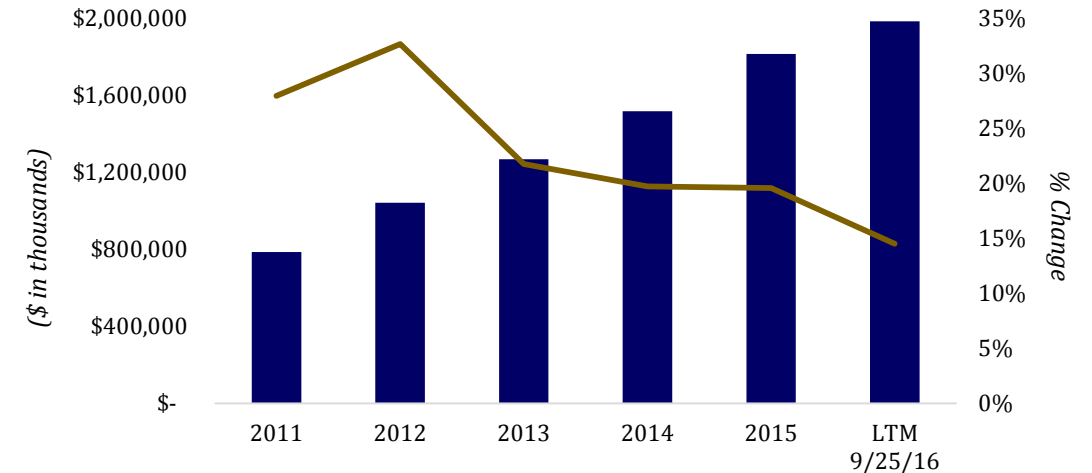
## Company Overview



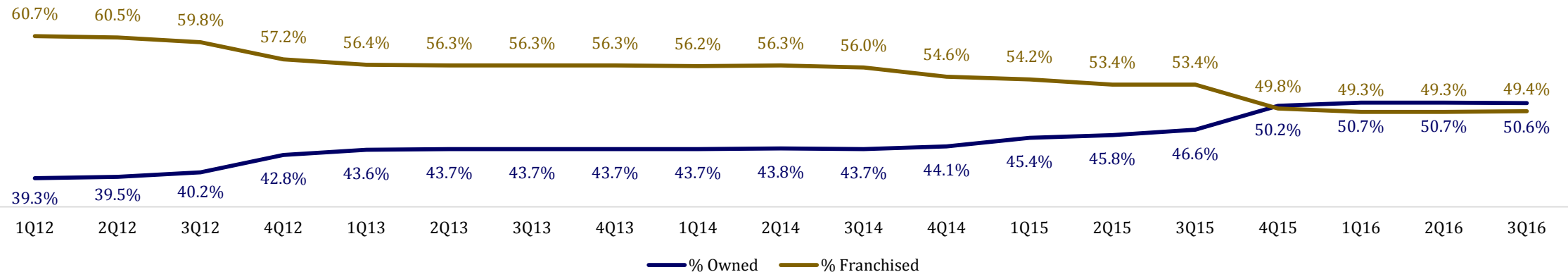
### The Marcato Capital Thesis

- 1) **Transition to a franchise-heavier model**
  - High franchise mix leads to higher valuation
- 2) **Utilize Leverage**
  - Prior to the past year B-Dubs had no long-term debt
- 3) **Return Value to Shareholders**
  - Anticipated share repurchases of \$150M in 2016
- 4) **Revamp the Board and Align Management Compensation**
  - Compensation not tied to any shareholder return metrics

### Revenue Growth Slowdown



### Recent Trend of Franchise Acquisitions



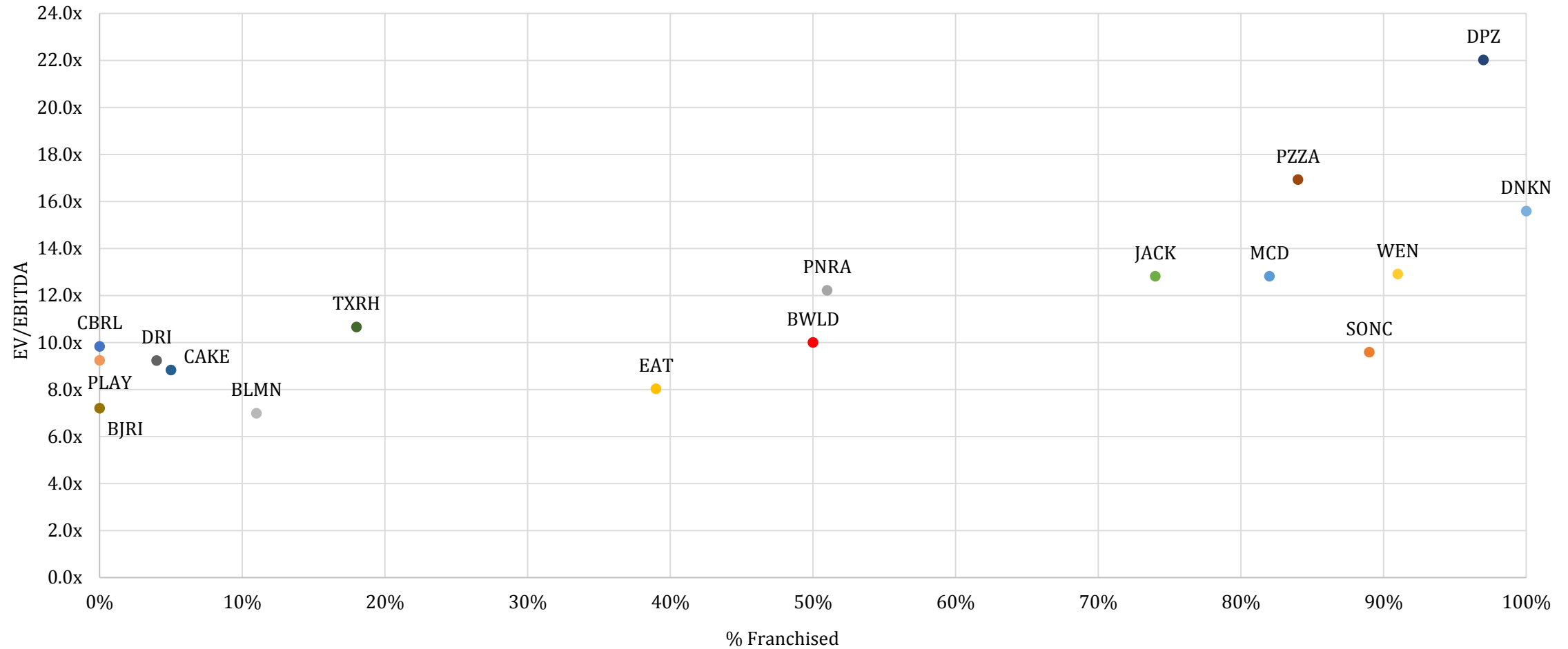
Source: Company Filings, AIM/ Mangan 2016

# Buffalo Wild Wings

## Franchise Mix Valuation Multiples



EV/EBITDA vs. % Franchised



Source: AIM/ Mangan 2016

# Buffalo Wild Wings

## Discounted Cash Flow Valuation



### Scenario Analysis

#### 1) Mercato Scenario

- Assumes ~90% franchise mix by 2021
- Significant revenue declines, margin expansion, and capex

#### 2) Expected Scenario

- Assumes ~65% franchise mix by 2021
- Slowing revenue growth, moderate margin expansion and capex

#### 3) Status Quo Scenario

- Assumes ~50% franchise mix with some franchise acquisition
- Slower revenue growth declines, steady margins and increasing capex

	Marcato	Expected	Status Quo
<b>Share Price</b>	<b>\$218.04</b>	<b>\$190.34</b>	<b>\$126.13</b>
<i>Probability of Scenario Occurrence</i>	10%	60%	30%
<b>Weighted Share Price</b>		<b>\$173.85</b>	
Current Price (11/29)		\$169.40	
<i>% Implied Premium</i>		2.6%	
Price at Initial Pitch (10/26)		\$134.36	
<i>% Implied Premium</i>		29.4%	

### Expected Scenario Sensitivity Analysis

Upside/ (Downside)	Perpetuity Growth Rate					
	1.50%	1.75%	2.00%	2.25%	2.50%	
WACC	5.25%	14.9%	24.0%	34.4%	46.6%	61.0%
	5.50%	5.8%	13.6%	22.5%	32.9%	44.9%
	5.75%	(2.3%)	4.5%	12.3%	21.1%	31.3%
	6.00%	(9.5%)	(3.5%)	3.3%	10.9%	19.7%
	6.25%	(16.0%)	(10.6%)	(4.7%)	2.0%	9.6%

# Buffalo Wild Wings

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90.0%	\$173.85	\$156.46
Implied Forward P/E Multiple	2.5%	\$127.39	\$3.18
Implied EV/EBITDA Multiple	2.5%	\$116.36	\$2.91
Franchise Mix Valuation Multiple	5.0%	\$169.25	\$8.48
<b>Intrinsic Value</b>			<b>\$171.02</b>
Price (As of November 30, 2016)			\$169.40
<b>Estimated Upside / (Downside)</b>			<b>1.0%</b>

### Investment Thesis

1. Declining revenue growth and questionable capital allocation decisions led to stock struggles and activist interest
2. Potential for excess return exists through refranchising and capital optimization – all depends on management’s ability to do so
3. Uncertainty around future strategy and expensive current price make B-Dubs a risky opportunity with a depressed upside

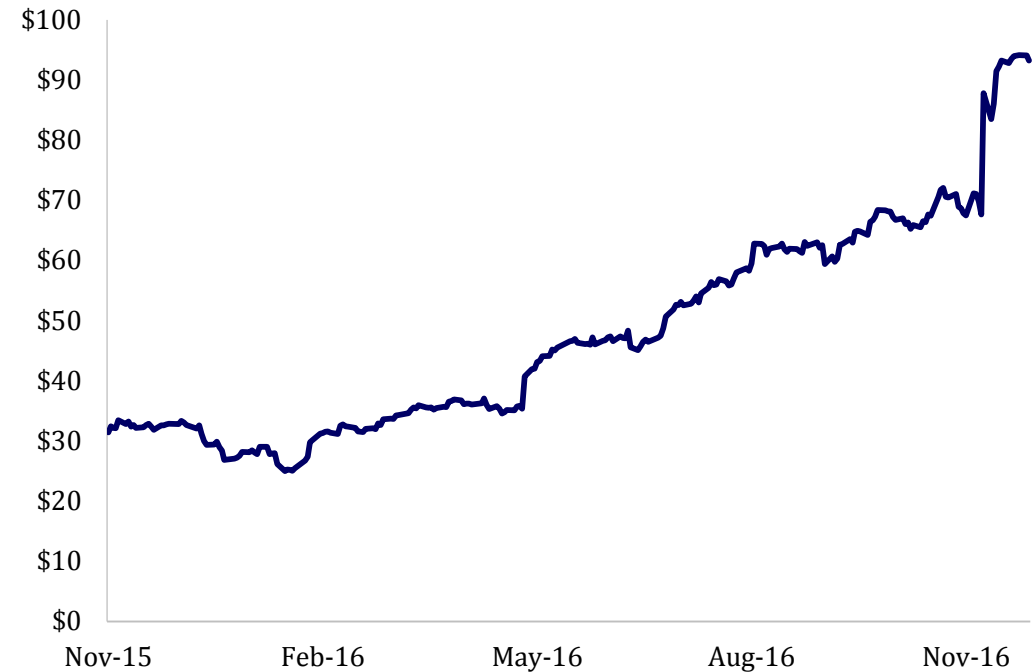
# NVIDIA

Nasdaq: NVDA



Price (As of November 30, 2016):	\$93.64
One-Year Forward Price-to-Earnings:	35.1x
Market Capitalization:	\$47.24Bn
Dividend Yield:	0.60%
TTM Adjusted Earnings per Share:	\$1.92

One-Year Price Chart



Focus

Company & Industry Overview

# NVIDIA

## Growth Segments



eSports



Virtual Reality



Artificial Intelligence



Self-Driving Cars





# NVIDIA

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	100.0%	\$102.36	\$102.36
Implied Forward P/E Multiple	0.0%	\$32.47	\$0.00
Implied Forward EV/Revenue Multiple	0.0%	\$39.35	\$0.00
Implied Forward EV/EBITDA Multiple	0.0%	\$34.97	\$0.00
<b>Intrinsic Value</b>			<b>\$102.36</b>
Price (As of November 30, 2016)			\$92.20
<b>Estimated Upside / (Downside)</b>			<b>11.0%</b>

### Investment Thesis

1. Artificial intelligence hardware market is not as competitive as the sell-side analysts believe it to be.
2. The market for artificial intelligence is larger than analysts believe it to be.
3. NVIDIA has a sustainable competitive advantage within the GPU market for the coming years.

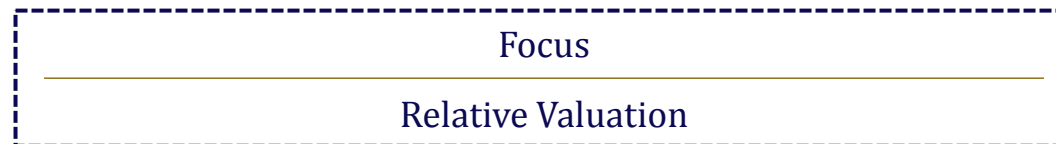
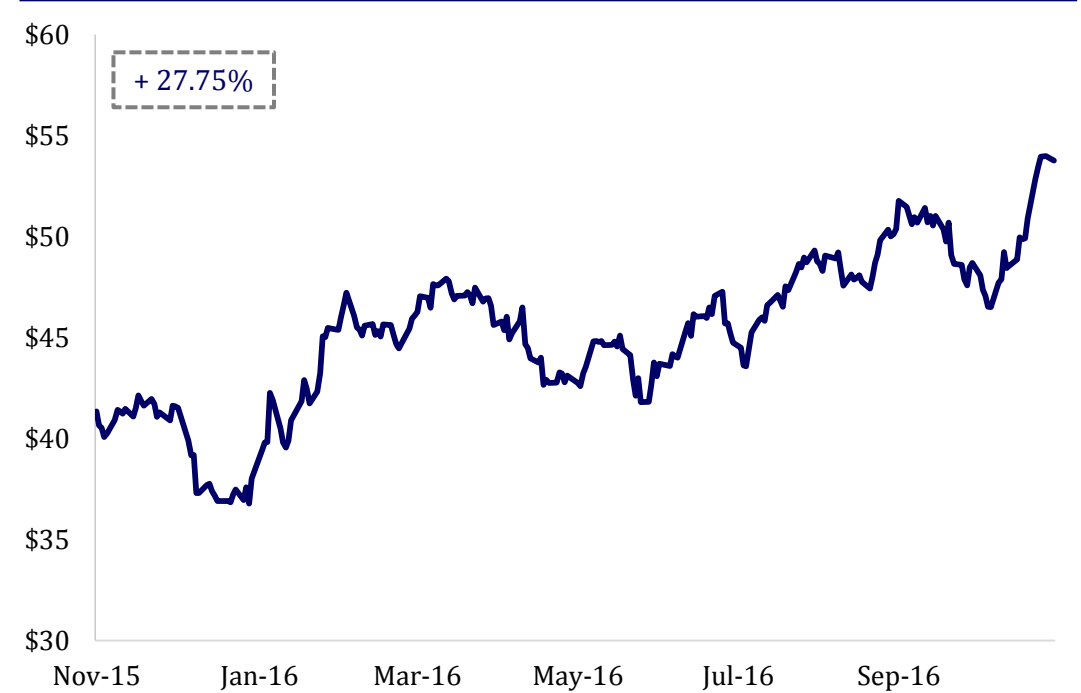
# Dunkin' Brands Group, Inc.

NasdaqGS: DNKN



Price (As of November 30, 2016):	\$54.19
TTM Price-to-Earnings:	38.10x
Market Capitalization:	\$4.97Bn
Dividend Yield:	2.22%
TTM Adjusted Earnings per Share:	\$1.41

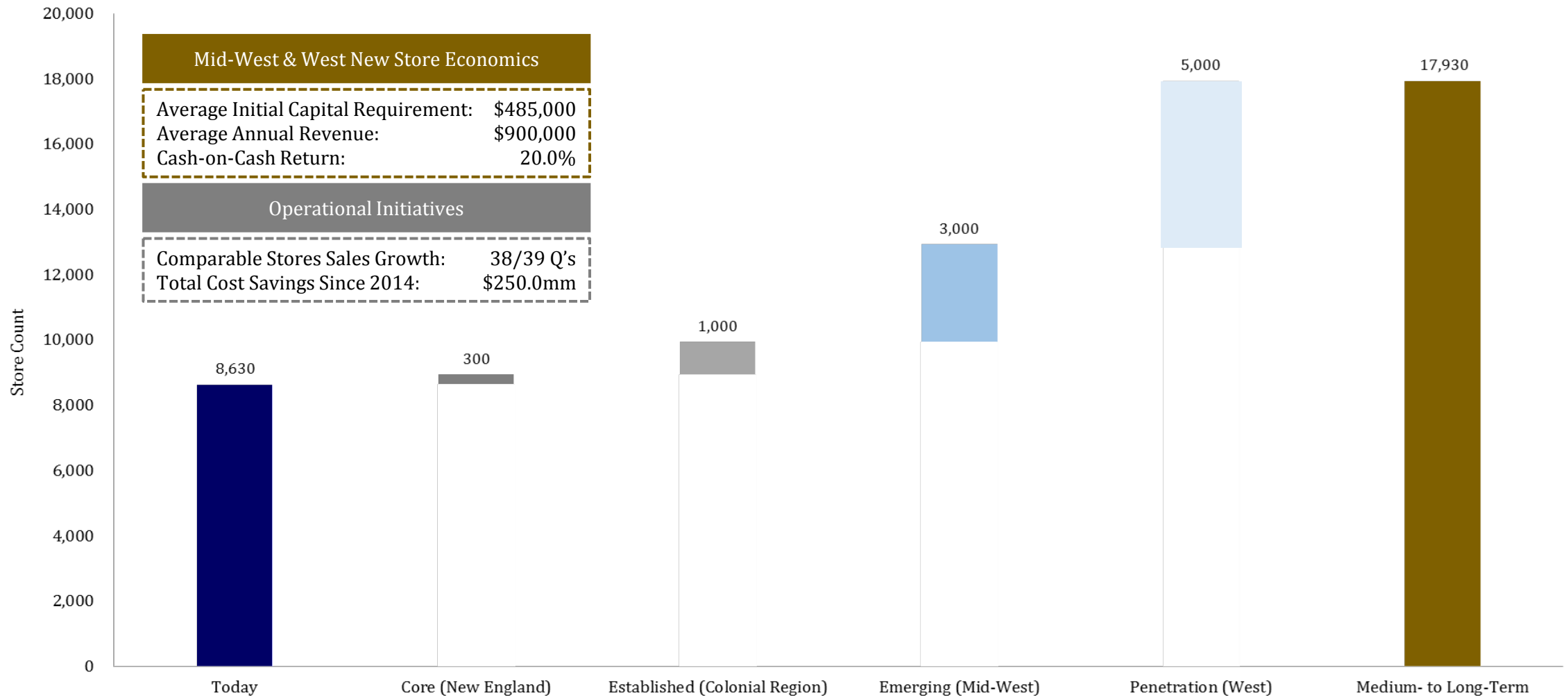
One-Year Price Chart



# Dunkin' Brands Group, Inc.



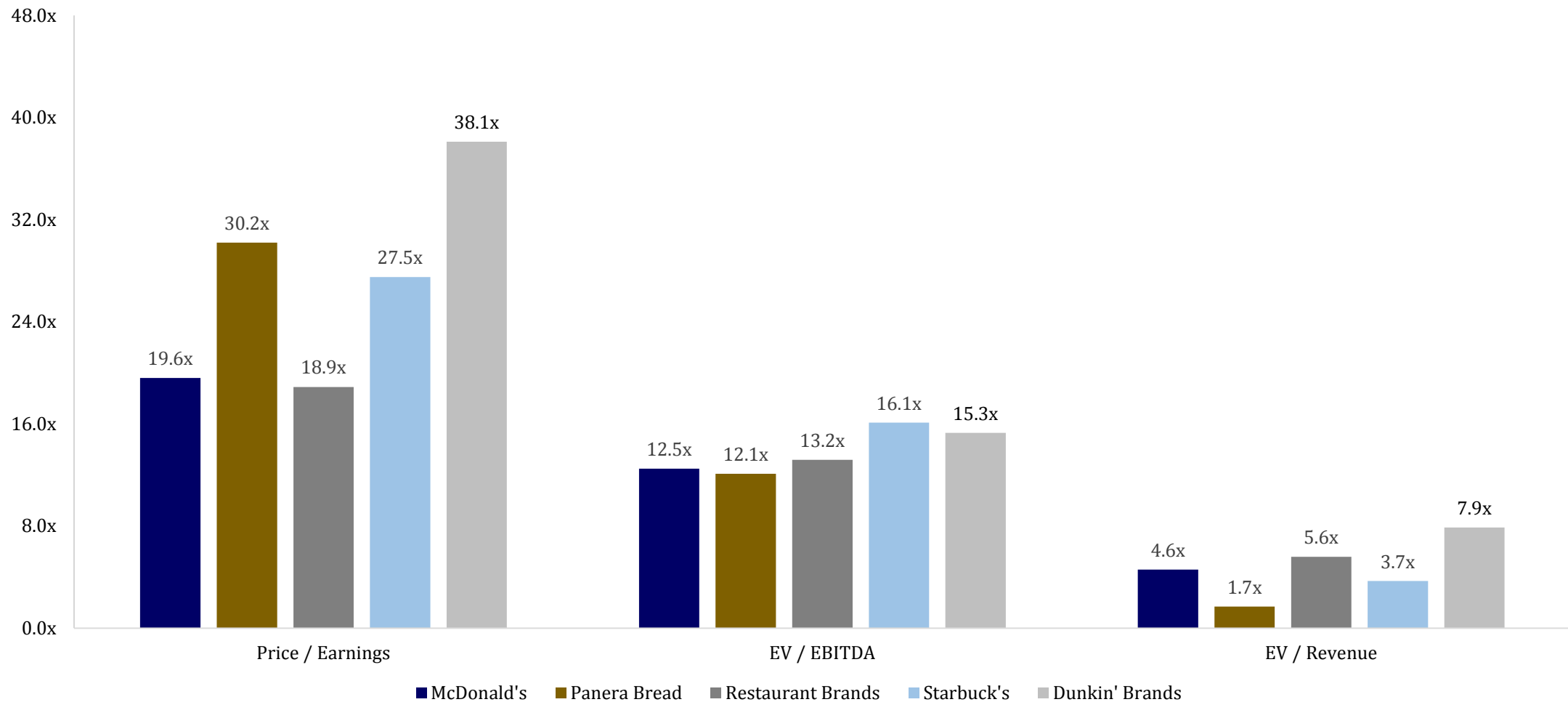
## Dunkin' Donuts U.S. Medium- to Long-Term Expansion



Source: Bloomberg, S&P Capital IQ

# Dunkin' Brands Group, Inc.

## Relative Valuation



Source: S&P Capital IQ

# Dunkin' Brands Group, Inc.

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90.0%	\$50.84	\$45.75
Price / Earnings	3.3%	\$34.23	\$1.14
TEV / EBITDA	3.3%	\$41.86	\$1.40
TEV / Revenue	3.3%	\$29.85	\$1.00
<b>Intrinsic Value</b>			<b>\$49.29</b>
Price (As of November 30, 2016)			\$54.19
Estimated Upside / (Downside)			(9.0%)

### Investment Thesis

1. Strong, established brand with compelling opportunities in the Midwest, Texas, and international markets
2. Franchise-based business model offers growth with captivating store economics
3. Unattractive entry price

# First Solar

Nasdaq: FSLR



Price (As of November 30, 2016):	\$29.95
TTM Price-to-Earnings:	6.1x
Market Capitalization:	\$3.16Bn
Dividend Yield:	N/A
LTM Adjusted Earnings per Share:	\$4.90

One-Year Price Chart



Focus
Beta

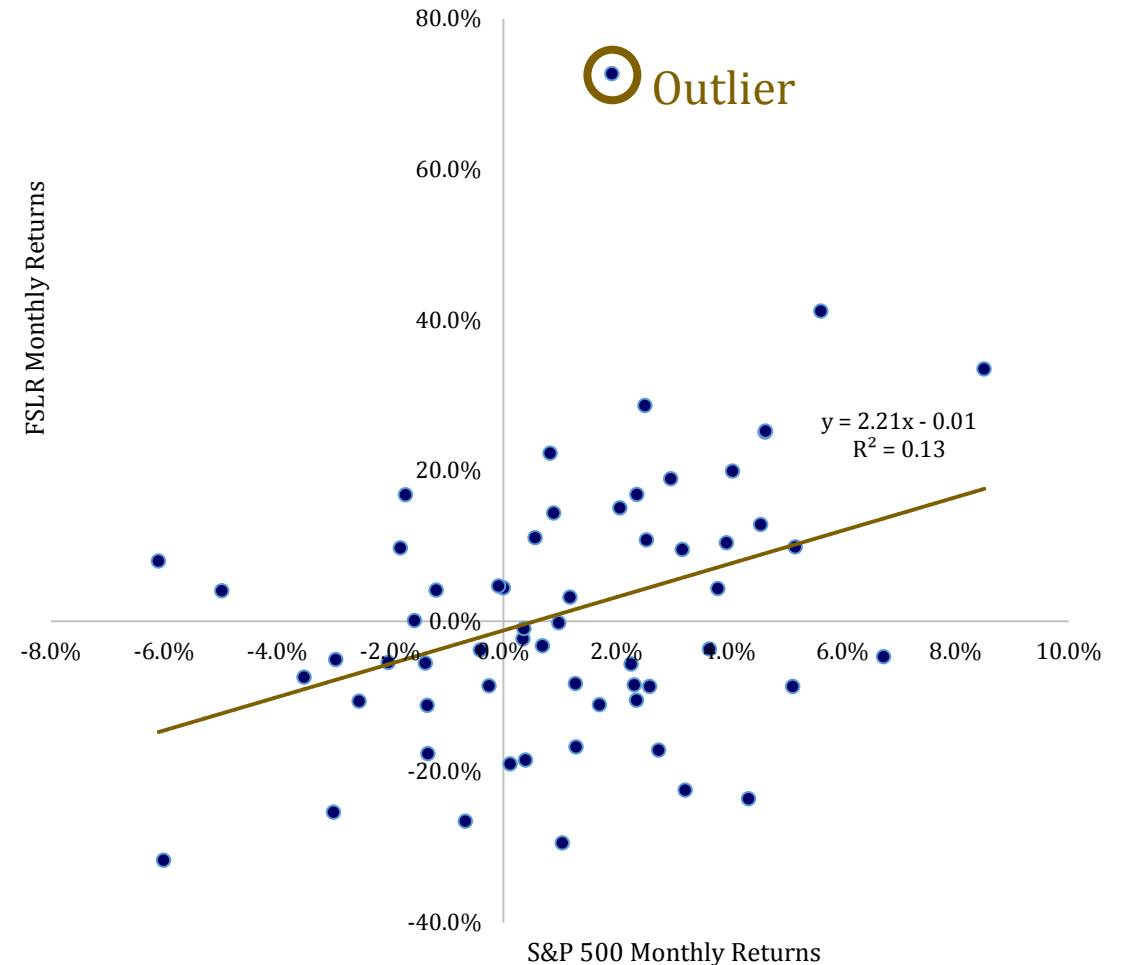
# First Solar

## Beta Analysis



### Beta Calculation

Regression		Beta			
Preliminary (5-year monthly)		2.24			
Adjusted for Outliers		2.14			
Mean Reversion Final Beta		1.76			
Public Estimates		Beta			
Bloomberg		1.37			
CapIQ		1.55			
Yahoo! Finance		1.75			
Sensitivities					
Beta	1.46	1.61	1.76	1.91	2.06
WACC	8.89%	9.56%	10.24%	10.89%	11.56%
Valuation	\$30.31	\$28.18	\$26.27	\$24.69	\$23.25



# First Solar

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$26.27	\$22.33
Multiples Analysis	15.0%	\$30.02	\$4.50
Intrinsic Value			\$26.83
Price (As of November 30, 2016)			\$29.95
Estimated Upside / (Downside)			(10.4%)

### Investment Thesis

1. Unique technology creates distinguishable competitive advantage
2. Headwinds from global oversupply of solar panels and product restructuring
3. Stock overvalued with no catalyst for upside until 2018



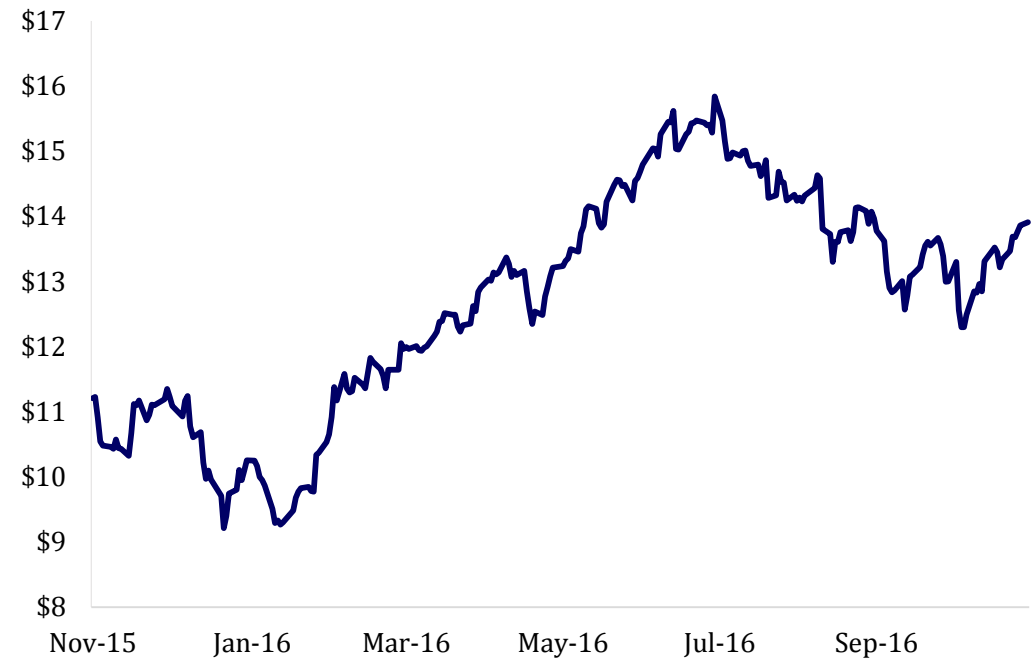
# Whitestone REIT

NYSE: WSR



Price (As of November 30, 2016):	\$13.59
TTM Price-to-Earnings:	10.32x
Market Capitalization:	\$0.41Bn
Dividend Yield:	8.23%
TTM Adjusted Earnings per Share:	\$0.32

One-Year Price Chart



Focus  
Alternative Valuation Methods

# Whitestone REIT

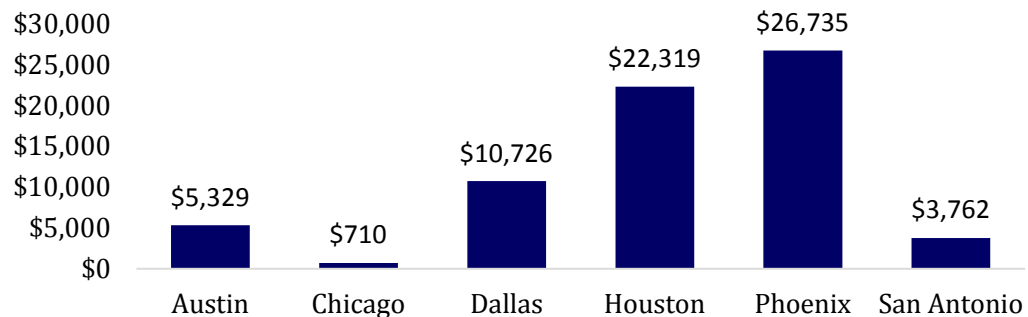
## Investment Highlights



### Company Overview

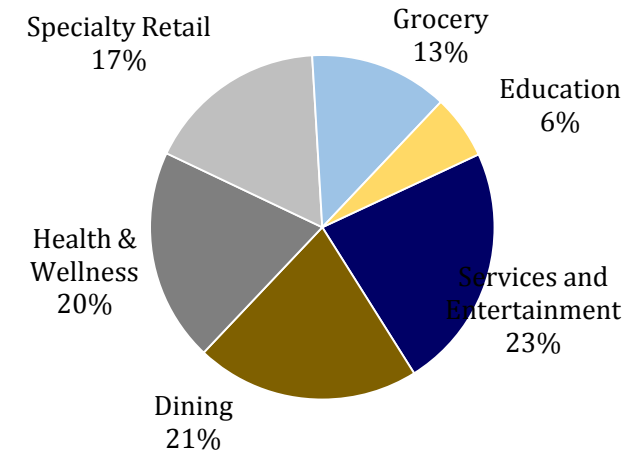
- Whitestone REIT acquires and redevelops “Community Center Properties”
- Diverse, “internet-resistant” tenant mix
- Grow through acquisitions and unlocking untapped potential in high-growth, high-income communities
- 12 acquisitions in 2015, 2 YTD 2016; 71 total properties

### Annualized Base Revenue by Geography (\$ in thousands)

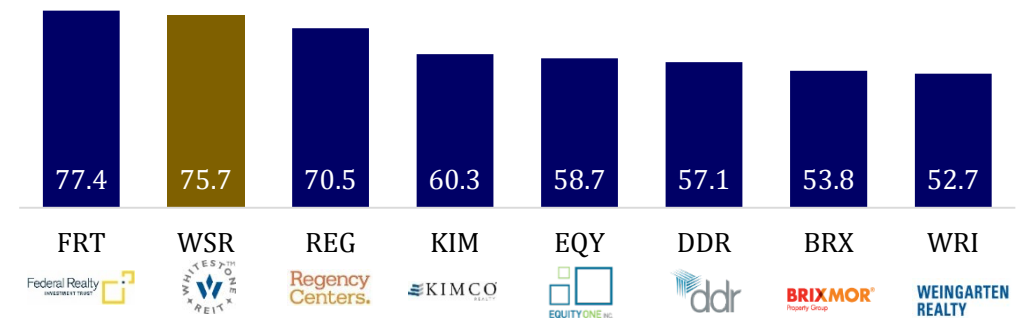


Source: WSR 10-K, WSR August 2016 Investor Presentation, AIM / Seymour 2016

### Tenant Industry Distribution by Annualized Base Revenue



### Average Median Household Income (\$ in thousands)



# Whitestone REIT

## Net Asset Value Method



### Community Center Cap Rates

	Midpoint Cap. Rate	% NOI
Phoenix	5.63%	49.00%
Houston	6.13%	20.00%
Austin	4.88%	14.00%
Dallas	5.08%	11.00%
San Antonio	5.40%	5.00%
Chicago	5.28%	1.00%
<b>Weighted Cap Rate</b>	<b>5.54%</b>	<b>100.00%</b>

### Net Asset Value Calculation (\$ in thousands)

TTM Net Operating Income	\$67,591
Same Store NOI Growth Rate	3.00%
NTM Net Operating Income	\$69,618
Weighted Cap Rate	5.54%
Gross Asset Value	\$1,255,574
Total Liabilities	(544,482)
Net Asset Value (NAV)	\$711,092
Shares Outstanding	28,519
<b>Per Share Value</b>	<b>\$24.93</b>

*Warranted discount to NAV would have to be greater than 40% to estimate less than 10% upside*

# Whitestone REIT

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Hold		Portfolio Decision: Sell	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow to Equity	90.0%	\$13.94	\$12.54
Net Asset Value	10.0%	\$24.93	\$2.49
Dividend Discount Model	0.0%	\$19.16	\$0.00
Forward EV / EBITDA	0.0%	\$13.19	\$0.00
<b>Intrinsic Value</b>			<b>\$15.04</b>
Price (As of November 30, 2016)			\$13.59
<b>Estimated Upside / (Downside)</b>			<b>10.6%</b>

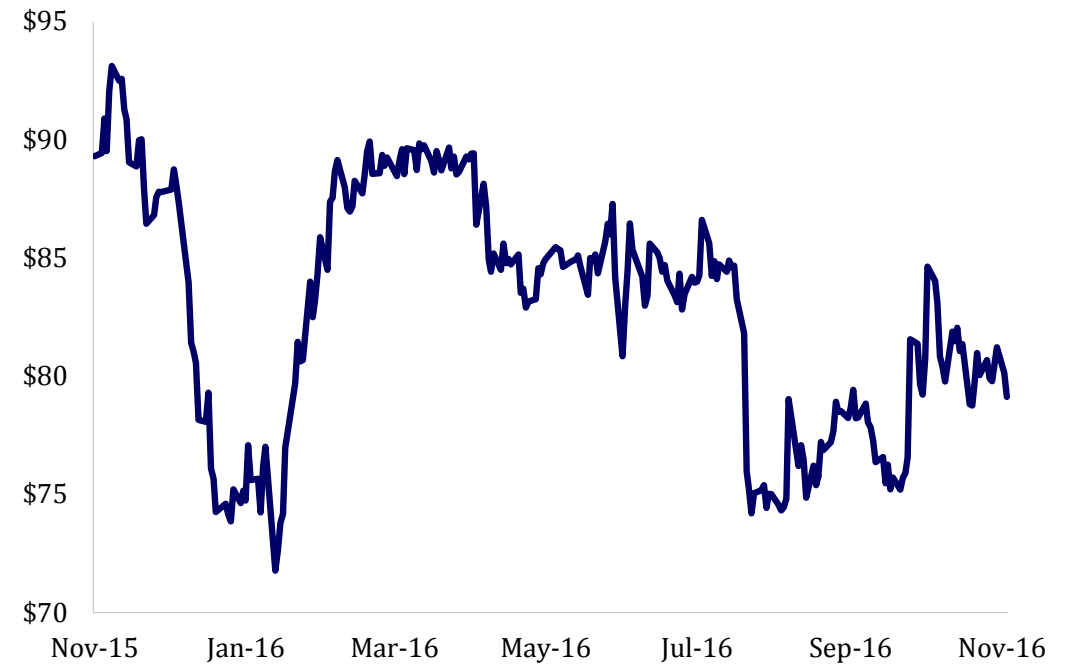
### Investment Thesis

1. Diverse internet-resistant tenant base with properties in high-growth, high-median household income markets
2. Strong track record of unlocking untapped potential in acquired properties by growing occupancy and developing excess land
3. Trading significantly below the value of dividends and fair market value of assets



Price (As of November 30, 2016): \$79.79  
One-Year Forward Price-to-Earnings: 22.6x  
Market Capitalization: \$8.27Bn  
Company Beta: 1.00  
Forward Earnings per Share: \$4.04

One-Year Price Chart



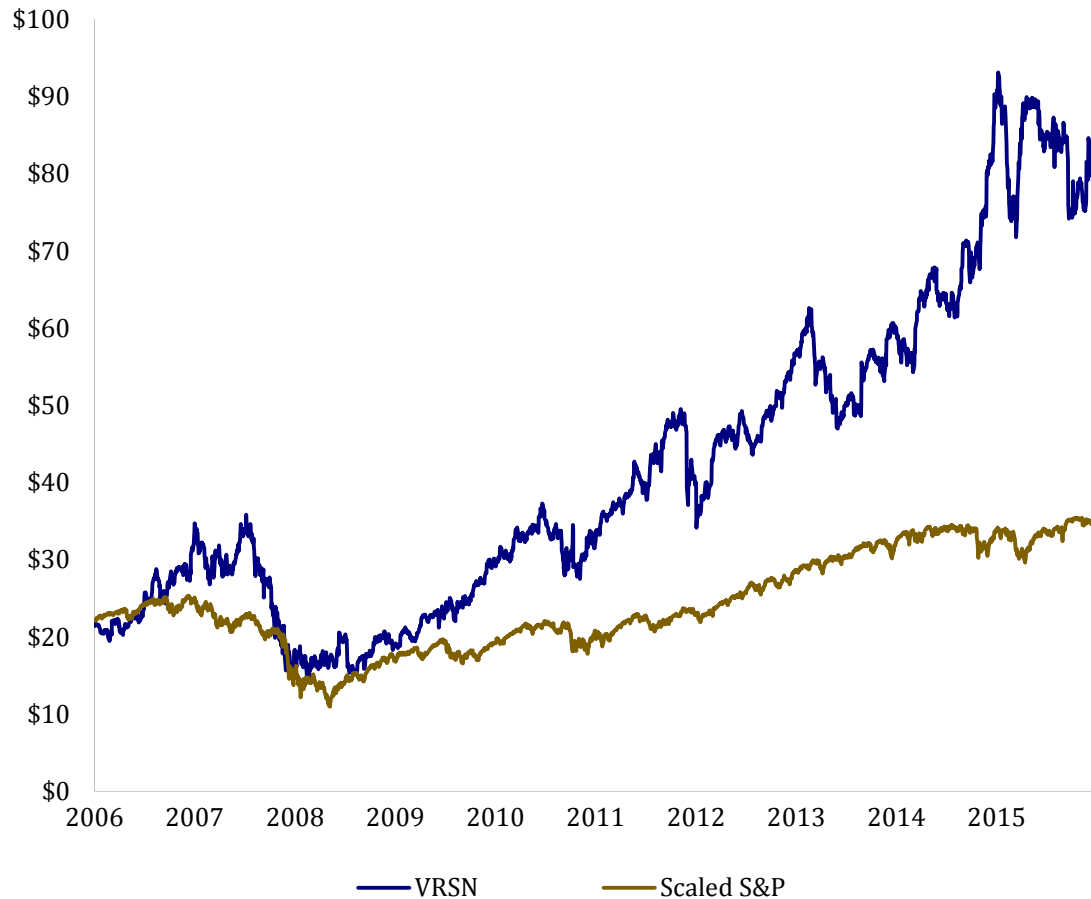
Focus  
Technical Analysis

# VeriSign

## Technical Analysis

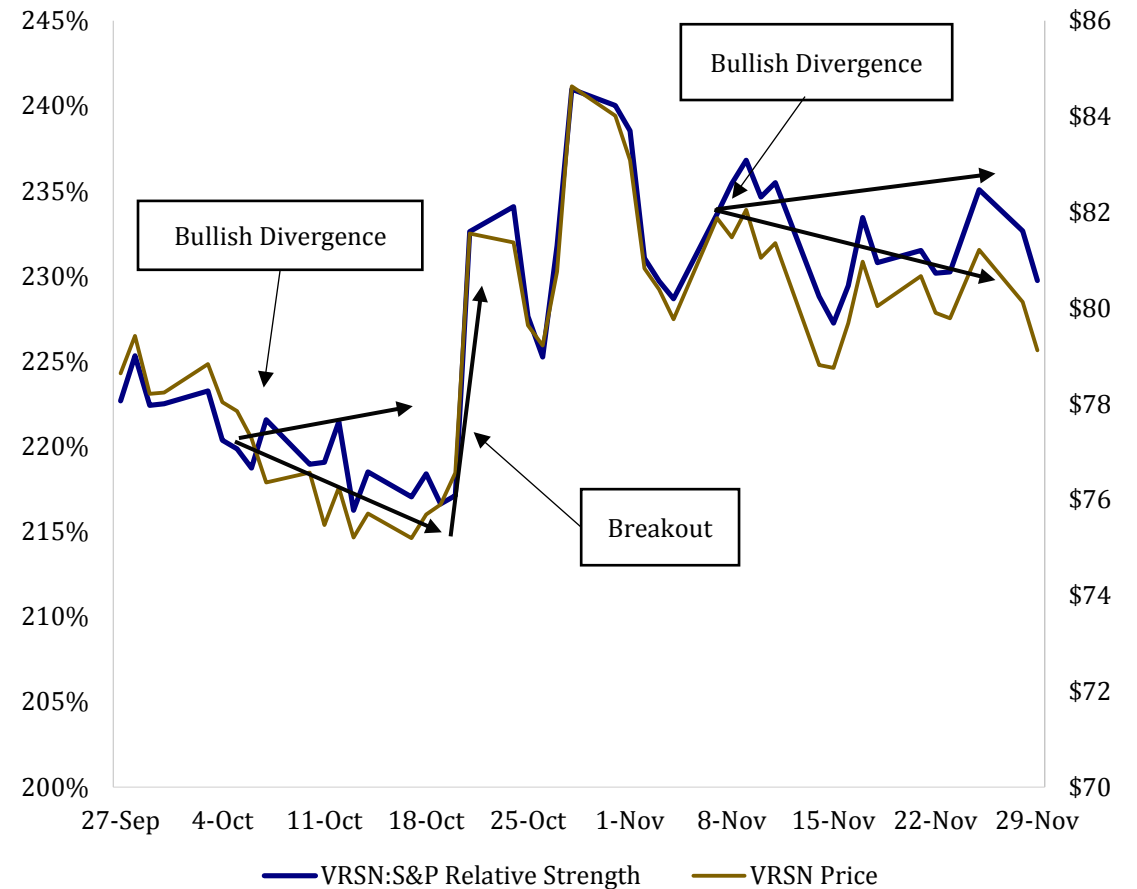


VRSN vs. S&P 500



Source: Yahoo! Finance, Chart School

S&P-500 Relative Strength vs. VRSN

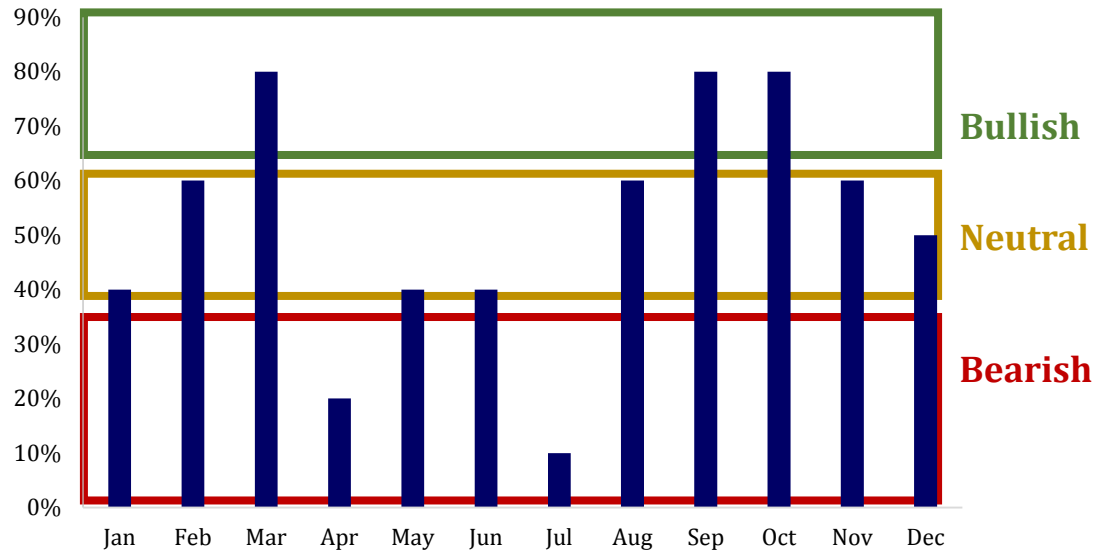


# VeriSign

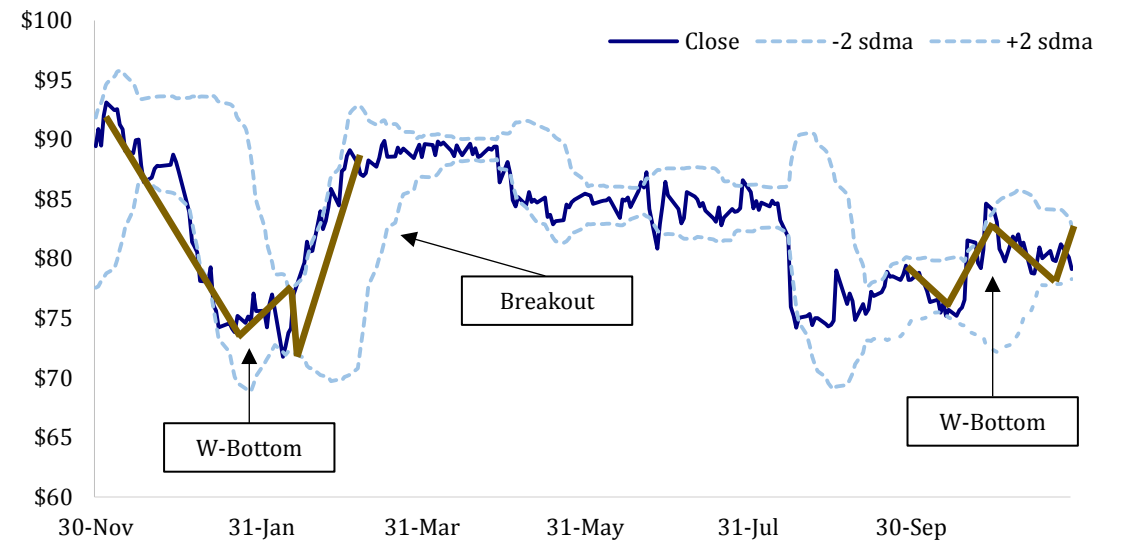
## Technical Analysis



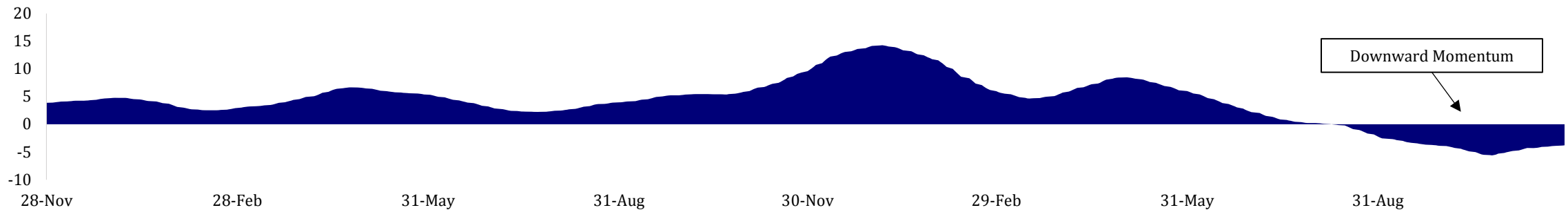
### 5 Year Seasonality



### 1 Year Bollinger Bands



### MACD



# VeriSign

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	100.0%	\$96.96	\$96.96
Enterprise Value/Revenue	0.0%	\$13.59	\$0.00
Enterprise Value/EBITDA	0.0%	\$49.30	\$0.00
Price/Earnings	0.0%	\$50.88	\$0.00
<b>Intrinsic Value</b>			<b>\$96.96</b>
Price (As of November 30, 2016)			\$79.79
Estimated Upside / (Downside)			22.5%

### Investment Thesis

1. Market shows unfounded fear over the possibility of events disrupting VeriSign's exclusive control of .com & .net domain names.
2. VeriSign's scale and regulatory status position the company to benefit from continued growth in ecommerce.
3. High operational efficiency and profitability enables VeriSign to generate strong cash flows and return cash to shareholders.



# Hanesbrands

NYSE: HBI



## HANES *Brands Inc*

Price (As of November 30, 2016): \$23.47

One-Year Forward Price-to-Earnings: 10.82x

Market Capitalization: \$8.87Bn

Dividend Yield: 1.80%

TTM Adjusted Earnings per Share: \$1.29

One-Year Price Chart



Focus

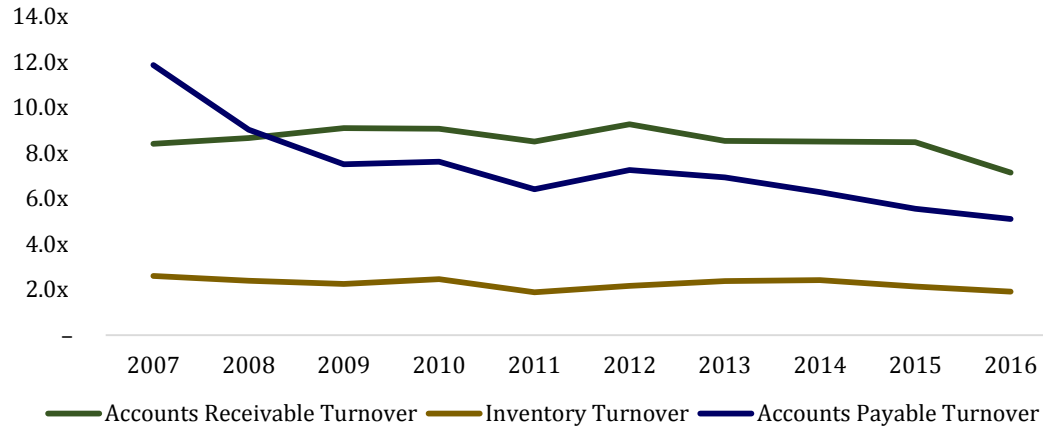
Fundamental Analysis

# Hanesbrands

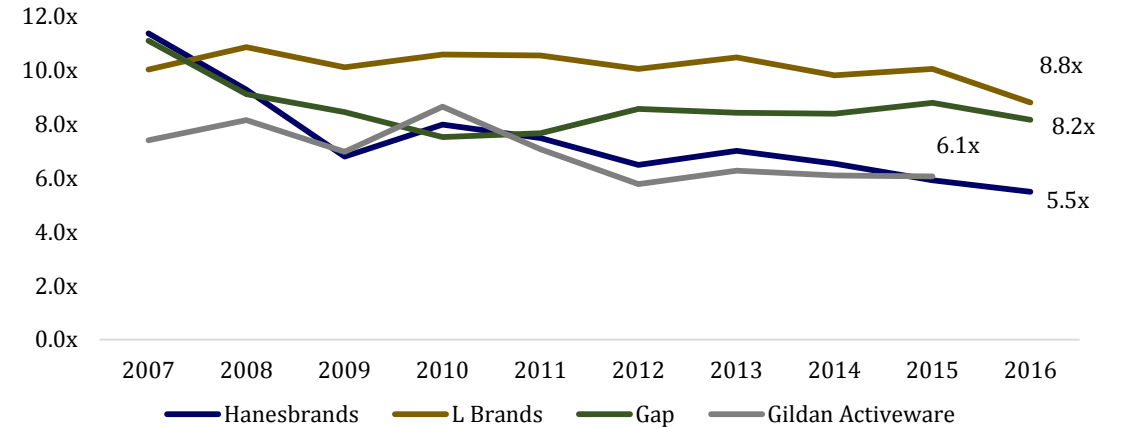
## Fundamental Analysis



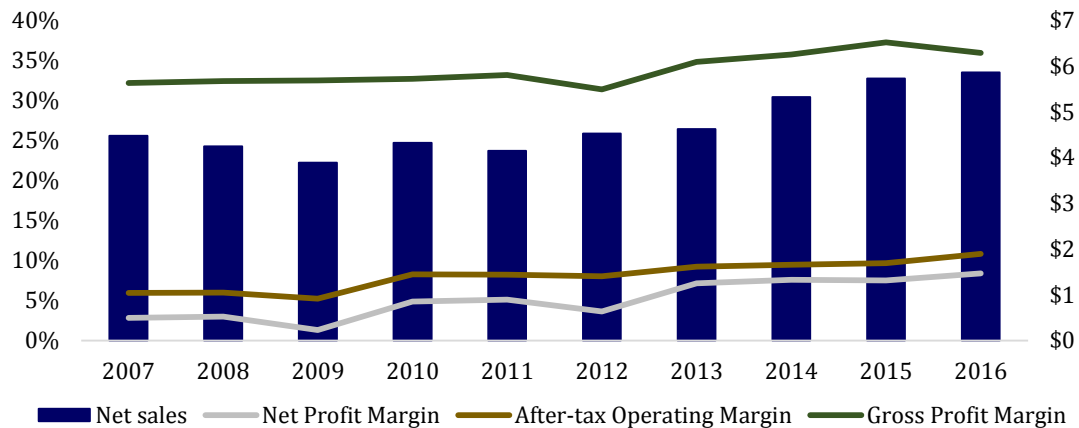
### Adjusted Efficiency Ratios



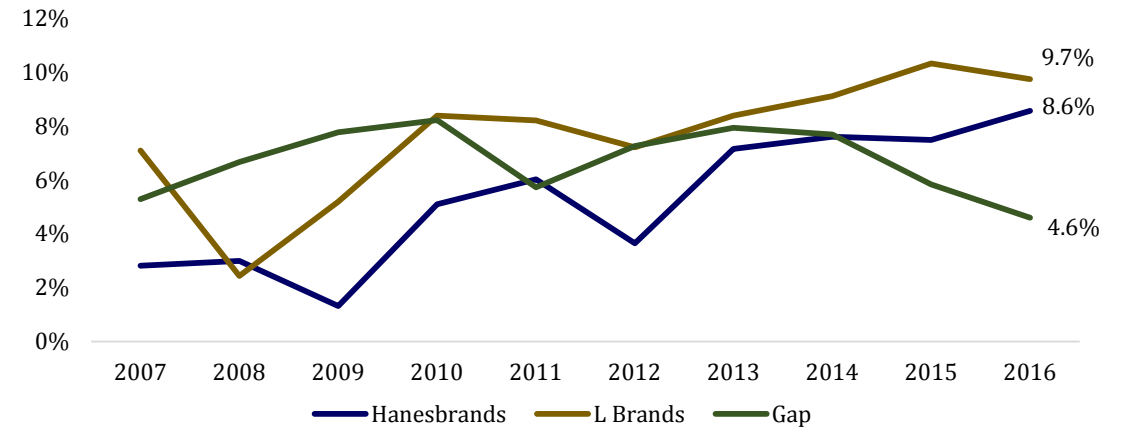
### Accounts Payable Turnover Comparison



### Sales and Margins (% , \$Bn)



### Net Profit Comparison



Source: Company Filings, S&P Capital IQ, AIM / Stamper 2016  
 Note: 2014 ratios due to restructuring in 2015

# Hanesbrands

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Buy		Portfolio Decision: Buy	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80.0%	\$26.93	\$21.54
Implied Forward P/E Multiple	10.0%	\$37.97	\$3.80
Implied Forward EV/EBITDA Multiple	10.0%	\$38.88	\$3.89
P/BV	0.0%	\$16.73	\$0.00
<b>Intrinsic Value</b>			<b>\$29.23</b>
Price (As of November 30, 2016)			\$23.47
<b>Estimated Upside / (Downside)</b>			<b>24.5%</b>

### Investment Thesis

1. Global vertically integrated supply chain advantage
2. Historical expansion leaves room for ratio improvement
3. Large international growth opportunity drives revenue

# The Priceline Group

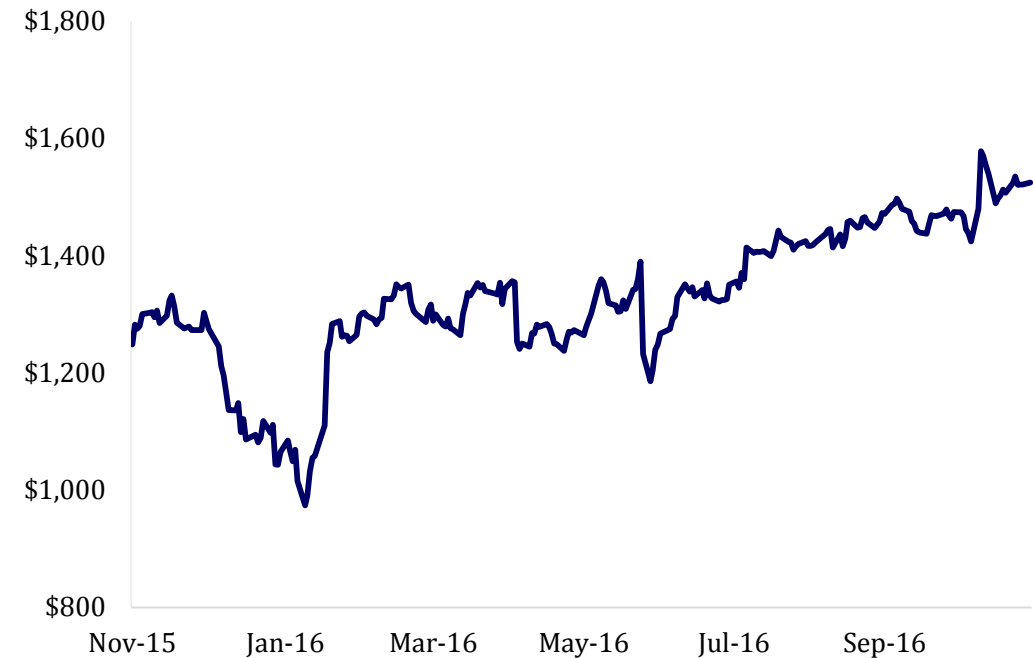
Nasdaq: PCLN



## Priceline Group

Price (As of November 30, 2016):	\$1,520.27
TTM Price-to-Earnings:	25.0x
Market Capitalization:	\$75.05Bn
Dividend Yield:	NA
LTM Adjusted Earnings per Share:	\$49.45

One-Year Price Chart



Focus

Fundamental Analysis

# The Priceline Group

## Fundamental Analysis



### Company Overview

Booking.com

agoda

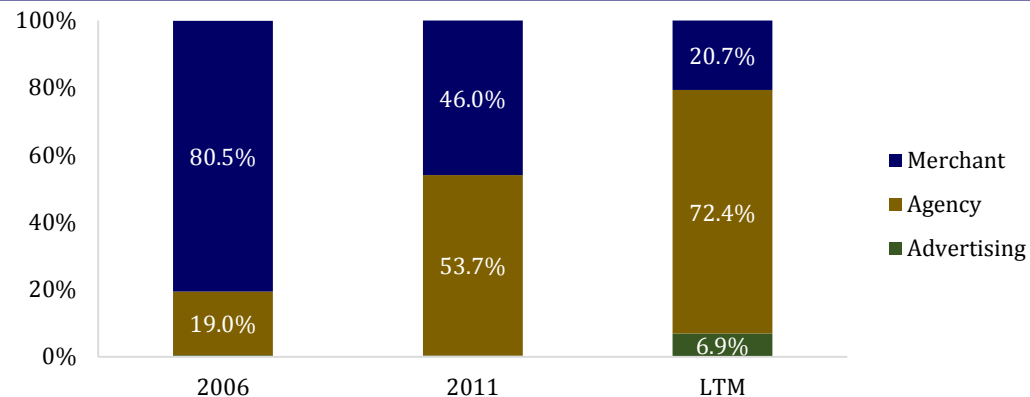
KAYAK

priceline.com

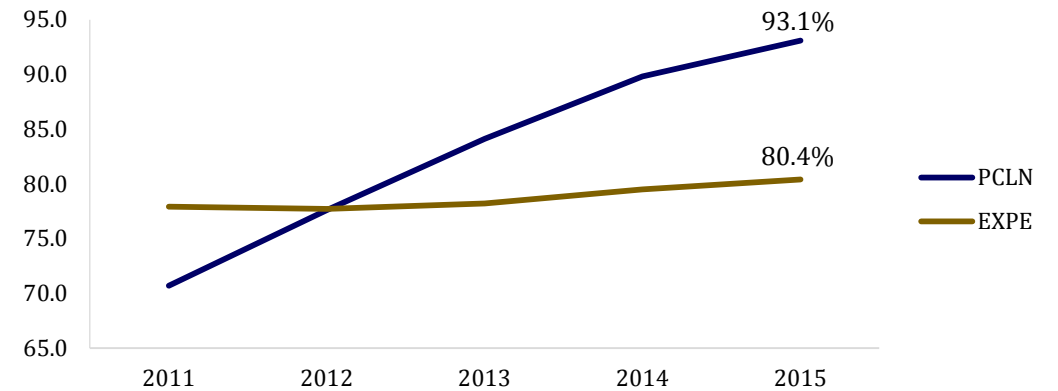
Rentalcars.com

OpenTable

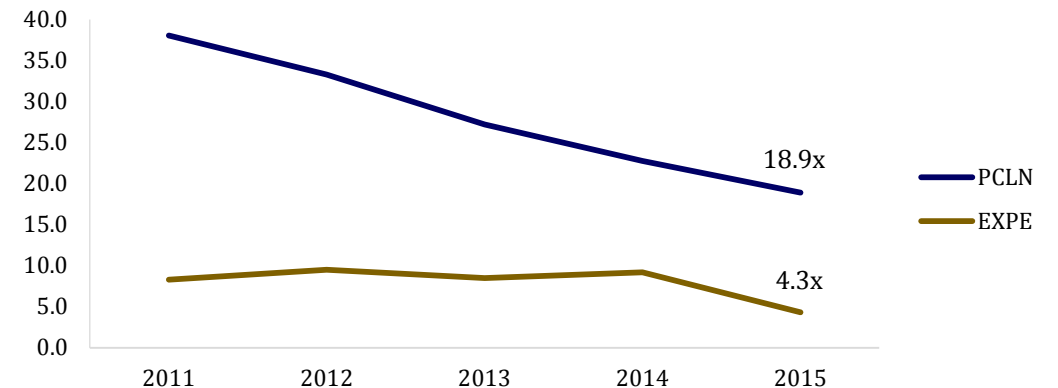
### Segment Revenue Breakdown



### Gross Margins



### Return on Capital



# The Priceline Group

## Valuation, Investment Thesis, and Portfolio Decision



Recommendation: Pass		Portfolio Decision: Pass	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	85.0%	\$1,413.18	\$1,201.21
Implied Forward P/E Multiple	5.0%	\$1,505.03	\$75.25
Implied EV/EBITDA Multiple	5.0%	\$1,533.35	\$76.67
Implied Forward EV/EBITDA Multiple	5.0%	\$1,476.16	\$73.81
<b>Intrinsic Value</b>			<b>\$1,426.93</b>
Price (As of November 30, 2016)			\$1,520.27
Estimated Upside / (Downside)			(6.1%)

### Investment Thesis

1. Excellent management team has developed a simple, scalable business with best-in-class conversion rates
2. Uniquely positioned to grow internationally in Europe, Latin America, and the Asian Pacific
3. Priced at its 52-week high, PCLN is too expensive



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NOTRE DAME

# Portfolio Performance

Historical Returns Against Benchmarks

Risk-Adjusted Performance

Attribution Analysis

Best and Worst Performers

Portfolio Additions and Deletions

Finalized Portfolio

# Portfolio Performance

## Key Themes



### AIM Portfolio Returns

- *Long-term outperformance muted by near-term underperformance*
- *LTM losses in energy, consumer staples, and select health care bets*

### Risk-Adjusted Performance

- *Slightly above-market levels of systematic risk*
- *Uninspiring relative returns + risk-on allocation = negative abnormal returns*

### Attribution Analysis

- *Allocation effect + selection effect = net management effect*

### Individual Winners & Losers

- *IT and Financials have delivered strong total returns, still trail indices*
- *Of AIM XLII additions, MKTX and UNH were top performers, GILD and JAZZ brought big losses*

### AIM XLIII Investments

- *Allocation shift toward IT and Finance, away from health care and consumer staples*



# Portfolio Performance

## Key Themes



### AIM Portfolio Returns

- *Long-term outperformance muted by near-term underperformance*
- *LTM losses in energy, consumer staples, and select health care bets*

### Risk-Adjusted Performance

- *Slightly above-market levels of systematic risk*
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### Attribution Analysis

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### Individual Winners & Losers

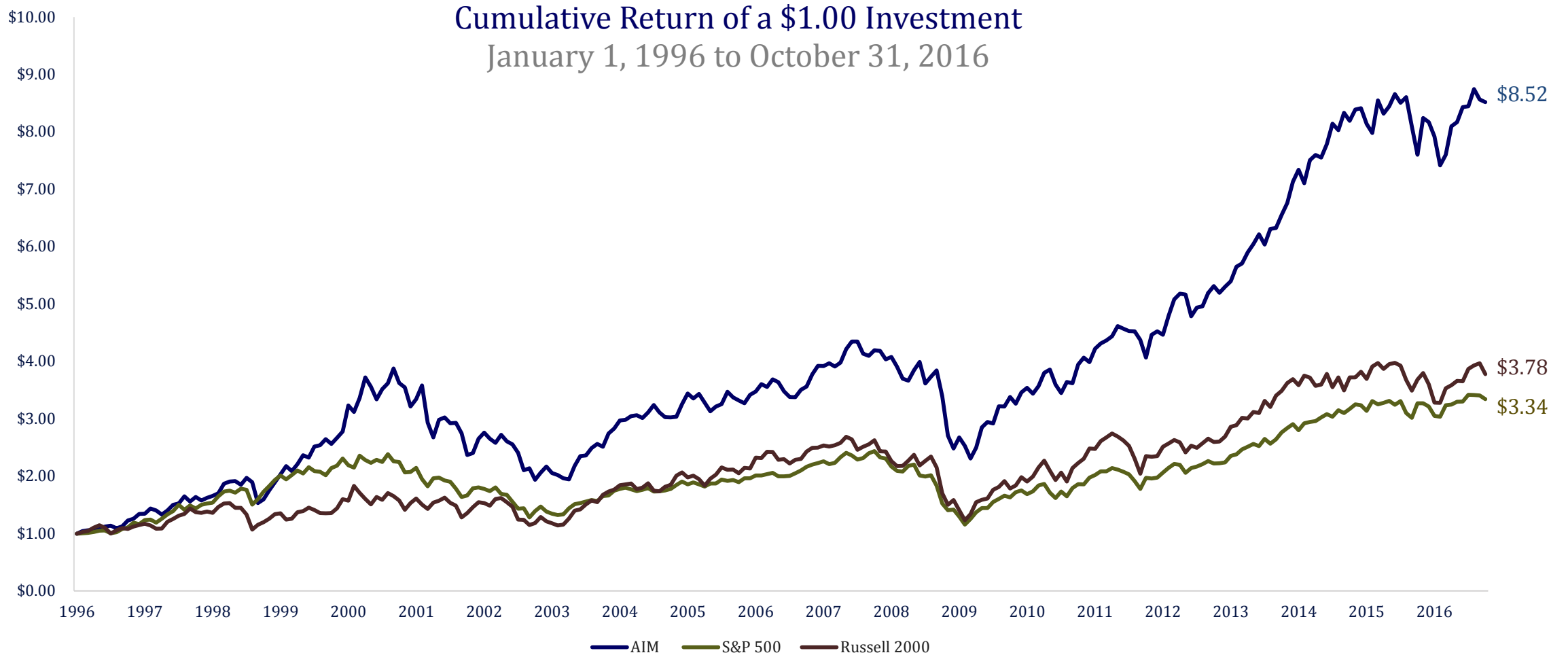
- *IT and Financials have delivered strong total returns, still trail indices*
- *Of AIM XLII additions, MKTX and UNH were top performers, GILD and JAZZ brought big losses*

### AIM XLIII Investments

- *Allocation shift toward IT and Finance, away from health care and consumer staples*

# Portfolio Performance

## Historical Returns Against Benchmarks



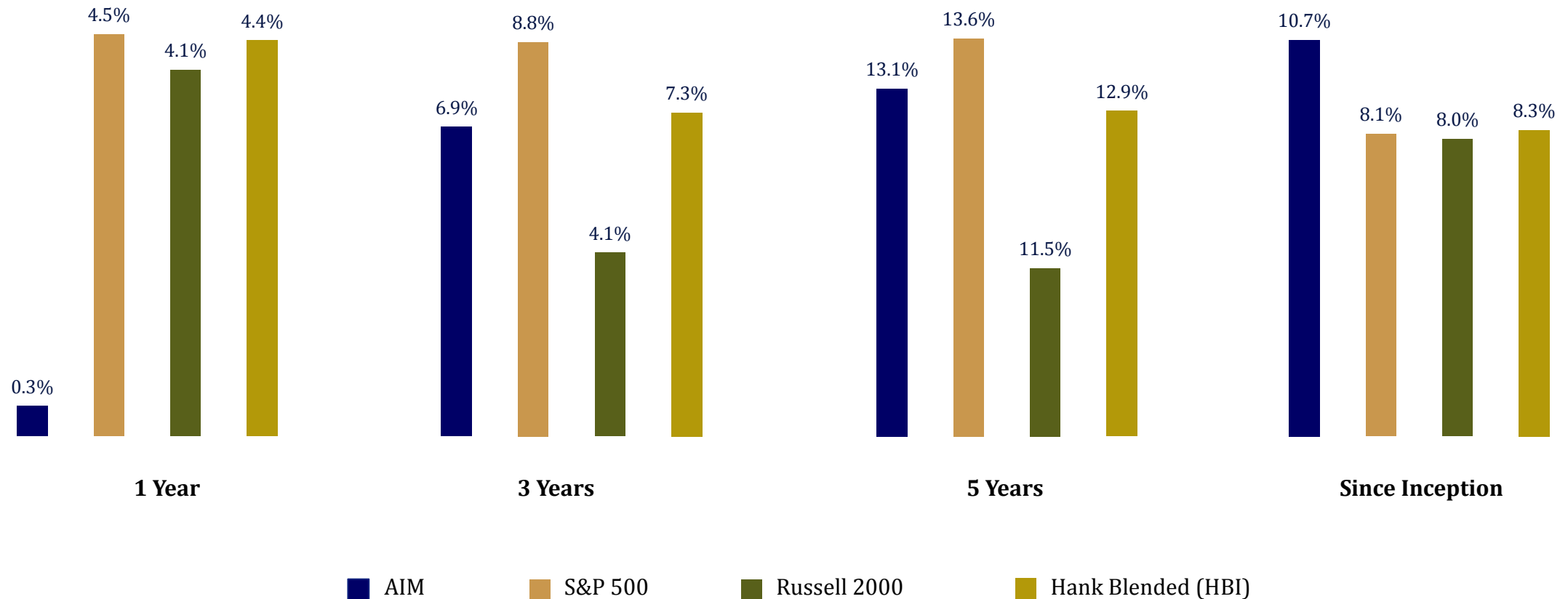
Source: BNY Mellon Statement, AIM / Marti 2016

# Portfolio Performance

## Historical Returns Against Benchmarks



AIM Portfolio Returns Against Three Benchmark Indices  
As of October 31, 2016

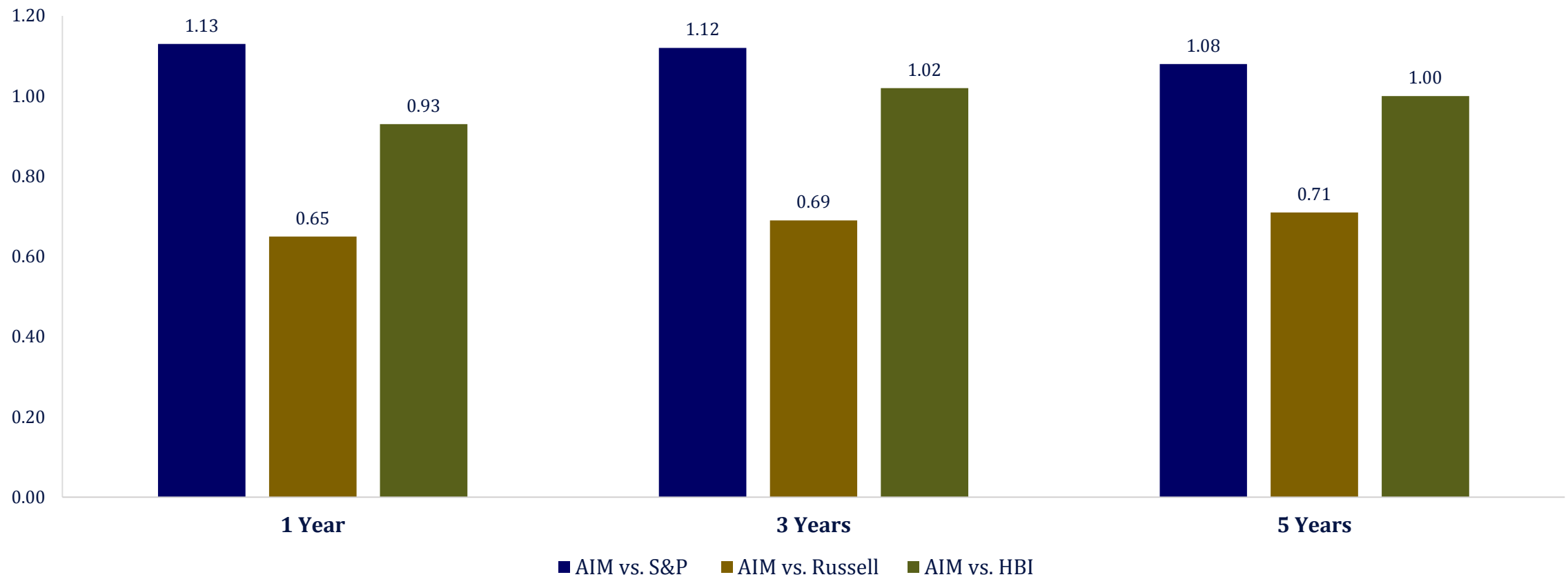


# Portfolio Performance

## Risk Profile



Beta: Systematic Risk Relative to Three Benchmark Indices  
As of October 31, 2016

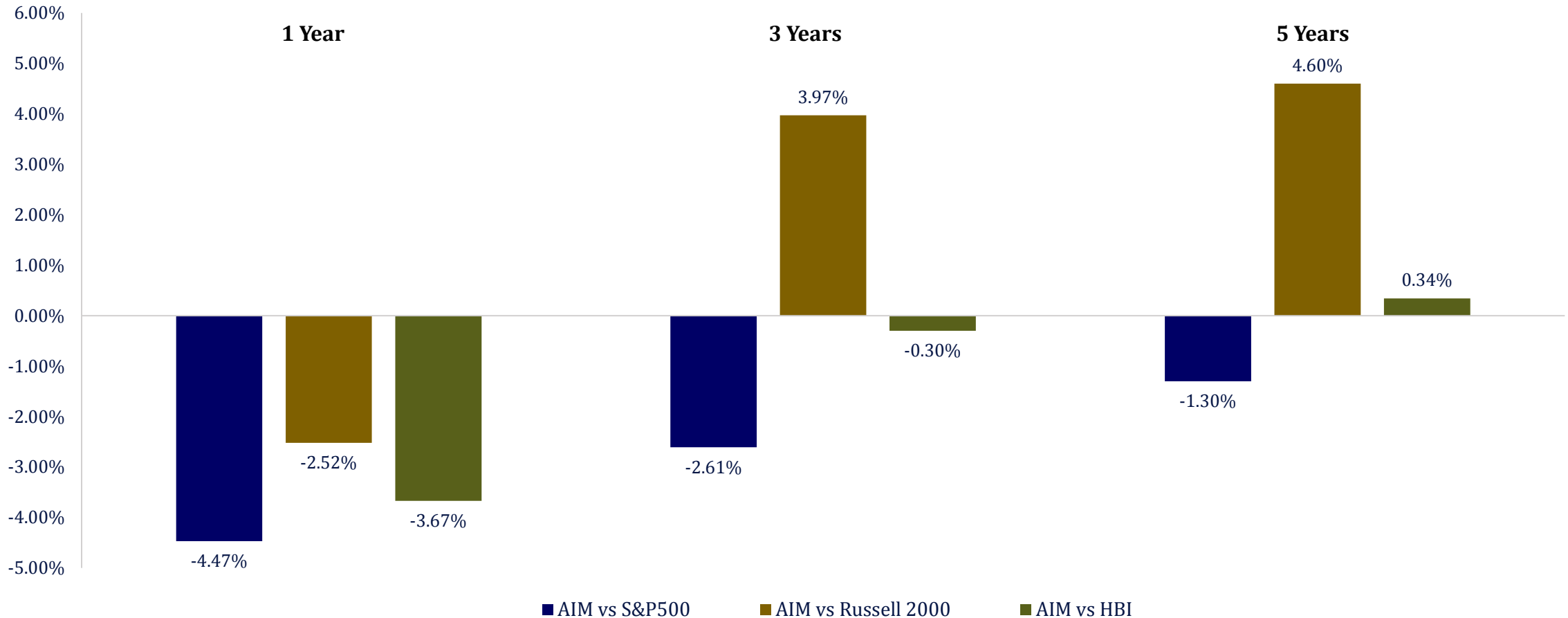


# Portfolio Performance

## Risk-Adjusted Performance



Jensen's Alpha: "Abnormal Returns" Against Three Benchmark Indices  
As of October 31, 2016



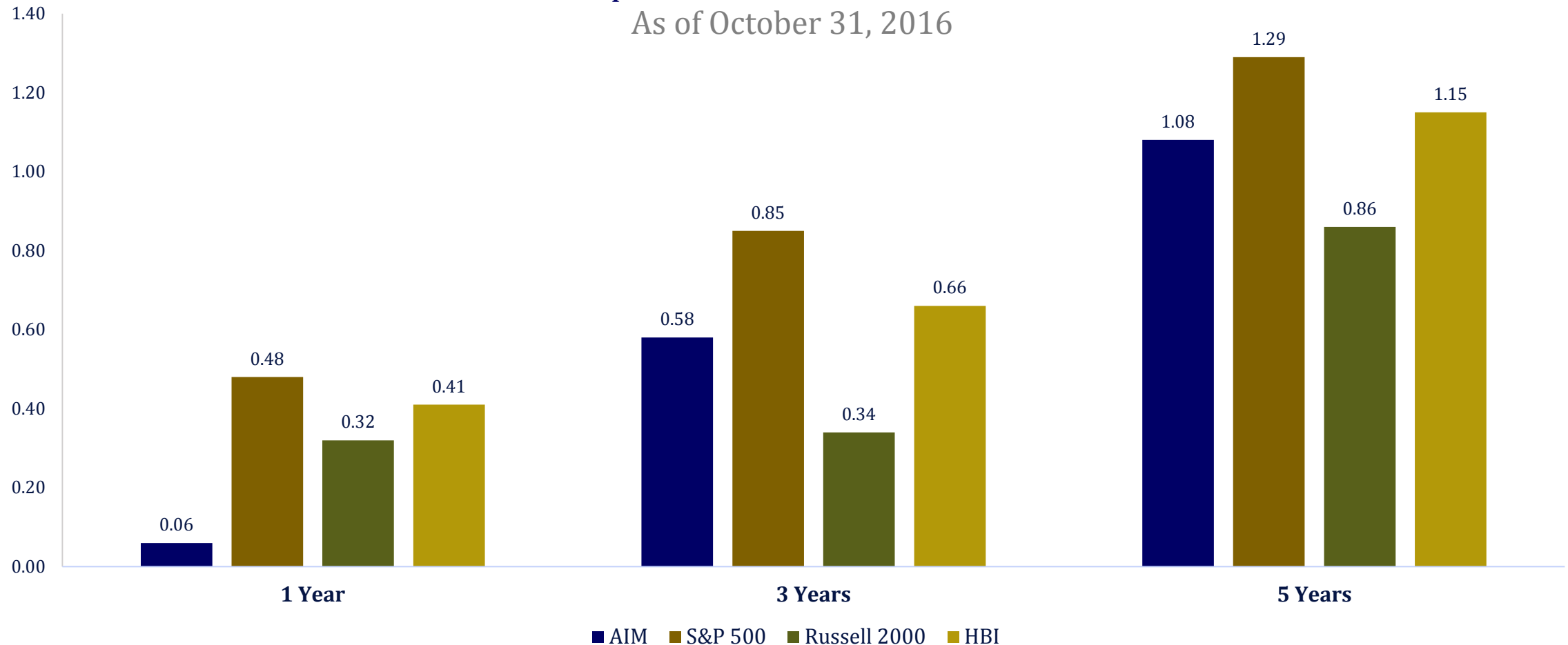
Source: BNY Mellon Statement, AIM / Marti 2016

# Portfolio Performance

## Risk-Adjusted Performance



Sharpe Ratio: Returns to Total Risk  
As of October 31, 2016



# Portfolio Performance

## Key Themes



### AIM Portfolio Returns

- *Long-term outperformance muted by near-term underperformance*
- *LTM losses in energy, consumer staples, and select health care bets*

### Risk-Adjusted Performance

- *Slightly above-market levels of systematic risk*
- *Uninspiring relative returns + risk-on allocation = negative abnormal returns*

### Attribution Analysis

- *Allocation effect + selection effect = net management effect*

### Individual Winners & Losers

- *IT and Financials have delivered strong total returns, still trail indices*
- *Of AIM XLII additions, MKTX and UNH were top performers, GILD and JAZZ brought big losses*

### AIM XLIII Investments

- *Allocation shift toward IT and Finance, away from health care and consumer staples*

# Portfolio Performance

## Attribution Analysis



**Allocation Effect:** Ability to effectively allocate assets to various sectors

+

**Selection Effect:** Ability to select securities within a sector relative to a benchmark

**Net Management Effect**

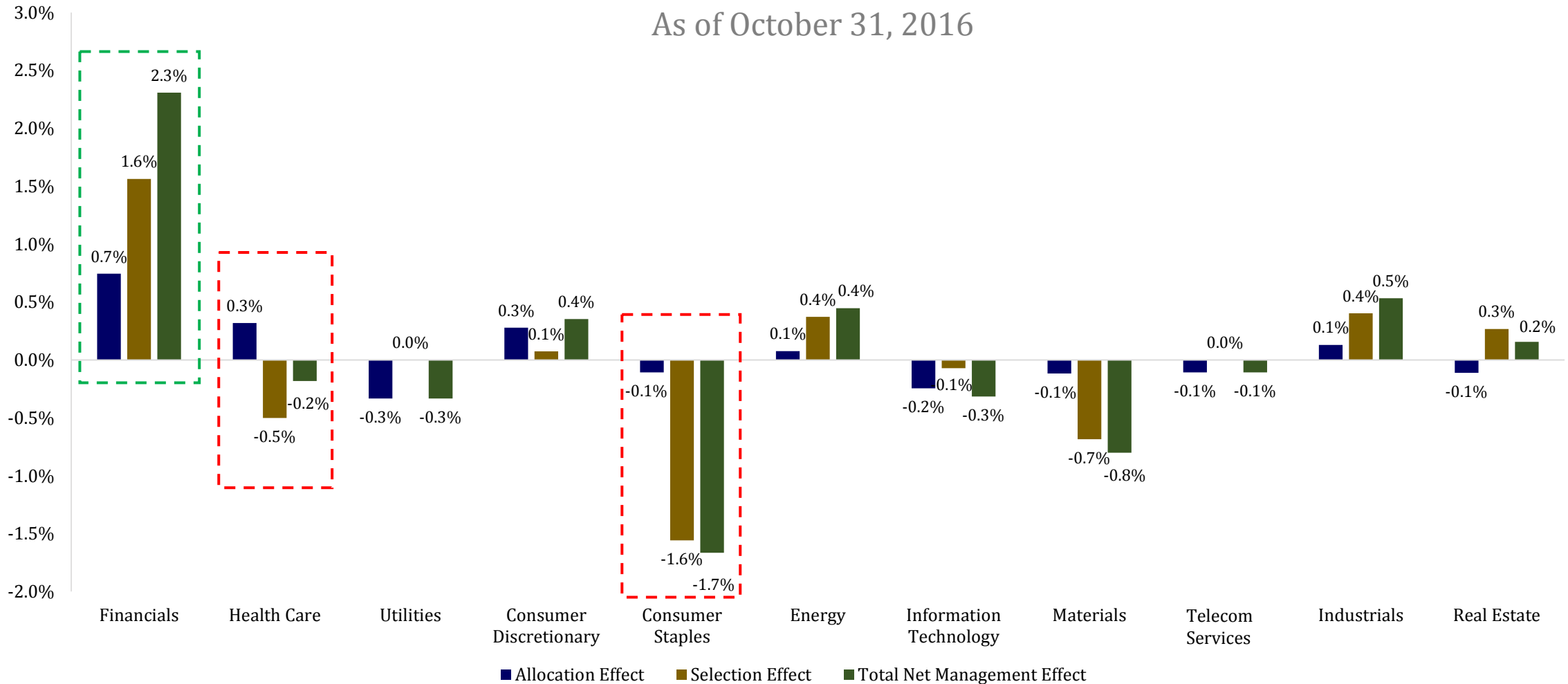


# Portfolio Performance

## Attribution Analysis



### One Year Performance vs S&P 500 As of October 31, 2016



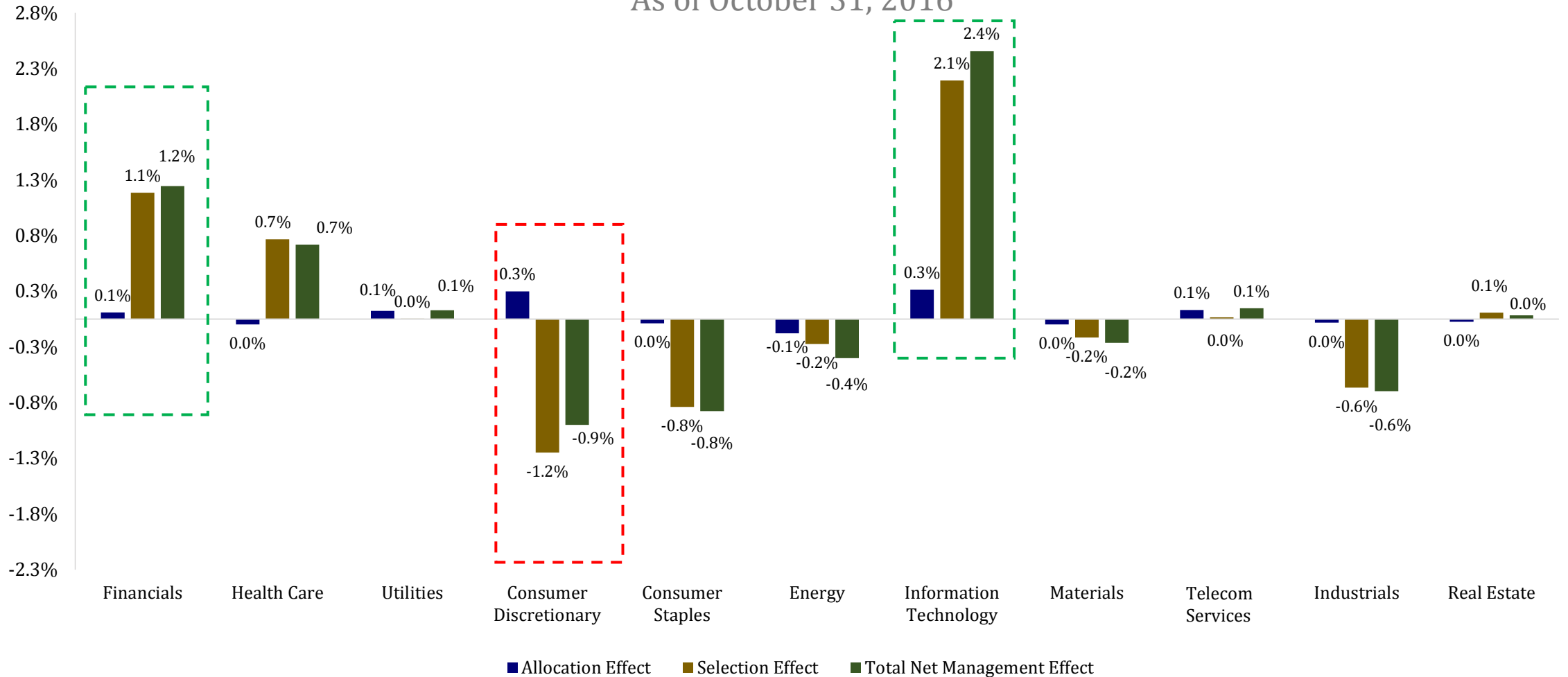
Source: BNY Mellon Statement, AIM / Li 2016

# Portfolio Performance

## Attribution Analysis



Five Year Performance vs S&P 500  
As of October 31, 2016



Source: BNY Mellon Statement, AIM / Li 2016

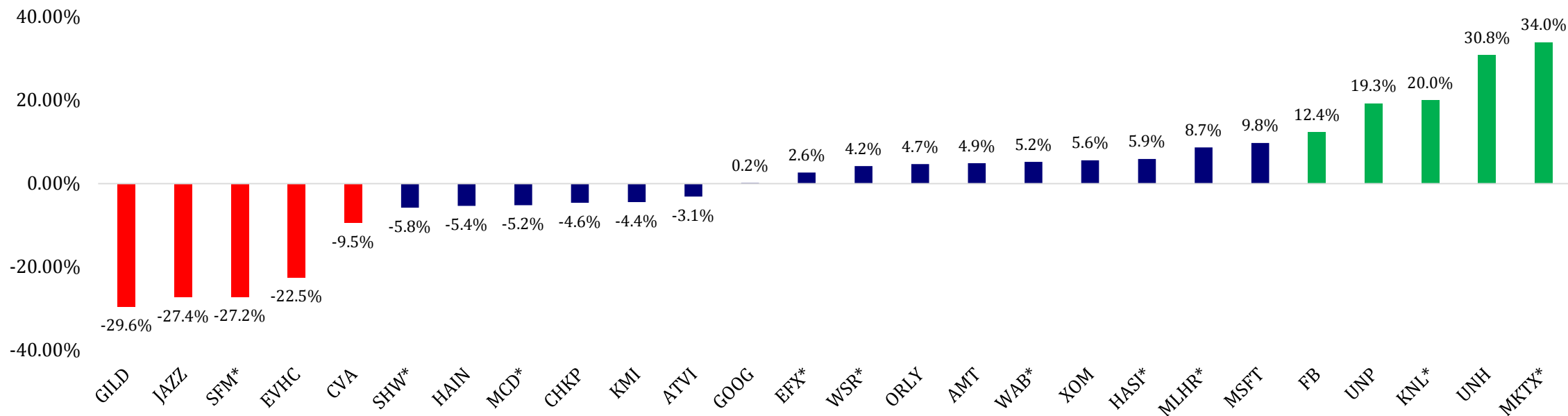
# Portfolio Performance

## Best & Worst Performers



Bottom 5 Performers		
Company Name	Industry	Return
Gilead Sciences	Healthcare	(29.58%)
Jazz Pharmaceuticals	Healthcare	(27.35%)
Sprouts Farmers Mkt*	Consumer Staples	(27.25%)
Envision Healthcare	Healthcare	(22.51%)
Covanta Holding Corp	Industrials/Energy	(9.45%)

Top 5 Performers		
Company Name	Industry	Return
MarketAxess Holdings*	Financial Service	33.98%
UnitedHealth Group	Healthcare	30.84%
Knoll Inc.*	Consumer/Industrials	19.98%
Union Pacific Corp	Industrials	19.30%
Facebook Inc.	Information Tech	12.41%



\*Stocks added to the AIM portfolio in Spring 2016, only holding period return calculated  
 Source: Yahoo! Finance, BNY Mellon Statement, AIM / Li, 2016

# Portfolio Performance

## Key Themes



### AIM Portfolio Returns

- *Long-term outperformance muted by near-term underperformance*
- *LTM losses in energy, consumer staples, and select health care bets*

### Risk-Adjusted Performance

- *Slightly above-market levels of systematic risk*
- *Uninspiring relative returns + risk-on allocation = negative abnormal returns*

### Attribution Analysis

- *Allocation effect + selection effect = net management effect*

### Individual Winners & Losers

- *IT and Financials have delivered strong total returns, still trail indices*
- *Of AIM XLII additions, MKTX and UNH were top performers, GILD and JAZZ brought big losses*

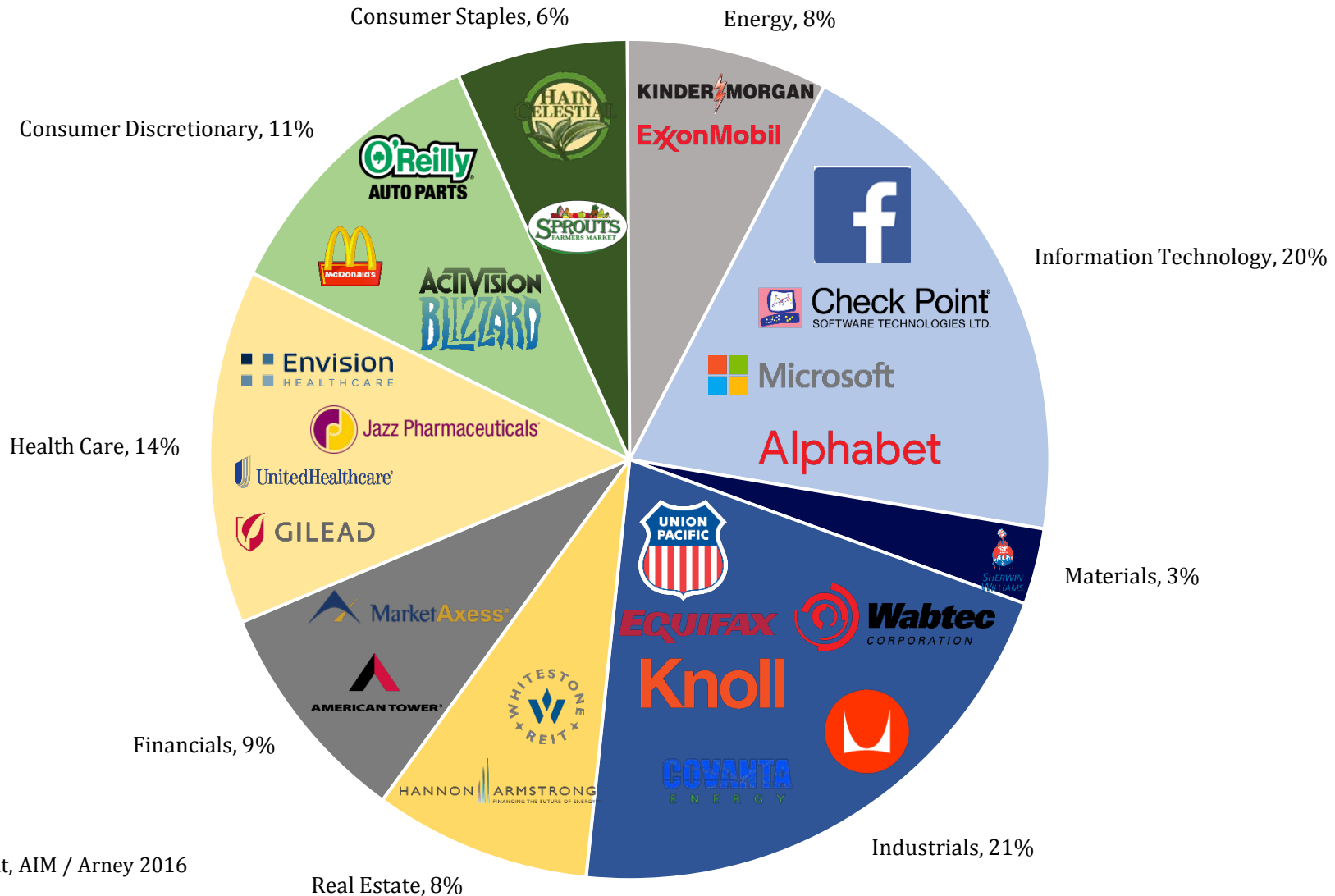
### AIM XLIII Investments

- *Allocation shift toward IT and Finance, away from health care and consumer staples*

# Portfolio Performance



## Sector Allocation: Inherited Portfolio, as of 10/31/16



Source: BNY Mellon Statement, AIM / Arney 2016

# Portfolio Performance

## Additions and Deletions



### Portfolio Additions

Company	Industry
Hanes Brands	Consumer Discretionary
Under Armour	Consumer Discretionary
Total System Services	Financials
Align Technology	Health Care
Rockwell Collins	Industrials
Verisk Analytics	Industrials
Infinera Corp	Information Technology
Intel Corp	Information Technology
Nvidia	Information Technology
Verisign	Information Technology
Mosaic Co.	Materials
Digital Realty REIT	Real Estate

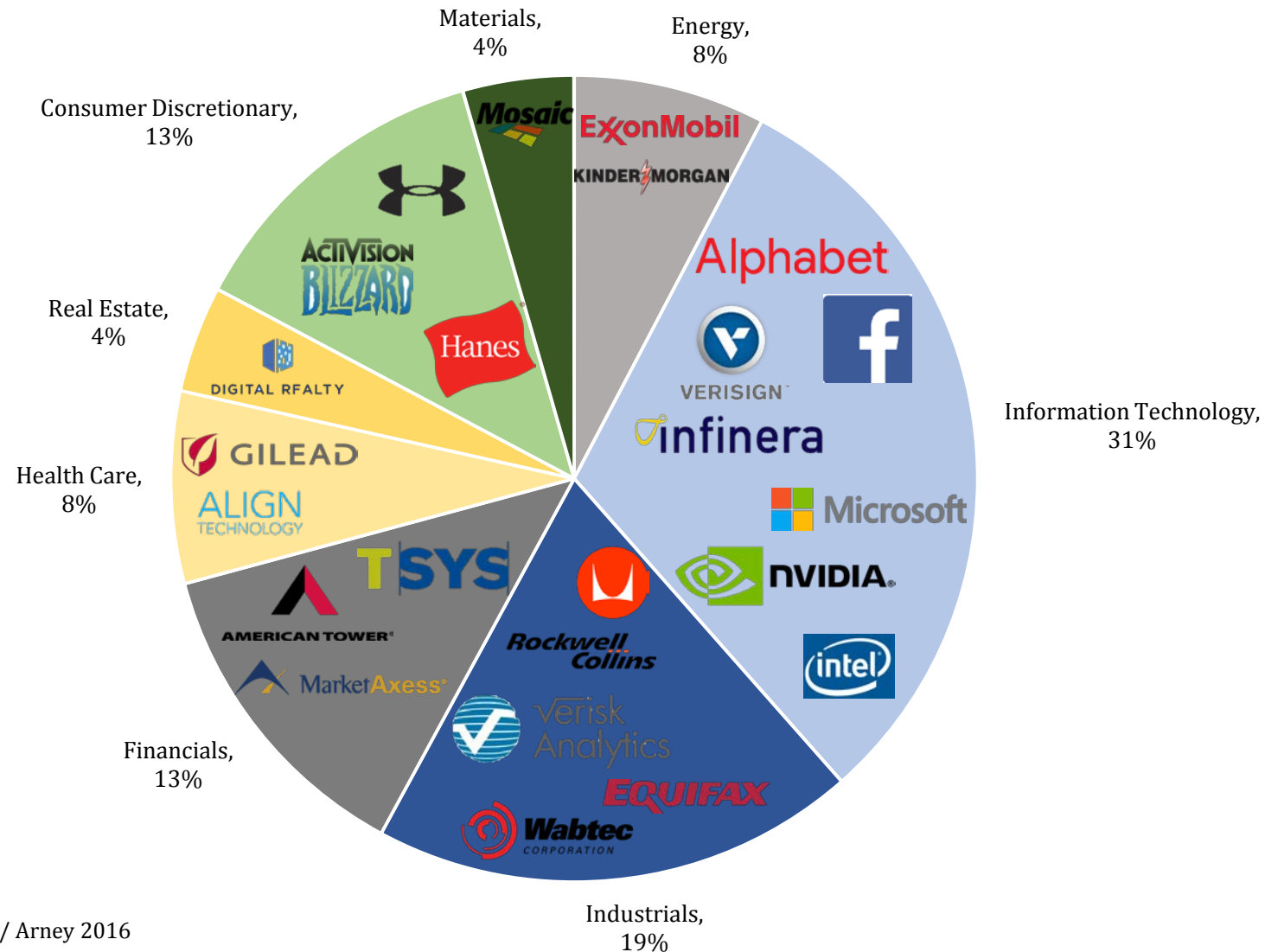
### Portfolio Deletions

Company	Industry
McDonald's Corp	Consumer Discretionary
O'Reilly Automotive	Consumer Discretionary
Hain Celestial Group	Consumer Staples
Sprouts Farmers Mkt	Consumer Staples
Envision Healthcare	Health Care
Jazz Pharmaceuticals	Health Care
UnitedHealth Group	Health Care
Covanta Holding Corp	Industrials
Knoll Inc.	Industrials
Union Pacific Corp	Industrials
Check Point Software	Information Technology
Sherwin-Williams	Materials
Hannon Armstrong	Real Estate
Whitestone REIT	Real Estate

# Portfolio Performance



Sector Allocation: AIM XLIII Portfolio, as of 11/29/16

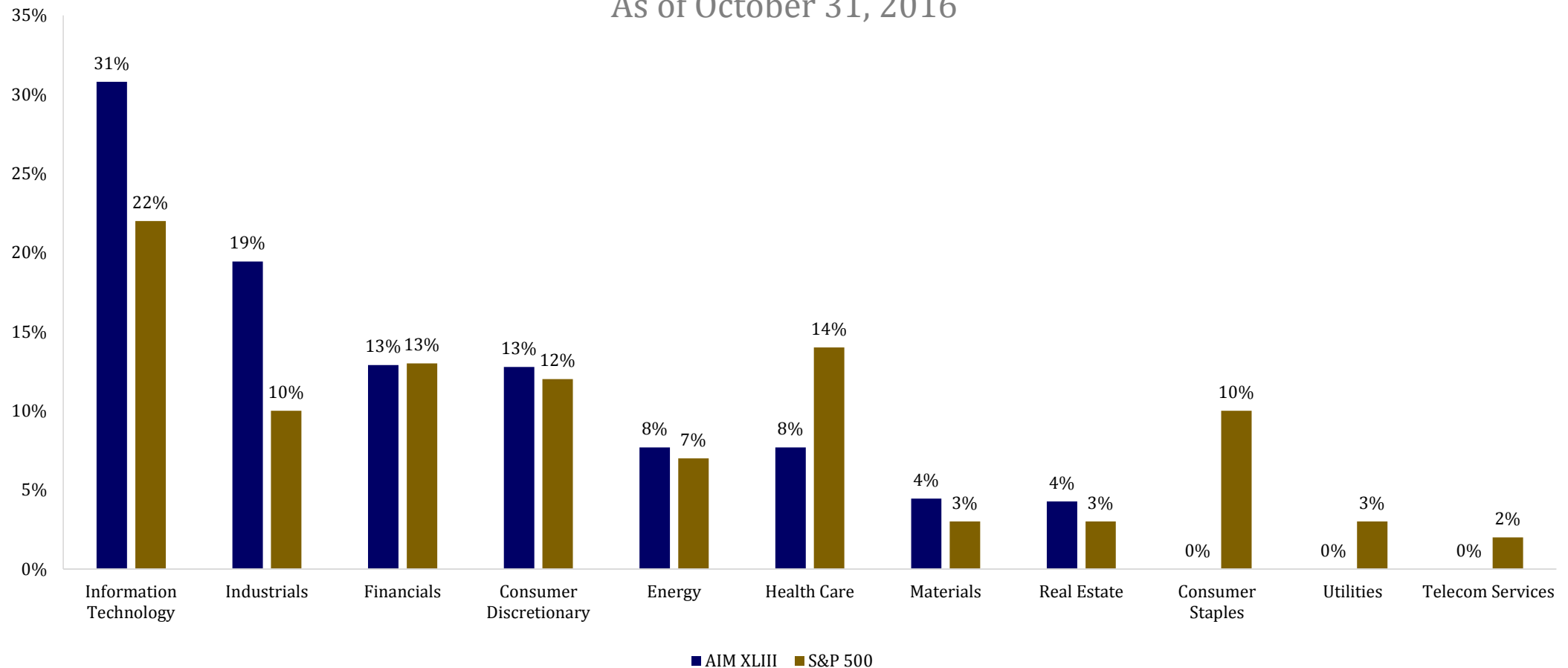


# Portfolio Performance

## Sector Allocation



AIM XLIII Final Portfolio vs. The S&P 500  
As of October 31, 2016







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## AIM XLIII Review

Guest Speakers

San Francisco Trip

Website & Newsletter

Concluding Remarks

# AIM XLIII Review

## Guest Speakers

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- **Dave Baram** – Founding Partner, VMG Partners
- **Ted Weschler** – Investment Manager, Berkshire Hathaway
- **Kristen Collett-Schmitt** – Professor, Finance, University of Notre Dame
- **Tom Digenan** – Managing Director & Head of the U.S. Intrinsic Value Equity, UBS
- **Scott Malpass** – CIO, University of Notre Dame

# AIM XLIII Review

## San Francisco Trip



# AIM XLIII Review

## San Francisco Trip



Bob Peck  
*Managing Director*



Jesse Lucas  
*Head of FP&A*



Rajiv Krishnarao  
*Business Operations & Finance*



Dave Thomas ('03, AIM XV)  
*Principal*



FPR PARTNERS



# AIM XLIII Review

## San Francisco Trip



Saar Gur  
*Partner*



Jack Conte  
*Co-Founder & CEO*



Sumir Chadha  
*Founder & Managing Director*



Matthew Kinsella ('05, AIM XIX)  
*Managing Director*

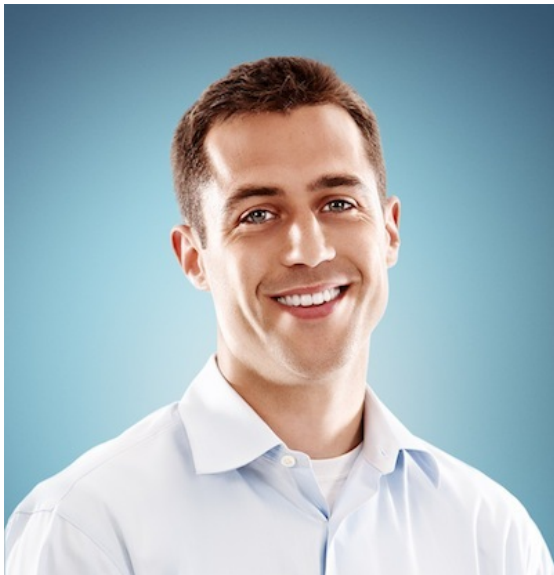


# AIM XLIII Review

## San Francisco Trip



Phin Barnes  
*Partner*



Adam Pisoni  
*Founder & CEO*



David George ('06, AIM XXI)  
*Vice President*



Stanford Graduate School  
of Business



# AIM XLIII Review

## Website & Newsletter



### AIM Website: aim.nd.edu

- AIM course description and history
- Current portfolio
- Current analysts and coverage
- Recruiting and networking tools
- Advisory board presentations
- Alumni newsletters



### Newsletter

- State of the economy
- Portfolio performance
- Company developments
- AIM alumni update
- Portfolio composition
- Alumni articles
- AIM analyst profiles
- Sector updates



# AIM XLIII Review

## Acknowledgements



Thank you for all of your guidance and support

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Frank Reilly

Michael Hemler

Scott Malpass

Notre Dame Investment Office

Marlene Wasikowski

Bill McDonald

Shane Corwin

Kristen Collett-Schmitt







# **Our Sincerest Thank You**

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**AIM XLIII | December 5, 2016**