## Applied Investment Management (AIM) Program

### AIM Class of 2016 Equity Fund Reports
### Fall 2015

***Date**:* Friday, October 16th | ***Time:*** *3:00 – 4:15* p.m. | ***Location: Cortina***

| Student Presenter | Company Name | Ticker | Sector | Page |
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| Ryan Woo | LeMaitre Vascular Inc. | LMAT | Healthcare (Micro-Cap) | 2 |
| Mark Lakowske | Calavo Growers | CVGW | Consumer Staples (Micro-Cap) | 5 |
| Daniel Riley | Malibu Boats, Inc. | MBUU | Consumer Discretionary (MicroCap) | 8 |
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These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 7 minutes of Q & A.

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**LeMaitre Vascular, Inc. (LMAT)**
October 16, 2015

Ryan Woo — Micro-Cap Healthcare

*LeMaitre Vascular, Inc. (Nasdaq: LMAT) specializes in the treatment of peripheral vascular diseases (PVD). The firm develops, manufactures and markets disposable and implantable vascular devices that are used in the diagnosis and treatment of PVD. Its main products include balloon catheters, carotid shunts, valvulotomes, vascular grafts and vascular patches. The firm's primary clients include vascular surgeons and radiologists. LMAT sells products globally with its largest geographic segments in the U.S. (58.4% of revenue), Germany (10.7%), and Japan (3.1%) - with 27.7% in other countries. LMAT was founded by George LeMaitre in 1983 and went public in 2006. LMAT has 341 employees across three continents and is headquartered in Burlington, MA.*

| | |
|---|---|
| Price ($): | 12.39 |
| Price Target ($): | 15.51 |
| 52WK H-L ($): | 14.82 - 6.48 |
| Market Cap (mil): | 223 |
| Float (mil): | 12.4 |
| Short Interest (%): | 5.2 |
| Avg. Daily Vol (mil): | 0.1 |
| Dividend ($): | 0.16 |
| Yield (%): | 1.3 |

| | |
|---|---|
| Beta: | 0.55 |
| WACC | 6.37% |
| M-Term Rev. Gr Rate Est: | 9.2% |
| M-Term EPS Gr Rate Est: | 22.2% |
| Debt/Equity: | 0.0 |
| Debt/EBITDA (ttm): | 0.00 |
| ROA (%): | 8.66 |
| ROE (%): | 8.66 |
| ROIC (%): | 8.66 |

| FY: Dec | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|
| Revenue (Mil) | 70.4 | 76.89 | 84.11 | 91.57 |
| % Growth | 10.16 | 9.20% | 9.40% | 8.86% |
| Gross Margin | 70.4% | 70.7% | 71.1% | 71.3% |
| EBITDA Margin | 15.0% | 16.9% | 18.4% | 19.2% |
| EPS (Cal) | $0.23 | $0.34 | $0.43 | $0.49 |
| FCF/Share | $0.26 | $0.54 | $0.61 | $0.65 |
| P/E (Cal) | 54.7 | 38.2 | 34.9 | 31.6 |
| EV/Sales | 3.5 | 3.4 | 3.3 | 3.1 |

## Recommendation

Peripheral vascular diseases (PVD) or peripheral artery diseases (PAD) are circulation disorders that affect blood vessels outside of the heart and brain. Manifestation of the disorder most commonly occurs in the veins and arteries that supply the arms, legs and organs due to the longer distance to the heart compared to the upper body. PVD affects approximately 3 million people in the US each year and roughly 20 million individuals worldwide, making it classified as a common disease. It is estimated that approximately 200 million people today have the disease. According to LMAT, this represents at least a $3-5 billion market opportunity that is expected to continue to grow annually at a growth rate of 7%. It is estimated that the PVD market could reach $7.8 billion by 2018. LeMaitre figures to be at the forefront of treatments through its niche focus and has been able to outgrow its end market through effective sales and marketing and a well-defined acquisition strategy that has led to meaningful inorganic growth. In 2Q15, they reported revenue of $19.9 million, up 12% organically. Both major geographic regions expanded nicely as the US and Europe were up organically 11% and 24%, respectively. Overall, sales have grown at a 10 year CAGR of 10.4%, which seems like a realistic run rate for the medium term for the top line. This is a result of LMAT's growing sales force that has been able to sell complementary products and the company's capability to complete smaller deals. With respect to inorganic growth, LMAT has acquired six revenue segments or products to add to their portfolio since 2010 and 16 since 1998. All but two of the acquisitions have moved operations to the firm's headquarters in Burlington, MA, which has led to further synergies. In June 2015, LMAT was added to the Russell 2000, which should be a positive for the stock as more and more institutional investors become familiar with LMAT, its value proposition and efficiency. Given the above information and relevant outgrowth both organically and inorganically in the future, it is recommended that LeMaitre Vascular be added to the AIM Microcap Fund with a target price of $15.55, representing an upside of 25.2%.

## Investment Thesis

- **Attractive Demographic Trends.** PVD is most common amongst individuals with diabetes, obesity or old age. Today, over one third of Americans over the age of 60 are obese. With the Baby Boomers generation entering their mid 60's, this should open up an expanding market opportunity for LMAT. The average life span across the globe is also increasing, which should provide a further catalyst for LMAT. The consequences for untreated PVD include pain, infection, and death, so the emphasis for quality treatment should grow in the MSD-HSD range.

- **Diversified Products and Customers.** Although LMAT focuses on the niche market of PVD treatment, their revenue is diversified through its extensive product offerings and geographic exposure**.** No particular revenue segment accounts for more than 10% of LMAT's sales and each product has a greater revenue opportunity no more than $100 million. This has resulted in SG&A leverage through the increased sales of similar products to LMAT's customers. This should continue going forward as LMAT intends to grow its sales force from 81 members, which is double from that of 2006, at a 10% rate in the short term. LMAT also continues to expand its operations and sales force globally, which should grow faster than the Americas mainly because of this reason and a lower revenue base.
- **Strategic M&A.** LMAT has been able to build a strong cash balance without the assistance of debt due to improved operations. Given the current top-line growth prospects and continued efficiencies, this should remain the case. This should allow the company to continue to implement M&A into its corporate strategy. LMAT will primarily look for bolt-on acquisitions to bolster their complementary product profile. However, there is plenty of dry powder should LMAT find an attractive, larger acquisition, which does not necessarily have to be in the PVD market. LMAT has proven that it can make deals that are accretive to its top-line growth, margins and earnings prospects as they tend to pay reasonable P/S multiples of less than 2.5x.

**Valuation**

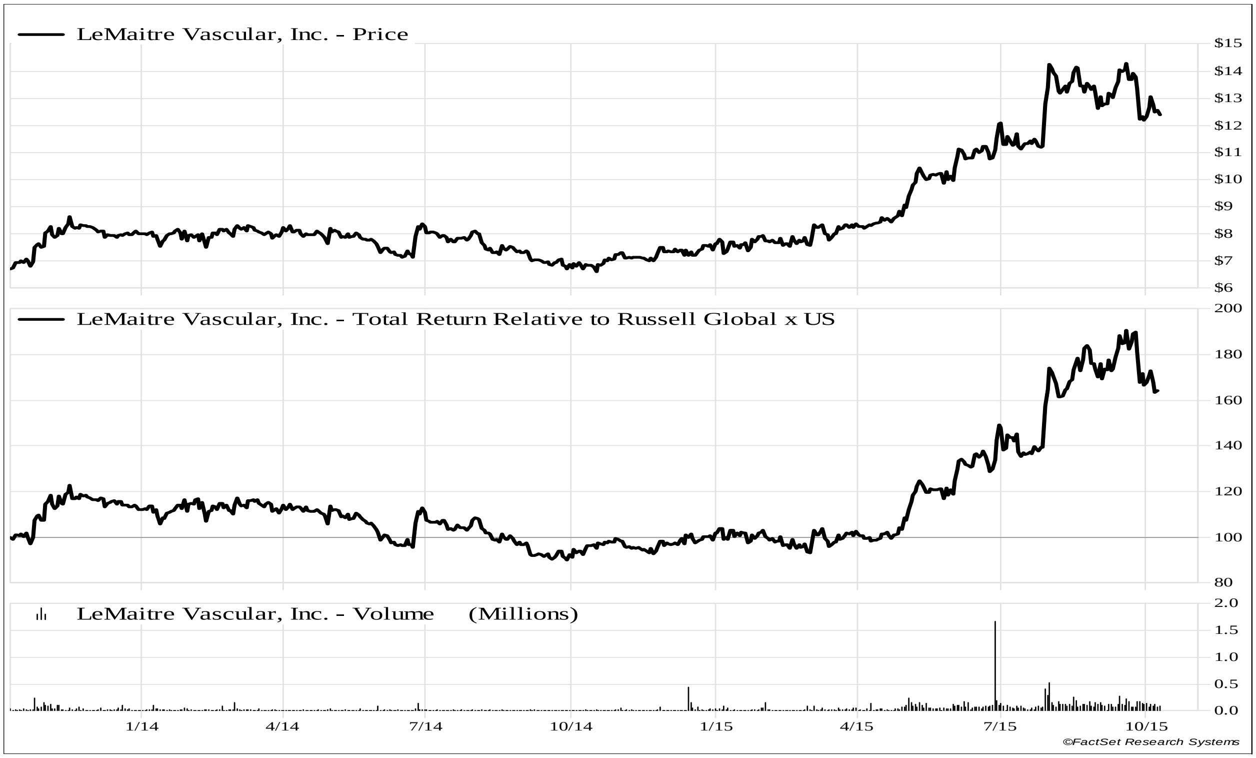
In order to reach an intrinsic value of LMAT, a five-year DCF model was constructed. Using a terminal growth rate of 2.5% and a WACC of 6.37% yielded an intrinsic value of $15.59. A sensitivity analysis on the terminal growth rate and WACC yielded a range of $12.97-$19.50. Additionally, an EV/Sales valaution was conducted using an average of LMAT's current multiple of 2.69x and a comparables average of 4.61x. Weighting LMAT's multiple 80% and peers multiple 20% and using 2015E sales of $76.88 milllion resulted in a price target of $15.51. Weighting each valuaiton method 50/50 resulted in a final price target of $15.55, representing an upside of 25.18%. LMAT pays a quarterly dividend of $0.04, which yields 1.2%.

**Risks**

- **High Regulations.** It takes time to develop and market these niche medical devices. As a result, a major delay in approval from the FDA or international healthcare care regulatory body could result in lost revenues and/or increased spending. M&A regulations could also further inhibit inorganic growth.
- **Competition.** While there is no other company with a similar portfolio of products, a rise in competition from larger players of the medical device sector could hurt LMAT. This could especially be the case if LMAT decides to look outside of the PVD space to grow its revenue base, where competition with companies with greater resources could dominate LMAT.
- **Currency Headwinds.** Translation of international revenues into USD has posed a $3.2 million headwind for 2015 revenues thus far. This headwind could continue, especially if there is a rise in domestic interest rates, causing an appreciation of the USD. This could cause revenue growth that is lower than expected.

**Management**

George W. LeMaitre is the CEO and Chairman of LMAT. He has been CEO since 1992 and Chairman since 2004. His previous work includes time as an investment banking analyst at Lehman Brothers. His holdings in the company are currently worth $48 million, which is over 20% of the market capitalization of LMAT. He has both a B.S. and an M.B.A from Stanford University. Joseph P. Pellegrino, Jr. is the CFO. He has an A.B. in Economics from Harvard College and an MBA from Harvard Business School. He first joined LMAT in 2005 as the Executive Vice President of Finance.




**Ownership**

| | |
|---|---|
| % of Shares Held by All Insider Owners: | 30.26% |
| % of Shares Held by Institutional & Mutual Fund Owners: | 73.11% |

Source: FactSet

**Top 5 Shareholders**

| Holder | Shares | % Out |
|---|---|---|
| AWM Investment Co., Inc. | 1,329,858 ▬ | 7.51 |
| Granahan Investment Management, Inc. | 816,082 ▲ | 4.61 |
| Cannell Capital LLC | 763,265 ▼ | 4.31 |
| Dimensional Fund Advisors LP | 753,145 ▲ | 4.25 |
| Uniplan Investment Counsel, Inc. | 473,925 ▲ | 2.68 |

Source: FactSet

**Peer Analysis**

| Name | Ticker | Market Cap (mil) | Sales (mil) | EBITDA Margin (LTM) | D/E | EV/Sales |
|---|---|---|---|---|---|---|
| LeMaitre Vascular | LMAT | 219 | 74 | 17.9% | 0 | 2.69 |
| Cardiovascular Systems | CSII | 483 | 181 | -16.7% | 0 | 2.19 |
| Edward Lifesciences | EW | 15,936 | 2433 | 26.1% | .262 | 6.22 |
| CR Bard | BCR | 13,854 | 3377 | 29.8% | .844 | 4.19 |
| Mesa Laboratories | MLAB | 405 | 73 | 30.4% | .327 | 5.86 |
| Peer Averages | | 7669.5 | 6980 | 1959 | .358 | 4.61 |

Source: FactSet

**Calavo Growers (CVGW)**
October 16, 2015

Mark Lakowske — Consumer Staples

*Calavo Growers, Inc. (Nasdaq: CVGW) procures and markets avocados and other perishable commodities. The company operates its business through following segments: Fresh Products, Calavo Foods and Renaissance Food Group. The Fresh Products segment includes all operations that involve the distribution of avocados and other fresh produce products—accounting for 58% of sales. The Calavo Foods segment represents all operations related to the purchase, manufacturing, and distribution of prepared products, including guacamole, tortilla chips and salsa. The Renaissance Food Group makes up 34% of sales and was acquired in 2011. RFG represents all operations related to the manufacturing and distribution of fresh-cut fruit, ready-to-eat vegetables, recipe ready vegetables and deli meat products. Geographically speaking, 95.8% of company revenue is from the United States and the remaining 4.2% is allocated across an array of countries. The company was founded in 1924 and is headquartered in Santa Paula, CA.*

| | |
|---|---|
| Price ($): (10/8/15) | $ 45.20 |
| Price Target ($): | 60.45 |
| 52WK H-L ($): | 62-37 |
| Market Cap (mil): | 790 |
| Float (mil): | 86.8 |
| Short Interest (%): | 5.70% |
| Avg. Daily Vol (mil): | 0.17 |
| Dividend ($): | 0.75 |
| Yield (%): | 1.64% |

| | |
|---|---|
| Beta: | 0.72 |
| WACC | 9.8% |
| M-Term Rev. Gr Rate Est: | 10.0% |
| M-Term EPS Gr Rate Est: | 7.0% |
| Debt/Equity: | 1.6% |
| Debt/EBITDA (ttm): | 0.89 |
| ROA: | 7.2% |
| ROE: | 13.2% |
| ROIC: | 13.2% |

| FY: Dec | 2013 | 2014 | 2015E | 2016E |
|---|---|---|---|---|
| Revenue (Mil) | 691.00 | 782.00 | 860.20 | 946.22 |
| % Growth | 25.41% | 13.17% | 10.00% | 10.00% |
| Gross Margin | 8.70% | 9.10% | 12.00% | 13.00% |
| Operating Margin | -1.06% | 2.79% | 4.60% | 5.00% |
| EPS (Cal) | $1.17 | $1.45 | $1.80 | $2.17 |
| FCF/Share | $0.92 | $1.24 | $1.30 | $1.45 |
| P/E (Cal) | 25.4 | 26.2 | 25.3 | 26.5 |
| EV/EBITDA | 15.3 | 21.1 | 28.0 | 30.0 |

*Source: FactSet*

## Recommendation

Up until a few years ago, avocado based products, such as guacamole, were considered to be a luxury item consumers mainly experienced at Hispanic restaurants. Today, you can find avocados on all different types of menus and within most grocery stores around the country. Calavo Growers was founded almost 100 years ago in Santa Paula, California. The company has grown from being a local avocado farm to a major player in the distribution and retail of fresh produce products. Avocado sales account for 57% of total company sales and increased by 12.5% in Q3 2015 compared to Q3 2014. A portion of the firm's sales momentum over the last few years can be attributed to the recent discovery of the health benefits of avocados. Studies have shown that avocados are loaded with key nutrients, such as vitamin C, and are also high in fiber. These health discoveries play well with the push away from less healthy foods and are often used as substitutes for these products. Aside from keeping up with current diet trends, Calavo has been improving their logistics operation. The company has just announced that they will be adding three new Value-Added Depots (VADs) and six RFG production facilities across North America. These new logistics investments will reduce the disposal of rotted products and, in turn, improve profit margins. From the end of 2013 to today, profit margins have increased from 10.2% to 37.7%. This margin increase in the last few years can be partially attributed to the decreasing value of the Mexican Peso and increase of supply of avocados. Overall, CVGW has shown strong growth momentum in the past year, and with new expansion across North America, the company will be able to profit from a more efficient business model. It is recommended that Calavo Growers be added to the AIM Equity Fund with a price target of $60.45, yielding a 33.74% upside. Calavo pays a regular quarterly dividend of $0.75, yielding 1.64%.

## Investment Thesis

- **Constant Increase of Avocado Demand.** Avocado products make up roughly 57% of total sales for CVGW. Demand for avocados in the United States has increased fourteen out of the last fifteen years—increasing a staggering 275% during that time period. Additionally, in 2014 alone, more than half of all grocery shoppers in the United States purchased avocados during the year. The most impressive factor of avocado growth is how rapidly consumer tastes have changed in just fifteen years. In the year 2000, avocado consumption was 483 million pounds in the United States. In 2015, that number has grown to almost 1.7 billion pounds and is projected to grow to 2 billion pounds in 2016.

- **Exposure to the 'Grab and Go' Meals Market.** In June 2011, Calavo merged its business with Renaissance Food Group whose main line of business is quick, on-the-go single serving meals. CVGW now offers products ranging from grab and go salads to pre-prepared deli party trays. The merger exposed Calavo to a whole new side of the foods industry outside of produce only. In 2014, sales of fresh-cut fruit and snacking veggies grew 20% and premade salad kit demand rose 26%. The fresh, premade meals industry is projected to expand at a CAGR of 7% through 2017.
- **Company Expansion.** Calavo has been keeping up with the constant increase in avocado demand by expanding their operations across the United States and Mexico. In 2013, the company contributed $1.0 MM USD to purchase 60 hectares of property in Jalisco, Mexico to grow more produce. Additionally, the company started construction of a new $3.2 MM greenhouse for product research and development. Finally, in July 2015, the company entered into a lease agreement with Green Cove to lease an operating facility in Jacksonville, Florida.

**Valuation**

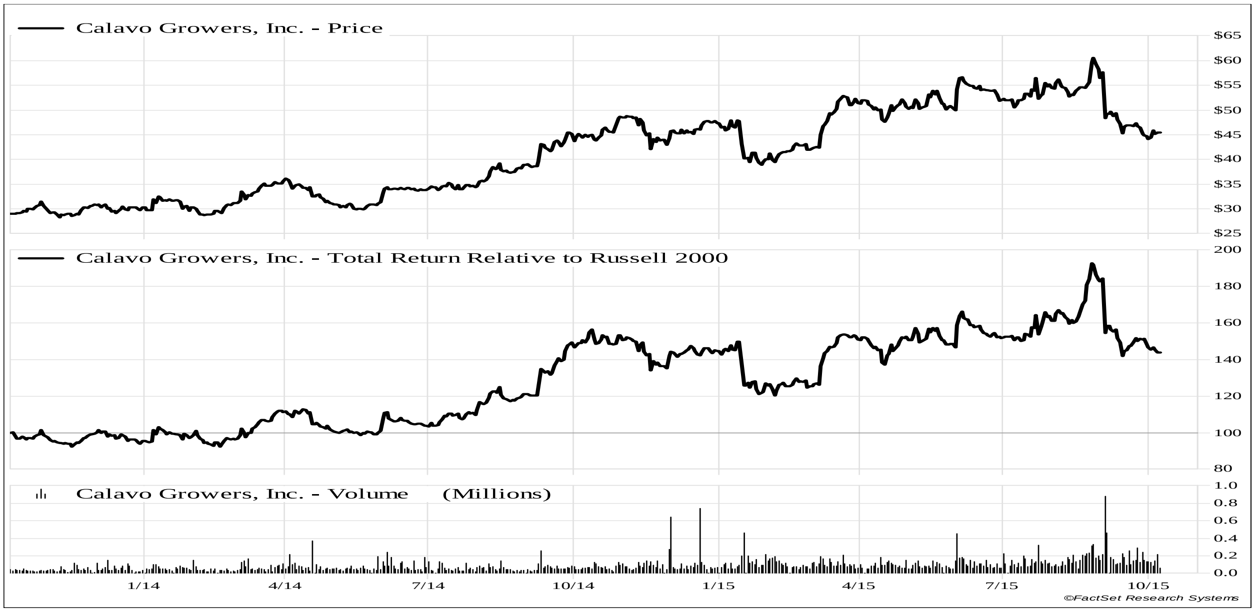
In order to reach an intrinsic value for CVGW, a five year DCF model was constructed. Using a terminal growth rate of 2.25%, WACC of 9.75%, an intrinsic value of $63.97 was reached. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.80, a comparables average P/E of 35.80x, and CVGW's five year historical average P/E which resulted in a valuation of $55.17. By weighing the two valuation models 60/40, a price target of $60.45 was reached, which yields a 33.74% upside. Calavo Growers pays a regular quartely dividend of $0.75, yielding 1.64%.

**Risks**

- **Generic Brand Presence.** One of Calavo's largest competitors with their fresh retail products, such as guacamole and various salsas, are generic brand products from retailers such as SafeWay. Retailers such as SafeWay will sell similar avocado products 30-45% cheaper than Calavo. This puts pressure on Calavo to ensure their margins are growing to account for changing consumer-buying trends.
- **Increased Avocado Supply.** Currently, Calavo acquires the majority of their avocados from farms in Mexico and a few farms in California. The industry has been experiencing a new flow of avocado producing countries entering the market such as the Dominican Republic and Peru. This puts downward pressure on retailers to remain competitive with new entrants into the market.
- **International Risk.** As previously stated, Calavo acquires the majority of their avocados from Mexico. In recent months, there has been a 21% increase in homicides in Mexico. Although this has not affected the company directly, it still poses a threat for future expansion throughout Mexico. The company is also at risk of currency fluctuations with the Mexican Peso and other Latin American currencies.

**Management**

Lecil E. Cole is the current Chairman of the Board and Chief Executive Officer. Mr. Cole has been with the company since 1999 and has a total compensation of $2,110,000. Kenneth Catchot is the current Chief Operating Officer and has a total Compensation of $1,200,000. Mr. Catchot recently joined the company back in June 2015. Alan Ahmer is the current Vice President of Sales and Production with a total compensation of $800,000. Michael Browne is the current Vice President of Fresh Operations and has a total compensation of $817,000.




Source: FactSet

**Ownership**

| | | |
|---|---|---|
| % of Shares Held by All Insider and 5% Owners: | 7.39% | ▼ |
| % of Shares Held by Institutional & Mutual Fund Owners: | 60.88% | ▲ |

Source: Bloomberg

**Top 5 Shareholders**

| Holder | Shares | | % Out |
|---|---|---|---|
| Blackrock Financial Group | 1,463,849 | ▼ | 8.42 |
| New Jersey Division of Investment | 760,000 | – | 4.37 |
| Vanguard Group | 604,964 | ▲ | 3.48 |
| Kenneth Catchot | 512,142 | – | 2.95 |
| Limoneira Corp. | 500,000 | – | 2.88 |

Source: Bloomberg

**Peer Analysis**

| Name | Ticker | Market Cap (mil) | Sales (mil) | D/E | P/E | EV/ EBITDA |
|---|---|---|---|---|---|---|
| Calavo Growers, Inc | CVGW | 790 | 782 | 1.6 | 26.22 | 21.10 |
| Fresh Del Monte Produce | FDP | 2,140 | 3,929 | 14.9 | 13.29 | 10.35 |
| Hain Celestial Group | HAIN | 5,310 | 2,688 | 53.6 | 40.65 | 18.79 |
| Grupo Bimbo-A | BIMBOA-MX | 12,496 | 14,173 | 117.78 | 54.27 | 11.2 |
| ConAgra Foods | CAG | 17,723 | 14,925 | 167.06 | 35 | 11.3 |
| Peer Averages | | 6,649 | 6,930 | 62.1 | 36.07 | 14.6 |

**Removed For Relative Valuation Analysis*

Source: FactSet

**Malibu Boats, Inc. (MBUU)**
October 16, 2015

Dan Riley AIM Micro-Cap Fund

*Malibu Boats, Inc. (NASDAQ:MBUU) is a premier designer, manufacturer, and marketer of performance sport boats used for water skiing, wakeboarding, and wake surfing. In the three decades since its founding, Malibu has cemented a reputation as a high-quality brand with consistent innovation, helping it hold the #1 share of the U.S. powerboat market since 2010. Malibu has two main brands: Malibu Boats, whose prices range from $60,000 to $130,000, and Axis Wake Research, whose boats retail between $45,000 and $85,000. All of Malibu's boats are manufactured at its plant in Tennessee and sold through a network of 178 independent dealers throughout North America (94% of revenue) and 44 other countries throughout the world (6% of revenue). Malibu Boats is headquartered in Loudon, TN, was founded in 1982, and had it initial public offering in February 2014.*

| | |
|---|---|
| Price ($): (10/9/15) | 14.87 |
| Price Target ($): | 24.18 |
| 52WK H-L ($): | 13.5-24.1 |
| Market Cap (mil): | 266 |
| Float (mil): | 17.8 |
| Short Interest (%): | 3.70% |
| Avg. Daily Vol (k): | 116.8 |
| Dividend ($): | N/A |
| Yield (%): | N/A |

| | |
|---|---|
| Beta: | 1.09 |
| WACC: | 8.13% |
| M-Term Rev. Gr Rate Est: | 10.5% |
| M-Term EPS Gr Rate Est: | 23.0% |
| Debt/Equity: | 22.0% |
| Debt/EBITDA (ttm) | 2.08 |
| ROA: | 10.7% |
| ROE: | -216.0% |
| ROIC: | 45.5% |

| FY: June | 2014A | 2015A | 2016E | 2017E |
|---|---|---|---|---|
| Revenue (mil) | 190.94 | 228.62 | 257.20 | 284.20 |
| % Growth | 14.33% | 19.73% | 12.50% | 10.50% |
| Gross Margin | 26.60% | 26.43% | 27.00% | 27.20% |
| Operating Margin | -0.24% | 13.63% | 16.97% | 17.30% |
| EPS (Cal) | -0.42 | 0.93 | 1.30 | 1.51 |
| FCF/Share | $1.61 | $0.46 | $1.61 | $1.72 |
| P/E (Cal) | - | 21.6 | 11.5 | 9.8 |
| EV/EBITDA | 7.3 | 11.8 | 7.6 | 6.7 |

## Recommendation

In 2015, Malibu Boats is in its strongest position ever from a product and financial standpoint. After suffering during the recession as big-ticket discretionary purchases slowed, the company is taking advantage of an improving market for high-performance boats. While an improving economy certainly helps, key to Malibu's success has been its innovation in product offerings and powerboat technology. Currently, MBUU is well positioned across the powerboat price spectrum, with its entry-level Axis brand (launched in 2009) gaining market share at 100 to 300 basis points per year, and with newly introduced products from the Malibu brand receiving praise. In 2013, Malibu introduced its proprietary "Surf Gate" system, which is designed to maximize wakes and can be controlled via a touchscreen in the boat, or by a wristband worn by wakeboarders. This technology has been crucial to differentiating Malibu boats from others. In addition, over the past few years, Malibu has become increasingly vertically integrated by producing its towers, technology accessories, and trailers in-house, allowing it to capture margin. Going forward, as Malibu continues to vertically integrate its production, improve operational efficiency, and decrease SG&A expenditures as its legal expenditures fall, it should enjoy solid incremental margins. This, along with a high degree of operating leverage and an improving situation for powerboat sales, puts Malibu in an excellent position to grow its top and bottom lines in the future. For this reason, it is recommended that MBUU be added to the AIM Micro-Cap fund with a price target of $24.18, which offers an upside of 63%.

## Investment Thesis

- **Improving economy and boat demand.** After falling 61% from peak 2006 levels, sales of high-performance sport boats have finally started to show signs of strength, growing 41% since 2011. While this has been a solid comeback, sales are still 54% off peak levels, leaving room for improvement. Sales of new performance sport boats are highly correlated with consumer confidence, which improved to 103.0 in September from 101.3 in August, as well as personal consumption expenditures, which increased 5.4% from July to August of this year. As these statistics continue to improve, Malibu will experience tailwinds from a demand standpoint.

- **Increasing average age of powerboats.** Currently, the average age of powerboats in the United States sits at 21 years, compared to 15 years in 1997. In addition, new powerboats accounted for 20% of all sales of powerboats in 2014, compared to 25% between 2002 and 2008. Over the next few years, as more powerboats come to the end of their useful lives, more people will be forced to upgrade to new boats, which Malibu will be able to take advantage of.
- **Growing popularity of wakeboarding.** Over the last five years, wakeboarding and wake surfing have emerged as increasingly popular trends in watersports. Since wakeboarding and wakesurfing require large wakes, traditional powerboats designed for just waterskiinig have become somewhat obsolete in the eyes of watersports purists. Because Malibu's boats offer superior wake technology, the company gained 970 basis points of market share from 2008-2014 (32.8% share currently). This technology and innovation, along with Malibu's number one position in share of the powerboat market, puts it in the best position of any company to capitalize on the continued growth of extreme watersports.

**Valuation**

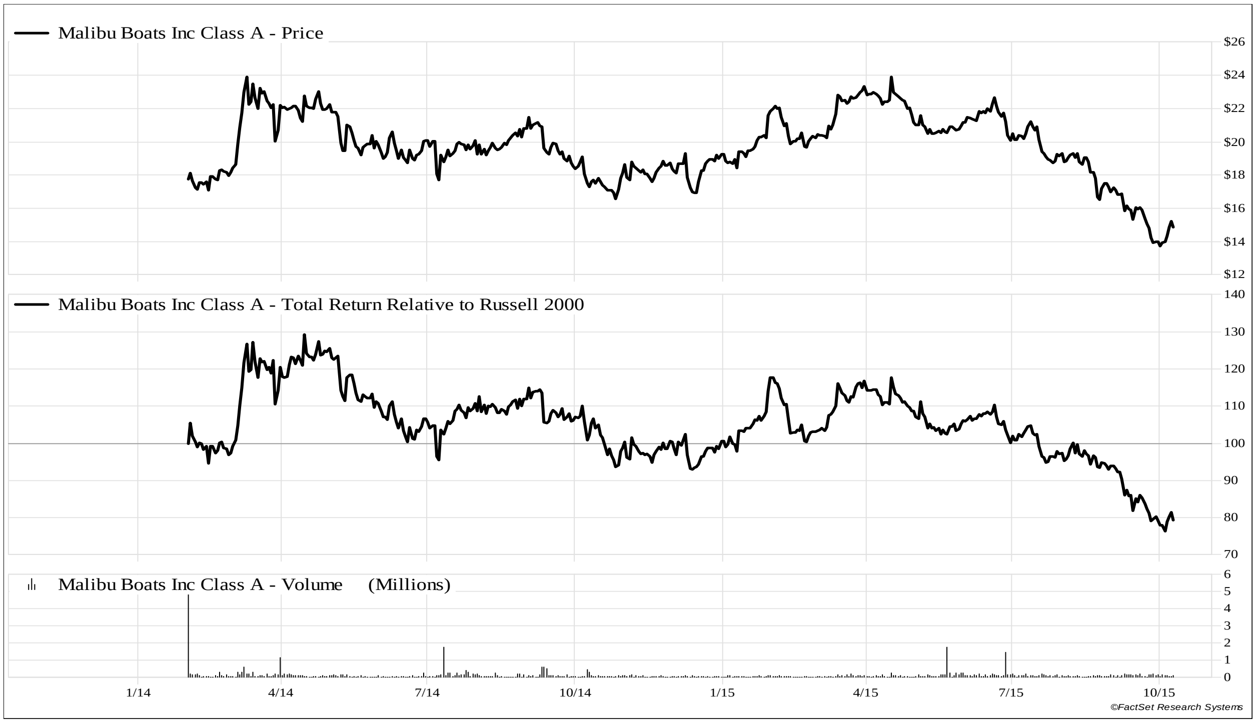
In order to reach an intrinsic value for MBUU, a 5-year discounted cash flow model was constructed. Using a WACC of 8.13% and a terminal growth rate of 2.00% yielded a price target of $27.92, which is an upside of 87.8% over Malibu's current price. A +/- 1% sensitivity analysis on the WACC and the terminal growth rate provided intrinsic values between $21.95 and $42.46. In addition, a P/E model was employed using an average NTM P/E for MBUU's peers of 15.76 and 2016E EPS of 1.30 for Malibu, which resutled in an price target of $20.40. Weighting the DCF and the P/E model equally resulted in a final price target of $24.18 and a potential upside of 62.6%. At present, the company does not pay a dividend.

**Risks**

- **Competitive powerboat market.** Malibu competes with similarly well-established companies such as MasterCraft and Nautique, both of which are strong innovators in powerboats. While Malibu has had superior innovation and appeal to wakeboarders and wake surfers in the past few years, it is possible that its products could go out of style in the future.
- **Increasing interest rates.** If the U.S. Federal Reserve raises interest rates at some point over the next year, it is quite possible that this will place upward pressure on borrowing rates for boat purchases, thereby decreasing sales. While this is a concern, 55% of Malibu boats are purchased with cash, which helps mitigate this risk.
- **Litigation risk.** In 2014, Malibu Boats paid $20 million to Pacific Coast Marine Windshields, Ltd. to settle a claim that it infringed on patents with its windshield designs. Given that Malibu is still a relatively small company, this had a significant impact on financial performance. If Malibu were to encounter a similar legal battle in the future, it would be a detriment to its financial results.
- **Macroeconomic changes.** While the U.S. economy appears relatively strong overall, any unexpected decrease in personal consumption or consumer confidence would be a headwind to sales of Malibu Boats.

**Management**

Jack D. Springer has served as the Chief Executive Officer of Malibu Boats since 2009. Prior to joining Malibu, Mr. Springer was a Partner and Managing Director at the consulting firm Qorval, LLC. Mr. Springer brings 25 years of experience to the company. In addition, Wayne R. Wilson and Ritchie L. Anderson serve as Chief Financial Officer and Chief Operating Officer, respectively. Malibu's management team as a whole brings decades of experience from rival firms in the marine industry, such as MasterCraft, as well as from various private equity firms.




Source: FactSet

**Ownership**

| | | |
|---|---|---|
| % of Shares Held by All Insider and 5% Owners: | 0.50% | ▲ |
| % of Shares Held by Institutional & Mutual Fund Owners: | 97.80% | ▲ |

Source: FactSet

**Top 5 Shareholders**

| Holder | Shares | | % Out |
|---|---|---|---|
| JPMorgan Investment Management | 1,510,000 | ▲ | 8.60 |
| RBC Global Asset Management | 1,058,000 | ▲ | 6.10 |
| Gilder, Gagnon, Howe & Co. | 941,000 | ▼ | 5.40 |
| BlackRock Fund Advisors | 658,000 | ▲ | 3.80 |
| Wellington Management Co. | 564,000 | ▲ | 3.20 |

Source: FactSet

**Peer Analysis**

| Name | Ticker | Market Cap (mil) | Sales | Sales Growth | EBITDA Margin | P/E NTM |
|---|---|---|---|---|---|---|
| Malibu Boats, Inc. | MBUU | 266 | 229 | 19.7% | 16.5% | 10.39 |
| Marine Products | MPX | 271 | 186 | 4.5% | 8.8% | 19.35 |
| BRP | DOO | 2,339 | 3,127 | 1.2% | 12.6% | 14.31 |
| Thor Industries | THO | 2,901 | 4,007 | 13.7% | 8.0% | 12.45 |
| Polaris Industries | PII | 7,965 | 4,735 | 15.8% | 17.4% | 14.36 |
| Arctic Cat | ACAT | 313 | 690 | (8.5%) | 1.9% | 18.35 |
| Peer Averages | | 2,758 | 2,549 | 5.3% | 9.7% | 15.76 |

Source: FactSet

**Bank United (BKU)**
October 16, 2015

Dylan Harkness Financial Services

*BankUnited (NYSE: BKU) is a regional bank holding company that provides commercial and consumer banking services through its three wholly owned subsidiaries: BankUnited NA, BankUnited Investment Services, and Herald National Bank. BKU is headquartered in Miami Lakes, Florida with total assets being $21.4 billion. BKU provides a full range of banking services to individual and corporate customers through 100 branches located in 15 Florida counties and 6 banking centers in the New York metropolitan area. BKU has built, through organic growth and acquisitions, a premier regional bank with a low-risk, long-term value oriented business model. BKU focuses on the financial needs of growing companies and their executives, consumers, and commercial and middle-market businesses in Florida's thriving coastal regions. BKU offers a broad range of online services, treasury management tools for businesses, and traditional depository and lending products.*

| | |
|---|---|
| Price ($): (10/13/15) | 36.99 |
| Price Target ($): | 41.89 |
| 52Wk H-L ($): | 37.9 -26.7 |
| Market Cap (mil): | 3,830 |
| Float: | 93.6 |
| Short Interest (%): | 4.60% |
| Avg. Daily Vol (mil): | 777.5 |
| Dividend ($): | 0.84 |
| Yield (%): | 2.30% |

| | |
|---|---|
| Beta: | 1.01 |
| WACC | 5.4% |
| M-Term Rev. Gr Rate Est: | 5.0% |
| M-Term EPS Gr Rate Est: | 4.0% |
| Total Debt/Total Assets | 17x |
| ROA: | 1.1% |
| ROE: | 9.9% |
| Tier 1 Capital Ratio | 15.5% |
| Credit Provisions/Loans | 0.3% |

| FY: Sep | 2013A | 2014A | 2015E | 2016E |
|---|---|---|---|---|
| Revenue (Mil) | 677.30 | 761.30 | 822.50 | 943.40 |
| % Growth | -1.38% | 12.40% | 8.04% | 14.70% |
| Net Interest Margin | 5.73% | 4.60% | 3.90% | 3.60% |
| Pretax Margin | 41.96% | 34.70% | 36.80% | 40.90% |
| EPS (Cal) | $2.01 | $1.95 | $1.88 | $2.34 |
| P/E (Cal) | 16.4 | 14.9 | 19.8 | 15.7 |
| BVPS | 19.1 | 20.2 | 21.4 | 22.9 |
| P/B | 1.7 | 1.4 | 1.7 | 1.6 |

## Recommendation

Given BankUnited's strong capital and balance sheet levels, the company is well-positioned to grow organically as well as through acquisitions. Recently, on Bloomberg TV, John Kansan, current president and CEO of BankUnited, stated that the regional bank space should expect to see consolidation in the future and that BankUnited intends to stay as an acquirer to other regional banks. The company plans to continue its rapid expansion across the New York metropolitan market and Florida. Economic improvement in these regions continues to positively impact the company's new loan portfolio. As of June 2015, the Florida region contributed to 34.7% of the growth in the company's new loan portfolio, while the New York market accounted for 32.9%. The proportion of commercial loans in BankUnited's loan portfolio has been increasing as they are putting more emphasis on commercial loan production, which now accounts for 74.2% of total loans and 79.5% of new loans. Given the innate volatility in the housing sector, BKU is trying to reduce its exposure to risky residential loans and focus more on commercial loans, which should lead to a steadier source of income. BankUnited has been changing its deposit mix to reduce top line pressure and there has been a continued increase in the average non-interest bearing demand deposits since 2011 - with a 4-year CAGR (2011-2014) of 95%. This trend has continued in the first half of 2015 as well and management has been strategizing on increasing these low-cost deposits, which it expects will positively impact its net interest margin. Just after a couple of years of its inception in May 2009, the company started returning capital to its shareholders through dividend payments. Currently, BankUnited pays a dividend of $0.84, which is a dividend yield of 2.30%. Based on the strong positioning of the company, it is recommended that BankUnited be added to the AIM domestic equity fund with a price target of $41.79, which offers a potential upside of ~14.5%.

## Investment Thesis

- **Increase in South Florida Deposits.** BKU is the sixth largest bank in southern Florida in terms of deposit market share. Currently, the Miami Lakes based BKU is the largest bank headquartered in south Florida and accounts for 5.06 percent of total deposits in the area. At the end of Q2 2015, BKU had total deposits of $15.2 billion, up $985 million from Q1 2015. BKU attributes this increase particularly to maturing CD's being put into savings, economic uncertainty, and population influx to south Florida.

- **Expanded Loan Strategy.** The Miami region, where BKU is most heavily present, was the quickest area in Florida to bounce back from the financial crisis in 2008. Recently other regions of Florida have begun to catch up and BKU has begun to add lending teams to regions like Tampa, Orlando, and Jacksonville. This strategy is focused on origination new types of loans mainly originate from commercial and industrial businesses seeking refinancing or to fund business growth. The Miami area loans are mainly originated from real estate opportunities.
- **Strategic New Branch Placement in New York.** The Tri-State area had approximately $1.6 trillion in deposits, with the majority of the market concentrated in the New York metropolitan area. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the Northeast region reflected a YOY increase of 10%. The New York branches account for 32.9% of the new loan portfolio's growth. The size and economic health of this market, coupled with the BKU management team's experience in building a successful Northeast U.S. regional bank in the past, make BKU well positioned to continue its expansion and growth in this market.

**Valuation**

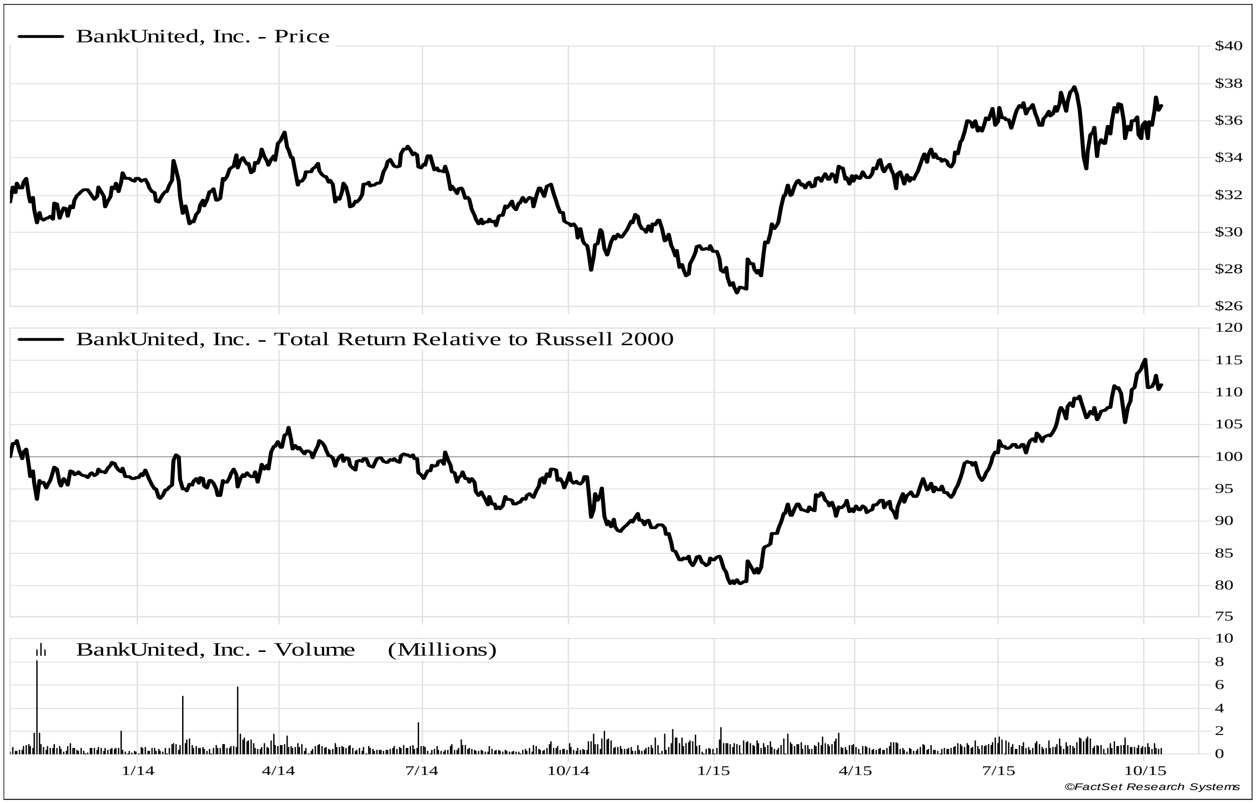
To find the intrinsic value of BKU, a dividend discount model was used, as well as a price to book and a price to earnings multiple. The price to book and price to earnings multiple was derived from taking the average P/E and P/B multiple of BKU's peers and industry, as well as BKU's ttm P/E and P/B multiple. By doing this a predicted P/E and P/B multiple of 22.10 and 1.65 respectively was calculated. These predicted multiples were then multiplied by BKU's EPS (1.96) and BV per share (20.19) to reach an intrinsic value of $43.32 for P/E and $33.21 for BV. Weighing these multiples 50/50 an intrinsic value of $38.27 was reached. The dividend discount model approach using a WACC of 5.3% and a long-term growth rate of 3.0% resulted in an intrinsic value of $43.30. Weighting these valuations 30/70, the final estimated intrinsic value of BKU is $41.79, which provides an upside of ~14.5%.

**Risks**

- **Interest Rates.** BKU's cash flows depend to a great extent upon the levels of net income interest. The current low level of market interest rates limits the ability of BKU to add higher yielding assets to the balance sheet. If this prolonged period of low interest rates continues beyond current forecasts, it may force downward pressure on net interest margin and have a negative impact on net interest income in the future.
- **Liquidity Risk.** BKU could face adverse consequences if it has insufficient liquid assets on its balance sheet and is therefore unable to fulfill financial commitments without the sale of assets. This would be the result if BKU has a mismatch in the size and maturity of assets and liabilities on the balance sheet or due to loan defaults with a surge of depositor demands.
- **Geography Risk.** BKU's operations are concentrated in the coastal regions of Florida and the New York metropolitan area. Additionally, a significant portion of BKU's loans secured by real estate are secured by commercial and residential properties in these geographic regions. Accordingly, the ability of BKU's borrowers to repay their loans, and the value of the collateral on such loans, may be significantly affected by economic conditions in these regions.

**Management**

John Kanas was named chairman, president and CEO of BKU in May 2009. Mr. Kanas led a group of investors in the purchase of the bank in a history-making transaction. Prior to joining, Mr. Kanas was chairman, president and CEO of North Fork Bancorporation, the sixteenth-largest bank holding company in the US. He held this position from 1977, when he was appointed at the age of 29, until North Fork's acquisition by Capital One in 2006. Mr. Kanas led the company in its initial public offering in 1982 to its membership on the NYSE and inclusion in the S&P 500 Index. During his tenure, the company completed 15 bank acquisitions and distinguished itself as one of the most profitable and efficient banking companies in the country.




**Ownership**

| | |
|---|---|
| % of Shares Held by All Insider and 10% Owners: | 6.40% |
| % of Shares Held by Institutional & Mutual Fund Owners: | 96.70% |

Source: FactSet

**Top 5 Shareholders**

| Holder | Shares | % Out |
|---|---|---|
| Wellington Management | 7,113,000 | 6.90 |
| The Vanguard Group | 6,336,000 | 6.10 |
| Neuberger Berman LLC | 4,488,000 | 4.30 |
| T. Rowe Prince Assoc. | 3,962,000 | 3.80 |
| Citadel Advisors LLC | 3,592,000 | 3.50 |

Source: FactSet

**Peer Analysis**

| Name | Ticker | Market Cap (mil) | Net Income (mil) | Div. Yld. % | P/B | D/E |
|---|---|---|---|---|---|---|
| Bank United | BKU | 3,785 | 196.2 | 2.90% | 1.43 | 1.54 |
| Valley National | VLY | 2,327 | 116.2 | 4.53 | 1.21 | 1.46 |
| Sterling Bancorp | STL | 1,967 | 27.68 | 2.11% | 1.11 | 0.97 |
| Pinnacle Financial | PNFP | 1,845 | 70.47 | 0.81% | 1.76 | 0.47 |
| Peer Averages | | 2,046 | 71 | 1.52 | 1.4 | 1.0 |

**Removed For Relative Valuation Analysis*

Source: FactSet

**Golar LNG Limited (GLNG)**
October 16, 2015

Patrick Schulz | International Energy

*Golar LNG Limited (NASDAQ: GLNG) is a midstream liquefied natural gas (LNG) company engaged primarily in the transportation, regasification, liquefaction and trading of LNG. Golar is involved in the acquisition, ownership, operation and chartering of LNG carriers and FSRUs through their subsidiaries and affiliates and the development of LNG projects. Golar is a leading owner and operator of 25 vessels, comprised of 19 LNG carriers and 6 FSRUs and focuses on providing highly reliable, safe and cost efficient LNG shipping and FSRU operations. LNG carriers are responsible for the shipping and storage of LNG over long distances across oceans. FSRUs are capable of regasifying natural gas offshore or near shore in order to inject the natural gas directly into a pipeline. Golar was founded in 1946 and is headquartered in Hamilton, Bermuda.*

| | | |
|---|---|---|
| Price ($): (10/09/15) | $ | 32.01 |
| Price Target ($): | $ | 44.24 |
| 52WK H-L ($): | | 61.70-25.52 |
| Market Cap (mil): | | 2,989.73 |
| Float (mil): | | 84.15 |
| Short Interest (%): | | 4.96% |
| Avg. Daily Vol (mil): | | 1.34 |
| Dividend ($): | $ | 1.80 |
| Yield (%): | | 5.68% |

| | |
|---|---|
| Beta: | 1.43 |
| WACC | 9.80% |
| M-Term Rev. Gr Rate Est: | 36.20% |
| M-Term EPS Gr Rate Est: | 67.84% |
| Debt/Equity: | 0.82 |
| Debt/EBITDA (ttm): | N/A |
| ROA (%): | -1.44% |
| ROE (%): | -0.25% |
| ROIC (%): | -0.36% |

| FY: Dec | 2014A | 2015E | 2016E | 2017E |
|---|---|---|---|---|
| Revenue (Mil) | 106.16 | 123.98 | 219.39 | 400.07 |
| % Growth | 9.01% | 16.79% | 76.96% | 82.35% |
| Gross Margin | -19.37% | -43.64% | 39.42% | 70.00% |
| EBITDA Margin | 9.40% | -14.70% | 28.99% | 66.09% |
| EPS (Cal) | ($0.12) | ($1.48) | ($0.35) | $1.03 |
| BVPS | 24.42 | 22.31 | 22.34 | 22.97 |
| Dividend Yield (%) | 4.9 | 5.6 | 5.4 | 5.6 |
| EV/Sales | 63.9 | 54.7 | 30.9 | 25.7 |

## Recommendation

As the price of natural gas has decreased over 50% since the 2014 high, Golar's stock has experienced a decline of more than 50%. According to the EIA, natural gas consumption is forecasted to increase 64% by 2040. The lower carbon intensity of natural gas relative to coal and oil makes it an attractive fuel for industrial and electric power sectors for environmental reasons. In order to take advantage of this growing market opportunity, Golar invested $2.3 billion in their vessels, equipment, newbuilds and conversions during the past three years. As of the end of Q2, Golar completed 12 newbuildings and expect one FSRU to be delivered by the end of 2015. Golar is currently converting three of their LNG carriers into GoFLNGs, a more advanced vessel capable of the liquefaction and regasification of LNG offshore. Golar's GoFLNG vessels will focus on the liquefaction of clean pipeline quality gas and is expected to be one of the cheapest liquefaction alternatives in today's market. According to research by Poten and Partners, LNG liquefaction delivered to market was 103 MMtpa in 2000, which increased to 247 MMtpa in 2014 and is expected to add another 116 MMtpa by 2018. This significant increase will give Golar the competitive advantage in the liquefaction market, as their advanced vessels are among the few capable of the offshore liquefaction process. Golar has been able to sell several of their vessels during this calendar year in order to help finance their current newbuild program. Golar Partners is a wholly-owned subsidiary that provides Golar with the ability to sell long-term charters in order to distribute the overall risk profile. Due to the expanding opportunities in the natural gas industry and management's decision to convert more advanced vessels, it is recommended that Golar LNG Limited be added to the AIM International Fund with a target price of $44.24, representing a 38.20% upside. Golar pays a $1.80 dividend, yielding 5.68%.

## Investment Thesis

- **GoFLNG Conversions.** Golar is currently converting three of their LNG carriers, the Hilli, Gimi and Gandria, into GoFLNGs (Golar Floating LNG). GoFLNGs offer lower unit costs and provides an alternative to the traditional large land based projects. This advanced process allows vessels to complete the storage and shipping of LNG in a cheaper and quicker time period. FLNGs utilize Golar's floating liquefaction technology, as these vessels are capable of the liquefaction and regasification of LNG all offshore. The Hilli recently reached terms with SNH and Perenco for employment of this vessel in Cameroon with an expected start-up date in Q2 of

2017. The Gimi expects to be delivered in early 2018 and management is working aggressively to seek employment for this vessel. The Gandria expects to be delivered in 2019 and will be used in the Ophir project located in Equatorial Guinea. Management has contemplated on beginning a fourth GoFLNG conversion in the upcoming quarters.

- **Golar Partners.** This wholly-owned subsidiary was formed in 2007 and is designed to own vessels with long-term charters, typically five years or longer, in order to distribute the risk profiles of different vessel types of the total fleet controlled and affiliated with GLNG. Golar owns 30% of the Partner's total units in issue and this is expected to remain as a long-term holding. Since the IPO of Golar Partners in 2011, Golar has sold equity interest in six vessels for an aggregate value of $1.9 billion. The majority of these proceeds received from the sales of these vessels have been used to make installment payments under Golar's newbuild program. Furthermore, the sale of these assets has made Golar Partners a more profitable company, which has resulted in increased distributions to shareholders of Golar Partners. Their quarterly dividends have grown by 50% since their IPO and Golar's total dividend income from Golar Partners has increased by 51%.
- **Established Reputation and Modern Fleet.** Golar has been an experienced and professional provider of LNG services and places high standards on their safety, reliability and environmental performance. In 2005, Golar became the first company to successfully convert an existing LNG carrier into a FSRU. Their fleet continues to improve as the recently delivered vessels all utilize state of the art technology and are configured to be an attractive for potential chartering customers with high performance standards.

**Valuation**

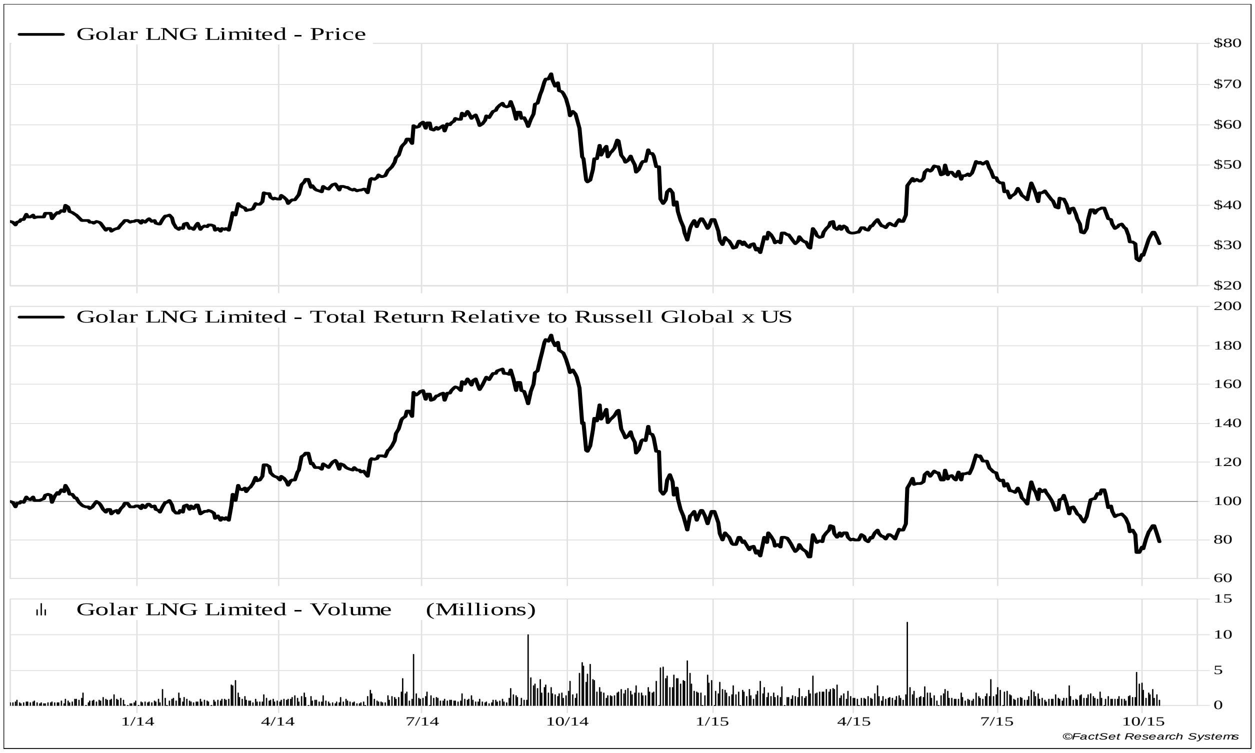
In order to reach an intrinsic value for GLNG, a five year DCF model was constructed. Using a terminal growth rate of 2.00% and a WACC of 9.80%, an intrinsic value of $44.68 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $28.26-$56.51. Additionally, an EV/Sales multiple valuation was calculated. Using a 2016E Sales of $219.39 and weighing GLNG and the comparable multiples equally at 19.24x, an intrinsic value of $48.34 was reached. Finally, a P/B multiple valuation was conducted using a blended average P/B multiple of 1.74x, resulting in an intrinsic value of $41.03. By weighing the three models equally, a price target of $44.24 was reached, resulting in a 38.20% potential upside. GLNG pays a $1.80 dividend, yielding 5.68%.

**Risks**

- **Growth in FSRU Market.** The FSRU market continues to grow and mature as several competitors are beginning to enter this market. The growth of this market is giving vessel owners more confidence to place orders and this has led to more competition for mid- and long-term LNG charters. Vessels are starting to enter emerging LNG markets that cover short-term charters of one year or less.
- **High Concentration of Revenue.** Golar has two large customer bases, a major Japanese trading company and a commodity trading and logistics house. These two customers combined made up nearly 75% of Golar's revenue in 2014. A loss in either of these customers would have a material impact on Golar's revenue.
- **Commodity Price Decline and Volatility.** The decline in natural gas prices has had material impact on a majority of energy related firms. This commodity has seen high volatility over the past 18 months and a continuance in volatility may have further impacts on energy companies.

**Management**

Gary Smith has been the CEO of GLNG since 2015 and was the CEO from 2006 until 2009. He has an extensive background in the petroleum industry, being employed by Shell Trading & Shipping Co. and worked closely with all existing Shell LNG projects and LNG trading activities. Brian Tienzo has been the CFO of GLNG since 2011. He has also served as the Principal Accounting Officer for GLNG Partners LP since 2011.




Source: FactSet

**Ownership**

| | | |
|---|---|---|
| % of Shares Held by All Insider and 5% Owners: | 6.40% | ▲ |
| % of Shares Held by Institutional & Mutual Fund Owners: | 91.50% | ▲ |

Source: FactSet

**Top 5 Shareholders**

| Holder | Shares | | % Out |
|---|---|---|---|
| Capital Research & Management Co. | 11,427,000 | ▲ | 12.20 |
| Fidelity Management & Research Co. | 9,310,000 | ▲ | 10.00 |
| BHR Capital LLC | 3,205,000 | ▼ | 3.40 |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 2,680,000 | ▼ | 2.90 |
| JANA Partners LLC | 2,633,000 | ▼ | 2.80 |

Source: FactSet

**Peer Analysis**

| Name | Ticker | Market Cap (mil) | Sales (mil) | EBITDA (mil) | EV/Sales | Price to Book |
|---|---|---|---|---|---|---|
| Golar LNG | GLNG | 2,989.7 | 124.0 | -18.2 | 30.9 | 1.4 |
| Hoegh LNG | HLNG | 1,055.0 | 169.6 | 33.5 | 9.9 | 2.7 |
| Teekay LNG Partners | TK | 2,080.7 | 396.0 | 276.6 | 10.2 | 1.4 |
| Mitsui OSK Lines | TYO: 9104 | 3,208.3 | 15,894.0 | 922.2 | 0.8 | 0.5 |
| Dynages LNG Partners | DLNG | 291.2 | 136.4 | 105.6 | 6.2 | 1.8 |
| MISC BHD | MISC.MY | 9,537.9 | 2,760.9 | 859.2 | 4.0 | 1.2 |
| Peer Averages | | 3,234.6 | 3,871.4 | 439.4 | 6.2 | 1.5 |

Source: FactSet