Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports
Fall 2015

Date: Friday, November 13th | ***Time:*** *3:00 – 4:15* p.m. | ***Location: Geneva Capital***

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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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Kirkland's, Inc. (KIRK)
November 13, 2015

Jack Casey — Consumer Discretionary (Micro Cap)

Kirkland's, Inc. (NASDAQGS: KIRK) is a specialty retailer of home décor and gifts in the United States. The company operates 351 stores (94.5% of revenues) in 35 states as of August 1, 2015, as well as an e-commerce enabled website (5.5%). KIRK's stores offer various lines of merchandise, including: art, mirrors, wall décor, candles, lamps, decorative accessories, and accent furniture. Its stores also offer an assortment of holiday merchandise during seasonal periods. While KIRK does offer some merchandise items for several hundreds of dollars, most items sell for under $20. The majority of these items are manufactured in China and other South-Asian countries, and purchased from U.S. importers. The company operates its brick and mortar stores in off-mall venues and enclosed malls, with the majority of store locations operating in "power" strip centers and "lifestyle" centers. These store locations can be found in metropolitan markets, middle markets, and smaller markets, with a significant concentration in the southeastern US. KIRK was founded in 1966 by Carl T. Kirkland and is based in Brentwood, TN.

Price ($): (11/11/2015)	$22.61
Price Target ($):	$30.80
52WK H-L ($):	$17.84-$29.52
Market Cap (MM):	414
Float (MM):	89.1%
Short Interest (%):	6.5%
Avg. Daily Vol (MM):	0.163
Dividend ($):	N/A
Yield (%):	N/A

Beta:	0.76
WACC	9.60%
M-Term Rev. Gr Rate Est:	9.24%
M-Term EPS Gr Rate Est:	13.24%
Net Debt/Equity:	31.70%
Net Debt/EBITDA (ttm):	0
ROA:	7.18%
ROE:	12.44%
ROIC:	12.44%

FY: Jan	2013	2014	2015E	2016E
Revenue (MM)	$460.56	$507.62	$566.00	$611.93
% Growth	2.72%	10.22%	11.50%	8.14%
Gross Margin	39.27%	39.97%	40.30%	41.18%
Operating Margin	5.21%	5.65%	5.93%	6.20%
EPS (Cal)	$0.82	$1.00	$1.20	$1.34
FCF/Share	$1.20	$0.83	$0.42	$0.76
P/E (Cal)	22.96x	23.27x	19.96x	17.87x
EV/EBITDA	5.93x	6.33x	6.57x	5.69x

Recommendation

KIRK generated total revenues of $507.6MM in FY 2014, representing a 10.2% YoY increase, and a 3-Yr CAGR of 5.7%. This revenue growth resulted primarily from an increase of 20 stores, and an increase in comparable store sales (SSS). SSS, including e-commerce sales, increased YoY 6.1% for FY'14 and 6.7% for 2Q15. The substantial increase seen in 2Q15 was a direct result of an increase in the number transactions, and a slight increase in the average ticket per customer. The increase in average ticket was due to an increase in items sold per transaction, with wall décor and housewares being the merchandise categories contributing the most to SSS growth. KIRK's gross margins increased 70bps and 30 bps YoY in FY'14 and 2Q15, respectively, due to lower outbound freight costs resulting from a shift in more in-store pickup sales from the company's website. Similarly to revenues and gross margins, KIRK's EBITDA margin grew 15% and 18.3% YoY in FY'13 and FY'14, respectively, while increasing 18% in 1H15. KIRK grew its store units 6.2% in 2014, with a focus on expanding into markets where they have less exposure, including the Mid-Atlantic, Midwest, portions of the Northeast, and California. The company expects to open 35 to 40 new locations during FY'15, with the majority of the openings occurring in 3Q15. Management believes the company will grow square footage 10% annually, with an intermediate goal of 500 store units. Because of beneficial trends in retail sales, an emphasis on expanding its e-commerce business, and the ability to manage inventory more effectively than its peers, it is recommended that KIRK be added to the AIM Micro Cap fund with a price target of $30.80, representing a 36% upside.

Investment Thesis

- **Favorable retail sales trends.** Furniture and home furnishings retailers have seen YoY quarterly growth over 5% for the first three quarters of 2015. Correspondingly, sales for furniture and home furnishings retailers have outpaced the sales growth of overall US retail sales for four consecutive quarters. Furthermore, sales growth for this segment of retailers has lagged behind only that of automobiles and hobby stores for the first three quarters of 2015, indicating that the American consumer is increasingly more inclined to purchase very cyclical goods such as cars, furniture, and home furnishings. KIRK's sales have responded to these trends by posting 9.29% and 11.41% YoY growth in the first half of 2015. According to Deloitte's annual holiday survey, consumers plan to spend 12.5% more this holiday season than 2014. The biggest YoY holiday spending increase is projected for home and holiday furnishings, which is expected to experience 33% growth. Because KIRK derives ~35% of its revenues in the fourth quarter, the company is poised to benefit from this projected growth. Continuing sales growth in furniture and home furnishings retailers will benefit KIRK as they continue to open new locations and grow its SSS.

- **Growing e-commerce business.** KIRK continues to capture additional market share by attracting new customers to shop on its website. In FY'14, KIRK's e-commerce channel accounted for 5.5% of total revenues, a 38.5% increase from FY'13. Additionally, in 2Q15, over 70% of e-commerce revenue was fulfilled through in-store pickup, up from less than half last year. This significantly decreased freight costs, and increases the likelihood of a customer making impulse purchases while in the store. The company expects their e-commerce business to grow at a pace significantly greater than their brick-and-mortar stores for the foreseeable future, eventually reaching an interim goal of 10% of the overall business.
- **Efficient inventory management.** During 2H12, KIRK completed the implementation of a new merchandise management system, intended to more effectively manage aspects of the company's merchandise assortment. As a result, KIRK has been able to maintain an inventory turnover ratio that consistently outperforms its competitors. In FY'14, KIRK's inventory turnover ratio of 7.10x was signifantly higher than the 2.47x average of a peer group that included specialty retailers of its size, as well as much large companies that offer similar product offerings. KIRK's high inventory turnover ratios have coincided with impressive revenue growth over the last 5 years, indicating management's ability to efficiently manage inventory better than their peers.

Valuation

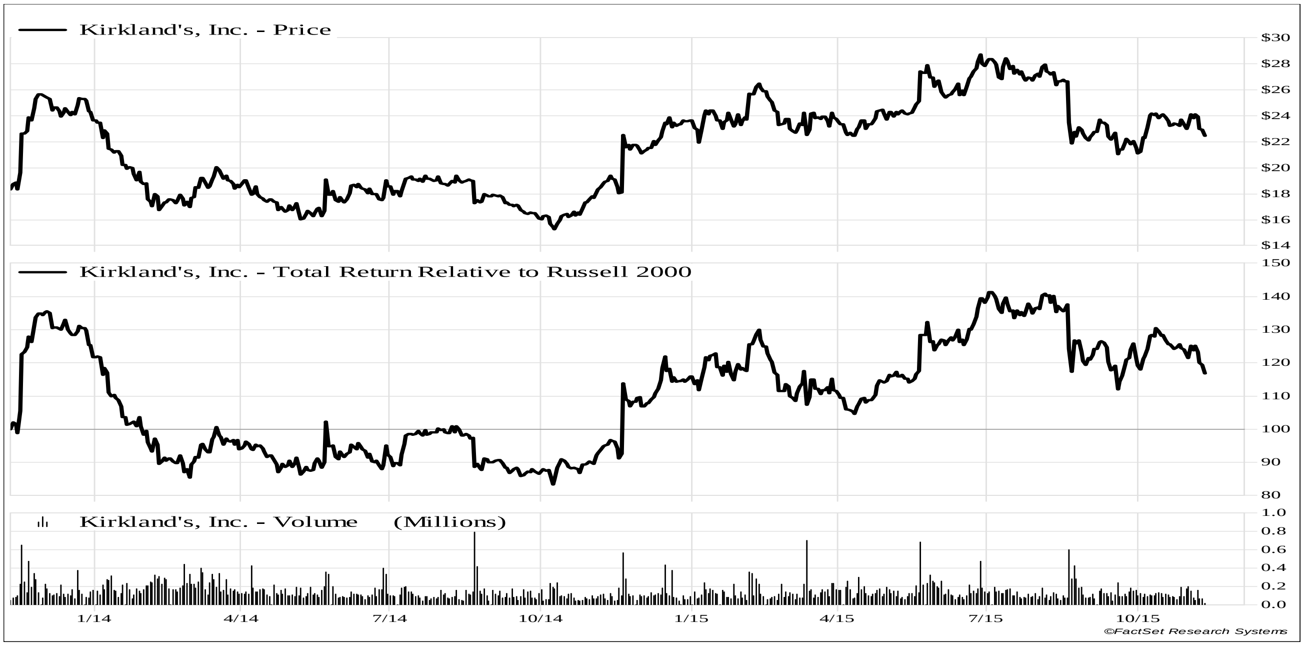
In order to reach an intrinsic value for KIRK, a five-year DCF model was constructed. Using a terminal growth rate of 3% and a WACC of 9.60%, an intrinsic value of $32.09 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $29.56-$35.10. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.20, a comparables average P/E of 24.5x, and KIRK's TTM P/E of 25.4x, which resulted in a valuation of $29.74. Finally, an EV/EBITDA multiple valuation was calculated. A peer average EV/EBITDA ratio of 10.0x was used to obtain a value of $30.59. By weighting the three valuation models equally, a price target of $30.80 was reached, which represents a 36% upside. KIRK does not pay a dividend.

Risks

- **Extremely competitive industry.** The retail industry is a highly competitive market. KIRK competes against a diverse group of retailers, including: specialty stores, department stores, discount stores, and e-Commerce retailers. An increase in the availability of home décor and gift merchandise from various competitors could result in increased price competition, which could hurt the company's value proposition, and decrease traffic and sales, as a result.
- **General economic conditions.** Like all retailers, KIRK's performance is subject to economic conditions and their impact on levels of consumer spending. Specifically, the company is greatly impacted by fluctuations in disposable income because of the highly cyclical nature of home furnishings retailers. If purchases of home décor items significantly decline due to economic conditions, KIRK would experience a significant negative effect on its business.

Management

Michael Madden has been the President and CEO since 2015. Mr. Madden took over for Robert Alderson, who retired after being with the company for 27 years but remains on the board. Prior to his appointment as CEO, Mr. Madden had been with the company for 15 years. Adam C. Holland was appointed to CFO in early 2015 and has been with the company since 2006.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	10.00%
% of Shares Held by Institutional & Mutual Fund Owners:	93.20%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	1,379,000	8.00
Pembroke Management Ltd.	1,129,000	6.50
Paradigm Capital Management Inc.	920,000	5.30
Nokomis Capital LLC	914,000	5.30
Dimensional Fund Advisors LP	799,000	4.60

Source: FactSet

Peers

Company	Ticker	Market Cap	P/E	EV/EBITDA	P/Sales	Inv. TO
Kirkland's, Inc.	KIRK	414MM	25.1	7.6	0.75	7.1
Tuesday Morning	TUES	298MM	28.5	11.1	0.31	2.23
Pier 1 Imports	PIR	710MM	12.1	5.5	0.33	2.3
Ethan Allen Interiors	ETH	840MM	22.1	9.4	1.1	2.19
The Container Store	TCS	597MM	35.5	13.9	0.75	3.55
Average		**572MM**	**24.64**	**9.52**	**0.65**	**3.47**

Source: FactSet

Experian PLC (EXPGY)

November 13, 2015

Daniel E. Fernandez Guerra International Technology

Experian PLC (OTC: EXPGY) is a global information services company, which engages in the provision of data and analytical tools that are used to manage credit risk, prevent fraud, target marketing offers, and automate decision making. The company operates through four business segments: Credit Services (46.4% of the total revenues), Consumer Services (22.1%), Marketing Services (19.6%), and Decision Analytics (11.9%). The Credit Services provides information to organizations to help them manage the risks associated with extending credit and preventing fraud. The Consumer Services provides credit monitoring services to millions of consumers via the internet. The Marketing Services helps many of the world's leading organizations target and engage their customers through sophisticated marketing strategies that generate significant return on investment. The Decision Analytics unlocks the value of its vast store of credit and marketing information, as well as other data sources, by applying expert consulting, analytical tools, and software to convert data into valuable business decisions. Experian offers its services through offices in 39 countries globally. EXPGY was founded in 1980 and is headquartered in Dublin, Ireland.

Price ($):	18.02
Price Target ($):	22.24
52WK H-L ($):	19.49 - 14.78
Market Cap (mil):	16,831
Float (mil):	0.0
Short Interest (%):	#N/A
Avg. Daily Vol (mil):	0.05
Dividend ($):	0.36
Yield (%):	2.10%

Beta:	0.71
WACC	8.1%
M-Term Rev. Gr Rate Est:	-8.0%
M-Term EPS Gr Rate Est:	7.1%
Debt/Equity:	117.5%
Debt/EBITDA (ttm):	1.85
ROA (%):	9.0%
ROE (%):	26.3%
ROIC (%):	13.6%

FY: Dec	03/31/2014	03/31/2015	03/31/2016	03/31/2017
Revenue (Mil)	4,840	4,810	4,666	4,908
% Growth	2.93%	-0.62%	-2.99%	5.19%
Gross Margin	66.61%	66.65%	64.10%	64.30%
EBITDA Margin	39.71%	39.90%	36.25%	36.83%
EPS (Cal)	$0.76	$0.76	$0.90	$0.95
FCF/Share	$1.47	$1.48	$0.94	$1.00
P/E (Cal)	23.6	21.8	19.4	18.2
EV/EBITDA	13.0	11.7	12.5	11.6

Recommendation

Experian PLC generates revenue by providing and servicing a variety of data and analytical technologies to businesses to manage credit risk, protection against identity theft, and automate decision making. Experian has a broad set of business segments with a diverse customer base in North America, Latin America, the United Kingdom, Ireland, Europe, the Middle East and Africa, and Asia Pacific. Furthermore, Experian has been investing in new data and analytics solutions which are expected to further enhance client engagements increasing revenues significantly. Experian PLC has placed themselves in a unique position within the International Technology sector and is fundamentally the market-leading provider of Decision Analytics and Credit Information segments. The competitive landscape has changed in the past few years as a result of consolidation within the industry and EXPGY has been benefited due to their market-leader position across their business segments. Experian competes with credit, marketing, and data analytics companies. These include Equifax Inc., Dun & Bradstreet Corporation, Acxiom Corporation, and TransUnion LLC. Due to the projections that EXPGY will continue to dominate their sector along with their competitive strengths, use of its strong balance sheet for further acquisitions and future cash flow, it is recommended that Experian PLC be added to the AIM International Equity Fund with a target price of $22.24, representing a 23.42% upside. EXPGY also pays an annual dividend yield of 2.16%.

Investment Thesis

- **Dominant market position:** Experian is the global leader in its industry, with robust market positions. The company is about twice the size of its nearest competitor, Equifax ($4,840 million vs $2,436.4 million in revenues). Experian is the market leader in the provision of Decision Analytics, Consumer Credit Information, and Business Information in all its major geographies. Furthermore, in the US, Experian is the second largest business information provider. The company's dominant market position in an industry marked with significant entry barriers which is their competitive strength.

- **Portfolio Diversification:** The Company has diversified revenue streams across geographies, business lines and customer segments. Experian derived roughly 31% of its revenues from customers operating in the financial services industry, followed by direct-to-consumer (22%), retail (10%), telecoms and utilities (5%), automotive (5%), insurance (4%), media and technology (3%), healthcare payments (2%), public sector and education (2%), and other (15%). The well diversified geographic presence as compared to its peers provides the company a competitive advantage, reduces its regional specific risk, and creates new opportunities to grow in markets across the world.
- **Strong Portfolio of Databases:** Experian offers a robust portfolio of consumer and business databases containing the credit application and repayment histories of consumers and businesses around the world. The company operates 19 consumer credit bureaux, maintaining information more than 800 million consumers. Globally, Experian holds demographic data on more than 700 million individuals in 270 million households and online behavior data on 25 million internet users across five million websites. The company serves more than 10,000 clients in 30 countries, including Australia, Brazil, China, France, Germany, Japan, the UK and the US. The company's robust portfolio of databases enables it to target new clients, thus enhancing revenues and margins.

Valuation

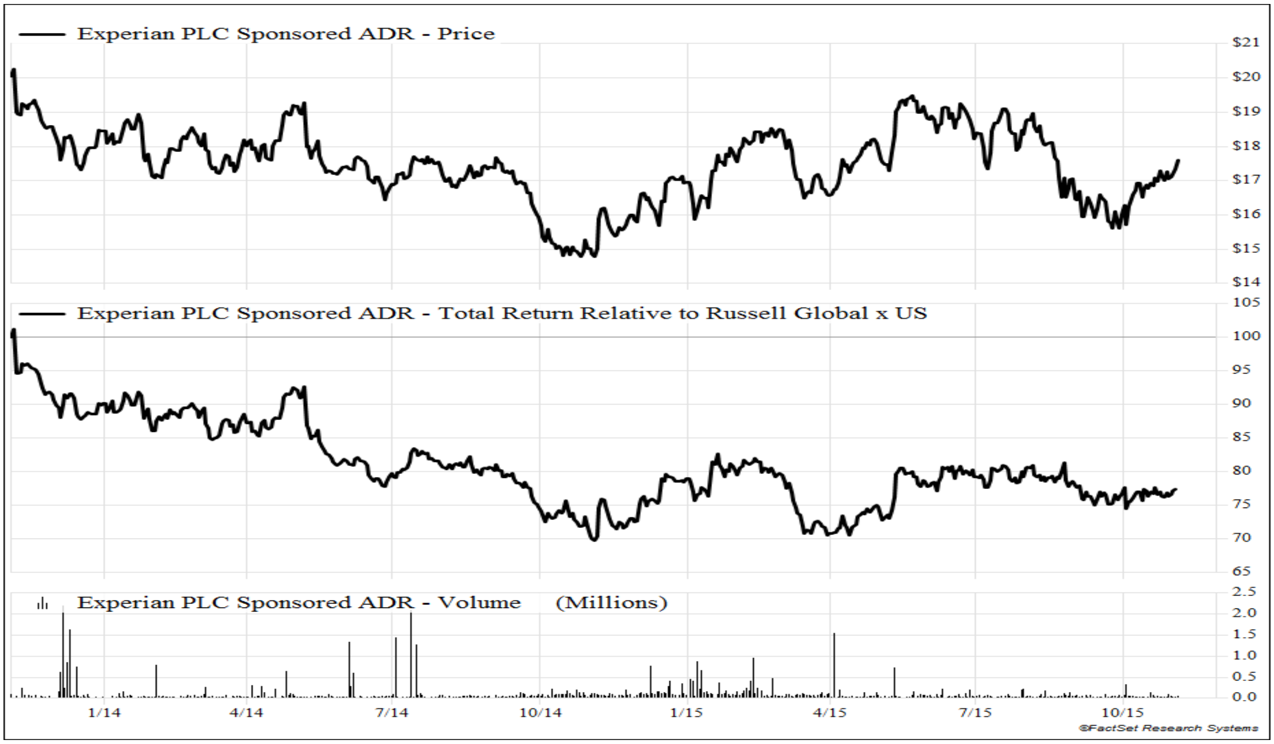
In order to reach an intrinsic value for EXPGY, a five year DCF model was constructed. Using a terminal growth rate of 3% and a WACC of 8.07%, an intrinsic value of $22.93 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $17.27-$25.09. Additionally, a P/E multiple valuation was conducted, a comparable average P/E of 19.65x and EXPGY’s 5-year historical average P/E of 19.6x which resulted in a valuation of $18.45. By weighting the three valuation models 60/20/20, a price target of $22.24 was reached, which offers an upside of 23.42%. The company does pay a dividend yield of 2.16%.

Risks

- **Reliance on Third Parties:** The Company outsources part of its work which leaves it dependent on third parties for some data and operational services. Experian is subject to risk of losing business with any of these service providers which could significantly impact the quality of and demand for the company's products which could affect the business performance overall.
- **Fierce Competition:** Experian PLC operates in a number of geographic, product and service markets that are highly competitive. The competitor environment continues to be dynamic with new entrants that may have scale, integration capability and partner networks which could dent market share.
- **Data Privacy Regulations:** EXPGY’s operations are subject to data privacy regulations. Experian's clients use its service to store contact and other personal or identifying information regarding their customers and contacts. Government bodies, however, are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and individuals.

Management

Mr. Cassin was named Chief Executive Officer on April 30, 2012. He previously served as the Chief Financial Officer at the company. Mr. Cassin was the Managing Director at Greenhill & Company. He also held positions at Baring Brothers International and London Stock Exchange. Lloyd Pitchford was named Chief Financial Officer on October 2014. Prior to this, he was the Chief Financial Officer at Intertek Group. Mr. Pitchford previously held senior finance positions, including the Group Financial Controller at BG Group; and managed financial and commercial roles at Mobil Oil.



Source: Factset

Ownership

% of Shares Held by All Insider Owners:	#N/A
% of Shares Held by Institutional & Mutual Fund Owners:	0.21%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Thomas White International Ltd.	444,485 ▲	0.05
Fisher Asset Management LLC	332,325 ▲	0.03
Parametric Portfolio Associates LLC	330,852 ▲	0.03
William Blair & Co. LLC (Investment Management)	197,450 ▲	0.02
Thornburg Investment Management, Inc.	168,434 ▼	0.02

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Experian PLC Sponsored ADR	EXPGY	17,084	4,810	865.8	2.16	11.72
Acxiom Corporation	ACXM	1,735	975	160.0	0.00	8.59
Equifax Inc.	EFX	12,644	2,622	897.0	1.24	13.59
TransUnion	TRU	4,730	1,456	447.1	0.00	0.00
Adobe Systems Incorporated	ADBE	45,071	4,495	1021.6	0.00	47.79
Dun & Bradstreet Corporation	DNB	3,918	1,628	452.5	1.46	11.37
Peer Averages		16,045	2,387	631.4	0.31	17.5

Chicago Bridge & Iron Co. NV (CBI)

November 13, 2015

John Grant — International Producer Durables

Chicago Bridge & Iron Co. NV (NASDAQ: CBI) provides a wide range of services, including conceptual design, technology, engineering, procurement, fabrication, modularization, construction, commissioning, maintenance, program management, environmental services, and acts as a provider of diversified government services. CBI recently realigned their operation segments to recognize revenues under four main segments: Engineering and Construction (E&G, 69.4% of total revenues), Fabrication Services (19.4%), Capital Services (6.4%), and Technology (4.6%). Future revenues are determined by CBI's ability to competitively bid and win contracts to be added to their industry leading backlog of $29.4 billion. The company derives revenues from the Americas (65.6%), Asia/Pacific (27.2%), Europe (5.5%), and Africa & Middle East (1.7%), the top three countries are the United States (51.5%), Australia (19.3%), and Columbia (8.4%). The company has 54,000 employees in approximately 200 sales and operations offices worldwide, CBI operates in more than 70 countries currently. CBI was founded in 1889 and is headquartered in The Hague, Netherlands.

Price ($):	$ 44.00	Beta:	1.67
Price Target ($):	$ 60.61	WACC	10.43%
52WK H-L ($):	59.45-32.16	M-Term Rev. Gr Rate Est:	3.4%
Market Cap (mil):	4,796	M-Term EPS Gr Rate Est:	11.0%
Float (mil):	98.5%	Debt/Equity:	67%
Short Interest (%):	16%	Debt/EBITDA (ttm):	1.78
Avg. Daily Vol (mil)	1.8	ROA (%):	5.80%
Dividend ($):	$ 0.28	ROE (%):	21.40%
Yield (%):	0.6%	ROIC (%):	13.14%

FY: Dec	2014	2015E	2016E	2017E
Revenue (Mil)	$12,976	$13,347	$13,635	$14,350
% Growth	17%	3%	2%	5%
Net Income Margin	4%	5%	5%	6%
EBITDA	$1,176	$1,314	$1,443	$1,636
EPS (Cal)	$4.99	$5.52	$6.01	$6.82
FCF/Share	$0.26	$2.54	$3.68	$5.12
P/E (Cal)	8.4	7.9	8.5	9.0
EV/EBITDA	5.2	5.4	5.9	6.4

Recommendation

Companies operating in the global energy infrastructure services industry have received overly bearish valuations as a response to highly volatile oil prices. This has caused investors to overact, upstream activates are affected the most by oil prices and only represent 5% of CBI's total revenue exposure. CBI is an established industry leader in the global energy infrastructure services segment because of its vertical integration across the entire supply chain, predictable long-term backlog and strategic industry positioning. CBI has posted strong growth for the past five years. Starting at the top line, sales have expanded from $4,557M in FY09 to $12,975M in FY14 (23.3% 5-Year CAGR), which expanded net income at a 5-Year CAGR of 25.5% from $174M to $544M in the same time frame. However, due the highly competitive nature of the business net margin has stayed relatively flat, increasing from 3.8% to 4.2% between FY09 and FY14 (5% 5-Year CAGR). CBI has consistently been posting strong earnings growth, expanding EPS from 1.79 in FY09 to 4.98 in FY14 (22.7% 5-Year CAGR) with FY15E EPS to be 5.76. CBI's backlog grew 9.35% between FY13 and FY14 ($27.8B - $30.4B). Management expects to see short-term growth to be largely driven by organic growth and their most recent acquisition of The Shaw Group Inc., which was completed in February, 2013. In 2015, there has been roughly $10B of new backlog added as of 3Q15 with a burn rate predicated from 35% to 45%. Management has forecasted an increase of 5% to 7% in backlog in FY16. The Shaw acquisition better positioned CBI to compete for and execute the largest energy infrastructure projects. Through acquiring Shaw, CBI increased skilled resources and gained exposure to energy growth areas such as power generation. Despite consistently high performance, an industry leading position and dramatic efforts continuously being made to improve long-term profitability, CBI has been trading at a dramatic discount. The current P/E and EV/EBITDA multiples are 7.91x and 5.31x, respectively; CBI is trading at a discount and should be considered as a value play. CBI pays an annual dividend of 0.28, yielding 0.6%. With EPS and EBITDA projected to be $5.52 and $1313.71M in FY15E, it is reccomedned CBI be added to the International AIM Fund with a target price of $60.61, representing a potential 37.75% upside.

Investment Thesis

- **Divestment From Failing Nuclear Business.** CBI recently entered into a definitive agreement in which Westinghouse Elecectric Company (WEC) is paying $229M in cash to acquire all outstanding equity interest in CBI's nuclear construction business (expected to close 4Q15). This does not include CBI's power-related business from the Shaw acquisition in 2013. As part of the agreement, WEC will absorb all of CBI's previous, current and future nuclear project liabilities. CBI will remain as the supplier of discrete scopes of modules, fabricated pipe and specialty services to WEC on a subcontractor basis. CBI is walking away from a set of constracts that will position them to generate more relevant earnings, improve cash flow, reduce working capital demands and improve visibility of EPS and EBITDA.
- **The Shaw Group Inc Acquisition.** CBI acquired Shaw for a gross purchase prve of $3.4B ($2.9B cash and $488.8M in equity consideration) in February, 2013. Management has indicated growth in the short term will largely be due to this acquisition. By acquiring Shaw, CBI became one fo the msot complete energy focused companies in the world by further developing their ability provide technology, engineering, provurement, fabrication, construction, maintenancve and assocaited services. In addition to gaining exposure to developing energy segments, such as power generation, non-enegery diversification improved through Environment Solutions group.
- **Massive Backlog.** CBI's backlog has been increasing on a year/year basis since FY10 ($6.8B), to the reported $30B in FY14. FY15 has seen management increase the backlog by $2.8B in 2Q15, pushing it to $29B, and potentially $4B in 3Q15, which would result in a ~$33B backlog. The largest segment of the backlog, engineering and construction (~80% in FY14), has seen stellar growth in the past few years (10.1% in FY13, 16.8% in FY14). CBI's divestment from low profit nuclear contracts, organic growth and acquisitions will allow them to take on larger contracts.

Valuation

In order to reach an intrinsic value for CBI, a five year DCF model was constructed. Using a terminal value growth rate of 2.5% and a WACC of 10.47%, an intrinsic value of $58.91 per share was reached. In addition, a Price/Backlog multiple valuation was conducted using a 3-year average multiple of 216.8x and a FY15E backlog of $32.22B produced an intrinsic value of $62.85. Lastly, an EV/EBITDA multiple valuation was conducted. Using the same five comparable firms an average EV/EBITDA of 7.90x was used with CBI's current EV/EBITDA of 5.31x and a 2015E EBITDA of $1313.71M produced an intrinsic value of $62.65. Weighing the three valuation models 60/20/20 respectively, a target price of $60.61 was obtained, providing a potential upside of 37.75%. CBI pays an annual dividend of $0.28, yielding 0.6%.

Risks

- **Unpredictability of Contract Timing.** Cash flows are dependent on management's ability to obtain major construction and service contracts, primarily in the energy, petrochemical, natural resource, power and government services markets globally. This exposes CBI's revenues to highly cyclical and volatile end markets, outlook of various end markets act as good determinant of the company's forecasted backlog.
- **Substantial Goodwill.** CBI's Shaw acquisition increased goodwill on the balance sheet from $932K to $4.23M between FY12 and FY14. Goodwill has since been amortized to $4.17M in 2Q15. Goodwill is assessed on a quarterly basis and in 1Q15 and 2Q15 it was deemed accurate, as a result goodwill was not amortized substantially. Should CBI find the goodwill on their balance sheet to be overvalued, it is possible they would have a multi-million dollar write-down.

Management

Philip K. Asherman is the acting President, CEO & Member-Supervisory Board at Chicago Bridge & Iron, has been with the company for 14 years. Prior to joining CBI, Asherman was employed as the Principal at Shell Oil Co., a Principal for the United States Air Force and President of Mining & Minerals for Fluor Enterprises Inc. Michael S. Taff is the acting CFO & EVP. Mr. Taff is a CFA and has been employed as a CFO and other high profile positions by four companies prior to joining CBI.

Ownership

% of Shares Held by All Insider Owners:	1.50%
% of Shares Held by Institutional & Mutual Fund Owners:	78.50%

Source: FactSet

Top 5 Shareholders

Holder	Shares (000)	% Out
Berkshire Hathaway, Inc. (Investment Management)	9,237	8.8%
Greenlight Capital, Inc.	6,723	6.3%
The Vanguard Group, Inc.	6,356	6.0%
SouthernSun Asset Management LLC	6,173	5.8%
BlackRock Fund Advisors	3,269	3.1%

Source: FactSet

Name	Ticker	Market Cap (mil)	EPS (LTM)	EBITDA (LTM)	Price/ Earnings	EV/ EBITDA
Chicago Bridge & Iron	CBI	4,796	5.72	1269	7.91	5.35
Matrix Service	MTRX	602	1.58	32.3	14.4	16.20
Mitsubishi Heavy Inds	7011-JP	17,168	0.37	4115.6	13.63	6.20
Jacbons Engineering	JEC	4,969	3.21	832.5	12.5	6.18
Technip	TEC-FR	6,116	5.44	1204.9	9.61	3.89
Bilfinger	GBF-DE	2,074	2.13	349.9	21.13	7.06
Peer Averages		6,186	2.55	1307.0	14.25	7.91

Source: FactSet

Cohen & Steers (CNS)

November 13, 2015

Ryan Johnston | Financial Services

Cohen & Steers (NYSE: CNS) operates as an alternative asset manager and offers products through three different investment vehicles: open-end mutual funds (32% of AUM), closed-end mutual funds (19%), and institutional accounts (49%). Through these vehicles, CNS actively invests in various products most notably in Global Infrastructure, Real Estate Investment Trusts, Master Limited Partnerships, and Commodities. The company can then package these products together to make specialized portfolio allocation solutions mainly as an inflationary hedge to large institutional clients. As of October 30, 2015, the firm had $52.8 billion in assets under management. The company has approximately 263 employees, of which 31 are senior investment professionals. Cohen & Steers was founded in 1986 by Martin Cohen and Robert Steers as the first investment company to specialize in listed real estate. The firm is headquartered in New York, New York with support offices in London, Hong Kong, Tokyo, and Seattle.

				FY: Dec	2014A	2015E	2016E	2017E
Price ($) (11/11/15):	30.01	Beta:	1.11	Revenue (Mil)	313.93	330.71	366.13	402.77
Price Target ($):	39.16	WACC	8.4%	% Growth	5.75%	5.34%	10.71%	10.01%
52Wk H-L ($):	47.16-25.84	M-Term Rev. Gr Rate Est:	7.5%	Gross Margin	38.84%	39.84%	41.06%	41.75%
Market Cap (mil):	1,427	M-Term EPS Gr Rate Est:	9.5%	Pretax Margin	38.87%	39.24%	39.15%	41.01%
Float (mil):	19,760	Operating Margin	38.9%	EPS (Cal)	$1.65	$1.79	$1.97	$2.28
Short Interest (%):	2.5	ROA:	27.2%	P/E (Cal)	25.5	20.7	21.0	22.0
Avg. Daily Vol (000):	163	ROE:	33.4%	BVPS	$5.09	$5.14	$5.19	$5.23
Dividend ($):	0.88	Dividend Coverage Ratio:	1.3x	P/B	8.3	7.2	7.7	8.2
Yield (%):	3.2							

Recommendation

Starting as the first specialized manager in the REIT space, Cohen and Steers has established a first mover advantage and the firm's brand is recognized as a high quality REIT and alternatives manager. Cohen and Steers' brand recognition leads them to be actively sought in manager searches, as a top tier expert in the REIT and Real Assets space. As of this year, the firm's flagship product, Real Estate Securities Fund (CSEIX) is ranked 8th out of 73 funds. Its performance has been in the top quartile for the past three years outperforming all of their competitors in the same universe. As for institutional accounts, the firm has recognized a 5.5% YoY increase and an overall 6% increase in AUM in comparison to 3Q 2014. From an operational standpoint, CNS's has kept their gross margin stable at 37% and net margin at 24% over the past 5 years. Revenues have grown at a steady clip at an 11% 5- year CAGR, being driven by growth in investment and administration fees. As a result of CNS's brand name, rich investment environment, distribution network, product popularity, and a favorable valuation it is recommended that CNS be added to the AIM Equity Fund with a price target of $39.16, representing a potential upside of 30.5%. The firm also pays a dividend, yielding 3.2%.

Investment Thesis

- **Rich REIT Environment.** Since REITs make up almost 70% of the firm's investment portfolio, the sector's performance is of great importance to growing AUM. Although REIT returns are down on average 4.5% year-to-date, the economic outlook going into 2016 is bullish. Consensus is within the next year the Fed will begin to raise short-term interest rates. The Fed has indicated that these hikes will be gradual, which is positive for REITs. Over the past 25 years there have been nine rate hikes observed, during which REITs posted a positive return six out of the nine times. During this same period the NAREIT index averaged an 11% return. Overall, a rate hike indicates a healthy U.S. economy. This leads to a great environment for Cohen & Steers to produce above average returns for their clients, which can lead to larger AUM through market appreciation and more in-flows due to popularity.
- **Distribution Network.** CNS has an impressive distribution network, which encompasses the major channels in the asset management industry, including large brokerage firms, registered

investment advisers and institutional investors. As of 3Q 2015, approximately $18 billion (71%) of the firm's institutional account assets were sub advised. These funds are sponsored by other financial institutions and are distributed in the U.S., Canada, Europe, Australia, and Japan. CNS is able to reach customers through other popular channels like self-managed mutual funds and separate accounts. While Cohen & Steers is considered a smaller asset management firm, the distribution network the firm has built provides them with a great framework, which can be easily scaled and ramped to support growth.

- **Growing Asset Class Popularity.** REITs fit into a unique asset class of investments called Real Assets. Real Asset strategies are becoming increasingly popular among institutional investors because of its diversification potential against inflation, in addition to offering an impressive average dividend yield of greater than 4%. Seventy-nine percent of institutional investors currently have an allocation of alternative strategies like Real Assets. Of these investors, allocations to Real Estate and Infrastructure have increased by 23% and 33% respectively. With alternative asset classes becoming more mainstream, it could lead to increased mandates for Cohen & Steers.

Valuation

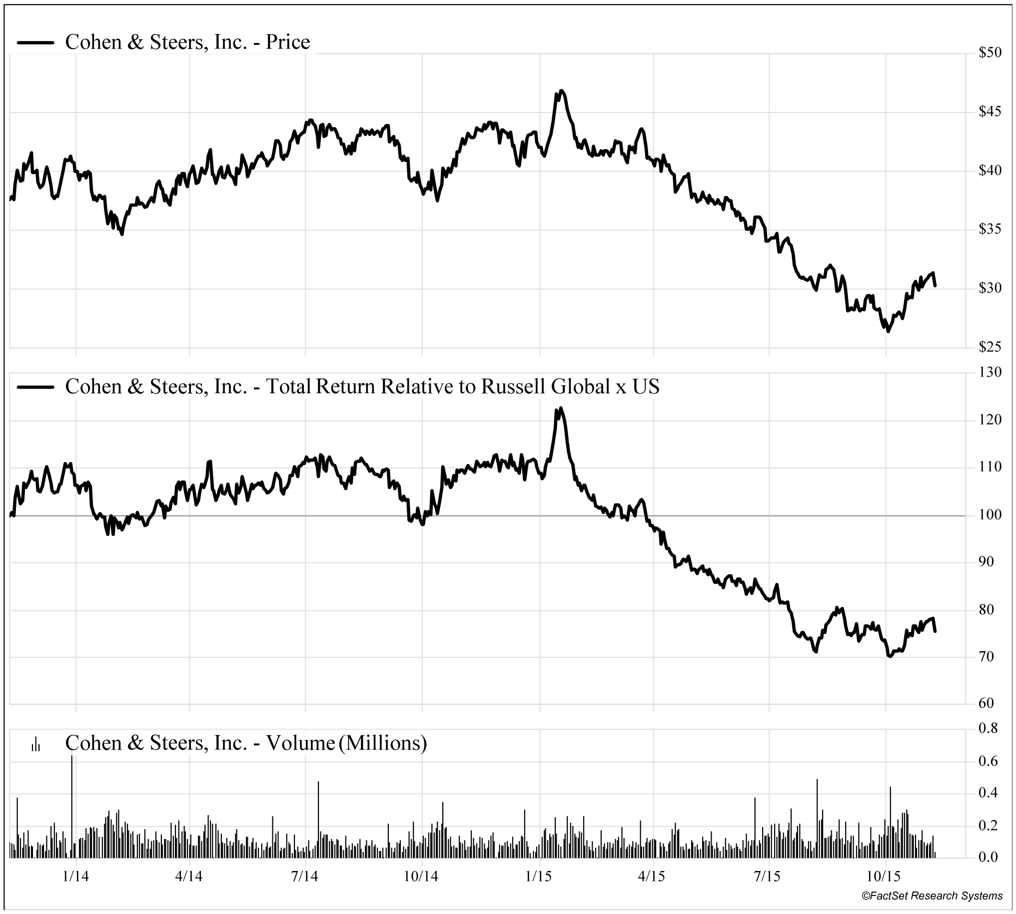
Utilizing a Dividend Discount Model (DDM), and a blended historical and peer price-to-earnings (P/E) average yielded an intrinsic value of $39.16. For the DDM, a cost of equity of 8.44% and a terminal growth rate of 3% yielded a value of $42.96. A sensitivity analysis of the cost of equity and terminal growth rate produced a range of $39.26 – 49.17. When switching methods to a current and historic blend of the company's five peers, a P/E multiple of 21.64x was achieved leading to a valuation of $35.71. Weighing the DDM 50% and P/E multiple 50%, a price target of $39.16 was established representing a 30.5% upside. Cohen & Steers also paid an 88 cent annual dividend in 2014, yielding 3.2%.

Risks

- **Client Diversification.** As of fourth quarter 2014, the firm's largest institutional client represented 13% of total revenues. About 50% of institutional accounts and 25% of total assets managed by the company are derived from this client. The client has accounts in numerous strategies and products offered by CNS. Any significant reduction in any of these accounts could reduce the firm's revenue.
- **Volatility of Underlying Investments.** At the heart of Cohen and Steer's business is the performance of its investments, largely REITs. Poor performance of these investments may cause clients to reevaluate their allocations, particularly mutual fund owners. This effect can be seen with this past quarter's net outflows from open-end mutual funds of $202 million with the underperformance of the firm's global commodity and REIT strategies, as well as the market correction in August.
- **Key Personnel.** Like any asset management firm, retention of highly educated and experienced investment personnel is a top issue. Clients value low portfolio manager and analyst turnover, which signifies confidence and stability within the strategy. If investment personnel were to begin to leave the firm, continuity of investment ideas and client trust could be lost, negatively affecting revenues.

Management

Martin Cohen is currently Executive Chairman of CNS. In 1980, while a vice president at Citibank, he organized and managed the Citibank Real Estate Stock Fund. Later in 1985, he created the nation's first real estate mutual fund at National Securities and Research Corporation. He earned his Bachelors of Science from The City College of New York and MBA from New York University. Robert Steers is currently CEO of Cohen and Steers. From 1984 to 1986 he served as CIO at National Securities and Research Corporation, where he worked with Mr. Cohen on the same real estate mutual fund. Mr. Steers earned his Bachelors of Science from Georgetown University and a MBA from George Washington University.



Peer Analysis

Name	Ticker	Market Cap (mil)	P/E	ROE	Dividend Yield
Cohen & Steers	CNS	1,427	19.0	31%	3.2%
Principal Financial Group	PFG	15,208	12.7	13%	2.9%
CBRE Group	CBG	12,047	22.9	23%	-
Artisan Partners	APAM	2,978	20.0	61%	5.9%
Janus Capital Group	JNS	2,957	20.0	10%	2.2%
Diamond Hill Invt Group	DHIL	677	17.4	42%	-
Peer Averages		5,882	18.7	30%	3.6%

Source: FactSet

Ownership

% of Shares Held by All Insiders:	56.5%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	39.0%	▲

Source: FactSet

Top 5 Shareholders

Holder		% Out
Robert Steers	▲	26.6%
Martin Cohen	▲	25.3%
BAMCO, Inc.	▼	6.6%
ClearBridge Investments LLC	▼	3.5%
The Vanguard Group Inc.	▲	2.9%

Source: FactSet

Dorian LPG Ltd. (LPG)
November 13, 2015

Eric Christopherson | Domestic Producer Durables

Dorian LPG Ltd. (NYSE: LPG) is a liquefied petroleum gas shipping company and leading owner and operator of modern Very Large Gas Carriers (VLGCs). LPG is primarily focused on operating VLGCs, each with a cargo carrying capacity greater than 80,000 cbm. Following the deliveries of the Clermont and Cheyenne, LPG's fleet consists of seventeen LPG carriers, including thirteen fuel-efficient 84,000 cbm ECO-design VLGCs, three 82,000 cbm VLGCs and one pressurized 5,000 cmb vessel. In addition to these vessels, LPG has newbuilding contracts for the construction of six fuel-efficient 84,000 cbm ECO-design VLGCs with scheduled deliveries between October 2015 and February 2016. Dorian's main clients include: Petrobras, Shell, Petredec, Statoil and Vitol. Dorian entered the LPG market in 2002, went public on the New York Stock Exchange in May 2014 and is headquartered in Stamford, CT.

Price ($):	12.77	Beta:	1.62	FY: Mar	2014	2015E	2016E	2017E
Price Target ($):	17.02	WACC	9.50	Revenue (Mil)	82	282.30	341.50	290.50
52WK H-L ($):	9.94-17.59	M-Term Rev. Gr Rate Est:	10.7%	% Growth	195.00	243.00	20.90	-15.00
Market Cap (mil):	728	M-Term EPS Gr Rate Est:	15.0%	Gross Margin	37.50	47.90	39.20	38.30
Float (mil):	58.1	Debt/Equity:	0.5	EBITDA Margin	55.50	67.30	64.70	60.70
Short Interest (%):	8.0	Debt/EBITDA (ttm):	5.23	EPS (Cal)	$0.45	$2.53	$2.56	$1.51
Avg. Daily Vol (mil):	0.3	ROA (%):	5.84	FCF/Share	N/A	N/A	$3.21	$1.87
Dividend ($):	N/A	ROE (%):	8.17	P/E (Cal)	29.0	10.1	6.2	8.2
Yield (%):	N/A	ROIC (%):	6.05	EV/EBITDA	37.7	11.0	9.5	11.7

Recommendation

Since going public in May 2014, Dorian LPG saw huge growth with revenues increasing from $30 million FYE2014 to $104 million FYE2015 with trailing twelve month revenues of over $170 million. Dorian has benefitted greatly from its increase in vessel capacity with newbuilding vessels contributing to revenue in 2015 compared to 2014. For the three months ended September 2015, revenues increased $54.6 million or 268.1% when compared with the revenues for the three months ended September 2014. $47.6 million of this revenue was contributed by the eight new vessels that were delivered subsequent to September 2014. Along with these increases in revenue, Dorian LPG has beaten consensus estimates as of recently. On October 30, Dorian reported FQ216 adjusted EPS of $0.83 with their reported EPS being $0.72. This was well above the consensus estimate of $0.61 and was primarily driven by the higher than expected revenue with reported revenue of $74.9 million beating consensus estimates of $68.3 million. Dorian has also been able to obtain higher timer charter rates with Dorian's reaching $68,330 which was up from the FQ116 of $55,474. The market utilization for Dorian has also increased reaching a peak with Q2 of 98% utilization which was up from the usual 90% that the company experiences. Dorian will look to capitalize on trends within the shipping industry in the coming year. As of September 30, global LPG waterborne liftings were estimated at 66.3MM metric tons, which is an 8% increase over last year, with the US accounting for 25% of global supply, up from 19% in 2014. Dorian will be looking to capitalize on this ramp up of export capacity as well as the structural surplus of propane that is to be expected of the United States in 2016. Dorian is also looking forward to newbuildings that will be coming in the fourth quarter of 2015 and into the first quarter of 2016 with six new vessels coming into their operations. These new vessels will also be ECO vessels of which Dorian will benefit from lower bunkers and operating costs. Once these newbuilds are complete, nineteen of the 22 vessels Dorian operates will be ECO vessels. Along with this, Dorian will be facing options for excess cash flow and will start to see more benefits come their way through their chartering strategy and their Helios LPG Pool. With these factors in mind, it is recommended that Dorian LPG be added to the AIM Domestic Equity Fund with a price target of $15.90, representing a 24.5% upside. The company does not pay a dividend.

Investment Thesis

- **Structural Surplus in the U.S.** The United States has a structural surplus of propane that needs to find a market with this higher production of propane becoming cheaper. Dorian stands to gain from this surplus just as their newbuilding programs are winding down with five new vessels ready for delivery in Q415 and one vessel in Q116. With these new vessels, Dorian will have the opportunity to gain market share in the LPG space just as the arbitrage between the US and Japan closes, which can stimulate considerable new transport demand due to lower rates at the moment.

- **Options for Excess Cash Flow.** Dorian's cash flow has been exceeding expectations with Dorian continuing it share repurchase program by repurchasing 352.1 thousand shares for $4.3 million. As Dorian is nearing the completion of its newbuild program in 2016, management has the alternatives of giving out dividends, more share buybacks or strategic alternatives. Consensus estimates believe that management will prefer dividends which will make Dorian the most liquid payout vehicle in the long-haul LPG carrier space.
- **Chartering Strategy.** Back in April 2015, Dorian established the Helios LPG Pool in cooperation with Mitsui OSK Lines' subsidiary Phoenix Tankers. The operation of certain VGLCs in this pool should allow for Dorian to achieve better market coverage and utilization in addition to cost sharing. These vessles operate in either the spot market or on time charters with Dorian having three vessels on TC agreements outside the pool and one vessel on a TC agreement inside the pool. Dorian will look to continue for TC opportunities to decrease its spot exposure.

Valuation

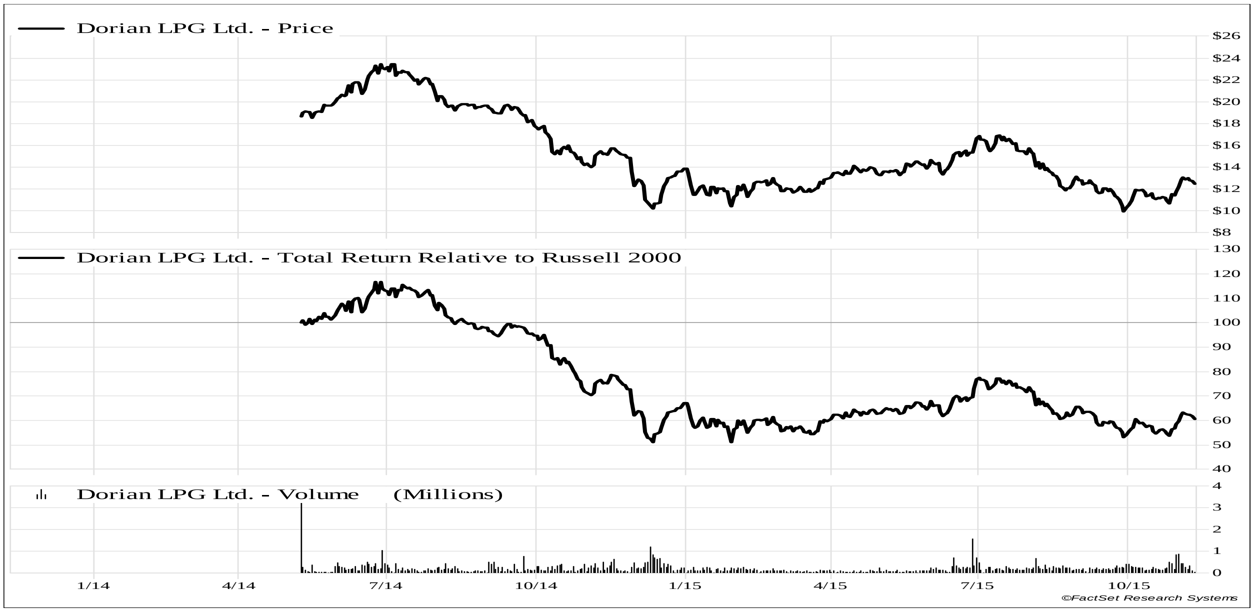
In order to reach an intrinsic value for LPG, a five year DCF model was constructed. Using a terminal growth rate of 2%, a WACC of 9.5%, an intrinsic value of $17. was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $13.69-$20.26. Additionally, a P/S multiple valuation was conducted using an average multiple for LPG of 4.1 and the forecasted revenues for 2016 of $230 million, which resulted in a value of $16.54. A P/E multiple valuation was conducted using the forecasted 2016 EPS, which resulted in a value of $15.87. By weighing these three models 70/15/15 respectively, a price target of $15.90 was reached, representing a 24.5% upside.

Risks

- **Limitations in Availability and Operation.** Dorian's operating fleet consists of seven LPG carriers. Until the delivery of one or more additional vessels or until Dorian acquires other vessels, all of Dorian's revenue depends upon these seven vessels. If any of these vessels is unable to generate revenues as a result of limited availability, off-hire time, or early termination, Dorian will be adversely impacted as revenues decrease.
- **Fluctuations in Spot Market Charter Rates.** Five of Dorian's seven operating vessels operate in the spot market and are therefore, exposed to fluctuations in the spot market charter rates. The spot charter market fluctuates significantly based upon the supply and demand of LPGs. VLGC spot market rates are also highly seasonal with more strength in the second and third quarters. If spot market rates were to decline, this would adversely impact the performance of Dorian LPG.
- **Cyclical Nature of the Shipping Industry.** Because many factors influence the supply of, and demand for, vessel capacity is unpredictable as well as the timing, direction and degree of changes in the international gas carrier market. Future growth in this industry will depend on economic growth in the world economy and the overall demand for LPG product transportation. Future growth levels for LPG carriers will depend heavily upon the economies in China, India, Japan, Southeast Asia and the United States.

Management

John Lycouris has held the CEO and director positions of Dorian LPG since 2013. Prior to 2013, Lycouris worked at Eagle Ocean Transport Inc. as an investment strategist for a number of portfolios. John C. Hadjipateras has served as President since 2013 and has been involved in the management of shipping companies since 1972. Theodore B. Young has served as CFO, Treasurer and Principal Financial and Accounting Officer since 2013. Alexander C. Hadjipateras has served as EVP of Business Development since 2013.



Source: Factset

Ownership

% of Shares Held by All Insider Owners:	2.00%
% of Shares Held by Institutional & Mutual Fund Owners:	53.60%

Top 5 Shareholders

Holder	Shares	%Out
Kensico Capital Management Corp.	8,015,000	13.8
Wellington Management Co. LLP	5,007,000	8.6
Amici Capital LLC	2,920,000	5.0
Tufton Oceanic Ltd.	2,145,000	3.7
Dalton Investment LLC	1,375,000	2.4

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Dorian LPG Ltd.	LPG	736	179	96	N/A	16.52
Avance Gas Holdings	AVACF	453	148	83.0	29.70	5.95
BW LPG	BWLLF	852	754	380.0	30.10	4.76
Capital Product Partners	CPLP	791	211	133.0	14.20	9.35
Neptune Orient Lines	NPTOY	1,859	8,565	350.5	N/A	16.21
Teekay LNG Partners LP	TGP	1,944	403	280.0	11.40	18.73
Peer Averages		989	2,420	236.6	24.67	9.1

Source: Factset

L'Oréal ADR (LRLCY)
November 13, 2015

Joel Kretz — International Consumer Staples

L'Oréal ADR (LRLCY) is a multinational company that makes and sells products under ~32 complementary brands concentrated particularly in the personal care space. The company sells its products in more than 130 countries and segments its customers into five regions: Africa and Middle East (~4.8% of total revenue); Americas (~32.1%); Asia/Pacific (~19.7%); Europe (~39.5%); and Region Unspecified (~3.9%). More granularly, revenues come from France (~12.0% of total revenue); New Markets (~39.0%); and Other (~50.0%). The company also slices its array of products into two key business segments: Cosmetics (~96.0% of total revenue) and The Body Shop (~4.0%). More granularly, the company breaks down its 2014 sales in four categories: Active Cosmetics (~7.7% of total revenue); Professional Products (~14.0); L'Oréal Luxe (~28.6%) and Consumer Products (~49.7%). The company sells its products through pharmacies, drugstores, and traditional retail channels. Some of LRLCY's key brands include 'Giorgio Armani,' 'Ralph Lauren,' 'Diesel,' 'L'Oréal Paris,' and 'Maybelline New York.' L'Oréal was founded in 1909 and currently has 78,611 employees. They are headquartered in Paris, France.

Price ($) (11/09/15):	$35.48
Price Target ($):	$43.11
52WK H-L ($):	31.46-39.10
Market Cap (Mil):	99,592
Float (Mil):	99,592
Short Interest (%):	0.00%
Avg. Daily Vol:	57,708
Dividend ($):	$0.46
Yield (%):	1.30%

Beta:	0.60
WACC:	7.31%
M-Term Rev. Gr Rate Est:	5.50%
M-Term EPS Gr Rate Est:	14.90%
Debt/Equity:	0.30%
Debt/EBITDA (ttm):	0.08x
ROA:	8.93%
ROE:	13.15%
ROIC:	13.10%

FY: Dec.	2014	2015E	2016E	2017E
Revenue (Mil):	$ 29,773.00	$ 30,815.06	$ 32,201.73	$ 33,972.83
% Growth:	-2.58%	3.50%	4.50%	5.50%
Gross Margin:	71.15%	71.60%	71.74%	71.90%
Operating Margin:	17.27%	18.43%	19.78%	21.58%
Net Margin:	12.28%	13.71%	14.69%	16.00%
EPS (Cal):	$1.35	$1.51	$1.69	$1.94
FCF/Share (Cal):	$1.31	$1.48	$1.53	$1.63
P/E (Cal):	14.99	23.57	21.05	18.32

Recommendation

The AIM International Equity Fund is regionally most underweight in Asia and Western Europe relative to the benchmark. Between Asia and Western Europe, it is perceived that Western Europe is a safer space. Western Europe is underweight by 1,524 bps and is one the safer markets outside of the United States to invest and do business in. LRLCY is the right company to add into the portfolio because it will serve as another anchor. The company's beta is 0.60, which protects the fund from wide market swings. LRLCY is not a short term growth play, but given the investment time horizon of our portfolio is long term value in nature, LRLCY will be a good addition to the portfolio for long term growth and ROI. As a result to combining the notions of the Census predicting long term global population will grow in the 1.00% range and that there is increasing globalization in emerging markets, LRLCY is poised to benefit. A spreading sense of cosmetics popularity goes hand and hand with emerging market expansion as well. Human nature desires for economic, physical, and emotional personal improvement and cosmetics play a role under physical desire. The company has product line expansion on its mind and has a brand recognition moat to protect its current brands. After taking the aforementioned factors into account, it is recommended that *L'Oréal* be added to the AIM International Equity Fund with a target price of $43.11 was reached, which yields a 21.51% upside.

Investment Thesis

- **Cosmetics and beauty trend.** Society continues to increasingly care about body image and appearance, which can perceivably be adjusted by LRLCY's products. What started as a particularly American trend appears to be expanding into emerging market areas as well. LRLCY increased its sales in Africa and the Middle East by 13.5% last year alone. Management indicated that sales growth was strongest in Saudi Arabia, Pakistan, Egypt, South Africa and the Gulf States. Islamic areas of the world have previously been a challenge for cosmetics companies; but, the paradigm is shifting as citizens liberalize through protest. Additionally, a 2010 Ernst & Young research report indicated that 70% of the global population is poor and predicts that the middle class “could constitute 50% of the world’s population by 2030 – up from 29% in 2008.” They indicate that this estimate is conservative relative to other studies. With 39% of LRLCY’s sales coming from new markets and much of the new markets’ revenues coming from emerging markets, LRLCY is poised to benefit from incomes rising in emerging markets just as the global economy will.

- **Investment payoff.** LRLCY registered 501 patents in 2014 and should experience sales growth as a result in the short term given the patent moat. In the long term, the company should experience sales growth that will result from more products. This will flow through to the bottom line with margin expansion resulting from the economies of scale with making more products with same/similar machines and employees. Bottlenecks as a whole should be reduced as well given employees will have more products to handle.
- **Brand recognition.** In the worldwide cosmetics market, LRLCY has a 33.72% currency adjusted market share amongst their self-recognized peers. The company’s aforementioned patent growth should lead to product choice growth, which will expand the company’s visibility to consumers. While difficult to quantify, there is strong conviction that repeat customers for cosmetic type products are likely. When new products are introduced and a short term moat is created through patents, the ramping up of market share should be expedited as a result. Also, the company is expanding its digital presence through the appointment of Lubomira Rochet as Chief Digital Officer.

Valuation

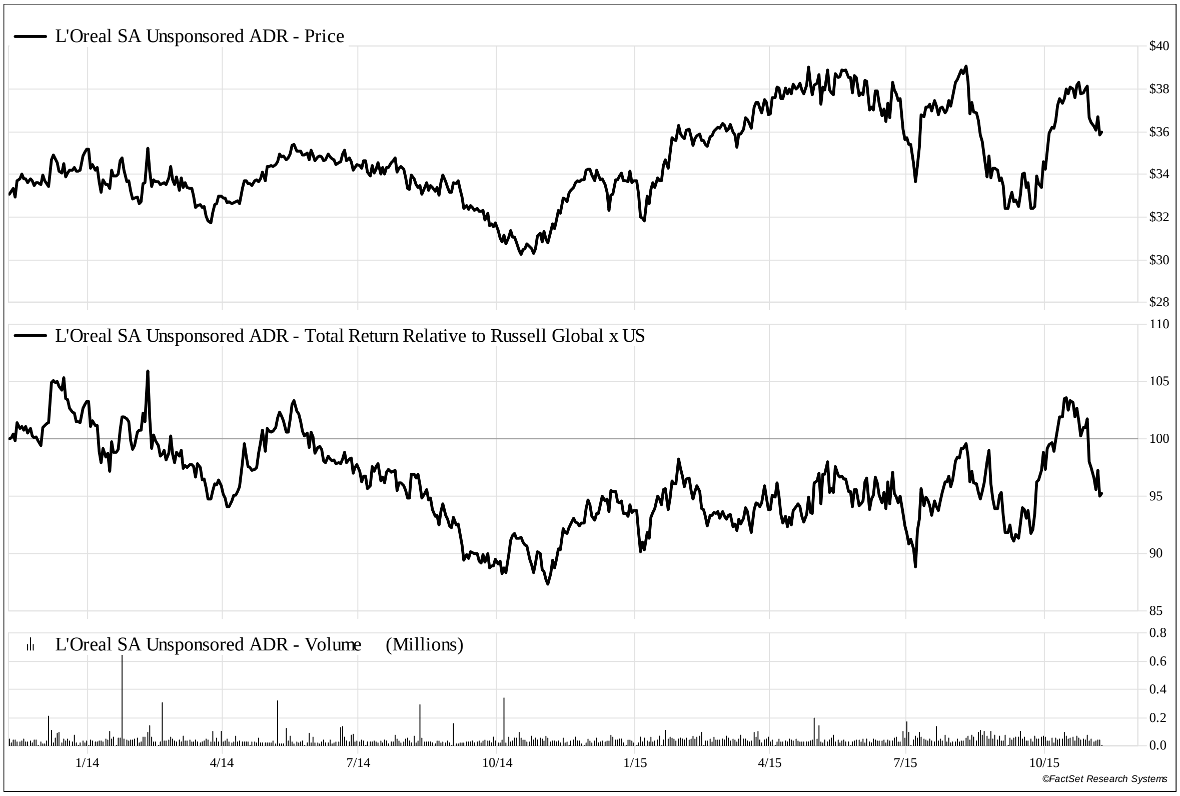
In order to reach an intrinsic value for LRLCY, a five year DCF model was constructed. Using a terminal growth rate of 2.00% and a WACC of 7.30%, an intrinsic value of $45.23 was reached. A sensitivity analysis on the WACC and terminal growth rate ranged from $42.40-$48.29 and $37.04-$60.18 respectively. Additionally, a P/E multiple valuation was used by utilizing LRLCY’s comparables and 2016 EPS estimate to calculate a valuation of $39.94. By weighting the two valuation models 60/40, a price target of $43.11 was reached, which yields a 21.51% upside. LRLCY pays a dividend and paid an annual dividend of $0.46 in 2014, yielding 1.28%.

Risks

- **European interest rates rising.** While ECB President Mario Draghi’s comments have recently been dovish in tone, there still remains the risk of rates rising in the foreseeable future (possibly paired with a Fed. rate hike).
- **More green initiatives.** LRLCY’s “Sharing Beauty with All” program was originally launched in October 2013. Since 2005, the company has cut its CO_2 emissions by 50%. While today’s consumers often care about how “green” a company is, further green initiatives post a short term risk to investors. In the long term, consumer perception will be improved.
- **Generic brand competition.** If the Fed. raises rates this year or early next year, there will be downward pressure on the growth of U.S. companies in particular. Should this negatively affect the wages of American consumers, LRLCY could be at risk of American consumers shifting their purchases towards generic brands that are more often than not cheaper and are likely composed of nearly the same ingredients.

Management

Jean-Paul Agon has served as Chairman and CEO with a 37 year tenure. He is 59 years old and earned an undergraduate degree from École des Hautes Études Commerciales de Paris. He also sits on the board of Air Liquide. Mr. Agon was previously a Managing Director at Bioteherm International, Inc. and the Vice Chairman at The Body Shop International. Christian Mulliez has served as CFO with a 31 year tenure and earned an undergraduate degree from ESSEC Business School. He also serves as Chairman at Banque de Réalisations de Gestion et de Financement and sits on the Board of Directors at Sanofi, Dg 17 Invest, and The Body Shop International, Inc. Through the Employee Stock Ownership Plan, employees have recently been buying more shares in the equity traded on the Euronext Paris.



Source: FactSet

Ownership

% of Shares Held by All Insiders and Owners	0.00%
% of Shares Held by Institutional & Mutual Fund Owners	0.40%

Source: FactSet

Top 5 Shareholders

Holder	Shares (Mil)	% Out
Fisher Asset Management LLC	9,342	0.3%
Fayez Sarofim & Co.	884	0.0%
Parametric Portfolio Associates LLC	437	0.0%
Osher Van de Voorde Investment Management	191	0.0%
Scout Investments, Inc.	69	0.0%

Peer Comparables

Name	Ticker	Market Cap (Mil)	Debt/Equity (%)	P/E (ttm)	EV/EBITDA (ttm)
L'Oreal	LRLCY	100,403	0.30%	24.35x	16.91x
LVMH Moet Hennessy	MC	92,104	22.50%	12.64x	11.01x
Johnson & Johnson	JNJ	282,007	19.70%	19.52x	11.72x
P&G	PG	205,594	28.40%	28.63x	12.43x
Estee Lauder	EL	31,666	46.20%	28.09x	15.78x
Unilever	ULVR	131,296	58.70%	21.14x	14.38x
	Peer Averages	148,533	35.10%	23.83x	12.22x

Source: FactSet