Applied Investment Management (AIM) Program

AIM Class of 2011 Equity Fund Reports
Spring 2011

Date: Friday, February 4, 2011   Location: 1492 Capital Management

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Thank you for taking the time today and participating in the AIM 'road show' at 1492 Capital Management. 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. Today, each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A. Again, thank you for allowing us the opportunity to present at 1492.

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Qlik Technologies, INC (QLIK)
February 4, 2011

Kyle Boser — Software Sector

Qlik Technologies, Inc (QLIK) was founded in 1993 in Sweden and later reincorporated in Delaware in 2004. It is currently headquartered in Radnor, Pennsylvania. QLIK specializes in providing business intelligence platform software solutions to customers across the globe. QLIK receives nearly all of its revenue from the sale of their QlikView software. QlikView is QLIK's proprietary software that contains an easy to use interface allowing average business professionals to analyze, visualize, search, and consolidate data from several sources across the organization without the help of an IT professional. They operate as a traditional perpetual license software company, charging a specific price that depends on the capacity allowed to end users. With these licenses, customers annually purchase a maintenance and support package that costs roughly 20% of the original license cost; currently the company has an 85% renewal rate. Revenue breakdown is 60% license, 30% maintenance and 10% professional services.

Price ($): (1/31/11)	23.21	Beta:	0.90
Price Target ($):	28	WACC	10.13%
52WK H-L ($):	14-29.25	L-Term Rev. Gr Rate Est:	25%
Market Cap (Bil):	1.84	L-Term EPS Gr Rate Est:	30%
Float (mil):	43.72	Debt/Equity:	0.0%
Short Interest (%):	2.70%	ROA:	9.70%
Avg. Daily Vol (K):	569,162	ROE:	64.30%
Dividend ($):	0.00		
Yield (%):	0.0%		

FY: Aug	2010E	2011E	2012E
Revenue ($K)	213,147	270,697	343,785
% Growth	35.45%	27.00%	27.00%
Gross Margin	88.91%	89.24%	89.24%
Operating Margin	11.70%	18.06%	20.55%
EPS ($Cal)	0.12	0.40	0.54
FCF/Share	0.42	0.41	0.38
P/S (Cal)	6.48	7.57	6.22
EV/Revenue	6.30	5.95	4.68

Recommendation

QLIK provides an opportunity to play in the highly consolidated business intelligence (BI) industry. With its QlikView software, the company is altering the traditional BI solutions market. QLIK's unique ability to leverage recent advancements in technology (i.e. cloud computing) has given them an edge on their competition. Their software is faster, more intuitive, and easier to use. QlikView's ability to eliminate large data warehouses and the time consuming creation of precise data cubes for each type of data has allowed end-users to achieve an average of 186% ROI according to a 2009 IDC study. The software is used to help organizations answer precise questions about their operations to increase profitability. QlikView's scalability is impressive; it has the ability to serve not only large enterprises such as 3M but also small and mid-sized businesses (SMB). Due to the lack of extra infrastructure needed to deploy QlikView, it is much more affordable to implement which has allowed QLIK to enter the previously untapped SMB market. Their GM has remained strong at 90% over the years. Further, since posting their first profit in 2008, their OPM has started to expand. In 3Q10, it increased 310 bps yr-yr and is expected to reach 18% in 2011, a vast improvement from 1% in 2008. It is recommended QLIK be added to the AIM Equity Portfolio with a target price of $28, offering a potential upside of 22%.

Investment Thesis

- **QLIK's extreme growth potential.** According to a 2009 IDC survey, QLIK provides its software at an average of 53% of its competitors' selling price. Due to their affordable pricing and incredible scalability QLIK has been able to enter into the SMB market, a previously untapped segment of the BI industry. Their expansion into the SMB market has driven QLIK's impressive five year CAGR of 59% relative to the BI industry's five year CAGR of about 7%. QLIK will continue to outperform the BI industry as they tap further into the American market, which represents 50% of all BI revenue and only 31% of QLIK's current revenue. QLIK has an estimated 26% forward five year CAGR.
- **Better, faster and easier to use technology.** QlikView uses a new technology known as AQL which is much more efficient than the OLAP software used by traditional BI technologies. Using the OLAP software, a customer has to build a data warehouse and define the data by

building cubes which are highly time consuming and require IT professionals help. OLAP technology is also costly to maintain, since as new questions arise developers have to go back to the cube building stage. AQL software allows for much easier and faster deployment of the end-users data. According to an IDC survey 77% of QlikView users implement the software within three months, while most traditional implementations take around 18 months. AQL stores data on a data cloud eliminating the need for a data warehouse and the building of data cubes. It then implements a very intuitive interface that can answer any questions that arise without having to go back to the data definition stage. As a result of their unique technology, QLIK should see continued growth in market share (Increased market share from 1.2% to 1.5% in 2009).

- **Impressive "go to" market strategy.** QLIK has implemented a strategy that uses a network that consists of over 1,100 partners as well as a direct sales force. The direct sales force focuses on the larger deals (64 transactions over $100,000 in 3Q10) while the channel partners' help in the SMB market. The indirect sales force accounted for 52% of revenue in the most recent quarter, management sees this number rising to 60% as they further leverage their channel partners. QLIK also does a great job executing their "land and expand" philosophy by promoting the benefits of its implementation to other departments within organizations, in the most recent quarter 68% of license and first year maintenance revenue came from existing customers. New customers have also seen impressive growth of 33% yr-yr. As the company continues to leverage their channel partners and expand sales to existing customers they will see an improved OPM. QLIK has had a constant GM of around 90%, while their OPM has struggled due to large S&M spending to meet the significant opportunity they have in the BI market. More recently, the OPM has showed signs of improvement, in 3Q10 OPM expanded 310 bps yr-yr, to 8.8%, OPM is expected to continue to expand and reach 18% by 2011.

Valuation

QLIK is currently trading at 6.3x EV/ Revenue which is a slight discount to their peer average of 6.9x, while their expected growth rates for 2010 and 2011 are higher than their peer averages. As a result, an 8.2x multiple was applied to next twelve months revenue per share of $3.3 resulting in a price target of $27. Based on a 5-year DCF analysis with a computed WACC of 10.1% and a terminal growth rate of 3%, an intrinsic value of $28 was calculated. A sensitivity analysis that adjusts both the long-term growth rate (2-4%) and the WACC (8-12%) generated a price range of $21-47. Due to QLIK's extraordinary growth in customers and revenue, as well as their SMB market opportunity, a price target of $28 was established. With the stock trading at $23.21, a $28 price target provides upside potential of 22%.

Risks

- **A one trick pony.** Currently QLIK receives nearly 100% of their revenue from their QlikView product which provides the BI solutions to end-users. As a result, if there were a slowdown in BI spending QLIK would suffer.
- **Large competitors with lots of cash.** Due to the consolidation in the BI industry over the last five years most of QLIK's competitors are technology giants such as IBM, Microsoft, SAP and Oracle. If these companies choose to put more money toward R&D they likely would be able to come up with a solution that leverages the advances in the same technology as QLIK. With QLIK holding only a 1.5% market share, the likelihood of the big guys risking their profitable traditional BI business model is not great.
- **European exposure.** QLIK receives 61% of their revenue from the European region. Lackluster macro trends in Europe prove important factors to consider.

Management

Lars Bjork took over as CEO in 2007; he had served as the CFO starting in 2000. He has also served as CFO in several different industries. Jonas Nachmanson has been the CTO since 1996. He is responsible for running the R&D activities and helps with the S&M aspects of the business.

Ownership

% of Shares Held by All Insider and 5% Owners:	81%
% of Shares Held by Institutional & Mutual Fund Owners:	18%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	% Out
FMR LLC	3,863,946	4.97
Wellington Management Company, LLP	956,200	1.23
Ott Alexander	919,936	1.18
Bjork Lars	865,779	1.11
Alger (Fred) Management Inc	855,641	1.10

Source: Bloomberg

Central Vermont Public Service Corp. (CV)
February 4, 2011

Tom Molosky Utilities

Central Vermont Public Service Corp. (NYSE: CV) is the largest electric utility in Vermont. CV engages in the purchase, production, transmission, distribution, and sale of electricity. CV sells electricity to residential, commercial, and industrial customers, including about 159,000 retail customers. CV owns and operates 20 hydroelectric facilities with a total capacity of 45.3 megawatts and two gas turbines with a capacity of 26.5 megawatts. CV also has a 47% stake in a nuclear power plant, which accounts for 50% of total capacity. Furthermore, Central Vermont sells and rents electric water heaters in Vermont and New Hampshire. Central Vermont's revenues are derived primarily from retail and resale sales. CV's retail revenues are divided into three main sources: residential (41%), commercial (30%), and industrial (10%) = 81%; CV's resale division accounts for 16% of revenue. CV has over 500 employees and operates in Vermont and New Hampshire serving customers in 163 cities. Central Vermont was founded in 1929 and is headquartered in Rutland, Vermont.

Price ($): (1/28/11)	21.53	Beta:	0.80	FY: Aug	2009A	2010E	2011E
Price Target ($):	29.00	WACC	6.17%	Revenue (Mil)	342.10	352.36	366.46
52WK H-L ($):	23-18	L-Term Rev. Gr Rate Est:	3.00%	% Growth	-0.02%	3.00%	4.00%
Market Cap (mil):	282.78	L-Term EPS Gr Rate Est:	3.00%	Gross Margin	36.28%	35.55%	36.00%
Float (mil):	12.02	Debt/Equity:	69.43%	Operating Margin	6.99%	7.00%	7.00%
Short Interest (%):	2.60%	ROA:	2.09%	EPS (Cal)	1.55	1.37	1.43
Avg. Daily Vol (T):	45,383	ROE:	7.15%	FCF/Share	$0.82	$0.46	($0.56)
Dividend ($):	0.92			P/E (Cal)	13.85	15.66	15.06
Yield (%):	4.20%			EV/EBITDA	8.76	8.53	7.15

Recommendation

Central Vermont has seen a steady revenue increase of 3.9% from $329M in 2007 to $342M in 2009. Operating income has continued to stay constant at around 7% of total revenue. Central Vermont has placed an emphasis on improving shareholder value through increases in rate cases and the exploration of new technology. CV recently was awarded a $31M federal grant to explore smart grid technology. This technology could allow CV to decrease its COGS while also increasing revenue from more efficient allocation of resources to customers. Central Vermont recently released sales data that shows an increase of 51.9% in quarterly income for 3Q10 over 3Q09. This uptick strongly suggests that electrical usage is starting to pick up in the last half of 2010. Finally, CV's low price to book ratio of 1.09 as compared to the peer median of 1.71 and low price to sales of 0.84 compared to the peer median of 1.54 help strengthen the case that CV is undervalued based on the market's pessimistic view on Central Vermont's ability to gain rate case approval. Because a favorable valuation, strategic growth initiatives, and strong management, it is recommended that CV be added to the AIM Equity Fund with a target price of $25.11, an upside potential of 20%.

Investment Thesis

- **Reliable value growth.** CV has increased its EBIT yoy, from $22.10M in 2008 to $25.27M in 2009, which is a 14% increase. This trend has been made possible by Central Vermont's commitment to increasing profitability. CV has been able to keep operating expenses constant at 93% of revenue over the last three years, while increasing top line by 4% over the same timeframe. CV has also maintained the per share dividend since inception (12 quarters); Such reliable growth along with the proven track record of continuous dividend payments show management's commitment to maximizing shareholder value. Central Vermont is also looking to use rate cases to grow revenues. A 5.58% rate increase, which was enacted in January 2010, has increased revenue over the past nine months by $1.2M. Central Vermont had previously only increased rates by 5.4% since 1999. Central Vermont will look to continue to use the increasingly favorable rate environment to push through further rate increases.

- **Capital Expenditures.** CV has been consistently investing in their CAPEX. CV has spent over $91M on CAPEX in the past three years, and plans to spend up to an additional $265M over the next five years (10-12% of revenues). This is favorable to competitors CAPEX spending of 8-9% of revenues. Total CAPEX spending will go towards increasing the efficiency of the company's lines, and $31M will be funded using a federal grant to initiate SmartPower research. Through continued spending on CAPEX CV has the ability to gain competitive advantages in their service territory by saving energy and reducing their overall environmental impact costs. Central Vermont may also be able to gain new customers from municipalities that can no longer maintain their utilities capacity under current infrastructure limitations.

Valuation

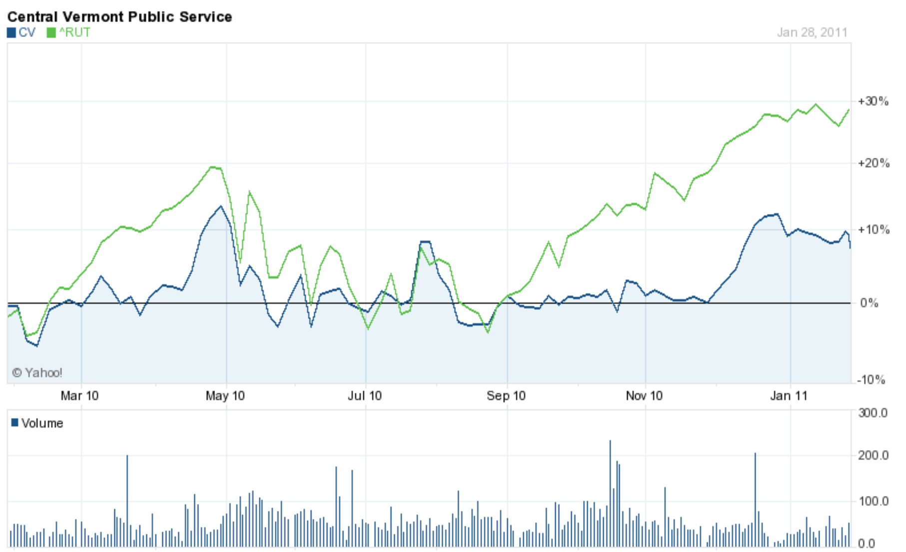
To find the intrinsic value of CV, a five-year DCF was conducted. Sales growth rates were kept in line with management's estimates for 2010 (3% growth), years 2-3 show a continued increase in rates by 4%, and years 4-5 saw a reversion to 3% growth. Using a WACC of 6.17% and a terminal growth rate of 3.00% yielded an intrinsic value of $24.61. A P/E multiples approach using a 2011 P/E of 15.06 yielded a value of 23.41. Implementing a sensitivity analysis accounting for variations in the WACC (5.65-6.5%) and long-term growth rate (2.25-3.75%) yielded a price target range from $41.25 to $18.37. A weighted average of these valuations in a 75/12.5/12.5 ratio yielded a price target of $25.11; offering a potential return of 16%. This return combined with a dividend yield of 4.20% offers a 20% upside.

Risks

- **Environmental Concerns.** CV is subject to federal, state and local environmental regulations that monitor, among other things, emission allowances, pollution controls, maintenance, site remediation, equipment upgrades and management of hazardous waste. Compliance with environmental laws and requirements can impose significant costs, reduce cash flows and result in plant shutdowns (50% of capacity) or reduced plant output if the environmental concerns are grave enough. CV is currently looking into the cause of a tritium leak into the ground water around one of its nuclear power facilities. While CV believes the contamination to be limited to the direct area underneath and around the facility, they cannot rule out the possibility that further tests could uncover more widespread contamination.
- **Severe Weather Conditions.** Storm activity has been significant in recent years, with three of the most expensive storms in Central Vermont's history occurring in '07, '08, and '09, costing CV $3.5M, $5.1M, and $3.1M respectively. The areas hardest hit were some of the more rugged areas of the state that have not seen updates in many years. CV will be able to recover most of the cost using a storm restoration rate adjustment, but not all costs will be covered. Weather cannot be predicted, but it should be noted that the rarity of and destruction these storms caused has not been seen for some time. CV does not anticipate future storms causing such substantial damage.

Management

Robert Young joined Central Vermont in 1987, and was elected as President and Chief Executive Officer in 1995 and was appointed as Chairman of the Board in February 2010. He has a Bachelor's degree in political science from Beloit College, and a MBA from Stanford University. The Senior VP, CFO, and Treasurer, Pamela Keefe joined CV in June 2006. Prior to Central Vermont, she served senior director of financial strategy and assistant treasurer of IDX Systems Corporation from 1999 to 2003. Mr. Isabella has Bachelors' degrees in economics and mathematics from St. Lawrence University and a MBA from St. Michael's College.



Ownership

% of Shares Held by All Insider and 5% Owners:	8%
% of Shares Held by Institutional & Mutual Fund Owners:	56%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Vanguard Group, Inc	559,216	4.27
BlackRock Fund Advisors	546,288	4.17
Northern Trust Corporation.	472,281	3.60
BlackRock Institutional Trust Company	404,014	3.08
American Century Companies, Inc.	394,281	3.01

Source: Yahoo! Finance

Gol Linhas Aereas Intelligentes (GOL)

February 4, 2011

Ethan Matter International Consumer Services

Gol Linhas Aereas Intelligentes (GOL) is one of the largest low-cost, low-fare airlines in the world in terms of passengers transported in 2009. GOL provides frequent service on routes connecting all of Brazil's major cities and from Brazil to major cities in South America and select tourist destinations in the Caribbean. The Company offers approximately 800 flights per day to 61 countries and operates a fleet of approximately 110 Boeing 737 aircraft. GOL focuses primarily on short-haul flights, with 90% of flights taking 2 hours or less. In the 3rd quarter of 2010, GOL derived 89.5% of revenues from passenger fare and the remaining 10.5% from cargo shipments and other sources. GOL was founded in 2001 and is headquartered in Sao Paulo, Brazil.

Price ($): (11/4/10)	$14.48	Beta:	1.81	FY: Dec	2010E	2011P	2012P
Price Target ($):	$18.50	WACC	12.82%	Revenue (mil.)	R$ 7,148,085	R$ 7,933,151	R$ 8,810,971
52 WK H-L ($):	19-11	L-Term Rev. Gr. Rate Est.:	12%	% Growth	18.6%	11.0%	11.1%
Market Cap (mil):	4,120	L-Term EPS Gr. Rate Est.:	16%	Operating Margin	9.7%	11.5%	12.2%
Float (mil):	130.91	Debt/Equity:	127.11%	EPS (Cal.)	R$ 0.81	R$ 1.87	R$ 2.30
Short Interest (%):	2.60%	ROA:	4.74%	FCF/Share	R$ 2.43	R$ 2.20	R$ 3.08
Avg. 3 mo. Vol.:	875,673	ROE:	18.34%	P/E (Cal.)	18.0x	7.7x	6.3x
Dividend ($):	$0.40			EV/EBITDA	7.1x	6.1x	5.2x
Yield (%):	2.4%						

Recommendation

Commanding an estimated 42% market share, Gol Linhas Aereas Intelligentes has grown to Brazil's second-largest airline since its founding in 2001. After weathering a consumer spending decline which hampered growth in 2009, GOL posted strong yoy revenue gains (19.5%, 14.1%, and 14.0%) in the first three quarters of 2010. GOL's ambitious cost-control goals are supported by a young, standardized fleet of Boeing 737 jets (average age of 6.8 years), which allows for maximum fuel efficiency and increased utilization rates. As a leading Brazilian airline, GOL is poised to take advantage of strong long-term air travel demand prospects by the country's quickly expanding middle class (91 million in 2010, up 42% since 2003). In addition, GOL's acquisition of VRG in 2007 gave the Company access to Brazil's most popular airline loyalty program, Smiles. Smiles enables GOL to sell miles directly to corporate clients for marketing purposes (7.4 million registered participants), providing ancillary revenues and developing 180 partnerships with corporations ranging from hotel chains to schools. Due to its well-positioned business model, relentless cost focus and lucrative industry dynamics, it is recommended that GOL be added to the AIM International Equity portfolio at a target price of $18.50, representing a 27.8% upside in addition to its 2.4% dividend yield.

Investment Thesis

- **Well-Positioned Business Model.** 130 million Brazilians take the bus each year vs. 60 million who fly. According to Goldman Sachs, less than 33% of Brazilian families are potential air travelers currently; however, that is expected to rise to 50% by 2020, with almost 12 million families flying for the first time. GOL's low-fare business model and Voe Fácil program (in which customers can pay for their flight in up to 36 installments, interest rate 5%) position the Company well to take advantage of a growing middle class (47% of current customer base) with increasing discretionary income (5.7% CAGR over last 6 years).
- **Relentless Cost Focus**. Popularly known as the "Southwest of Latin America", GOL operates the most efficient airline in Brazil in terms of cost per available seat kilometer (30% below Latin American peers) and maintains one of the highest utilization rates in Latin America at 13.0 hrs. /day in 2010. Management's dedication to controlling costs allowed GOL to enjoy an industry-leading 10.5% EBIT margin in 3Q 2010 (6.9% in 2009). The Company generates nearly 93% of

ticket sales over the internet and was the first Brazilian airline to eliminate paper tickets and allow chick-in via cell phone. In addition, GOL's fleet transition to next-generation Boeing 737s in the coming decade (to be completed by 2014) will help minimize inventory levels, keep training costs low (aided by a single-class service model) and maximize fuel efficiency (7% less fuel used than other aircraft of comparable size).

- **Lucrative Industry Dynamics.** Domestic air traffic demand in Brazil increased at a 23.5% CAGR in 2010 to 43.6 billion miles, while foreign traffic rose 20.4%. Meanwhile, industry load factors improved to record levels, up 3% and 7% yoy respectively (domestic load factor: 68.8%, international: 76.4%). GOL posted an above-average load factor of 71.3% for domestic flights in 3Q 2010. Airlines in Brazil expect demand to continue its rapid expansion in 2011 and beyond. Brazil's largest airline, TAM, expects industry air traffic to rise at a 15-18% CAGR in 2011 (GOL estimate: 10-15%). Long-term prospects for the industry also bode well for investors. In a recent study, McKinsey & Co. estimated air traffic demand will triple by 2030, with the 2014 World Cup and 2016 Olympic Games (both in Brazil) giving a boost to already expanding demand.

Valuation

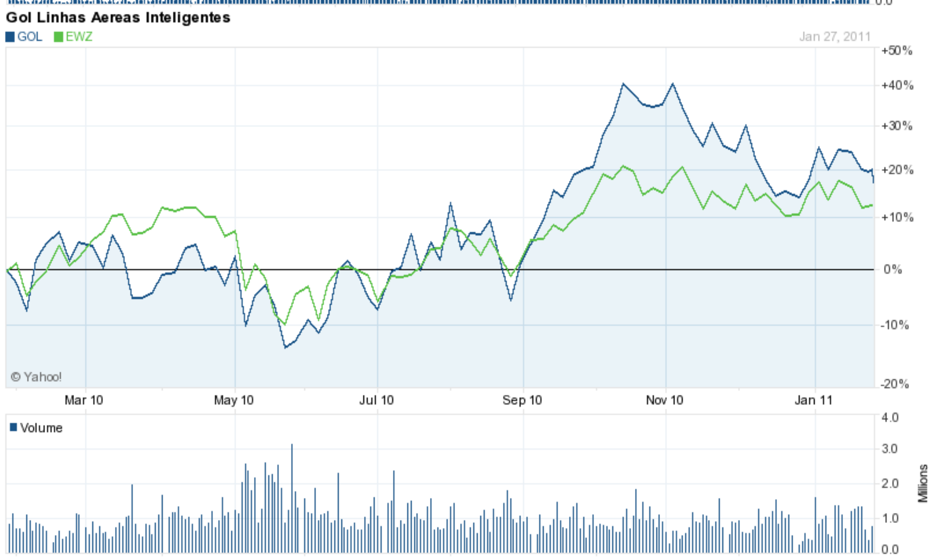
Utilizing a DCF approach with a computed WACC of 12.82% and a terminal growth rate of 4%, an intrinsic value of $16.73 was obtained. A sensitivity analysis altering the WACC and terminal growth rate yielded a target range of $15.20-$17.50 In addition, a 8x multiple was applied to GOL's 2011 EBITDA/Share of $2.68 which produced an intrinsic value of $20.07 and a 1.2x multiple was applied to GOL's 2011 Sales/Share of $19.12 which produced in intrinsic value of $22.94. Considering the three approaches, a price target of $18.50 was obtained, representing a 27.8% upside in addition to GOL's 2.4% dividend yield.

Risks

- **Currency Depreciation.** GOL's revenues are collected in Brazilian real while its major expense, fuel (32% of operating expenses), is paid for in United States dollars. A decline in the value of the real will lead to decreased profitability for the firm as well as make its share price less valuable to holders of ADRs.
- **Heavy Competition.** GOL faces heavy competition in the Brazilian airline industry, competing with several other firms for market share in the lucrative space. The Company's major competitor, TAM (44% market share), recently announced plans to merge with Chilean LAN to create one of the world's largest 10 airlines. In addition, smaller discount airlines such as Azul (founded by the owner of JetBlue), could create pricing pressure that could harm GOL's profitability.
- **Fuel Price Volatility.** Jet fuel is a major operating expense for GOL, representing 32.2% of costs in 2009. Historically, oil prices have been extremely difficult to predict and have been subject to periods of great volatility. Although GOL undertakes hedging practices to eliminate certain amounts of oil price volatility, a large increase in oil costs could put enormous pressure on the Company's bottom-line results.

Management

Constantino de Oliveira is chairman and founder of GOL, which he started with his son Constantino de Oliveria Junior. Although family members hold five of eight board seats, this is commonplace in Brazil. In addition, the family's 65% ownership stake in the firm's outstanding shares keeps their interests aligned with shareholders. The company adheres to many U.S. corporate-governance standards.



Ownership

% of Shares Held by All Insider and 5% Owners:	0%
% of Shares Held by Institutional & Mutual Fund Owners:	23%

Source: CNBC

Top 5 Shareholders

Holder	Shares	% Out
AXA	8,091,117	2.99
JP Morgan Chase	3,929,454	1.45
BlackRock Fund Advisors	1,919,236	0.71
Clough Capital Partners	1,632,843	0.60
State Street Corporation	1,177,489	0.44

Source: Yahoo! Finance

Concur Technologies, Inc. (CNQR)
February 4, 2011

Peter Stucki

Software

Concur Technologies, Inc. (NASDAQ: CNQR) is a leading provider of on-demand, employee spend management solutions. These solutions enhance the manner that companies manage business travel and entertainment expenses through the automation of expense reporting; consisting of travel booking, expense managing, direct employee reimbursement, and populating expense reports automatically while staying within corporate policies and external regulations. CNQR's process brings ease to reviewing, approving, and auditing expense reports, since they can be analyzed using graphs, charts or detailed lists. This, therefore influences future budgeting decisions, helps improve forecasting, and monitors and enforces compliance while abiding to corporate policies and external regulations. CNQR currently has over 10,000 clients resulting in over seven million business users across 100 countries, including seven of the world's ten largest companies.

Price ($) (1/31/11)	51.03	Beta:	1.05
Price Taget ($):	62.00	WACC	10.5%
52WK Range ($):	37.41 - 56.64	L-Term Rev. Gr Rate Est:	3.0%
Market Cap:	2.68B	L-Term EPS Gr Rate Est:	20.0%
Float	42.42M	Debt/Equity	8.8%
Short Interest (%):	17.2%	ROA:	2.4%
Avg. Daily Vol:	501,400	ROE:	3.6%
Dividend ($):	0.00		
Yield (%):	0.0%		

FY: Dec	2010A	2011E	2012E
Revenue (Mil)	292,936	357,382	436,006
% Growth	18.31%	22.00%	22.00%
Gross Margin	72.03%	70.00%	70.00%
Operating Margin	13.99%	15.00%	15.00%
EPS (Cal)	$0.40A	$0.53E	$0.65E
FCF/Share	8.40	3.74	4.56
P/E (Cal)	127.5	95.68	81.50
EV/EBITDA	39.5x	31.3x	26.7x

Recommendation

Presently, CNQR is the sole provider of integrated travel and entertainment (T&E) solutions. The company has pioneered the T&E market by offering an integrated corporate self-help travel booking and automated expense report processing. In addition, management guidance has called for increased revenue growth during the second half of 2011; 17% at the beginning of 2011 to over 20% during the latter half. This increase is due to bookings that have already been made as it takes approximately six months for a new customer to actually start generating revenue. CNQR is also working on a new platform, which will be released in the next few months. The new platform represents a significant strategic advancement, which will allow CNQR to keep its competitive lead in the SaaS-based T&E market. All told, it is recommended that CNQR be added to the AIM equity fund with a potential upside of 24%.

Investment Thesis

- **Expansion in Europe.** At the end of 2009, CNQR expanded into Europe by acquiring Etap-On-Line; privately held French firm that provided business travel and expense solutions. Since 2009, European sales have increased by 80% (increasing from 10% of total revenues in September 2009 to over 13% by September 2010). This large increase has come about due to a rise in subscription services, higher customer retention rates, and increased awareness for its T&E solutions. In addition, CNQR's partnership with American Express Global Credit Card (AmEx GCC) and American Express Travel Booking (AmEx T.B.) will provide critical support as CNQR increases investment in Germany and enters into Japan and India in the first half of 2011. CNQR plans to have Europe eventually account for over 30% of revenues.

- **Expansion to SMB Market.** In March of 2010, CNQR released its first product specifically designed for small and medium-sized businesses (SMB market). This product is referred to as Concur Breeze and is offered directly from the company's website in order to save small companies money. The strategy applies a user based pricing system ($8 per user) versus volume based and does not require the aid of a sales rep like Concur Premier does. Therefore client acquisition costs are reduced significantly. Another benefit Concur Breeze brings about is that the expense management arm can be integrated directly to the company's ledger. Once an employee fills out the expense report, it flows directly into the general ledger, eliminating the need to manually re-enter. Concur Breeze has showed promising results throughout the second half of 2010 and will offer several different new options for the SMB market in the coming year.
- **Cross-Selling.** In addition to CNQR's two products, Concur Breeze and Concur Premier, add-ons that compliment these products are also offered. Over the past year, CNQR has begun the release of new Extended Services (ES) such as Expense Report Auditing, Service Administration, and Invoice Management that can be integrated and further compliment Concur Premier. These ES can improve yearly customer revenue by at least 10% depending on which is added. Management has recently indicated that ES has been one of the most successful new products launched in CNQR's history.

Valuation

Using a ten-year DCF, a WACC of 10.5%, and revenue growth at 22%, an intrinsic value of $68.00 was computed. A sensitivity analysis with the terminal growth rate between 2-4% and WACC between 9.5-11.5% gave a price range of $65.00-75.00. In addition an EV/Sales multiples approach was computed and resulted in an intrinsic value of $59.00. Looking at both valuation techniques, a price target of $62.00 was obtained, resulting in an upside potential of 24%. CNQR does not pay a dividend.

Risks

- **Economic Slowdown.** CNQR has seen aggressive sales growth both domestically and abroad; increasing by 15% and 80% respectively. This growth, although saving companies time and money, is reliant on the economic situation. If another downturn comes about, companies will be forced to cut budgets and the future growth of CNQR could stall.
- **Future integration of Acquisitions.** CNQR has been making and expects to continue expansion through acquisition. Although acquisitions have been key to its expansion abroad, there is the risk that future acquisitions may not result in expected returns. In result, this could further prevent future growth of CNQR.
- **Lower than expected uptake of new products.** As of now, CNQR's new Extended Services (ES) have been widely received. According to management, they have been one of the most successful new products launched in the history of CNQR. In addition, CNQR will be releasing a new platform that will result in a meaningful advancement in the T&E market. If these new products released are not welcomed as others have been, revenue growth for CNQR may be hurt.

Management

S. Steven Singh has been CNQR's Chairman of the Board and CEO since 1993 and 1996, respectively. Before working at CNQR, Steven was the General Manager of the Contact Management Division at Symantec Corp. In addition, Steven currently serves as Chairman of the NBTA Foundation Board and on the board of directors committee to RightNow Technologies, AdReady, and Washington Roundtable. Rajeev Singh, co-founder of CNQR in 1993, has served as COO since 2002, President since 2005, and Director since 2008. Prior to joining CNQR, Rajeev served on various engineering project management roles at Ford Motor Company and General Motors Corp.

Ownership

% of Shares Held by All Insider and 5% Owners:	18%
% of Shares Held by Institutional & Mutual Fund Owners:	82%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
American Express Travel Related Services Co Inc	7,680,000	14.14%
Steven Singh	1,172,537	2.16%
Michael W Hilton	462,761	0.85%
Rajeev Singh	78,720	0.14%
Kyle R Sugamele	38,427	0.07%

Source: Yahoo! Finance