Applied Investment Management (AIM) Program

AIM Class of 2018 and Class of 2019 Equity Fund Reports
Spring 2018

Date**: Friday, March 9th | **Time:** 11:00 A.M. | **Location: AIM Research Room 488

11:00 AM Presenter	Company Name	Ticker	Sector	Page
Stephen Arcuri	Novanta	NOVT	Industrials	2
Michael Dennison	WH Group	WHGLY	International Consumer Staples	5
Joseph Amoroso	ShotSpotter	SSTI	Technology	8
3/7 Presenter	**Company Name**	**Ticker**	**Sector**	**Page**
Adam Hamilton	IRSA Inversiones y Representaciones Sociedad Anonima	IRS	International Financials	11

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 8-10 minutes of Q & A.

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Novanta Inc. (NOVT)
March 9, 2018

Stephen Arcuri Domestic Industrials

Novanta Inc. (NASDAQ: NOVT) is a global supplier of highly engineered specialty components and core technology solutions for medical applications (51% of revenue) and advanced industrial original equipment manufacturers (49%). Novanta operates through three segments: Photonics (40% of revenue), Vision (40%), and Precision Motion (20%). The majority of the firm's revenues are generated internationally with 60% of sales coming from outside of the United States. Novanta was founded in 1968 and is headquartered in Bedford, Massachusetts.

Price ($):	$55.00
Price Target ($):	$68.03
52WK H-L ($):	$60-$24
Market Cap (mil):	$1,903
Insider Holdings	6.4%
Avg. Daily Vol (mil):	0.3
Yield (%):	0.0%
ESG Rating	BBB
Short Interest:	1.73%

Beta:	1.21
M-Term Rev. Gr Rate Est:	56.6%
M-Term EPS Gr Rate Est:	97.2%
Debt/Equity:	72.6%
Debt/EBITDA (ttm):	3.26x
WACC	7.7%
ROA (%):	8.6%
ROE (%):	20.0%
ROIC (%):	53.5%

FY: Dec	FY2017	2018E	2019E	2020E
Revenue (Mil)	$521,290	$596,514	$667,298	$725,398
% Growth	*35.5%*	*14.4%*	*11.9%*	*8.7%*
Gross Margin	42.3%	42.5%	42.5%	42.9%
EBITDA Margin*	20.3%	23.3%	23.7%	24.4%
FCF per Share	-$3.48	$2.02	$2.67	$3.17
EPS*	$1.60	$1.96	$2.32	$2.68
P/E (Cal)	49.5x	28.1x	23.7x	20.5x
EV/EBITDA	29.9x	22.4x	19.4x	17.1x

*Non-GAAP Figure

Recommendation

Novanta (previously GSI Group) is nearing the end of their "2020 Strategic Direction" plan that has transformed the company from a small components supplier within the semiconductor industry to one of the largest critical systems manufacturers in the medical and advanced industrial markets. Since 2013, Novanta has made ten major acquisitions and divested six of their units in order to decrease their exposure to semiconductors and to target higher growth markets with better margins. Their photonics applications deliver laser-based scanning and beam delivery for uses like material imaging and processing, DNA sequencing, and life science imaging. The Vision segment supplies surgical displays and optical data collection solutions, while the Precision Motion segment creates precision motor and motion control technology that is used in manufacturing and medical robotics. Thus far, Novanta has been successful in implementing their vision – recording increased margins, a doubling of sales, and a reduced exposure to semiconductors (from 50% of sales to 10%). Moving forward, management still sees room for additional growth and are positioning the company accordingly. In FY'17, Novanta made an additional three acquisitions totaling $185 million which included: World of Medicine, Laser Quantum, and ThingMagic. Despite the majority of NOVT's growth coming from acquisitions in FY'17, organic growth has remained strong at 8.5%. Management's acquisition strategy has largely consisted of using strong operating cash flows to make cash bolt-on acquisitions that target key markets such as Minimally Invasive Surgery (MIS), DNA sequencing, and RFID technology. Management has also signaled that they would like to continue to balance their portfolio between healthcare and advanced industrial parts, a goal they achieved ahead of schedule. For these reasons, it is recommended that Novanta be added to the AIM Small Cap Fund with a price target of $68.03, suggesting a 23.7% upside.

Investment Thesis

- **Strong Growth Markets:** Manufacturing is set to change drastically through 2025 as robots go from performing 10% of tasks to over 25%, and automation will increasingly touch every element of life. Amazon continues to expand their automated workforce to cut costs and now operates over 45,000 robots across 20 fulfillment centers. Efficiency gains can also be achieved in the medical field through high engineered systems; products for MIS systems now make up 25% of Novanta's total revenue. Minimally invasive surgeries offer less risk, faster recovery time, and according to BMJ (formerly the British Medical Journal) these are underused. Although MIS procedures are becoming more popular and have doubled in use over the last five years, growth projections remain high at a 10.9% CAGR through 2022.

- **Strengthening in Vision:** Profit margins for the Vision segment have been weighed down by a one-time transition associated with the mergers that have helped to drive topline growth. Novanta has experienced several nonrecoccuring costs, including temporary supply chain issues and nonreoccuring expenses from acquisitions. As these roll through, Novanta's margins will improve without any substancial changes need to occur. This segment is also poised to experience significant growth by expanding offerings through more sophisiticated tech like radio-frequency identification (RFID), which uses electromagnetic fields to identify unique tracking tags and can be used to help collect a variety of data. Unlike barcodes, RFID chips do not need a direct line of visibility and can be scanned en masse. IBM is currently pioneering supply chain use cases by syncing RFID chips to a blockchain in order to store a variety of different data types. RFID increasingly has applications in the medical field as well. The opportunity to track multiple data points attached patients and medication through multiple devices will help physicians take better care of their patients. The RFID market is forecasted to grow to $14.9bn in 2022 - a 33% CAGR.
- **"Sticky" and Highly Engineered Solutions:** Novanta's products feature long lifetimes and a signficant amount of customization. This makes it difficult for firms to transition between component suppliers. The average length of a product in the advanced manufacturing market is 4-8 years, while medical components have a useful life of 7-15 years. Technological changes, part updates, and normal use create opportunities for recoccuring revenue between large purchases. At the end of a product's life cycle, it is difficult for customers to change products because many of their sub-sytems would no longer be compatable with new equipment and would require replacements, significantly increasing the switching costs.

Valuation

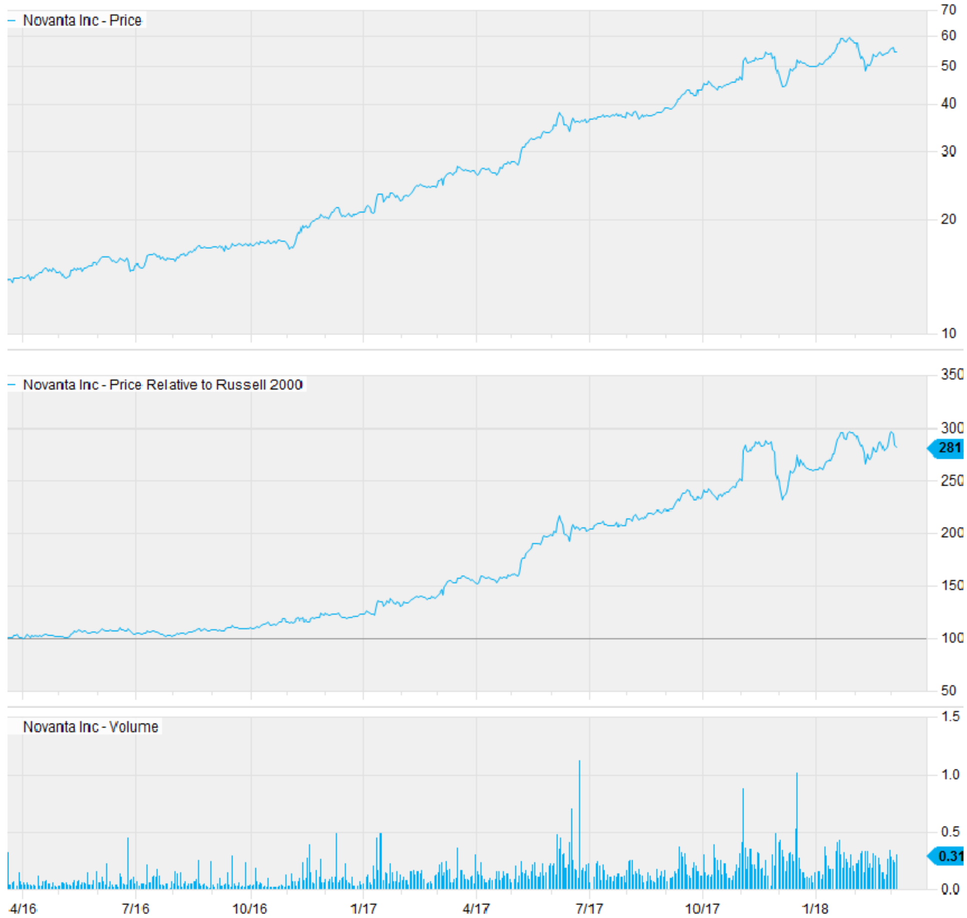
In order to estimate an intrinsic value for Novanta, a 5-year discounted cash flow model was constructed using a terminal growth rate of 1.7% and a WACC of 7.7% After a sensitivity analysis on the terminal growth rate of ± 25bp and ± 50bp on the WACC, an intrinsic value of $58.09 was reached with a range of $66.95-$51.20. Additionally, a FY2 adjusted EBITDA multiple was constructed using a broad peer average forward EV/EBITDA multiple of 17.1x. This resulted in a price target of $76.81. Finally, a P/E multiple was calculated using a FY'19 non-GAAP EPS of $2.31 and a forward peer average multiple of 31.3x resulted in a price of $72.49. Weighing these valuations 40/30/30 a price target of $68.03 was reached, suggesting a 23.7% upside. Novanta does not pay a dividend.

Risks

- **Continued Supply Chain Disruptions:** Novanta obtains the majority of their raw materials from multiple sources; however, select materials are only available from a limited or single source. Recent complications have weighed on gross margins, specifically a 130 bps drop in the Precision Motion segment. Management has made several temporary changes to address the issue and feels that they have worked out a long-term solution.
- **Acquisition Integration:** Novanta's success has been largely attributable to their ability to expand their product offerings through acquisitions, something that management has indicated they will continue to pursue. Failure to integrate new business lines could weigh on margins moving forward.

Management

Matthijs Glastra has been CEO of Novanta since February 2015. He joined Novanta in 2012 as Chief Operating Officer and worked previously at Philips Lumileds Light Co as COO. Robert J. Buckley has been the Chief Financial Officer since 2011. It is worth noting that the average tenure of an executive officer is 4.5 years, although they have prior C-Suite experience.



Source: FactSet

Name	Ticker	Market Cap (mil)	P/E	BEst P/E	EV/EBITDA	EV/BEst EBITDA
Novanta Inc.	NOVT US	1,903	48.6x	28.3x	23.3x	16.8x
Cantel Medical Corp	CMD US	4,928	64.4x	44.3x	32.2x	26.4x
Cognex Corp	CGNX US	9,216	38.8x	33.6x	31.5x	27.8x
Allied Motion Technologies	AMOT US	294	32.9x	21.6x	12.8x	10.4x
Conmed Corp	CNMD US	1,717	43.6x	28.1x	23.3x	14.7x
IPG Photonics Corp	IPGP US	13,051	33.1x	28.9x	18.4x	17.1x
Peer Average		5,841	42.6x	31.3x	23.7x	19.3x

Source: Bloomberg

Name	Ticker	Revenues	ROE	ROA	Debt/Equity	EBITDA Margin
Novanta Inc.	NOVT US	521	20.8%	10.3%	72.6%	14.5%
Cantel Medical Corp	CMD US	795	15.1%	9.4%	31.0%	18.7%
Cognex Corp	CGNX US	748	17.2%	15.2%	0.0%	31.5%
Allied Motion Technologies	AMOT US	242	10.7%	4.6%	72.1%	12.2%
Conmed Corp	CNMD US	796	0.0%	4.1%	77.0%	17.4%
IPG Photonics Corp	IPGP US	1,409	19.4%	16.7%	2.4%	45.8%
Peer Average		$798	12.5%	10.0%	36.5%	25.1%

Source: Bloomberg

WH Group Ltd. (WHGLY)
March 9, 2018

Michael Dennison International Consumer Staples

WH Group Ltd. (OTC: WHGLY) engages in the production of packaged meats, hogs, and fresh pork. The company is the world's largest producer of pork and specialized pork products. WH Group holds a controlling interest in Henan Shuanghi, China's largest meat processing business. The company also owns Smithfield Foods, a US subsidiary based in Virginia specializing in the production of pork. WHGLY's brands include Cook's Ham, Healthy Ones, Margherita Italian Sausage, John Morrell (producer of Nathan's Famous) and Smithfield. The firm chops its operations into four cuts: packaged meats (51% of 2016 total revenue) which produces packaged deli meats, bacon, sausage, hot dogs, and beef products; fresh pork (43%); hog production (4%); and Other (2%). WHGLY has a strong international presence in both China (36% of 2016 total revenue) and the US (57%). The company rebranded itself in 2014 from its former name of Shuanghui International. WHGLY's US headquarters are located in Smithfield, VA, while its global operations are headquartered in Hong Kong, China.

Price 3/6/18 ($):	23.72
Price Target ($):	29.13
52WK H-L ($):	24.91-15.29
Market Cap ($) Mil:	17,369.00
Insider Holding (%):	42.11
Avg. Daily Vol:	41,582.00
Dividend ($):	0.64
Yield (%):	2.70
ESG Rating:	BB

Beta:	0.80
WACC (%):	9.11
M-Term Rev. Gr Rate Est (%):	3.25
M-Term EPS Gr Rate Est (%):	11.38
Debt/Equity (%):	39.75
Debt/EBITDA (%):	131.91
ROA (%):	7.40
ROE (%):	17.10
ROIC (%):	11.94

FY: December	2016A	2017E	2018E	2019E
Revenue ($) Mil:	21,478.74	22,230.49	23,008.56	23,756.34
Revenue Growth (%):	1.33	3.50	3.50	3.25
Operating Income ($):	1,830.29	1,924.04	2,181.44	2,395.14
Operating Margin (%):	8.52	8.65	9.48	10.08
EPS ($):	1.45	1.56	1.80	2.01
FCF/Share ($):	1.89	1.58	1.86	2.10
P/E (x):	16.30	15.17	13.15	11.81
EV/EBITDA (x):	10.10	8.93	7.91	7.21

Recommendation

As the world's largest producer of pork products, no one stands to benefit from the increased protein demand more so than WH Group. Currently the company obtains about 36% of total revenue from China, and this number is expected to increase (e.g. Chinese pork consumption increased 800% over the 40-year span from 1975 to 2016). As China has taken a major position in the new economic world order, it has been able to grow its middle class at a faster rate than most western countries. 76% of the Chinese population is expected to be classified as "middle class" by 2022 – according to data compiled by McKinsey – representing an increase from only 4% in 2000. WH Group is now positioned to ride this wave on a number of different fronts. First, the company is actively pursuing other avenues of growth in order to offer consumers premium snack products - American style food in China. These new products will likely sow increased revenue as well as boost margins with the company's new "One Smithfield" plan, focused around reducing costs and exploring new products. The firm also made two strategic acquisitions in Clougherty and Pini during 2017 giving WHGLY greater access to the American west coast and Eastern European markets. Hog-production costs estimated by the USDA, which are known as "Farrow-to-Finish" costs, have also been on a steady decline since peaking in 2012 at $90 per head. Decreases in production costs mainly evolve around better safety and sustainability standards across the pork industry. All of this, combined with the increased demand for protein in South Asia, will provide the group with the calories it needs to continue its "bulking up". Given the industry's steadily improving cost structure, the Group's expansion of product offerings, increased global protein intake and encouraging macro trends, it is recommended that WHGLY be added to the AIM International Equity Fund with a target price of $29.13, representing a 22.79% upside. The firm pays a 2.70% annual dividend.

Investment Thesis

- **When Pigs Fly.** While Chinese pork consumption has increased by 8x over the last 40 years, global meat production has increased 3x over the same period as population growth continues to climb in emerging markets. This in turn has driven the global demand for protein with the emergence of the new middle class. The Brookings Institute predicts the global middle class to grow at a clip of about 170 million per year over the next decade. Further, according to the World

Watch Institute, pork is the most consumed meat on the planet – followed by chicken and beef. Demand for animal products in South Asia is set to increase by about 100% - in terms of calories consumed – from 2000 levels until 2050. Another encouraging factor is Bloomberg's Consumer Confidence Index which rose from a 51.7 score in December to 56.2 in February. As consumer confidence continues to grow, demand for premium protein products will rise and WHGLY stands to benefit from these tailwinds.

- **New Friends for Charlotte & Wilbur.** Piglet and Pooh Bear, will rejoice to hear that the company is working to expand into new products – some of these outside that of the pig such as other deli meats, meat-based snack products (beef jerky), and American hamburgers. WHGLY is conducting this rearrangement on two paths: first, as part of its "One Smithfield" plan which outlines entering the higher margin packaged food space as well as the meat-based snack food space, such as jerky – All in effort to reach new consumers and drive margins; second, as part of a greater expansion in China where American style products are becoming increasing popular. The country has seen a significant increase in demand for that of American hot dog products and burgers. Packaged Meats represent the company's highest margin business boasting operating margins of 14% compared to that of 9% and 8% in its hogs and fresh pork areas.
- **Protein Packed Porkers.** Pork represents a significantly lower feed conversion ratio than that of beef (5.9x to 8.7x) suggesting greater efficiency in the pork space; however, there is room for protein aplenty as beef typically sells at double the prices of hogs – roughly $115 to $70 per head according to CME. Protein intake across emerging markets continues to drive demand for animal products. As the middle class continues to expand the company's Chinese operation stand to profit as the country currently consumes 50% of the world's pork (The US comes in at second). According to data compiled by the USDA, Chinese consumption of beef grew from 4.2 kilograms per capita in 2001 to 5.6 kilograms per capita in 2015, representing a 33% increase.

Valuation

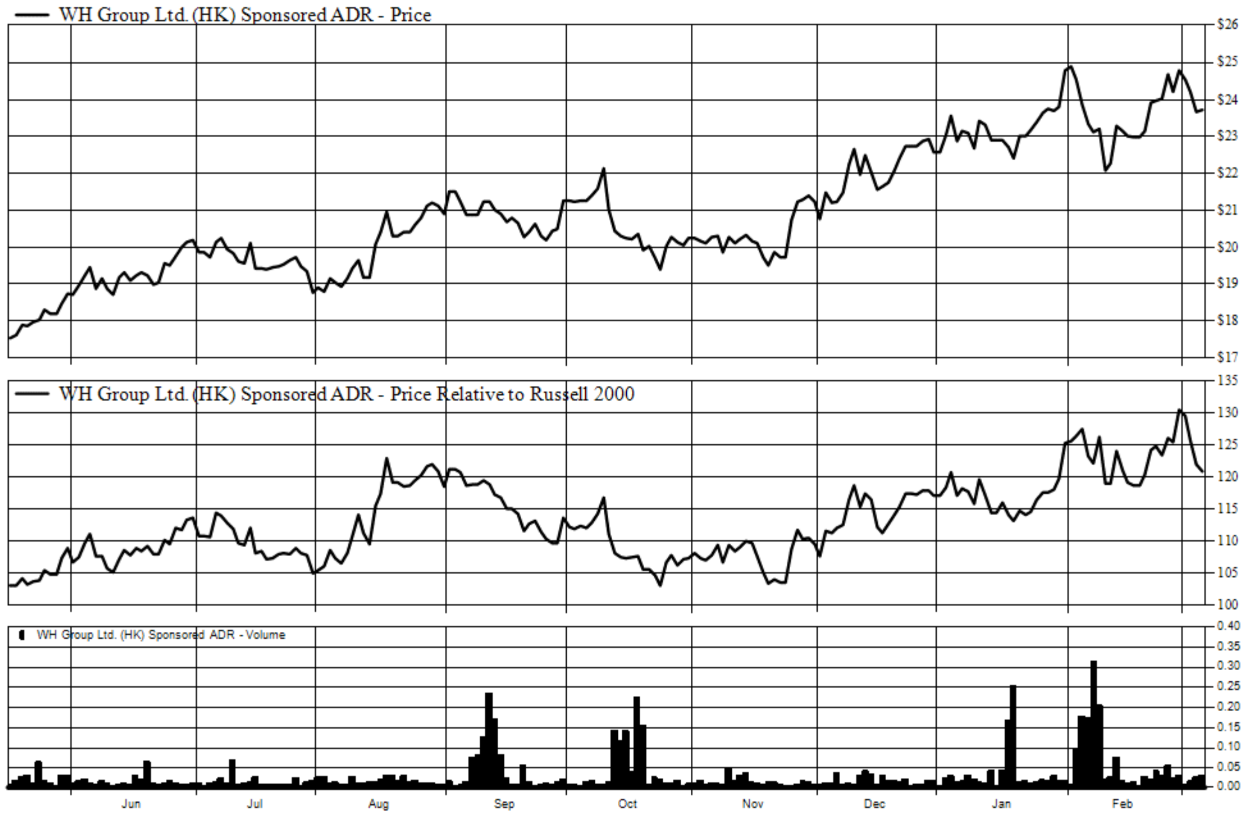
In order to reach an intrinsic value for WHGLY, a five year DCF model was constructed. Using a terminal growth rate of 2.00% and a WACC of 9.11%, an intrinsic value of $27.60 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $37.06 to $21.91. Additionally P/E and EV/EBITDA multiple valuations were conducted. The P/E valuation was conducted using a comparables average P/E of 18.66x, which resulted in a valuation of $29.19. The EV/EBITDA valuation was carried out by using a peer average EV/EBITDA of 10.40x, which represented a valuation of $33.66. By weighting the three valuation models 60/20/20, a price target of $29.13 was reached, representing a 22.79% upside. The company currently pays a $0.64 annual dividend yielding 2.70%.

Risks

- **Pigs Hog the Money.** WHGLY operates in a very commodity driven space. CME's Lean Hog index has been on a steady climb over the past two years after topping out near $80 in January. Any negative affect on hog prices could pose a negative to income from operations.
- **The Runt of the Litter.** Operating in mainly the United States and China the group does collect revenue in different currencies. WHGLY does engage in hedging activities to downplay the amount of risk associated with denominating sales in a number of revenue.
- **Wolves in the Pigpen.** The company's ability to operate depends on two things: the safety and sustainability of its livestock and the continued well-being of the economy. Any adverse biological effect of the group's livestock could prove the company ultimately unable to meet demand. Further, if the canary croaks in the coalmine, consumers could turn to cheaper, non-premium and less protein oriented products in effort to save money as the economy tumbles.

Management

The company is led by Wan Long who joined in 2010 as Chairman of the Board. Mr. Long now boasts 50 years of experience in the meat processing industry. Smithfield Foods is led by president and CEO Kenneth Sullivan – a position he has held since 2015.



Peer Fundamentals

Name	Ticker	Revenues ($) Mil:	ROE (%):	ROA (%):	Debt/Equity (%):	5-Yr NI CAGR (%):
WH Group Ltd	WHGLY	21,478.74	17.10	7.40	39.75	51.62
Tyson Foods	TSN	38,149.00	17.61	7.03	96.79	2.76
JBS	JBSAY	49,793.70	1.54	0.35	236.70	11.91
Hormel Foods	HRL	9,167.52	18.05	12.06	5.06	11.11
Conagra Brands	CAG	7,826.90	13.93	4.57	75.08	2.84
Sysco	SYY	55,371.10	38.99	6.63	344.10	0.37
Peer Averages		32,061.64	18.02	6.13	151.55	5.80

Source: FactSet

Peer Valuation

Name	Ticker	Market Cap ($) Mil:	P/S (x):	P/E (x):	P/B (x):	EV/EBITDA (x):
WH Group Ltd	WHGLY	17,369.00	0.79	16.30	2.61	10.10
Tyson Foods	TSN	26,486.46	0.69	9.51	2.23	8.80
JBS	JBSAY	7,840.93	0.16	14.40	0.98	6.40
Hormel Foods	HRL	17,468.36	1.97	20.81	3.58	13.10
Conagra Brands	CAG	15,012.77	2.01	21.99	4.15	11.10
Sysco	SYY	31,169.00	0.56	26.60	13.99*	12.60
Peer Averages		19,595.50	1.08	18.66	2.74	10.40

*Excluded from peer average muliple

Source: FactSet

ShotSpotter, Inc. (SSTI)
March 9, 2018

Joseph Amoroso — Domestic Technology

ShotSpotter, Inc. (NASDAQ:SSTI), is the leader in gunshot detection solutions that help law enforcement officials and security personnel identify, locate and deter gun violence. These solutions are offered on a subscription SaaS model in which SSTI designs, deploys, manages and maintains systems of acoustic sensors. The firm also hosts the software and gunshot data and operates its Incident Review Center (IRC) 24/7/356 with trained acoustic experts. SSTI offers three difference solutions; ShotSpotter Flex (97-99% of revenue), SST SecureCampus, and ShotSpotter SiteSecure. SSTI derives the largest portion of its revenue from the US, in addition to clients in the U.S Virgin Islands and South Africa. The company was founded in 2001 and is headquartered in Newark, CA.

Price ($):	19.75	Beta:	1.58	FY: Dec. 31	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Price Target ($):	27.00	M-Term Rev. Gr Rate Est:	35%	Revenue (K)	23,763.00	32,291.92	43,594.09	56,672.32
52WK H-L ($):	21.45 - 9.33	M-Term EPS Gr Rate Est:	-	% Growth	53.2%	35.9%	35.0%	30.0%
Market Cap (mil):	190.5	Debt/Equity:	0.00	Op Margin	-18.8%	-6.6%	2.0%	9.7%
Insider Holdings	45.8%	Debt/EBITDA (ttm):	-	EBITDA (K)	(1,403.72)	1,553.01	5,423.48	10,625.87
Short Interest	16.9%	WACC	13.1%	% Growth	-	-	2.49	0.96
Avg. Daily Vol (K):	135.4	ROA (%):	-	EPS	($0.23)	$0.01	$0.21	$0.55
Yield (%):	0.0	ROE (%):	-	P/E (FY)	-85.98	1,705.15	92.53	36.10
ESG Rating	-	ROIC (%):	-	EV/EBITDA	-0.12x	0.11x	0.03x	0.02x

Source: FactSet

Recommendation

In 2017 alone, ShotSpotter released 95,000 gunshot alerts to its clients. At an average of 2.67 rounds per alert, ShotSpotter recorded and reported more than 260,000 rounds of ammunition spent in some of the nation's most vulnerable urban communities. At the heart of the company's platform is an array of highly advanced acoustic sensors that filter out ambient noises and recognize the unique characteristics of gunfire. The company's signature solution, ShotSpotter Flex, is deployed by police departments in the U.S., and across the globe, largely in high crime neighborhoods. The system's cost is assigned on a per-square-mile basis. When gunfire is recognized by the sensors, that shot is analyzed by the company's proprietary algorithms and sent to the IRC for human confirmation. When confirmation is received, all information the police need to respond to an incident is pushed out within 45 seconds. This includes, both the latitude/longitude and street address of the precise location from which the gunfire originated, the number and exact time of the shots fired, the number of shooters, and if high-capacity weapons are in use. The SST CampusSecure and SSTI SiteSecure offerings are designed to integrate both indoor and outdoor sensors to instantly notify authorities in the case of an active shooter on university and corporate campuses, airports, train stations, and other critical infrastructure. The system combines both acoustic and visual monitoring to create an automated dual-confirmation of gunfire and alert authorities within 10 seconds. As of September 2017, ShotSpotter Flex was currently being used by 74 customers in 85 cities to monitor more than 490 square miles across the globe. Of those 74 customers, over 39% have expanded their coverage areas after initially deploying the technology. SST CampusSecure has been deployed by 6 customers across seven campuses. Across all three products, management estimates a $1.21 billion TAM offering significant growth potential. As a whole, ShotSpotter is helping to lead a revolution in public safety and policing across the country and around the world. For these reasons, it is recommended that ShotSpotter, Inc. be added to the AIM Equity Fund with a price target of $27.00, which represents a 36.70% upside.

Investment Thesis

- **Competitive Moat.** Possessing nearly every patent related to automatic real-time outdoor gunshot triangulation, SSTI maintains a dominant barrier to entry against new market entrants. While many firms compete in the indoor gunshot detection space, no other firms compete in the outdoor detection and location space - and no competitor can offer SSTI's combined indoor and outdoor sensor platform. Additionally, SSTI currently controls the world's largest database of urban gunshot data. Using this database, SSTI constantly re-trains and validates its algorithms using machine learning in order to improve the accuracy and speed of the systems analysis. This acts as a significant barrier to entry for potential market entrants as well as one of the company's most valuable resources. Building a superior acoustic recognition platform would be difficult for a new entrant to the market given SSTI's significant collection of intangible assets and intellectual property. Lastly, as SSTI's system becomes more sophisticated, the time needed to analyze gunfire before alerting authorities shortens.

- **Mounting Political Support.** In an increasingly polarized political environment, ShopSpotter has received support from politicians across the aisle. Gun violence across the nation, as well as recent active shooter incidents at churches, schools, nightclubs, airports and corporate campuses, have invigorated nationwide momentum behind gun reform and public safety. Republican and Democrats in cities such as Milwaukee have made funding for deploying and expanding ShotSpotter a priority and this momentum is only getting stronger as constituencies say "enough".
- **Large Corporate Partnerships.** SSTI has partnered with both GE Current under its Smart City's initiative and Version's "Light Sensory Network" under its Smart Communities Initiative. These corporate partnerships play a vital role in decreasing infrastructure costs as well as lowering adoption hurdles for prospective clients. As cities shift to smart lighting and traffic management systems, they will be able to also add public safety solutions. In addition to cost savings, the increased visibility of these partnerships will likely play a larger role in the company's growth plans as cities upgrade to more sophisticated digital infrastructure systems.

Valuation

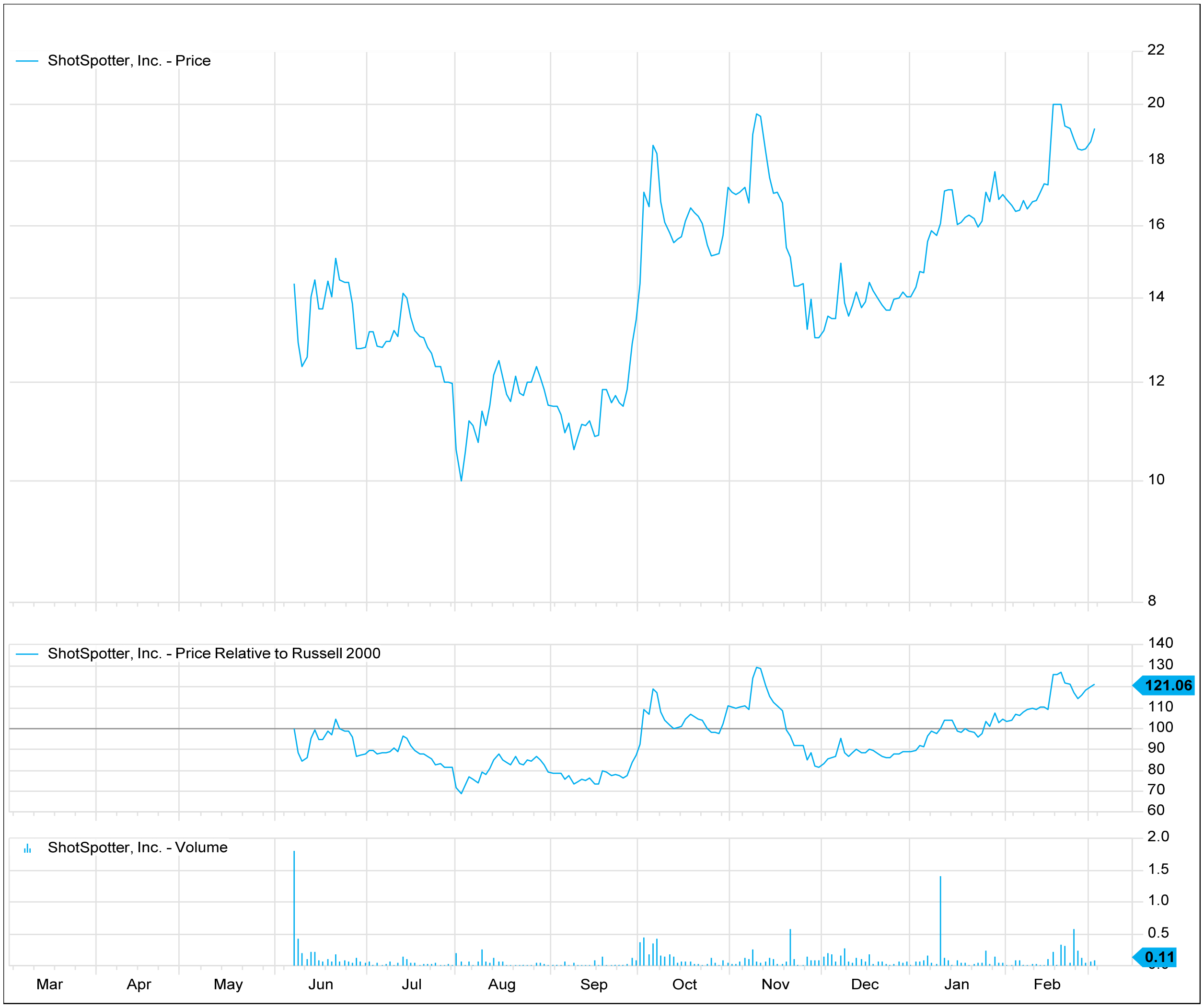
Using an EV/FY18 Sales peer multiple of 7.67x, a price target of $25.68 representing an upside of 30% was obtained. Additionally, peer revenue run-rates were analyzed with a range of 9-12x vs. SSTI's 9x rate. At the lower end of its fast growing SaaS peer group multiple range, SSTI stock shouldremain steady or trade up to the higher end of its peer range based on projected 4Q18 revenue (guided to report first positive GAAP earnings); which results in a median price target of $30.95 and an upside of 55%. This analysis yielded a price target range of $26.53-$35.37 representing an upside potential of 34.33%-79.11%. Weighting these two valuation methods 75/25 a price target of $27.00 was reached, representing an upside of 36.70%.

Risks

- **Budget Constrained Clients.** SSTI is vying for funds from tightly budgeted cities and municipalities. Additionally, to compete against other law enforcement technologies, SSTI is competing against all items within a municipality's budget. If economic conditions worsen, it is possible that clients could cancel or non-renew SSTI subscriptions in order to focus on more pressing public needs.
- **Client Concertation.** The City of New York and Puerto Rico Housing Administration accounted for approximately 17% and 14% of the company's total revenues as of September 2017. In the case of Puerto Rico, while reducing gun violence and improving police responsiveness remains an important goal, the territory was forced to reallocate funds to more pressing issues in the wake of Hurricane Maria. This resulted in Puerto Rico ending its contract with ShotSpotter.

Management

Ralph A. Clark has served in his role President and CEO of the since 2010. A graduate of Harvard Business School and former investment banker at Goldman Sachs and Merrill Lynch, Mr. Clark has held numerous C-Suite positions in startups as well as executive sales and markets roles at IBM. William J. Bratton recently rejoined SSTI as a member of its Board of Directors in the 4Q17. Previously the Boston Police Commissioner, LA Chief of Police, and twice the NYC Police Commissioner, Mr. Bratton is perhaps the most well known and most respected name in American law enforcement.



Source: FactSet

Name	Ticker	Market Cap (mil)	P/E	P/S	EV/S	EV/EBITDA
ShotSpotter, Inc.	SSTI	191	-	5.7	5.3	-
Axon Enterprise Inc	AAXN	2,109	265.0	4.1	5.1	63.9
Everbridge, Inc.	EVBG	1,020	-	8.1	7.1	-
Proofpoint, Inc.	PFPT	5,999	-	7.8	8.7	-
Qualys, Inc.	QLYS	2,998	58.8	10.6	9.8	36.1
Peer Averages		3,031	161.9	7.6	7.7	50.0

Source: FactSet

Name	Ticker	Revenues	ROE	ROA	Debt/Equity	5 yr Rev CAGR
ShotSpotter, Inc.	SSTI	24	-	-38.2	0.0	-
Axon Enterprise Inc	AAXN	344	3.3	1.7	0.0	24.5%
Everbridge, Inc.	EVBG	104	-39.9	-11.4	159.8	34.9%
Proofpoint, Inc.	PFPT	515	-60.7	-9.5	84.9	37.1%
Qualys, Inc.	QLYS	231	13.4	8.5	0.0	20.4%
Peer Averages		299	-21.0	-2.7	61.2	29.2%

Source: FactSet

IRSA Inversiones y Representaciones Sociedad Anonima (NYSE: IRS)

March 7, 2018

Adam Hamilton International Financial Services

Inversiones y Representaciones Sociedad Anonima (IRS) is a real estate developer whose business activities include, acquisition, development and operations of shopping centers, office space, non-shopping rental properties, luxury hotels, and undeveloped land reserves. The company was founded on April 30, 1943 and is headquartered in Buenos Aires, Argentina.

Price ($):	26.45
Price Target ($):	31.71
52WK H-L ($):	$32.97-21.22
Market Cap (mil):	1,545
Insider Holdings	10%
Avg. Daily Vol (mil):	79,364
Yield (%):	5.1
ESG Rating	N/A

Beta:	0.91
M-Term Rev. Gr Rate Est:	18.3%
M-Term EPS Gr Rate Est:	19.5%
Financial Leverage	481.92
WACC	6.90
ROA (%):	5.23
ROE (%):	70.18
ROIC (%)	8.78
Gross Margin (%)	29.02

FY: Dec	2016	2017	2018E	2019E
Revenues	2,853.38	4,822.15	5,400.81	6,751.01
% Growth	431%	69%	12%	25%
Net PPE	4949.00	7651.00	8989.51	9708.67
%Growth	1104%	55%	17%	8%
Sales/sqm	26.40	32.80	35.10	43.50
EPS	(1.85)	(1.03)	0.14	0.20
Financial Leverage	9992.02	495.36	425.10	393.40
P/B	3.81	0.94	1.08	1.96

Recommendation

After a successful acquisition in October 2015, Inversiones y Representaciones Sociedad Anonima gained control of the Israeli conglomerate IDBD, one of the largest and most diversified businesses in Israel, continuing with its expansion strategy and diversification in the international markets. The addition of IDBD provided IRS the ability to further develop and penetrate its markets and advance its products contributing to total assets growth of 843.4% and 33.8% and total sales growth of 430.8% and 69.0% in FY16 and FY17, respectively. As a leading provider in both the Argentinean and Israeli markets, there are significant opportunities for the firm to continue the upward trend of generating strong returns. Due to its bargaining power, ability to charge top-level 1 rents and brokerage fees, and its control over 799,002 square meters of gross leasable area (GLA), the firm is well positioned. Their total GLA represents 18% of the total for the entire country of Argentina and is equal to the combined GLA of its nearest two competitors. Going forward, management sees its shopping centers and office building segments in Argentina and supermarkets segment in Israel to continue to provide value to the company. In the shopping centers and office building segments, IRS makes $6.90 and $26.90 of sales per square meter of GLA. The company also operates 16 of the 29 total shopping centers in Argentina, with an occupancy rating of 99.1% as of 2QFY18, and has welcomed 106 million customers in FY17, which is 2.7x the total Argentinean population. These metrics are important to profitability and with growing GDP, consumers are more likely to spend, thus increasing the amount of shopping center customers. In Israel, IRS engages in the management of the Shufersal supermarket chain - the largest in Israel. The company also operates Cellcom Israel which is the country's leading and first quadruple package provider of cell, landline, television, and internet coverage. With a strong prospect of continued growth, solid fee generation, and leading brand recognition, it is recommended that IRS be added to the AIM International Equity Fund with a target price of $31.71 which offers an upside of 17.87%. IRS currently pays a dividend of $1.36.

Investment Thesis

- **Principal Lease Terms.** IRS looks to capitalize on growth in rental income in their real estate segment of shopping centers and office buildings, which make up 9.0% of the company's revenues, representing a 67.5% market share. In terms of the income from its leases, the monthly rental payments consist of a fixed rate payment and an additional variable rate payment, which is 12.0% of tenant's gross sales for the month. Also due to the rent escalation clause in the leases, a tenant's fixed rate generally increases 27.0% annually. Due to gross sales by IRS shopping mall tenants increasing at a 5-year CAGR of 22.6%, in FY17 there was a 33.1% increase in total base rate payments and 6.5% increase in total percentage rent payments, resulting in a 17.4% increase of total rent received. Also in FY17, shopping mall revenue grew 19.1% compared to 14.4% for the previous year. This was done by IRS carrying out its promotional and marketing strategy which is funded with its tenants' payments to the IRS's Common Promotional Fund (CPF). Each month tenants contribute to the CPF an amount equal to 15.0% of their total monthly rent payment. Continuing with its forward strategy, the company has added four new projects in 2Q of FY18 consisting of shopping mall expansions adding 133,000 square meters of GLA.

- **Israeli Operations.** The supermarkets and telecommunications segments accounted for 80.1% of the company's total revenue in FY17. Implementation of the Shufersal strategy is strengthening of the supermarket chain's competitive position which includes the launch of new products in leading categories. As of FY17, Shufersal now has pharma operations in 32 of its 272 branches and has had substantial growth in sales of Shufersal Online on the firm's app. In FY17, online purchases were 11.0% of revenues compared to 8.6% in FY16. Cellcom continues to strengthen its competitive position as well and as of FY17, the company has a 27.5% market share in the mobile phone operating market, 25% market share in providing internet, and 154,000 TV subscribers which makes up 10.0% of the Israeli TV market. Also the addition of HBO content provider to the Cellcom TV service was received well by customers to uphold significant value. As of 2QFY18, the net increase in television households was approximately 13,000.
- **Economic Prosperity.** Israeli GDP is forecasted to grow 3.4% in 2018, driven by a pickup in trade, investment and consumer confidence. To date, Israeli consumer prices have rose 0.2% this year after falling 0.5% in 2017 and unemployment has fallen to 4.3%. Fiscal policy will get even more accommodative this year, with the Israeli state budget set to increase spending and reduce taxes in an effort to support economic growth. Argentina is the third largest economy in Latin America is currently undergoing an economic transformation, promoting sustainable economic development with social inclusion and integration into the global economy. At the end of 2016, Argentina was the top performer in the region in reducing poverty and incomes of the bottom 40% - which grew at an annual rate of 11.8% YoY, compared to the average South American bottom 40% income growth of 7.6%. In FY18, GDP is forecasted to grow at 3%.

Valuation

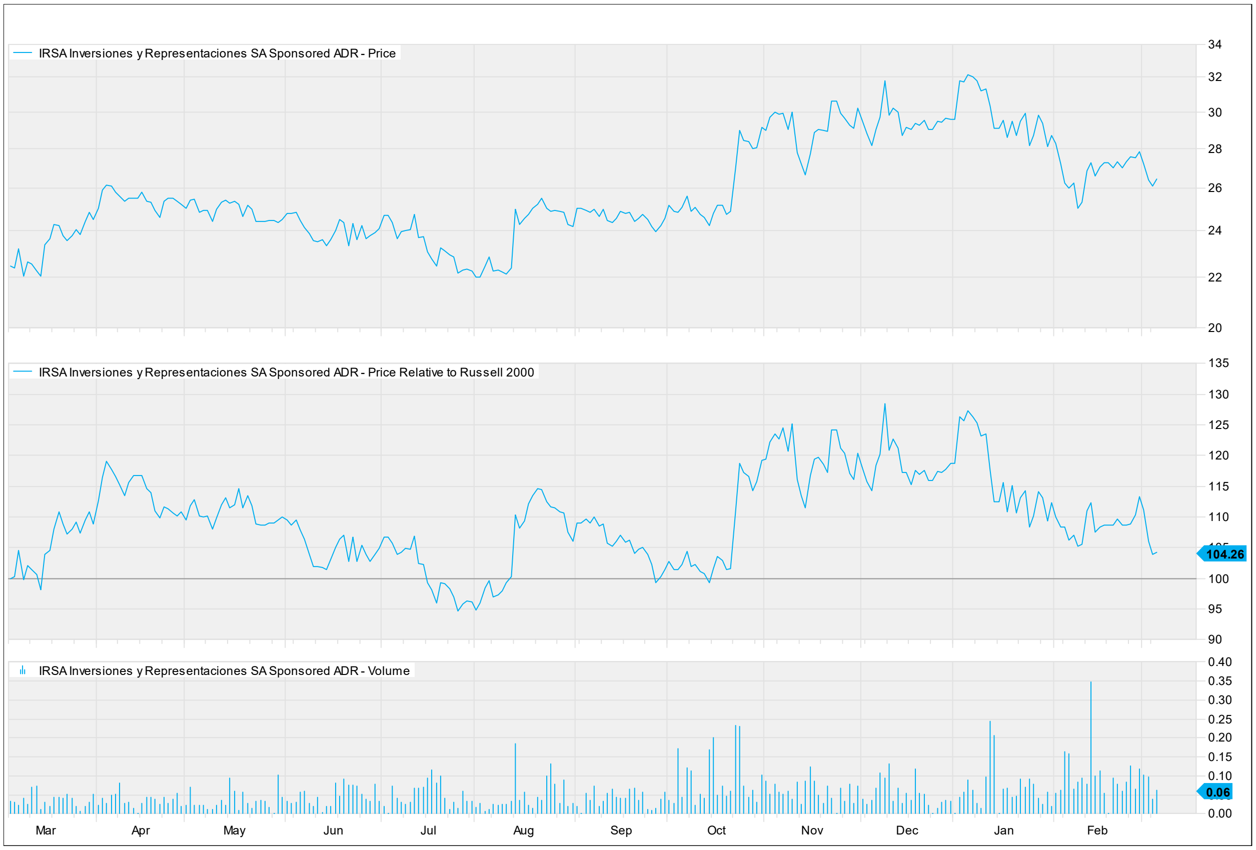
To find the intrinsic value of IRS a price to tangible book multiple was used employing the 10-quarter weighted average historic price to book, the 10-year average historic price to book, and IRS's peer average P/TBV multiple. A target price to book valuation was created alternatively using the Gordon Growth Model. A sensitivity analysis was run stressing the LT growth ± 2.5% and 2017 ROTE ± 1%, yielding a price range of $18.47-$35.12. Weighting historical, peer, and Gordon Growth Model valuations 10/30/60, the final estimated intrinsic value of IRS was $31.71, which provides an upside of 17.87%. IRS' dividend currently offers an annual yield of 5.1%

Risks.

- **Exchange Rate Controls.** Since the strengthening of exchange controls began in late 2011 and after measures were introduced to limit access to foreign currency by private companies and individuals the implied exchange rate, had increased significantly over the official exchange rate. These measures were mostly lifted in December of 2015. Any reenactment of these measures may prevent or limit us from offsetting the risk derived from our exposure to the U.S. dollar.
- **Government Measures.** The governments of Argentina and Israel have exercised significant influence over the countries' economies. Additionally, the country's legal and regulatory frameworks have at times suffered radical changes, due to political influence and significant political uncertainties. Future government policies leading to social unrest could destabilize the country and adversely and materially affect the economy, and thereby the company's business.

Management

Eduardo S. Elsztain has been the Chairman and CEO since 2012 and has been engaged in the real estate business for more than 20 years. Javier E. Nahmod has been the Chief Real Estate Officer since 2014 and has also served as Center Management of Abasto Shopping, Manager of Real State and Regional Manager of Shopping Centers.



Source: FactSet

Name	Ticker	Net Debt/ LTM EBITDA	Average LTM USD/sqm	ROA	GLA as % Country GLA	Occupancy %
IRSA Inversiones y	IRS	1.10	6.92	5.20	18.00	99.00
BR Malls Participacoes	BRMSY	2.40	4.19	-1.40	6.30	95.00
Iguatemi Empresa de	IGUEF	3.40	5.48	7.80	3.00	93.00
Parque Arauco	PARA	5.90	2.25	11.40	12.00	93.00
Peer Averages		3.20	4.71	5.75	9.83	95.00

Source: FactSet

Name	Ticker	Market Cap	P/E	P/B	P/TBV	Div Yld %
IRSA Inversiones y	IRS	1,545	-	0.94	3.91	5.10
BR Malls	BRMSY	3,166	41.84	0.92	0.92	0.60
Iguatemi Empresa de	IGUEF	2,152	14.56	-	-	-
Parque Arauco	PARA	8,207	19.19	2.16	2.24	1.70
Peer Averages		2,288	28.20	1.34	2.36	2.85

**Removed For Relative Valuation Analysis*

Source: FactSet