Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports
Spring 2015

Date: Friday, April 10th | ***Time:*** 3:00 - 4:45 p.m. | ***Location: Straz Hall DS 106***

Student Presenter	Company Name	Ticker	Price	Page No.
Clermond Jean	BioAmber, Inc.	BIOA	$9.20	2
Jack Casey	Iconix Brand Group	ICON	$33.18	5
Clare McNamara	Lululemon Athletica	LULU	$63.34	8
Brendan O'Malley	ICIC Bank Limited (ADR)	ICICI	$10.05	11
Paul Tran	Shutterstock	SSTK	$68.30	14
John Grant	WNS Holdings (ADR)	WNS	$23.93	17
Joanne Wycklendt	Exar Corporation	EXAR	$10.10	20

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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BioAmber, Inc. (BIOA)
April 10, 2015

Clermond Jean International Materials

BioAmber, Inc. (NYSE: BIOA) is a bio-based chemicals company that produces and sells bio-succinic acid. The firm combines chemical catalysis with industrialized biotechnology to convert renewable feedstock into sustainable chemicals with widespread application ranging from plasticizers to food additives and resins. BIOA's products are designed to be cost competitive alternatives to petroleum-derived products. The company engages in take-or-pay supplier agreements in order to ensure an end market for its bio-succinic, arranging for the sale of current and future production with several of its key customers. The company currently produces its bio-succinic acid in Pomacle, France at a large-scale facility using a 350,000 liter fermenter. The company plans to open up two more facilities in the next five years, a 30,000 metric ton capacity bio-succinic acid plant located in Sarnia, Canada, which is scheduled to go into commission in 3Q15 and a larger-scale plant with an unspecified location with a targeted completion in 2016. BioAmber was founded in 2008 and is headquartered in Montreal, Canada.

Price ($): (2/6/15)	9.20	Beta:	1.15	FY: Dec	2013	2014E	2015E	2016E
Price Target ($):	13.64	WACC	10.4%	Revenue (Thousands)	2,665.00	1,543.00	6,732.99	6,867.65
52WK H-L ($):	15.29-7.38	M-Term Rev. Gr Rate Est:	45.0%	% Growth	16.32%	-42.10%	650.00%	450.00%
Market Cap (mil):	201	M-Term EPS Gr Rate Est:	78.0%	Gross Margin	-1.00%	-292.00%	1.00%	35.00%
Float (mil):	57.6	Debt/Equity:	65.3%	Operating Margin	-1166.60%	-2255.00%	-224.70%	-13.10%
Short Interest (%):	4.80%	Debt/EBITDA (ttm):	1.28	EPS (Cal)	($2.17)	($2.31)	($1.38)	($0.30)
Avg. Daily Vol (mil):	0.40	ROA:	-34.4%	FCF/Share	($2.59)	($5.37)	($0.81)	$0.14
Dividend ($):	-	ROE:	-75.8%	P/E (Cal)	-	-	-	-
Yield (%):	-	ROIC:	-51.5%	EV/EBITDA	-	-	-	-

Recommendation

As industrialization and manufacturing increases across the globe, fairly priced manufacturing inputs are an important catalyst for success. Recent volatility in the commodities market, however, has made it almost impossible for any company to secure stable long-term pricing for the inputs they need, such as succinic acid, which has led to a shift towards renewable chemicals. BIOA is a pioneer in renewable chemicals, producing one of the few cost competitive alternatives to petro-based polymers. BIOA's products are designed to remain cost competitive with its petro-based counterparts - even in an environment of crude oil as low as $35 per barrel. The firm's management has outlined plans to not only expand their capacity to further compete with their existing petro-based counterparts, but also increase the cross product applications in new markets to substitute other goods. BIOA is currently one of three market leaders in the bio-succinic acid market – and along with Reverdia and Succinity – the three currently hold ~60% of the market. BIOA's planned growth strategy will allow it to triple its capacity relative to its peers following the Sarnia expansion, making it the largest player in the growing bio-succinic market. BIOA has remained on target for their facility construction costs and are utilizing a combination of non-dilutive equity financing and government subsidies to fund their capacity expansions. BIOA represents a long term growth opportunity with major catalysts that will allow the AIM International Fund to be invested in a firm on the leading edge of change in the global chemicals market. It is recommended the BIOA be added to the AIM International Fund with a price target of $13.46 representing an attractive 48% upside.

Investment Thesis

- **Emerging Markets for Bio-Succinic Acid.** The market for petro-based succinic acid is expected to go into an overall decline over the next five years as companies attempt to shift towards lowering their carbon footprint, promote cost efficiency and reduce the overall price volatility related to fossil fuel based products. Furthermore, an increase in demand for more green chemicals by companies is allowing for the widespread adoption of bio-succinic acid, promoting the substitution of bio-based polymers over the traditional petro-based alternatives. The bio-succinic acid market is projected to grow at a CAGR of ~32% in volume between 2015 and 2020, allowing for the development of an overall $1.1bn market for bio-succinic acid. The growth in the coming years will be driven largely by increased use of succinic acid in cosmetic and pharmaceutical application, where bio-based succinic acid is primarily preferred because it is considerably less toxic. Furthermore, the company's growth strategy aims to not only capture the existing succinic acid market, but expand to third parties in a number of applications to accelerate the market uptake of bio-succinic acid.

- **Capacity Expansion Projects.** In order to meet the growth in demand for bio-succinic acid, BioAmber has been investing heavily in the expansion of its production. The company's joint venture with Mitsui & Co. Ltd., to open its facility in Sarnia will allow the commissioning of the largest bio-succinic facility at a projected capacity of 30,000 metric tons with an option to add an additional 20,000 metric tons of capacity. This capacity expansion will allow BIOA to expand its customer base and penetrate new markets. 100% of the Sarnia facility's future capacity has already been sold under take-or-pay supplier agreements for the next 5-15 years. BioAmber also plans on having a second plant commissioned by 2017, with a manufacturing capacity of 170,000 tons and ~90% of the capacity for the second plant has already been sold. One additional manufacturing facility is planned for each year afterwards. Furthermore, BioAmber has entered into technology partnerships to lower production costs, expand their product portfolio and enhance their production platform. BioAmber has engaged into technology agreements with companies such as Cargill, DuPont and Evonik to exclusively license technology that improves the overall efficiency of its production process.

Valuation

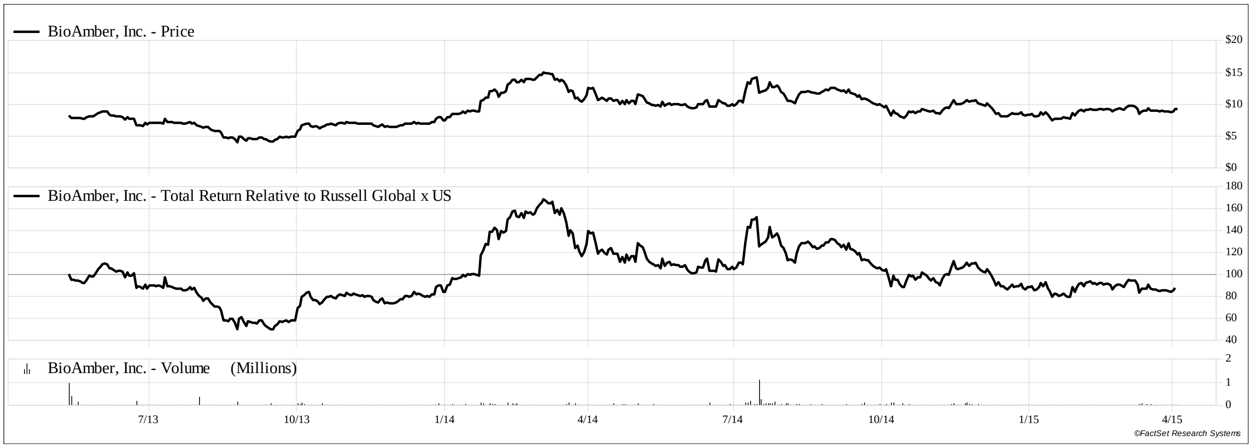
In order to reach an intrinsic value for BIOA, a five year DCF model was constructed. A terminal value was reached by using an EBITDA mutiple of 6.6x with a WACC of 10.4%, resulting an intrinsic value of $13.47 per share. A sensitivity analysis on the EBITDA mutiple and WACC ranged from $10.07-$21.52. Additionally, a P/S analysis was conducted. Using the industry median of 1.59x, a value of $14.38 was obtained. By weighing the DCF model 80% and the P/S mutiple 20%, a price target of $13.64 was established, representing a 48% upside. BIOA does not pay a dividend.

Risks

- **Commercialization of Sarnia Facility.** A key component of BioAmber's growth strategy is reliant on the successful commercialization of the Sarnia facility. Failure of the company to successfully commission the facility would jeopardize not only the joint venture with Mitsui, but also any supply agreements with customers. Issues with the performance of any of the organisms may delay production at Sarnia, placing pressure on margins and increasing production cost.
- **Loss of Key Customers.** A few of BIOA's largest customers represent a great portion of its revenue. During 2014, 47% of the company's sales were to International Flavor and Fragrances. It is not certain that any of the firm's customers will continue to purchase products from BioAmber and the loss of any key customer could significantly harm the firm's performance.
- **Competition.** An increase in the overall market demand for bio-succinic acid may encourage further market participation. Competitors may have a more improved economic process to produce succinic acid or add additional pricing pressure to BioAmber.

Managements

Jean-Francois Huc is the President, Director and CEO at BioAmber, Inc. having held the position since 2009. Prior to his tenure at BioAmber, Huc was the Chief Operating Officer at Diversified Natural Products, Inc. In 2013, Mr. Huc and other insiders purchased additional shares in BioAmber, increasing their holding by over 10%. Other key members of the management team include Fabrice Orecchioni (Chief Operating Officer) and Francois Laurin (Chief Financial Officer).



Factset

Ownership

% of Shares Held by All Insider and 5% Owners:	42.40%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	35.80%	▬

Source: Factset

Top 5 Shareholders

Holder	Shares		% Out
Waddell & Reed Investment Management, Co.	4,508	▲	20.60
Naxos Capital Managers Sarl	3,917	▲	18.20
Sofinnova Partners Sa	3,803	▲	17.40
Mitsui & Co., Ltd.	1,344	▲	6.20
Park West Asset Management, LLC	817	▲	3.70

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
METabolic Explorer	METEX	102	-3	0.17	NEG	-
BASF	BAS	92,597	6,837	0.6	13.55	8.8
Metabolix	MBLX	85	-30	0	NEG	-
Solazyme	SZYM	233	-162	2.32	NEG	-
Kawasaki Kasei Chemicals	4117-JP	54	0	0.01	263.89	11.1
Peer Averages		23,242	1,661	0.7	138.72	9.9

**Removed For Relative Valuation Analysis*

Source: Factset

Iconix Brand Group, Inc. (ICON)
April 10, 2015

Jack Casey — Domestic Consumer Discretionary

Iconix Brands Group, Inc. (NASDAQ:ICON) is a brand management company that owns, licenses, and markets a portfolio of 35 consumer and entertainment brands. The major brands owned by ICON include Candie's, Zoo York, Rocawear, London Fogg, Mossimo, Ecko Unltd, Umbro, Sharper Image, Strawberry Shortcake, and Peanuts. The company licenses its brands directly to retailers and wholesalers for use across a broad range of product categories, including apparel, footwear, sportswear, home products, beauty and fragrance, and novelty items. ICON distributes its brands' products across a variety of distribution channels, including the mass and luxury markets, and through various media outlets. The company was formerly known as Candies, Inc. and changed its name to Iconix Brand Group in 2005. ICON was founded in 1978, and is based in New York, New York.

Price ($): (04/02/2015)	33.18
Price Target ($):	44.81
52WK H-L ($):	32.04-44.81
Market Cap (mil):	1,590
Float (mil):	94.2%
Short Interest (%):	34.3%
Avg. Daily Vol (mil):	0.999
Dividend ($):	N/A
Yield (%):	N/A

Beta:	1.36
WACC	7.47%
M-Term Rev. Gr Rate Est:	7.00%
M-Term EPS Gr Rate Est:	11.1%
Debt/Equity:	130.4%
Debt/EBITDA (ttm):	6.5x
ROA:	5.33%
ROE:	16.02%
ROIC:	6.63%

FY: Dec	2013	2014	2015E	2016E
Revenue (Mil)	$433.00	$461.24	$500.45	$535.48
% Growth	22.32%	6.52%	8.50%	7.00%
Gross Margin	100.00%	100.00%	100.00%	100.00%
Operating Margin	57.20%	54.00%	51.60%	53.20%
EPS (Cal)	$2.11	$2.66	$3.08	$3.42
FCF/Share	$1.85	$5.09	$2.86	$3.13
P/E (Cal)	18.82x	12.70x	10.77x	9.70x
EV/EBITDA	13.51x	13.91x	11.00x	9.99x

Recommendation

Iconix Brands Group, Inc. derives revenues from four types of brand licenses: direct-to-retail (32.7% of FY'14 revenues), wholesale (42.3%), other licenses (13.2%), and other revenue (11.3%). Across these four licensing categories, revenues are segmented into product types, including men's apparel (24.2% of FY'14 revenues), women's apparel (32.2%), home products (9.5%), entertainment (22.3%), and other revenue (11.3%). ICON operates 8 joint ventures in which it has taken a 50% stake in international brand portfolios. The joint ventures are located in Canada, Latin America, Europe, India, Australia, China, Japan and Southeast Asia. As of March 2015, ICON has acquired 100% stake in their Chinese and Latin American joint ventures. In 4Q14, revenue increased 7% to 112.4MM, contributing to FY 2014 revenue growth of 6.52%. All five of the brands' product segments experienced YoY revenue growth in 4Q14, with *Peanuts* driving the entertainment segment to a company leading 32% growth rate. ICON has maintained a 12.1% 5-Year CAGR from FY'09-FY'14, which has translated into a net income CAGR of 15.3% over the same time span. This revenue growth has produced EBIT and Net Margins of 54.0% and 37.2% in FY'14, respectively. The margins are significantly above the 15.2% and 9.6% average margins of their four closest competitors in terms of market capitalization. Because of the improvement in the domestic economy leading to an increase in consumer spending and ICON's asset light business model's niche within the consumer discretionary sector, it is recommended that ICON be added to the AIM Equity portfolio with a price target of $44.81, which represents a 26% upside.

Investment Thesis

- **Improving Consumer Sentiment.** Since June of 2014, crude oil prices have fallen over 50% translating to an average 33% decrease in regular gasoline prices in the United States over that time span. As a result of this and an improving employment picture, the US has seen increases in personal consumption expenses (PCE) of 3.7% and 3.3% YoY in January and February. More directly beneficial to ICON, the percentage of PCE's assigned to clothing and footwear have increased 4.1% and 3.5% YoY in the first two months of 2015. Apart from November 2014, these two increases represent the two largest YoY monthly increases in clothing PCE's since January 2013. These PCE increases have translated to retail clothing sales growing 3.3%, and 2.8% in the first two months of 2015.

- **Success of the *Peanuts* Brand.** As of 4Q14, Iconix holds 180 licenses for the *Peanuts* brands. Target, Macy's, Forever 21, H&M, ABC-Disney, Cedar Fair, and MetLife are among the recognizable licensees of this brand. Revenues stemming from the entertainment segment increased 94.7% and 37.5% YoY in FY'13 and FY'14, respectively. Driven by the strength of the *Peanuts* brand, the entertainment segment of ICON has grown faster than any other product segment. Beneficially to the debut of *The Peanuts Movie*, PCE's assigned to movie theater admissions increased 13.1% YoY in February of 2015. With the release of *The Peanuts Movie* scheduled for November 2015 in the United States and 75 other countries, ICON is positioned to benefit from box office and merchandise sales across the world in 4Q15 and 1Q16.
- **Diverse Customer Contracts.** ICON's direct-to-retail revenues accounted for 32.7% of FY'14 total revenues. The company's most significant direct-to-retail licensing customers are: Wal-Mart (12% of revenues), Target (5.2%), Kohl's (4.9%), and Kmart (4.9%). Because of this distribution among these four significant retailers, Iconix is exposed to little buyer power risk.

Valuation

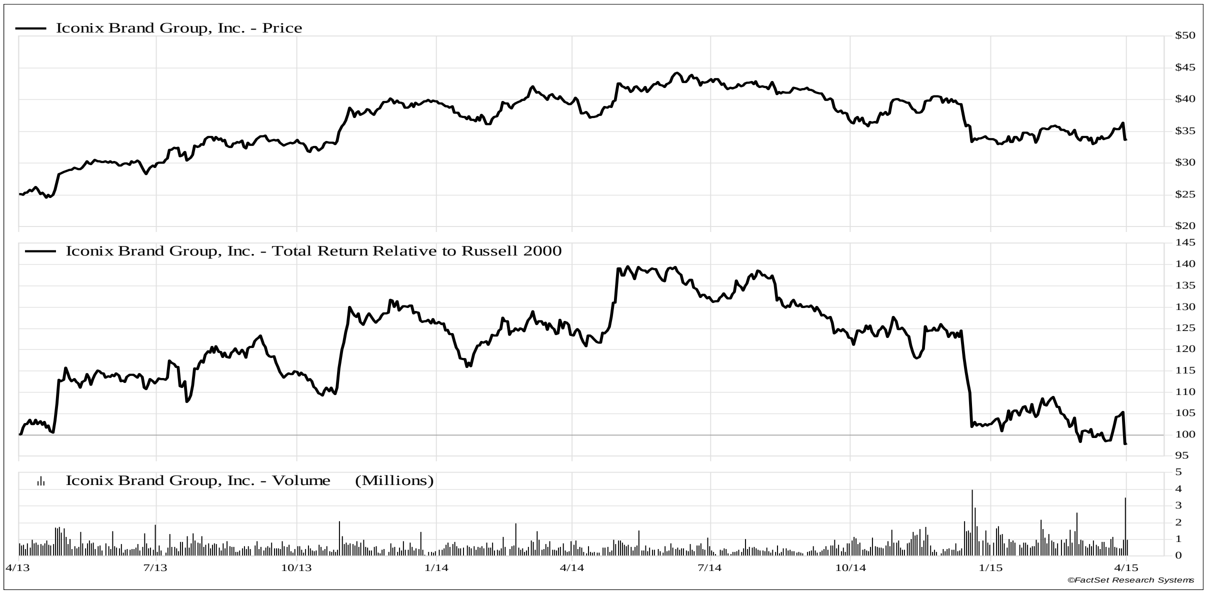
In order to reach an intrinsic value for ICON, a five year DCF model was constructed. Using a terminal growth rate of 2.5% and a WACC of 7.47%, an intrinsic value of $40.85 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $21.37-$66.12. Additionally, a P/E multiple valuation was conducted using NTM EPS of $3.08, a comparables average P/E of 19.72x, and ICON's TTM P/E of 13.42x, which resulted in a valuation of $56.79. Finally, an EV/EBITDA multiple valuation was calculated. A peer average EV/EBITDA ratio of 10.17X was used to obtain a value of $51.27. By weighting the three valuation models 70/15/15 respectively, a price target of $44.81 was reached, which represents a 26% upside. The firm does not pay a dividend.

Risks

- **Failure of Brands Internationally.** International revenues have increased 153.6% and 25.1% YoY in FY'13 and FY'14, respectively. Management has been targeting acquisitions, and positioning its current brand portfolio, for sustainable growth internationally. With the international geographic segment constituting 36.4% of revenues, a 1380bps increase from 22.6% in FY'12, a failure for ICON's brands to continue to expand in international markets will negatively impact the company's top line performance.
- **Recent Acquisitions Disappoint.** In 1Q15, ICON acquired the Strawberry Shortcake and PONY brands for $105MM and $37MM in cash, respectively. The Strawberry Shortcake brand is a global brand with 350 licenses that derives 50% of its revenues from international markets. The company's management team expects the brand to contribute $18-20MM in royalty revenue in 2015, with PONY contributing an extra $2MM. While management stated that they did not project these contributions into their FY'15 revenue guidance, disappointing top-line performance from these newly acquired brands will hurt the company's growth prospects in the future.
- **Continuing Decline in Men's Apparel.** The weakest performing segment of ICON's brands' product offerings is men's apparel. The segment's revenues declined 22.3% YOY in FY'14, making men's apparel ICON's only brand segment to experience decreasing revenues. The segment currently accounts for 24.2% of the company's revenues, a 901bps decrease in the segment's revenue contribution in FY'13.

Management

The current CEO of Iconix Brand Group, Inc. is Neil Cole. Mr. Cole led the initiative of transforming Candies, Inc. into Iconix Brand Group in 2005. He has been CEO, Chairman, and President since the company's inception in 2005, and has over 30 years' experience in the brand licensing business. On March 31 2015, Jeff Lupinacci announced his intentions to resign as CFO of the company in 60 days to pursue another business opportunity. Mr. Lupinacci has been CFO since April 2014, and will be replaced in the interim by David Blumberg, who has been with Iconix since November 2006. Mr. Blumberg has been Head of Strategic Development and Executive VP since February 2009.



Source: FactSet

Peers

Company	Ticker	Market Cap	P/E	EV/EBITDA
Guess, Inc.	GES	1.54B	14.38	4.8
Steve Madden, Ltd.	SHOO	2.43B	21.52	13.67
Skechers U.S.A, Inc.	SKX	3.8B	26.35	13.64
Brown Shoe Company, Inc.	BWS	1.37B	16.61	8.55
Average		2.29B	19.715	10.165

Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	5.44%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Dimensional Funds Advisors	4,504,000	9.40
BlackRock Fund Advisors	4,497,000	9.40
SouthernSun Asset Management LLC	4,267,000	8.90
The Vanguard Group Inc.	3,354,000	7.00
Weitz Investment Management, Inc.	2,374,000	4.90

Source: FactSet

Lululemon Athletica, Inc. (LULU)
April 10, 2015

Clare McNamara — International Consumer Discretionary

Lululemon Athletica, Inc. (NASADQ: LULU) is a unique designer and retailer of yoga-inspired athletic apparel for women, men and female youth. The comprehensive apparel and accessory line consists of fitness pants, shorts, tops, and jackets designed for athletic pursuits like yoga, running and general fitness. LULU's revenue is generated through 302 corporate-owned stores (75% of revenue), a direct to consumer e-commerce website (17.9), and wholesale retail, showrooms and temporary stores (7.1). LULU is expanding its international presence (7% of revenue), while maintaining focus in the U.S. (70) and Canada (23). The annual growth of LULU directly reflects the brand's unique product and position within the retail industry, elite status and brand loyalty. Lululemon Athletica, Inc. was founded in 1998 and is headquartered in Vancouver, British Columbia, Canada.

Price ($): (4/3/15)	63.34
Price Target ($):	80.73
52WK H-L ($):	69-36
Market Cap (mil):	8,993
Float (mil):	76.7
Short Interest (%):	14.1%
Avg. Daily Vol (mil):	2.32
Dividend ($):	0.00
Yield (%):	0.00%

Beta:	1.17
WACC	10.1%
M-Term Rev. Gr Rate Est:	11.8%
M-Term EPS Gr Rate Est:	17.0%
Debt/Equity:	0.0%
Debt/EBITDA (ttm):	0.00
ROA:	18.8%
ROE:	21.9%
ROIC:	21.9%

FY: Feb 1	2014	2015E	2016E	2017E
Revenue (Mil)	1,797.21	2,012.88	2,294.68	2,570.04
% Growth	12.95%	12.00%	14.00%	12.00%
Gross Margin	50.87%	58.00%	58.00%	58.00%
Operating Margin	20.57%	20.30%	20.30%	23.20%
EPS (Cal)	$ 1.89	$ 2.04	$ 2.32	$ 2.96
FCF/Share	$1.35	$2.84	$4.19	$5.05
P/E (Cal)	39.9x	21.3x	27.3x	21.4x
EV/EBITDA	20.4x	19.5x	10.3x	9.0x

Recommendation

LULU has been able to carve out a domestic niche market in a highly competitive fitness apparel industry. The company serves to benefit from the increasing trend in developed countries worldwide becoming more health-conscious. With obesity rates at all-time highs in these countries, doubling since 1980, there has been a surge in health, fitness and also yoga interest (20.4 million Americans practice yoga). With fitness and yoga expanding, LULU is moving to expand internationally as well. The company has been able to maintain high revenue growth (32.72%, 5-year avg.), with an eye on long-term growth and market share against multinational brands like Nike (NKE) and Under Armor (UA). LULU maintains a high operating margin (21% FY 2014) by managing the design and retail operations of the product rather than manufacturing. LULU has a clean balance sheet, with debt of 0% since 2006, and cash of $194.72M FY 2014. The strength of LULU's financial position enables the company to strategically move into new potential markets. The men's line (1 store) and Ivivva line (22 stores) for female youth has helped diversify LULU's offerings and has added to the growth of the company through initiatives to expand both lines. For example, the firm has plans for 20 new Ivivva stores in FY 2015. LULU is focusing on creating a lean supply chain, which comes with their global expansion. Focus on improved logistics is also a result of growing direct to consumer sales (+2% share of revenue YoY). As a result of growth initiatives, strong financial position and favorable valuation, it is recommended that LULU be added to the AIM International Equity Fund with an upside of 21.54%.

Investment Thesis

- **Accelerated international market expansion.** As of FY 2014, LULU has begun its accelerated international expansion plan with a new store in the U.K., one in Singapore, and a recently signed contract for a license and supply agreement with a partner in the Middle East for potential stores in the U.A.E, Qatar and Kuwait. Furthermore, LULU is strategically planning for increased international demand by establishing third-party logistics and distribution centers in Hong Kong and Rotterdam, Netherlands (to better serve European and Asian markets). LULU had defined market potential for 20 stores in Europe and Asia based on their seeded showrooms in international markets. Europe and Asia accounted for 7% of net revenue in FY 2014, continuing to expand as LULU becomes more established internationally.

- **Unique brand position and environment.** Although market competition has increased over the past years, with some competitors like Nike (NKE) and Gap (GPS) (Athleta brand) using similar product designs and target market strategy, LULU is still a frontrunner with materials, brand and product presentation. LULU works with several different, branded materials, such as luon, silverescent and pacebreaker, in tandem with innovative colors and designs based on feedback from customers, trainers, athletes and yoga instructors – to give the customer what they want. The store embodies a fresh, inviting atmosphere with the option of in-store tailoring, weekly events and fitness classes. Their unique product and store branding keeps LULU a key player in fitness apparel which is critical for their long-term growth.
- **Growing e-commerce segment.** LULU's recent e-commerce revenue growth increased 22% YoY to comprise 18% of FY 2014 revenue. This segment is expected to continue increasing its share of net revenue by about 2% annually. E-commerce was added to LULU's website in 2009 and U.S. e-commerce distribution was taken over in 2011. LULU is focused on creating a lean supply chain system to aid in inventory turnover and customer satisfaction, with a new warehouse in Ohio to aid sales in Europe as well.

Valuation

A five-year DCF model was constructed in order to reach an intrinsic value for LULU. Using a terminal growth rate of 3%, WACC of 10.1%, an intrinsic value of $67.87 per share was reached. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.66, a comparables average P/E of 39x, and 5-year historical average P/E which resulted in a valuation of $77.61. Finally, an EV/EBITDA multiple valuation was calculated. Using the a similar blended comparables and historical average of 22x and NTM EBITDA of $428.03M, the multiple resulted in a valuation of $109.58. By weighting the three valuation models 50%, 25%, and 25% respectively, a price target of $80.73 was reached, which yields a 21.54% upside. LULU does not pay a dividend.

Risks

- **Volatile quarterly earnings.** LULU generates roughly 40% of total net revenue in Q4 historically, because of holiday sales. This shows lack of market consistency in the brand throughout the year.
- **Competitive market.** LULU competes against numerous specialty retailers as well as large, multinational brands in the athletic apparel industry. The market is becoming more saturated with traditional retailers catching on to the fitness trend with their own athletic lines. This makes operating margins for a smaller company like LULU even more vital.
- **Economic downturn.** Being in the consumer discretionary sector, LULU depends on a good economy with increasing discretionary spending. An economic downturn or recession would decrease LULU's revenues.
- **Dealer diversification and foreign currency.** LULU relies on few dealers for the raw materials and manufacturing of their products. 40% of raw materials come from a single producer due to the technicality of fabrics used by LULU – the relationship with this producer is crucial. The firm reports in USD and therefore has lost money because of foreign exchange as the Canadian dollar weakens. LULU expects this to have an impact of approximately $65 million on revenue in FY 2015.

Management

Laurent Potdevin has been CEO & Director for LULU since 2014. He was previously President at TOMS Shoes, Inc., and President & CEO at Burton Snowboard North America before that. Stuart C. Haselden has been CFO since February 2015 and was CFO at J. Crew Group, Inc. for 9 years before that. CIO is Allan Smith, who has been with LULU since 2011. Tara Ruth Barber Poseley is CPO and has been with the company since October 2013. She was Senior VP at Sears Holding Corp. and President at The Children's Place Inc. previously.

Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	23.30% ▲
% of Shares Held by Institutional & Mutual Fund Owners:	76.70% ▲

Source: Factset

Top 5 Shareholders

Holder	Shares	% Out
Fidelity Management & Research Co.	19,786 ▲	15.00
Capital Research & Management Co. (Global Investors)	10,091 ▼	7.60
Manning & Napier Advisors LLC	8,430 ▼	6.40
The Vanguard Group, Inc.	5,223 ▼	4.00
JPMorgan Investment Management	3,186 ▼	2.40

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
lululemon athletica	LULU	8,993.0	239.0	0.0	39.9	20.4
Under Armour	UA	17,146.0	208.4	21.1	71.5	33.3
bebe stores	BEBE	281.8	-59.3	0.0	—	—
V.F. Corporation	VFC	32,116.0	1,048	25.7	31.0	15.4
Gap	GPS	17,806.0	1,262	45.4	14.4	6.5
Peer Averages		16,837.5	614.7	23.0	38.9	18.4

Source: FactSet

ICICI Bank Limited Sponsored ADR (IBN)
April 10, 2015

Brendan O'Malley International Financial Services

ICICI Bank Ltd. (NYSE: IBN) provides a wide range of banking and financial services, which includes commercial banking and treasury operations to corporate and retail customers in India through a variety of delivery channels. The company operates through four segments: Retail Banking, Wholesale Banking, Treasury and Other Banking. Retail Banking (31% of revenue) includes traditional banking services, while the Wholesale Banking segment (25%) includes all advances to trusts, partnership firms and investment companies. The Treasury segment (22%) includes the bank's investment portfolio and the Other Banking segment (22%) includes leasing operations and other items not assigned to the other segments. IBN is the largest private sector bank in India and was founded in January of 1994 in Mumbai, India. As India's leading bank, they have continued to focus on enhancing their retail franchise by increased investments in the semi-urban and rural markets. IBN, which is headquartered in Mumbai, has a network of 3,850 branches supplemented by 12,091 ATMs.

				FY: Dec	2013A	2014A	2015E	2016E
Price ($): (4/6/15)	10.50	Beta:	1.07	Revenue (Mil)	8,245.30	8,159.13	8,474.74	8,796.78
Price Target ($):	11.42	WACC	8.1%	% Growth	3.88%	-1.05%	3.87%	3.80%
52Wk H-L ($):	13.24-8.31	M-Term Rev. Gr Rate Est:	4.0%	Net Interest Margin	3.11%	3.33%	3.49%	3.62%
Market Cap (bil):	30	M-Term EPS Gr Rate Est:	4.5%	Pretax Margin	18.32%	20.59%	22.32%	24.10%
Float (mil):	--	Financial Leverage	7.54x	EPS (Cal)	$0.53	$0.55	$0.57	$0.60
Short Interest (%):	--	ROA:	2.0%	P/E (Cal)	16.3	12.9	19.9	19.0
Avg. Daily Vol (mil):	8.8	ROE:	15.6%	BVPS	4.39	4.43	4.52	4.6
Dividend ($):	0.15	Tier 1 Capital Ratio	13.1%	P/B	1.96	2.69	2.53	2.48
Yield (%):	1.48%	Credit Provisions/Loans	0.6%					

Recommendation

IBN has been able to maintain superiority amongst its competitors while producing accelerated growth that will stabilize at 2-4% in future years. The bank has increased its customer base through innovative banking services by providing banking opportunities in difficult to reach rural areas. IBN has seen a 6x increase in the number of transactions since March 2012 due to its expansion into mobile banking. This service now commands a 25% market share based on the value of total transactions. IBN also has growth plans to further increase its geographical presence in rural markets and to escalate the amount of small business loans. With a Tier 1 capital ratio of 13.05%, IBN is well capitalized, which enables it to expand and further increase its presence in India. Along with a healthy Tier 1 ratio, the bank has seen robust growth in its retail disbursements resulting in a YoY growth rate of 26% and a rise in total deposits by 12% YoY. Through expansion and by controlling costs, IBN has increased its retail portfolio by over 25% YoY as of yearend 2014. The growth in the retail portfolio continues to be driven by secured products with the outstanding mortgage and auto loan portfolios growing by 27% and 32%, respectively. Through the growth of these portfolios, net interest income increased by over 13% YoY for the three prior quarters. Furthermore, with India's Q4 GDP (7.5%) above China's rate and a population growth of 1.24%, and a stable government, the Indian economy is presently the strongest emerging market country. In conclusion, IBN's accelerated growth, innovative and expansive projects, and continued growth of portfolios, it is recommended that IBN be added to the AIM International Fund with a target price of $11.42, which offers a potential upside of 9%. The company also pays an ADR dividend of $0.15, which is a dividend yield of 1.4%.

Investment Thesis

- **Growth and Profit Increase.** IBN has increased its revenue and earnings growth through active management. The company's interest income and net income have a 3-year CAGR of 7.3% and 10.8%, respectively. IBN has an annual credit growth of nearly 14%, which is driven by strong retail loan growth. IBN's domestic loan growth is 15.1% and secured lending has driven their portfolio growth over 20%. More specifically, home loans increased 27%, auto loans 32% and business banking by 18% YoY. IBN's focus on retail banking has driven overall fee growth to 7% YoY - producing a higher revenue stream. Based off the historical data, IBN should be able to achieve its goal of growing by 2-4% incrementally above the overall banking system's domestic loan growth.

- **Strong Market Presence.** IBN has the largest branch network among private sector banks in India with over 3,850 branches and over 12,000 ATMs. The firm intends to maintain growth in their strongest segment, retail banking, while investing in semi-urban and rural markets. IBN has the largest rural branch network amongst its competitors and 75% of their recent branch additions have been in rural and semi-urban areas. IBN has increased market presence through technology advancements. In 2014, IBN was named "Best Retail Banking Branch Innovation," and management has indicated that they intend to remain innovative in the coming years.
- **Healthy Capital Ratios.** IBN has a healthy and strong capital structure with a Total Adequacy Ratio above 18% and a Tier 1 Capital Ratio of 13.1%, both of which exceed the Basel III requirement of 10.5% and 8.5%. IBN is one of the best-capitalized Indian banks for its size, which has reduced their risk in relation to unforeseen shocks in the economy. By maintaining ratios above the required limit, IBN has supported itself for growth in the coming years.

Valuation

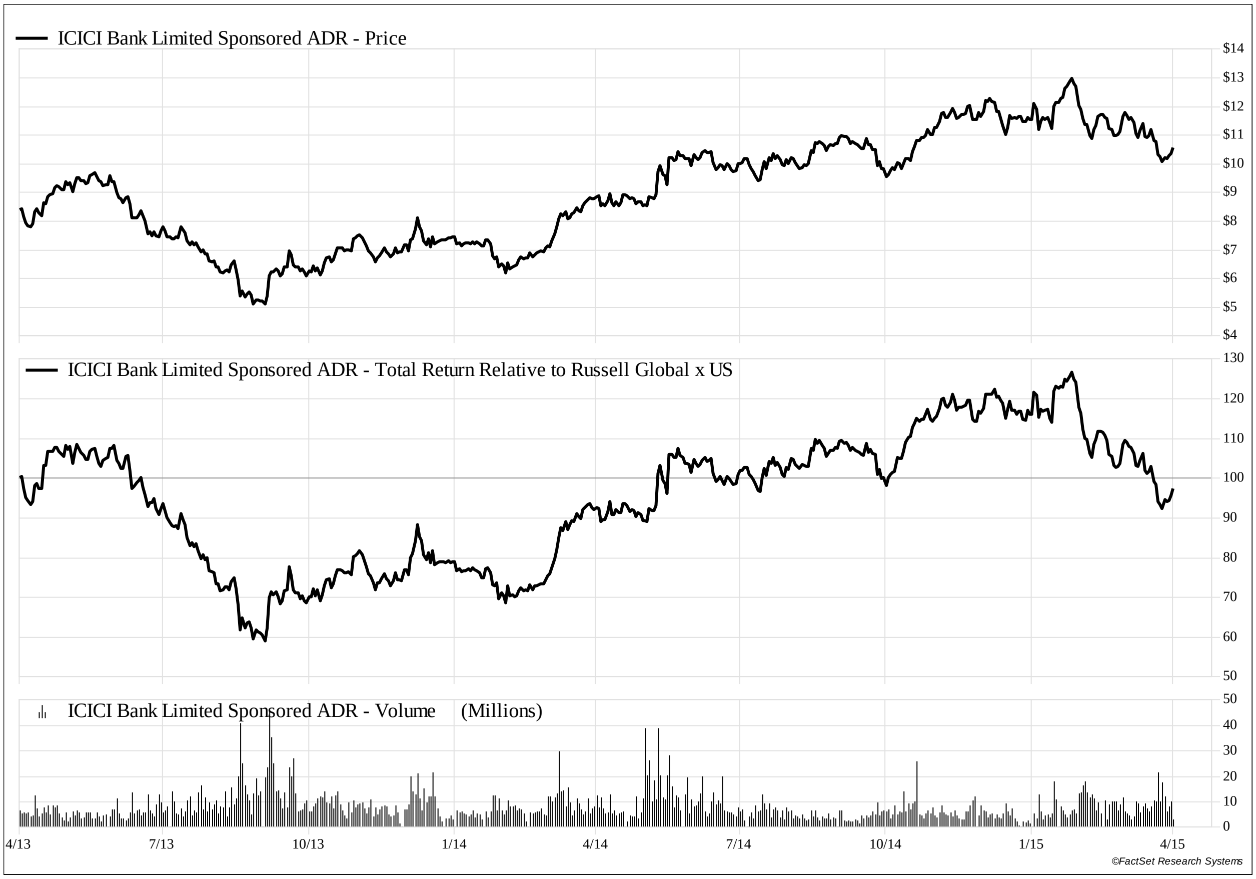
To find the intrinsic value of IBN, price to book and price to earnings multiple approaches were used, as well as a Dividend Discount model (DDM). The 5-year average historic P/B and P/E for IBN were 2.13x and 15.68x, respectively - with its peer average being approximately the same with an average P/B of 4.16x and P/E of 24.4x. Weighting the historic average and the peer average the same, the P/B yielded an intrinsic equity value per share of $14.62 and the P/E yielded an intrinsic value of $11.45. The DDM approach using a cost of equity of 11.3% and a long-term growth rate of 3% resulted in an intrinsic value of $7.91 per share. Weighting these valuations equally, the final estimated intrinsic value of IBN is $11.42, which provides an upside of 9%.

Risks

- **Slowing Economy.** IBN is part of a still growing economy with Indian GDP continuing to rise, however, Q3'14 GDP fell below Q2 by 0.3%. The IMF just raised the anticipated GDP from 6.3% to 7.5% for 2015. In an attempt to stimulate economic growth and prevent deflation, the Reserve Bank of India (RBI) cut interest rates already this year by 25 bps to 7.5%. This is on the basis of a multitude of countries starting a QE program. If the US does increase their interest rates later in the year, India and other developing economies could face large capital outflows.
- **Fluctuating Exchange Rates.** Volatility in the Rupee:Dollar exchange rate may lead to a decline in India's foreign exchange reserves and may adversely affect IBN. A shrinking exchange rate would decrease capital gains because an upside of the stock can be negated from a falling exchange rate. Global easing moves can contribute to currency devaluation, however this year the rupee has strengthened 1.9% against the Dollar.
- **Increased Bank Regulation.** ICICI bank is subject to heavy regulations of the RBI. IBN is more structurally exposed to interest rate than other countries banks. Their portfolio must contain a large portion of fixed income of Indian government securities, which hurts more as interest rates rise. The RBI has increased capital requirements every year from 2012-2014, IBN is subject to further risk as RBI may potentially raise requirements.

Management

Chanda Kochhar has served as Managing Director and Chief Executive Officer of IBN since 2009. Kochhar was instrumental in the inception of the bank in the 1990s. Kochhar is a member of the Board of Trade, High-Level Committee on Financing Infrastructure, India – Japan Business Leaders Forum, US-India CEO Forum and UK-India CEO Forum. There are three other executive directors under her, N.S. Kannan, K. Ramkumar, and Rajiv Sabharwal all with over 22 years of experience in the field. Sabharwal and Kannan both have been with the ICICI group for over 20 years with prior experience.



Ownership

% of Shares Held by All Insider and 5% Owners:	-
% of Shares Held by Institutional & Mutual Fund Owners:	12.70%

Source: ThompsonOne

Top 5 Shareholders

Holder	Shares (000)	% Out
Oppenheimer Funds, Inc	134,449	4.6
Harding Loevner LP	54,463	1.9
Capital Research & Management Co.	40,900	1.4
Earnest Partners LLC	30,636	1.1
Dimensional Fund Advisors LP	25,733	0.9

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (bil)	Div. Yld. %	P/B	D/E
ICICI Bank	IBN	30,734	1.90	1.40	2.3	1.9
HDFC Bank	HDFC	41,680	1.53	0.50	5.8	0.8
Hang Seng Bank	HSNGY	34,661	1.95	4*	1.9	—
China Minsheng Bank Corp	CMAKY	42,843	7.18*	2.30	1.1	0.5
PT Bank of Central Asia	PBCRY	28,589	1.27	0.90	4.8	0.1
Peer Averages		36,943	1.58	1.23	3.4	0.5

**Removed For Relative Valuation Analysis*

Source: MorningStar

Shutterstock, Inc. (SSTK)
April 10, 2015

Paul Tran — Domestic Information Technology

Shutterstock, Inc. (NYSE: SSTK) is a technology company that operates a global, freely searchable, and continuously updated online marketplace for commercial digital imagery, which comprises of licensed stock photographs, illustrations, and videos. Companies and individuals pay to license, download, and incorporate these materials in their visual communications, such as websites, digital and print marketing, corporate communications, books, publications, and video content. SSTK provides a network of over 65,000 approved contributors, and each time a download occurs, the company records royalty expense for the specific contributor. The vast majority of Shutterstock's revenue is generated by selling licensed digital imagery and music through its subscription-based users (40%) and On Demand purchases (35%). Shutterstock was founded in 2003 by Jonathon Oringer and is currently headquartered in New York, NY.

Price ($):	68.30
Price Target ($):	88.74
52WK H-L ($):	86.84 - 54.46
Market Cap (mil):	2,436
Float (mil):	17.8
Short Interest (%):	4.8
Avg. Daily Vol (mil):	0.4
Dividend ($):	0.00
Yield (%):	0.0

Beta:	1.59
WACC	10.68
M-Term Rev. Gr Rate Est:	25.3%
M-Term EPS Gr Rate Est:	33.2%
Debt/Equity:	0.0
Debt/EBITDA (ttm):	0.00
ROA (%):	6.70
ROE (%):	10.20
ROIC (%):	10.20

FY: Dec 31	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue (Mil)	235.52	327.97	439.84	565.63
% Growth	38.85	39.26	34.11	28.60
Gross Margin	63.08	62.69	61.19	62.13
EBITDA Margin	20.04	14.20	18.77	20.38
EPS (Cal)	$0.90	$1.06	$1.37	$1.82
FCF/Share	$1.16	$1.99	$2.11	$2.22
P/E (Cal)	92.9	65.2	49.9	37.5
EV/EBITDA	50.9	31.3	23.6	21.3

Source: Factset

Recommendation

As companies continue to push their presence online and as the digital advertising market continues to grow, Shutterstock is well positioned to capture several of the growth opportunities in this space. Companies like SSTK and its main private competitors, Getty Images, Fotolia, and Dreamstime, rely on overall advertising expenditures, which have historically been around 1.29% of GDP. The landscape of the advertising business, however, has been changing over the past several years. BIA/Kelsey, a leading advertising research agency, estimates small and medium sized businesses (SMB) will increase their spending on online digital media advertising from $5.4 billion in 2010 to over $16.6 billion by the end of 2015 (a 25% CAGR). Furthermore, the stock photography marketplace, particularly pre-shot commercial digital imagery, has grown around 20% since 2013 to become a $6 billion market in 2016. Other forums, such as stock illustrations, vectors, and video clips, will grow 15-20% annually to become a $3.5 billion market by the end of 2016. As a company that provides a service for not only SMB, but over 70% of the Fortune 500 to develop their image and brand, SSTK will continue to gain new customers, expand its market presence, and build upon its deep content base. It is recommended that Shutterstock, Inc. be added to the AIM Equity Fund with a target price of $88.74, representing a 30% upside.

Investment Thesis

- **Well positioned to gain market share while retaining previous customers.** In 2014, Getty Images, considered to have the largest market share with over 150 million images by Bloomberg and the Seattle Times, saw a decline in revenue of 1.7%. Particularly in Q4, Getty's premium business saw a decline of 4%, and the midstock segment, which competes directly with Shutterstock, was down 17% y/y. On the other hand, SSTK saw a 40% y/y growth in 2014 with Google Trends showing a 6% increase in worldwide search interest – Getty Images declined 13% in the same period. Getty also has been faced with a serious liquidity issue as cash continues to fall and long term debt has risen to $2.46 billion. Amidst these issues, the co-founder and CEO of Getty Images resigned in March 2015. The competitive market looks favorable for SSTK, and with its revenue retention of 100% in 2014, 99% in 2013, and 100% in 2012, SSTK has the ability to gain new customers while retaining its existing base.

- **Significant expansion of TAM.** SSTK's management recently revealed that its total addressable market (TAM) is now at $8 billion: $6 billion in image, editorial, and video licensing, $1 billion in content/digital asset management, $750 million in licensing music, and $100-300 million in Skillfeed/Other. This TAM has more than doubled since SSTK's IPO in 2012. The increase is due mainly to the company's expansion into stock video, music, editorial images, digital asset management and workflow tools, adding higher top-line growth opportunities.
- **Growth in multiple areas.** Shutterstock's image content continues to grow at an excellent rate of 46% y/y, which makes its library over 50 million images and 2.5 million videos. In addition to the continued growth of its library, SSTK's acquisition of Rex Features creates additional growth opportunities in the editorial image market. Management believes this market to be $750 million, of which SSTK can capture $50 million to $100 million in revenue. As its content builds, Shutterstock has the opportunity to gain a larger enterprise customer base. Enterprise customers account for 20% of the company's current revenue and are projected to account for 40% of revenue in the long term.

Valuation

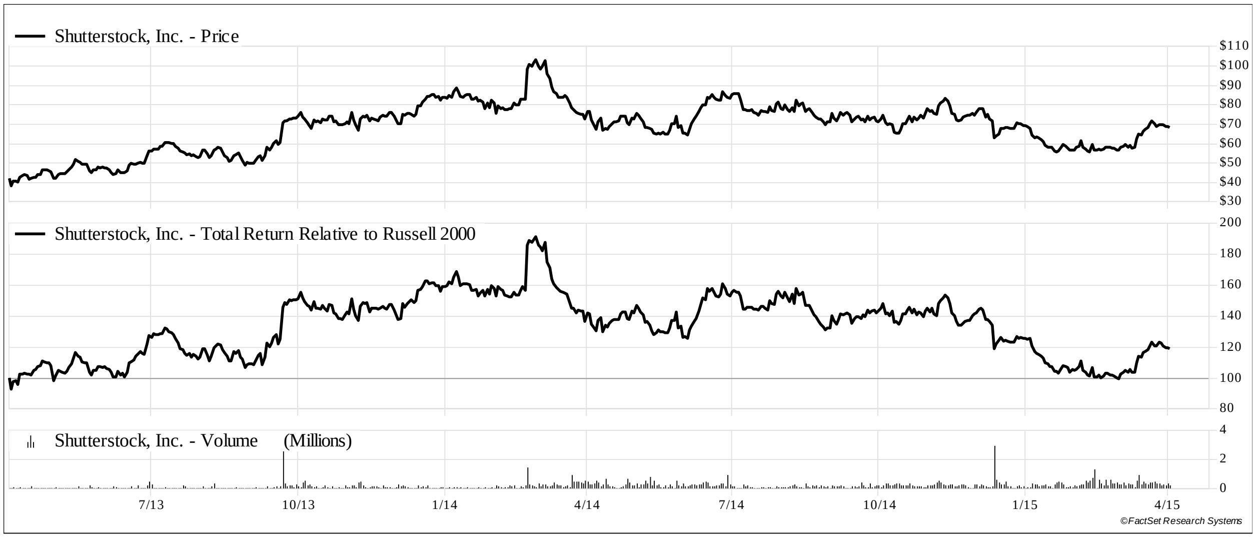
In order to reach an intrinsic value for SSTK, a five year DCF model was constructed. A terminal growth rate of 3.5% (slightly more conservative than analysts' estimates while adjusting for a shorter five year DCF and the global presence of the company) and a WACC of 10.68% were used to obtain an intrinsic value of $94.26 per share. A sensitivity analysis on the terminal growth rate and WACC ranged from $75.12 - $130.31. Additionally, a public comps model was used to determine an EV/Revenue NTM, EV/EBITDA NTM, and a P/E NTM. Using Google for its image content along with Pandora Media and Sirius XM for its contributors/royalties business model, an average multiple of 4.2x was established for EV/Revenue NTM. Adobe Systems was used for its imaging content with Fotolia along with Pandora and Sirius XM were used to obtain an EV/EBITDA NTM of 21.9x. Adobe and Pandora were again used to find a P/E NTM multiple of 43.6x. A fair value share price was averaged and calculated to be $66.68. Because the comps weren't reliable and because there are not any direct public competitors for SSTK, the DCF and comps model were weighted 80/20, respectively, and a final intrinsic value of $88.74 was established, which offers a 30% upside from the current share price. The firm does not pay dividends.

Risks

- **Adobe's acquisition of Fotolia.** Adobe acquired Fotolia, a competitor of SSTK, in January 2015. Concerns over Adobe integrating its Creative Cloud with Fotolia have been a cause for concern as many creative professionals use Adobe's creative suites, such as Photoshop. Though it may be a cause for concern, management and analysts believe that it will be more difficult for Adobe to attract and obtain customers because the search engine and image library of Fotolia remain untouched post-acquisition. Shutterstock still has a competitive advantage in this regard and has a reputation of successfully competing against larger brand names, but investors should recognize the potential risk that Adobe brings to the table as a much larger company with deeper pockets.
- **Unlicensed use of content.** Multiple copies of images, videos, and music can be found in various places on the Internet and can be pirated with some extra work. Though firms are getting better at exposing unlicensed material, the risk still exists and which could affect SSTK's revenue.
- **Foreign currency risks.** The company is internationally exposed with 63% of revenues in 2014 and 65% in 2013 derived outside of North America. Though most of the transactions take place in USD, 30% of the global revenues are exposed to currency fluctuations.

Management

Jonathan Oringer has been the founder and current Chairman & CEO of Shutterstock, Inc. since 2003. Mr. Oringer is supported by Timothy E. Bixby, the Chief Financial & Accounting Officer for four years. Prior to his time at SSTK, Mr. Bixby was the President, CFO & Head-Media Relations of LivePerson, Inc. Michael Lesser, Vice President & General Counsel, and Dan McCormick, Senior Vice President-Technology, have been with the company for 12 and 11 years, respectively.



Source: Factset

Ownership

% of Shares Held by All Insider and 5% Owners:	49.9%	▼
% of Shares Held by Institutional & Mutual Fund Owners:	46.1%	▲

Source: Factset

Top 5 Shareholders

Holder	Shares		% Out
Jonathan Oringer	16,056,000	▬	45.1
T.Rowe Price Associates, Inc.	3,260,000	▲	9.2
Wells Capital Management, Inc.	2,280,000	▲	6.4
Jackson Square Partners LLC	1,663,000	▲	4.7
Wellington Management Co. LLP	1,414,000	▲	4.0

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Shutterstock, Inc.	SSTK	2,453	22	0.0	46.0	31.3
Shutterfly	SFLY	1,722	-8	43.0	-*	15.4
Google A	GOOGL	366,459*	13,928*	3.1	18.13*	14.4
Adobe Systems	ADBE	37,860*	306	28.9	30.5	45.1
Pandora Media	P	3,392	-30	0.0	56.7	-*
Sirius XM	SIRI	21,851*	493	343.1*	31.7	18.9
Peer Averages		2,557	190	18.8	39.6	23.4

**Removed For Relative Valuation Analysis*

Source: Factset

WNS (Holdings) Limited Sponsored ADR (WNS)
April 10, 2015

John Grant International Producer Durables

WNS (Holdings) Limited (NYSE: WNS) is a leading global business process management (BPM) company that operates under two different segments; WNS Global BPM (87.5% of revenues) and WNS Auto Claims BPM (12.5%). WNS has 27,755 employees working at 37 different service center locations, primarily in: India (65.1%), the UK (12.8%) and South Africa (7.6%). WNS services 266 clients in a variety of industries, primarily in insurance (36.7% of revenues), travel and leisure services (19.5%), and diversified businesses (14.4%). The WNS Global BPM segment includes all of WNS' business activities excluding WNS Auto Claims BPM. WNS Auto Claims BPM segment provides fault and non-fault repairs. WNS (Holdings) Limited was founded in 1996 and is headquartered in Mumbai, India.

Price ($):	$ 23.93	Beta:	0.43	FY: Mar	2014A	2015E	2016E	2017E
Price Target ($):	29.60	WACC	7.51%	Revenue (Mil)	$ 498.07	$ 532.94	$ 580.90	$644.80
52WK H-L ($):	$17.11-25.97	M-Term Rev. Gr Rate Est:	10.3%	% Growth	8.1%	7.0%	9.0%	11.0%
Market Cap (mil):	1,219	M-Term EPS Gr Rate Est:	15.4%	Gross Margin	30.0%	31.0%	31.5%	32.0%
Float (mil):	51.37M	Debt/Equity:	17.70%	EBITDA Margin	12.2%	13.3%	14.1%	14.8%
Short Interest (%):	0.5	Debt/EBITDA (ttm):	0.87x	EPS (Cal)	$0.93	$1.06	$1.23	$1.45
Avg. Daily Vol (mil):	139,234.9	ROA (%):	7.70%	FCF/Share	1.22	1.11	1.19	1.31
Dividend ($):	$ -	ROE (%):	13.20%	P/E (Cal)	13.1x	14.2x	13.6x	12.1x
Yield (%):	0%	ROIC (%):	12.27%	EV/EBITDA	10.6x	10.2x	9.2x	8.9x

Recommendation

The BPM market has been growing steadily by 5% YoY for the past five years but, according to the 2014 IDC Report, will grow from $167.7B to $220.1B by 2018 (7.03% 5-YR CAGR). This expected growth is due to the increase in services provided by BPM companies, which include re-process engineering, management of mission-critical operations and business transformation services. Aggressive client acquisition is necessary in the BPM industry as companies tend to be highly complex and have customized needs that may require a multi-stage outsource transfer program. This produces high switching costs for the client and effectively generates multi-year contracts (3-8 years) and predictable annual revenues. In 2014 WNS posted 1-YR revenue growth of 8.77%, beating their comparable average of 5.7%. WNS' trend of outperformance is displayed through increasing net income, 5-YR net income hrowth of 654.1% ($7.15M - $53.91M), compared to comparables 82%. WNS has shown a strong earnings growth from 2012 to 2014 with EPS jumping from $.27 to $.79 respectively. Recently, WNS acquired Fusion, a top BPM provider located in South Africa. Additionally, management expects a new delivery center to be fully operational by the end of 2015 in South Carolina, supporting the high amount of sales from the US (~30% in 2014). Starting in April 2015, management began their "repurchase plan" of outstanding ADR's, indicating they would buy a maximum of 1.1 million shares with a floor price and ceiling price of $10 and $30 dollars/share respectively, the plan ends on March 31, 2016. Due to a favorable valuation and strong belief for future growth, it is recommended that WNS (Holdings) Limited be added to the International AIM Portfolio with a target price of $29.60, representing a 24% upside.

Investment Thesis

- **Growing Operating and Profit Margin.** Operating margin has increased from 6.59% in 2012 to 9.82% in 2014, resulting in profit margin to accelerate from 2.96% to 8.29%, a main driver being in FY14 WNS Global BPM segment operating profit increased by 28.1% ($56.7M - $72.6M). WNS Global BPM segment generates less costly revenues than WNS Auto Claims BPM, in 2014 Global BPM's profits were 15% of segment revenues and Auto Claims BPM profits were only

10%. Between FY11-FY14 WNS has seen more of their revenues derived from the Global BPM segment (53.8% in 2011 to 87.5% in 2014).

- **Increasing Client Base**. Management has indicated in Q3 2015 two new large deals closed (UK utility company and US financial services client), expanded four existing relationships, renewed 17 contracts and is expected to close six large deals before the end of FY15. Aviva (15.2% of revenues) just extended their contract with WNS. More industries in the Global BPM segment, such as insurance (36.7% of revenues), and travel and leisure services (19.5%), are becoming the focus of WSN due to lower cost of revenue (11.14% less in FY14).
- **Management Focus on Global Expansion**. Management has indicated their intention to expand globally through acquisitons (Fusion in South Africa, Aviva Global in Sri Lanka) and start operations in foreign countries (Asia Pacific and Latin America). WNS expects to increase capital expenditures by about 40% ($27.5M) in 2015 to focus more on infastructer build-out and streamlining of operations. There are currently 34 delivery centers around the world, FY14 the delivery capacity was expanded by 1,528 seats (7%) in FY14 and by 5,500 (25.5%) since 2011, this trend is likely to continue. Free cash flow has increased by 213% in the past three years, which has been the primary funding source.

Valuation

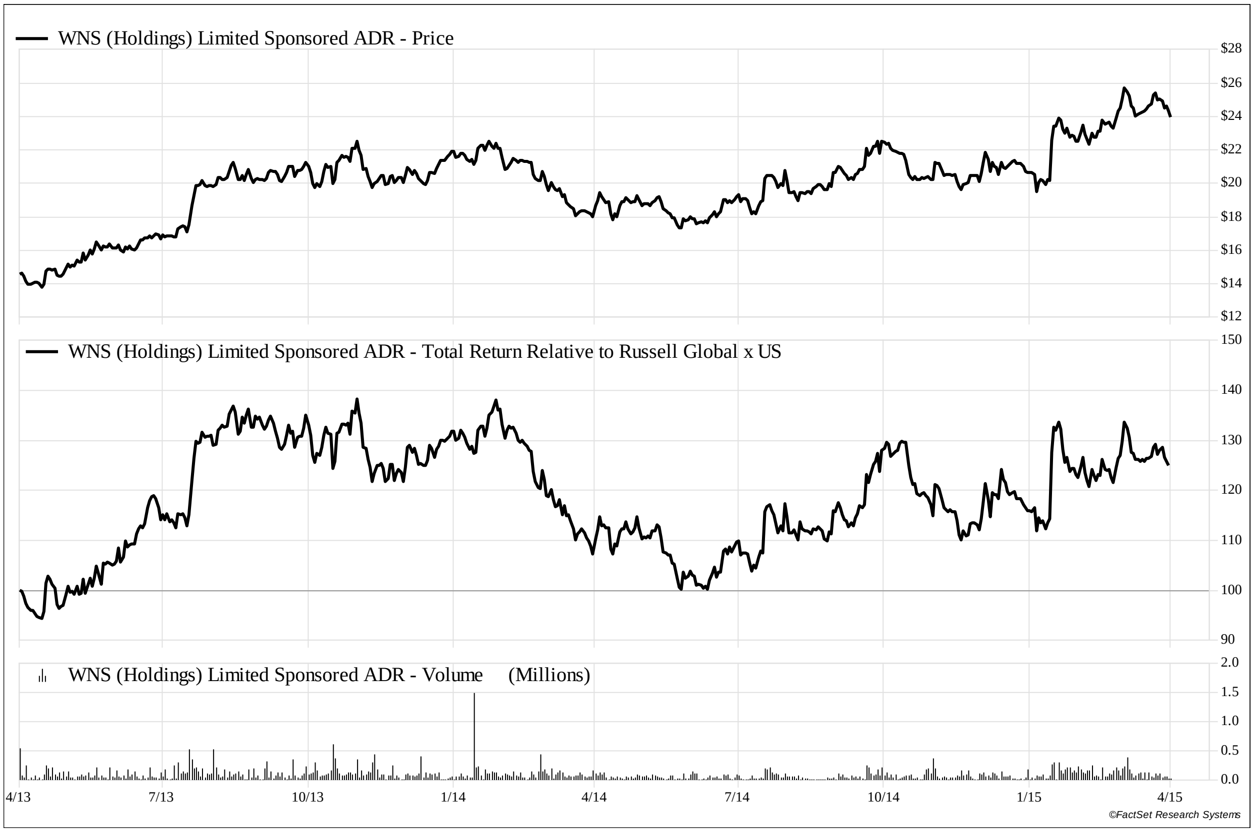
In order to reach an intrinsic value for WNS, a five year DCF model was constructed. Using a terminal value growth rate of 2.5% and a WACC of 7.51%, an intrinsic value of $35.74 per share was reached. A sensitivity analysis of the WACC produced a range of $26.11-$49.61. In addition, a P/E multiple valuation was constructed using five comparable firm's average P/E multiple of 23.28x, WNS P/E of 13.1x and a 2015E EPS of $.93 an intrinsic value of $17.82 was reached. Lastly, an EV/EBITDA multiple valuation was conducted. Using the same five comparable firms an average EV/EBITDA of 13.96x was used with WNS's current EV/EBITDA of 11.6x and a 2015E EBITDA of $104.4M produced an intrinsic value of $29.11. Weighing the three valuation models 50/25/25 respectively, a target price of $29.60 was obtained, providing a potential upside of 23.7%. WNS does not pay a dividend.

Risks

- **Large Concentration on Top Clients.** Between 2011 and 2012 revenues dropped by 23% from $616.3M to $474M due to budget cuts from WNS' top five clients (represented 41.4% of total revenues). This client focus has lessened to 36.9% of revenues coming from top five, however 15.2% still comes from Aviva. If one of their top five clients retracts from their contract WNS could potentially see a decline in earnings.
- **Low Employee Retention Rate.** Between 2012 and 2014 the retention rate for employees who have received more than six months of training has increased from 62% to 67%. WNS' inability to retain high-skilled employees could have an adverse effect on their ability to grow and uphold their business.
- **Currency Exchange Rates.** Roughly 55% of expenses are recorded in rupees and about 50% of revenues are recorded in British Pounds. Primary currency exposure is to US dollar, pound sterling and Indian rupee. To minimize currency exposure WNS uses forward and option contracts on various foreign currencies.

Management

Keshav R. Murugesh has been the acting Group CEO & Executive Director since February 2010, he is also a member of the Board of Directors at WNS. The COO, Ronald Gillette, has been with the company since 2013 and is a graduate of the US Military Academy. Sanjay Puria is the acting CFO of WNS, he has been with the company since 2010 and is on the Board of Directors at the WNS Cares Foundation.



Ownership

% of Shares Held by All Insider and 5% Owners:	7.00
% of Shares Held by Institutional & Mutual Fund Owners:	88.00

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Waddell & Reed Investment Management Co.	10,601,000	20.50
Fidelity Management & Research Co.	5,623,000	10.90
Columbia Wanger Asset Management LLC	4,471,000	8.60
TimesSquare Capital Management LLC	3,395,000	6.60
William Blair & Co. LLC (Investment Management)	3,192,000	6.20

Source: FactSet

Peer Comparables

Name	Market Cap ($mil)	P/E (ttm)	EV/EBITDA(ttm)	Debt/Equity (%)
WNS (Holdings) Limited	$ 1,219.45	13.1x	11.6x	17.70%
ExlService	1,194.30	37.49x	16.9x	12.3%
Genpact	5,096.90	27.49x	12.85x	61.7%
Infosys	39,864.50	19.89x	14.08x	0.0%
Firstsource Solution	333.20	8.77x	8.19x	-
TCS	79,605.80	22.75x	17.76x	0.5%
Peer Averages	25,218.94	23.28x	13.96x	18.6%

Source: FactSet

Exar Corporation (EXAR)
April 10, 2015

Joanne Wycklendt Technology

Exar Corporation (NASDAQ: EXAR) designs, develops, and distributes analog and mixed signal integrated circuits to three main end markets – industrial and embedded systems (46% of revenue), high-end consumer (37%), and infrastructure (17%). With over 3,500 different products sold to nearly 25,000 customers, the company creates power management, connectivity, high performance analog, processors, and ASSP devices with higher speeds, increased storage, and stronger security. The company employs a fabless semiconductor model, outsourcing fabrication to foundries in Asia. Exar Corporation has approximately 350 employees, was founded in 1971, and is headquartered in Fremont, California.

Price ($): (4/2/15)	10.10	Beta:	1.57	FY: Mar	2013A	2014A	2015E	2016E
Price Target ($):	12.40	WACC	9.76%	Revenue (Mil)	122.03	125.32	166.08	200.34
52WK H-L ($):	8.25-12.28	M-Term Rev. Gr Rate Est:	17.4%	% Growth	-6.54%	2.70%	32.52%	20.63%
Market Cap (mil):	479	M-Term EPS Gr Rate Est:	33.8%	Gross Margin	48.94%	49.87%	48.77%	49.52%
Float (mil):	392.8	Net Debt/Equity:	1.08%	Operating Margin	9.01%	9.04%	8.77%	9.81%
Short Interest (%):	5.60%	ROA:	4.23%	EPS (Cal)	$0.28	$0.25	$0.28	$0.42
Avg. Daily Vol (mil):	196.38	ROE:	5.10%	FCF/Share	$0.26	($0.01)	$0.26	$0.48
Dividend ($):	0.00	ROIC:	5.08%	P/S (Cal)	3.85x	4.04x	3.07x	2.55x
Yield (%):	0.00%			EV/EBITDA	19.8x	17.7x	13.3x	11.4x

Recommendation

Exar Corporation is a developer and distributor of analog and mixed signal integrated circuits to creators of process control, imaging, video suveillance, LED lighting, networking, and carrier class hardware technologies. Exar's lines of integrated circuits, bridges, data compressors, and LED lighting are high margin products with stable revenue growth and predictable costs. After the introduction of a new management team in 2012, the company has made countless improvements to product offerings and operating performance. It is now positioned for healthy revenue growth and margin expansion. Recently, Exar acquired 4 semiconductor companies that will help drive quarterly organic revenue growth to 3.5%-4.0% and expand operating margins to 21%+ (from ~9% in FY2014). The company derives over 62% of its revenue from the the stable industrial and infrastructure end markets (product line revenues +3.0% QOQ). Following the completion of the iML acquisition, Exar is expected to drive higher (+4.0% QOQ) revenue growth through the high-end consumer market (~40% of total revenue). While nearly 60% of revenue is generated through distributors, Exar maintains strong relationships with these companies in order to increase transparency and better meet end customer needs. Exar has successfully shifted its product and distribution focus to meet evolving technological trends; however, the company remains committed to delivering the high performance analog circuits customers expect and need, providing stability to a small company in an industry of large competitors. Going forward, the company is well positioned for strong and stable revenue growth and margin expansion that should drive quarterly EPS from $0.11 in Q3FY15 to $0.30 long term . For these reasons, it is recommended that EXAR be added to the AIM small-cap equity fund with a price target of $12.40, which offers a potential upside of 22.8%.

Investment Thesis

- **Data compression and connectivity demand drive upside.** Networking and storage products make up ~30% of Exar's revenue, with the majority of these revenues coming from the data compression, cloud-based product line, Panther. The new Panther II product has 2x the throughput speed (40+ GB/sec) than the original product. This new technology optimizes storage, increases bandwidth, and strengthens security, ultimately leaving little to no competition in the space. With the average American owning over 3 connected devices and sales of such devices expected to increase 12.6% in 2015, demand for Exar's cloud based and bridge technologies should help drive sequential revenue growth of 3.5% - 4.0% in 2015 and beyond.

- **Healthy acquisitions amid organic growth.** Since the beginning of FY2014, Exar has completed acquistions of 4 companies while maintaining stable organic revenue growth near 3.0%. The acquisitions match Exar's business plan, as new products complement Exar's current lines (products are mainly high revenue and margin generating network and storage devices) and the acquisitions effectively expand Exar's customer base without increasing sales and marketing expense. Additionally, the acquistions grew Exar's high-end consumer end market, which is now expected to reach $20 million in quarterly revenue in the next 5 years, contributing to Exar's quarterly revenue target of $70+ million (+ ~$30 million from Q315). The company is well positioned for growth, and management has no futher acquistion plans.
- **Strong relationships with distributors.** 60% of Exar's revenue is derived by distributors, with 40% generated by Future Electronics and Arrow Electronics. Exar has a healthly, transparent partnership with these two distributors that helps Exar to better understand its end customer and meet their needs without additional labor costs. Future Electronics is the top shareholder of Exar. This helps align incentives between the developer, Exar, and the distributor, Future Electronics.
- **Commitment to stable analog devices helps increase market share.** Exar is committed to maintaining a line of quality analog devices among its newer, mixed-signal product offerings. As competitors switch to a mixed-signal and digitally focused product platform, Exar expanded its analog product line through the acquisition of Cadeka. Technology products are useless without some type of analog circuit. As competitors leave the market, Exar should attract their customers, driving analog revenue to $3-5 million per quarter (~$1.0 million now) in the next 2 years.

Valuation

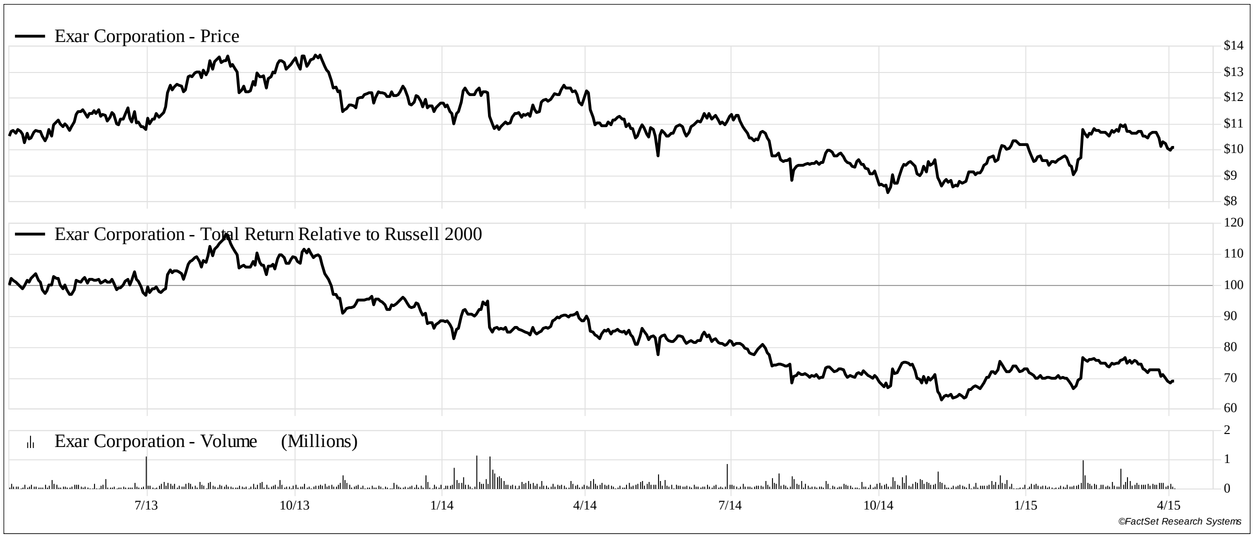
In order to reach an intrinsic value for EXAR, peer P/S, EV/EBITDA, and EV/S comparisons were conducted. Using a peer average P/S multiple of 4.23x and 2015E sales per share of $3.29, a value of $13.90 was obtained. A peer average EV/EBITDA of 16.98x and an EBITDA of $32.474 million, resulted in a $10.92 per share value. Finally, the peer average EV/S of 3.76x and 2015E sales per share of $3.29 generated a value of $12.35. By weighing the P/S multiple 40%, the EV/EBITDA valuation 40%, and the EV/S multiple 20%, a price target of $12.40 was established. EXAR does not pay a dividend.

Risks

- **Competition from technology companies.** Large semiconductor developers, such as Micrel, Analog Devices, and Texas Instruments, pose a threat to EXAR as they have greater financial and marketing resources, stronger brand recognition, and broader global distribution. Additionally, these companies contribute more to research and development. Should one of these companies develop a product to compete directly with Exar's circuits, they could leverage their size to lower prices and better meet customer needs, effectively taking market share from EXAR.
- **Integration of acquisitions.** Over the past 3 years, EXAR has undergone a structural shift via acquisition and realignment of product lines. While the final acquisition is over 92% complete, not all revenues from acquisition have become accretive. Poor integration of acquired companies and product lines could dampen results in the near-term.
- **Reliance on distributors.** With nearly 60% of revenue generated by distribution, EXAR is prone to poor visibility and misunderstanding of end customers. Loss of or miscommunication with distributors could disrupt distribution channels and materially hurt margins.

Management

Louis DiNardo has been the President and CEO since January 2012. Mr. DiNardo joined Exar after working over 30 years in the semiconductor industry for several of Exar's top competiors. Ryan Benton joined Exar in December 2012 as Senior Vice President and CFO. He came to Exar with over 10 years of experience as a CFO. Richard L. Leza is the Chairman of the Board.



Ownership

% of Shares Held by All Insider and 5% Owners:	53.80%
% of Shares Held by Institutional & Mutual Fund Owners:	81.50%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Robert G. Miller/Future Electronics	7,592,000	16.00
Soros Fund Management LLC	4,230,000	8.90
BlackRock Fund Advisors	3,732,000	7.90
Royce & Associates LLC	3,657,000	7.70
Dimensional Fund Advisors LP	2,924,000	6.20

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	P/E	P/S	EV/ EBITDA
Exar Corporation	EXAR	479	5	36.5	3.07	13.3
Micrel, Incorporated	MCRL	830	272	35.1	2.65	12.9
Intersil Corporation	ISIL	1,865	-838	19.7	2.33	13.7
Cavium, Inc.	CAVM	3,791	-136	31.5	7.14	23.8
Analog Devices, Inc.	ADI	19,396	87	18.99	4.71	17.0
Peer Averages		6,470	-154	26.3	4.21	16.9

Source: FactSet