Applied Investment Management (AIM) Program

AIM Class of 2017 Equity Fund Reports
Spring 2016

Date**:* Friday, April 15th | ***Time:** 2:30 – 4:30* p.m. | ***Location: AIM Research Room 488

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These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A.

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PRA Group, Inc. (PRAA)
April 15, 2016

Leo Martinic Financial Services

PRA Group, Inc. (NASDAQ:PRAA) is a company that purchases, collects, and processes unpaid accounts receivables from credit grantors in the Americas and Europe. Since creditors have charged-off these accounts due to their inability to collect the proceeds, PRA Group is able to buy large portions of the receivables at a steeply discounted price. The success of the firm is dependent on purchasing receivables and nonperforming loans at profitable valuations and proceeding to collect on the accounts in an effective, efficient manner (91.8% of revenue). The firm also collects on behalf of clients and charges a fee (6.83% of revenue). PRA Group, Inc., founded in 1996, is headquartered in Norfolk, Virginia with 3,799 employees.

Price ($): (4/8/16)	29.39
Price Target ($):	47.89
52Wk H-L ($):	64.82-20.00
Market Cap (mil):	1,382
Float (mil):	45.2
Short Interest (%):	18.70%
Avg. Daily Vol (000):	682.13
Dividend ($):	-
Yield (%):	-

Beta:	2.04
Cost of Equity	13.2%
M-Term Rev. Gr Rate Est:	8.8%
M-Term EPS Gr Rate Est:	4.0%
D/E	2.21
ROA:	5.8%
ROE:	19.7%
ROIC:	7.1%
Enterprise Value	3,120

FY: Dec	2014	2015	2016E	2017E
Revenue (Mil)	881.00	942.00	1,036.10	1,114.19
% Growth	19.85%	6.92%	9.99%	7.54%
Pretax Margin	34.17%	27.34%	27.09%	27.47%
Net Margin	20.04%	17.83%	17.95%	18.03%
EPS (Cal)	$3.50	$3.47	$3.74	$3.89
P/E (Cal)	16.6	10.0	10.7	12.3
BVPS	18.1	17.3	17.7	17.6
P/B	3.2	2.0	2.3	2.7

Recommendation

PRA Group is the leader in the debt collection industry and has increased revenues every year since the firm's inception, generating a 10-year CAGR of 17.46%. With the increase in revenues, net income has increased 66.61% since 2011. The firm also boasts some of the best margins in the industry, with pretax margin in the range of 27-35% and net margin in the 17-23% range. PRA Group has diversified its market and collection efforts through buying a controlling stake in a RCB Investimentos (Brazil) and Aktiv Kapital (Europe). These acquisitions continue to open up avenues for growth in revenues and overall portfolio demographics. Call centers in the Americas increased cash collection by 28% YoY while call centers in Europe increased by 15%. On a more micro level, PRAA's consistent growth in cash collections per collector hour paid has resulted in an 8-year CAGR of 12.70%. This speaks to the company's impeccable debt recovery tactics and improving workforce. As long as the overall economy remains stable, cash collections are likely to remain strong. In 2015, PRA Group purchased $963.8 million of finance receivable portfolios, the firm's second highest yearly purchase since the acquisition of Aktiv. PRA Group has over $5 of billion estimated remaining collections, 58% in the U.S. and 41% in Europe. The firm does hold sizable long-term debt amounting to $1.5 billion and is due proportionately from 2017 to 2020. Free cash flow, defined by the firm as NOCF plus collections, has increased every year with a 5-year CAGR of 12.54%. With increased receivables purchases, acquisitions abroad, efficient collection tactics and a proven business model, it is recommended that PRAA be added to the AIM Equity Fund with a target price of $47.89, representing a 62.95% upside. PRAA does not pay a dividend.

Investment Thesis

- **Effective and Successful Underwriting Process.** The firm has consistently demonstrated its ability to identify, evaluate, and purchase portfolios of receivables at attractive prices that generate strong returns on their investment. The firm uses quantitative analytical databases for modeling purposes along with qualitative analysis in each purchase decision. Over each consecutive year in business, the firm has been able to add additional data to its databases to increase sample sizes among customer/account attribute data and respective collection results. These practices have resulted in cash collections to purchase price multiples of 2.0-3.0x.

- **Acquisitions Abroad.** In August 2015, the firm acquired a 55% equity interest in RCB, the leading non-performing loan manager in Brazil. RCB's executive team has agreed to long-term employment contracts and will continue to operate RCB in Brazil for the foreseeable future. One year earlier, PRA Group purchased Aktiv Kapital, a firm specializing in the servicing of nonperforming consumer loans throughout Europe and Canada. These acquisitions provide new markets to diversify the portfolio pool, mitigate regulatory risk, and provide huge amounts of data conglomeration.
- **Strong U.S. Economy and Employment.** Although poorer economic conditions provide greater buying opportunities, the firm continues to generate revenue by collecting on their existing portfolios. As employment increases, consumers are able to pay their debts incurred during tougher economic times. The unemployment rate, currently at 5%, is at its lowest level in 8 years. As the unemployment rate has dropped, cash collections have reached record setting levels for the firm growing at a CAGR of 18% since 2009. Additionally, there is growing sentiment that banks will be unable to continue to hold non-performing debts on their balance sheet, so it is possible that PRA Group will be able to buy large portfolios of discounted receivables, while maintaining their high collection rates.

Valuation

To reach an intrinsic value for PRAA, an excess equity model was conducted along with price-to-earnings and price-to-book multiples. The excess equity model's cost of equity was 13.22%, a growth rate (ROE) of 19.72%, along with a terminal value of 2%. The excess equity method resulted in an intrinsic price of $48.67. Averaging firm's 5-year P/B multiple of 2.54x with a 5-year peer average of 1.46x led to a value of $34.68. For the P/E multiple, averaging the firm's 5-year average of 13.57x with the 5-year peer average of 19.56x led to a value of $57.48. By weighting the model and multiples 70/15/15, a target price of $47.89 was achieved, representing a 62.95% upside.

Risks

- **Global Economic Deterioration.** Since the firm operates in the United States, Europe, and Brazil, the firm is subject to both domestic and global economic conditions such as European countries' debt issues and the overall uncertainty facing the European Union. If the global economy faces headwinds, bankruptcies (personal and company-specific) would rise and people would be unable to pay their debts. If bank stability falters and credit markets become unstable, consumer lending would decrease resulting in less defaulted receivables for sale.
- **Unsuccessful Collection of Receivables.** The firm is dependent on the ability to acquire and collect on debts that other credit grantors deemed uncollectible. Prior debt owners and third party agencies made many attempts to liquidate these receivables, were unsuccessful, and charged them off. Additionally, collection of some receivables is dependent on success in lawsuits where outcomes are inherently uncertain.
- **Regulatory Environment.** A myriad of laws and regulations fill the debt recovery industry. Regulations may preclude collection through no fault of the firm's but rather the credit issuers' inability to comply with applicable receivables laws. The CFPB, an independent regulator created by the Dodd-Frank Act, has authority over licensed debt collectors and is currently preparing new debt collection regulations, altering the firm's debt collection tactics and increasing costs.

Management

Steven D. Fredrickson is Chairman and CEO of PRA Group, having co-founded the firm with Kevin P. Stevenson in 1996. Before his tenure began with PRA Group, he was Vice President of Household Recovery Services Corp. Kevin P. Stevenson (CPA) is President, CFO, and Director of the firm. Tiku Patel, named CEO of PRA Group Europe in January 2016, leads the firm's business activities in Europe. Mr. Patel joined PRA Group in 2014, coming over from Aktiv Kapital where he was the COO since 2008.

Ownership

% of Shares Held by All Insiders:	2.2%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	>90%	▲

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
BlackRock Fund Advisors	4,264,000	▲	8.8%
The Vanguard Group, Inc.	3,645,000	▼	7.6%
Riverbridge Partners LLC	2,724,000	▲	5.7%
BloombergSen, Inc.	2,129,000	▼	4.4%
William Blair & Co. LLC	1,787,000	▲	3.7%

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	P/B	P/E	ROE
PRA Group, Inc.	PRAA	1,367	2.0	10.0	19.7%
G&K Services, Inc.	GK	1,441	3.6	23.85	15.4%
Navigant Consulting, Inc.	NCI	740	1.3	13.06	10.6%
Asta Funding, Inc.	ASFI	121	0.6	56.87	1.1%
Encore Capital Group, Inc.	ECPG	626	1.2	17.21	7.4%
Peer Averages		859	1.7	24.2	10.9%

Source: FactSet

John B. Sanfilippo & Son (JBSS)
April 15, 2016

Patrick Wade | Consumer Staples

John B. Sanfilippo & Son (NASDAQ: JBSS) is one of the leaders in the production and distribution of various types of nuts, which includes peanuts, almonds, walnuts, cashews, pecans, and others within the United States. JBSS also produces and distributes many different snack foods. These snack foods include peanut butter, trail mixes, snack bites, dried fruits, and sesame products. These nuts and snacks are sold under a variety of brand names such as Fisher, Orchard Valley Harvest, Fisher Nut Exactly, and Sunshine Country Brands. JBSS operates in a single reportable segment that consists of selling various nut and nut related products in four distribution channels. These distribution channels include the consumer channel (60%), the commercial ingredient channel (23%), the contract packaging channel (13%), and the export distribution channel (4%). John B Sanfilippo & Son was incorporated in 1979 and is headquartered in Elgin, Illinois.

Price ($):	67.85
Price Target ($):	80.80
52WK H-L ($):	$34.57 - 72.84
Market Cap (M):	762.9
Float (000):	8,215.86
Short Interest (%):	3.30%
Avg. Daily Vol (mil):	0.121
Dividend ($):	-
Yield (%):	0.00%

Beta:	1.01
WACC	6.42%
M-Term Rev. Gr Rate Est:	7.80%
M-Term EPS Gr Rate Est:	18.63%
Debt/Equity:	19.9%
Debt/EBITDA (ttm):	.64x
ROA:	8.1%
ROE:	15.0%
ROIC:	13.2%

FY: June	2014	2015	2016E	2017E
Revenue (Mil)	778.62	887.25	975.97	1,054.05
% Growth	6.03%	13.95%	10.00%	8.00%
Gross Margin	15.78%	14.88%	14.65%	13.95%
Operating Margin	5.83%	5.85%	6.04%	5.79%
EPS (Cal)	$2.36	$2.61	$3.17	$3.29
FCF/Share	$0.18	($0.46)	$0.65	$0.68
P/E (Cal)	11.2	20.8	21.4	20.6
EV/EBITDA	6.0	9.9	10.7	10.4

Recommendation

The management team of John B. Sanfilippo and & Son understands the markets in which they operate and have over 100 years of combined experience between the CEO, CFO, COO, and CIO. On top of having an extremely seasoned management team, JBSS has vertically integrated the production and distribution of their pecan, walnut, and peanut brands. This vertical integration has allowed them to improve their overall product quality while being positioned to distribute them at a low cost. Unlike most of JBSS's competition, who purchase their nuts through the open market, JBSS acquires a large quantity of their nuts through partnerships with domestic growers which helps ensure supply and quality. JBSS's competition consists of larger nut producers and snack food providers, such as Kraft Heinz, which produces the Planter's brand, and Diamond Foods Inc., which produces the Emerald and Diamond brands. Over the course of the past five years, JBSS has generated a steady five year revenue CAGR of 9.6%. While their revenue been growing at a stable pace, JBSS's diluted EPS has grown by 65% from $1.58 per share in FY 2012 to $2.61 in FY 2015. Since the beginning of 2016, the share price of JBSS has already grown 25.58% - far surpassing the performance of other small cap stocks. Over the past six months, company insiders have purchased an additional 36,000 shares. Due to the projections that John B. Sanfilippo and Son will continue to be a strong, stable force in the production and distribution of various types of nuts and snack foods – and has an established brand with an experienced management team, it is recommended that John B. Sanfilippo be added to the AIM Equity Fund with a price target of $80.80, representing a 19.09% upside. JBSS does not pay a dividend.

Investment Thesis

- **Health Conscious Consumer and Their Inclination to Pay More.** Studies have shown that Americans are eating healthier than they previously have. Not only are they willing to eat healthier, but they are willing to pay more for healthier food and snack options. According to a poll taken at East Tennessee State University, 32% of Millennials said they would be willing to spend more money for healthier food products. As Millennials acquire more disposable income, they likely will spend more money on healthier options and this could improve the total long-term sales of JBSS and other ‘healthy choice’ providers.

- **Expanding Consumer Distribution Channel.** The Fisher brand is the market share leader in the overall recipe nut category. At the end of FY 2015, the company reported an increase of revenue in the consumer channel of 16.7%, up from the average of the last two years of approximately 4%. Looking at the Q2 2016 earnings report, JBSS’s consumer distribution channel is on track to grow another 16%. This paired with the fact that the commercial ingredients channel and the contract packaging have already grown significantly since the start of this fiscal year could mean a stronger than expected revenue growth rate for FY 2016.
- **International Expansion.** JBSS has traditionally sold their products in the United States, but in 2013 they made a decision to ramp up their international exposure. Since 2013, they have seen their export division grow - primarily in China. In the second quarter of their FY 2016 their export division grew 5.7% primarily due to a 17% increase in sales volume. If this continues, there could be a large exposure to international markets and an increase in the brand names.

Valuation

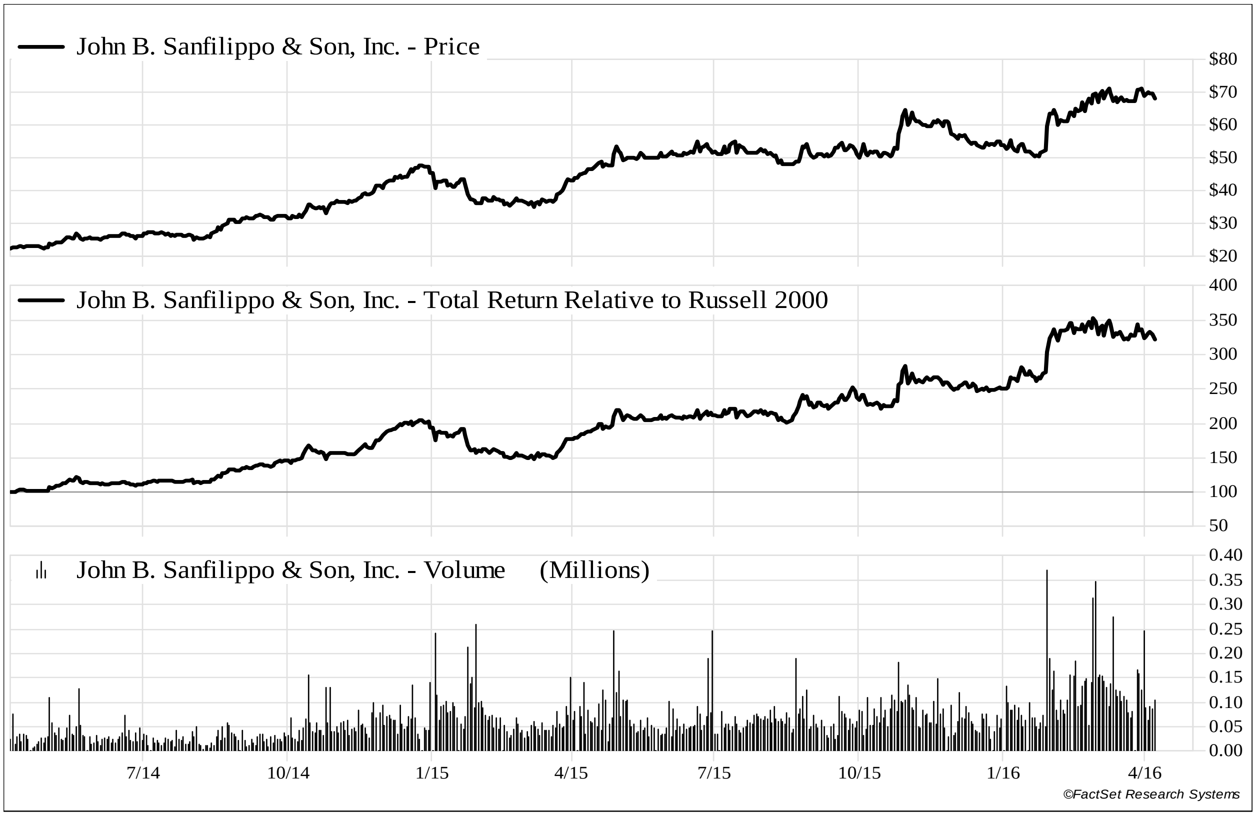
In order to reach an intrinsic value for JBSS, a five year DCF model was constructed. Using a terminal growth rate of 2.25%, WACC of 6.42%, an intrinsic value of $83.44 was reached. A sensitivity analysis on the terminal growth rate and the WACC ranged from $68.56 - $102.45. Additionally, a P/E multiple valuation was conducted using NTM EPS of $3.17, a comparables average P/E of 31.41x, and JBSS’s 5-year historical average P/E which resulted in a valuation of $76.84. By weighting the two valuation models 60/40, a price target of $80.80 was reached, which yields a 19.09% upside. JBSS does not pay a dividend.

Risks

- **Dependent on a Few Significant Customers**. Although JBSS has over 600 total customers, approximately 60% of their sales is derived from five customers and 48% is derived from the top three customers being Wal-Mart, Target, and PepsiCo. There is no guarantee these customer will continue to buy the same amount or even continue purchasing from JBSS. Losing one of these major customers would decrease sales substantially. These same customers have a lot of bargaining power JBSS.
- **Food Safety, Allergy and Product Contamination.** Although JBSS follows structured and rigorous sanitation of their equipment, there is still risk of contamination which could lead to a material effect on the net sales for the FY. This could also lead consumers to lose faith in the safety of the nut products, which would not only effect the current year, but the future years as well.
- **Increasing Acquisition Costs.** The increase in the price of almonds and pecans have caused the gross and net margins to decrease in FY 2015 compared to the previous years. If these prices continue to rise, the sales volume for FY 2016 could decrease and this could translate to a decrease in the bottom line.

Management

The management team of John B. Sanfilippo & Son has been dominiated by the Sanfilippo and Valentine families since the creation of the company in 1959. With this said, the CEO, Jeffrey T. Sanfilippo has been a part of the company sinve 1991 and was named the CEO in November 2006. Previously, he served as the Executive Vice President of Sales and Marketing for six years where he developed an understanding of how to grow the business. The Chief Financial Officer Position has been held by Michael J Valentine, who has been with JBSS since 1987, and he has held the posiion since 2006. Previous to holding this position, he served as the Executive Vice President of Finance.



Source: Factset

Ownership

% of Shares Held by All Insider Owners:	4.39%
% of Shares Held by Institutional & Mutual Fund Owners:	84.43%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
NWQ Investment Management Co. LLC	861,635 ▲	10.03
Dimensional Fund Advisors LP	722,937 ▼	8.41
Renaissance Technologies LLC	461,800 ▲	5.37
BlackRock Fund Advisors	460,844 ▲	5.36
Tiverton Asset Management LLC	325,000 ▬	3.78

Source: FactSet

Peer Comparables

Name	Ticker	Market Cap	Debt/Equity	Sales (mil)	P/E	EV/EBITDA
John B. Sanfilippo & Son	JBSS	774.6	19.9%	935.60	18.1	10.9
Snyders Lance	LNCE	2994.3	35.7%	1,656.00	44.73	18.16
J & J Snack Foods	JJSF	1954.9	0.2%	986.40	28.3	12.27
Treehouse Foods	THS	4990.9	66.7%	3,206.00	24.5	16.31
The Hershey Company	HSY	19230.3	242.5%	7,387.00	39.9	12.83
Peer Averages		7292.6	86%	3308.85	34.3575	14.8925

Source: Factset

Shinhan Financial Group Co., Ltd. (SHG)

April 15, 2016

Sean Keenan International Financials

Shinhan Financial Group Co., Ltd. (NYSE: SHG) provides various commercial and consumer banking related financial products and services in South Korea and internationally. The firm operates through the following segments: Retail (18% of Rev), Corporate and Investment Banking (49%), Credit Card (25%), Wealth Management (4%), and Brokerage and Insurance (4%). The Retail segment provides services to individual customers through Shinhan Bank and Jeju Bank. Corporate and Investment Banking's services focus on small to medium sized enterprises. Credit Card services are provided through Shinhan Card. Life insurance products and services are serviced by Shinhan Life Insurance and Wealth Management services are provided by Shinhan Investment. The company has 13 direct subsidiaries and 18 indirect subsidiaries operating through a network of around 76 offices, primarily in Asia, but also spread around United States, United Kingdom, and Canada. Shinhan Financial Group Co. was formed on September 1, 2001 and is headquartered in Seoul, South Korea.

Price ($):	35.00
Price Target ($):	42.73
52Wk H-L ($):	42.9 - 29.1
Market Cap (mil):	16,501
Float (mil):	0.0
Short Interest (%):	0.05
Avg. Daily Vol (mil):	0.1
Dividend ($):	1.02
Yield (%):	2.9

Beta:	0.92
WACC	5.77%
Non-Performing Loan Ratio	0.87%
Efficiency Ratio	72.1%
Financial Leverage	211.58
ROA (%):	0.66
ROE (%):	7.96
Tier 1 Capital Ratio (%)	13.39
Credit Provisions/Loans (%)	902.2

FY: Dec	2014	2015	2016E	2017E
Revenue (Mil $)	19,045.68	19,621.42	20,226.16	20,831.45
% Growth	-5.9%	-6.3%	8.1%	8.6%
Net Interest Margin	1.7%	1.5%	1.8%	1.8%
Pretax Margin	14.2%	14.0%	13.1%	13.2%
EPS (Cal)	$3.99	$4.16	$4.09	$4.37
P/E (Cal)	10.1	8.1	10.4	9.8
BVPS	54.4	52.4	55.7	58.8
P/B	0.74	0.60	0.63	0.60

Recommendation

South Korea's macro-economic environment has caused many hardships for the financial service industry. In FY15 alone, the industry saw over 51,000 jobs disappear and interest rates fell to a historic low of 1.50%. Nevertheless, SHG generated positive earnings despite the low interest rate environment. Due to the interest rate headwinds, SGH's net interest margin fell 27 bps to 2% in FY15, but the firm was able to maintain a solid foundation for interest income by posting steady loan growth of 8.5%. SHG prides themselves in expertise lending to small and medium sized enterprises. SMEs total roughly 99% of established enterprises and 87.7% of total employment in South Korea. SMEs have boosted loan growth at a 5 year average CAGR of 5.4%. In addition, the Non-Performing Loan ratio is currently at an impressive 0.8%, which is close to the company's record low of 0.78%. While the Korean banking business experienced difficulties, it was successfully complimented by non-banking activities. For instance, non-interest income has grown at an average 10 year CAGR of 6.68%. In particular, the Credit Card division holds a 20% market share and has posted a solid net income growth of 9.4% YoY. With strong performance from non-banking activities and strong growth in loans, SHG should see better overall growth in future revenue. SHG has been able to achieve higher ROE over its competitors – they posted a ROE of 7.96% in the most recent reporting period, while their closest competitor (Hana Financial Group) had a ROE of 4.18%. With promising future loan growth, balanced business structure, and greater returns on equity, it is recommended that SHG be added to the AIM International Equity Fund with a target price of $42.73, representing an upside of 21.9%. Shinhan also pays a dividend that yields 2.9%.

Investment Thesis

- **Well diversified business structure.** SHG holds a competitive advantage because of its well-structured business offerings that consists of its stable banking business along with highly competitive non-banking businesses. Income from the banking business declined YoY at a -13.12%, however, Shinhan Card, Investment and Life all posted positive income growth, with an overall YoY income growing at 18.3%, making a substantial contribution to SHG's consolidated net income growth. In FY15 income contribution by non-banking rose 3% from 2014 and contributed to 42% of Net Income. As a result of the diversified portfolio, SHG offers various products, services and solutions to create greater synergies than their competitors. They create these synergy-based sales through cross-selling, developing hybrid products and joint marketing.

- **Extending globalization efforts.** SHG plans to enhance future growth by increasing their footprint outside South Korea, with a focus on Asian markets. Since 2010, loans globally have increased by 100% and the global business provided over 10% of the bank's profitability in FY15. Management plans to boost profitability up to 15% in three years purely through organic growth. SHG finds growth potential in Asia and Indonesia due to their expected population growth rates of 21% and 25%, respectively. SHG recently acquired 2 local Indonesian banks and plan to launch full-fledged operations in 2017. In addition, SHG received a banking license in Myanmar and will start its operations in 2017, marking the first Korean lender in Myanmar. SHG is also considering entering the following new markets: Mexico, Australia, Dubai, and the Philippines.
- **Rapid aging demographics.** South Korea's population is aging the fastest of any major country in the world. By the year 2050 the elderly population is projected to make up 37.4% with more than half of this group aged over 75. SHG aims to benefit from this aging population by expanding differentiated financial services, particularly in the area of retirement pension market, life insurance and wealth management strategies.

Valuation

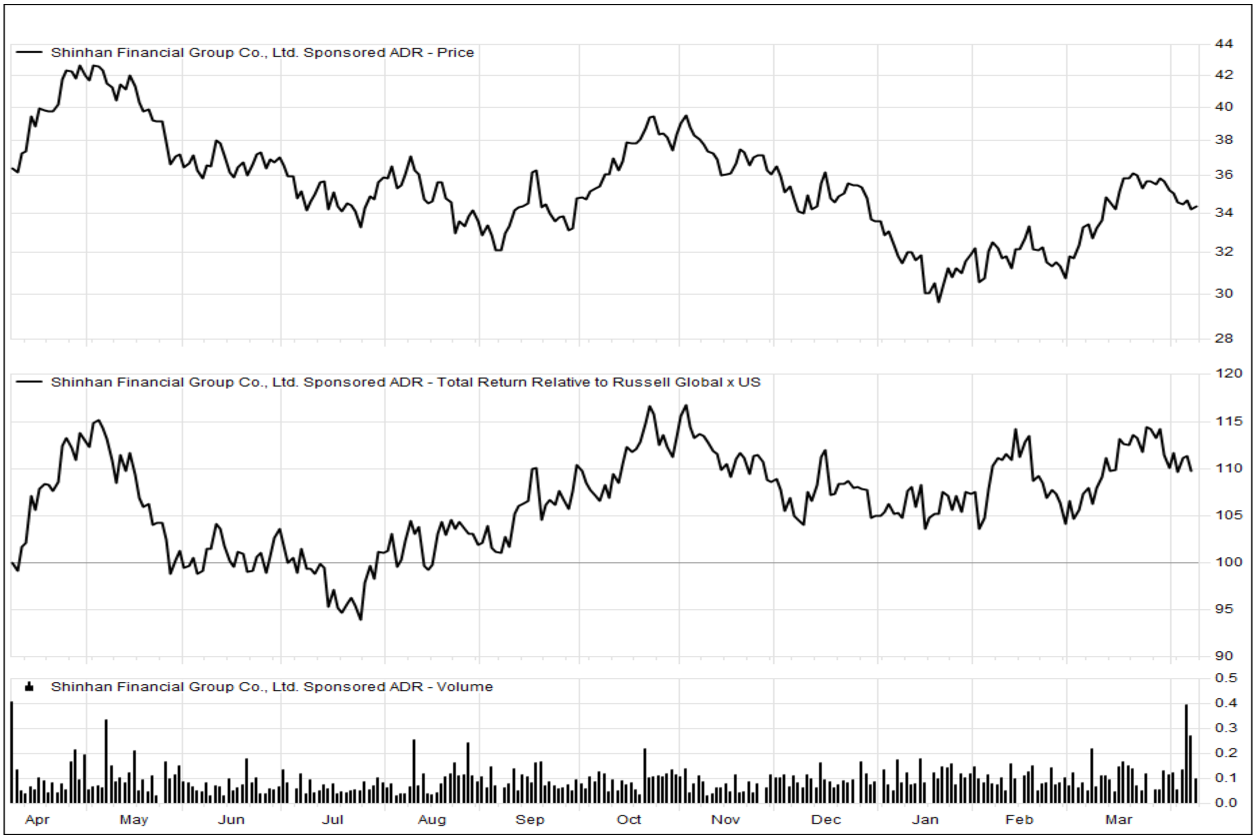
In order to reach an intrinsic value for SHG, a five year DDM model was constructed. Using a terminal growth rate of 2.85%, WACC of 5.77%, an intrinsic value of $44.26 was reached. Additionally, a P/E multiple valuation was conducted using an EPS of $4.17, a comparables average P/E of 10.97x, and SHG's 5-year historical average P/E which resulted in a valuation of $41.78. Finally, an P/B multiple valuation was calculated. Using a comparables average of 0.77x and a historical average of 0.72x and BVPS of $52.36, the multiple resulted in a valuation of $39.10. By weighting the three valuation models 60/20/20, a price target of $42.73 was reached, which yields a 21.91% upside. SHG pays a dividend that yields 2.91%.

Risks

- **Significant exposure to small and medium sized business.** One of SHG's core banking businesses has been lending to small- and medium sized enterprises. SME tend to have limited suppliers or customers and seem to be more affected by economic turmoil. In addition, SME's have less sophisticated financial records compared to large corporations and creates a hurdle to measuring risk.
- **Excessive competition in the credit card segment.** SHG's currently controls 20% credit card market share in South Korea. New competitors could compete by offering better rates and fees and better promotions. As a result SHG may lose customers and market share and/or higher marketing expenses to attract new customers.
- **Changes in interest rates.** The current Korean interest rate is at a historic low of 1.5%. South Korea's central bank's previous meeting decided to not decrease rates due to a sluggish economy. If the rate continues to decrease this will have a significant negative impact on net interest margin and profitability.

Management

Mr. Dong We Han has been serving as CEO and Director for SHG. He has held the position since 2011. Mr. Han's previous experiences consisted of the Vice Head of Bank in Shinhan Bank and President and Vice Chairman of Life Insurance Co., Ltd. He holds a Bachelor of Law from Seoul National University, Korea.



Source:FactSet

Ownership

% of Shares Held by All Insider Owners:	0.00%
% of Shares Held by Institutional & Mutual Fund Owners:	2.35%

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Dimensional Fund Advisors LP	3,071,788	▼	0.65
The Vanguard Group, Inc.	1,644,793	▲	0.35
Brandes Investment Partners LP	1,218,514	▼	0.26
Trinity Street Asset Management LLP	808,383	▲	0.17
Northern Trust Investments, Inc.	539,410	▼	0.11

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap	Net Income	Div. Yld.	P/B	Tier 1 Ratio
Shinhan Financial Group Co	SHG	16,592	2,023	2.91	0.60	13.39
Hana Financial Group Inc.	086790-Kr	6,013	815	2.75	0.33	10.43
KB Financial Group Inc. Sp	KB	10,822	1,448	2.30	0.44	13.59
DBS Group Holdings Ltd Sp	DBSDY	28,023	3,140	3.55	1.05	13.50
Standard Chartered PLC	SCBFF	20,016	-1,489	1.64	0.59	12.60
Peer Averages		24,020	826	2.60	0.8	13.1

Source: FactSet

Helen of Troy Limited (HELE)
April 15, 2016

Matthew J. Ogren | International Consumer Discretionary

Helen of Troy Limited (NASDAQ:HELE) is a diversified company that designs, develops, and markets products in four operating segments. These segments include: Healthcare/Home Environment, Personal Care, Housewares and Nutritional Supplements. The Healthcare/Home Environment segment, 42.42% of sales, includes healthcare, water filtration and home environment product categories with both owned trademarks and licensed products. The product categories for Personal Care make-up 30.1% of sales and include retail and professional appliances and accessories and grooming, skin care and hair care solutions. The Housewares segment, 20.48% of sales, and Nutritional Supplements segment, 6.9% of sales, are comprised of only owned products. The Nutritional Supplements segment is comprised of vitamins, minerals and supplements and was purchased in June 2014. The company was founded by Gerald and Stanlee Rubin in 1968 and is headquartered in Hamilton, Bermuda.

Price ($):	102.39
Price Target ($):	125.21
52WK H-L ($):	106.5 - 77.6
Market Cap (mil):	2,944
Float (mil):	28.2
Short Interest (%):	3.8
Avg. Daily Vol (mil):	0.3
Dividend ($):	0.00
Yield (%):	0.0

Beta:	0.81
WACC	8.10
M-Term Rev. Gr Rate Est:	8.3%
M-Term EPS Gr Rate Est:	15.0%
Debt/Equity:	47.9
Debt/EBITDA (ttm):	2.26
ROA (%):	8.23
ROE (%):	13.56
ROIC (%):	10.75

FY: Feb	2014	2015	2016E	2017E
Revenue (Mil)	1,317	1,445	1,493	1,550
% Growth	2.24	9.72	3.32	3.78
Gross Margin	39.23	41.49	41.67	42.11
EBITDA Margin	13.91	15.19	15.49	16.15
EPS (Cal)	$3.06	$4.65	$5.87	$6.40
FCF/Share	$3.52	$5.93	$5.80	$6.14
P/E (Cal)	24.6	17.0	17.5	16.1
EV/EBITDA	12.2	11.9	14.5	13.4

Recommendation

Helen of Troy is a well-diversified business with a strong portfolio of consumer products that has seen sales grow overall at a 5-year CAGR of 17.4%. In FY'15, the Housewares segment of the business grew by 7.9% while the Healthcare/Home Environment grew by 8.0%. Both of these segments are projected to have mid-single digits growth in FY'16 and beyond. Besides having a strong brand, HELE also has a history of successful mergers and acquisitions. They have recently flexed their muscles in the consumer products space by making multiple acquisitions over the past two years. One of these acquisitions was Healthy Directions which launched the company's Nutritional Supplements Segment. Another, Hydro Flask, was recently completed and will be a major addition to an already strong Housewares Segment. For these reasons it is recommended that HELE receive a buy rating and be added to the AIM International Equity Fund at a target price of $125.21, representing 22.29% upside.

Investment Thesis

- **Acquisition of Hydro Flask**: Helen of Troy completed the acquisition of Steel Technology LLC. for $210 million in March, 2016. Steel Technology, better known as Hydro Flask, produces quality hydration vessels (water bottles) that are marketed to people with active, outdoor lifestyles. The vessels incorporate what the company refers to as TEMPSHIELD, which allows cold drinks to stay colder and warm drinks to stay warmer while keeping the bottle itself lightweight and slim. These superior design qualities are what make the bottle ideal for the growing Outdoor lifestyle market. The outdoor market is estimated to have generated $121 billion in product sales worldwide during 2012. CEO Julien Mininberg spoke about the purchase excitedly, saying, "…The business has more than quadrupled in size since the beginning of calendar year 2014, and grew over 50% in calendar year 2015."
- **Growth in the Housewares Segment**: The Housewares segment as a whole will continue to become a larger, more integral portion of the company's overall sales. Despite only being about 20% of the company's current sales, this segment is expected to have mid-single digit revenue

growth based on the well-known OXO kitchen brand. The OXO brand was acquired in 2004 and from FY'05 to FY'15 sales tripled from $98 million to $296 million annually. This segment growth is also positive for the company as a whole because of the segments superior operating margin. The Housewares segments has had a five year average operating margin of 19.5% while the company as a whole has earned at a 12.35% level over the same period.

- **Penetration in Nutrition Supplements Market**: The Nutritional Supplement segment of the company was purchased in June 2014 and is one of the company's most recent M&A deals. This segment has an opportunity for strong growth moving forward. A 2011 report by CNN stated that over half of adult Americans are taking some kind of vitamin, mineral or supplement. A 2013 Forbes article acknowledged that the worldwide market in terms of sales was estimated to be $32 billion. Additionally, the Nutritional Business Journal projected that this market would grow to over $60 billion by 2021. If Helen of Troy can continue to successfully penetrate this market, they would see major growth in this business segment.

Valuation

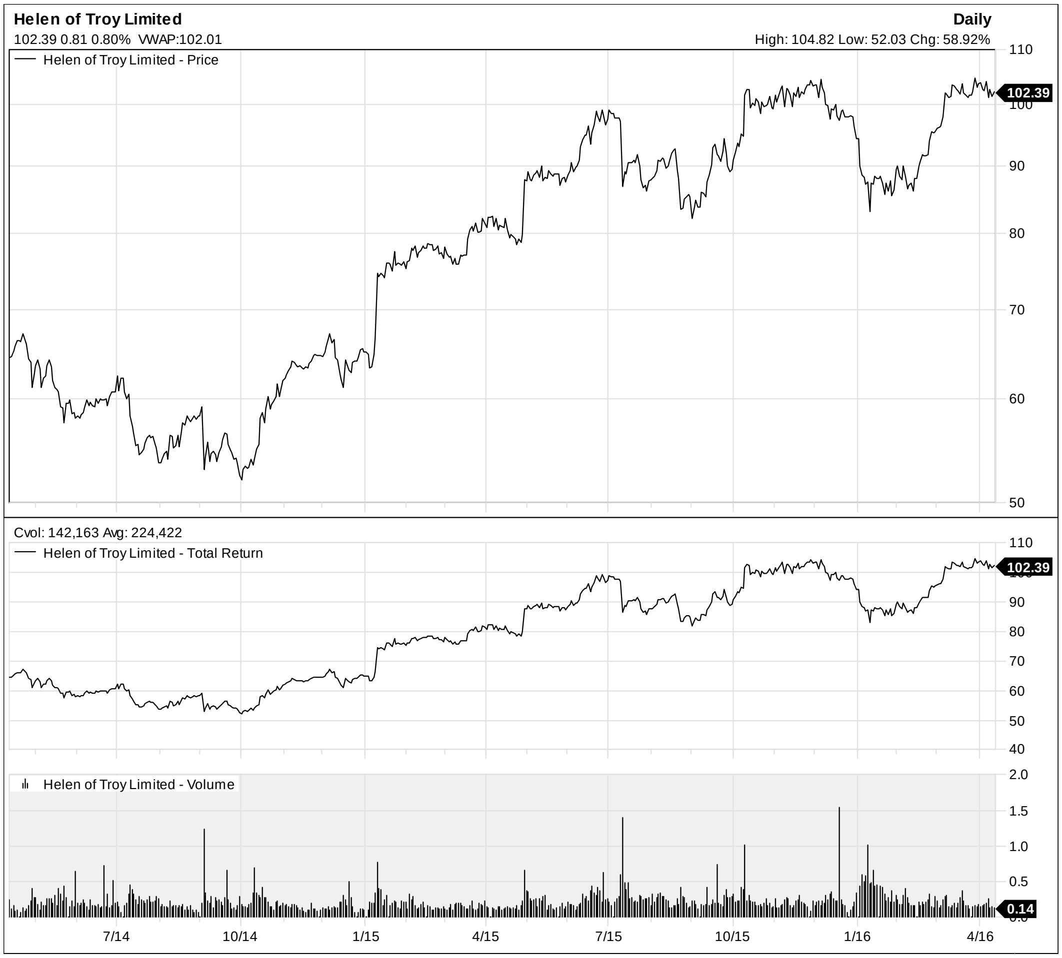
In order to reach an intrinsic value for HELE, a five year DCF model was constructed. Using a terminal growth rate of 2.50% and a WACC of 8.10%, an intrinsic value of $129.55 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $121.30-139.26. Additionally, a P/E multiple valuation was conducted using expected 2017 EPS of $6.40, a comparable average P/E of 20.07x and HELE's FY1 P/E which resulted in a valuation of $120.88. By weighting the two valuation models 50/50, a price target of $125.21 was reached, which yields a 22.29% upside. HELE does not pay a dividend at this time.

Risks

- **Large Dependency on U.S. market**: Recently the company stated that despite marketing products in 87 countries, the vast majority of HELE's sales still comes from the United States. The report stated, "Sales within the United States comprised approximately 79, 77 and 79 percent of total net sales revenue in FY'15, FY'14 and FY'13, respectively." The company continues to push expansion and diversification into other markets but for now they are exposed to the ups and downs in the U.S. market alone.
- **Business is Subject to Weather Conditions:** Sales in Healthcare / Home Environment segment are influenced by weather conditions. HELE sells thermometers, humidifiers and heating appliances during the cold months as well as fans, dehumidifiers and insect control devices during the warm months. If the US has more mild weather like the winter of 2015-2016, sales could be hindered.
- **Net Goodwill:** The company has $550 million of intangible assets, approximately one third of the firm's total assets in FY'15. This is a risk with any firm as active in M&A as HELE. Though it is a substantial amount, all goodwill is not coming from one single place.

Management

Mr. Julien Mininberg became the CEO of HELE and a Director in March 2014. Previously, he was the President of Kaz, Inc. starting in 2007 and the CEO from December 2010 to March 2014. Before going to Kaz, Mininberg spent 15 years at Procter & Gamble in general management. Mr. Brian Grass has been with the company since July 2006. He became the Chief Financial Officer in May 2014.



Ownership

% of Shares Held by All Insider Owners:	0.29%
% of Shares Held by Institutional & Mutual Fund Owners:	97.17%

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Fidelity Management & Research Co.	3,758,680	▼	13.29
BlackRock Fund Advisors	2,454,779	▲	8.68
Dimensional Fund Advisors LP	2,295,966	▼	8.12
The Vanguard Group, Inc.	2,202,641	▲	7.79
SSgA Funds Management, Inc.	817,848	▼	2.89

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Helen of Troy Limited	HELE	2,944	1,538	210.5	0.00	16.14
Clorox Company	CLX	16,752	5,693	1244.0	2.85	15.00
Newell Rubbermaid	NWL	14,536	5,916	846.9	1.72	17.16
Spectrum Brands	SPB	6,495	4,841	737.1	1.41	14.25
De'Longhi S.p.A.	DLG	3,360	2,153	297.9	2.74	10.95
Lifetime Brands, Inc.	LCUT	209	588	40.0	1.17	7.58
Peer Averages		10,286	4,651	781.5	2.18	14.3

Standex International Corporation (SXI)
April 15, 2016

Sarah Hillegass | Domestic Industrials

Standex International Corporation (NYSE: SXI) is a diverse commercial and industrial manufacturer serving the food retail, automotive, aerospace, energy, and medical markets. SXI consists of five operating segments: Food Service Equipment Group (53% of Net Sales, 12% EBIT Margin), Engraving Group (14%, 20%), Engineering Technologies Group (13%, 16%), Electronic Products Group (15%, 18%), and Hydraulics Group (5%, 20%). SXI's Food Service Equipment Group manufactures commercial food service equipment such as refrigerators, display cabinets, and deep fryers. The Engraving Group uses Mold-Tech, laser engraving and nickel shell molding for luxury engraving. The Engineering Technologies Group manufactures spin lathes, CNC machines, and aviation components. The Electronic Products segment manufactures reed switches, fluid sensors, and magnetic components. The Hydraulics Segment manufactures mobile cylinders. Standex International Corporation was founded in 1975 and is headquartered in Salem, NH.

Price ($): (4/7/16)	76.36
Price Target ($):	96.20
52WK H-L ($):	93-66
Market Cap (mil):	979
Float (mil):	16.6
Short Interest (%):	1.70%
Avg. Daily Vol (mil):	71.82
Dividend ($):	0.56
Yield (%):	0.70%

Beta:	0.83
WACC	6.1%
M-Term Rev. Gr Rate Est:	7.0%
M-Term EPS Gr Rate Est:	8.8%
Debt/Equity:	22.0%
Debt/EBITDA (ttm):	1.06
ROA:	8.9%
ROE:	16.0%
ROIC:	13.2%

FY: June	2014	2015	2016E	2017E
Revenue (Mil)	716.2	772.1	826.2	884.0
% Growth	2.1%	7.8%	7.0%	7.0%
Gross Margin	33.3%	32.1%	33.0%	33.0%
Operating Margin	10.1%	10.6%	11.5%	11.5%
EPS (Cal)	$3.4	$4.3	$5.2	$5.5
FCF/Share	$4.0	$3.2	$3.5	$3.8
P/E (Cal)	22.2	18.7	18.6	17.4
EV/EBITDA	10.5	10.4	9.9	9.3

Recommendation

Standex International Corporation is strategically positioned to grow revenues by 5-8% annually over the next five years. As of FY15, SXI maintains an operating income margin of 10.19% and a backlog of $168 million, representing a 17.7% increase from FY14. Through the manufacturing of a diverse product array ranging across five operating segments, the different operating segments act as buffers against significant market declines in any specific sector. For example, in FY15, sales declined 13.8% in the firm's oil and gas markets but were offset by substantial gains in the aviation market – resulting in an overall 13.2% YoY growth in the Engineering Technologies Group. Additionally, SXI's management is focused on improving the profitability (15% OPM goal by 2020) and increasing efficiency under their new Value Creation System spearheaded by CEO, David Dunbar. This system, begun in 2014, has four initiatives: Balanced Performance Plan, Growth Discipline, Operational Excellence, and Talent Management. The focus on growth aligns well with SXI's bolt-on acquisition strategy, which seeks acquisitions with an IRR greater than 15% and a payback period of two years that will complement existing product lines. In FY2015, SXI acquired Enginetics Corporation for a 1.8x EV/Sales multiple. SXI has 50 locations internationally, with international operations generating 27% of SXI's operating revenue. Due to the firm's focused management, profitable segment repositioning, and active acquisition strategy, it is believed that SXI is poised to grow with EPS in excess of 8% annually. Therefore, it is recommended that Standex International Corporation be added to the AIM Equity Fund with a target price of $96.20, representing a 25.99% upside. SXI pays a $0.56 annual dividend with a 0.7% yield.

Investment Thesis

- **Repositioning of Engineering Technologies Group.** Since the acquisition of Enginetics Corporation in 2014, the focus of the Engineering Technologies Group has shifted to manufacturing components (lipskins, pressure turbines, compressors) for the aerospace industry, with 30% of the segment's sales now derived from aviation customers. The segment was awarded long-term contracts on major platforms (A320NEO, C Series, MRJ, Leap Engines), which will ramp up production volumes in 2017 and beyond. A manufacturing facility for the aerospace components is in construction in Wisconsin. Sales for the aviation industry are expected to be 50% of the Group's sales in 2016, which will offer more stable revenue growth as the commercial aviation industry replaces the aging fleet of aircrafts.

- **Expanding market share in Engraving Group.** The Engraving Group's limited competition proves advantageous to expanding market share in the luxury engraving market. The segment has opened new facilities in Malaysia and Sweden to supply the mold-tech business to the Asian and European markets. Mold-Tech demand increased nearly 20% in 2Q16. The demand for Mold-Tech technology comes from automotive molds as new model launches continue to increase. The Group's recent investments in Laser Engraving and Nickel Shell Molds have dramatically increased demand because OEM's are requiring textures to be produced using this technology. Therefore, four new lasers have been implemented in North American and Chinese facilities.
- **Restructuring of Food Service Equipment Group (FSEG).** Since FY 2014, FSEG has been undertaking a restructuring process to improve profitability and refocus on core competencies. In June, 2014 FSEG divested American Foodservice Company because of the low profitability. In January 2015, new leadership complemented the restructuring with the addition of Anne de Greef-Saft as VP of FSEG. This segment acquired Ultrafryer Systems and expanded their product line to commercial deep fryers, which have seen sales increase by 22%. To further reduce costs, production was moved to a lean production facility in Mexico to improve EBIT margin, which is currently at 11.8%, up 40 basis points from last year. In 2Q16, materials costs decreased by $1.8 million from lower freight and distribution expenses.

Valuation

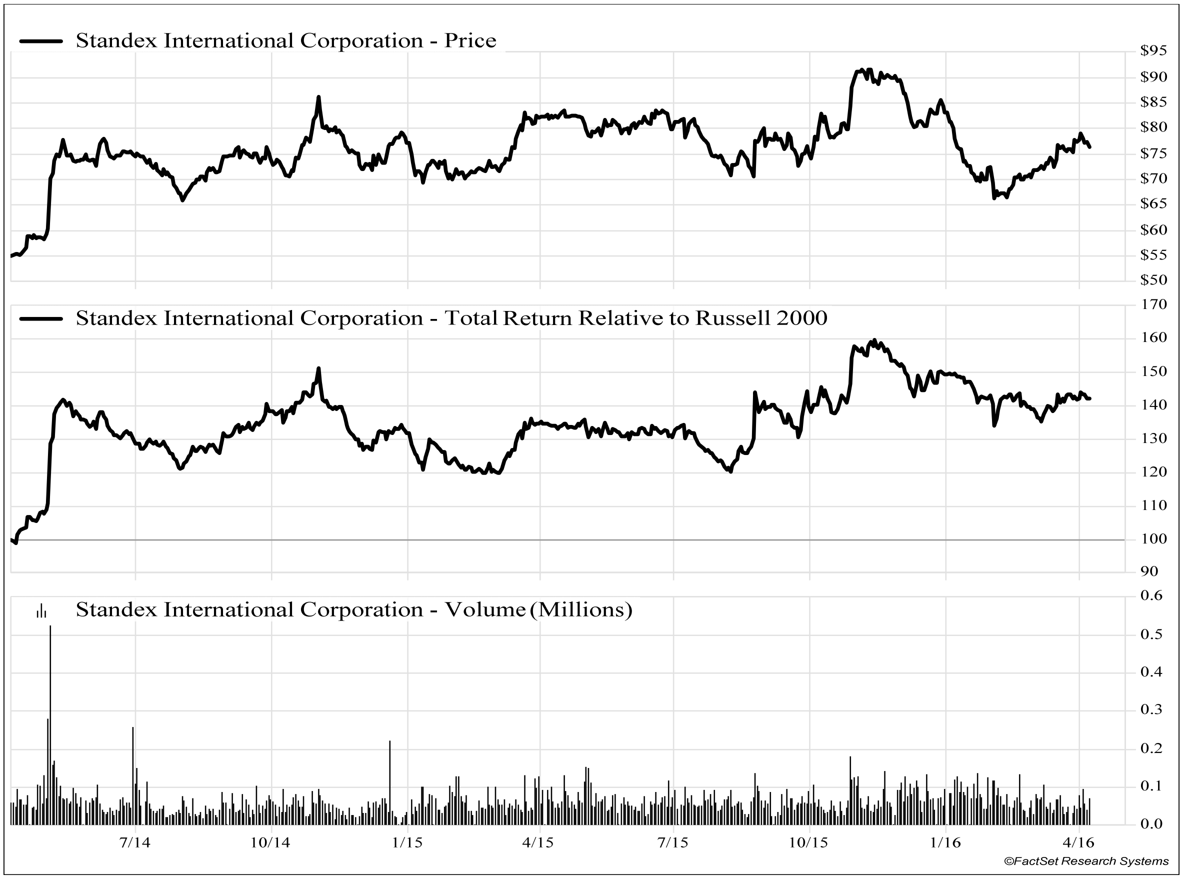
In order to reach an intrinsic value for SXI, a five year DCF model was constructed. Using a terminal growth rate of 2.0%, WACC of 6.07%, an intrinsic value of $100.46 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $94.77-$116.91. Additionally, a P/E multiple valuation was conducted using EPS FY1 of $5.16, a comparables average P/E of 22.82x, and SXI's P/E FY1 of 18.07x which resulted in a valuation of $93.28. Finally, a sum of the parts EV/EBITDA multiple valuation was calculated. Using a peer multiple for each segment resulted in a valuation of $86.05. By weighting the three valuation models 50/25/25, a price target of $96.20 was reached, which yields an 25.99% upside.

Risks

- **Foreign exchange translation impacts.** A significant portion of revenues (27%) come from international operations. Revenues will increase internationally as production for the Engraving Group shifts further internationally into Europe and Asia, the FSEG group moves production into low cost areas such as Mexico, and the Hydraulics Group expands its presence in China. This exposes SXI to many issues of currency risk related to the Euro, Yen, Yuan and many others. SXI does not specifically hedge these risks. FY15 had a -2.3% FX headwind for full year sales with significant effects on certain segments such as -10% for the Engraving Group.
- **Increased commodity prices.** SXI purchases a lot of raw materials and commodities, such as steel, foam insulation, metal components, refrigeration components, and freight services for its manufacturing process. If there were a shortage of commodities or increase in prices this would impact the pricing of SXI's products negatively. Steel is trading around $50 per tonne and iron is trading at near $53 per tonne.

Management

David Dunbar has held the position of CEO since 2014. He was known for driving organic and inorganic growth at previous positions, such as at Pentair. Roger Fix, former CEO since 2003, became Chairman of the Board in 2014 after retiring. Former Chairman of the Board, Ted Trainor, retired in 2014 and passed away in March, 2014. Thomas DeByle, CFO, has been with SXI since 2008. John Abbott, CLO, has been with SXI since 2001.



Source: Factset

Ownership

% of Shares Held by All Insider and 5% Owners:	2.10%
% of Shares Held by Institutional & Mutual Fund Owners:	>89.2%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	1,118,000	8.70
The Vanguard Group, Inc.	1,015,000	7.90
RE Advisers Corp.	669,000	5.20
Dimensional Fund Advisors LP	654,000	5.10
Fidelity Management & Research Co.	644,000	5.00

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Gross Margin (%)	D/E	P/E	EV/ EBITDA
Standex International Corp	SXI	980	33%	1.06	17.04	9.9
Manitowoc Company, Inc.	MTW	599	24%	4.3	9.46	5.8
Illinois Tool Works, Inc.	ITW	37,009	39%	2.22	19.99	12.4
Crane Co.	CR	3,054	35%	1.74	13.47	7.6
NVE Corporation	NVEC	272	78%	0	20.44	13.0
Blount International, Inc.	BLT	483	28%	3.57	15.4	7.9
Peer Averages		8,283	41%	2.4	15.752	9.3

**Removed For Relative Valuation Analysis*

Source: FactSet

MidWestOne Financial Group, Inc. (MOFG)
April 15, 2016

Steven Hoffmann — Financial Services

MidWestOne Financial Group, Inc. (NASDAQ: MOFG) is a bank holding company that provides consumer and commercial banking services through its three subsidiaries: MidWestOne Bank, MidWestOne Insurance Services and Central Bancshares. The firm's product offerings include checking accounts, savings accounts, trust and retirement accounts, insurance services and several types of real estate mortgage loans. MOFG's $2.15 billion outstanding loan portfolio consists of commercial and agricultural real estate mortgages, including construction and development (46%), residential real estate (24%), commercial and industrial (22%), agricultural (6%), and consumer (2%). The company operates 24 branches, plus its specialized Home Mortgage Center in 15 counties, through MidWestOne Bank in IA, and 13 banking locations in MN, 7 in WI and 2 in FL. MOFG was incorporated in 1983 and is headquartered in Iowa City, IA with 648 full-time employees.

Price ($): (4/8/16)	26.26
Price Target ($):	32.19
52Wk H-L ($):	34 - 24
Market Cap (mil):	292.5
Float:	65.60%
Short Interest (%):	2.20
Avg. Daily Vol:	11,425
Dividend ($):	0.64
Yield:	2.50%

Beta:	0.81
WACC	6.56%
M-Term Rev. Gr Rate Est:	6.50%
M-Term EPS Gr Rate Est:	7.49%
Total Debt/Total Assets	6.78%
ROA:	1.10%
ROE:	10.28%
Tier 1 Capital Ratio	10.6%
Dividend Coverage Ratio	5.91x

FY: Dec	2014A	2015A	2016E	2017E
Revenue (Mil)	64.40	100.70	110.77	119.08
% Growth	-2.56%	56.36%	10.00%	7.50%
Net Interest Margin	3.53%	3.71%	4.06%	4.36%
Pretax Margin	32.06%	27.01%	32.34%	32.57%
EPS (Cal)	$2.19	$2.42	$2.78	$3.02
P/E (Cal)	13.12	12.57	9.44	8.71
BVPS	23.07	25.96	27.98	30.21
P/B	1.25	1.17	0.94	0.87

Recommendation

MidWestOne Financial Group has seen strong growth in the past year, primarily due to a merger with Central Bancshares in Minneapolis – resulting in the doubling of banking offices. This combination has resulted in increases in MOFG's total assets by nearly 66% to $2.98 billion and loan portfolio by almost 90% to $2.15 billion. MOFG's revenue is growing at a 5-year CAGR of 7.2% and assets at a 5-year rate of 13.5%, primarily due to the merger. The firm has also seen net interest margin expand at a 5-year average of 3.5%. MOFG has $2.46 billion of deposits and increased net income from $18.5 million for FY 2014 to $25.1 million in FY 2015. Despite the merger occurring in 2015, MidWestOne's management is not expecting to see Central Bank to fully blend into MidWestOne until Q2 2016. With 70.7% of MOFG's loan portfolio consisting of mortgage-based loans, the firm is expecting to see continued growth in the Iowa and Minnesota due to strong local real estate markets. Additionally, MOFG has seen a shift toward asset sensitivity instead of liability sensitivity as a result of the merger with Central. Based on the continued opportunities for growth, strong local markets, and positioning for rising interest rates, it is recommended that MOFG be added to the AIM Equity Fund with a price target of $32.19, representing a potential upside of 22.59%. The firm also pays a dividend of $0.64, yielding 2.5%.

Investment Thesis

- **Realized Merger Synergies.** MOFG consummated a merger with Central Bancshares, Inc. (Central), a Minnesota corporation, on May 1, 2015 and Central Bank, a wholly-owned subsidiary of Central, became a wholly-owned subsidiary of MOFG. This merger, however, was not expected to fully integrate into MidWestOne Bank until Q2 2016. In addition to MidWestOne Bank's 24 branch locations and its Home Mortgage Center in 15 counties in Iowa, Central Bank will add 22 offices in the Minnesota and western Wisconsin area, as well as two offices in southwest Florida. Primarily as a result of the merger, MOFG has increased their loan portfolio by almost 90% to $2.15 billion and total assets by nearly 66% to $2.98 billion.

- **Rising Interest Rates.** Current expectations are high that the Fed will rates interest rates at the June 2016 meeting, and at the very least, it is likely that rates will increase before the end of 2016. After long periods of historically low rates, MOFG has positioned itself well for future rate hikes as it has liquidated many fixed-rate securities making the company less liability sensitive. Also as a result of the merger, Central Bank's interest rate risk position is asset sensitive, which more than offsets the MOFG's past modest liability sensitivity. In a net interest income (NII) simulation, management found that with immediate increases of 100 basis points and 200 basis points, respectively, to short- and long-term interest rates, NII would increase by 0.7% and 1.7%.
- **Local Real-Estate Markets.** MOFG's total loan portfolio consists heavily of commercial (46.1%) and residential (24.6%) real-estate loans. In Iowa and Minnesota, economic conditions are improving and housing prices are hitting all-time highs. From Federal Reserve Economic Data (FRED), home vacancy rates in Iowa are down from 2.4% in 2011 to 0.8% in 2015; in Minnesota, down from 2.0% in 2011 to 1.0% in 2015 (U.S. home vacancy rate was 1.8% in 2015). In addition, many of the commercial real estate loans are for apartments: rental vacancy rates for Iowa are down from 7.2% to 5.7% in 2015; in Minnesota, down from 7.3% in 2011 to 4.9% in 2015 (U.S. rental vacancy rate was 7.1% in 2015).

Valuation

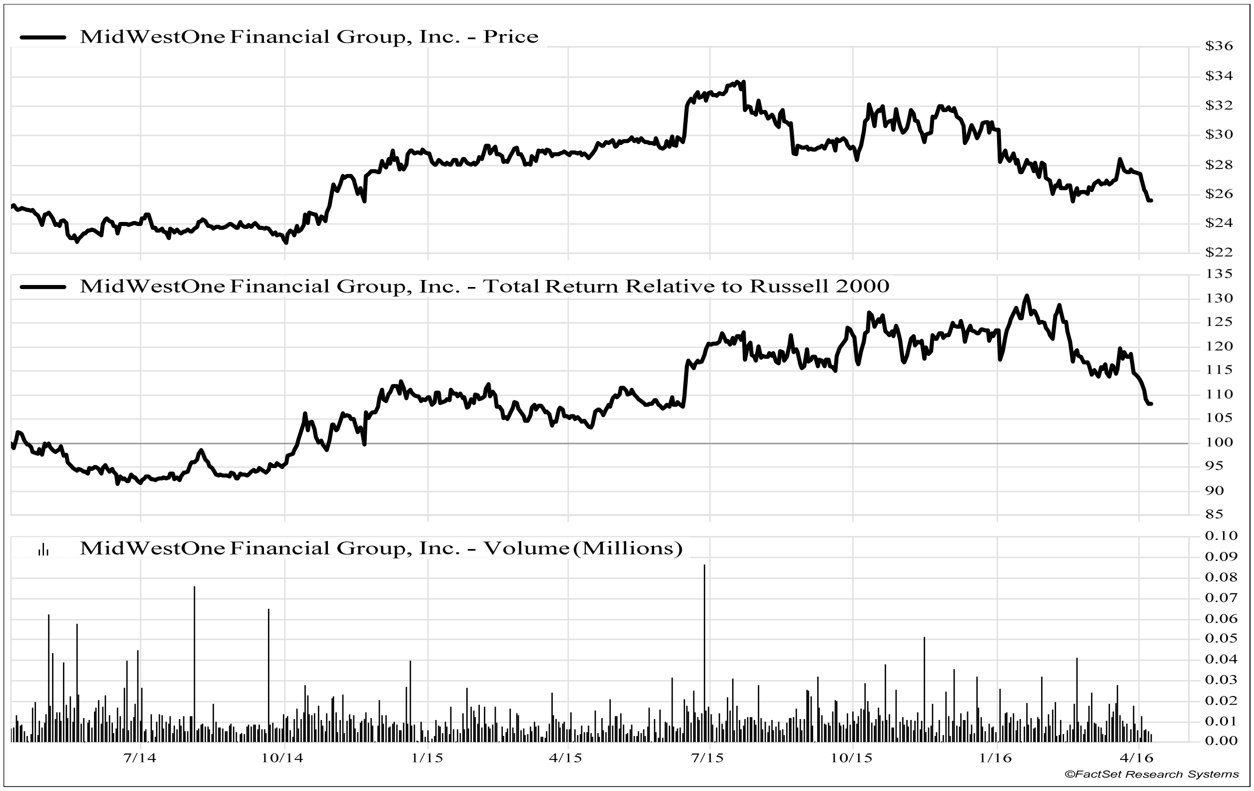
To find the intrinsic value of MOFG, a dividend discount model was used, as well as a price to book and a price to earnings multiple. The price to book and price to earnings multiple was derived from taking the average P/E and P/B multiple of MOFG's peer and industry, as well as MOFG's ttm P/E and P/B multiple. By doing this, a predicted P/E and P/B multiple of 14.50x and 1.17x was calculated, respectively. These predicted multiples were then multiplied by MOFG's EPS ($2.70) and BVPS ($25.96) to reach an intrinsic value of $39.14 for P/E and $30.35 for P/B. Weighing these multiples 50/50, an intrinsic value of $34.75 was reached. The dividend discount model approach using a WACC of 6.56% and a long-term growth rate of 3.5% resulted in an intrinsic value of $29.64. Weighing these valuations 50/50, respectively, the final estimated intrinsic value of MOFG is $32.19, which provides an upside of 22.59%. MOFG also pays a $0.64 annual dividend, yielding 2.50%.

Risks

- **Geography Risk.** MOFG's operations are concentrated in Iowa, Minnesota, Wisconsin and Florida. Additionally, a considerable portion of MOFG's loan portfolio is comprised of residential, commercial and agricultural mortgage loans, which can be significantly impacted by changes in the economic conditions of those regions.
- **Liquidity Risk.** MOFG could face adverse consequences if it discovers an inability to raise funds through deposits, borrowings, the sale of loans and other sources. In addition, liquidity issues are particularly important for regional banks and credit markets during periods of economic turmoil, as larger financial institutions may limit funding to regional banks.
- **Economic Conditions.** Declines in the overall economic climate of the United States could have an adverse effect on MOFG's principal business. In addition, a large portion of MOFG's loan portfolio is comprised of real estate loans. While the local real estate markets are strong, a downturn in the U.S. economy could decrease the value of collateral in MOFG's real estate loans.

Management

Charles N. "Charlie" Funk has been the President and CEO of MOFG since 2008 and the CEO and Director of MidWestOne Bank since 2000. Prior to this role, Charlie was the President of ISB Financial Corp. and President and CIO of Brenton Banks, Inc. Charlie is also Director of Board for the American Bankers Association. Lastly, he is a graduate of the ABA National and Graduate School of Investments, the ABA Stonier Graduate School of Banking and William Jewell College. Gary J. Ortale has decided to retire from his duties of CFO of MOFG after 6 years (with the bank since 1987) and Katie Lorenson will assume his position in August 2016; she was the CFO of Central Bancshares until May 2015.



Ownership

% of Shares Held by All Insider and 5% Owners:	34.40%
% of Shares Held by Institutional & Mutual Fund Owners:	21.50%

Source: FactSet

Top 5 Shareholders

Holder	Shares (000)	% Out
American Trust & Savings Bank (Dubuque, IA)	268	2.3
BlackRock Fund Advisors	267	2.3
Maltese Capital Management LLC	245	2.2
Castine Capital Management LLC	189	1.7
Emerald Advisers, Inc.	148	1.3

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	Div. Yld. %	P/E	P/B
MidWestOne Financial Group, Inc.	MOFG	292.50	25.10	2.01	10.58	0.99
West Bancorporation, Inc.	WTBA	280.00	21.70	3.14	12.90	1.84
QCR Holdings, Inc.	QCRH	271.70	16.90	0.33	14.29	1.20
Peoples Bancorp Inc. (OH)	PEBO	347.80	10.80	3.18	31.36	0.84
Independent Bank Corporation (MI)	IBCP	307.00	20.00	1.71	16.71	1.27
Peer Averages		301.63	17.35	2.09	18.82	1.29

Source: FactSet

Sands China ADR (SCHYY)

April 15, 2016

Joseph Kennedy International Consumer Discretionary

Sands China (OTC: SCHYY) is an investment holding company that develops and operates multi-use integrated resorts and casinos. The company provides a full range of all-inclusive services to its guests including five-star hotel amenities, extensive gaming options, and world-class entertainment venues. Located in southern China, west of Hong Kong, the company is positioned within a five-hour flight of over five billion people. Sands China operates through five reportable segments: The Venetian Macao (43% of revenue), Sands Cotai Central (32%), Sands Macao (13%), The Plaza Macao (10%), and its Ferry Operations (2%). In total, the company operates 6,250 gaming machines, 2,320 tables, and offers 9,277 rooms. SCHYY, incorporated in 2009, is a subsidiary to Las Vegas Sands Corp. and is headquartered in Taipa, Macau.

Price ($): (4/6/16)	38.28
Price Target ($):	45.98
52WK H-L ($):	48-26
Market Cap (mil):	30,843
Float (mil):	
Short Interest (%):	-
Avg. Daily Vol (mil):	62,797
Dividend ($):	$1.99
Yield (%):	6.40%

Beta:	1.12
WACC	10.49%
M-Term Rev. Gr Rate Est:	13.1%
M-Term EPS Gr Rate Est:	29.0%
Debt/Equity:	36.7%
Debt/EBITDA (ttm):	1.01
ROA:	13.2%
ROE:	23.8%
ROIC:	15.5%

FY: Dec	2015	2016E	2017E	2018E
Revenue (Mil)	6,821.00	7,716.97	8,731.09	10,044.38
% Growth	-28.23%	11.62%	11.62%	11.62%
Gross Margin	72.81%	74.00%	76.00%	76.00%
Operating Margin	22.55%	24.54%	24.54%	27.45%
EPS (Cal)	$1.81	$2.34	$2.65	$3.35
FCF/Share	$1.00	$1.64	$2.02	$3.14
P/E (Cal)	18.93x	19.7x	17.4x	13.7x
EV/EBITDA	14.34x	17.29x	15.28x	12.07x

Recommendation

As the Chinese government implemented a new campaign in 2014 to reduce corruption and money laundering through Macau, gambling revenue took a toll. Following these implementations, the Chinese government vowed to help boost the Macanese tourist industry by modifying visa regulations and introducing multi-entry permits. With that, Macau saw a record number visitors in August 2014 and 2015, with over three million travelers per month. Additionally, the number of outbound Chinese travelers has reported a five-year CAGR of 13.08%; 57 million travelers in 2010 has jumped to 130 million in 2015. Additionally, total outbound Chinese tourism spending doubled from $100B to $200B due a move in wealth distribution throughout the country, with discretionary income increasing at a CAGR of 10% over the past five years. The growth in travel is set to continue as the number of airports are estimated to increase by 62% to 240, by 2020. Furthermore, Sand China's relationship with Las Vegas Sands Corporation (NYSE: LVS), who holds nearly 70% shares outstanding, provides strategic guidance to develop growth. The firm's relationship has helped Sands China erect the Cotai Arena, the biggest concert hall in Macau holding 15,000 seats, which hosts major entertainment events. Additionally, the firm offers over 1.2 million square feet of convention facilities to provide outlets from gambling for more than 30% of visitors. LVS's influence in SCHYY's business model has worked to maintain higher margins than other operators, yielding 25% operating margins YoY, for the FY11-FY15 period. The company's operating margin of 22.6%, is 12.1% better than the industry average, while earning $6.8B in revenue, which is $2B greater than that of their competitors' average; they were also the only holding company to earn $1B EBITDA on one of their operations, The Venetian. With the combination of new visa regulations and growth in Chinese infrastructure, it is recommended that Sands China be added to the AIM International Fund with a target price of $45.98, representing an 18.62% upside. The company pays an annual dividend of $1.99, offering a 6.1% dividend yield.

Investment Thesis

- **HKZM Bridge**. The Hong Kong-Zhuhai-Macau Bridge is set to be complete by the end of 2018. The $133B project will cut the four-hour commute from Hong Kong to Macau down to thirty minutes. The bridge will expose Macau to a population of over seven million people in Hong Kong and another ten million in Shenzhen. Furthermore, Chinese infrastructure growth is set to continue as the government plans to expand the length of their nation's expressways by 157% to cover 139,000 km of the country by 2020. Additionally, it is estimated that by 2020 more than 75% of the urban population in China will be part of the middle class. Such change in wealth distribution will create more discretionary spending for the Chinese citizens.

- **The Parisian revenue boaster.** Sands China will open its fifth casino, The Parisian. The multi-million square foot complex is set to begin operations in FY16 boasting 3,000 hotel rooms, estimated revenue around $2B, and host an iconic replica of the Eiffel Tower. Following this addition, the company will dominate the Macau gaming industry operating 6,250 gaming machines and 2,320 tables. Combined, its top competitors, Wynn China, MGM Macau, and SJM only operate 4,955 gaming machines and 2,648 tables.
- **Vegas of the East, the only game in town.** Macau is the only destination in China where gambling is legal. Additionally, it is extremely difficult to obtain license to operate. In 2001, twenty-one casinos applied for a license and only three were approved. Since then, three sub-concessionaires have been granted, totaling six casino franchises. Casino contracts are up for renewal in 2022, which grants seven years to operate with limited competition. Given Sands China's already dominant market position, the completion of The Parisian will further the firm's market position.

Valuation

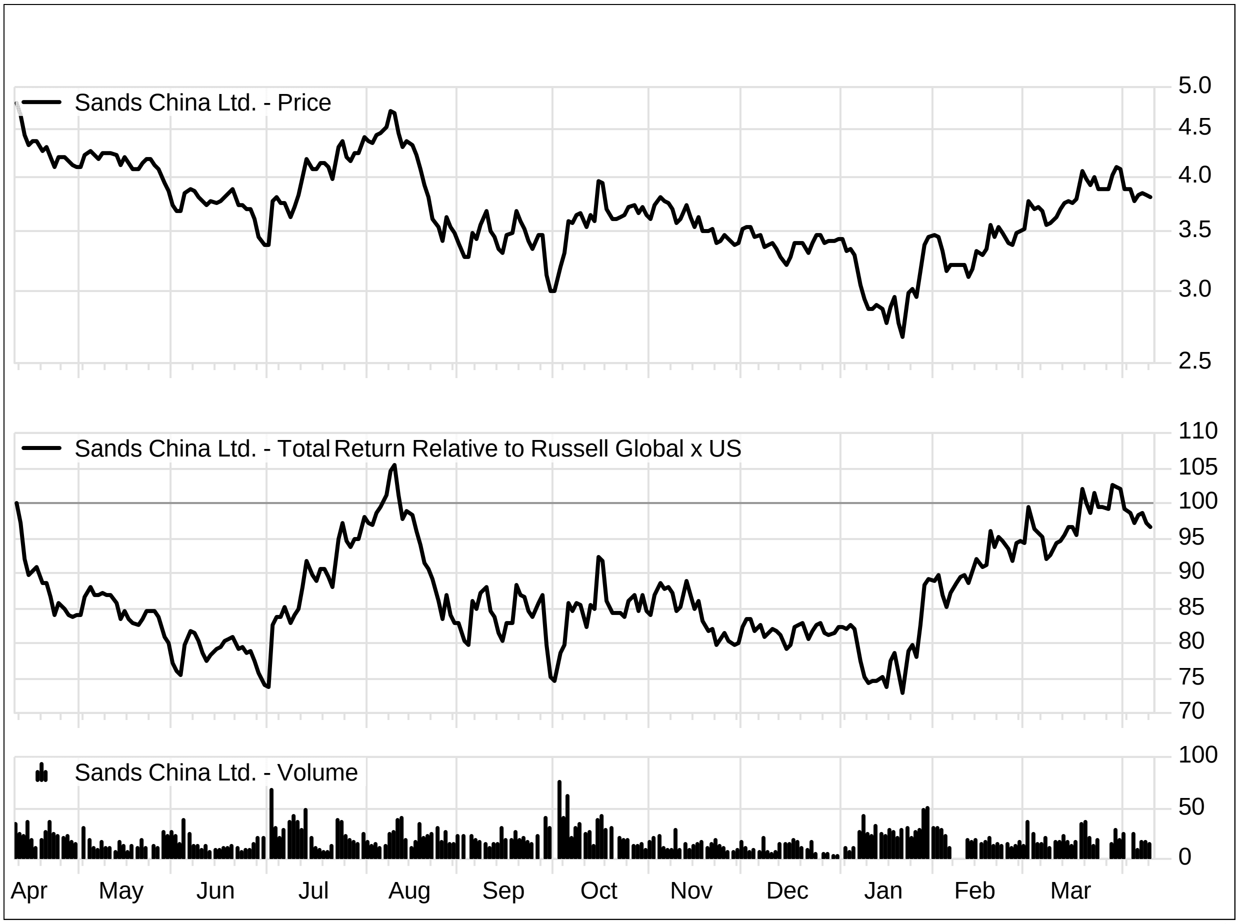
In order to reach an intrinsic value for SCHYY, a three stage DCF model was constructed. Using a terminal growth rate of 3.75%, WACC of 10.49%, an intrinsic value of $49.59 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $35.34 to $62.25. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.81, a comparables average P/E of 23.21x, and SCHYY's 5-year historical average P/E of 23.34x which resulted in a valuation of $42.04. Finally, an P/S multiple valuation was calculated. Using a similar blended comparable and historical average of 4.99x and NTM Sales/Share of $8.45, the multiple resulted in a valuation of $39.12. By weighting the three valuation models 60/20/20, a price target of $46.13 was reached, which yields a 18.62% upside. SCHYY pays a regular semi-annual dividend of $1.00, yielding 6.1%.

Risks

- **Chinese regulation.** Sands China is subject to the rules and regulations of China, which can be volatile. Rules regarding employee hiring, operating regulations, and the anti-corruption implementation can have material impact on their operations. Additionally, Sands China has a contract to operate until 2022; however, if they do not earn a contract extension, their facilities would face significant revenue losses.
- **Continued falling Chinese economy.** The majority of Sands China's customer base comes from China. With that, the economic volatility and recent performance could hinder the willingness of their customer base to travel.
- **Fraud and cheating.** Despite government implementations, Sands China's operations still face the potential for counterfeit chips to be used, collusion of employees, or ignorance of surveillance staff. Such issues of illegality would cause accounting losses and negative publicity to the company.

Management

Sheldon Adelson is CEO of Sands China. He has been within Las Vegas Sands Corporation since 1988 and worked to create The Venetian in Macau in 1999; he has extensive experience within the gaming industry. Hup Hock Toh is the CFO and was brought into the company in 2009. He has held numerous executive positions within General Electric in Asia before moving to Sands China.



Ownership

% of Shares Held by All Insider and 5% Owners:	70.10%	
% of Shares Held by Institutional & Mutual Fund Owners:	13.30%	▲

Source: Factset

Top 5 Shareholders

Holder	Shares (000)		% Out
Las Vegas Sands Corp.	5,657,820	▲	70.10
Capitla Research & Management Co.	99,677	▲	1.20
JPMorgan Asset Management (UK) Ltd.	44,086	▲	0.80
The Vanguard Group, Inc.	37,230	▼	0.50
Newton Investment Management Ltd.	35,545	▲	0.50

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Sands China	SCHYY	30,381	1,459	0.58	20.81	15.7
Galaxy Entertainment	27-HK	14,751	536	0.0	27.43	14.9
Meloc Crown Entertainment	MPEL	8,491	211	0.98	39.99	16.7
SJM	880-HK	3,916	318	0.08	12.32	4.3
MGM China	2282-HK	5,487	563	2.41	9.76	9.2
Peer Averages		8,161	407	0.9	22.375	11.3

Source: Factset

REIS, Incorporated (REIS)

April 15, 2016

Ryan Thern | Domestic Technology

Reis, Inc. (NASDAQ:REIS) is a specialty technology firm headquartered in New York, NY. that provides commercial real estate (CRE) market information and analytics tools to real estate professionals. REIS has developed and maintained a proprietary database containing information on commercial properties, new construction projects, and sales transactions. These databases include significant information broken into five different categories, Breadth, Depth, Frequency, Geography, and History. REIS offers its research through key products and services; REIS SE, REIS Reports, Mobiuss Portfolio CRE, Portfolio Support Products, Data Redistribution, and Marketing Alliances Services. All of these provide subscription-based revenues from three types of CRE professionals: debt capital providers, equity capital providers, and service providers.

Price ($):	23.01
Price Target ($):	28.24
52WK H-L ($):	26.84 - 19.91
Market Cap (mil):	258.84
Float (mil):	8.39
Short Interest (%):	2.30
Avg. Daily Vol (mil):	21,005.00
Dividend ($):	0.68
Yield (%):	3.02

Beta:	1.15
WACC	8.90%
M-Term Rev. Gr Rate Est:	14.28%
M-Term EPS Gr Rate Est:	26.81%
Debt/Equity:	0.00
Debt/EBITDA (ttm):	0.00
ROA (%):	6.28%
ROE (%):	8.17%
ROIC (%):	1.30%

FY: Dec	2015A	2016E	2017E	2018E
Revenue (Mil)	50.89	60.45	70.90	81.02
% Growth	23.12%	18.78%	17.28%	14.28%
Gross Margin	75.5%	77.3%	78.6%	79.5%
EBITDA Margin	34.80%	30.37%	32.35%	33.32%
EPS (Cal) ($)	0.72	0.75	1.01	1.25
FCF/Share ($)	2.04	0.96	1.29	1.63
P/E (Cal)	32.07	30.58	22.68	18.45
EV/EBITDA	12.21	9.43	8.01	6.99

Recommendation

Over the past 36 years REIS has developed its database of commercial real estate analytics, along with advanced products and services that are utilized by almost 700 organizations with 15,000 users across a variety of industries. Top customers include Bloomberg, New York Times, and FactSet which use the market data and research to inform their subscribers of developing trends. Their data and analytics are proprietary and competitors have not been able to match the breadth or quality of the company's market information. The market data is broken into a number of sectors including office space, retail, warehouse/distribution, student housing, among others. Currently, the company boasts a coverage spanning 250,000+ properties within 169 metropolitan markets and management plans to expand further yet. Continued development of their database has led REIS to achieve a 5-year revenue CAGR of 16%. In 2011, the company posted negative revenue growth due to a liquidation of holdings in CRE development properties, however this transition allowed REIS to focus on their core subscription based business. For the year ended 2015, revenues grew by 23.12% and EBITDA margin increased to 43.4% from 40.8% in 2014. Additionally, for Q4 2015 management gave mention to the continued expansion of REIS's database set to include research on Apartments, Affordable Housing, and Medical offices. This will further diversify their subscriber base and has the potential to increase their retention rate from the 88% average exhibited currently. As a result of REIS's continued innovation, proprietary database, strong margin profile and the increased market demand for its products, it is recommended that REIS be added to the AIM Equity Fund with a price target of $28.24, representing a potential upside of 22.74%.

Investment Thesis

- **Continued Demand Growth.** Since the housing market crash and recession of 2008-2009, the real estate market has rebounded with direct investment in U.S. commercial real estate growing 19.4% in 2015, reaching the highest annual volume on record.. New commercial construction is taking place near campuses and in major cities due to the large increased demand for apartments. As commercial real estate developers, brokers and investors begin to search for construction or purchase opportunities, they require in depth breakdowns of specific market demands, pricing, occupancy rates, previous sales transactions, etc. As this trend continues for the foreseeable future, REIS will continue to add new technologies, products, and services while maintaining their current database. In the case of repeat economic downturn, companies will still need this research and these tools to continue growth as well as to stay current on market outlook.

- **Focus on Core Competencies.** From January 1997 to May 2007, REIS, Inc. was named Wellsford Real Properties, Inc. During which time, the subscription-based segment of their business was operated as a subsidiary and the company was also involved with the development, construction, and sale of residential properties. By the end of 2011, these operations were liquidated and REIS was able to turn all focus towards their database and consumer products. This transition not only focuses the company on its core business, but it also shields REIS from construction-based litigation that they have faced in the past.
- **Organic Expansion.** In the past year, REIS has increased its staff count by 33%, which points to positive expectations on management's behalf. Additionally, in the most recent earnings presentation management announced their plans for new products and further covering of specialty markets within CRE. The incremental market data will cover Apartment Expansion, Affordable Housing, Medical Offices, International Markets, Data Centers, Hotels, Land and more. Management believes that these additions will increase their customer base and continue to improve retention from the current 88% rate.

Valuation

To find the intrinsic value of REIS Inc., a comparable peer P/E and EV/EBITDA model in addition to a five-year discounted cash flow model were constructed. Using a 2016 estimated EPS of $0.75 and a peer average P/E of 20.73x, resulted in a price target of $15.44. The EV/EBITDA valuation generated a price target of $40.77, using a peer average EV/EBITDA multiple of 24.98x and 2016 estimated EBITDA. A WACC of 8.90% and a terminal growth rate of 2.00% derived an intrinsic value of $28.38. Weighing the DCF, P/E and EV/EBITDA target prices 50%, 25%, and 25% respectively produced a blended price target of $28.24, representing an upside of 22.74%. The firm pays a dividend of $0.68, yielding 3.02%.

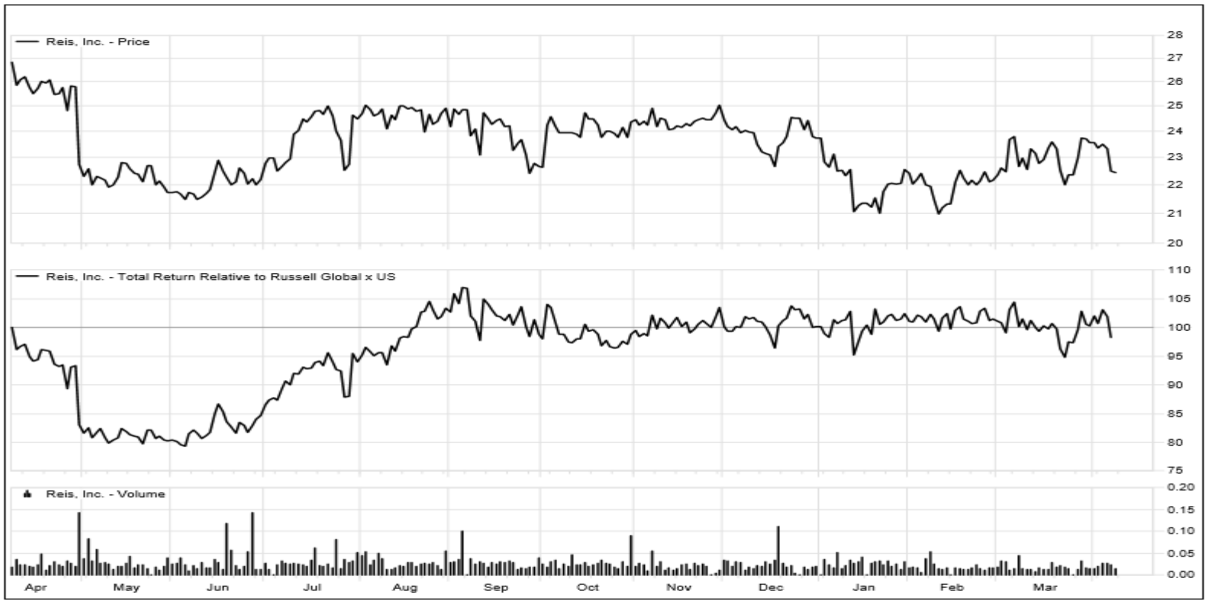
Risks

- **Industry Dependence.** While REIS offers research that its clients will need regardless of market performance, their business is tied to the performance of the CRE market. Recent reports from REIS and others state that the next five years should be favorable for growth in this industry, however if this outlook is too optimistic, there could be slow-downs in revenues. When professionals are bullish on markets, there is an evident increased demand for information whereas once people see declining projections, they tend away from spending time and money on research they deem less relevant. This exposes REIS to the cyclical risk of CRE development and transaction frequency.

  Customer Base Growth and Retention. Subscription based businesses often struggle with retaining customer bases over long periods of time. If REIS fails to hold onto current customers or to locate new potential users, revenues will stagnate. Thus far, REIS has been successful in this realm, however, "password-sharing" has become prevalent. This means that potential customers are instead receiving services for free by sharing with current customers. Companies like Netflix have seen how detrimental this can be for operations as a whole.

Management

Lloyd Lynford has been the President, CEO, and member of the board since the founding of REIS in 1980. During his tenure at REIS, Mr. Lynford has also served on the board of Real Estate Research Institute and lectured at top U.S. Universities. Through his leadership and expertise the firm has been able to provide credible CRE market insight. Jonathan Garfield has been the Executive Vice President since the founding of the company. Mr. Garfield is responsible for the creation of initial applications and databases that REIS utilizes. He was also the executive responsible for the inception of their flagship product, REIS SE.



Ownership

% of Shares Held by All Insider Owners:	25.40%
% of Shares Held by Institutional & Mutual Fund Owners:	60.60%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	% Out
Lynford Lloyd	1,192	10.60
Dimensional Fund Advisors LP	883	7.90
Nine Ten Capital Management LLC	863	7.70
Garfield Jonathan	838	7.50
Sammons Enterprises, Inc.	637	5.70

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	P/E	EV/Sales	EV/ EBITDA
REIS INC	REIS	258.84	50.89	17.71	25.50	4.25	12.21
CBRE Group A	CBG	9,579.40	10,855.80	1,311.20	17.58	1.24	10.25
CoStar Group	CSGP	5,855.10	711.80	92.80	-	8.13	62.38
RealPage	RP	1,596.00	468.50	54.60	-	3.26	27.94
CoreLogic	CLGX	3,048.90	1,528.10	357.20	24.45	2.81	12.01
Moody's	MCO	18,184.50	3,484.50	1,586.90	20.15	5.62	12.34
Peer Averages		7,652.78	3,409.74	680.54	20.73	4.21	24.98

**Removed For Relative Valuation Analysis*