Applied Investment Management (AIM) Program

AIM Class of 2017 Equity Fund Reports
Spring 2016

Date**:* Friday, May 6th | ***Time:** 2:00 – 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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Atos (AEXAY)
May 6, 2016

Taylor Smith International Technology

Atos (OTC:AEXAY) is a French based information technology servicing company that provides a variety of digital solutions and consulting. The company services a number of industries including defense, financial services, health, manufacturing, media, utilities, public sector, retail, telecommunications, and transportation. Additionally, the company operates in four segments: Managed Services (53% of revenue), Consulting and Systems Integration (30.5%), Worldline (11%), and Big Data and Cybersecurity (5.5%). AEXAY also conducts its business under the brand names: Atos Consulting & Technology Services, Atos Worldline, and Atos Worldgrid. The company has been traded publically since 1990 and is headquartered in Bezons, France.

Price ($): (2/6/15)	17.91
Price Target ($):	23.07
52WK H-L ($):	14-17
Market Cap (mil):	8,056
Float (mil):	88.1
Short Interest (%):	5.36%
Avg. Daily Vol (mil):	0.30
Dividend ($):	0.18
Yield (%):	1.00%

Beta:	0.85
WACC	8.2%
M-Term Rev. Gr Rate Est:	8.8%
M-Term EPS Gr Rate Est:	10.7%
Debt/Equity:	40.0%
Debt/EBITDA (ttm):	1.03
ROA:	4.1%
ROE:	11.5%
ROIC:	9.3%

FY: Dec	2014	2015	2016	2017
Revenue (Mil)	10,227.63	12,074.62	13,548.28	14,063.12
% Growth	5.07%	18.06%	12.20%	3.80%
Gross Margin	24.83%	24.52%	25.50%	26.00%
EBITDA Margin	11.31	12.3	11.43	11.77
EPS (Cal)	$0.82	$1.05	$1.61	$1.19
FCF/Share	$0.75	$0.74	$1.08	$0.60
P/E (Cal)	22.7x	19.0x	14.5x	19.6x
EV/EBITDA	5.2x	5.7x	5.5x	4.7x

Recommendation

The global IT industry has experienced greater demand over the recent years demonstrated through a sales CAGR of 7.38% and is only expected to continue growing with a forecasted earnings 3-year CAGR of 9.48%. As people and businesses progress, the need for digitization is likely to increase dramatically. The primary catalyst for this industry growth is derived out of the constant effort of businesses to integrate IT systems in order to enhance and to achieve greater productivity and to expand their markets. The process of digitizing requires companies to take advantage of the massive swaths of available data and to shift from product based business models to service-driven, empowered ones. In order to successfully digitize a business structure, companies require guidance and assistance which is exactly what Atos does. The firm has made clear its ability to successfully maximize data assets for their clients. Atos has strategically bought out the ITO (Information Technology Outsourcing) portion of Xerox, which has a major footprint in the US (the largest utilizer of IT). This acquisition allows Atos to absorb an extremely large client base in this industry. Additionally, with massive amounts of data come massive amounts of processing and larger security requirements. The firm has become a substantial supplier of big data through the acquisition of Bull - a supplier of software servicing and integration that commands nearly 20% market share in European high performance computing. Due to its diverse digital solutions, strong foothold in U.S. IT outsourcing, and superior computing capabilities and efficiencies, it is recommended that ATOS be added to the AIM International Equity Fund with a price target of $23.07, representing a 28.81% upside. Atos pays a dividend of $0.18, yielding 1.00%.

Investment Thesis

- **The Evolving Digital World.** The need for digital integration is linked to the progression of any country. It is projected that nearly 50% of businesses intend to become digitized within the next two years and 80% within the next three to five years. In order to shift a business from physical to digital, it is necessary to seek guidance and consulting. Atos' Consulting and Systems Integration segment has grown revenues at a 4 year CAGR of 4.4% and is only expected to rise. The company now has over 7500 business technologists who cater to customer IT inquiries by

providing precise guidance on how they can make the transformation to digital. Additionally, Atos also provides cradle to grave services as shown through its Managed Services segment revenue growth of 8.16% 4-year CAGR.

- **Acquisition of Xerox and Unify.** Atos acquired Xerox ITO (Information Technology Outsourcing) in 2015 for €840 million with the intention of bringing significant scale to its outsourcing business. The acquisition also created a much stronger presence in the US, increasing its offshore foothold to nearly 50%. EPS increased by 28% in 2015, with nearly 10% accretion from the acquisition. Atos also successfully acquired Unify, a provider of integrated communication services and software. The company helps to unify communication for businesses through voice platforms, application, and mobile and soft phone clients. Unify generates $1.2bn in revenues and is expected to 15% accretive to Atos by 2017.
- **Big Data and Bull.** Bull was acquired by Atos in 2014 and is the European leader in high-performance computing (20% market share). This division provides software to assist businesses in their digital transformation, most specifically in Big Data and Cybersecurity. The segment contributed revenues of €240 million in 2014 and €597 million in 2015. Bull has also recently unveiled one of the world's most efficient supercomputers, Bull Sequana. By 2020, this computer will be capable of processing a quintillion operations (exascale) and is ten times denser and ten times more energy efficient than current processors.

Valuation

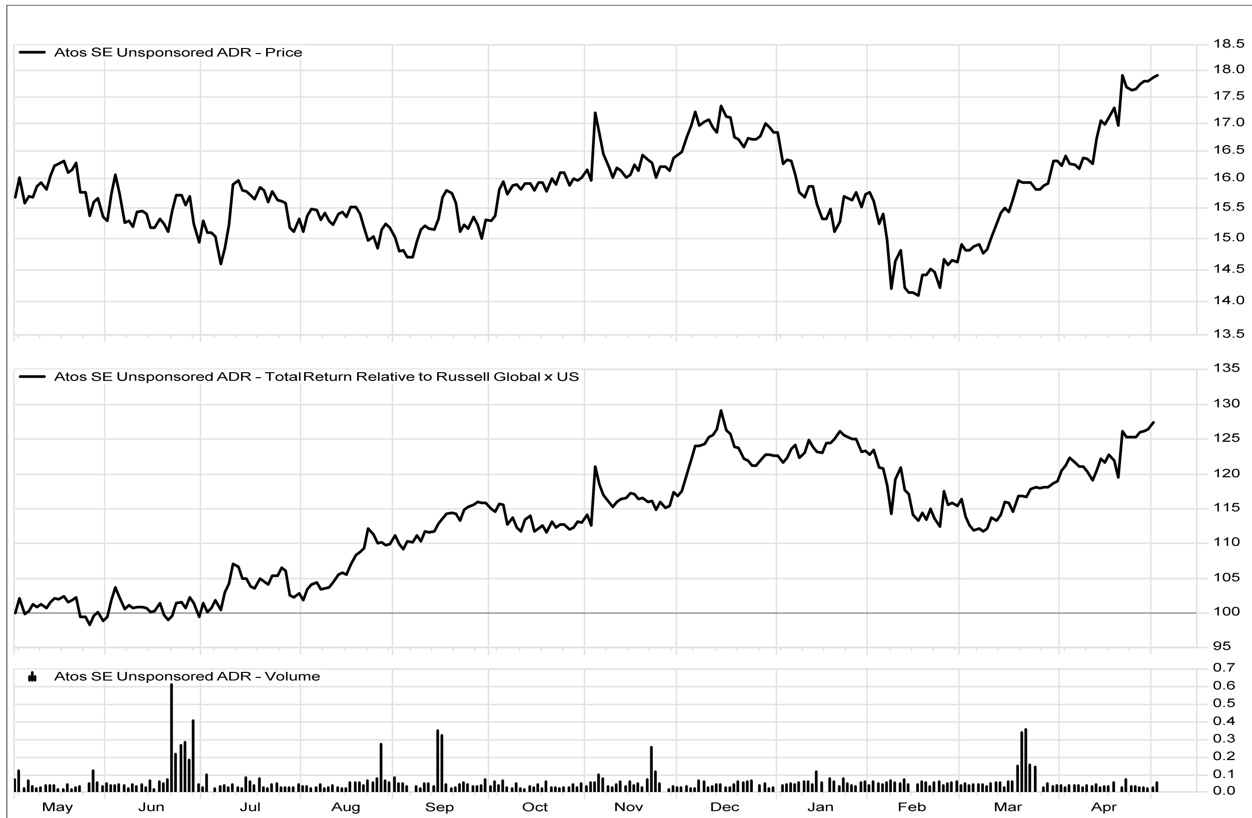
To reach an intrinsic value for Atos, a five year DCF model was assembled. By using a terminal growth rate of 2.5% and a WACC of 8.15%, an intrinsic value of $23.10 was reached. A ± 2% senstitivity analysis on the WACC and terminal growth rate ranged from $21.03-26.17. Additionally, an EV/EBIDTA multiple valuation was conducted using 2016 EBITDA of $1371MM and a blended multiple of 8.89x resulting in a valuation of $23.93. A P/E multiple valuation was also conducted using a 2016 EPS of $1.16 and a blended multiple of 13.1x to reach a price of $22.09. By weighing the three valuation models 60/20/20, a price target of $23.07 was achieved representing an upside of 28.81%.

Risks

- **Competition from India.** European markets are beginning to take in more Indian outsourcing competition. These employees are generally willing to work for less than those of European countries, which gives Indian companies a competitive edge. Currently the portion of Indian outsourcing competitors is small, however there is always room to grow in the future.
- **IT System Breakdowns.** The possibility of the IT systems experiencing breakdowns is possible. A number of factors can cause these systems to breakdown including external hacking or physical factors such as energy shortages or fires. If this were to happen, it could harm both the company's internal operations, and also the customers' necessities from Atos. Any signs of weak infrastructure could harm the company's reputation.
- **Discontinuation of Contracts.** The company's largest segment, Managed Services, is conducted through contracts with its clients. The contracts generally run for 3-5 years, which means that 20-23% are up for renewal each year. If clients choose to not resign with Atos, the company could experience a large decline in revenues.

Management

Thierry Breton has served as a Chairman and CEO of Atos since 2008. Prior to his position here, he served as a professor at Harvard Business School and also as a Finance minister of France. Additionally, he has held CEO positions in three other companies. Elie Girard joined Atos in 2014 and has since then served as the company's CFO. Prior to joining Atos, he worked in the office of Thierry Breton in the Ministry of Economy, Finance, and Industry.



Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Atos SE Unsponsored ADR	AEXAY	8,056	10,686	1314	1.4	5.7
Cap Gemini SA	CAP-FR	15,863	14,249	1767.3	1.58	13.7
Accenture Plc	CAN	71,789	33,503	5169.6	2.16	11.9
Altran Technologies	ALT-FR	2,573	2,198	154.81	1.54	18.3
Aubay SA	AUB-FR	289	310	29.38	1.63	10.3
BT Group plc	BT	64,951	20,218	6891.87	2.83	7.8
Peer Averages		31,093	14,096	2,802.60	1.95	12.4

Source: Factset

Ownership

% of Shares Held by All Insider Owners:	14.91%
% of Shares Held by Institutional & Mutual Fund Owners:	63.40%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Norges Bank Investment Management	2,085,982 ▲	2.02
The Vanguard Group, Inc.	1,781,603 ▲	1.72
Fidelity Management & Research Co.	1,653,212 ▲	1.60
BlackRock Investment Management LLC	1,478,150 ▼	1.43
Metropole Gestion SA	1,125,700 ▲	1.09

Source: FactSet

Shenandoah Telecommunications Company (SHEN)
May 6, 2016

Brett Stuck | Telecommunication Services

Shenandoah Telecommunications (NASDAQ: SHEN), referred to as "Shentel," is a diversified telecommunications holding company. SHEN provides regulated and unregulated telecommunications services to end-user customers and other communication providers in Virginia, West Virginia, central Pennsylvania, and western Maryland. Through its operating subsidiaries, SHEN provides voice, video, and data services. The firm operates through three segments, Wireless (59.7% of '15 revenue), Cable (28.3%), and Wireline (12%). The Wireless segment provides digital wireless service as a Sprint PCS Affiliate of Sprint Nextel. This segment owns cell site towers built on leased land, and leases space on these towers. The Cable segment provides video, Internet, and voice services. The Wireline segment provides regulated and unregulated voice services, dial-up and DSL Internet access, long distance access services and leases fiber optic facilities. SHEN, founded in 1902, is headquartered in Edinburg, VA.

Price ($): (4/28/16)	27.85
Price Target ($):	32.68
52WK H-L ($):	15-30
Market Cap (mil):	1,491
Float (mil):	45.6
Short Interest (%):	2.19%
Avg. Daily Vol (mil):	0.14
Dividend ($):	0.24
Yield (%):	0.80%

Beta:	1.25
WACC	8.7%
M-Term Rev. Gr Rate Est:	23.4%
M-Term EPS Gr Rate Est:	24.0%
Debt/Equity:	69.4%
ARPU	60.20
ROA:	6.4%
ROE:	14.9%
Churn	1.6%

FY: Dec	2014	2015	2016E	2017E
Revenue (Mil)	326.95	342.49	517.55	713.30
% Growth	5.83%	4.75%	51.12%	37.82%
Gross Margin	40.04%	43.93%	44.43%	47.50%
Operating Margin	21.43%	23.50%	22.57%	21.79%
EPS (Cal)	$ 0.70	$ 0.89	$ 1.27	$ 2.03
FCF/Share	$ 0.96	$ 1.01	$ (1.46)	$ 1.01
P/E (Cal)	22.5x	25.9x	21.9x	13.7x
EV/EBITDA	7.1x	7.9x	11.0x	7.6x

Recommendation

The domestic telecom industry is highly concentrated between four large players, Verizon, AT&T, Sprint Nextel, and T-Mobile. These large players have the benefits of being able to dominate in pricing power, coverage, economies of scale, and marketing effectiveness. Additionally, the industry is extremely capital-intensive. Other industry headwinds come in the form of high subscriber churn rates, due to low switching costs, and low average revenue per user, ARPU. In order to be successful in this industry, it is imperative for smaller firms to find a niche market and provide value to customers. As a Sprint PCS Affiliate, Shentel provides this value in the Mid-Atlantic region through traditional telecom services. Throughout SHEN's three segments, each posted a positive operating income during FY15, resulting in a 4 year operating income CAGR of 23%. Management has also been conscious of controlling costs and has seen YoY increasing gross, EBIT, EBITDA, and net income margins. Since 2012, SHEN has increased their net income margin over 600bps. With growing operating revenues from each segment and management's determination to control costs, SHEN has seen EPS grow at a 17% CAGR over this time. This growth should continue in the future following the FCC's approval for SHEN to acquire nTelos earlier in April 2016. This acquisition is expected to be finalized in May and will double the number of Shentel's wireless subscribers, totaling over 1 million (making SHEN the 6th largest wireless carrier in the U.S). SHEN continued their FY15 momentum and posted a Q1'16 net income over $13MM, the highest in company history. Due to its diversified revenue streams, management's cost conscious strategy, and upcoming acquisition of nTelos, it is recommended that SHEN be added to the AIM Equity Fund with a target price of $32.68, representing 17.34% upside. SHEN pays a $0.24 yearly dividend, yielding 0.80%.

Investment Thesis

- **nTelos Acquisition.** The nTelos acquisition, a three-way acquisition between Shentel, nTelos, and Sprint, is expected to be finalized in May 2016. The first benefit derived from the acquisition should be increased scale and network. With this acquisition, Shentel will enhance their presence in the Mid-Atlantic region, approximately doubling their revenue and OIBDA and should expand their 4G LTE network in the area. Shentel also will strengthen their relationship with Sprint, extending their Affiliate Agreement through 2029. Thirdly, SHEN will acquire nTelos at an

attractive value, $586MM cash. Sprint will also help fund the acquisition by reducing $252MM in Shentel's fees over the next 5-6 years bringing the net transaction total to $330MM after accounting for the NPV of the reduced fees. The transaction will result in no shareholder dilution. Finally, the acquisition of nTelos will result in benefits across all three of Shentel's business segments. After initial one-time expenditures, Shentel should experience increased operating efficiencies across all three segments by eradicating superfluous cell sites, tower assets, and leverage fiber deriving from overlaps within the regions.

- **Diversified Revenue Streams.** Shentel's three segments are diversified and complimentary. Within each segment, different services offset each other. In the Wireless segment, SHEN has seen decreasing prepaid customers, 3.5% over the past 12 months, while increasing postpaid customers 8.3%, which provides higher ARPU. In the Cable segment, Shentel has witnessed decreasing revenue from video services; however, increased data and voice services more than offset the decrease in video revenue. In FY15, the Cable segment experienced the largest growth in operating income, improving operating income $10.60MM. This momentum continued into Q1'16, increasing operating revenues 13.4% over Q1'15. From Q1'15-Q1'16, Shentel experienced an access line loss of 9.2%, due to no longer requiring access line in order to purchase internet service. This did not hinder the Wireline segment from increasing operating income 34.2% from Q1'15-Q1'16. Although there are a lot of moving parts in each segment, Shentel is well positioned to continue growth into the future in each segment.
- **Improving U.S. Economy.** As the U.S. economy continues to improve, consumer personal income and wages are steadily increasing, rising 0.4% in March and 2% in Q1'16 over Q1'15, respectively. As these trends continue, consumer spending will increase, rising 0.3% in February and 0.1% in March. With more money in their pockets and a willingness to spend, consumers will be more willing to upgrade their contracts with Shentel to plans that generate a higher ARPU.

Valuation

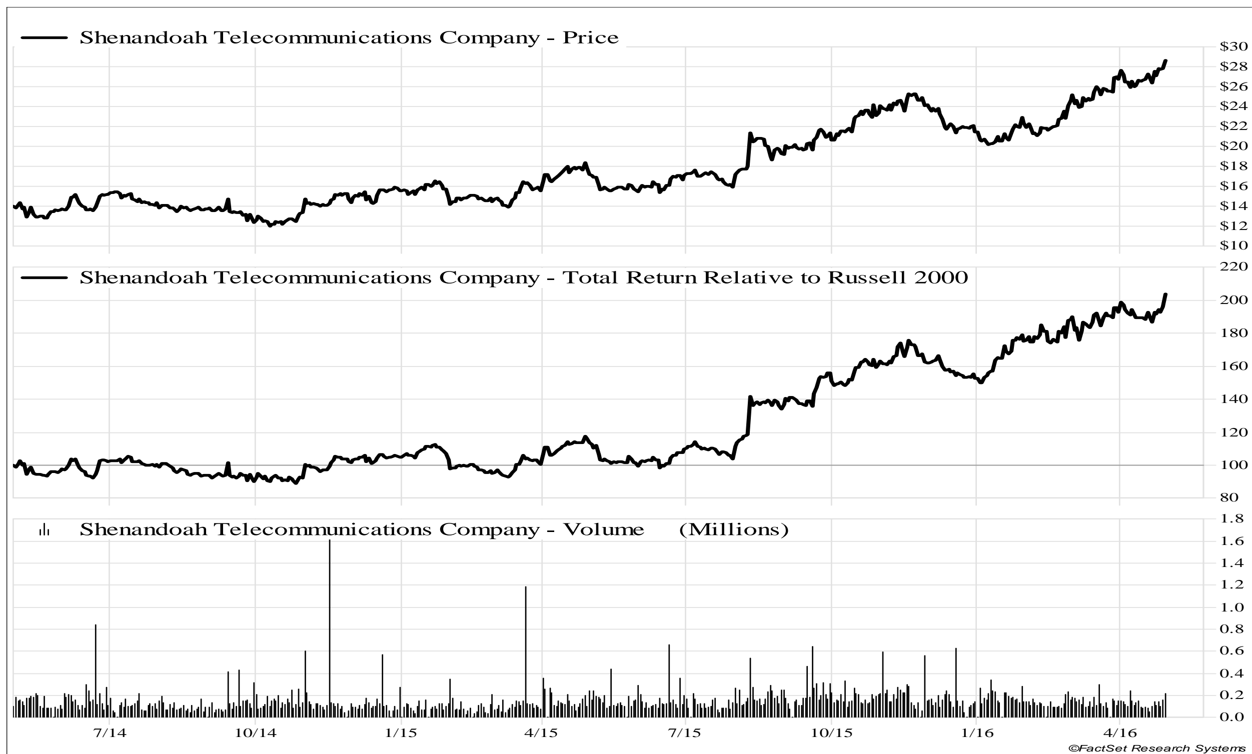
In order to reach an intrinsic value for SHEN, a five year DCF model was constructed. Using a terminal growth rate of 2.0% and a WACC of 8.69%, an intrinsic value of $34.75 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $30.15-$40.96. Furthermore, a P/E multiple valuation was calculated using an estimated EPS of $1.27, a comparables average P/E of 19.85x, and SHEN's 5-year historical average P/E, resulting in a valuation of $29.33. Lastly, an EV/EBITDA multiple valuation was calculated using a blended comparables and historical average of 8.03x and estimated EBITDA of $148.29M, resulting in a valuation of $26.36. By weighting the three valuation models 70/15/15, a price target of $32.68 was reached, which yields a 17.34% upside. SHEN pays an annual dividend of $0.24, yielding 0.80%.

Risks

- **Competitive Industry.** Competitors are constantly developing new technologies. With low switching costs in the industry, customers may be inclined to switch to other providers based on price, device capabilities, or personal preference. Larger firms benefit from superior resources, larger area coverage, and more services offered. If a large amount of SHEN's customers switch, it will be difficult to sustain profitable operations.
- **Failure to Benefit from the nTelos Acquisition.** Management has been working closely with nTelos' management to ensure a smooth transition and synergies are realized, but risks are still involved. It is difficult to accurately project the timing, size, and likelihood of financial effects. Unforeseen expenses may arise during the transition process and customers may be lost.

Management

Christopher E. French serves as the Chairman, President, and CEO of Shenandoah Telecommunications Company. He has served as President since 1988 and Chairman of the Board of Directors since 1996. Mr. French owns 3.94% of SHEN's outstanding shares. Adele Skolits has served as the CFO since 2007. Earle MacKenzie has served as the COO since 2007.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	6.30%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	45.40%	▲

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
BlackRock Institutional Trust Company, N.A.	3,340,024	▲	6.90
Dimensional Fund Advisors, L.P.	2,722,434	▲	5.60
The Vanguard Group, Inc.	2,348,926	▼	4.80
Christopher E. French	1,916,948	▲	3.94
Crow Point Partners, LLC	1,289,998	—	2.70

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E (%)	P/E	EV/ EBITDA
Shenandoah Telecom	SHEN	1,341	41	64.00%	27.07	9.6
United States Cellular	USM	3,584	241	46.06%	*61.74	5.9
T-Mobile US	TMUS	32,917	733	174.70%	30.27	5.8
Frontier Communications	FTR	6,599	*-199	283.60%	*-	11.0
CenturyLink	CTL	17,144	878	143.80%	11.91	5.4
Peer Averages		15,061	617	162.04%	21.1	7.0

**Removed For Relative Valuation Analysis*

Source: FactSet

AMN Healthcare Services, Inc. (AHS)
May 6, 2016

Akash Vipani Consumer Discretionary

AMN Healthcare Services, Inc. (NYSE: AHS) is a leading innovator in the healthcare workforce solutions and staffing services industry throughout the United States. The company consists of 3 operating segments: Nurse and Allied Healthcare Staffing (70% of revenue), Locum Tenens Staffing (26%), and Physician Permanent Placement Services (4%). The company operates through a variety of 20 brands split across the different operating segments. The Nurse and Allied Healthcare Staffing segment provides hospital and other healthcare facilities with a range of clinical workforce solutions. The Locum Tenens Staffing segment offers managed service programs, vendor management system solutions, and traditional temporary staffing. The Physician Permanent Placement Services segment provides physician placement services to its clients. With the largest percentages of their revenues being concentrated in California, Texas, and New York, over half of their temporary healthcare professional assignments occur at acute-care hospitals. AMN Healthcare Services was founded in 1997 and is headquartered in San Diego, CA.

Price ($): (4/28/16)	36.44
Price Target ($):	63.57
52WK H-L ($):	21-37
Market Cap (mil):	1,749
Float (mil):	98.5
Short Interest (%):	13.40%
Avg. Daily Vol (mil):	0.85
Dividend ($):	0.00
Yield (%):	0.00%

Beta:	1.07
WACC	7.4%
M-Term Rev. Gr Rate Est:	8.6%
M-Term EPS Gr Rate Est:	16.8%
Debt/Equity:	62.8%
Debt/EBITDA (ttm):	1.41
ROA:	10.5%
ROE:	27.1%
ROIC:	17.8%

FY: Dec	2015	2016E	2017E	2018E
Revenue (Mil)	1,463.07	1,671.70	1,838.88	1,930.81
% Growth	14.26%	10.00%	5.00%	5.00%
Gross Margin	30.65%	31.74%	32.86%	32.86%
Operating Margin	9.13%	9.74%	10.90%	11.90%
EPS (Cal)	$1.71	$2.12	$2.55	$2.83
FCF/Share	$2.33	$2.61	$2.78	$3.34
P/E (Cal)	21.3	17.2	14.3	12.9
EV/EBITDA	6.9x	5.3x	4.7x	4.6x

Recommendation

Currently, AHS has largest market share within the U.S. healthcare staffing market. Analysts' estimate that the target market the company operates in has a market capitalization of 12.7 billion for FY 2015. Furthermore, the travel nurse, per diem nurse, locum tenens, and allied healthcare segments comprise revenue of $3.0 billion, $3.3 billion, $3.1 billion, and $3.2 billion respectively. Since 2012, these segments have collectively seen an increase of 30% in revenues making it a highly attractive space. In 2015, about one-third of the firm's consolidated revenues were generated through Managed Service Program (MSP) relationships when average MSP and Vendor Management Systems (VMS) penetration rates across non-healthcare industry sectors were greater than 60%. AHS has grown their revenues both organically and through acquisitions with a Y/Y increase of 41% in consolidated revenue from $1,036 million to $1,463 million due to additional revenue of $161.6 million from its acquisitions of Onward Healthcare, Avantas, TFS and Millican. The remainder of the increase was driven by a 26% organic growth rate. The Nurse and Allied Staffing segment revenue increased Y/Y 47% to $1,023.9 million (2015) from $695.2 million (2014) and the Locum Tenens Staffing segment revenue increased Y/Y 30% to $385.1 million (2015) from $296.2 million (2014). AHS has positioned itself well with strong clientele consisting of prestigious and progressive healthcare systems such as the Kaiser Foundation Hospitals, NYU Medical Center, and Stanford Hospitals and Clinics. The Kaiser Foundation hospitals comprise 11% of total revenue with no other single client facility comprising more that 3% of their consolidated revenue therefore hedging their client exposure. Due to strong macroeconomic industry drivers, strong organic and acquisition based growth, and a strong client base, it is recommended that AMN Healthcare Services, Inc. be added to the AIM Equity Fund with a target price of $63.57 representing a 74% upside.

Investment Thesis

- **Positive Industry Outlook.** According to the Association of American Medical College, the shortage of physicians is expected to grow to over 90,000 by 2025 in addition to geographic and

specialty-based shortages in the nursing segment. Furthermore, according to the Bureau of Labor Statistics, the U.S. population continues to age as medical technologies advances increasing life expectancies. These two factors combined with the non-cyclical nature of the healthcare staffing industry drives the demand of healthcare professionals going forward.

- **Strong M&A Growth.** By FY 2015, they completed 4 recent acquisitions of Onward Healthcare, Locum Leaders/Medefis, Avantas, and Millican. With OH being a nurse and allied staffing firm, Locum Leaders/Medefis being a national locum tenens provider and a leader in VMS for healthcare facilities, Avantas being a leading provider in workforce optimization services, and Millican being a physician search firm, large synergies were recognized as a result of these recent acquisitions and will continue to improve going forward. OH, TFS, Millican, and Avantas contributed approximately $161.6 million of revenue at the end of 2015.
- **Strong Client Base.** Given AHS's large market share and numerous brands, over the years they have established a strong client base consisting of large healthcare institutions with lengthy contracts. Other than the Kaiser Foundation Hospitals, no single client facility comprises more than 3% of their consolidated revenue. Furthermore, their success in winning MSP contracts means some larger health systems have grown and may grow substantially relative to other revenue sources.

Valuation

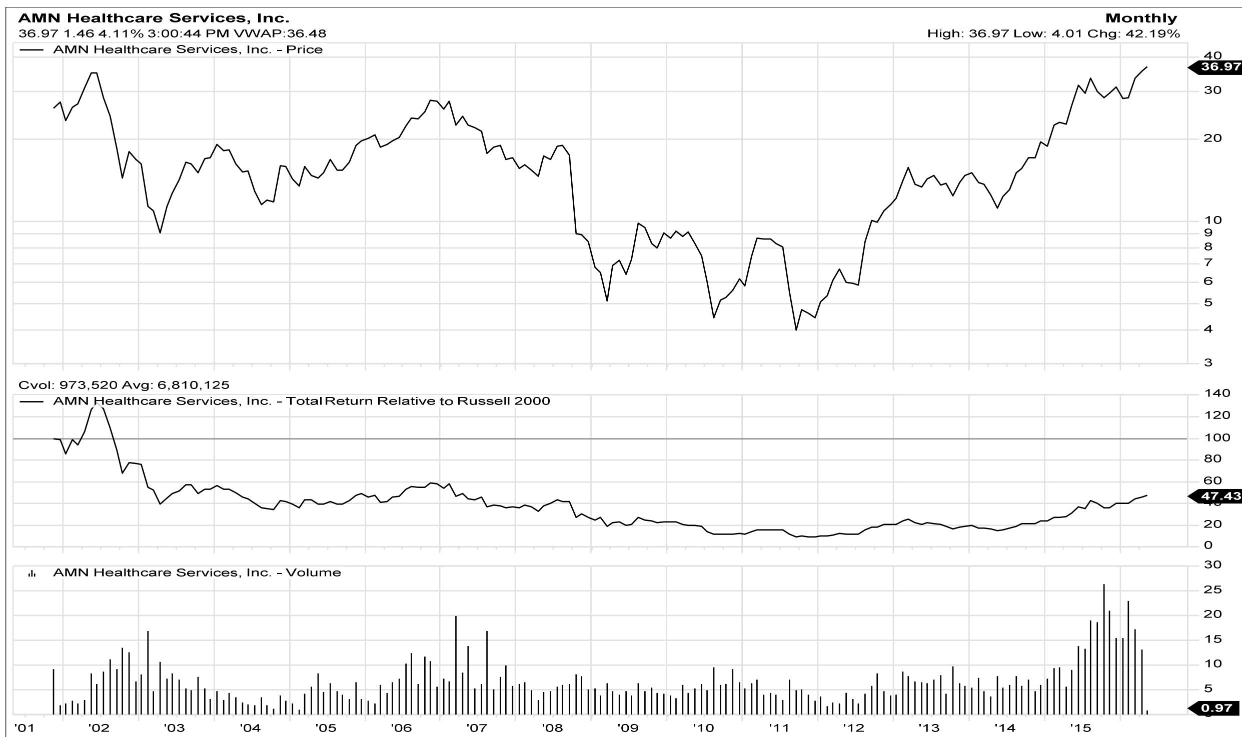
In order to reach an intrinsic value for AHS, a five year DCF model was constructed. Using a terminal growth rate of 2.0%, WACC of 7.37%, an intrinsic value of $73.21 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $67.86-$79.66. Additionally, a P/E multiple valuation was conducted using a 2016E EPS of $2.10, a comparables average P/E of 37.46x, and AHS's 3-year historical average P/E which resulted in a valuation of $53.92. By weighting the two valuation models equally, a price target of $63.57 was reached, yielding a 74.4% upside. AHS presently does not pay a dividend.

Risks

- **Intermediary Organization Involvement.** Their business is dependent on their ability to maintain existing contracts and secure new profitable contracts as well. Clients can choose to purchase these services through group purchasing organizations directly, instead of going through AHS who establishes relationships with them to provide healthcare staffing services. This would have a substantially negative impact on their revenues going forward.
- **Client Abilities to Retain Permanent Staff.** If clients increase the efficiency or productivity of their staff, the demand for temporary staffing services would decrease. Given the current situation of the labor force changing their jobs more frequently, organizations have increased and put an emphasis on internal recruiting and persuading employees to stay.
- **Classification of Certain HCPs as Independent Contractors.** They treat physicians and certain advanced HCPs such as nurse anesthetists, nurse practitioners, and physician assistants as independent contractors. A reclassification of locum tenens HCPs to employees from independent contractors could result in a huge liability and negatively impact costs for that period.

Management

Susan R. Salka has held the CEO, president, and directorship positions for the past 12 years while previously serving in several other executive positons prior to her appointment. Brian Scott has served as the Chief Financial Officer since January 2011 while previously serving other executive positions since he joined in 2003. Doug D. Wheat serves as Chairman of the Board of directors and has held that position for the past 16 years.



Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	1.20%	
% of Shares Held by Institutional & Mutual Fund Owners:	>98%	

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
BlackRock Fund Advisors	4,402,950	▼	9.20
The Vanguard Group, Inc.	3,720,870	▲	7.80
Waddell & Reed Investment Management Co.	1,815,500	▲	3.80
Dimensional Fund Advisors LP	1,761,320	▼	3.70
Metropolitan West Capital Management LLC	1,438,830	▲	3.00

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E (%)	P/E	EV/ EBITDA
AMN Healthcare Services	AHS	1,749	81.9	52%	21.7	12.6
On Assignment	ASGN	1,825	71.4	96.3%	25.2	11.4
Kelly Services, Inc. Class A	KELYA	730	52.4	0.0%	14.0	8.4
Team Health Holdings, Inc.	TMH	3,169	82.7	363.8%	38.4	15.3
TrueBlue, Inc.	TBI	883	72.5	29.9%	12.0	7.0
Peer Averages		1,652	69.8	122.5%	22.4	10.5

Source: Factset

Trex Co., Inc. (TREX)
May 6, 2016

Michael Robinson — Domestic Industrials

Trex Co. (NYSE:TREX) is the world's largest manufacturer of wood-alternative decking, railing and fencing products. The final product is made up of recycled wood, wrapped in a plastic covering made from recycled plastic bags. The protective shell protects the board from fading, staining, or scratching. Besides boards, Trex offers railings, flooring, fencing, framing, and lighting. They also have a retail segment that sells Trex outdoor furniture, deck drainage systems, and a saw blade for wood-plastic composites. Trex sells its products through wholesale distributors like Lowes and the Home Depot. Trex Co. was founded in 1996 and headquartered in Winchester, Virginia.

Price ($): (4/29/16)	47.39
Price Target ($):	64.41
52WK H-L ($):	31-56
Market Cap (mil):	1,497
Float (mil):	98.9
Short Interest (%):	13.79%
Avg. Daily Vol (mil):	0.47
Dividend ($):	0.00
Yield (%):	0.00%

Beta:	1.32
WACC	9.1%
M-Term Rev. Gr Rate Est:	9.0%
M-Term EPS Gr Rate Est:	10.0%
Debt/Equity:	0.46%
Debt/EBITDA (ttm):	0.08
ROA:	23.6%
ROE:	41.9%
ROIC:	41.9%

FY: Dec	2015	2016E	2017E	2018E
Revenue (Mil)	440.80	480.48	523.72	570.85
% Growth	12.50%	9.00%	9.00%	9.00%
Gross Margin	35.13%	36.04%	35.97%	36.36%
Operating Margin	17.72%	18.88%	19.09%	19.69%
EPS (Cal)	$1.52	$1.83	$2.02	$2.28
FCF/Share	$1.27	$1.75	$2.13	$2.16
P/E (Cal)	22.8x	25.8x	23.45x	20.79x
EV/EBITDA	16.2x	14.2x	13.11x	11.8x

Recommendation

Trex Co. dominates the wood-alternative market space, outranking every other composite manufacturer in every subcategory for the composite/PVC decking industry. The deck market for the US is estimated to be a $4.4 billion industry. Trex's eco-friendly, low-maintenance product positions them to penetrate more into the wood-decking market and seize market share as more homeowners and contractors recognize the benefits of Trex boards. Their strong margins (gross margin 35.13%, operating margin 17.72%) and low amount of debt ($7M short term debt, no LT debt) shows that Trex has the strong financial flexibility to fund growth through increasing debt. Trex is continuing their practice of buying back stock, having bought back over $50M in the past two years and planning to continue this trend into this coming year. Management has supported the plan to decrease shares outstanding, boosting EPS and increasing their shareholder's value. The firm is also launching a new business venture of selling recycled polyethylene pellets to plastic manufacturers to diversify their product line and expand their top line. Sales growth has averaged 13.39% since 2012 and they have been able to expand their gross margin 7.13% over the same time period. Management has predicted a future sales growth of 10% for the following fiscal year and has optimistic future prospects. Fundamentally, Trex has defensible market position, a superior product line, and a financially track record of revenue and top line growth. Management has a vision for growth and a habit of increasing shareholder value through buybacks. Therefore, it is recommended that Trex Co. Inc. be added to the AIM Equity Fund with a price target of $64.41, which represents a 35.92% upside. Trex does not pay a dividend.

Investment Thesis

- **Superior product and market share opportunity.** Trex is the market leader and largest manufacturer of wood-alternatives and is attempting to gain market share in the decking industry. Currently, wood represents 84% of the linear feet sold in North America, giving Trex an opportunity to gain share by showing the preeminence of their product over wood, and has started an ad campaign to promote this superiority. Trex boards are superior to regular lumber boards in that they are eco-friendly (made of 95% recycled materials such as wood, sawdust and plastic film). The boards are low-maintenance since they are fade and stain resistant, mold and mildew resistant, and termite resistant. They will not warp, crack, rot, or split and there is no need to paint, seal, or stain them. Trex is so confident in their product that they offer a 25 year warranty

against defects. They have started executing their plan to gain market share by launching new products, pursuing profitable acquisitions, and developing into international markets.

- **Increased top line growth.** Trex has begun a new business venture to use their skills in recycling to begin selling recycled polyethylene pellets. Polyethylene is the plastic most commonly found in plastic bags or water bottles. New, "virgin" polyethylene products have fluctuating prices, unreliable providers, and inconsistent qualities. This recycled pellet would serve as a greener, more consistent quality alternative to virgin pellets, and be a lower-cost alternative for plastic manufacturers to buy. Trex has begun two manufacturing lines for pellets and a third will come online in 2016. Trex management suggests that this new business can increase net sales by $50-80 million over the next three years. The current polyethylene market is estimated to be about $6B. To gain 1.3% market share in this area is very possible for Trex. This boost to top line growth will lead to a more diverse product line and expansion in the future. Sales for the pellets will begin second quarter of this fiscal year.
- **Organic growth.** Trex is promoting organic growth through increased sales volume. Last year, Trex increased their net sales by 12.5%. The large increase was due to a 10.4% increase in sales volume and a 2% increase in prices. They have made large accomplishments in sales volume over the past three years. In 2014, Trex grew sales volume 16.4% while decreasing the price by 2.1%. In 2013, they grew sales volume 8% with a 3% increase in price. Raising sales volumes show that Trex's growth strategies are working and growing their margins not just through price increases.

Valuation

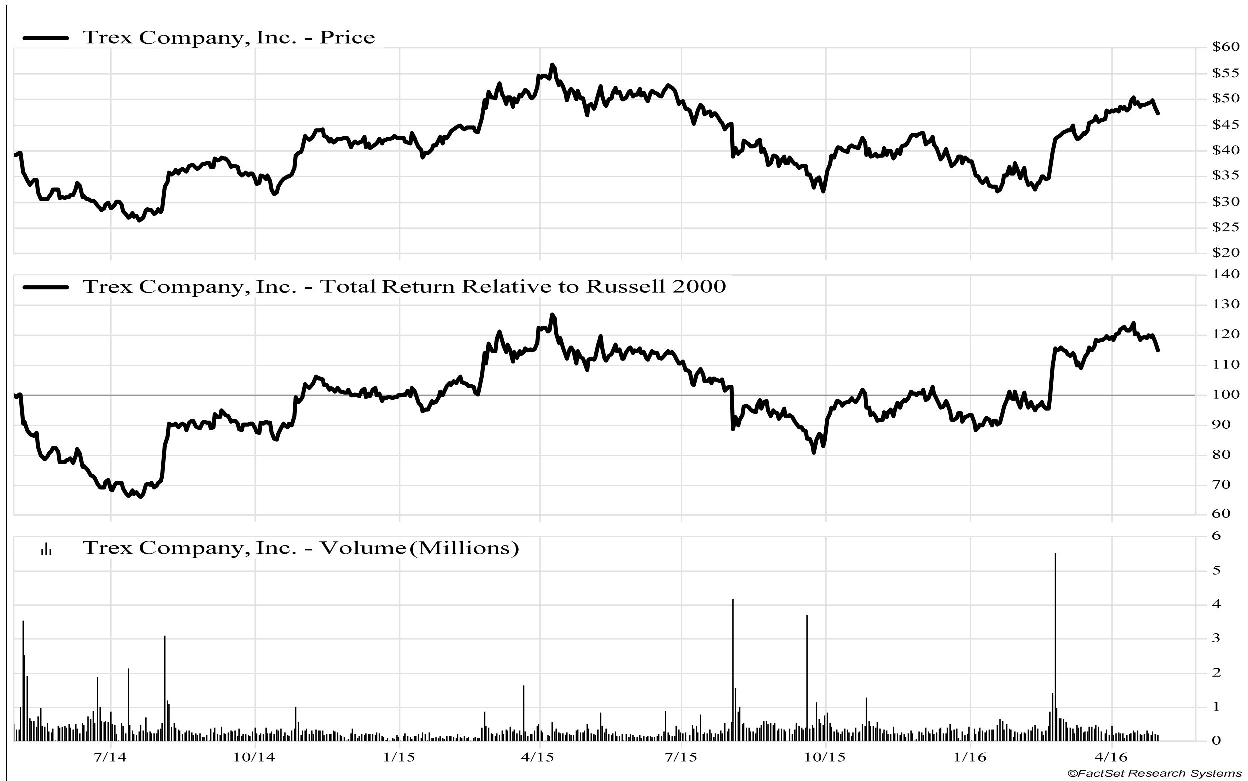
To reach an intrinsic value for TREX, a five year DCF model was constructed. Using a terminal growth rate of 2.0% and a WACC of 9.10%, an intrinsic value of $71.75 was reached. A ± 1% sensitivity analysis on the terminal growth rate and WACC ranged from $57.36-97.41. Additionally, a P/E multiple valuation was conducted using an estimated 2016 EPS of $1.83 and peer comparable multiple P/E of 15.96x, resulting in a valuation of $42.40. By weighting the two valuation models 75/25, a price target of $64.41 was reached, resulting in a 35.92% upside.

Risks

- **Need for market acceptance.** Trex loses growth opportunities if people do not want to stray away from the well-established wood products used in decks. To create more market acceptance, Trex must make more people aware of wood-alternatives and their enhanced value over regular lumber. They must convince people of the benefits of the larger up-front cost of Trex, but the reduced maintenance costs over time. They must combat the resistance of consumers and contractors to change from well-established wood products.
- **Nevada facility.** In 2007, a Trex manufacturing facility in Nevada produced boards that exhibited surface flaking. Although a small singular problem, Trex needs to maintain their brand name of low-maintenance, superior-to-wood boards. They are settling claims and providing replacement products and labor to fix this.
- **Remodeling market and interest rates.** An interest rate raise in the future would hurt the amount of future homes being built or renovated. This could negatively impact the amount of Trex products sold to build decks.
- **Singular product.** All Trex products are made from the same Trex Wood-Polymer lumber. Their product line is reliant on the composite formula and manufacturing process for this. If there was any problem with product quality, there would be a large material adverse effect on the business.

Management

James E. Cline has served as the President and CEO of Trex Co. since 2015. Before that, he served as the CFO from 2008-2015. Before his time at Trex, Mr. Cline served as President of Harsco GasServ, a metal and materials corporation. Bryan Fairbanks is the current CFO of Trex and has been with the company since 2004. He moved up to CFO when James Cline advanced to CEO.



Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Trex Co.	TREX	1,464	48.10	6.0%	22.8	16.2
Masco	MAS	10,219	352.0	-	26.25	11.09
Louisiana-Pacific	LPX	2,377	-86.0	74.1%	-	47.52
Simpson	SSD	1,816	67.9	0.0%	27.25	10.95
Headwaters	HW	1,481	131.3	221.8%	11.05	11.93
Peer Averages		3,973	116	98.6%	21.52	20.4

Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	4.82%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	>90%	▬

Source: ThompsonOne

Top 5 Shareholders

Holder	Shares		% Out
Vanguard Group, Inc.	2,124,000	▼	6.87
BlackRock Institutional Trust Company, N.A.	2,030,000	▼	6.57
BAMCO, Inc	1,900,000	▲	6.15
ClearBridge Investments LLC	1,838,000	▼	5.95
Barrow, Hanley, Mewhinney & Strauss LLC	1,577,000	▼	5.10

Source: ThompsonOne

China Mobile Limited Sponsored ADR (CHL)

May 6, 2016

Anthony DiSanto — International Telecommunications

China Mobile Limited Sponsored ADR (NYSE: CHL) operates as an investment holding company and through their subsidiaries offer: mobile communication services, mobile-related services, and a new fixed line service. 94% of their revenue is derived from their mobile and mobile related services, as they just began their fixed line services last year. They provide these in Hong Kong and mainland China. Currently they are the leading mobile provider in mainland China with a market share of 60.2% compared to China Unicom, who has 24.5%, and China Telecom with 15.3%, as of 2015. CHL was founded in 1997 and is headquartered in Hong Kong.

Price ($): (4/30/16)	57.52
Price Target ($):	65.77
52WK H-L ($):	50.12 - 73.8
Market Cap (bil):	234.8
Float (mil):	N/A
Short Interest (%):	0.02%
Avg. Daily Vol (mil):	0.71
Dividend ($):	1.54
Yield (%):	2.64%

Beta:	0.78
WACC	8.7%
M-Term Rev. Gr Rate Est:	3.6%
M-Term EPS Gr Rate Est:	6.5%
Debt/Equity:	0.0134
Debt/EBITDA (ttm):	0.05
ROA:	8.1%
ROE:	12.4%
ROIC:	12.3%

FY: Dec	2014	2015	2016E	2017E
Revenue (Bil)	104.10	106.34	110.058	114.185
% Growth	1.56%	2.15%	3.50%	3.75%
Gross Margin	75.72%	69.11%	70.00%	71.00%
Operating Margin	18.91%	16.58%	19.78%	20.54%
EPS (Cal)	$4.45	$4.42	$5.23	$5.59
FCF/Share	($0.34)	($0.30)	$2.17	$2.32
P/E (Cal)	14.8	14.9	12.6	11.8
EV/EBITDA	4.5	4.3	3.9	3.7

Recommendation

China currently has the world's largest population, with about 1.4 billion people as of 2016. Within mainland China, there are only three providers of mobile telecommunications. China Mobile Limited has the largest market share with a mobile consumer base of 834 million. In 2015, CHL put in use 1.1 million base stations that cover 1.2 billion people in China. Also, the recent acquisition of TieTong has turned CHL into a full service operator by providing them with a broadband segment. Presently, this broadband segment is only servicing 60.59 million customers with future plans to offer their broadband services to 98% of the population. Their CapEx as of 2015 was RMB 195,577 million and mainly came from their construction of terminals. With the completion of their 4G terminal plan, they will focus future CapEx on increasing their broadband network. Their initiative to expand their network base has been effective, with the addition of 25.8 million new customers in the past year and a reduction in churn. The have also been more effective in marketing their product with a reduction of sales expense by over 20%. Realizing that data is the new source of revenue in telecom, their parent company CMC, began the China Mobile Fund that invests in companies that have a focus in mobile internet and related upstream/downstream business. This new fund further differentiates CHL from competitors by adding attractive features to their products. With better service, an increasing consumer base, and actively looking for the best opportunities, it is recommended that China Mobile Limited be added to the International AIM portfolio with a price target of $65.77, representing a 14.35% upside. CHL pays a dividend representing a 2.64% yield.

Investment Thesis

- **TieTong Acquisition.** The acquisition of TieTong has allowed CHL to become a full service provider with their new wireline broadband network. They obtained 55 million users in 2015 with an ARPU of 32RMB from the acquisition. CHL has seen customer growth of 4.58% from February 2016 to March 2016 in this segment. Their goal is to offer broadband access to 98% of the villages come 2020. This leaves 96% of the population untapped, or 1.3 billion people.
- **Growth in 4G Segment and Data Usage.** In 2015 CHL added 1.1 million 4G base stations covering a population of 1.2 billion. At the same time their 4G consumers grew from 312.3 million in 2015/4Q to 376.5 million as of March 2016. CHL also has plans to commercialize VoLTE (Voice over LTE) creating a more attractive 4G package. This will draw in more

customers, as well as increase data revenue. CHL's data revenue has already increased by 17.4% in 2015, from RMB 258,462 million to RMB 303,425 million, consisting of 52.0% percent of their total revenue. CHL understands that data will be a revenue driver in the future and is working on ways to capitalize on it presently.

- **Growing Customer Base.** Churn has been decreasing over the years from 3.13% to 2.78% for 2014 to 2015 respectively. At the same time they have also increased their customer base from 806.6 million to 826.2 million in 2015. With their recent acquisition and current improvements, CHL's customer base has the opportunity to grow by 24%.

Valuation

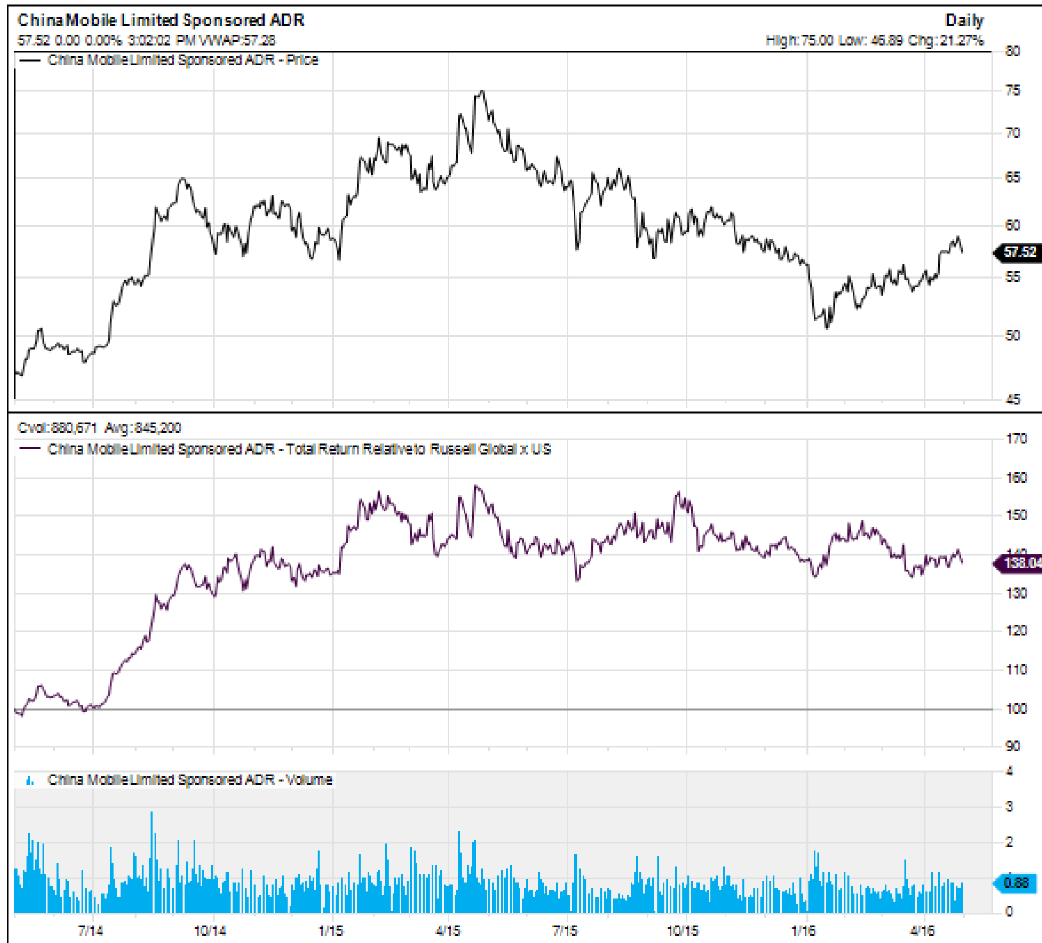
A five year DCF model was constructed to reach CHL's intrinsic value. Using a terminal growth rate of 2.00%, WACC of 8.75%, an intrinsic value of $41.69 was reached. A sensitivity analysis ranged from $39.33 to $50.52. Additionally, a P/E multiple valuation was constructed using the forecasted 2016E annual EPS of $5.23, a comparables average P/E of 14.36, and CHL's 5-year historical average P/E of 11.8 resulted in $68.45 share price. By weighing the two valuations 10/90, a price target of $65.77 was reached, representing a 14.35% upside. CHL pays a dividend representing a 2.64% yield.

Risks

- **Regulations.** China is known for forcing regulations without adequate warning. In 2015 the government enacted a new policy known as "speed upgrade and tariff reduction." CHL is forced to reduce tariffs and improve their network speeds.
- **Increased Competition.** CHL has been fighting increased competition from internet instant message services and mobile telecommunication competitors, due to regulations and restructuring of the industry.
- **Slowdown in GDP.** China announced a GDP of 6.9% for 2015, the lowest it has been in the past few years. A lower GDP could be signs of a weakening economy, thus having an adverse affect on CHL.

Management

Mr. Li Yue has been the CEO since August of 2010 and an Executive Director since March of 2003. He is also the President and director of CHL's parent company CMCC. Prior to working for CHL, Mr. Yue served as Director of Industrial Technology Development Centre in Liaoning Province and many other technology and telecommunication firms. Mr. Xue Taohai has served as an Executive Director, Vice President, and CFO since July 2002. Mr. Taohai is also the Vice President of CHL's parent company CMCC. Prior to his work at CHL, Mr. Taohai served as the Deputy Director General of the Finance Department of the former Ministry of Posts and Telecommunications, as well as other IT and telecommunication firms.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	72.70%
% of Shares Held by Institutional & Mutual Fund Owners:	27.30%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
China State-Owned Assets Supervision & Admn Commission	14,891,000	72.70
Lo Ka Shui	700,000	3.41
Moses M.C. Cheng	400,000	1.95
Frank K.S. Wong	150,000	0.73
BlackRock Fund Advisors	125,822	0.60

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
China Mobile Limited Sponsored ADR	CHL-US	235,540	17.27	1.34	13.36	4.26
China Telecom Corp. Ltd. Sponsored ADR	CHA-US	40,170	3,189	38.4	11.68	1.29
China Unicom Ltd. Sponsored ADR	CHU-US	28,020	1,680	64.42	17.23	3.40
Hutchison Telecommunications Hong Kong	HTHKY-US	1,740	118.4	34.39	14.17	5.91
Peer Averages		23,310.00	1,662.47	45.74	14.36	3.53

**Removed For Relative Valuation Analysis*

Source: FactSet

Bank Mandiri (PPERY)

May 6, 2016

Nicholas Christman International Financial Services

Bank Mandiri (OTC: PPERY) is a state owned Indonesian-based holding company that operates in the commercial banking sector. The bank was formed in 1998 during the Asian Financial Crisis, when the Indonesian government consolidated four large, struggling banks. The majority of their revenue comes from Indonesia (98.9%), while the rest come from small foreign subsidiaries (1.1%). Operating revenue is broken down into the following segments, Consumer/Individual (29%), Micro & Business (22.6%), Commercial (17.9%), and Other Subsidiaries (30.5%). As of the end of Q4 2015, the bank had a network of 2,457 branches, 3,100 micro outlets, and 17,388 ATMs. Bank Mandiri is headquartered in Jakarta, Indonesia and has 36,737 employees worldwide.

Price ($): (4/29/16)	7.33
Price Target ($):	9.31
52Wk H-L ($):	5-8.8
Market Cap (mil):	17,021
Float (mil):	2,337
Short Interest (%):	0.00%
Avg. Daily Vol (mil):	0.211
Dividend ($):	0.20
Yield (%):	2.70%

Beta:	1.10
WACC	10.1%
M-Term Inc. Gr Rate Est:	7.1%
M-Term EPS Gr Rate Est:	6.8%
Financial Leverage	8.05x
ROA:	2.24%
ROE:	18.02%
Tier 1 Capital Ratio	16.2%
Credit Provisions/Loans	2.0%

FY: Mar	2015A	2016E	2017E	2018E
Op Income (Mil)	2,003	2172	2396	2464
% Growth	1.68%	8.42%	10.33%	2.84%
Net Interest Margin	5.90%	5.87%	5.75%	5.50%
Pretax Margin	26.43%	22.62%	23.83%	22.41%
EPS (Cal)	$0.66	$0.70	$0.78	$0.80
P/E (Cal)	11.1	11.5	11.3	11.6
BVPS	3.6	4.1	4.7	5.2
P/B	2.0	2.0	1.9	1.8

Recommendation

The economic outlook for Indonesia has significantly improved in 2016 due to various factors. First, there has been a boost in palm oil prices (from $483.49 to $632.79 per metric ton, 31% trailing 6 month increase), Indonesia's top agricultural export. This increase has been fueled by a rise in the price of coconut oil, which is the main substitute for palm oil. Palm oil plantations make up 14% of PPERY's loan portfolio, so the boost in prices will alleviate any financial concerns of these plantations. Additionally, the Bank of Indonesia slashed interest rates 125 bps by changing the benchmark to the 7-day reverse repo rate (5.5%). Forward earnings expectations spiked 13% since the beginning of 2016 for the Jakarta Composite Index in response to lower rates (296IDR to 334.5IDR per share). A surge in the Indonesia Rupiah (IDR), 11% since October 2015, has eased fears of inflation, allowing the central bank to lower rates. Growth has picked up also, as GDP grew at 5.04% in 2015 Q4, and is projected to grow at 5.1% in Q1 2016 (DBS Bank economist prediction). According to BMI Research, asset growth in Indonesian commercial banking is forecasted to increase at a 20% CAGR from 2015-2020, and deposits are expected to grow at 21% CAGR during the same time period. PPERY is on the forefront of banking education and market penetration. They are utilizing digital services, micro banking outlets, and floating cash offices to reach customers in remote locations. CEO Kartika Wirjoatmodjo has allocated $10MM to invest in big data to enhance risk management and business opportunity. Furthermore, PPERY's EPS has grown at a CAGR of 13.28% since 2011 (from 529.33 IDR to 871.50 IDR). In Q4 2015, NIM expanded to 6.7% jumping 100bps from Q3 (5.7%). Based on the opportunity for substantial top and bottom line growth, it is recommended that PPERY be added to the AIM International Equity Fund with a price target of $9.31, representing a 27.07% upside. PPERY pays a dividend of $0.20, which is a yield of 2.76%.

Investment Thesis

- **Digital Banking.** 85% of people in Indonesia own mobile phones, 43% own smartphones, and 34% have Internet access; however, only 60 MM people (24%) in Indonesia have banking accounts. PPERY has made e-banking a priority through the introduction of Rekening Hape (phone account), a mobile based pre-paid service for rural areas, and other e-channel banking products like Mandiri Internet. PPERY's mobile banking users have grown at a CAGR of

13.66% since 2011 (3.2 MM to 6.9 MM), and this growth can be expected to continue as PPERY seeks to reach more mobile customers. Fee income from the e-channel grew to $206.87 MM in 2015 from $156.48 MM in 2014 (32.2% yoy growth).

- **Islamic Banking.** Islamic banking is based on Sharia law and is focused on conservative financial principals. Indonesia has the largest Muslim population in the world (204.8 MM) making Islamic banking relevant. Assets in Islamic banks in Indonesia grew from 49.6 to 273.5 IDR Tn (2008-Aug-15). Mandiri Syariah, Bank Mandiri's Islamic subsidiary, grew assets 29.76% over the last 3 years and recorded $22 Mn in net income. The future of this business looks bright; subsequently, Bank Mandiri could capitalize on an IPO of their Sharia subsidiary.
- **Asset Quality Concerns Overblown.** In 2015, PPERY increased their loan loss provisions to 2.45% of assets from 2.07% in 2014. The bank was responding to a number of concerning economic trends facing Indonesia. In 2016, these trends have reversed in a V-shape pattern, and a lower loan loss expense is possible to expect in future earnings reports. This would increase earnings and alleviate investor concerns about asset quality. Gross NPLs (Non-performing loans) were 2.6% at the end of 2015 (Up from 2.15% in 2014).

Valuation

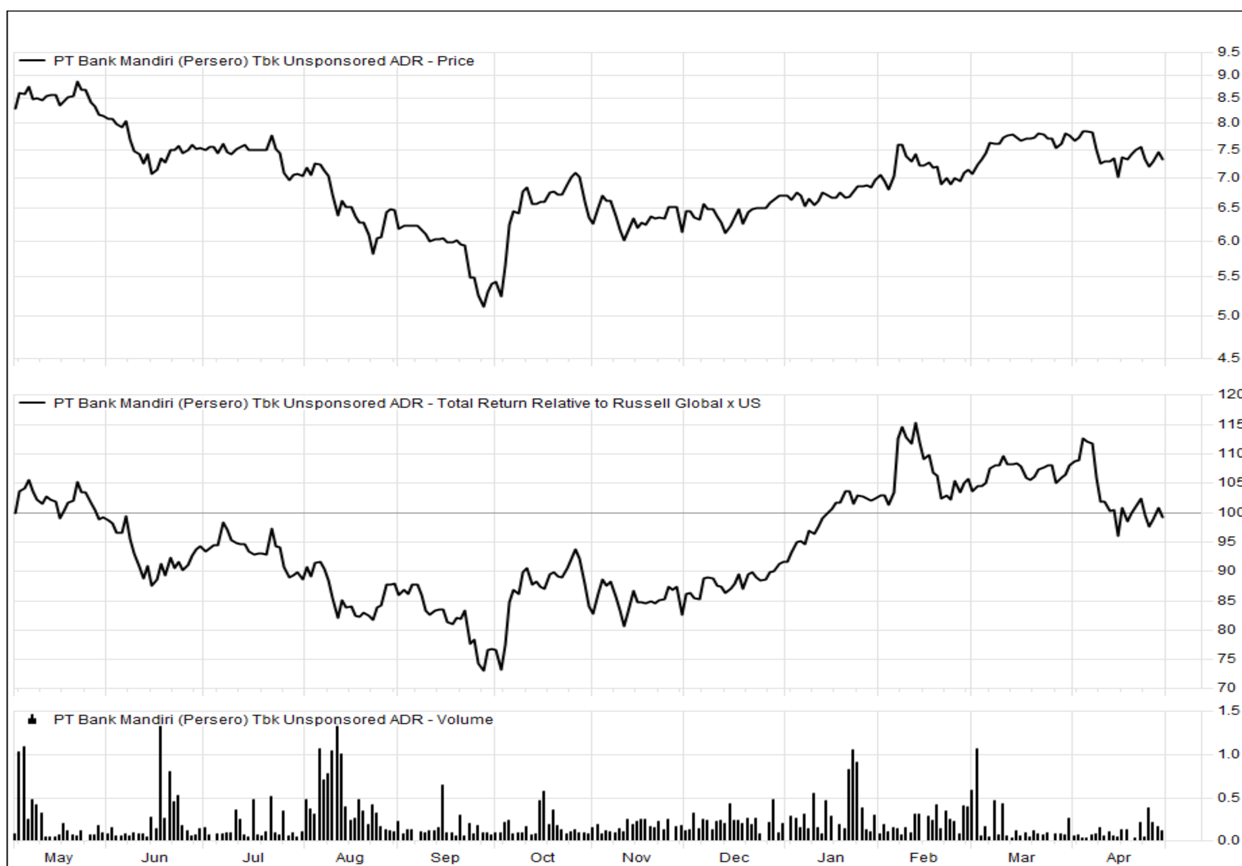
To find the intrinsic value of PPERY a price to book multiple was used, as well as a discount dividend model. The 5-year average historic price-to-book for PPERY was 2.29x and its weighted peer average P/B was 2.83x. Weighting the historic average and the peer average the same, the P/B yielded an intrinsic value of $9.33. The discount dividend approach, using a cost of equity of 11.02% and a long-term growth rate of 2%, resulted in an intrinsic value of $9.30. A sensitivity analysis with cost of equity and long-term growth yielded a range of $8.14-$10.78. Weighting these valuations 50/50, the final estimated intrinsic value of PPERY is $9.31, which provides an upside of over 27.07%. PPERY has a dividend yield of 2.7%.

Risks

- **Foreign Competition.** Foreign banks have finally discovered a way to buy into the Indonesian banking market. Recently, OJK (Indonesia's banking regulatory body) has stated that they want the banking sector to consolidate down to 60-70 banks from 120. To speed up the process, they have allowed two foreign banks, Shinhan Financial and China Construction Bank, to buyout Indonesian banks, as long as they were willing to merge two companies.
- **Political Stability.** President Joko (Jokowi) Widodo took office in 2014 under uncertainty. He was elected with 53% of the vote, but his legitimacy was questioned when he was accused of fraud by his rival. Since his election, he has had a rocky start dealing with slowing growth, political divisions, and a lower approval rating. Since last year however, he has regained much of his support within the government and from his people (67% approval vs 41% last June). Future disruption to this peace serves as a major risk to PPERY.
- **Currency Volatility.** Operating in an emerging economy, PPERY is subject to volatile currency movements. This effect was seen in 2015 as the IDR fell over 10% against the dollar. This negatively affected companies in Indonesia with foreign denominated debt, and also decreased the value of earnings for ADR stockholders. The currency movement coincided with Net NPLs rising 9 bps to .9%.

Management

Kartika Wirjoatmodjo is the new Managing Director and CFO for PPERY. He originally worked for the bank in 2003 as Vice President and then Senior Vice President until 2008. He was the Managing Director for Mandiri Sekuritas (Securities division) from 2008-2011. He served as the CEO of PT Indonesia Infrastructure Finance in 2011 and then the CEO of the Indonesian Deposit Insurance Corporation in 2014. He is a graduate of the University of Indonesia with a degree in Economics and Accounting.



Ownership

% of Shares Held by All Insider and 5% Owners:	60.00%
% of Shares Held by Institutional & Mutual Fund Owners:	16.30%

Source: Factset

Top 5 Shareholders

Holder	Shares (000)	% Out
Government of Indonesia	14,000.00	60.00
Harris Associates LP	965,981	4.10
Lazard Asset Management LLC	374,147	1.60
The Vanguard Group, Inc.	272,574	1.20
Norges Bank Investment Management	194,135	0.80

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	Div. Yld. %	P/B	D/E
Bank Mandiri	PPERY	17,021	1,511	2.08	2.01	0.5
Bank Central Asia	PBCRY	24,385	1,345	1.20	3.76	0.1
Bank Danamon Indonesia	BDMN-ID	2,505	179	-	1.02	0.7
Bank Rakyat Indonesia	BKRKY	19,071	2,286	2.73	2.31	0.6
DBS Group*	DBSDY	29,040	3,212	3.59	1.03	0.4
Peer Averages		18,750	1,756	2.51	2.0	0.5

**Removed For Relative Valuation Analysis*

Source: Factset

Omnicell, Inc. (OMCL)
May 6, 2016

Brian Fletcher Domestic Technology

Omnicell, Inc. (NASDAQ: OMCL) is a provider of comprehensive automation and business analytics software solutions for patient-centric medication and supply management across the healthcare continuum. OMCL operates in two segments: Automation and Analytics (81% of 2015 revenue) and Medication Adherence (19%). The Automation and Analytics segment focuses on the design, manufacturing, selling and servicing of medication and supply dispensing systems, pharmacy inventory management systems, and related software. The Medication Adherence segment focuses primarily on the manufacturing and selling of consumable medication blister cards, packaging equipment, and ancillary products and services. OMCL predominantly sells their Automation and Analytics products directly to non-acute care providers and to organizations that supply non-acute care providers and OMCL sells their Medication Adherence products to institutional and retail pharmacies. OMCL was founded in 1992 and is headquartered in Mountain View, CA.

Price ($):	30.66
Price Target ($):	38.50
52WK H-L ($):	40.08 - 25.06
Market Cap (mil):	1,126
Float (mil):	34.3
Short Interest (%):	6.7
Avg. Daily Vol (mil):	0.2
Dividend ($):	0.00
Yield (%):	0.0

Beta:	1.08
WACC	8%
M-Term Rev. Gr Rate Est:	16.0%
M-Term EPS Gr Rate Est:	17.9%
Debt/Equity:	0.44
Debt/EBITDA (ttm):	2.49
ROA (%):	5.40
ROE (%):	7.76
ROIC (%):	7.76

FY: Dec 31	2014	2015	2016E	2017E
Revenue (Mil)	440.90	484.56	702.61	808.00
% Growth	16%	10%	45%	15%
Gross Margin	58%	56%	61%	62%
EBITDA Margin	16%	15%	20%	20%
EPS (Cal)	$0.83	$0.84	$1.12	$1.44
FCF/Share	$1.45	$0.71	$1.19	$0.25
P/E (Cal)	39.9	36.4	27.4	21.3
EV/EBITDA	14.9	14.3	11.5	8.7

Source: Factset

Recommendation

As healthcare providers continue to recognize the benefits of automation in the industry, OMCL's revenues have continued to grow at a 5-year CAGR of 17%. With increasing acquisition activity and widening of product offerings, OMCL looks to maintain their #1 market position in all their services in the US (except their Decentralized Pharmacy Services (#2)). The recent financial performance of OMCL in the first quarter of 2016 quantitatively illustrates the growing nature of the company. First quarter GAAP revenues ($171 million) were up 47% YoY ($116.2 million) and 31% ($130.3 million) sequentially. The Automation and Analytics segment of OMCL contributed $148.9 million of the GAAP revenues and the Medication Adherence segment contributed $22.1 million of GAAP revenues. Furthermore, as pharmaceutical sales are expected to grow 1% to 4% annually through 2016, certain sectors of the market will grow faster than the overall market, offering opportunities for growth in the market that OMCL operates. On a broader level, as the population and life expectancies continue to increase (351% globally for the 85-and-over population between 2010-2050), the overall demand for the company's services will increase because OMCL's technological advances will be a priority in the capital budgets of the healthcare facilities that use OMCL's services. Due to the widening of product offering, the continuation of positive acquisition activity and the future market trends for OMCL's services, it is recommended that Omnicell, Inc. be added to the AIM Equity Fund with a target price of $38.50, representing 25.6% upside. The firm presently does not pay a dividend.

Investment Thesis

- **Acquisition of Aesynt -** In 2016, OMCL completed the acquisition of Aesynt. With the acquisition, OMCL acquired an additional 10% of the medication, automation, and analytics market. The acquisition adds new capabilities for OMCL in Centralized Pharmacy, Decentralized Pharmacy and Enterprise Solutions, creating the broadest medication management product portfolio in the industry. Additionally, the incorporation of Aesynt's IV solutions into OMCL's Automation Segment represents a high growth opportunity with a projected $900 million global

addressable market. The acquisition offers further benefits to OMCL that the company will realize in the future.

- **International Growth and Expansion into New Markets -** Outside the United States, healthcare providers are becoming increasingly aware of the benefits of automation. The 2014 BCC Research report states that worldwide inpatient pharmacy automation revenue growth is expected to be 8.5% between 2013 and 2018. OMCL sells their Automation and Analytics products in a variety of countries, but to date OMCL has focused their sales efforts primarily in the United Kingdom, Canada, China, and the Middle East region. The UK, where OMCL is a market leader, has been their main focus internationally and after acquiring Avantec Ltd., the UK exclusive distributor of Omnicell, in 2015, OMCL secured contracts with five National Health Service Hospital Trusts in the UK.
- **Growing Customer Base –** OMCL continues to grow their customer base due to their wide product offerings. In the first quarter this year, OMCL secured a 10-year contract with UnityPoint Health as the sole provider of medication, central pharmacy automation and analytics software across 15 of its facilities. The contract with UnityPoint Health is an exciting prospect for OMCL as UnityPoint Heath is one of the most integrated health systems in the nation, providing care throughout Iowa, western Illinois and southern Wisconsin. Furthermore, more than 5.4 million patients visit UnityPoint Heath services each year, which can lead to further adoption of OMCL's future product developments and enhancements.

Valuation

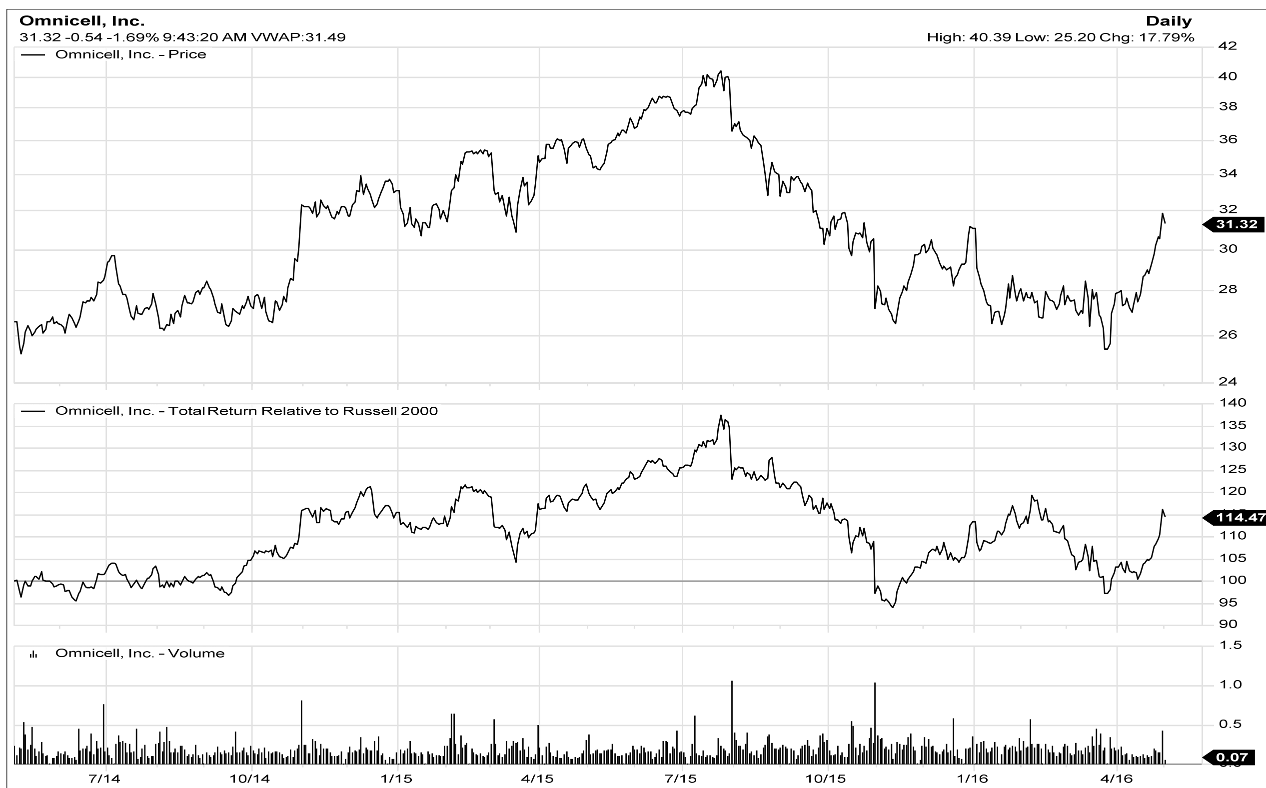
In order to reach an intrinsic value for OMCL, a five year DCF model was constructed. Using a terminal growth rate of 2.25%, WACC of 7.77%, an intrinsic value of $37.98 was reached. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.12 and an average P/E of 35.39x achieved through OMCL and its comparables P/E, which resulted in a valuation of $39.64. Finally, an EV/EBITDA multiple valuation was calculated. The multiple resulted in a valuation of $41.44. By weighting the three valuation models 80/10/10, a price target of $38.50 was reached, which yields a 25.6% upside.

Risks

- **Integration of Acquired Businesses and Technologies.** Acquisitions entail numerous risks that could hard OMCL's current operations. These risks include difficulties associated with the integration of operations, technologies, products and personnel. Integration success places a significant burden on the combined company's management and internal resources
- **Debt Obligations.** With the Aesynt Acquisition, OMCL incurred $255 million in secured debt, consisting of $200 million of term loans and $55 million of revolving loans. The debt may limit OMCL's ability to borrow additional funds and require OMCL to use substantial portions of their cash flow from operations to make debt service payments, placing OMCL at a competitive disadvantage compared to less leveraged competitors.
- **Failure to React to Rapid Technological Change.** OMCL must develop new products and enhance existing products with improved technologies in order to meet changing customer requirements. There is risk that these developments and enhancement will be late, have technical problems, fail to meet customer or market specifications, and will not be competitive with other products using alternative technologies that offer comparable performance and functionality. Furthermore, R&D expenses accounted for $35.2 million for the year ended December 31, 2015.

Management

Randall A. Lipps has held the President and CEO position since 2002. He has also served as Chairman of the Board and a Director since founding OMCL in 1992. Peter J. Kuipers serves as EVP and CFO since joining OMCL in 2015. Previously Robin G. Seim held the position as CFO for 9 years. Robin currently serves as EVP, Global Automation and Medication Adherence. J. Christopher Drew joined OMCL in 1994 and currently serves as Executive VP, Sales and Marketing for North American Automation.



Ownership

% of Shares Held by All Insider and 5% Owners:	3.4%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	97.7%	▲

Source: Factset

Top 5 Shareholders

Holder	Shares		% Out
BlackRock Fund Advisors	3,243,000	▲	9.0
Oak Ridge Investments LLC	2,525,000	▼	7.0
Conestoga Capital Advisors	1,743,000	▲	4.9
Dimensionals Fund Advisors LP	1,641,000	▲	4.6
Champlain Investment Partners LLC	1,579,000	▲	4.4

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Omnicell, Inc.	OMCL	1,126	31	44%	36.4x	14.3x
AmerisourceBergen	ABC	19,479	395.4	346.3%	49.4x	14.5x
McKesson	MCK	38,709	2,239.0	98.2%	20.3x	9.4x
Cerner	CERN	19,480	539.4	15.6%	37.4x	14.5x
Becton Di Becton Dickinson	BDX	34,297	688.0	177.3%	50.4x	17.3x
Emerson Electric	EMR	35,383	2,534.0	99.9%	14.6x	9.2x
Peer Averages		29,470	1,279	147.5%	30.7x	13.0x

Source: Factset

Vina Concha y Toro S.A. Sponsored ADR (VCO)
May 6, 2016

Dominic Delia International Consumer Staples

Vina Concha y Toro S.A. Sponsored ADR (NYSE: VCO) is a vertically integrated, international producer and exporter of wines. The company owns and operates vineyards in order to grow grapes for use in its wine-making operations, vilification plants, bottling plants, and wine distribution network. VCO categorizes its products under two main business segments: Wines (~91.3% of total revenue) and Others (~8.7%). The Wines segment consists of the agricultural operations, production, packing, distribution, and marketing of its wines under all of its brands including Don Melchor, Casillero del Diablo, Carmin de Peumo, Clos de Pirque, and the recently acquired Fetzer portfolio of brands. The firm's Others segment is comprised of non-wine related products, as well as liquor distribution and premium beers in Chile, wine bars, winery tours, and the sale of fruit. VCO owns and operates 11.848 arable hectares on 51 owned and 9 leased vineyards in Chile's nine principle growing regions, 8 vineyards in Mendoza, Argentina, and 16 vineyards in California. The company segments its revenues by individual country: Chile (~22.6% of total revenue); Brazil (~10.2 %); United States (~9.4%); Germany (~6.8%); France (~5.3%); United Kingdom (~4.8%); Italy (~4.2%); Canada (~3.9%), and Other (~32.8%). Vina Concha y Toro was founded in 1883 by Melchor de Santiago Concha y Toro and Ramón Subercaseaux Mercado and is headquartered in Santiago, Chile.

Price ($) (04/30/16):	$34.20
Price Target ($):	$41.74
52WK H-L ($):	28.22-42.21
Market Cap (Mil):	1,255
Float:	5,375
Short Interest (%):	0.01%
Avg. Daily Vol:	5,375
Dividend ($):	$0.57
Yield (%):	1.67%

Beta:	0.64
WACC:	7.68%
M-Term Rev. Gr Rate Est:	4.00%
M-Term EPS Gr Rate Est:	0.16%
Debt/Equity:	46.16%
Debt/EBITDA (ttm):	3.03x
ROA:	5.21%
ROE:	11.07%
ROIC:	7.64%

FY: Dec.	2014	2015	2016E	2017E
Revenue (Mil):	$1,014.96	$967.01	$1,025.04	$1,076.29
% Growth:	6.00%	5.00%	4.00%	4.00%
Gross Margin:	37.46%	38.08%	39.51%	39.51%
Operating Margin:	10.61%	10.90%	12.56%	12.57%
Net Margin:	7.38%	7.83%	9.02%	9.09%
EPS (Cal):	$2.01	$2.03	$2.48	$2.62
FCF/Share (Cal):	$2.83	$3.14	$2.39	$2.43
P/E (Cal):	17.05	16.88	13.81	13.05

Recommendation

As the world's fourth largest wine distributer by volume, Vina Concha y Toro boasts an impressively diversified revenue stream with sales stemming from 145 countries and an extensive web of vertically integrated subsidiaries in order to justify its title as the "World's Most Powerful Wine Brand". The company has focused recently on expanding into growing markets, most notably the U.S, China, Scandinavia, Australia, and the United Kingdom where its sponsorship of Manchester United has helped its most popular brand, Casillero del Diablo, grow 17.4% YoY. Vina Concha is trading at a huge discount relative to its peers and has been relatively overlooked by analysts due to the negative perception surrounding Latin America as a whole. Despite China's growth slowdown crippling Chile's once abundant copper exports, the Chilean economy has performed relatively well due to its lack of corruption, high levels of transparency, and openness of its markets (Ranked 7th in 2016 Heritage Index of Economic Freedom). After thoroughly examining the performance of the firm, the Chilean economy, and the wine industry as a whole, it is recommended that Vina Concha y Toro be added to the AIM International Equity Fund with a target price of $41.74, representing a 22.06% upside.

Investment Thesis

- **US Sales Growth & Shifting Demographic Trends.** Wine sales in the U.S. grew 4.6% YoY in March, 2016, trailing only distilled spirits (4.8%) and dwarfing the beer and ale industry which grew at a meager 1.0% YoY. This surge in wine consumption bodes well for Vina Concha, whose recent acquisition of the Fetzer portfolio of brands and Mendocino vineyards here in the U.S has the company poised to take advantage of this renewed passion for the fruit of the vine. Also stateside, Millennials, the largest demographic segment of the population at 79 million, have recently surpassed the Baby Boomers in total wine consumption, the occasional wine drinkers market, and are rapidly gaining share in the high frequency wine drinker market. VCO's recent

investment in a state of the art wine research facility in California will help it cater to the younger generation's voracious appetite for anything "new", complimented by their willingness to try foreign wines in comparison to Boomers and Generation X.

- **Overlooked Chilean Economy.** Despite being surrounded by economies reeling in the wake of the commodity bear market and shrouded by the stigma of corruption that pervades financial systems throughout Latin America, Chile has proven to be a diamond in the rough when it comes to investing in this troubled region. While Chile's economy was hit hard by slumping copper prices, it has proven to be surprisingly resilient with GDP growing by 2.1% in 2015 (Up 30 bps from 2014). This can be attributed not only to Chile's decreased reliance on mining and copper as sources of GDP (17% of GDP in 2010 to 9% in 2015), but also to its transition to a more mature economy featuring a booming services sector (Increased 5% of GDP since 2010) and increasingly prevalent middle class (5.5% Wage growth YoY).
- **Cheap Grape Prices & Weak Peso.** Despite owning the second largest acreage of vineyards in the world, Vina Concha purchased more than half of the grapes used in its fine wines and over 70% for its less expensive varieties from local farmers in 2014. By allocating a majority of the fruit growing costs elsewhere, the firm is poised to benefit from five year lows in in grape prices (Down ~58% from 2012). This reduction of input costs will be accompanied by the exchange rate benefits of the weak Chilean Peso within the current fiscal year.

Valuation

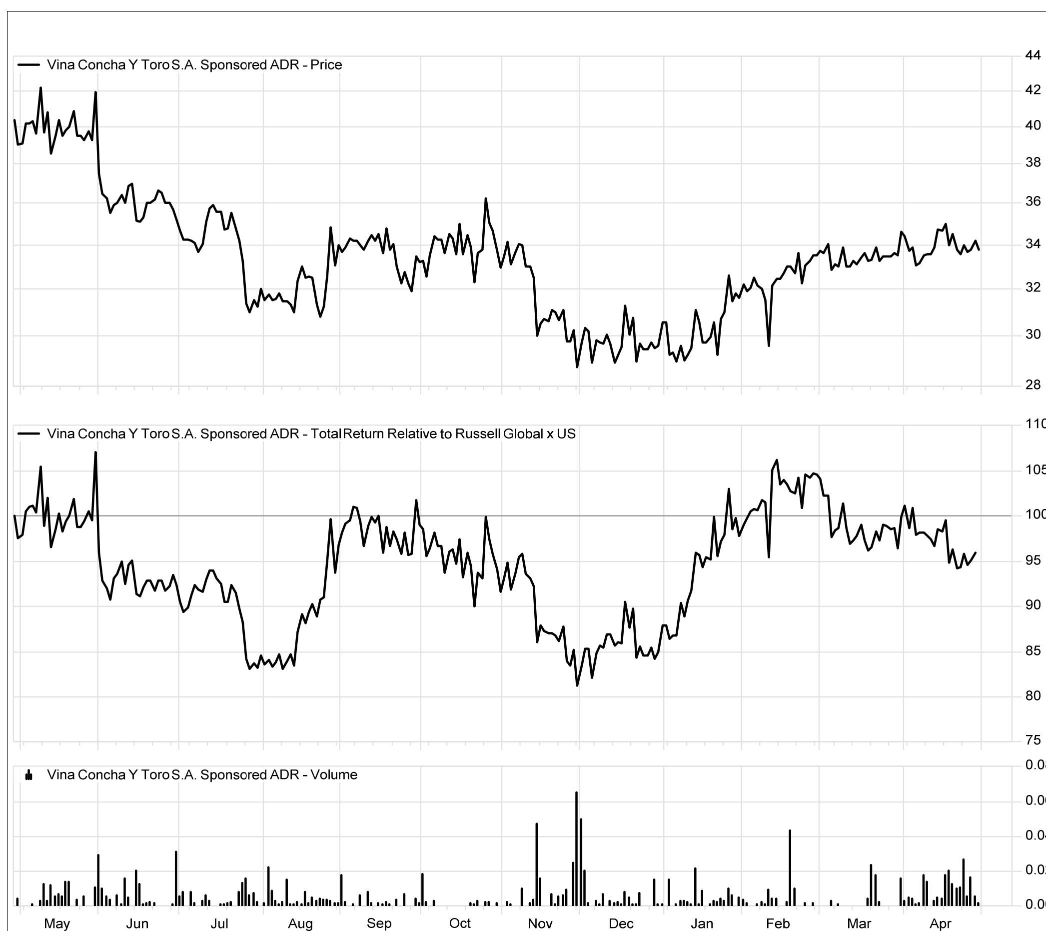
In order to reach an intrinsic value for VCO, a five year DCF model was constructed. Using a terminal growth rate of 2.00% and a WACC of 7.68%, an intrinsic value of $41.30 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $39.33-$46.06. Additionally, a P/E multiple valuation was conducted using a comparables average P/E of 25.8x, along with an EV/EBITDA multiple valuation using a comparables average EV/EBITDA of 14.2x, which resulted in valuations of $52.85 and $31.96 respectively. By weighting the three valuation models 60/20/20, a price target of $41.74 was reached, representing a 22.06% upside. VCO paid an annual dividend of $0.57 in December 2015, yielding 1.70%.

Risks

- **Agricultural Risks.** Uncontrollable climactic events, such as drought, frost, and excess rain, along with harmful pests and fungi pose a threat to the production of the company's own vineyards, as well as the third parties they buy from. The impending La Nina climate pattern may provide overly moist growing conditions in Chile, but would be welcomed with open arms as California attempts to recover from its prolonged drought over the past few growing seasons.
- **Highly Competitive Industry.** Despite ranking as the fourth largest wine distributer in terms of volume, VCO accounts for only 1.05% of global sales volume. The top ten wine companies account for less than 15% of global sales volume, compared to the top ten leaders in the beer and spirits industries which account for 61% and 26% respectively. Due to competitive factors, the firm is unable to raise the prices of its products relative to rising grape costs or other prices related to the production of its wine. This lack of pricing power exposes the company to the negative effects of a poor harvest or rising labor costs.

Management

Eduardo Guilisasti, 63, has served as the CEO for the past 27 years and has been with the company since 1976. He has also served as President of the Confederation of Production and Commerce (CPC), the main business organization of Chile between 2008 and 2010 and holds a variety of board positions within the firm's subsidiaries. The CFO of 24 years, Osvaldo Solar Venegas, has been with the company since 1988 and has helped VCO grow from eighth place to fourth place in the global league of top wine vendors (in terms of volume) over the past five years. The firm is also 35.2% owned by the descendants of two of the founding families, who actively partake in the management of the VCO's operations.



Ownership

% of Shares Held by All Insiders and Owners	50.30%
% of Shares Held by Institutional & Mutual Fund Owners	32.80%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Fidelity Management & Research Co.	36,242	4.9%
Managed Account Advisors LLC	11,630	1.6%
UBS Financial Services, Inc.	10,190	1.4%
Schafer Cullen Capital Management Inc.	9,491	1.3%
Northern Trust Investments, Inc.	9,263	1.2%

Source: FactSet

Peer Comparables

Name	Ticker	Market Cap (Mil)	Debt/Equity (%)	P/E (ttm)	EV/EBITDA (ttm)
Vina Concha y Toro ADR	VCO	1,255	46.16%	16.88x	11.63x
Diageo plc Sponsored ADR	DEO	68,058	97.43%	18.15x	17.03x
Constellation Brands, Inc.	STZ	31,115	100.35%	33.93x	18.73x
Pernod Ricard ADR	PDRDY	28,661	57.58%	28.63x	11.00x
Compania Cervecerias ADR	CCU	4,142	12.94%	22.49x	9.95x
	Peer Averages	26,646	67.08%	25.80x	14.18x

Source: FactSet

Merit Medical Systems, Inc. (MMSI)
May 6, 2015

Joe Mungenast Domestic Healthcare

Merit Medical Systems, Inc. designs, develops, manufactures and markets single-use medical products for interventional and diagnostic procedures. Primary clients include direct sales to U.S. hospitals (42% of Revenue) and International Markets (39%), with the largest client consisting of 3% of Revenue. The company operates through two segments: Cardiovascular (96.1% of Revenue) and Endoscopy (3.9%). The Cardiovascular segment consists of cardiology and radiology devices which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases. The Endoscopy segment includes devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors. Merit Medical Systems was founded by Fred P. Lampropoulos, Kent W. Stanger and William Padilla in July 1987 and is headquartered in South Jordan, UT.

Price ($): (3/10/15)	20.02	Beta:	1.07	FY: Dec	2015	2016E	2017E	2018E
Price Target ($):	25.55	WACC	7.4%	Revenue (Mil)	542.15	588.62	629.06	674.80
52WK H-L ($):	16-33	M-Term Rev. Gr Rate Est:	8.6%	% Growth	6.37%	8.57%	6.87%	7.27%
Market Cap (mil):	897	M-Term EPS Gr Rate Est:	N/A	Gross Margin	43.49%	45.50%	45.60%	46.00%
Float (mil):	42.5	Debt/Equity:	42.4%	Operating Margin	14.03%	16.59%	17.19%	18.09%
Short Interest (%):	3.60%	Debt/EBITDA (ttm):	2.73	EPS (Cal)	$0.87	$0.97	$1.12	$1.25
Avg. Daily Vol (mil):	0.23	ROA:	3.1%	FCF/Share	$0.42	$0.63	$0.97	$1.13
Dividend ($):	0.00	ROE:	5.3%	EV/EBITDA	12.3	11.1	9.9	9.3
Yield (%):	0.00%	ROIC:	3.6%	EV/Sales	2.2	2.0	1.9	1.8

Recommendation

According to The American Heart Association, Cardiovascular Disease is the leading cause of death in the entire world, accounting for 17.3 million deaths each year. In the United States, roughly 3 million people are diagnosed with Coronary Heart Disease annually, while 85.6 million live with some form of cardiovascular disease. Primarily affecting older adults and the elderly, Coronary Heart Disease involves the narrowing of arteries and veins caused by the build-up of plaque. Given the growing levels of heart disease around the world, experts predict that Merit Medical's main segment of Coronary Heart Disease will drive a $22.5 billion market by 2021. With a necessity building for revolutionary solutions to these diseases, MMSI has responded with a strong and focused salesforce as well as constant innovation of market-leading products. This team and its products have been the driving force behind Merit's strong 10-year CAGR of 11%. Additionally, in terms of inorganic growth, Merit has pursued an aggressive acquisition strategy to continue to expand their portfolio of products and understanding of the medical device field. Through the course of 2015 alone, Merit made 4 separate licensing agreements, 2 separate asset purchase agreements, and various product rights agreements, while still maintaining positive free cash flow. Due to Merit's ability to perform through internal growth as well as inorganic growth outside of its core business, it is recommended that Merit Medical Systems, Inc. be added to the AIM Equity Fund with a price target of $25.55, which represents a 27.64% upside. MMSI pays a $0.87 dividend, representing a yield of 4.3%.

Investment Thesis

- **Growth Opportunities in the Short Term...** At the end of February, the FDA announced a Class I recall – the most serious type of recall – on one of Merit's main privately-held competitors, Cook Group. Cook's affected products included many of Merit's products as well. On an April 28 earnings call, Merit's CEO cited that they have immediately ramped up production and increased labor hours in response. Additionally, there was mention that in the month following the incident, March sales were the core driver for strong total 1Q sales, which

has historically been a soft quarter for medical device companies. This provides a hopeful outlook for the rest of the year, with sales expected to ramp up over the course of the next 3-5 quarters according to management.

- **And in the Long Term.** With heart disease in America affecting 70% of men and women in the 60-79 age group and over 80% in the 80+ age group, the large influx of Baby Boomers (76 million born between 1946-1964) presents Merit with incredible business opportunities domestically. With Europe accounting for nearly 2.5 times the number of deaths due to cardiovascular disease than the Americas each year, Merit has even more growth opportunity within the EU, as well as in Eastern Asia, which also boasts a similar number of deaths each year as Europe.
- **Superb Sales Forces.** Merit attributes their rigorous training regimen to the success of their sales force. This team is trained by clinical marketers, consulting physicians, and senior field trainers in all of their respective territories. Their expensive training has hurt margins in prior years (0.4% SG&A increase between 2013-2014 as % of Sales), but with significant additions to the force generated in 2013 and 2014, Merit predicts that margins will increase along with improving sales thanks to the many years of experience between the foreign and domestic sales forces.

Valuation

To reach an intrinsic value for MMSI, a five-year DCF model was constructed. Using a terminal growth rate of 3.25% and a WACC of 7.74%, an intrinsic value of $22.72 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $21.63-24.10. Additionally, a EV/Sales multiple valuation was conducted. Using 2015 Sales of $542.0MM and a peer comparable multiple of 2.99x, a valuation of $31.50 was reached. Weighting the two valuation models 70/30 resulted in a price target of $25.55, representing a 27.64% upside.

Risks

- **Downward Trend of Gross Margin over 3 Years.** Over the past three years, Merit Medical has seen decreases in Gross Margin, attributed to an increased level of SG&A. These costs have primarily been focused on labor and training in Merit's new production facility in Tijuana, Mexico. While management is hopeful that margins will increase after recently declaring that their new production facility has broken even, declining gross margin is still a significant red flag to investors.
- **Foreign Currency Risk.** Given that 39% of Merit's sales mix is from foreign countries, Merit is exposed to a number of currency risk fluctuations. Though they do hedge this risk with foreign currency forward contracts for the Euro, British Pound, Yen, Mexican Peso, Brazilian Real, and Australian Dollar, the significant level of production and research facilities abroad puts Merit at the hands of the performance of many other economies.
- **FDA and Governmental Scrutiny.** Over recent years, the medical device industry has faced an increased level of subpoenas from Congress, the Department of Justice, and the Department of Defense. These subpoenas relate to financial arrangements with healthcare providers, regulatory compliance, and product promotional practices. With anticipation of continued scrutiny, there are expected increased levels of compliance costs and litigation.

Management

Fred P. Lampropoulos has served as Merit Medical's CEO since its inception in 1987. Mr. Lampropoulos entered this role after serving as Chairman and CEO of Utah Medical, and he currently holds over 30 years of experience in the medical device field. Merit's current CFO, Bernard Birkett, was appointed to Merit's core executive staff late last year. He joins Merit in Utah after serving 17 years as their EMEA Controller and VP of International Finance. He is a Qualified Accountant with a Master's in Banking and Finance from Smurfit Business School Dublin.

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	R&D/Sales	EV/Sales	EV/EBITDA 2015
Merit Medical Systems, Inc.	MMSI	897	542	7.53%	2.07	13.5
Endologix Inc.	ELGX	940	154	17.20%	4.35	--*
ICU Medical, Inc.	ICUI	1590	340	4.62%	3.57	14.4
Vascular Solutions, Inc.	VASC	607	146	12.58%	3.83	28.4
AngioDynamics, Inc.	ANGO	446	353	7.63%	1.58	13.2
Peer Averages		896	248	10.51%	3.33	18.6

**Removed For Relative Valuation Analysis*

Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	3.90%	–
% of Shares Held by Institutional & Mutual Fund Owners:	96.30%	▲

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
BlackRock Fund Advisors	4,131,000	▼	9.30
The Vanguard Group, Inc.	3,346,000	▼	7.60
Janus Capital Management	2,739,000	▲	6.20
Dimensional Fund Advisors LP	2,456,000	▲	5.50
EdgePoint Investment Group, Inc.	1,489,000	▼	3.20

Source: FactSet