Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports
Fall 2015

Date**:* Friday, September 11th | ***Time: *2*:30 - 3:15 p.m. | **Road Show *Location: RW Baird***

Student Presenter	Company Name	Ticker	Price	Page No.
Dan Riley	Skullcandy	SKUL	$6.74	2
Joel Kretz	Unilever plc ADR	UL	$39.20	5
Jack Kitzinger	Schneider Electric Unsponsored ADR	SBGSY	$12.16	8
Brendan Fanning	Travelport Worldwide Ltd.	TVPT	$13.75	11
William Pink	MiMedx Group Inc.	MDMX	$10.12	14

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 4 minutes presenting their formal recommendation, which is then followed by about 5 minutes of Q & A.

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Skullcandy (SKUL)
September 11, 2015

Dan Riley | AIM Micro-Cap Fund

Since its founding in 2003, Skullcandy (NASDAQ: SKUL) has established itself as a preeminent designer and marketer of audio and gaming headphones, earbuds, speakers, and other accessories. After pioneering the distribution of headphones and audio products at specialty retailers like snow, surf, and skate shops, Skullcandy has expanded its reach to 80 different countries and major retailers like Best Buy, Dick's Sporting Goods, and Target. Throughout its history, Skullcandy has maintained its image as an authentic, creative, and youth-focused brand. The company is headquartered in Park City, Utah, and had its initial public offering in July 2011.

Price ($): (9/3/15)	6.74
Price Target ($):	13.29
52WK H-L ($):	11.8-6.3
Market Cap (mil):	190
Float (mil):	17.7
Short Interest (%):	6.10%
Avg. Daily Vol (k):	203.5
Dividend ($):	N/A
Yield (%):	N/A

Beta:	0.83
WACC:	8.0%
M-Term Rev. Gr Rate Est:	11.4%
M-Term EPS Gr Rate Est:	39.4%
Debt/Equity:	0.0%
Net Debt/EBITDA	-1.71
ROA:	3.8%
ROE:	4.8%
ROIC:	4.8%

FY: Dec	2013A	2014A	2015E	2016E
Revenue (mil)	210.54	247.13	285.95	314.30
% Growth	-29.20%	17.40%	15.70%	9.90%
Gross Margin	40.00%	40.60%	42.20%	42.40%
Operating Margin	0.50%	4.80%	6.60%	8.20%
EPS (Cal)	($0.11)	$0.27	$0.43	$0.59
FCF/Share	$0.70	($0.14)	($0.16)	$0.28
P/E (Cal)	-	34.0	15.7	11.4
EV/EBITDA	15.6	10.4	5.6	4.4

Recommendation

After several years of impressive double-digit sales growth through 2012, 2013 marked a difficult year for Skullcandy, with sales falling 29% as a result of increased competition, heavy discounting by retailers, and the failure of its push into the over $100 headphone segment. Since then, a new management team has led an impressive recovery of the company's financial performance and image. 2014 sales rebounded by 18% over 2013, and the first half of 2015 has been promising, with Q1 sales increasing 18% Y/Y and Q2 sales increasing 8% Y/Y. Management has accomplished this by once again focusing on the sub-$100 headphone segment that established the company, as well as expanding into new categories like premium gaming headphones, Bluetooth speakers, and wireless headphones. In late 2014, Skullcandy introduced the Grind headphone line, which is a $60 headphone engineered to provide the sound quality of a $200 headphone. This value proposition has worked well for Skullcandy, helping it gain market share as brands like Beats by Dre move to a higher price point. Skullcandy now has a much more favorable competitive position, holding the number-one spot for sub-$100 headphone sales, as well as for gaming headphones with its Astro product line, which also holds a 50% share of the gaming headphone market. Thus far, the market has underpriced Skullcandy's improving execution, mainly because of concerns about the loss of RadioShack's business (5.6% of 2014 sales) and margin compression as SKUL expands into new segments. However, with these factors being more than priced into the stock, Skullcandy offers a compelling value proposition, especially given its growth potential. It is therefore recommended that Skullcandy be added to the AIM Micro-Cap Fund with a price target of $13.29, an upside of 97%.

Investment Thesis

- **International expansion.** Currently, 29% of Skullcandy's sales come from international markets, compared to 27% a year ago. Going forward, international sales in areas including Canada, South America, and Europe are expected to grow in the mid to high double-digits and outpace domestic growth (low double-digits), which will ultimately push international to 50% of sales. Provided that SKUL can control the cost of expanding in these markets, it stands to benefit from strong brand recognition for its products abroad.

- **Margin opportunity.** Despite operating margin falling from ~15% in 2012 to under 1% in 2013, the company is on its way to once again achieving double-digit operating margings. In the next five years, the company expects to keep gross margins steady at 42-43%, but lower its SG&A expenditure from a high of 39% of sales in 2013 to approximately 30% of sales, which it will achieve through a better use of operating leverage and deceased spending on international distribution. The result of this will be operating margin increasing to 10-12% by 2019.
- **Sales growth from new distribution partners.** This year, Skullcandy is making a large push to grow sales with Wal-Mart and Amazon. After adding 1,500 listening stations for customers to try the company's products at Wal-Mart locations, sales to the retailer grew by 30%. By end of the year, SKUL expects to have products in 3,600 Wal-Mart locations, and expects this account to grow to $30 million in annual revenue in the next 18 months. In addition, Skullcandy's rollout at Amazon, though still in its early stages, is showing positive signs. Overall, as Skullcandy expands and gains greater brand recognition, the top line should benefit.

Valuation

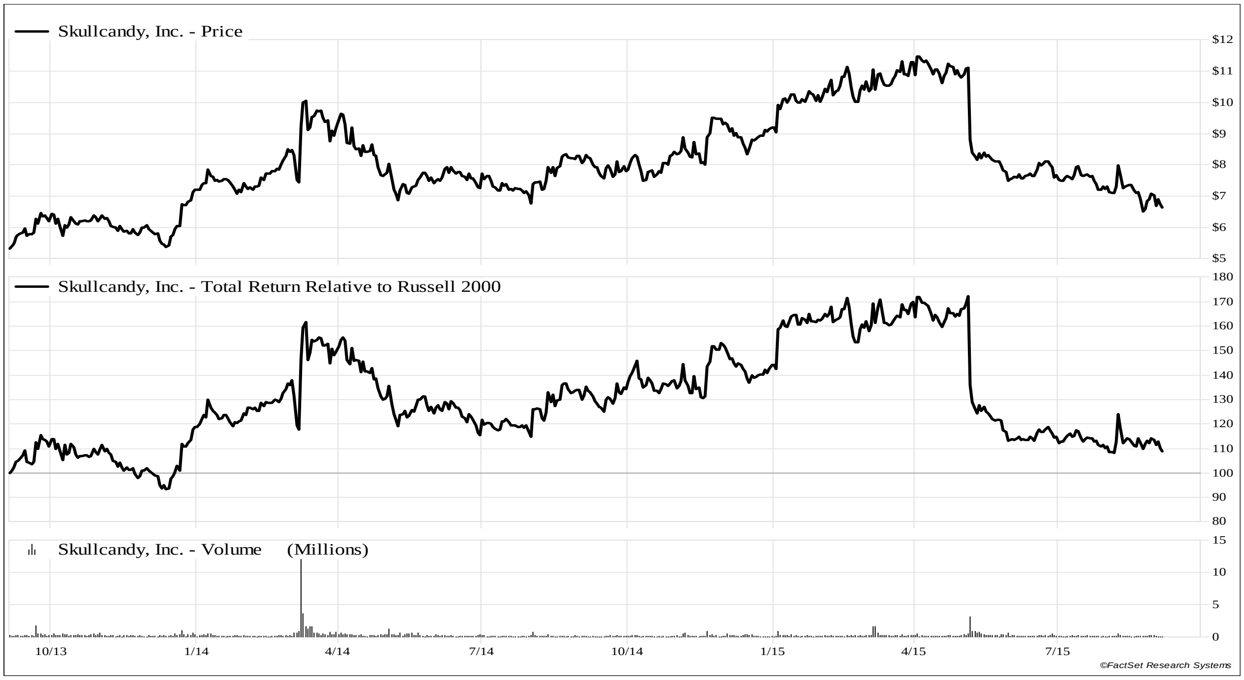
In order to reach an intrinsic value for SKUL, a 5-year Discounted Cash Flow model was conducted. Using a terminal growth rate of 2.5% and a WACC of 8.0% yielded an intrinsic value of $12.48, representing an upside of 85.2%. Sensitivity analysis on the terminal growth rate and the WACC yielded intrinsic values between $9.74 and $17.01. In addition to the DCF, an EV/Sales model was employed. Using a peer average EV/Sales for FY'16 of 1.34 and Skullcandy's projected sales for 2016 of $314 milllion resulted in a target price of $15.18. Weighing the DCF 70% and the EV/Sales model 30% yielded a final target price of $13.29 and an upside of 97.2%. Skullcandy does not currently pay a dividend.

Risks

- **Competitive headphone market.** Skullcandy faces fierce competition from large, established players such as Sony, Bose, and Beats by Dre, all of which have significantly greater resources for marketing their products, gaining favorable terms with retailers, and pursuing aggressive pricing policies. Skullcandy's ability to maintain or grow its market share depends on maintaining its brand image and its positioning in key retailers.
- **Reliance on certain retailers.** SKUL currently derives approximately 12% of its sales from Best Buy. If Best Buy or other large customers like Target and Wal-Mart were to cut Skullcandy's shelf space, it would have a significant impact on sales.
- **Fashion risk.** Skullcandy's current position in the audio market, as well as the company's growth prospects, are predicated on its image as a youthful company with high-quality products. Any change in this perception would be detrimental to sales, especially considering that its target market of young consumers has a proclivity to change brands.
- **Foreign currency exchange risk.** Although Skullcandy attempts to hedge its exposure foreign currencies, currency swings have impacted past performance. In Q2 2015, currency fluctuations were a 2 percentage point headwind to sales, as well as a 90 basis point headwind to gross margin. Going forward, as the company increases its percentage of international sales, this risk will increase.

Management

Since March 2013, S. Hoby Darling has served as Skullcandy's President and Chief Executive Officer. Prior to joining Skullcandy, Mr. Darling headed strategy and planning for Nike's affiliate brands including Cole Haan, Converse, and Hurley. Mr. Darling holds MBA degrees from UC Berkeley and Columbia University, as well as a J.D. from Northwestern University. Other members of Skullcandy's management team bring experience from leading lifestyle brands such as Burton Snowboards, Volcom, and Tilly's.



Source: FactSet

% of Shares Held by All Insider and 5% Owners:	35.60%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	47.70%	▲

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Thomson, Siegel & Walmsley LLC	2,303,000	▲	8.10
Dimensional Fund Advisors LP	1,475,000	▲	5.20
Armistice Capital LLC	1,406,000	▲	4.90
Frontier Capital Management Co. LLC	1,368,000	▲	4.80
BlackRock Fund Advisors	1,216,000	▼	4.30

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales	EV/Sales	EV/EBITDA	Price/Sales
Skullcandy	SKUL	190	258.0	0.46x	3.93x	.61x
Francesca's	FRAN	542	387.1	.99x	5.78x	1.15x
Vera Bradley	VRA	550	496.6	.95x	6.91x	1.09x
Plantronics	PLT	1,832	846.6	2.00x	9.45x	1.99x
Dolby Laboratories	DLB	3,210	964.8	2.25x	6.72x	3.16x
Zumiez	ZUMZ	668	826.2	.52x	4.02x	.72x
Peer Averages				1.34x	6.57x	1.62x

Source: FactSet

Unilever plc ADR (UL)

September 11, 2015

Joel Kretz — International Consumer Staples

Unilever plc ADR (UL: NYSE) is a multinational company that makes and sells products under more than 400 brand names in diversified spaces that include personal products, beverages, and food related products. The company sells its products in 190 different countries and segments its customers into four regions: Africa and Middle East (~8.4% of total revenue); Americas (~32.0%); Asia/Pacific (~29.8%); and Europe (~29.8%). The company also slices its array of products into four business segments: Personal Care (~37.0% of total revenue); Foods (~26.0%); Refreshment (~19.1%); and Home Care (~19.0). UL's key brands include 'I Can't Believe It's Not Butter' (margarine), 'Dove' (skin care, shampoo, and deodorant), 'Vaseline' (skin care), 'Ben & Jerry's' (ice cream), 'Lipton' (tea), 'Slim-Fast' (weight loss shake), 'Surf' (laundry detergent), 'Axe' (deodorant) and 'Bovril' (beef extract). Unilever was founded in January 1930 and is headquartered in London, United Kingdom.

Price ($) (09/03/15):	$39.20
Price Target ($):	$47.56
52WK H-L ($):	38.74-46.19
Market Cap (Mil):	117,522
Float (Mil):	117,522
Short Interest (%):	0.00%
Avg. Daily Vol:	948,470
Dividend ($):	$1.49
Yield (%):	3.40%

Beta:	0.85
WACC:	8.60%
M-Term Rev. Gr Rate Est:	5.50%
M-Term EPS Gr Rate Est:	7.04%
Debt/Equity:	68.21%
Debt/EBITDA (ttm):	1.05
ROA:	11.31%
ROE:	37.66%
ROIC:	24.92%

FY: Dec.	2014	2015E	2016E	2017E
Revenue (Mil):	$64,000.91	$66,240.94	$69,221.78	$73,028.98
% Growth:	-3.38%	3.50%	4.50%	5.50%
Gross Margin:	41.39%	41.97%	42.05%	42.14%
Operating Margin:	14.49%	14.78%	14.85%	14.95%
Net Margin:	10.68%	9.68%	9.79%	9.94%
EPS (Cal):	$2.07	$2.14	$2.26	$2.42
FCF/Share (Cal):	$2.43	$2.64	$2.54	$2.46
P/E (Cal):	16.83	18.34	17.33	16.19

Recommendation

The AIM International Equity Fund is regionally most underweight in Western Europe relative to the benchmark. Of the Western European nations, the fund is most underweighted in the UK by 814 bps. Additionally, given the ongoing volatility in commodities, consumer staples companies with commodity product inputs that include soybeans, oats, beef, coffee, flour, sugar, barley, wheat, and corn are attractive. All of the aforementioned commodities' prices are down YTD, lending to lower input costs across the board in many cases; and given this, UL is in an attractive position to create alpha for the portfolio as a result to the expanding margins that will follow. Unilever's main competitors are Nestle and Procter & Gamble. Of the three, Nestle leads in market share at 38.45%, with Procter & Gamble and Unilever at 34.76% and 26.79% respectively. Procter & Gamble is not as well-positioned for a rising U.S. dollar as Unilever, which gives Unilever an opportunity to eat away some of P&G's market share. Management commented in the Q2 earnings call that Personal Care, Foods, Refreshment, and Home Care grew by 3.0%, 1.4% 2.7%, and 4.5% respectively. Home Care core operating margins improved by 220 bps due to better product diversification and cost reduction. Also, analyst consensus for long-term growth is 7.2%. After taking the aforementioned factors into account, it is recommended that Unilever be added to the AIM International Equity Fund with a target price of $47.56 which yields a 21.32% upside.

Investment Thesis

- **Commodity dynamic.** Many of UL's brands are poised to directly benefit from the trend in falling commodity prices. For example, a main ingredient in 'I Can't Believe It's Not Butter' is soybean oil, in which spot prices are down 18.33% YTD. Additionally, the spot butter prices have risen 57.72% YTD, which will drive consumers towards 'I Can't Believe It's Not Butter' as a substitute. 'Slim-Fast's' primary ingredients include sugar, cocoa, canola oil, soybean oil, milk, etc. While cocoa and canola spot prices are up slightly YTD, sugar and soybean oil are down 22.38% and 18.33% YTD respectively. These significantly lower input costs, when complemented with a "healthy living" trend, should greatly expand margins. 'Lipton' is also poised to benefit from the sugar trend; and the cost to make 'Bovril' should fall as beef prices are down 7.86% YTD, lending to wider margins.

- **Rising U.S. dollar.** While diversified, UL's revenue is most attributable to the U.S. at 13.8% of total revenue. With UL's manufacturing composed mainly outside of the U.S., American importers have more purchasing power to buy more products while the dollar continues to rise, which seemingly would be extended by a likely Fed rate hike in 2015. With economies of scale, margins are poised to expand as unit sales increase. Additionally, competitor Proctor & Gamble's revenue growth has experienced a 600 bps deterioration because of the strengthening U.S. dollar.
- **Brand recognition.** Brands such as 'Vaseline,' 'Ben & Jerry's,' 'Axe,' and others are household names and are brands that would have an emotional switching cost to consumers, thereby resulting in a moat. While not logical, consumers who have used the same brand for 5, 10 or 20 years have a hard time trying something new when it comes time to consumer staples products. 'Vaseline' has generic product competition, yet when someone walks into a CVS or Walgreens they typically go directly to the shelf with actual 'Vaseline' brand. The same can be said for UL's ice cream brands, three of which are a part of the top 9 brands and combine for 32.26% of the market share in that group.

Valuation

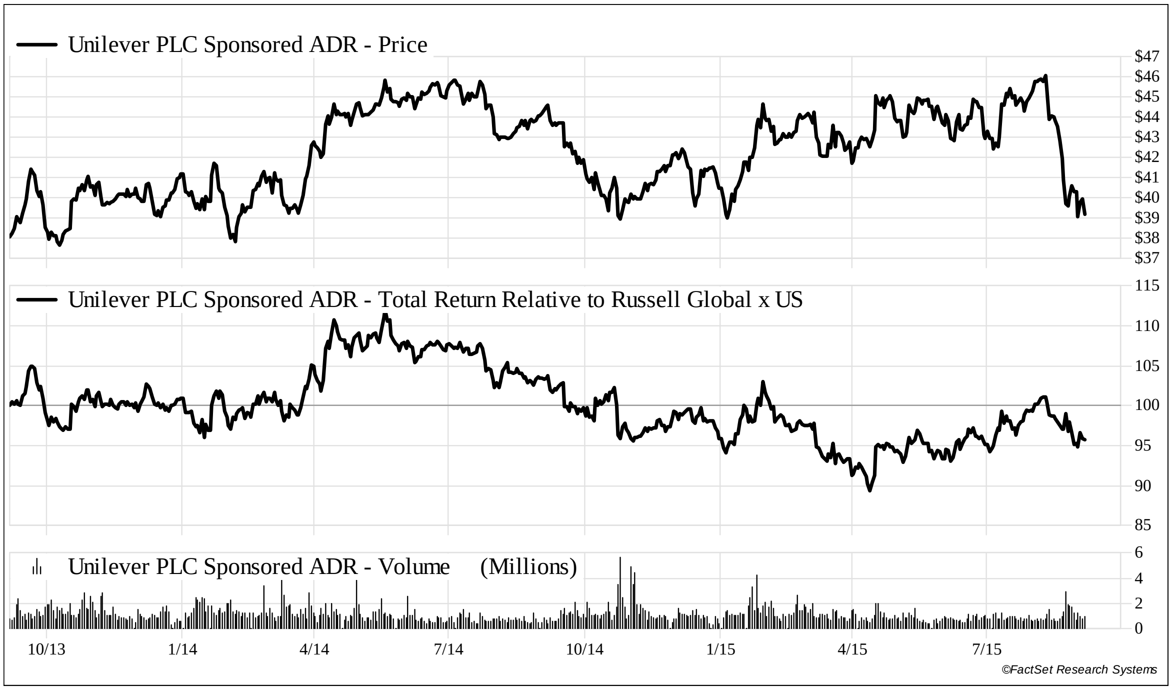
In order to reach an intrinsic value for UL, a five-year DCF model was constructed. Using a terminal growth rate of 2.00% and a WACC of 8.60%, an intrinsic value of $49.27 was reached. A sensitivity analysis on the WACC and terminal growth rate ranged from $46.33-$52.44 and $42.53-$60.31 respectively. Additionally, a P/E multiple valuation was used by utilizing UL's comparables and 2016 EPS estimate to calculate a valuation of $45.00. By weighting the two valuation models 60/40, a price target of $47.56 was reached, which yields a 21.32% upside. The company also trades at a P/E of 16.83, which is less than its five-year average of 17.05. UL pays a dividend that typically increases YoY. The company paid a $1.49 annual dividend in 2014, yielding 3.40%.

Risks

- **Chinese revenue exposure.** 13.0% of UL's revenue is derived from China. The country has recently been devaluing its currency and it reported a lower GDP growth number of 6.0%. They've also been manipulating their markets to control extensive volatility. With Chinese citizens having less purchasing power, their ability to buy products not denominated in Yuan is reduced and Chinese products become more attractive.
- **Volatile commodity prices.** As previously mentioned, the company is very dependent on commodities. UL would be negatively impacted should some commodity prices take a turn upward. However, in the meantime, the beta at which the company changes its selling price is less than 1 with commodities as the independent variable and the selling price as the dependent variable.
- **Generic brand competition.** If the Fed raises rates this year, there will be downward pressure on the growth of U.S. companies in particular. Should this negatively affect the wages of American consumers, UL could be at risk of American consumers shifting their purchases towards generic brands that are more often than not cheaper and are likely composed of nearly the same ingredients.

Management

Michael Treschow has served as Chairman for 8 years and earned a graduate degree from the Lund Institute of Technology. He also sits on the boards of Knutoch Alice Wallenbergs Stiftelse and ABB Group. Paulus Gerardus Polman has served as CEO for 6 years and earned an MBA from the University of Cincinnati. He was previously the CFO of Nestle and a Managing Director at Procter & Gamble. Mr. Polman is affiliated with numerous organizations, including the United Nations, European Round Table of Industrialists, European Commission, Swiss-American Chamber of Commerce, World Economic Forum, etc. Raoul J. Huët has served as CFO for 5 years and earned an MBA from INSEAD. The CEO and CFO have recently been buying more shares in the equity traded on the London Stock Exchange.



Source: FactSet

Ownership

% of Shares Held by All Insiders and Owners	0.00%
% of Shares Held by Institutional & Mutual Fund Owners	8.80%

Source: FactSet

Top 5 Shareholders

Holder	Shares (Mil)	% Out
Harris Associates LP	10,901	0.80%
Manning & Napier Advisors LLC	10,881	0.80%
Fiduciary Management, Inc.	9,209	0.70%
Artisan Partners LP	4,038	0.30%
Sterling Capital Management LLC	3,498	0.30%

Source: FactSet

Peer Comparables

Name	Ticker	Market Cap (Mil)	Debt/Equity (%)	P/E (ttm)	EV/EBITDA (ttm)
Unilever ADR	UL	117,522	68.21%	16.83x	5.91x
Nestle	NESN	230,662	17.00%	16.10x	14.99x
P&G	PG	186,556	30.02%	32.31x	12.36x
Reckitt Benckiser Group	RB	61,447	22.31%	11.65x	16.71x
Coca-Cola	KO	167,562	66.19%	26.39x	16.37x
Mondelez Intl A	MDLZ	68,593	54.30%	28.38x	14.29x
	Peer Averages	142,964	37.96%	22.97x	14.94x

Source: FactSet

Schneider Electric Unsponsored ADR (SBGSY)

September 11, 2015

Jack Kitzinger — International Producer Durables

Schneider Electric (NYSE: SBGSY) is a global specialist in energy management, electrical distribution, and industrial engineering equipment. SBGSY is divided into four major segments: Buildings and Partner (43% of revenue), Industry (22%), Infrastructure (21%) and Information Technology (14%). SBGSY provides low and medium voltage solutions, automation and control, building automation, and power and cooling services among many other products. SBGSY operates each of these segments in more than 100 countries around the globe. SBGSY was founded by Adolphe Schneider and Joseph-Eugene Schneider in 1836 and is headquartered in Rueil-Malmaison, France.

Price ($):	12.16
Price Target ($):	15.13
52WK H-L ($):	12.15-17.13
Market Cap (mil):	35,708
Float (mil):	0.0
Short Interest (%):	0.0
Avg. Daily Vol (mil):	2,347,138
Dividend ($):	0.06
Yield (%):	0.5

Beta:	1.17
WACC	9.11
M-Term Rev. Gr Rate Est:	5.5%
M-Term EPS Gr Rate Est:	8.0%
Debt/Equity:	38.3
Debt/EBITDA (ttm):	1,1
ROA (%):	4.65
ROE (%):	9.84
ROIC (%):	7.57

FY: Dec	2013	2014	2015E	2016E
Revenue (Mil)	31,327	32,953	35,486	37,900
% Growth	1%	5%	8%	7%
Gross Margin	38%	38%	37%	38%
EBITDA Margin	17%	16%	15%	16%
EPS (Cal)	$0.96	$0.91	$1.03	$1.13
FCF/Share	$1.12	$0.89	$1.00	$1.10
P/E (Cal)	19.2	16.4	11.8	10.7
EV/EBITDA	10.0	8.6	7.9	7.5

Recommendation

Over the past year, industrial companies have faced severe headwinds due to slow economic growth in many industrialized countries. Almost all commodity markets (namely oil, iron ore, and copper) have suffered severely as well, causing more headwinds. Finally, the recent stock market gyrations in China have added to the slow growth underlying the Chinese economy. With all the uncertainty, companies with significant exposure to China, especially industrials, have seen stock prices fall. The dramatic fall in prices has created an opportunity for investors to buy high quality industrials, like Schneider Electric. The dramatic decline over the last few weeks has been excessive relative to the underlying fundamentals of SBGSY's business, and it is my belief that the stock now presents excellent value. SBGSY has the ability to weather the current headwinds due to its strong market positions and diverse product groups across a wide array of geographies. Given its diversified product line, excellent competitive position, and management's recent statement about future operating targets, regardless of economic pickup, SBGSY will be able to grow its earnings and generate strong free cash flow. Based on revenue growth, future margin expansion, and strong financials, it is recommended that Schneider Electric be added to the AIM International Equity Portfolio with a price target of $15.25 representing a 26% upside. Schneider has paid a historical dividend yield above market average.

Investment Thesis

- **Strategy to drive ongoing profitability:** During this past year, economic headwinds have caused the company to fall short of its organic growth and EBITDA margin objectives. However, the company is now on target to meet operating goals for 2017 in organic sales growth and margins. The future organic growth target of 3-6% should be obtained through an increase in service growth and better markets in the U.S. and Europe. Recent EBITDA margins have been weak due to slow growth in the companies end markets, but the company is now on pace to reach the higher end of the 13-17% band due to better end markets and an improved sales mix.
- **Energy Efficiency Directive.** The European Union has an energy efficiency directive to make its members more energy efficient by 2020 (at least 20% efficient). Schneider is a leader in energy efficiency through their medium voltage distribution and energy automation, which will help in the implementation of the EU's goal. While the rest of the world does not have this same directive, they continue to work on creating efficiency throughout the energy supply chain. In developing countries where Schneider has a smaller, growing presence, continued infrastructure

growth especially in the electric grid will be necessary for these countries to achieve their longer term objectives.

- **Market Positions.** Schneider has strong global positions across diversified product categories. This broad diversification has given them excellent long term operating profitability and, in the past, has provided them the ability to weather economic downturns. These operating characteristics have provided SBGSY with a great balance sheet and excellent cash flows. With these excellent operating cash flows, the company has the option to reinvest in their business, increase their dividend, repurchase stock, or make strategic acquisitions to build long-term sustainable growth.

Valuation

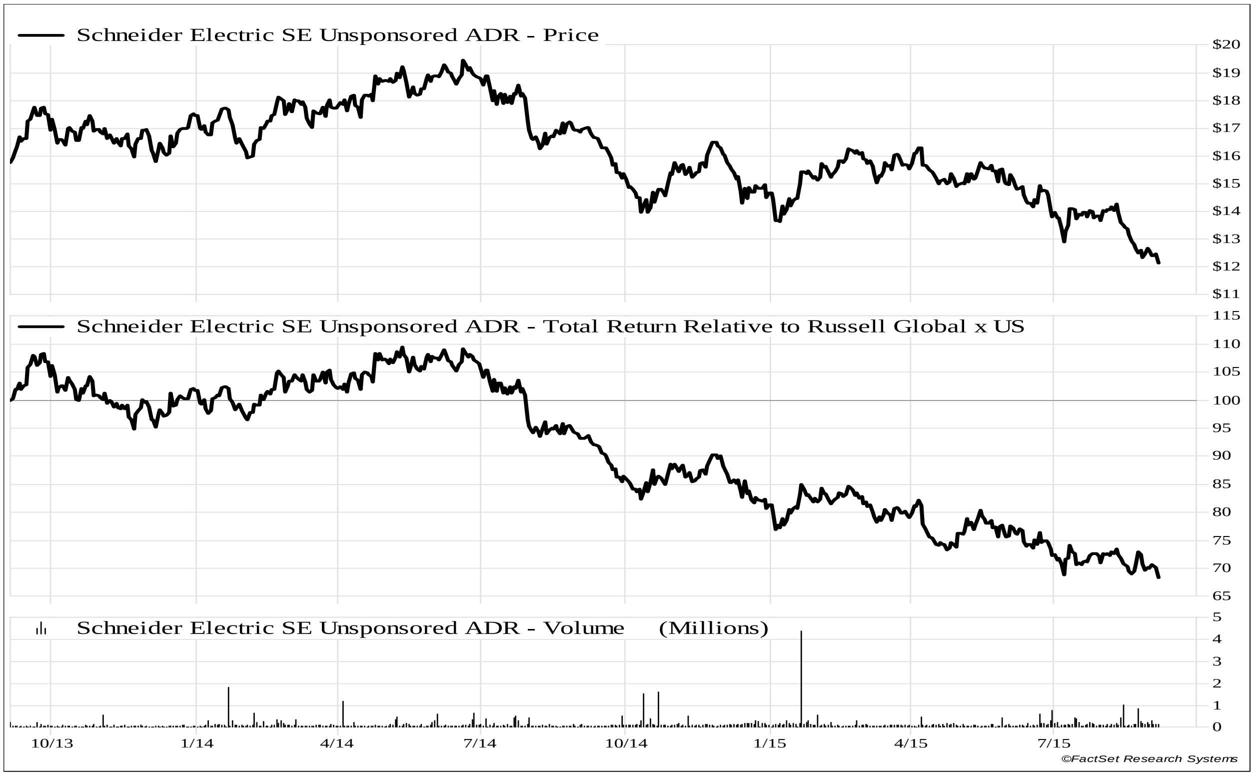
In order to reach an intrinsic value for SBGSY, a five year DCF model was constructed. Using a terminal growth rate of 2.5%, WACC of 9.11%, an intrinsic value of $15.32 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $12.72-$19.20. Additionally, a EV/EBITDA multiple valuation was conducted using next years EBITDA of $5671 and a comparables average of 10.19x which resulted in a valuation of $14.94. By weighting the two valuation models 50% and 50% respectively, a price target of $15.13 was reached, yielding a 24.44% upside. SBGSY pays a dividend. The last dividend was $0.06 representing a 0.5% yield; however, historically, SBGSY pays a larger year end divided which has averaged 2.2% over the past 5 years.

Risks

- **Uncertain Chinese Economy.** Chinese GDP has continued to weaken in the past few years (6% this year). This could affect the sales of SBGSY because 14.4% of their revenues come from China.
- **Weakness in Other Markets.** While the downturn in China is most prominent, weakness in other countries around the world could also affect SBGSY's bottom line.
- **Overbuilt End Markets.** It is unsure if China has been overbuilt over the past decade. If it has been, it would lead to lower sales around the world.

Management

Mr. Jean-Pascal Tricoire is Chairman-Supervisory & Management Board and is also the CEO. He joined the company 1986 and received his MBA from EM Lyon Business School. Mr. Julio Rodriguez is the Executive Vice President-Global Operations since 1984 and received his MBA from the Instituto de Estudios Superiores de la Empresa.



Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	9.40%
% of Shares Held by Institutional & Mutual Fund Owners:	48.60%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Schneider Electric Employee Stock Ownership Plan	23,455	4.00%
Caisse Des Depots & Consignations	18,959	3.20%
Credit Agricole Sa	18,668	3.20%
Dodge & Cox	18,621	3.20%
Northern Cross LLC	16,537	2.80%

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Schneider Electric Unsponsered ADI	SBGSY	35,707	31,159	5050	0.50	8.56
ABB	AABN	42,583	37,732	4952.0	3.11	9.26
Siemens	SIE	84,277	90,148	10487.0	3.80	10.41
Rockwell Automation	ROK	14,250	6,489	1384.0	2.40	9.82
Legrand	LR	14,722	5,608	1308.0	1.90	12.12
Eaton	ETN	25,735	21,888	3643.0	4.00	9.36
Peer Averages		38,958	34,994	4532.8	2.80	10.2

Travelport Worldwide Ltd. (TVPT)

September 11, 2015

Brendan Fanning — International Consumer Discretionary

Travelport Worldwide Ltd is a travel commerce platform providing distribution, technology, payment and other solutions for the global travel and tourism industry. The company's technology platform, referred to as a Global Distribution System (GDS), facilitates booking and payment transactions between travel providers (airline and hotel chains) and travel buyers (corporate/online travel agencies/tourists). With a presence in over 170 countries, and approximately 3,400 employees, Travelport has leveraged its expertise in the travel industry to design a pioneering B2B payment solution and a Beyond Air commerce platform, including hotel, car rental, rail, cruise-line, and tour options. TVPT also provides critical IT services to airlines, such as shopping, ticketing, departure control and other solutions, enabling them to focus on their core business competencies and reduce costs. The company's revenues are broken into four segments including Air, Beyond Air, Travel Commerce, and Technology services. Travelport was founded in 2006 and is headquartered in Langley, United Kingdom. As of 2Q15, TVPT's revenue was predominately generated within the United States (43%), followed by Europe (23%), and Asia-Pacific (18%).

				FY: Dec	2014A	2015E	2016E	2017E
Price ($): (9/9/15)	13.75	Beta:	1.24	Revenue (Mil)	2,148.00	2,212.44	2,373.95	2,540.12
Price Target ($):	23.38	WACC	9.4%	% Growth	3.5%	3.0%	7.3%	7.0%
52WK H-L ($):	18.49-11.86	M-Term Rev. Gr Rate Est:	2.3%	Gross Margin	38.4%	40.3%	40.3%	40.3%
Market Cap (Bil):	1,618	M-Term EPS Gr Rate Est:	10.0%	EBITDA Margin	18.3%	20.4%	20.4%	20.4%
Float (mil):	106.5	CFO/Current Liabilities	10.45	EPS	$1.05	$0.48	$0.51	$0.55
Short Interest (%):	8.3	Debt/EBITDA (ttm):	5.31	FCF/Share	($0.61)	($0.02)	$0.05	$0.08
Avg. Daily Vol (mil):	0.8	Current Ratio	0.74	P/E	18.4	16.0	11.5	9.3
Dividend ($):	0.30	ROA:	3.98%	EV/EBITDA	7.9	7.5	6.9	6.5
Yield (%):	2.30	ROIC:	5.69%					

Recommendation

Travelport appears to be gaining momentum from a well-executed turnaround and fits nicely as a value momentum play. Through most of 2015, TVPT suffered through underinvestment, aggressive competition, and one-time contract realignment headwinds. Since then, management has worked diligently to build a diversified approach and has dug out an opportunity to be a leader in several travel subsectors. 2Q15 results featured underlying revenue growth of 6-8% led by Beyond Air Initiatives (12% growth) and key Chinese contract wins (15% Asia-Pacific growth). Management maintains a strong value proposition by aiding travel providers with a greater reach, insight in future volumes, and higher yields, while buyers benefit from large offerings and improved efficiency. Overall GDS' share ranks third globally along with a diverse distribution footprint with a number two share in Europe, North America, and Asia. TVPT's core GDS segment offers high earnings visibility and limited downside given the high proportion of recurring revenues. Cash flows from core operations have been used to invest in growth platforms and to deleverage the balance sheet. In fact, management has been ahead of the curve in developing Beyond Air initiatives to diversify revenue streams and in pioneering a B2B payment solution to create a competitive advantage. A focus on balanced growth, profitability, and shareholder return coupled with ongoing debt reduction and accelerating momentum makes TVPT an attractive buy. Due to a favorable valuation and exciting growth prospects it is recommended that TVPT be added to the AIM International Equity portfolio at a target price of $23.38.

Investment Thesis

- **Travel Industry Poised for Growth.** According to The Fed Beige Book, corporate and leisure travels are expected to be up in 2015 across all districts. Led by record low gasoline prices and a drop in airfares; US travel by air and road during the Labor Day weekend was the highest volume since 2008 according to AAA. International travel is also expected to be strong as US visitor exports (the measure of money spent by international tourists) are expected to increase 4% to $200 billion in 2015 according to Delloite research.

- **Growth of Diversified Services.** Analysts believe the company's Beyond Air initiatives will help accelerate revenue and EBITDA growth at a tune of 5-8% going forward. Additionally, the company has a first mover advantage with B2B virtual payments via eNett. With eNett's exclusive MasterCard relationship and Travelport's vast network, TVPT is positioned well to dominate this heavily fragmented niche in the hospitality industry. An acquisition of MTT in July to expand mobile capabilities is also expected to contribute to the bottom line beginning in 2016.
- **Favorable Price Multiples.** TVPT currently trades at a 9.4x EV/EBITDA multiple, a signficifant discount to the company's top 10 named competitiors average of 14.9x. Sabre, TVPT's most foridable competitor is trading at a trailing P/E of 23.7, whereas TVPT's current trailing P/E is 9.4. Past headwinds have driven TVPT's price down considerably, offering an attractive discount and room to run.
- **Value Proposition to Low Cost Carriers (LCC).** Over the past three decades, LCCs have become a substantial part of the air travel industry. Their share of global air capacity has risen from 13% in 2004 to 26% in 2014 alone. LCCs have traditionally relied on direct distribution, but are increasingly targeting the indirect channel to widen their reach. Unlike a traditional GDS, TVPT provides full merchandising capabilities so that LCCs are able to distribute their entire value proposition via the indirect channel, which is especially valuable given the increasing importance of ancillary revenue for airline profitability. This has attracted and allowed for the full integration of several LCCs such as AirAsia, easyJet, Ryanair and Spirit Airlines into the Travel Commerce Platform.

Valuation

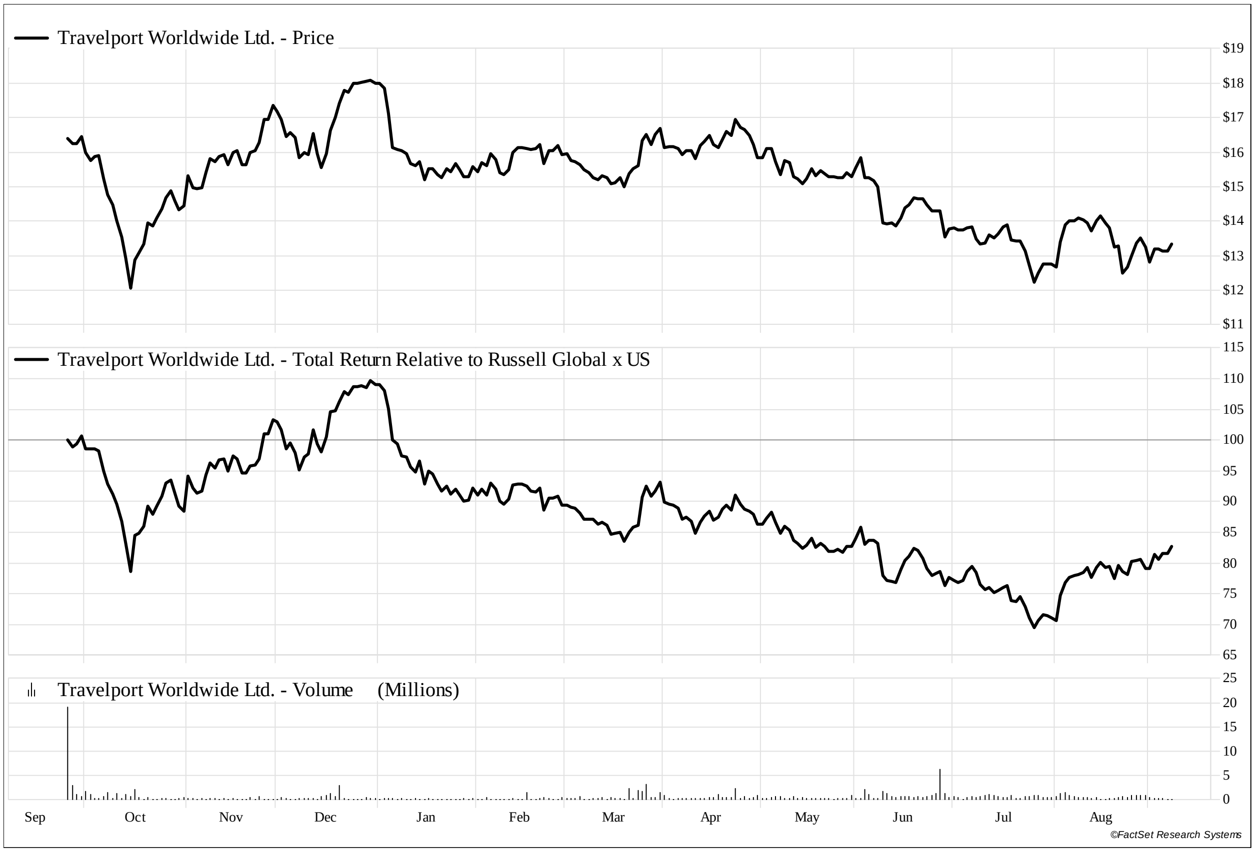
In order to reach an intrinsic value for TVPT, a five year DCF model was constructed. Using a terminal growth rate of 2%, WACC of 9.4%, an intrinsic value of $21.94 was reached. A sensitivity analysis on the WACC and terminal growth rate ranged from $15.11-$34.45. Additionally, an EV/EBITDA multiple valuation was conducted. Using five comparable firms, an average EV/EBITDA of 15.44x was used with TVPT's current multiple of 9.42x and a 2015E EBITDA of $450.3M produced an intrinsic value of $27.71. Weighting the DCF 75% and the EV/EBITDA 25%, a target price of $23.38 was reached – an upside of over 40%. TVPT pays a quarterly dividend yieleding 2.3%.

Risks

- **Security of IT Infrastucture.** GDS systems transmit large amounts of confidential data including credit card numbers and personal traveler information, creating a target for cyber criminals. If TVPT's infrastructure were to be compromised, the company would be faced with fleeting consumer confidence and possible legal recourse.
- **Reliance on Growth of Overall Travel Industry.** Continued growth in international air travel and international business is a structural growth driver behind anticipated growth going forward. Widespread downturns in global economic or political conditions could jepordize short- and long-term and profitability.
- **Foreign Operations.** TVPT's GDS system maintains operations throughout the world creating inherent local currency risk along exposure to with local tax policies largely out of TVPT's control.

Management

Gordon A. Wilson has served as the President and CEO, as well as a member of our Board of Directors, since June 2011. Mr. Wilson served as our Deputy Chief Executive Officer from November 2009 until June 2011 and as President and Chief Executive Officer of Travelport's GDS business since January 2007.



Ownership

% of Shares Held by All Insider Owners:	12.95%
% of Shares Held by Institutional & Mutual Fund Owners:	85.63%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Fidelity Management & Research Co.	17,230,650 ▲	14.08
Solus Alternative Asset Management LP	7,193,709 ▲	5.88
Anchorage Capital Group LLC	4,920,000 ▲	4.02
Columbia Management Investment Advisers LLC	3,695,023 ▼	3.02
BlackRock Fund Advisors	3,691,219 ▲	3.02

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	P/E	EV/ EBITDA
Travelport Worldwide	TVPT	1,611	2,151	463	9.5x	7.9x
Sabre	SABR	7,604	2,576	855	24.2x	12.0x
TripAdvisor	TRIP	9,685	1,410	400	46.5x	23.4x
TravelSky Technology	696-HK	3,410	863	277	12.8x	9.8x
Amadeus IT Holdings	AMS-ES	17,325	4,365	1,643	23.6x	11.7x
Expedia	EXPE	14,364	6,105	884	18.4x	15.9x
Peer Averages		10,477	3,064	812	25.1x	14.5x

Source: Factset

MiMedx Group Inc. (MDXG)
September 11, 2015

William Pink Healthcare

MiMedx Group Inc. (NSDQ: MDXG) develops, manufactures, and markets regenerative biomaterial products and bioimplants enhancing tissue repair. MDXG's products are processed from human amniotic membranes, which is the inner layer of placenta, containing key elements and nutrients passed on to a developing fetus. In order to acquire human amniotic membrane, MDXG has a donor program in which a delivering mother can elect to donate placenta and will go through the PURION Process where the chemical ingredients will be extracted and preserved. The company is the leading supplier of amniotic tissue, offering AmnioFix and EpiFix for application in the Wound Care, Surgical, Orthopedic, Spine, Sports Medicine, Ophthalmic and Dental sectors of healthcare. MiMedx Group was incorporated in 2008 and is headquartered in Marietta, GA.

Price ($): 9/9/2015	10.12
Price Target ($):	12.75
52WK H-L ($):	13.2 - 6.81
Market Cap (mil):	1,053
Float (mil):	98.7
Short Interest (%):	17.2
Avg. Daily Vol (mil):	1.2
Dividend ($):	0.00
Yield (%):	0.0

Beta:	1.33
WACC	9.20
M-Term Rev. Gr Rate Est:	55.1%
M-Term EPS Gr Rate Est:	15.0%
Debt/Equity:	0.0
Debt/EBITDA (ttm):	0.00
ROA (%):	17.06
ROE (%):	20.33
ROIC (%):	20.27

FY: Dec	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue (Mil)	59	118.22	187.50	243.75
% Growth	118.75	99.77	58.60	30.00
Gross Margin	82.46	88.50	87.75	87.04
EBITDA Margin	-1.35	7.80	21.94	30.08
EPS (Cal)	($0.04)	$0.05	$0.20	$0.28
FCF/Share	($0.03)	$0.13	$0.23	$0.32
P/E (Cal)	-	230.6	47.7	34.9
EV/EBITDA	-	135.9	24.3	13.2

Recommendation

After posting their fifteenth consecutive quarter of revenue growth, MDXG is in position to expand the growth of the company. Since 2011, revenue has grown from $7.76M to $118.22M for year ended 2014, boasting roughly an average revenue growth of 142% YoY. By posting their first profitable year in existence in 2014, MDXG has ample room to grow. EpiFix, the company's lead product for wound care, assists in healing foot ulcers for diabetics faster and cheaper than its competitors. MDXG saw wound care revenue increase by 73% and surgical care by 104% during the 2014 fiscal year. The domestic market is expected to increase with the addition of 12 million covered lives bringing the total to 160 million lives covered under MDXG products. The company depends upon direct distribution to deliver their products and the distributors are expected to increase from 193 in Q1 to 240 by year-end, along with the addition of their own supply network. Although MDXG has experienced record setting revenues this year, the stock is down roughly 16% YTD. This is due to the long-term goal the company has set from expanding to a broad regenerative medicine company rather than just dominantly wound and surgical care. Due to the long term sight of achieving a regenerative medicine company and expansion of current products, it is recommended that MiMedx Group, Inc. be added to the AIM Equity Fund with a target price of $12.75, representing 22.73% upside. The company does not pay a dividend.

Investment Thesis

- **Increasing Chronic and Diabetic Market.** With the increase in the diabetic population, there is an increasing market for MDXG's chronic treatment products. An estimated 25 million people in the United States had diabetes in 2014 resulting in one million DFUs each year. Revenue for MDXG in 2014 accounted for less than 5% of the total US market treatment of DFUs and ulcers. The chronic wound treatments market posts $2.5 billion annually and affects an estimated six million people annually. The company has continued expansion into forty different acute and chronic wound care procedures broadening the market for their products. With an expected increase to 27 million people by 2020 with diagnosed diabetes, demand for MDXG's diabetic and ulcer treatment products will elevate.
- **Strong Pipeline.** In May of 2015, MDXG announced the publication of their new pipeline product, CollaFix, which is collagen fibers developed to mimic the natural composition of tissue

and ligaments. These fibers are cross-linked making them extremely strong and act as a scaffold to assist in repair of tendons and ligaments. Due to the natural like healing by CollaFix, exercise and therapy on the area can be done immediately after surgery aiding the regeneration of tendon tissue. With CollaFix and other various AmnioFix products awaiting commercialization, MDXG has potential to penetrate other markets.

- **Strong Management.** President and CEO Parker Petit has been with MDXG since early 2009 and has had strong prior experience in the healthcare market. Parker founded Healthdyne, which was a healthcare devices provider company in 1970 where he drove revenue to an excess of $1B. After various spinoffs the new company was acquired for $1.2B, in which Parker remained the CEO until 2008. Chief Operating Officer William Taylor joined MDXG in 2009. Prior to joining the company, Taylor was the CEO of Facet Technologies the worldwide leader in microsampling devices. Before being acquired, Taylor helped drive revenue from $14 million to $40 million and possessing 50% market share in the micro sampling devices market. With these two heads of management past experiences of growing diabetic related medical device companies, MDXG should continue to see the company expand.

Valuation

In order to reach an intrinsic value for MDXG, a five year DCF model was constructed. Using a terminal growth rate of 3.0%, and a WACC of 9.20%, an intrinsic value of $12.56 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $8.54-$15.95. Additionally, a EV/Sales multiple valuation was conducted using MDXG 5 year average of EV/Sales, and average competitors EV/Sales. Weighting the competitor average by 75% and MDXG by 25%, a multiplier of 7.76x was found, resulting in an intrinsic value of $13.33. Adjusting the two valuation models 75/25, a price target of $12.75 was reached, which yields a 22.73% upside. MDXG does not currently pay a dividend.

Risks

- **Reimbursement Coverage.** The success of MDXG relies on the extent to which private or public health insurers will cover their products. As the government tries to contain healthcare costs, it has been increasingly difficult to acquire reimbursement coverage for products. Currently, there are several of MDXG's products that do not have reimbursement coverage. If MDXG cannot obtain reimbursement coverage for their products, it will be pose a challenge to increase their market share.
- **Acquiring Products.** MDXG relies on amniotic membrane that is donated from donors to develop AmnioFix and EpiFix. The company needs a sufficient amount of donors to have placental tissue available. If the company cannot keep the consistency of donations, the medical production of AmnioFix and EpiFix could decrease, negatively impacting the company's revenue.
- **Rejection of CollaFix.** The company's pipeline currently is developing a new scaffold that enhances the healing of ligaments and tendons. It has recently received positive news from test trials, but is not yet commercialized. If CollaFix does not become commercialized due to failed tests or cannot acquire approval, the growth of the company will falter.
- **Dependency on Government Accounts.** MDXG received 34% of their revenue from government accounts in 2014. They were able to supply these accounts because they have a distributor that has a Federal Supply Schedule. This distributor had a contract that was just extended through January of 2018. If this distributor or MDXG decide to terminate their contract, revenue would see a crucial decrease.

Management

William Taylor has been the President and Chief Operating Officer since September of 2009. Parker Petit joined MDXG as the Chairman of the Board and CEO in February of 2009. Petit has forty years of experience in the Health Care sector. Other Executive Vice Presidents include Michael Senken (CFO), Christopher Cashman (Chief Commercialization Officer), and Brent Miller.

Ownership

% of Shares Held by All Insider Owners:	8.84%
% of Shares Held by Institutional & Mutual Fund Owners:	48.79%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	29,752,000	7.10
SSgA Funds Management, Inc.	7,784,000	4.00
The Vanguard Group, Inc.	3,768,000	3.50
Massachusetts Financial Services Co.	1,900,000	1.70
Loomis, Sayles & Co. LP	1,534,000	1.40

Source: FactSet

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/Sales
MiMedx Group, Inc.	MDXG	1,100	187	22	-	8.00
Osiris Therapeutics	OSIR	656	81	7.0	-	11.82
Endologix Inc.	ELGX	898	152	-42.0	-	7.20
Spectranetics Corporation	SPNC	697	241	-32.0	-	7.86
NxStage Medical	NXTM	1,002	315	9.0	-	3.86
Peer Averages		813	197	-14.5	-	7.7