

Valuentum Equity Research

A Guide to Using Valuentum's Stock Reports

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About Valuentum Securities



Valuentum (val·u·n·tum) [val-yoo-en-tuh-m] Securities Inc. is an independent investment research provider, offering premium equity reports and dividend reports, as well as commentary across all sectors/companies, a Best Ideas Newsletter (spanning market caps, asset classes), a Dividend Growth Newsletter, modeling tools/products, and more. Independence and integrity remain our core, and we strive to be a champion of the investor. Valuentum is based in the Chicagoland area.



Valuentum serves money-management institutions, financial advisors, and individual investors.

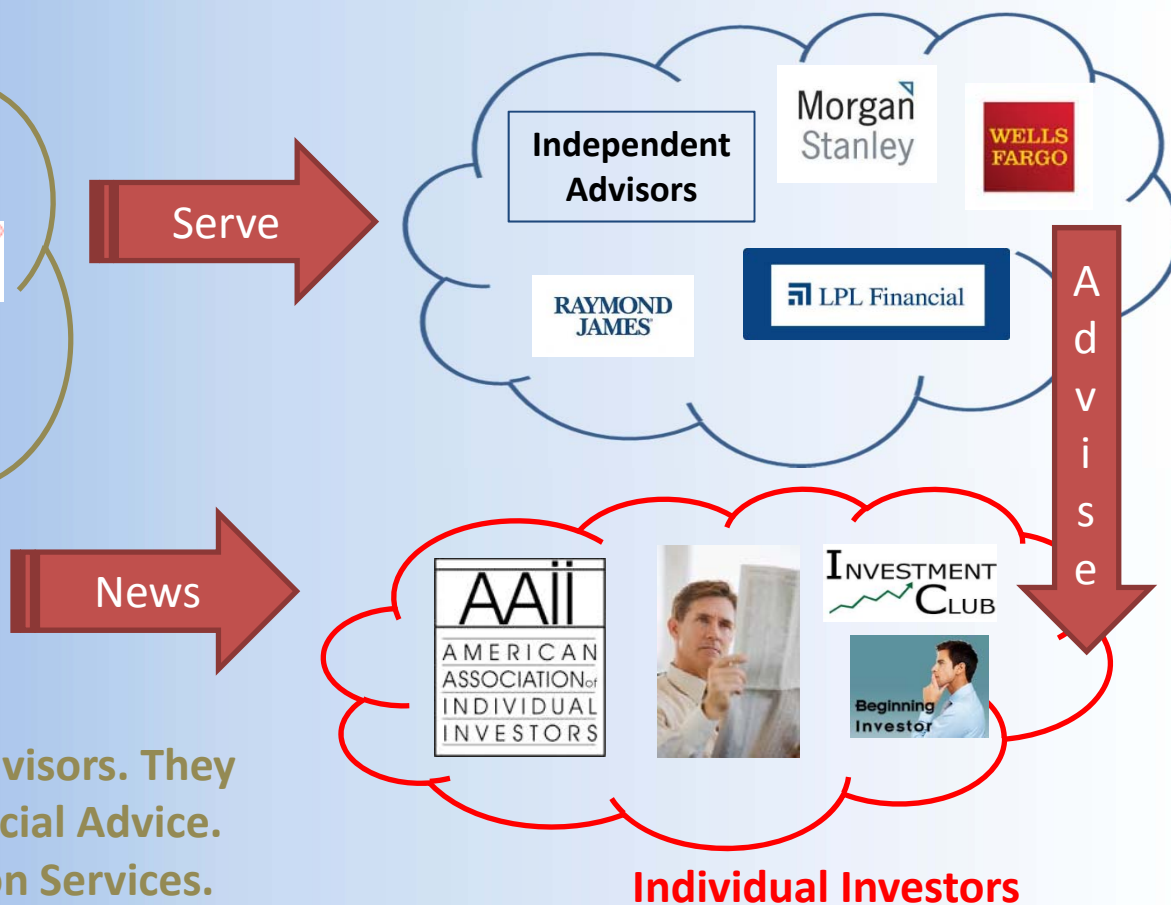
How Valuentum Fits Into the Financial Industry

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A Walk Through the Valuentum Equity Report

- Important Information: Valuentum Buying Index, Fair Value Range, Economic Castle
- Investment Considerations & Highlights
- Stock Analyst Notes
- Economic Profit Analysis
- Growth & Cash Flow Analysis
- DCF Valuation & Relative Valuation
- Margin of Safety Analysis
- Technical & Momentum Analysis
- Financial Statements
- Methodology
- Archived Fair Values and Ratings

Valuentum's Investment Beliefs

- Invest for the long term, not long-term investing
- No stock is a perpetual "buy" and "hold"
- The price versus intrinsic value equation is paramount
- Stock prices are driven by the actions of other investors
- Other investors focus on valuation* and/or technicals
- Money managers create stock price momentum when accumulating shares over several trading sessions
- The best performing stocks are undervalued stocks that have good momentum
- We call these stocks "Valuentum" stocks
- Momentum investing is high turnover, but Valuentum investing is low turnover

* Growth is a component of valuation

Data Strip

Valuentum Retail Equity Research		Visit us at www.valuentum.com		Ratings as of 19-Sep-2014		Data as of 12-Sep-2014	
Apple AAPL FAIRLY VALUED		Buying Index™ 6		Value Rating			
Economic Castle Highest Rated	Estimated Fair Value \$115.00	Fair Value Range \$94.00 - \$136.00	Investment Style MEGA-CAP VALUE	Sector Information Technology	Industry Computer Hardware		

Valuentum Retail Equity Research

Visit us at www.valuentum.com

Ratings as of 19-Sep-2014

Data as of 12-Sep-2014

Apple AAPL FAIRLY VALUED

Economic Castle

Highest Rated

Estimated Fair Value

\$115.00

Fair Value Range

\$94.00 - \$136.00

Investment Style

MEGA-CAP VALUE

Sector

Information Technology

Industry

Computer Hardware

Valuentum

Buying Index™ 6

Valuentum

Value Rating

Investment Considerations

DCF Valuation

FAIRLY VALUED

Relative Valuation

UNATTRACTIVE

ValueCreation™

EXCELLENT

ValueRisk™

LOW

ValueTrend™

NEGATIVE

Cash Flow Generation

STRONG

Financial Leverage

LOW

Growth

MODEST

Technical Evaluation

BULLISH

Relative Strength

STRONG

Money Flow Index (MFI)

NEUTRAL

Upside/Downside Volume (U/D)

DETERIORATING

Near-term Technical Support, 10-week MA

98.00

DCF = Discounted Cash Flow, MFI, U/D = Please see glossary, MA = Moving Average

We've raised our fair value estimate of Apple...again.

Stock Chart (weekly)

The week with the highest trading volume out of the last 12 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)

\$662,989

Avg Weekly Vol (30 wks)

297,334

30-week Range (USD)

73.047 - 103.74

Valuentum Sector

Information Technology

5-week Return

6.7%

13-week Return

11.1%

30-week Return

30.3%

Dividend Yield %

1.8%

Dividends per Share

1.88

Forward Dividend Payout Ratio

29.4%

Est. Normal Diluted EPS

7.66

P/E on Est. Normal Diluted EPS

13.3

Est. Normal EBITDA

72,344

Forward EV/EBITDA

8.7

EV/Est. Normal EBITDA

7.4

Forward Revenue Growth (\$cny)

6.7%

Investment Highlights

Apple's business quality (an evaluation of our ValueCreation™ and ValueRisk™ ratings) ranks among the best of the firms in our coverage universe.

The firm has been generating economic value for shareholders with relatively stable operating results for the past few years, a combination we view very positively.

Apple is as much a brand as it is one of the most innovative companies. The firm's traditional computers continue to gain market share, particularly in the US, and particularly with younger consumers. The company's execution remains top notch, and it should continue to take market share in that segment.

Apple has an excellent combination of strong free cash flow generation and low financial leverage. We expect the firm's free cash flow margin to average

Business Quality

ValueCreation™

ValueRisk™

Very Poor

Poor

Good

Excellent

Low

Medium

High

Very High

Firms that generate economic profits with little operating variability score near the top right of the matrix.

Relative Valuation

Forward P/E

PEG

Price / FV

BlackBerry

-17.5

NMF

98.1%

Cray

33.7

1.2

102.1%

Hewlett-Packard

9.7

1.5

98.8%

IBM

10.6

1.4

100.1%

Peer Median

10.1

1.4

99.5%

Apple

15.9

2.0

88.4%

Price / FV = Current Stock Price divided by Estimated Fair Value

The Valuentum Buying Index

- Our rating system has three components:
 - An analyst-driven cash-flow assessment of whether shares are undervalued, fairly valued, or overvalued
 - A systematic relative valuation assessment of whether shares are attractive, neutral, or unattractive on a relative valuation basis
 - A systematic assessment of the attractiveness of a firm's technical and momentum indicators
- The better the firm scores with respect to its DCF valuation, relative valuation, and technical/momentum indicators, the higher the Valuentum Buying Index rating

The Valuentum Buying Index, continued

- A stock's Valuentum Buying Index can change as a result of four reasons. Either:
 - A firm's stock price changes relative to intrinsic value
 - A firm's intrinsic value changes relative to its stock price
 - A firm's relative valuation changes compared to peers
 - A firm's technical and momentum indicators change

Fair Value Range

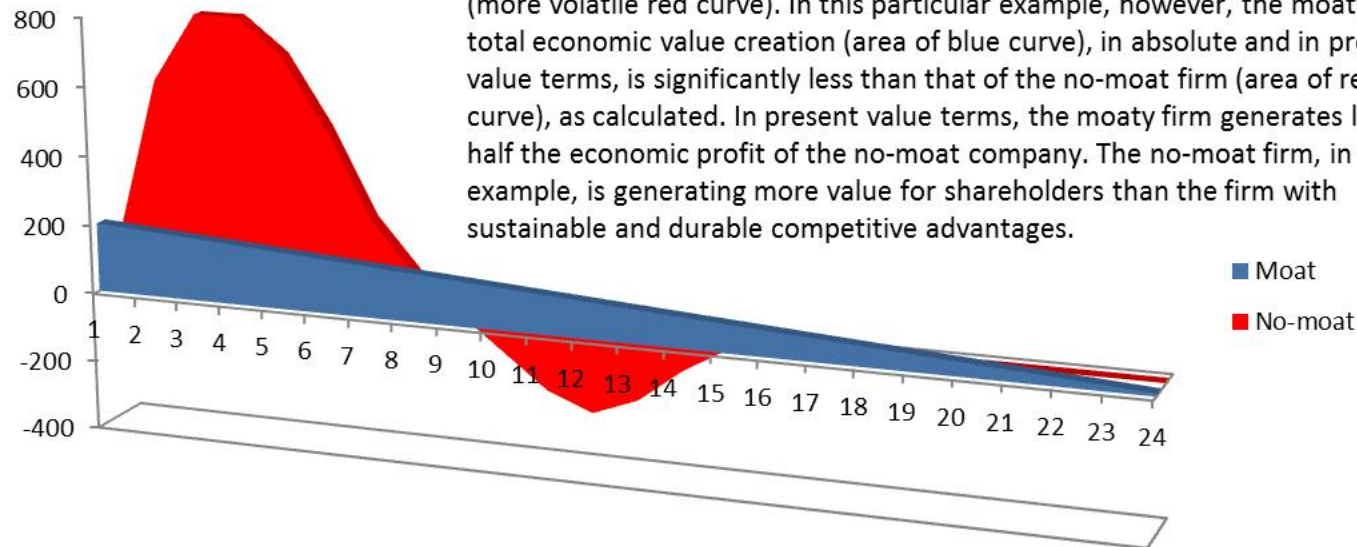
- We build detailed, company-specific models to estimate fair values
- We accept that the only thing precise about a fair value estimate is that **it is precisely wrong**. All value is based on the future, and the future is inherently unpredictable.
- As a result, we emphasize a fair value range, or a range of probable fair value outcomes
 - A firm is fairly valued if its stock price is trading within the fair value range
 - A firm is undervalued if its stock price is trading below the fair value range
 - A firm is overvalued if its stock price is trading above the fair value range

Economic Castles



Cumulative Economic Profit Generation Is What Matters Most

Moat versus No-Moat: In this hypothetical example, a moaty firm's operations are more stable -- generating more sustainable and durable economic profits into the future (slowly fading blue curve). The no-moat firm's operations are much more volatile, generating economic profit and destroying capital at times (more volatile red curve). In this particular example, however, the moaty firm's total economic value creation (area of blue curve), in absolute and in present value terms, is significantly less than that of the no-moat firm (area of red curve), as calculated. In present value terms, the moaty firm generates less than half the economic profit of the no-moat company. The no-moat firm, in this example, is generating more value for shareholders than the firm with sustainable and durable competitive advantages.

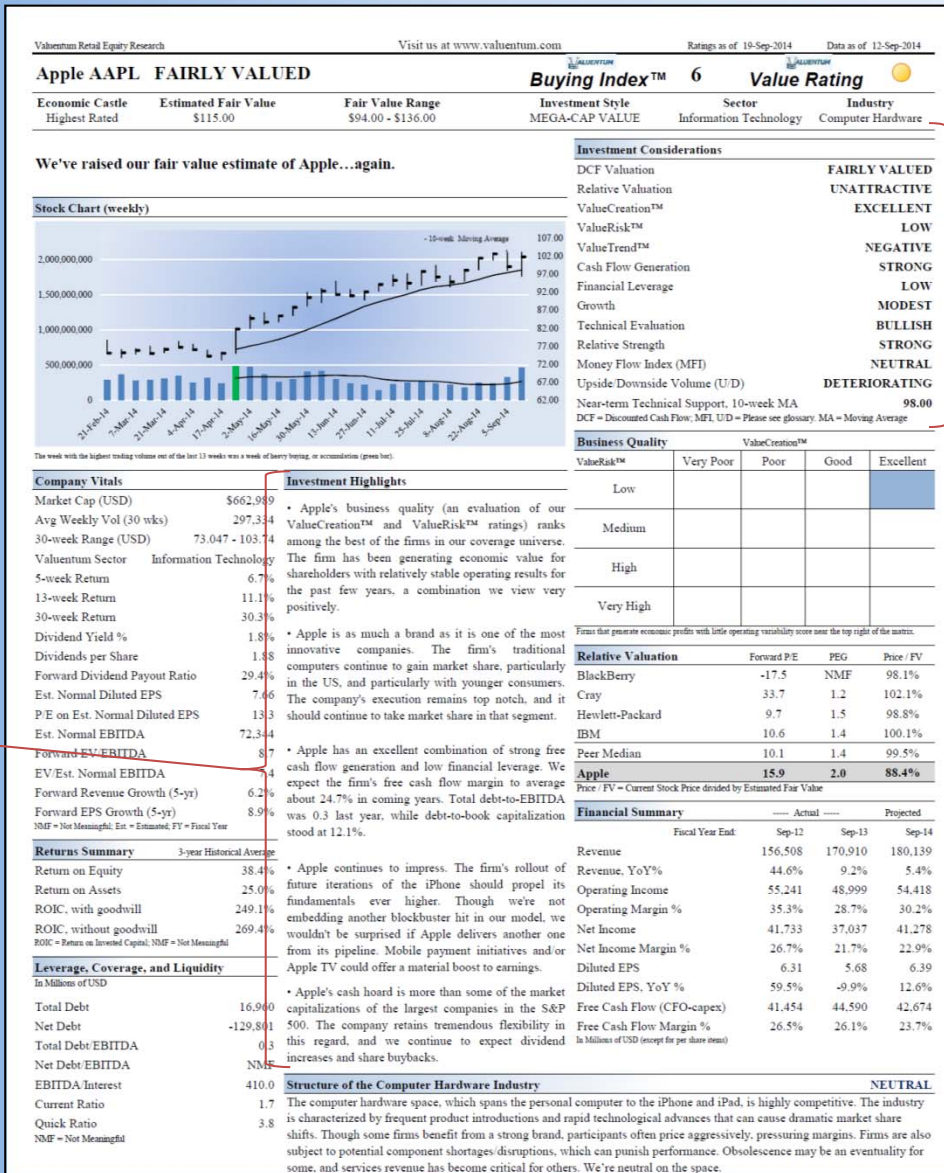


The graph above represents a hypothetical future economic value added (EVA) curve for a moaty company (blue) and a no-moat company (red), where any area above the x-axis represents economic value added (EVA) and any area below the x-axis represents economic value destroyed. The moaty firm never destroys shareholder capital, but the no-moat firm generates the most cumulative economic profit for shareholders, both in absolute and discounted terms. The no-moat firm ceases to generate economic profit or destroy capital at the end of Year 15 due to competitive forces, while the moaty firm continues to generate economic profit for significantly longer, through Year 25.

Economic Castles, continued

- Moaty firms are durable and sustainable businesses, but they may not be the best value-generators for shareholders
- Business owners want to maximize shareholder value – and a firm's competitive advantage assessment may be independent of that view.
- Valuentum's Economic Castle™ rating evaluates a firm on the basis of the magnitude of the economic profit that it will deliver to shareholders (as measured by its ROIC-less-WACC spread)

Investment Highlights



Investment Considerations

Stock Analyst Notes*

We're Expecting an Absolute Blow-Out Holiday Quarter for Apple

publication date: Oct 20, 2014 | author/source: Brian Nelson, CFA

  
Previous | Next

What more can we say about Apple ([AAPL](#))? The firm is one of the largest holdings in both the Best Ideas portfolio and Dividend Growth portfolio. Its innovation prowess is second to none, and it has captured the hearts of millions of consumers with its iconic brand. The firm's fiscal [fourth-quarter](#) (calendar third quarter) results, released Monday, were a reflection of its continued dominance in consumer electronics.

All the key metrics moved in the right direction. Revenue jumped 12.3%, to \$42.1 billion, while quarterly net profit leapt 13.3%, to \$8.5 billion. Diluted earnings-per-share of \$1.42 was better than expected and towered 20% over the \$1.18 per share mark in the year-ago period. Gross margin of 38% was a full percentage point greater than the 37% achieved in last year's quarter. International sales accounted for 60% of the company's revenue, and the opportunity for further growth, particularly in China, remains. Cash flow from operations was an astounding \$13.3 billion in the quarter.

This holiday season is going to be blockbuster for Apple. The iPhone 6 and iPhone 6 Plus are in the sweet spot of what the daily mobile user desires. The firm's line-up of iPads and Macs is quite impressive as well, and the Apple retail stores are truly a sight to see, completely packed with buyers of all ages and demographics. Apple is the largest company by market capitalization for a reason, and its "halo effect" appears impenetrable. Neither Samsung ([SSNLF](#)) or Sony ([SNE](#)) or BlackBerry ([BBRY](#)) come close to Apple's brand equity, something unthinkable a decade or so ago. Consumers bought a whopping 39.3 million iPhones, 12.3 million iPads, 5.5 million Macs, and 2.64 million iPods in the third quarter...alone. Only the iPad performance could be considered marginally lower than consensus.

* Stock analyst notes are found on www.valuentum.com.

Investment Considerations, Investment Highlights, and Stock Analyst Notes

- Our analysis and commentary are separated into a variety of sections in the report and on the website at www.valuentum.com.
 - Investment Considerations: Each firm has more than a dozen key analytical items from business quality to valuation and beyond.
 - Investment Highlights: Firm-specific commentary is added to clarify modeling expectations and competitive profiles.
 - Stock Analyst Notes: These are found on the website and include our take on recent quarterly earnings or on current news events.

Economic Profit Analysis



Return on Invested Capital

Weighted Average Cost of Capital

Economic Profit Analysis

- We seek to identify firms that are earning at least their cost of capital, have done so for years, and are expected to do so long into the future.
- Our ValueCreation™ and ValueTrend™ ratings focus on the gap between ROIC and WACC, and the trend in this gap over time, respectively.
- Our Business Quality matrix provides evidence of the strength and sustainability of the competitive advantages of firms – based on a cross section of their ValueCreation™ and ValueRisk™ ratings.

Growth Analysis

Valuentum Retail Equity Research

(10=best)

Data as of: 12-Sep-2014

Apple AAPL FAIRLY VALUED

Buying Index™ 6

Value Rating

Economic Castle
Highest Rated

Estimated Fair Value
\$115.00

Fair Value Range
\$94.00 - \$136.00

Investment Style
MEGA-CAP VALUE

Sector
Information Technology

Industry
Computer Hardware

Growth Analysis

Revenue Growth

MODEST

		Last Fiscal Year Revenue	3-year Historical CAGR	5-year Projected CAGR
Apple	USD	170,910	37.9%	6.2%
BlackBerry	USD	6,813	-28.2%	-12.6%
Cray	USD	526	18.1%	10.3%
Hewlett-Packard	USD	112,298	-3.8%	-0.8%
IBM	USD	99,751	0.0%	0.2%
Peer Median			-1.9%	-0.3%
Industry Median			0.0%	0.2%

Apple's revenue expansion has been greater than the median of both its peer group and industry group during the past three years. We expect the firm's revenue expansion to outpace the median of its peer group and industry group during the next five years. Our growth assessment of each firm is based on the firm's 5-year forward revenue CAGR. Apple's future pace of revenue growth is MODEST, in our opinion.

EBITDA Growth

		Last Fiscal Year EBITDA	3-year Historical CAGR	5-year Projected CAGR
Apple	USD	88,786	42.1%	7.6%
BlackBerry	USD	-2,162	-183.7%	-170.8%
Cray	USD	38	12.0%	32.5%
Hewlett-Packard	USD	12,754	-10.4%	2.9%
IBM	USD	23,456	0.7%	4.9%
Peer Median			-4.9%	3.9%
Industry Median			0.7%	4.9%

Apple's EBITDA expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's EBITDA expansion to outpace its peer group and industry group during the next five years. Cray sports the highest expected EBITDA growth rate among peers.

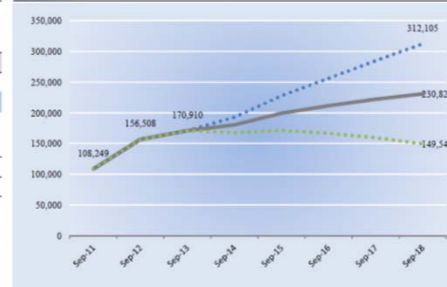
Net Income Growth

		Last Fiscal Year Net Income	3-year Historical CAGR	5-year Projected CAGR
Apple	USD	37,037	38.3%	7.8%
BlackBerry	USD	-5,873	-281.8%	-34.1%
Cray	USD	32	28.9%	21.1%
Hewlett-Packard	USD	5,113	-16.4%	8.2%
IBM	USD	16,483	3.6%	4.8%
Peer Median			-6.4%	6.5%
Industry Median			3.6%	7.8%

Apple's net income expansion has been greater than that of both its peer group and industry group during the past three years. We expect the company's net income growth to outpace its peer group but be in line with the growth of its industry group during the next five years. Cray sports the highest expected net income growth rate among peers.

Projected Revenue (in millions of USD)

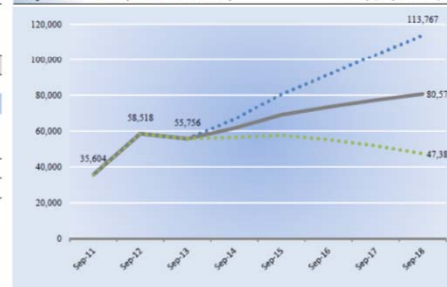
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for revenue as well as potential upside and downside cases.

Projected EBITDA (in millions of USD)

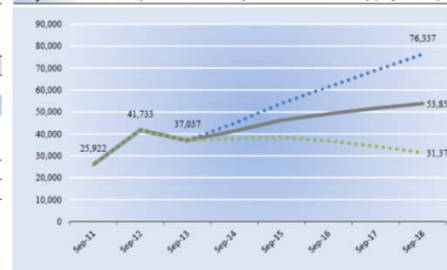
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

Projected Net Income (in millions of USD)

Source: Company Filings, Valuentum Projections



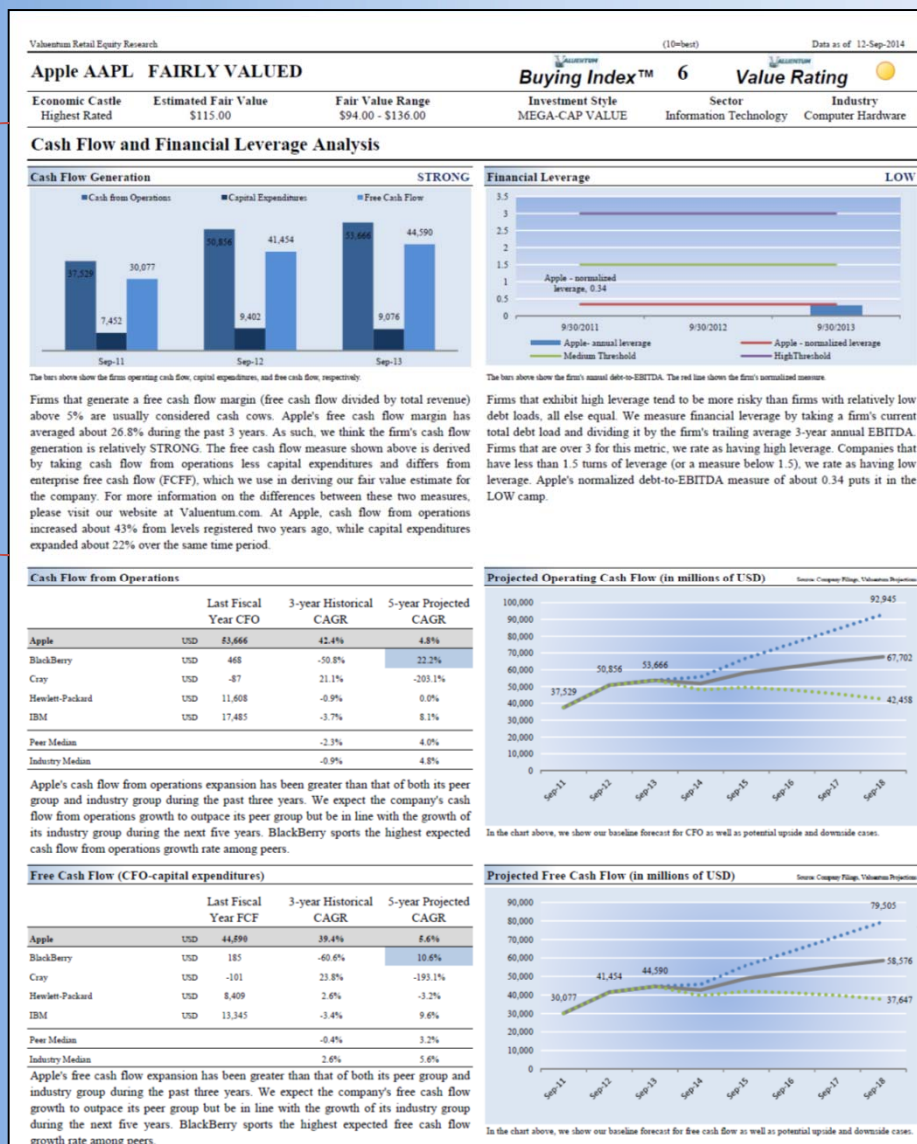
In the chart above, we show our baseline forecast for net income as well as potential upside and downside cases.

Revenue

Adjusted EBITDA

Net Income

Cash Flow Analysis



Financial Leverage

Cash from Operations

Free Cash Flow

Value-Creating Growth

- Stocks can often become cheap for good reason, and in many cases, it has to do with either worsening structural characteristics of the industry in which the firm operates or secular declines in demand for its products or services.
- We think finding undervalued stocks that generate high returns on incremental capital and are growing at a nice pace have the greatest potential for their value to be recognized by market participants. They're less likely to be "cigar butts."
- In other words, many of our ideas represent opportunities where the market is not giving sufficient credit for the firm's future growth potential, as opposed to fallen angels that are struggling with an operational turnaround.

Valuation Assumptions

Valuentum Retail Equity Research

(10-best)

Date as of 12-Sep-2014

Apple AAPL FAIRLY VALUED

Buying Index™ 6

Value Rating

Economic Castle
Highest Rated

Estimated Fair Value
\$115.00

Fair Value Range
\$94.00 - \$136.00

Investment Style
MEGA-CAP VALUE

Sector
Information Technology

Industry
Computer Hardware

Valuation Analysis

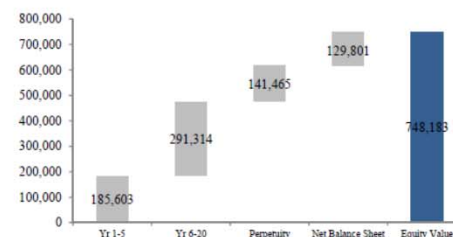
Valuation Assumptions

In Millions of USD (except for per share items)

	5-year Projections
Revenue CAGR %	6.2%
Avg. EBIT Margin %	30.7%
Avg. Cash Tax Rate %	26.2%
Earnings Before Interest CAGR %	6.9%
Earnings Per Share CAGR %	8.9%
Free Cash Flow to the Firm CAGR %	14.0%
Earnings before interest = Net operating profits less adjusted taxes	
	Long-term Projections
Phase II --> III FCFE CAGR %	2.2% (II) 3% (III)
Cost of Equity %	10.8%
After-tax Cost of Debt %	4.1%
Discount Rate (WACC) %	10.6%
Synthetic credit spread = 1.20%	
Results	
Phase I Present Value	185,603
Phase II Present Value	291,314
Phase III Present Value	141,465
Total Firm Value	618,382
Net Balance Sheet Impact	129,801
Total Equity Value	748,183
Diluted Shares Outstanding	6,521.6
Fair Value per Share	\$115.00

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Apple and the break down to the firm's total equity value, which we estimate to be about 748.18USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our \$115 per share fair value estimate.



In Millions of USD

DCF Valuation Summary

Our discounted cash flow model indicates that Apple's shares are worth between \$94.00 - \$136.00 each. The margin of safety around our fair value estimate is driven by the firm's LOW ValueRisk™ rating, which is derived from the historical volatility of key valuation drivers. The estimated fair value of \$115 per share represents a price-to-earnings (P/E) ratio of about 20.2 times last year's earnings and an implied EV/EBITDA multiple of about 11.1 times last year's EBITDA. Our model reflects a compound annual revenue growth rate of 6.2% during the next five years, a pace that is lower than the firm's 3-year historical compound annual growth rate of 37.9%. Our model reflects a 5-year projected average operating margin of 30.7%, which is below Apple's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of 2.2% for the next 15 years and 3% in perpetuity. For Apple, we use a 10.6% weighted average cost of capital to discount future free cash flows.

Enterprise Free Cash Flow

	Fiscal Year End:	9/30/2011	9/30/2012	9/30/2013
Earnings before Interest		26,120	42,533	38,436
+ Depreciation		1,814	3,277	6,757
- Capital Expenditures		7,452	9,402	9,076
- Change in Working Capital		-7,235	736	5,770
- Acquisitions		244	350	496
Enterprise Free Cash Flow (FCFF)		27,473	35,322	29,851

In Millions of USD

Our future forecasts for key valuation drivers result in a future free enterprise cash flow stream. Above, we show how we calculate enterprise free cash flow and the historical performance of the metric for Apple. Over the next five years, we expect the firm's enterprise free cash flow to expand at about a 14% compound annual growth rate. During years 6 through 20, we expect the measure to grow at a 2.2% rate. Beyond year 20 (in perpetuity), we grow the firm's free cash flow at inflation (3%).

Source: Company Filings, Valuentum Projections

Company Metrics versus Peer and Industry Medians

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E on Est. Normal Diluted EPS	Price-Earnings-to-Growth (PEG), 5-year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Apple	6	15.9	13.3	2.0	8.7	7.4	8.9%	269.4%	1.8%	88.4%
BlackBerry	6	-17.5	NMF	NMF	4.9	5.9	-34.1%	20.3%	0.0%	98.1%
Cray	3	33.7	19.8	1.2	12.7	7.9	19.9%	10.5%	0.0%	102.1%
Hewlett-Packard	6	9.7	9.2	1.5	5.6	5.5	9.3%	94.0%	1.8%	98.8%
IBM	7	10.6	9.2	1.4	8.7	8.3	9.2%	66.0%	2.3%	100.1%
Peer Median	6.0	10.1	9.2	1.4	7.2	6.9	9.3%	43.2%	0.9%	99.5%
Industry Median	6.0	11.9	13.2	1.5	8.7	7.4	9.2%	66.0%	1.8%	100.1%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.

Valuation Build-Up

Relative Valuation

Why Use Discounted Cash Flow Analysis?

- The intrinsic value of any asset is based on the discounted future free cash flows generated by that asset.
- We believe an economic profit assessment is vital to understanding value creation. A DCF process allows us to compare historical and projected ROIC to a firm's WACC.
- We care about what businesses are worth, so we have an understanding of what investors might pay for them.
- Certain industry groups may become overvalued or undervalued as a whole. Estimating intrinsic value helps to mitigate pitfalls caused by relative value assessments within industry groups.
- A DCF process is less about precision and the sensitivity of assumptions than it is about **identifying and capitalizing on valuation outliers.**

Why Use DCF Analysis? -- continued

Intrinsic value represents the conclusion to any and all stock research: What is the company worth? DCF valuation captures the expectations of a firm's competitive advantages, growth prospects, strategic endeavors, and any other qualitative factor. No other process does this. Putting to numbers a plethora of advanced fundamental items in arriving at a fair value estimate is the cornerstone--and the most critical component--of any stock research analysis. Without an in-depth intrinsic-value assessment, research is but a story that has no ending.

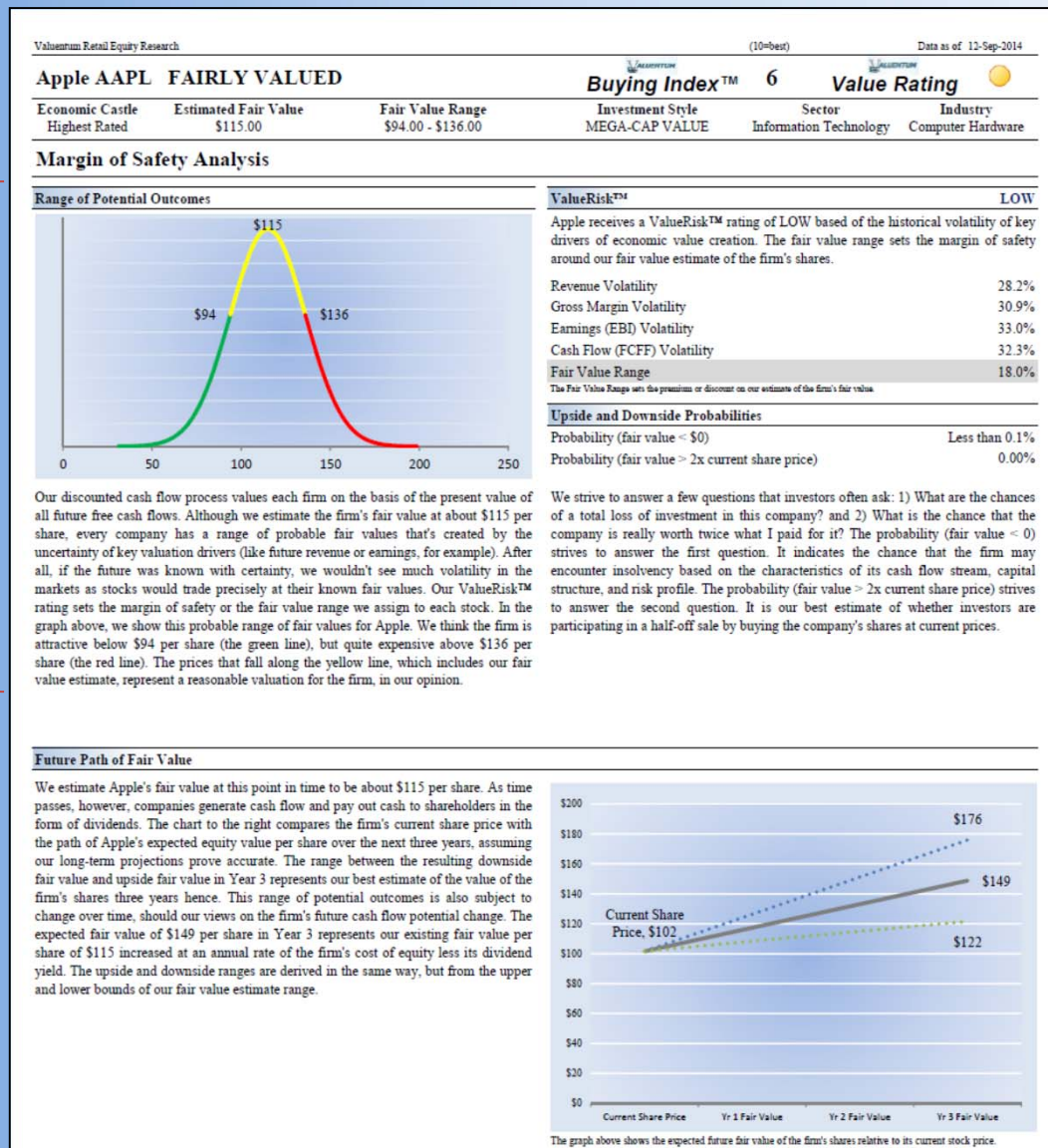
-- Brian Nelson, President, Valuentum Securities, 2011

- We believe that only through the flexibility of a DCF process can advanced fundamental thoughts be appropriately incorporated into a fair value estimate and range.

Why Is Relative Value Important?

- We assess a firm's relative value on the basis of its forward price-to-earnings ratio and its price-earnings-to-growth (PEG) ratio. If both of these measures are attractive relative to hand-selected peers, we view the firm undervalued from a relative standpoint.
- By identifying firms that are trading at a significant discount based on our DCF process and are trading at a discount relative to its peer group, we gain conviction in our valuation analysis of the firm.
- We understand investors make decisions based on a relative-value process, and these decisions move the market. We focus on identifying firms that are attractive to the entire value-investor community to capitalize on increased buyer interest.

Margin of Safety



Path of Fair Value

Why Use a Margin of Safety?

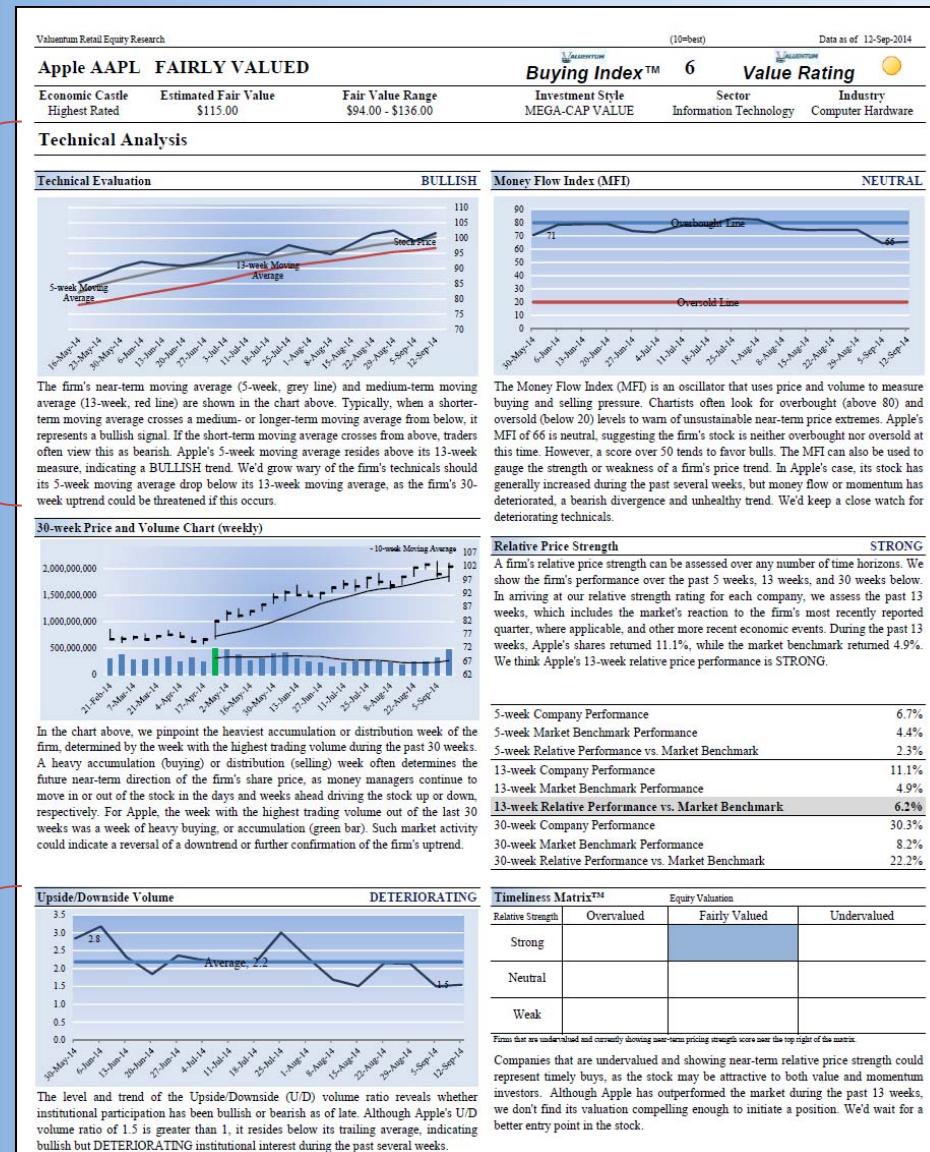
"If the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values."

-- Brian Nelson, President, Valuentum Securities, 2011

- We look for stocks that are trading at a discount to our estimate of their fair values and use our ValueRisk™ rating to set an appropriate margin of safety.
- The higher the volatility of key valuation drivers (like earnings and cash flow), the higher the ValueRisk™ rating and wider the margin of safety we assign to the stock.
- This ensures that we're identifying stocks that are truly cheap--not only relative to their intrinsic value but also relative to the risks inherent to their business models.

Technical Analysis Summary

Upside-Downside Volume



Money Flow Index

Relative Strength

The Technical & Momentum Overlay

- Technical analysis is in part a self-fulfilling prophecy, but we embrace the incremental knowledge garnered by knowing what technicians may be anticipating.
- Momentum exists as a result of sustained buying by portfolio managers over several trading sessions in order to achieve a full allocation to a position.
- Adding a technical and momentum overlay increases the likelihood of price-to-fair value convergence, while minimizing downside risks and exposure to “falling knives.”
- Undervalued stocks that are going up are more likely to keep going up as investment managers continue to accumulate shares.

Pro Forma Cash Flow Statement

----- Historical ----- ----- Projected -----
In Millions of USD (except for per share items)

Pro Forma Income Statement

----- Historical ----- ----- Projected -----										
In Millions of USD (except for per share items)						Sep-11	Sep-12	Sep-13	Sep-14	Sep-15
Total Revenue	108,249	156,508	170,910	180,139	199,414	25,922	41,733	37,037	41,278	46,223
Cost of Goods Sold	64,431	87,846	106,606	109,938	120,937	1,814	3,277	6,757	7,122	7,884
Selling, General and Administrative Expenses						2,868	4,405	1,141	0	0
Other Operating Expenses						1,168	1,740	2,253	901	928
Operating Income						5,757	(299)	6,478	2,540	3,164
Unusual items									51,840	58,200
Operating Income, including unusual items										
Interest Expense									(9,167)	(9,258)
Other Non-operating Income									0	0
Pre-tax Income									(9,167)	(9,258)
Income Taxes									0	0
Income after tax									(12,138)	(15,021)
Minority Interest and Equity Income									0	0
Net Income, excluding extra items									(18,768)	(21,584)
Income Available to Common, excluding extra items									0	0
Diluted Earnings per Share, excluding extra items									0	0
Diluted Weighted Shares Outstanding									23,906	27,357

Pro Forma Balance Sheet

----- Historical ----- ----- Projected -----										
In Millions of USD (except for per share items)						Sep-11	Sep-12	Sep-13	Sep-14	Sep-15
Assets										
Total Cash (including marketable securities)	25,952	121,251	146,761	64,452	91,809					
Inventory	776	791	1,764	1,814	1,989					
Accounts Receivable	11,717	18,692	20,641	21,834	24,258					
Other Current Assets	6,543	9,041	10,335	10,335	10,335					
Total Current Assets	44,988	149,775	179,501	98,435	128,391					
Gross Fixed Assets	11,768	21,887	28,519	37,686	46,944					
(Accumulated Depreciation)	(3,991)	(6,435)	(11,922)	(19,044)	(26,928)					
Net Property, Plant, and Equipment	7,777	15,452	16,597	18,642	20,016					
Goodwill, Net	896	1,135	1,577	1,577	1,577					
Intangibles, Net	3,536	4,224	4,179	4,179	4,179					
Other Long-term Assets	59,174	5,478	5,146	111,361	111,361					
Total Assets	116,371	176,064	207,000	234,194	265,524					
Liabilities										
Accounts Payable	14,632	21,175	22,367	23,469	26,274					
Other Current Liabilities	13,338	17,367	21,291	23,972	26,930					
Current Portion of Long-term Debt	0	0	0	0	0					
Total Current Liabilities	27,970	38,542	43,658	47,441	53,204					
Long-term Debt	0	0	16,960	16,960	16,960					
Other Long-term Liabilities	11,786	19,312	22,833	22,833	22,833					
Total Liabilities	39,756	57,854	83,451	87,234	92,997					
Preferred Stock	0	0	0	0	0					
Shareholders' Equity										
Common Stock and Additional Paid in Capital	13,331	16,422	19,764	19,764	19,764					
Retained Earnings	62,841	101,289	104,256	133,396	164,598					
Other Equity	443	499	(471)	(6,200)	(11,835)					
Total Shareholders' Equity	76,615	118,210	123,549	146,960	172,527					
Total Liabilities and Shareholders' Equity	116,371	176,064	207,000	234,194	265,524					

Source: Company Filings, Xignite, Valuentum Projections

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VBI Rating Flow Chart

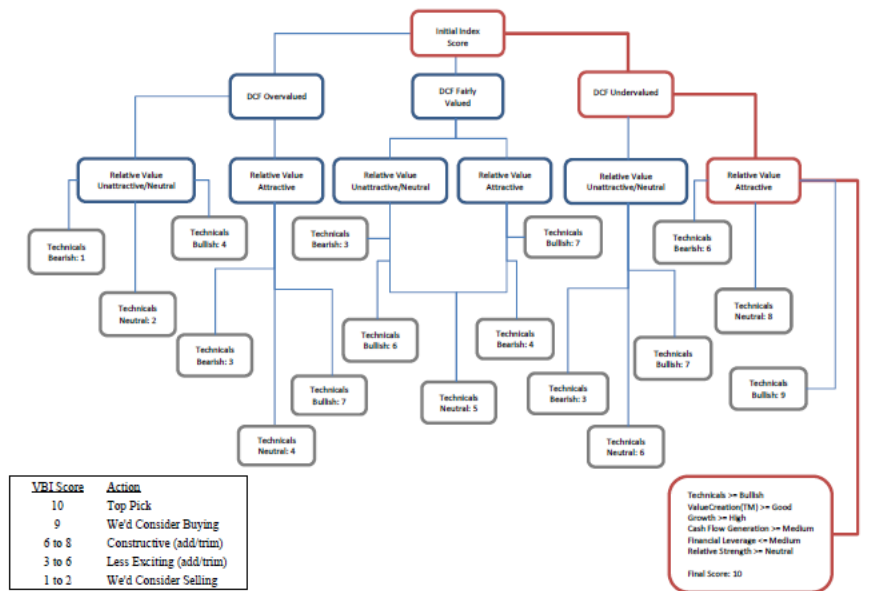
Methodology for Picking Stocks - Valuentum Buying Index™ (VBI)

@ Valuentum, we like to look at stocks from a number of different perspectives to identify the most attractive investments at any given time. The Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals to derive a score between 1 and 10 for each company. The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks.

Let's follow the red line on the flow chart below to see how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative

value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation™ rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.



Financial Statements & Methodology

- Financial Statements: We spend a lot of time in company-specific Excel-based valuation models making forecasts, adjustments and arriving at informed outcomes. We disclose the proforma financial statements at the back of each report.
- Methodology: Having a repeatable, measurable process is vital to outperformance. We're proud of our systematic approach to stock selection. A brief summary of the Valuentum Buying Index is included at the back of each 16-page report.

Archived Fair Values & Ratings

TSN Rating History	Price	Fair Value	VBI
14-Nov-14	\$40.66	\$45.00	7
20-Jun-14	\$36.44	\$44.00	4
21-Feb-14	\$38.91	\$39.00	7
1-Nov-13	\$27.71	\$37.00	6
31-May-13	\$25.00	\$33.00	9
15-Feb-13	\$24.01	\$28.00	5
19-Oct-12	\$16.44	\$20.00	6
6-Jul-12	\$17.59	\$25.00	6
10-Feb-12	\$18.92	\$27.00	6

Competitive Advantages of Valuentum's Approach



- Independent - NO conflicts of interest
- Integrity and systematic application of analytical process
- Comprehensive equity research provider – from value through momentum investing
- Breadth and depth of coverage
- Commitment to expanding coverage
- Strong performance track record
- Fair value estimates for all firms under coverage
- Unique cash-flow based dividend growth process
- Valuation expertise

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