THE NELSON EXCLUSIVE

Confidential*

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About Your Editor

Brian Nelson is the president of equity research and ETF analysis at Valuentum Securities.

He is the architect behind the company's research methodology and processes, developing the Valuentum Buying Index rating system, the Economic Castle rating, and the Dividend Cushion ratio. Mr. Nelson has acted as editor-in-chief of the firm's Best Ideas Newsletter and Dividend Growth Newsletter since their inception.

Before founding Valuentum Securities in early 2011, Brian worked as a director at Morningstar, where he was primarily responsible for training and methodology development within the firm's equity and credit research department. Prior to that position, he served as a senior industrials securities analyst covering aerospace, airlines, construction, and environmental services companies.

Before joining Morningstar, Mr. Nelson worked for a small capitalization fund covering a variety of sectors for an aggressive growth investment management firm in Chicago. He holds a Bachelor's degree in finance and a minor in mathematics, magna cum laude, from Benedictine University. Brian has an MBA from the University of Chicago Booth School of Business and also holds the Chartered Financial Analyst (CFA) designation.

Highlights:

Brian is frequently quoted in the media and has been a frequent guest on Nightly Business Report, Bloomberg TV, CNBC, and the MoneyShow.

Mr. Nelson is very experienced valuing equities, developing discounted cash-flow models used to derive the fair value estimates for companies in the equity coverage universes of two independent investment research firms, including Valuentum.

Brian worked on a small cap fund and a micro-cap fund that were ranked within the top 10th percentile and top 1st percentile within the Small Cap Lipper Growth Universe, respectively, in 2005.

Mr. Nelson led the charge in developing Morningstar's issuer credit ratings, creating and rolling-out one of the firm's proprietary credit metrics, the Cash Flow Cushion.

August 2017 Capital Appreciation Idea
Wingstop (WING) Soars

A version of this note was sent as an email to Nelson Exclusive members November 3.

Image: Wingstop (WING) soars after the release of third-quarter results November 3.

Wingstop (WING), highlighted in the August 2017 edition of the Nelson Exclusive publication, exceeded estimates for sales during the third quarter, results released November 3, and its domestic comparable store growth came in at a nice 4%+ clip. During the period, Wingstop drove adjusted EBITDA more than 25% higher, while adjusted earnings per share leapt more than 30%.

We think Wingstop still has a long runway of growth, and we expect its efforts to increase consumer awareness across the US to continue to benefit shareholders. The company's asset-light business model generates considerable free cash flow, and we think the company is one of the few true growth entities in the restaurant space. The idea remains open and is one of our favorites within the restaurant space.

Cybersecurity Idea Qualys (QLYS) Up Nicely!

A version of this note was sent as an email to Nelson Exclusive members November 3.

Image: Qualys (QLYS) has been steadily marching higher since it released its third-quarter report, November 1.

Qualys (QLYS), profiled in the September 2017 edition of the Nelson Exclusive publication, is performing quite well since it was highlighted as a long-term capital appreciation idea. The company is one of our favorite considerations in the cybersecurity arena, and we think its total addressable market continues to grow with each passing year. The long-term opportunity is tremendous, in our view.

Qualys reported a strong third-quarter report November 1 that showed revenue advancing 17% and operating income surging to $10.8 million from $8 million in the same quarter a year ago. On a non-GAAP basis, operating income for the third period jumped to $18.7 million from $13.1 million in the year-ago quarter, a 40%+ increase. The quarter showcased a record operating margin thanks to as many as 30% of its enterprise customers on three or more of its solutions, a 7 percentage-point improvement from the mark one year ago.

The fundamental momentum is expected to continue, too. The executive team now expects sales for 2017 to be in the range of $229.6-$230.1 million (was $226.8-$228.3 million). On a GAAP basis, net income per share is now expected to be in the range of $1.09-$1.11, up from the previous guidance range of $1.02-$1.06. Its non-GAAP bottom-line EPS target is set at $1.04-$1.06, also revised upward from the previous range of $0.87-$0.91. We continue to like what we see at Qualys.

A version of the following note was sent as an email to Nelson Exclusive members November 10.

Nelson Exclusive Ideas Truly Remarkable

See a complete listing of all previous Nelson Exclusive ideas on pages 9 through 11.

Image: Capital appreciation idea Huntington Ingalls (HII) has soared. Chart as of November 10.

Huntington Ingalls Industries (HII), the capital appreciation idea from June 2017, continues to experience an impressive run in its share price, as shown in the image above. Its third-quarter report was a strong one. The company reported revenue growth of 10.7% compared to the year-ago period, driven by volume strength at its shipbuilding business and the acquisition of Chamber Corp in the fourth quarter of 2016. The company's operating margin expanded more than two percentage points in the quarter on a year-over-year basis, helping drive diluted earnings per share to $3.27 in the quarter from $2.27 in the third quarter of 2016. An increase in retiree benefits negatively impacted cash provided by operations so far in 2017, and a material increase in capital spending also weighed on free cash flow generation.

However, management was confident enough to declare a 20% increase in its quarterly dividend, raising the payout to $0.72 from $0.60 per share. Though Huntington's dividend yield is not competitive at current levels of ~1.1% (it was highlighted as a capital appreciation consideration), the increase signals a shareholder-friendly management team. Shares of Huntington are now trading at ~$242, as of November 9, up nicely from its highlight price of $193.79, and even from our recent "close" price. The long-term perspective beyond when we decide to "close" ideas continues to be rewarding in many cases (e.g. Orbital ATK). We continue to believe we're getting some of the best ideas in front of readers at some of the best times in the Nelson Exclusive, even as we note that we can't possibly get everything "right," nor should that be a reader's expectation.

Whereas we've been excited about the strength of long ideas, especially Wingstop (WING) and Qualys (QLYS) more recently, this earnings season has been equally harsh on some of our short idea considerations (a good thing)! Perhaps the best example is Mallinckrodt (MNK), an idea also surfaced in June 2017 (that edition was mighty valuable!). The embattled pharma firm has become a poster child for the push back coming from payors in the healthcare space regarding drug price hikes, as well as a punching bag for the opioid crisis that has ravaged the US in recent years. Mallinckrodt's hydrocodone and oxycodone sales dropped 42% and 38%, respectively, through the first three quarters of 2017 on a year-over-year basis. Shares crumbled more than 35% in the trading session November 7 after the company missed third quarter top-line estimates badly, and the equity has now lost more than half of its market capitalization since being highlighted in the Nelson Exclusive. This is absolutely huge. There's no other way of saying it.

Image: Short idea consideration Mallinckrodt (MNK) has collapsed. Chart as of November 10.

Snap (SNAP), the short idea highlighted one month prior to Mallinckrodt, in the May 2017 edition, has also gone from a successful short idea to a home run as its shares continue to face meaningful pressure (see image immediately below). We expected the social media company would have a significant amount of trouble competing with deeper pocketed rivals, namely Facebook, and the thesis has worked to a T. Snap's third-quarter report revealed a considerable shortfall of expectations in user growth and revenue. It is evident management is struggling to properly monetize the platform, and net losses more than tripled from the third quarter of 2016. Shares dropped nearly 15% following the report's release in the November 8 trading session and are now changing hands below the $13 mark; Snap's highlight price in early May was $23.19. Tencent has taken a ~10% stake in the firm in what appears to be a vote of confidence, but our thesis remains unchanged.

Image: Short idea consideration Snap (SNAP) has come under enormous pressure. Chart as of November 10.

Believe it or not, Mallinckrodt is not the only Nelson Exclusive short idea consideration to have more than half of its market capitalization wiped out since our highlighting of shares in the Nelson Exclusive. Shares of January 2017 short idea consideration Sequential Brands Group (SQBG) plummeted during the November 9 trading session after it missed consensus estimates on both the top and bottom line. Revenue fell nearly 7% in the third quarter on a year-over-year basis, and earnings per diluted share fell to a loss of $0.38 from income of $0.02 in the year-ago period. Cash flow from operations fell more than 38% in the first three quarters of the year from the comparable period of 2016, and the company remains buried under a pile of debt; its net debt position was ~$613 million as of September 30, 2017. As of this writing, shares have effectively become a penny stock, compared to the highlight price of $4.62.

Image: Short idea consideration Sequential Brands (SQBG) is another Nelson Exclusive idea that has lost half its market capitalization. Chart as of November 10.

Ideas in the Nelson Exclusive continue to perform better than we could ever have expected, and we trust that you find considerable value in this monthly publication. Many thanks for your interest!

** The percentage of ideas highlighted in the Nelson Exclusive that have moved in the direction of our thesis (i.e. up for income or capital appreciation ideas and down for short idea considerations) through the current price or closed price, with consideration of cash and stock dividends. Success rates do not consider trading costs or tax implications.*

Tracking Nelson Exclusive Idea Simulated Performance

The information provided in the tables is offered for the convenience of the reader, for illustrative purposes only, and no actual trading is taking place. Actual results may differ from the simulated information being presented. Valuentum is a publisher of financial information, not a money manager, broker, or financial advisor.

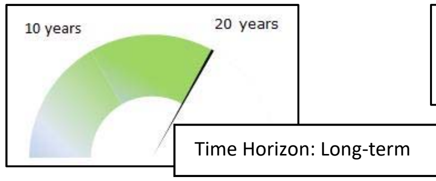
Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon	Notes - Data as of December 2, 2017
Income Ideas							
Jul, 16	Universal Corp (UVV)	57.74	75.10	1.60	32.8%	Closed - 2/12/2017	Universal has years of dividend growth ahead of it, but we closed this big winner for the time being. We still like it!
Aug, 16	B&G Foods (BGS)	51.54	35.27	1.815	-28.0%	Closed - 7/17/2017	B&G Foods has taken its share of lumps, the latest coming from Amazon's entrance into the grocery business with the proposed purchase of Whole Foods. We closed the idea.
Sep, 16	Maxim Integrated (MXIM)	41.12	45.07	0.33	10.4%	Closed - 2/12/2017	We closed position due to fickle nature of tech. Solid net cash position, strong free cash flow -- ~3% yield. May re-establish idea in future.
Oct, 16	Douglas Dynamics (PLOW)	31.94	34.10	0.235	7.5%	Closed - 2/12/2017	We closed as stock had been suspiciously volatile on little news. Insider buying though. We still like it and may re-establish in future.
Nov, 16	Ennis Inc. (EBF)	14.60	16.30	None collected	11.6%	Closed -- 11/12/2016	We captured more than 2 years' worth of income via capital appreciation in a very short period of time. Unfortunately, this ended in a quick "trade."
Dec, 16	Watsco, Inc. (WSO)	150.57	155.96	1.05	4.3%	Closed - 2/12/2017	We closed this idea. Investors have been assessing impact on demand from HVAC price hikes at key customer Carrier (UTX). We still like it, but it is a cyclical industrial.
Jan, 17	Star Gas Partners (SGU)	11.21	10.20	0.433	-	0-2 yrs	Star Gas raised its dividend 7%+ in late April. Third-quarter performance showed a 3.5% increase in total revenue, but weakening home heating oil and propane volume.
Feb, 17	Moelis & Co (MC)	35.00	38.10	1.74	13.8%	Closed - 7/22/2017	Information reflects special $1 dividend (ex-dividend date, 7/20/17). We continue to like shares of Moelis & Co, but we have closed the idea for now.
Mar, 17	Park National (PRK)	108.59	111.99	2.82	-	0-20 yrs	The bank's 2017 results thus far have come in largely as expected, with loans, deposits, and assets under management. It recently declared a $0.94/share quarterly dividend.
Apr, 17	American Software (AMSWA)	10.44	10.57	0.11	2.3%	Closed - 7/22,23/2017	An email delay by us caused a notication to be delayed until after material information impacted AMSWA's stock. As a result, price adjusted from price in email to the low price of the next trading day to reflect conservative, punitive accounting ($12.04 --> $10.57).
May, 17	NW Natural (NWN)	59.20	68.40	0.943	-	0-20 yrs	Nice dividend yield. Customer growth ensues, and returns have been solid. It reaffirmed 2017 EPS guidance ($2.05 - $2.25/share) and raised its annual dividend for the 62nd consecutive year.
Jun, 17	Japan Tobacco (JAPAY)	16.50	16.49	0.32	-	0-20 yrs	Tobacco stocks have done well during this multi-year bull market. Japan Tobacco is an interesting idea, but regulatory changes could be on the horizon in Japan that may pose challenges.
Jul, 17	Vectren Corp (VVC)	58.21	65.58	None collected	12.7%	Closed 8/30/2017	Takeout speculation drove Vectren's price significantly higher, and we closed the position as a result. Recent results show its utility performance is on track, and its non-utility group is performing well.
Aug, 17	National Retail Properties (NNN)	40.50	41.77	0.475	-	0-20 yrs	Third-quarter 2017 results were strong. AFFO per common share increased nearly 10% during the period, and the REIT raised its core FFO guidance for 2017 a second time to $2.51-$2.53 (was initially $2.44-$2.48).
Sep, 17	STORE Capital (STOR)	25.72	25.93	0.31	-	0-20 yrs	On September 12, STORE Capital increased its quarterly dividend ~7%, to $0.31 per quarter. Third-quarter 2017 results were strong as AFFO advanced more than 21%.
Oct, 17	Fortis (FTS)	36.14	37.39	0.333	-	0-20 yrs	Fortis' third-quarter 2017 results, released November 3, were strong as adjusted net earnings per share advanced ~13%. Management also announced an increase to its 5-year capital spending plan.
Nov, 17	Black Hills (BKH)	61.23	58.24	0.475	-	0-20 yrs	It was nice to see Black Hills raise its dividend nearly 7% November 15. The company initiated 2018 earnings per share guidance of $3.35-$3.55 when it reported third-quarter results November 2.

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon	Notes - Data as of December 2, 2017
Capital Appreciation Ideas							
Jul, 16	Bloomin Brands (BLMN)	17.87	19.28	0.07	8.3%	Closed -- 11/12/2016	We took what the market gave us. We may re-open idea again. We still believe in long term. Stock very cheap.
Aug, 16	Healthcare Srvs Group (HCSG)	38.91	41.02	0.369	6.4%	Closed - 2/12/2017	We closed this one. Nice streak of consecutive quarterly dividend increases. Very strong end market, and we may re-open in the future.
Sep, 16	Grupo Aeroportuario (ASR)	157.87	181.61	-	15.0%	Closed - 4/5/2017	We closed this idea. The strength in the US dollar had hurt. We still love the long-term picture though. Travel to Cancún not going away.
Oct, 16	Swedish Match (SWMA.ST)	314.80SEK	318.90SEK	8.5	-	0-20 yrs	Tobacco (snus) demand is about as resilient as it gets through the economic cycle. Currency had been hurting shares, but stock could rally back.
Nov, 16	Symrise AG (SYIEY)	16.25	16.34	-	0.6%	Closed - 4/5/2017	We closed this idea, but we still like it. EBITDA margins don't get much steadier than Symrise's (18-22% from 2006-2015) though.
Dec, 16	Tootsie Roll (TR)	37.80	38.32	0.18	-	0-20 yrs	A fantastic company with excellent financials. Potential big dividend growth story with takeout catalyst as a growing possibility. Stock dividend adjustment (3/3/17) reflected in price.
Jan, 17	Texas Capital Bancshares (TCBI)	78.05	85.10	-	9.0%	Closed - 2/12/2017	Stock grew too extended, so we closed with expectations to re-establish. It's important to gain your trust -- and simulated profits go a long way in doing so.
Feb, 17	Arconic (ARNC)	25.90	29.62	-	14.4%	Closed - 2/12/2017	We closed this idea. We may re-establish again, but this type of gain in one week is hard not to be prudent with.
Mar, 17	Tesaro (TSRO)	180.84	122.62	-	-32.2%	Closed - 7/7/2017	Very risky biotech. Not for everybody. We highlighted this one to fill an industry void among considerations. We have closed it.
Apr, 17	Yum China (YUMC)	31.15	37.67	-	20.9%	Closed - 5/23/2017	The long-term potential of Yum China is amazing. If you haven't read our thesis on shares, please do so. We closed this idea on strong share-price performance, but we may look at it again.
May, 17	Galapagos (GLPG)	87.67	76.13	-	-13.2%	Closed - 7/7/2017	Another very risky biotech. Shares are not for everybody, and principle could be completely wiped out if things go wrong with this consideration. We closed the idea.
Jun, 17	Huntington Ingalls (HII)	193.79	206.39	-	6.5%	Closed 8/18/2017	The Navy needs more ships with more advanced capabilities, and Huntington Ingalls is at the center of this need. We closed it, but the company is a compelling idea.
Jul, 17	Orbital ATK (OA)	102.33	104.65	-	2.3%	Closed 8/18/2017	The geopolitical environment is becoming more heated, and it seems that tensions with North Korea have only heightened. We closed it, but we like Orbital's position to benefit.
Aug, 17	Wingstop (WING)	32.28	38.74	0.07	-	0-20 yrs	Buffalo Wild Wings' younger cousin may be taking a bite out of its share. We like Wingstop's long-term opportunity, and shares rallied considerably after an impressive third quarter report.
Sep, 17	Qualys (QLYS)	51.10	58.75	-	-	0-20 yrs	One of the most interesting cybersecurity ideas on the market today. We continue to like shares, which received a nice boost from a strong third-quarter report.
Oct, 17	Guidewire Software (GWRE)	78.24	73.15	-	-	0-20 yrs	We like this indirect "play" on the insurance business. Its fundamentals are top notch. Guidance for fiscal 2018, released November 29, was mixed though, but we're focused long term.
Nov, 17	Ferrari N.V. (RACE)	117.43	107.47	-	-	0-20 yrs	Ferrari's shares may not be as cheap as we would like, but it's hard to argue with the company's brand strength. Shares will continue to be extremely volatile.

Success rate: The percentage of ideas highlighted in the Nelson Exclusive that have moved in the direction of our thesis (i.e. up for income or capital appreciation ideas and down for short idea considerations) through the current price or closed price, with consideration of cash and stock dividends. Success rates do not consider trading costs or tax implications.

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon	Notes - Data as of December 2, 2017
Short Idea Considerations							
Jul, 16	Lands' End (LE)	16.76	16.10	NA	3.9%	Closed -- 12/2/2016	We were worried Eddie Lampert may start buying more heavily. Very volatile equity. Not being greedy, so we closed position.
Aug, 16	Vivint Solar (VSLR)	2.94	2.85	NA	3.1%	Closed -- 12/2/2016	Stock wasn't acting right despite an ongoing negative solar backdrop. We locked gain in as a result.
Sep, 16	Lloyds Banking (LYG)	3.31	2.78	NA	16.0%	Closed -- 11/4/2016	We didn't like Lyolds' leverage and were worried about Brexit. We picked our spot to take profits.
Oct, 16	GoPro (GPRO)	16.68	11.12	NA	33.3%	Closed -- 11/4/2016	This was a big winner. We continue to have concerns, and the stock keeps falling. We're not looking back, however.
Nov, 16	Seritage Growth Properties (SRG)	44.31	42.13	-0.25	4.4%	Closed -- 1/6/2017	The REIT continues to trade on euphoric expectations, but we closed this for a gain. Dividends work against us as it relates to short performance. Buffett is watching.
Dec, 16	Royal Bank of Scotland (RBS)	4.91	7.43	-	-	0-2 yrs	The stock is rallying alongside financials peers. We're watching it closely as Brexit looms. We may extend time horizon.
Jan, 17	Sequential Brands Group (SQBG)	4.62	4.18	-	9.5%	Closed 2/12/2017	We locked this short idea in. Retail continues to get pummeled, and we picked the right spot at the right time.
Feb, 17	Sportman's Warehouse (SPWH)	6.85	6.11	-	10.8%	Closed 2/12/2017	As with Sequential Brands, we picked the right spot at the right time. We locked in this big gain, too.
Mar, 17	Fitbit (FIT)	6.07	5.71	-	5.9%	Closed 4/5/2017	Very timely short idea again. We locked this in. The success rate on short idea considerations remains fantastic.
Apr, 17	Santander Consumer (SC)	12.51	11.65	-	6.9%	Closed 5/23/2017	Subprime auto may be in for a rough landing. We're expecting continued tough times, but we're going to lock this idea in.
May, 17	Snap, Inc (SNAP)	23.19	17.19	-	25.9%	Closed 5/10/2017	Fantastic timing! Another short idea consideration homerun! See May 10 email: 'Another Exclusive Homerun: Oh SNAP'
Jun, 17	Mallinckrodt (MNK)	42.65	36.41	-	14.6%	Closed - 8/18/2017	There's a lot of hair on this one. Famed short seller Jim Chanos doesn't like it. We locked in this winner.
Jul, 17	Deutsche Lufthansa AG (DLAKY)	23.05	34.95	-	-	0-20 yrs	We think Ryanair will be a thorn in Deutsche Lufthansa's side in the coming years, and the cyclical nature of the airline industry won't ever go away.
Aug, 17	Del Frisco's (DFRG)	14.35	11.93	-	16.9%	Closed - 10/16/17	We locked in a solid gain after its third-quarter results left a good deal to be desired. Restaurant traffic continues to face pressure.
Sep, 17	Fiesta Restaurant Group (FRGI)	15.90	19.05	-	-	0-20 yrs	Fiesta continues to close units in the overheated restaurant space. Geographic concentration adds to risk. Buyout rumors have been helping smaller restaurant shares of late, however.
Oct, 17	Ingles Markets (IMKTA)	26.50	24.20	-	8.7%	Closed - 10/16/17	We closed this idea quickly as shares faced pressure due to industry-wide concerns over margin performance. The idea worked out well.
Nov, 17	Fogo de Chao (FOGO)	10.85	11.35	-	-	0-2 yrs	Fogo de Chao's comparable store sales remain under pressure. During its third-quarter report, consolidated comparable restaurant sales decreased more than 5%.
	Average Capital Efficiency* for 'Closed' Positions					Varies	Performance information is hypothetical and "trading" is simulated. Information provided in table for illustrative purposes only.

The tables above are provided for the sole purpose of transparency, to allow readers to measure Nelson Exclusive ideas in a way they feel is most appropriate. Ideas within the Nelson Exclusive are not constructed as a portfolio, nor should they be viewed as a portfolio, and performance information is hypothetical and "trading" is simulated. "Hypothetical annualized returns," now labeled "Capital Efficiency," cannot be achieved and are provided for the sole purpose of rightsizing each idea to a common measurement period (one year), to compare ideas 'closed' within one year to ones 'open' longer than one year, taking into account capital efficiency. A reader, for example, may view a 20% hypothetical return over a period of five weeks as much better than a 20% hypothetical return over a period of five years. Whereas both represent 20% hypothetical returns, hypothetical annualized performance is much different under each case. Readers may have different views and time horizons. To retain independence, neither Valuentum nor Brian Nelson own any shares, nor do they plan to own any shares, of any companies highlighted in the Nelson Exclusive. Importantly, shorting stocks involves a number of abnormal risks, including theoretically the infinite loss of capital, and is not for everyone. Valuentum is a financial publisher not a financial advisor. Please contact your personal financial advisor to determine if any idea in the Nelson Exclusive may be appropriate for you.



Four Corners Property Trust (FCPT)

"This dividend increase is the first in the two years since our founding. It reflects our confidence in FCPT's portfolio and our ability to deliver durable and growing long-term cash flows, while maintaining a low-leverage balance sheet. The increase is meaningful, but the dividend level remains consistent with our conservative dividend payout policy, and allows room for retained capital and additional future dividend growth as cash flows increase." – CEO Bill Lenehan, fourth quarter dividend announcement

Thesis

Four Corners Property Trust (FCPT) may not have a long enough track record to garner the credit rating it truly deserves, but the income generation potential of the REIT's shares should not be ignored. It still garners a BBB- rating from Fitch Ratings, still investment grade, but a large portion of its credit profile suggests it might be able to register a more impressive rating. These same characteristics are exactly what makes Four Corners an attractive dividend payer beyond the fact that shares yield ~4.2% as of the time of this writing.

Four Corners' credit rating is influenced by the manner in which it was conceived. The REIT was spun out of Darden Restaurants (DRI) in July 2015, and as a result, at the time of the spin-off, its portfolio consisted entirely of former Darden properties. Tenant concentration is a key negative in its credit profile, but management is working to diversify its portfolio and has added 17 new brands to its portfolio since inception. As of the end of the third quarter of 2017, it had reduced its exposure to Darden to ~89% of annual base rent (ABR), 67% of which is from its Olive Garden franchise. The other key drag on the REIT's credit rating is its unproven ability to access non-bank unsecured debt capital, something that appears to be a result of it being in existence for just over two years rather than anything under management's control.

Corporate Profile

Four Corners Property Trust is a real estate investment trust that was spun-out of Darden Restaurants in July 2015. The REIT owns, acquires, and leases properties on a triple-net basis for use in the restaurant and related food service industries. As of September 30, 2017, Four Corners' portfolio consisted of 508 properties in 44 states. It also operates six LongHorn Steakhouse restaurants in the San Antonio, Texas area under the Kerrow Restaurant Operating business.

Key Statistics	
Last Close	$26.03
52-week range	$18.91 - $26.75
Market Cap	$1.59 B
Avg Daily Vol (30 wks)	282,833
Annual Dividend Yield	4.23%
Trailing Dividend Payout Ratio	90%
Trailing P/AFFO	21.3
Net Debt/EBITDA	4.4x
Credit Rating	BBB-

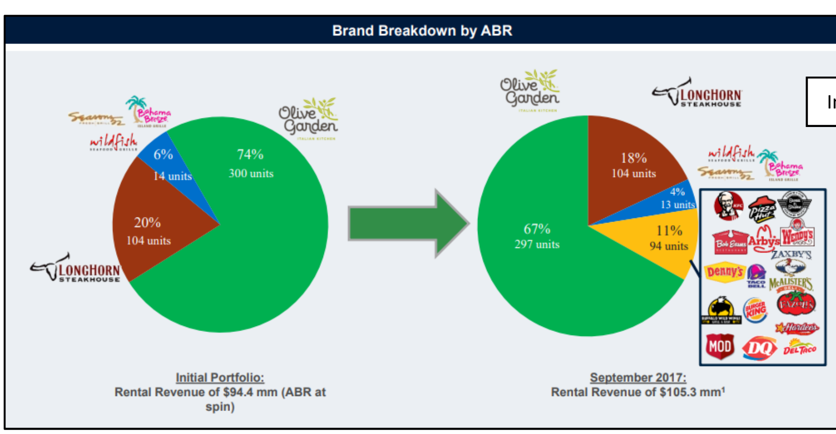
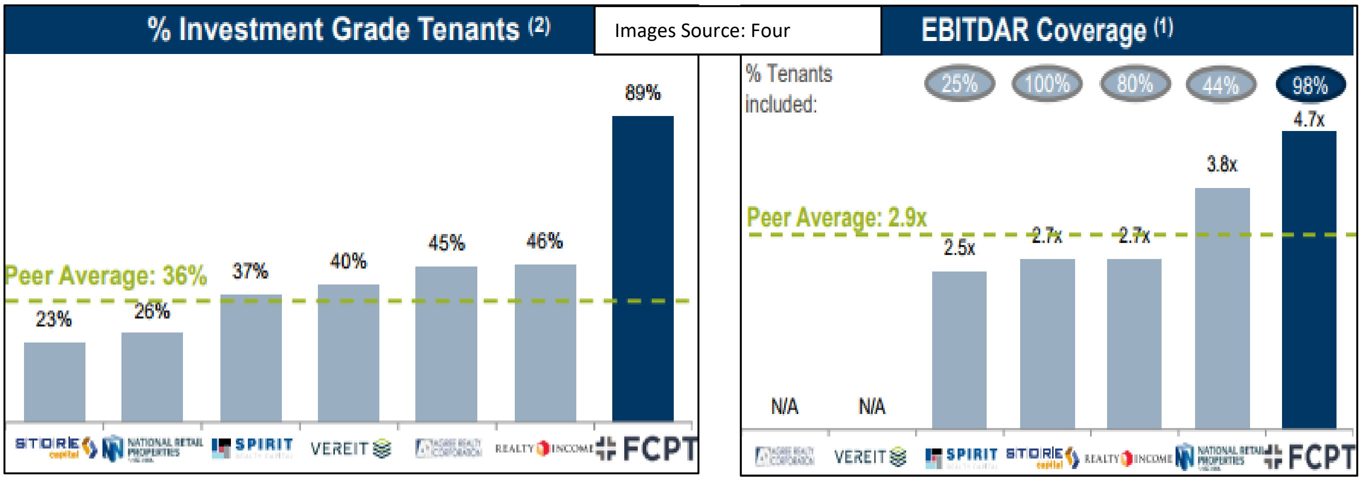


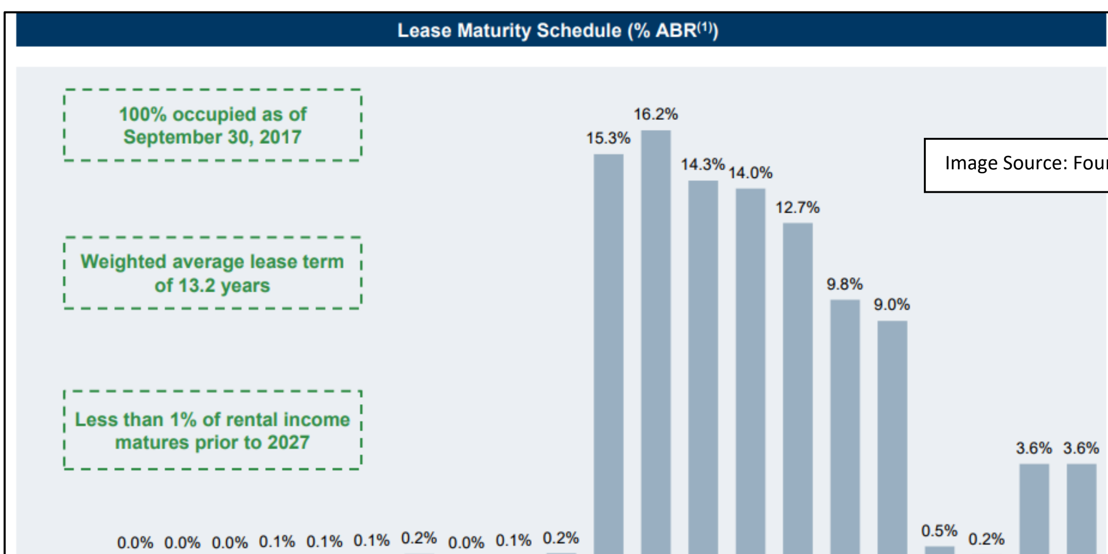
Image Source: Four Corners

Though Four Corners' ties to Darden weigh on the diversity of its portfolio, Darden boasts strong credit characteristics itself (its rated BBB/BBB/Baa3 by the major agencies). As a result, 89% of Four Corners' ABR comes from investment grade tenants (compared to peer average of 36%), and the REIT is a leader among peers in terms of EBITDAR rent coverage, which comes in at a strong 4.7x compared to a peer average of 2.9x. Four Corners' geographic diversity helps offset some of it tenant diversification concerns while also ensuring its future cash flows are protected to a degree from regional economic downturns. It has locations in 44 states with only Florida (11.1%) and Texas (10.9%) accounting for more than 10% of net operating income (NOI) as of September 30, 2017.



Images Source: Four

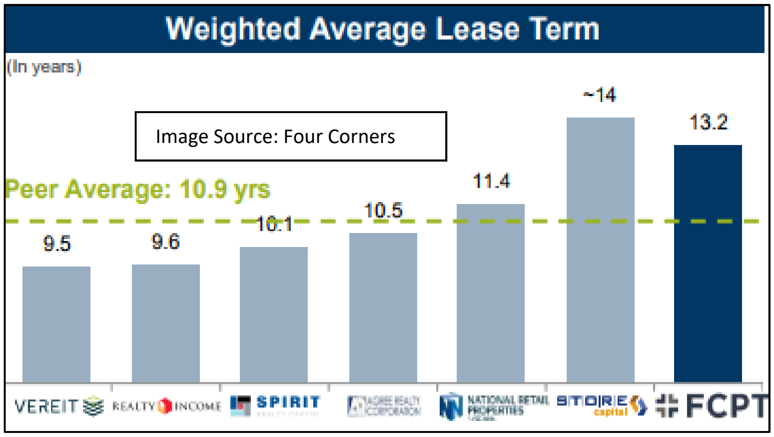
Despite the diversification concerns, Four Corners has a very appealing portfolio of triple-net leases, which ensure that the tenant is responsible for all repair and maintenance costs, property taxes, insurance payments, and building restoration. Its leases also have an average fixed annual rent escalation of ~1.5%. As of the third quarter of 2017, the REIT boasted a 13.2 year average term lease remaining (compared to peer average of 10.9 years), and less than 1% of its leases, by NOI, will expire before 2027. Its portfolio of properties was also 100% occupied as of September 30, 2017.

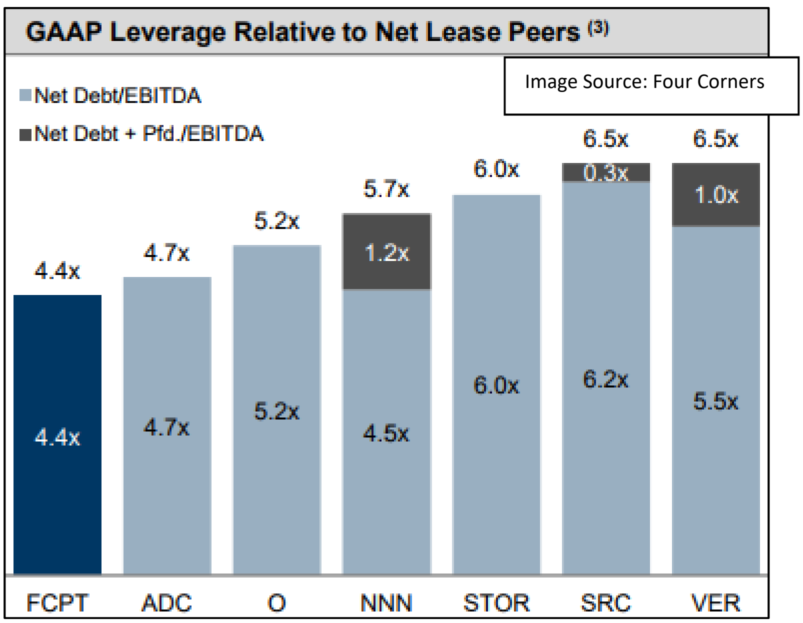


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
# Properties	-	-	-	2	1	1	2	-	1	2	72	74	69	67	60	46	41	4	1	40	25
Cash ABR ($000s)[1]	-	-	-	130	87	59	207	-	117	234	16,157	17,027	15,080	14,716	13,375	10,309	9,532	510	173	3,841	3,786
Total SF (000s)	-	-	-	6	2	3	5	-	4	7	525	539	523	518	480	363	356	13	3	115	117

1. Current scheduled minimum contractual rent as of 9/30/2017. Excludes the Red Lobster portfolio closed on 11/2/2017.
Note: Excludes renewal options.

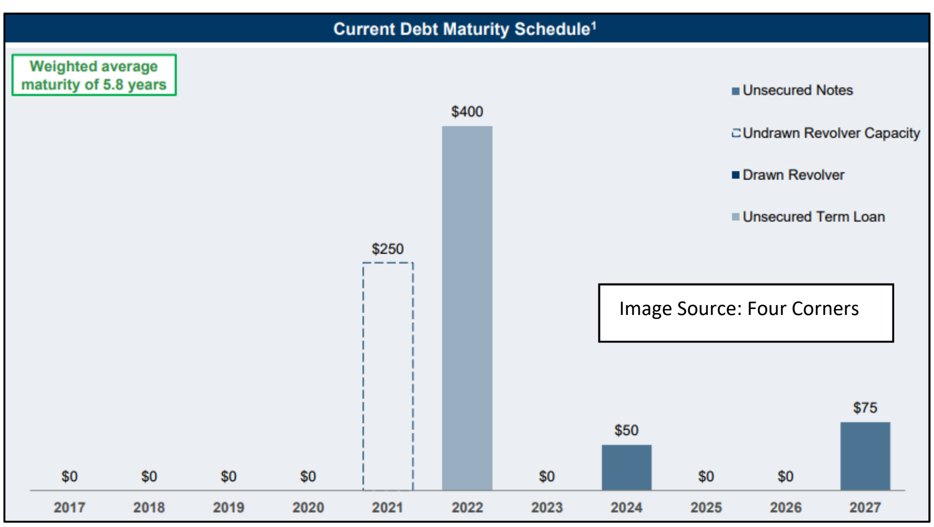
Image Source: Four Corners





Liquidity is not a concern for Four Corners, an important characteristic as it continues to work to diversify its portfolio of properties. As of the end of the third quarter of 2017, it had a fully undrawn revolver of $250 million that does not mature until 2021, and it has no outstanding debt maturities until 2022. The REIT's net debt-to-EBITDA ratio as of the most recent quarter is quite reasonable as well at ~4.4 times, especially after considering its target is at or below 5.5x-6.0x.

Such financial flexibility is a meaningful positive for Four Corners as it continues to diversify its portfolio. Its diversification strategy is to expand from its current casual dining base into the quick service subsector in an attempt to move its portfolio closer to an accurate reflection of the national restaurant landscape. In addition to diversifying by different brands, price points, cuisine types, and geography, the REIT seeks nationally recognized branded restaurants with creditworthy lease guarantors, and its acquisition criteria is split 50/50 between a set of credit and real estate metrics. This ensures that it not only is getting the credit quality of lessors it desires, but also the most appropriate real estate for its portfolio.



Four Corners is also confident that it will be able to capitalize on the industry trend of franchisee consolidation in its diversification efforts. Restaurant franchisees in the US are highly fragmented but consolidating. For example, from 2009-2016 the number of units owned by the top 200 franchisees advanced at a 7.1% CAGR while the average units per top 200 franchisees grew at a 6.4% CAGR. Such a development opens the door for material partnerships as franchisees may seek real estate monetization programs. In addition, franchisee consolidation and unit expansion are driving a trend for restaurant operators to prefer asset-light business models, another factor that should facilitate Four Corners' quest for diversification.

An important consideration facing a large number of REITs, particularly those based in retail, is the proliferation of e-commerce. Four Corners believes it is effectively shielded from such risk as the penetration of e-commerce in the food and beverage category was estimated at just under 1% as of 2016. The proliferation of delivery and digitally-based ordering will continue to impact the restaurant industry, as a whole, as it raises competition for consumer spending, but real estate is a necessity in the traditional restaurant space.

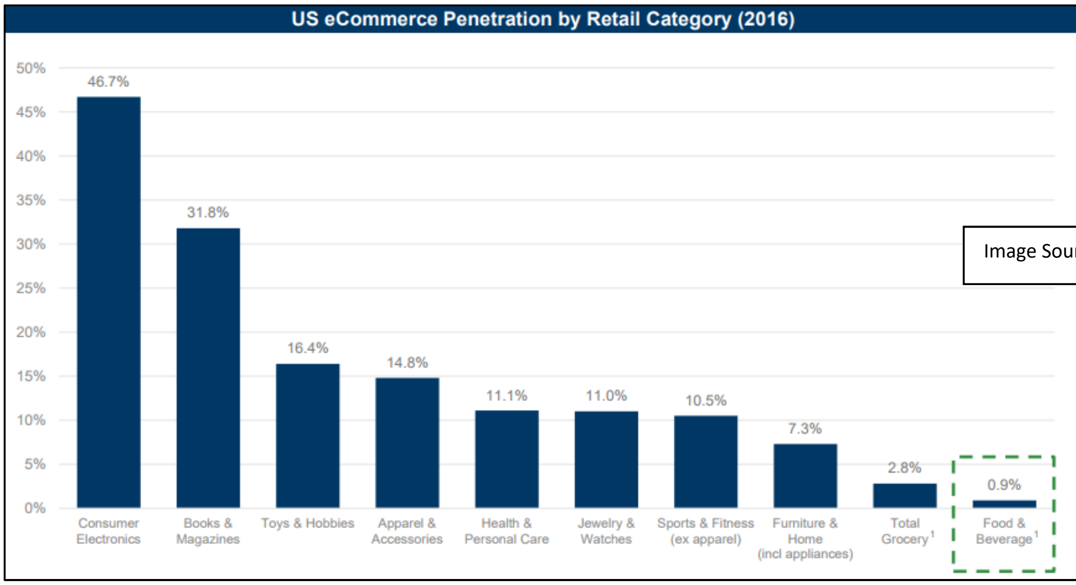


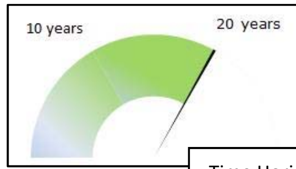
Image Source: Four Corners

While Four Corners expands and diversifies its portfolio, it plans to maintain a payout ratio of ~80% of adjusted funds from operations (AFFO), a relatively sound payout ratio for a REIT. Its limited operating history means it also has a limited dividend track record, but it recently announced the first payout hike in its history for the fourth quarter of 2017. The quarterly payout was raised 13%+ to $0.275, or $1.10 annually, and management made it clear that the raise was still in line with its conservative dividend policy (80% AFFO payout ratio), which enables it to retain capital and drive future dividend growth as cash flows expand.

Four Corners Property Trust appears to be well-positioned to deliver a strong income stream for investors for years to come. We're not fond of its tenant concentration, but the other characteristics of its credit profile are quite impressive. We'll be watching the progress of its diversification strategy closely and the impact it will have on its credit profile, but it does have material room for increased leverage on its balance sheet as it stands today. Its ample liquidity suggests management should have little trouble diversifying its portfolio, though we do expect it to take time to act prudently in the credit quality of its tenants and attractiveness of its real estate prospects.

Kris Rosemann contributed to this article.

Capital Appreciation



Time Horizon: Long-term

Square, Inc. (SQ)

"In the third quarter, we saw ongoing strength in both transaction-based and subscription and services-based revenue. Top-line growth accelerated from the second quarter of 2017: Total net revenue increased 33% year over year, up from 26%, and Adjusted Revenue increased 45% year over year, up from 41%. We grew GPV 31% year over year, with particular strength in midmarket sellers. GPV from this segment grew 64% year over year and represented 20% of total GPV, up from 14% in the third quarter of 2016. Net loss of $16 million was an improvement of $16 million year over year. And Adjusted EBITDA of $34 million was an improvement of 195% year over year, driven by strong top-line growth and ongoing operating expense leverage." -- Square third-quarter report, released November 8, 2017

Thesis

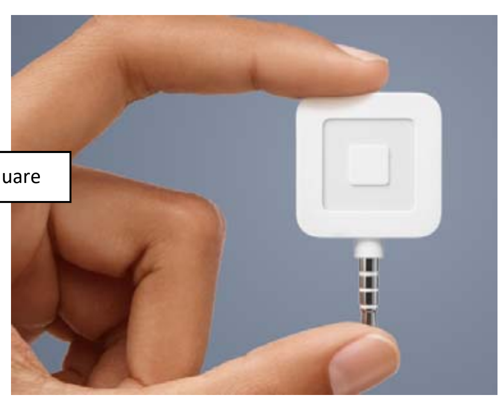
You know how much we love financial technology. For starters, we're huge fans of Visa (V) and PayPal (PYPL). Though the world of digital payments continues to be influx as Bitcoin gains popularity, it's a relatively safe bet to believe that our traditional monetary system isn't going by way of the dodo bird anytime soon, if ever, and Bitcoin could pose more of an opportunity than a threat for the financial tech landscape. For those that may not be familiar with December capital appreciation idea, Square (SQ), the company is probably best known for its "squares," or card readers, that can be attached to mobile computing devices such as an iPad to accept credit card payments at the point of sale. A focus on the customer, the business (sellers) has opened up a long runway of growth for this financial technology innovator since it first entered the minds of consumers in 2009.

Corporate Profile

When cofounder Jim McKelvey couldn't get paid for his art, the idea of Square dawned. Into the minds of the consumer in 2009, Square now is much more than a card reader, offering loans and even allowing consumers to buy Bitcoin. The company's CEO is Jack Dorsey, who also heads Twitter, and Square calls San Francisco its headquarters. Its gross payment volume was $49.7 billion in 2016, and as of December 2016, Square employed ~1,850 full-time employees.

Key Statistics	
Last Close	$38.22
52-week range	$13.03 - $49.56
Market Cap	$14.38 B
Avg Daily Volume (30 wks)	10,348,383
Trailing P/E	NMF
Net Cash (MRQ)	$535 M
Net Debt/EBITDA (LFY)	NMF

Images Source: Square



Today, Square is a "full service, managed payments" provider. Businesses gain access to a whole host of tools via its Square Point of Sale mobile app, from "reporting and analytics, next-day settlements, digital receipts, payment dispute management and chargeback protection," among others. Consumers have the ability to send a receive money electronically via Square Cash, too, a rather easy-to-use personal finance app where one can even buy Bitcoin. Square Capital offers loans to pre-qualified sellers, and credit risk is mitigated as loan repayment is often facilitated "through a fixed percentage of every card transaction a seller takes." Since May 2014, Square Capital has made over 200,000 loans to the aggregate tune of $1.3 billion. The company is also targeting the restaurant space via its Caviar service, which makes it easier for restaurants to offer food delivery to customers.

In some ways, Square has the promise of turning into the next PayPal, and we like what that implies, not only for growth but also as it relates to stock returns. The company's business model--which is monetized substantially from per-transaction fees--is among the most attractive given its high-return, low-capital nature, and growth prospects look to be phenomenal. In 2016, for example, Square processed $49.7 billion of Gross Payment Volume (GPV), up $23.8 billion of GPV in 2014. Not only does the company benefit from existing businesses up-selling and cross-selling products, but it also has been successful landing larger sellers, too, or those it defines as generating "more than $125,000 in annualized GPV." These "up-market" sellers now represent ~45% of its business, and we think there is more room for this percentage to increase in the years ahead. There are 21 million small-to-mid-sized businesses in the US alone, offering Square a $3 trillion GPV opportunity and as much as $26 billion in adjusted revenue; for comparison, Square's total revenue was just $1.7 billion in 2016.

Image Source: Square

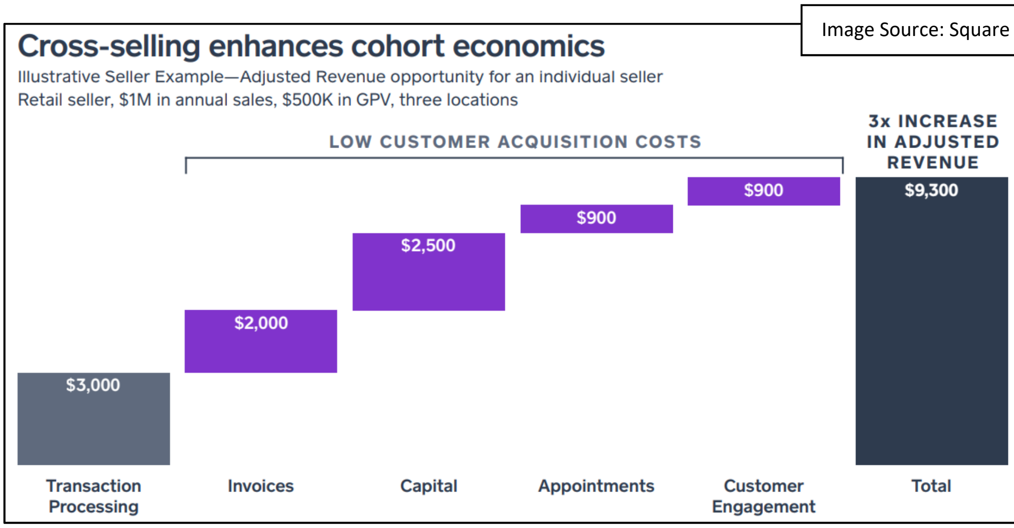
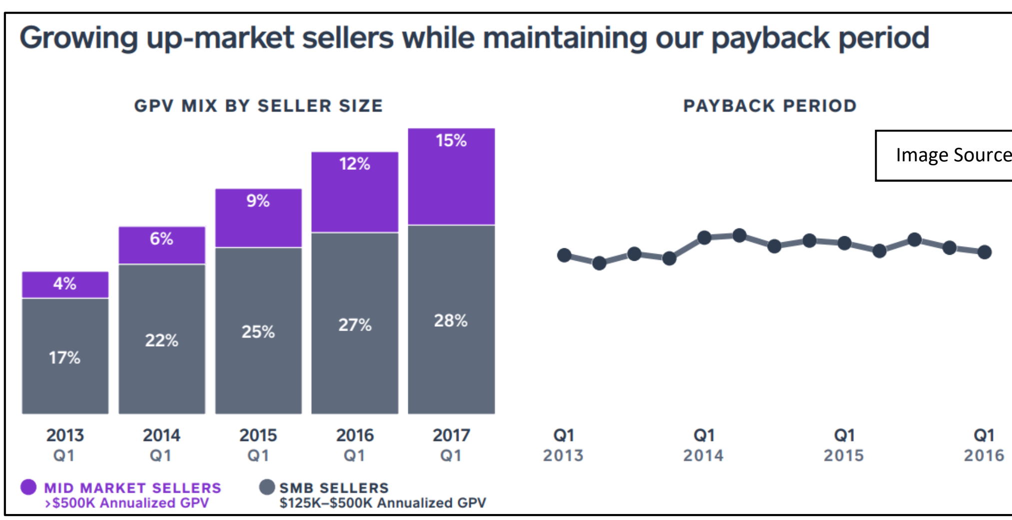


Image Source: Square



"Capturing the international opportunity" is a big initiative, too. Square has a holistic offering in the United States, Canada, Japan, Australia, and the UK. GPV is improving nicely in Australia, and the market in the UK opportunity is considerable, with 5.5 million small businesses. Square isn't sacrificing much on the margin either. Transaction-based revenue as a percentage of GPV has hovered between 2.9% and 3% during each of the past three years, only giving up ~5 basis points since 2014. So as GPV improves, the company is able to scale operating expenses quite nicely. Non-GAAP operating expenses as a percentage of adjusted revenue have fallen to ~78% in 2016 (and 72% in the third quarter of 2017) from 132% in 2013. We would expect free cash flow to expand aggressively as growth ensues thanks to the concept of operating leverage (and the company's high incremental margins). On a long-term basis, Square is targeting annual adjusted revenue growth of 20%-25% per annum and adjusted EBITDA margins of 35%-40% (for comparison, its adjusted EBITDA margin was 7% in 2016).

Square only recently turned the corner with respect to profitability on an adjusted diluted basis during 2016, but we're focusing more on what matters: core free cash flow generation and balance sheet health. Through the first nine months of 2017, the company has hauled in $130.3 million in cash flow from operations, while shelling out less than $20 million in purchases of property, plant, and equipment, translating into significant free cash flow generation during the period. Cash and short-term investments tallied ~$860 million at the end of September 2017, while long-term debt was ~$350 million, suggesting a very nice net cash position on the books to help propel future growth initiatives. The company's third-quarter report, released November 8, 2017, showed improvement in almost every metric, with net revenue up 33%, and its adjusted EBITDA margin expanding 6 percentage points, to 13%, both on a year-over-year basis.

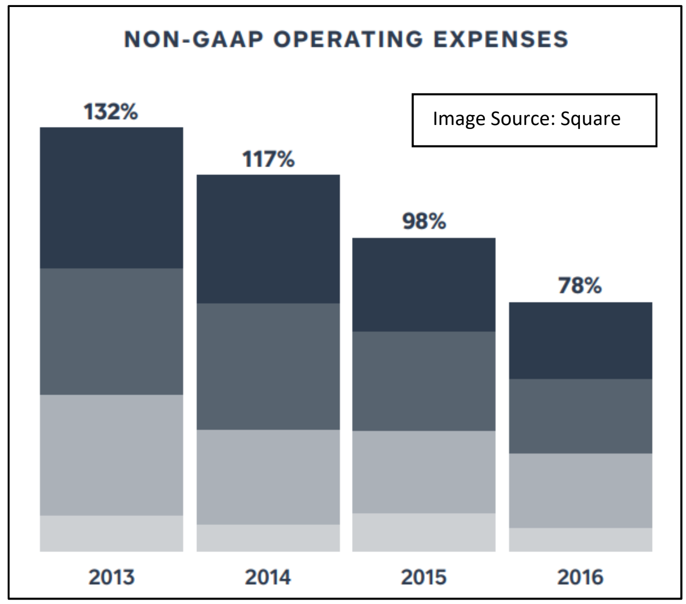
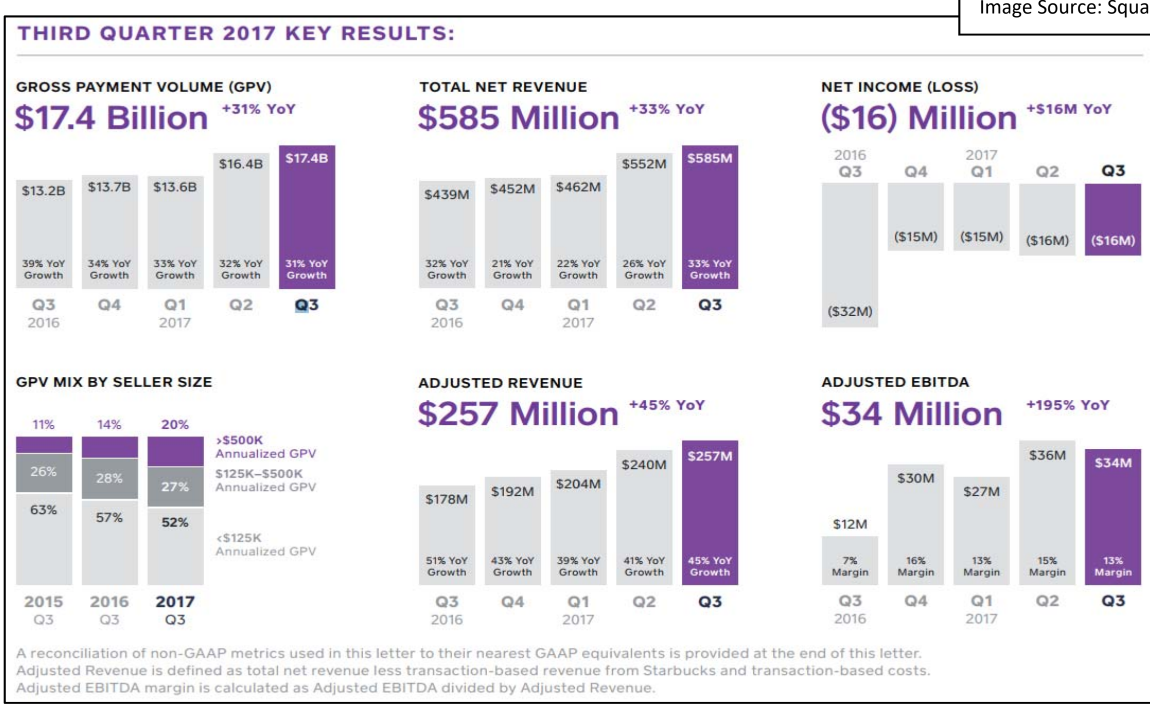


Image Source: Square



But what about the risks? First of all, the landscape for payment processing is fiercely competitive, but we think the market is big enough for a large number of operators, and the company's growth rates imply considerable and sustainable traction. Though Square is free-cash-flow positive and has a net cash position on the books through the first nine months of 2017, GAAP net losses have been considerable in recent years. The company is targeting profitability only on an adjusted basis during 2017, between $0.24-$0.25 per share, while GAAP numbers may come in at a loss. The addition of Square Capital brings on some credit risk and muddies the cash flow statement considerably (free cash flow trends could be volatile as a result), but we like the payback structure. Its foray into allowing consumers to buy Bitcoin poses some risk, but Square could be considered ahead of the game, embracing technological change instead of fighting it.

Our biggest concern may be with respect to the protection of its intellectual property, but according to its latest annual filing, the company has 229 issued patents and 588 filed patent applications with the US and foreign jurisdictions, with patents expecting to expire between 2022 and 2035. Continuous innovation will be the name of the game in financial technology and especially in the ever-evolving electronic and digital payments business. Changes to payments regulation and cybersecurity breaches are always key threats to any company, particularly those handling sensitive information, but we have no reason to believe Square isn't doing all that it can to prevent the latter. In any case, we would expect its share price to be incredibly volatile given the company's limited operating history and relatively poor GAAP net income performance.

Headline risk related to CEO Jack Dorsey, who also is the chief at Twitter (TWTR), may be another key concern. Twitter's challenges and troubles could become a distraction to Square if Dorsey is spending too much time trying to right the social media company's ship, when time could be better spent propelling Square into the next payments powerhouse, of which it has the potential to be. Shareholders should also be aware of Square's dual class structure of common stock. Class B common stock has 10 votes per share, while Class A common stock has one vote per share. Executive officers and directors, as well as their affiliates, own more than 60% of the voting power, so minority shareholders won't have much to say about the future direction of the company. We'd like better corporate governance, of course, but the executives aren't exactly raiding the firm by any stretch. Dorsey's salary and total compensation package in 2016 was $1,503 (one thousand five hundred and three dollars), according to the last proxy statement. He owns ~45% of Class B stock or ~39% total voting power.

Though today's valuation metrics don't make a lot of sense in the context of where Square is in its life cycle, if the company delivers on its long-term revenue and margin opportunity, material upside exists, in our view. Of course, there's also tremendous risk to the downside if the future doesn't pan out as expected, but Square certainly has a lot of things going for it from an innovative technology to a fantastic business model to incredible growth potential. But no matter what may be ahead of this young financial tech innovator, readers should expect shares to be extremely volatile in the years ahead, something that might only be compounded by an already frothy stock-market environment. We like Square a lot, but please be cautious out there. When it comes to risk, this one is way up on the scale.

Image Source: Square

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenue:					
Transaction-based revenue	$ 1,456,160	$ 1,050,445	$ 707,799	$ 433,737	$ 193,978
Starbucks transaction-based revenue	78,903	142,283	123,024	114,456	9,471
Subscription and services-based revenue	129,351	58,013	12,046	—	—
Hardware revenue	44,307	16,377	7,323	4,240	—
Total net revenue	1,708,721	1,267,118	850,192	552,433	203,449
Cost of revenue:					
Transaction-based costs	943,200	672,667	450,858	277,833	126,351
Starbucks transaction-based costs	69,761	165,438	150,955	139,803	12,547
Subscription and services-based costs	43,132	22,470	2,973	—	—
Hardware costs	68,562	30,874	18,330	6,012	—
Amortization of acquired technology	8,028	5,639	1,002	—	—
Total cost of revenue	1,132,683	897,088	624,118	423,648	138,898
Gross profit	576,038	370,030	226,074	128,785	64,551
Operating expenses:				—	
Product development	268,537	199,638	144,637	82,864	46,568
Sales and marketing	173,876	145,618	112,577	64,162	56,648
General and administrative	251,993	143,466	94,220	68,942	36,184
Transaction, loan and advance losses	51,235	54,009	24,081	15,329	10,512
Amortization of acquired customer assets	850	1,757	1,050	—	—
Impairment of intangible assets	—	—	—	2,430	—
Total operating expenses	746,491	544,488	376,565	233,727	149,912
Operating loss	(170,453)	(174,458)	(150,491)	(104,942)	(85,361)
Interest and other (income) expense, net	(780)	1,613	2,162	(962)	(162)
Loss before income tax	(169,673)	(176,071)	(152,653)	(103,980)	(85,199)
Provision for income taxes	1,917	3,746	1,440	513	—
Net loss	(171,590)	(179,817)	(154,093)	(104,493)	(85,199)
Deemed dividend on Series E preferred stock	—	(32,200)	—	—	—
Net loss attributable to common stockholders	$ (171,590)	$ (212,017)	$ (154,093)	$ (104,493)	$ (85,199)
Net loss per share attributable to common stockholders:					
Basic	$ (0.50)	$ (1.24)	$ (1.08)	$ (0.82)	$ (0.71)
Diluted	$ (0.50)	$ (1.24)	$ (1.08)	$ (0.82)	$ (0.71)
Weighted-average shares used to compute net loss per share attributable to common stockholders:					
Basic	341,555	170,498	142,042	127,845	119,220
Diluted	341,555	170,498	142,042	127,845	119,220

Image Source: Square

Name of Beneficial Owner	Class A Common Stock Number	Percent	Class B Common Stock+ Number	Percent	Percent of Total Voting Power
5% Stockholders:					
Khosla Ventures III, LP(1)	1,670,271	*	28,522,780	19.64%	17.07%
Entities affiliated with Sequoia Capital(2)	40,087	*	15,728,310	10.83%	9.36%
Capital World Investors(3)	11,744,830	5.15%	—	—	*
Named Executive Officers and Directors:					
Jack Dorsey(4)	—	—	65,513,132	45.10%	38.98%
Sarah Friar(5)	203,085	*	3,784,800	2.56%	2.26%
Alyssa Henry(6)	60,349	*	2,000,000	1.36%	1.19%
Francoise Brougher(7)	126,285	*	1,961,538	1.33%	1.17%
Hillary Smith	—	*	—	—	*
Roelof Botha(8)	45,487	*	15,728,310	10.83%	9.36%
Paul Deighton	2,244	*	—	—	*
Jim McKelvey(9)	68,926	*	23,717,347	16.33%	14.12%
Mary Meeker(10)	8,628,810	3.78%	—	—	0.51%
Ruth Simmons(11)	4,911	*	38,000	*	*
Lawrence H. Summers(12)	—	*	798,497	*	*
David Viniar(13)	6,138	*	335,700	*	*
All current executive officers and directors as a group (12 persons)(14)	9,933,638	4.39%	112,065,786	77.15%	67.27%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BATS:SQ, D 38.22 ▼ −1.00 (−2.55%) O:39.34 H:39.55 L:36.72 C:38.22
SQUARE INC, D, BATS
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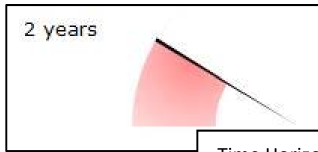


Time Horizon: Short term

TrueCar (TRUE)

Thesis

Some of our best short ideas of late have come from areas where operators may have little control over the downside risks to their operations, and this month's idea is no different. TrueCar (TRUE) may very well have a compelling online, data-driven platform that seeks to improve the car buying experience of users, but it faces a host of regulatory, market-driven, and brand-perception based risks that are beyond the control of management. Shares were punished significantly following its most recent quarterly report, in which management cut its guidance for the full year 2017, but the pressure may not yet be done.

Corporate Profile

TrueCar seeks to improve the way consumers purchase cars while providing dealers and automakers with a strong return on marketing investments. It operates a data-driven online platform that is powered by proprietary data and analytics that is available on the TrueCar website and mobile applications.

Key Statistics	
Last Close	$12.07
52-week range	$10.16 - $21.75
Market Cap	$1.21 B
Avg Daily Volume (30 wks)	1,646,646
Shares Outstanding	99.99 M
Float	71.3 M
Shares Short	16.51 M
Short Ratio	12.3
Short % of Float	29.8%
Shares short (prior month)	16.4 M

First, let's take a quick look at TrueCar's most third quarter 2017 report. Franchise deal growth is slowing on both a year-over-year and sequential basis, and traffic, as measured by average monthly unique visitors, nearly ground to a standstill in the third quarter of 2017, growing only 1% from the year-ago period. This compares unfavorably to 8%, 10%, and 19% year-over-year growth in the three immediately prior quarters. Monetization (average transaction revenue per unit) in the third quarter dropped meaningfully to $306, down from $319 in both the second quarter of 2017 and the third quarter of 2016. OEM incentives dropping meaningfully in the third quarter of 2017 was the core driver of the fall in monetization, which is a core metric for digital-based companies as it provides a bridge of clicks or traffic to revenue generation.

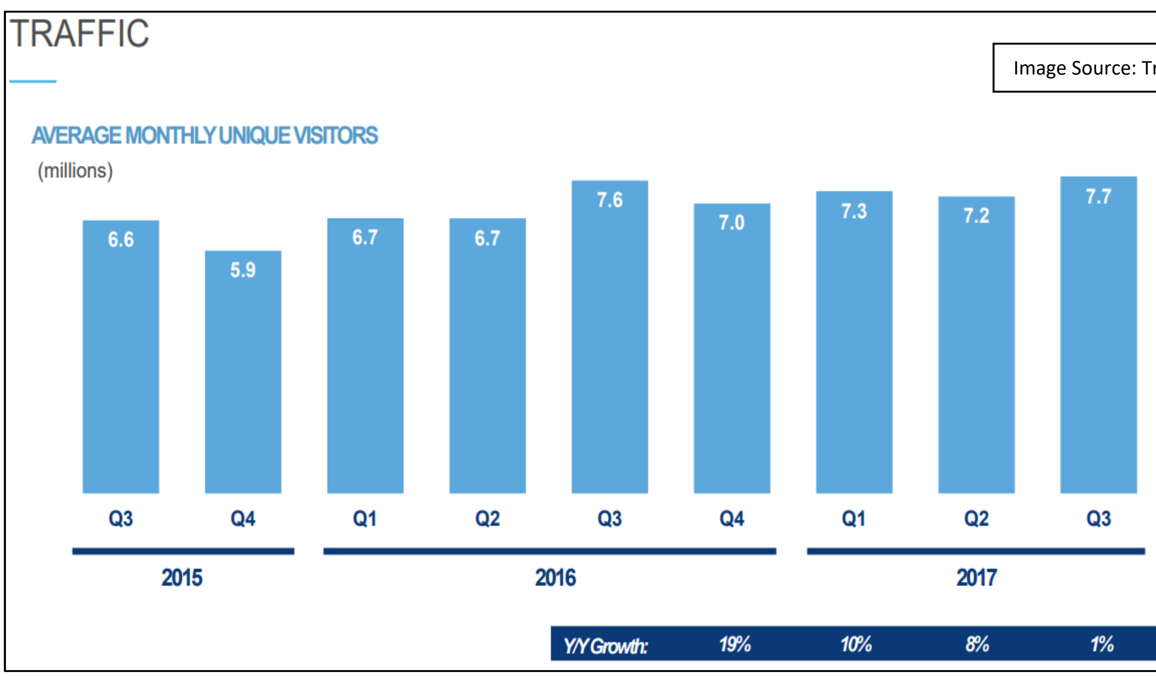
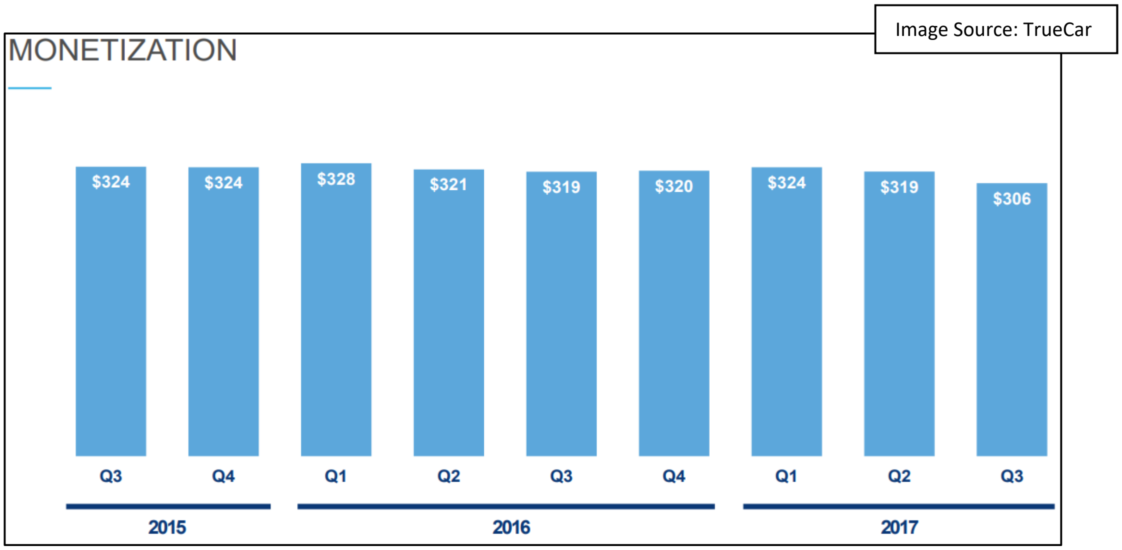


Image Source: TrueCar



TrueCar's fourth quarter 2017 guidance reveals expectations for unit growth to slow on a year-over-year basis and a drop in the mid-single digit range on a sequential basis. Management notes, however, that the fourth quarter is often a weaker quarter. Nevertheless, full-year revenue guidance was reduced to a range of $321-$323 million from initial guidance of $325-$329 million, and full-year unit guidance was lowered to a range of 953k-958k from 975k-985k.

Though the guidance cuts, traffic deceleration, and falling monetization rates are certainly causes for concern, TrueCar's relationship with USAA may be one of the most meaningfully negative aspects of recent developments. A large portion of TrueCar's struggles in the area of traffic can be attributed to its partner USAA undergoing a site transformation as USAA accounted for ~32% of sales by TrueCar's Certified Dealers in 2016. For unspecified reasons, USAA members found the new platform to provide a more difficult car buying experience. USAA plans to undertake a significant marketing campaign beginning in the fourth quarter of 2017, but the results of such a strategy is anything but guaranteed. Investors should also note that USAA owns ~14% of TrueCar shares.

Exacerbating the impact of weakness from USAA was the fact that USAA holds the highest ratio of used car sales of any of TrueCar's channels. Used car sales carry a higher margin for TrueCar than new car sales do, something that could work against the company moving forward as we expect the used car market in the US to face a degree of pressure. Used car supply is expected to grow in coming years as the US auto industry comes off multiple years of impressive new car sales growth. The used car market could face additional pressure on the demand side as innovative features in new cars could impact the number of consumers willing to spend on used cars, particularly at the higher end of the used car market.

TrueCar is clearly exposed to the health of the overall US auto market as well, which can tend to move with the cyclical nature of the economy. Vehicles may not necessarily be a discretionary good, but in the event of an economic downturn, large purchases are often delayed as long as possible, ultimately pressuring car sales.

TrueCar also faces potential regulatory and publicity-related obstacles, including state motor vehicle sales, advertising, and brokering laws. Here's what the firm has to say of the risks in its most recent 10-K:

> *We are subject to a complex framework of federal and state laws and regulations primarily concerning vehicle sales, advertising and brokering, many of which are unsettled, still developing and contradictory, which have in the past, and could in the future, subject us to claims, challenge our business model or otherwise harm our business.*

An example of these regulatory and public perception challenges occurred in late 2011 and early 2012, a number of dealers cancelled their agreements with the company as a result of such challenges, and its franchise dealer count fell to 3,599 at the end of February 2012 from 5,571 at the end of November 2011. The company also saw 279 franchise dealers go inactive as a result of a contractual dispute with a dealer group. Dealer counts have more than recovered from these events, but similar situations moving forward cannot be ruled out. Dealers have no contractual obligations in their relationships with TrueCar, meaning a decision to terminate the relationship can be made quickly and without warning to TrueCar. In this vein, it is important to note that TrueCar is effectively competing with the remainder of dealers' marketing spend budget.

Investors should also note that TrueCar's business is far from mature. Though top-line growth has been impressive in recent years, it has not turned a profit on a GAAP basis, and we're not expecting it to turn the corner in the near term. What's more is its lack of ability to generate positive free cash flow on an annual basis, though the measure has been slightly positive through three quarter of 2017. The firm holds no debt on the books, though it does hold ~$29 million in lease financing obligations as of the third quarter of 2017.

Consolidated Statements of Operations Data:

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands, except share and per share amounts)				
Revenues	$ 277,507	$ 259,838	$ 206,649	$ 133,958	$ 79,889
Cost and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization presented separately below)(1):	25,167	23,657	17,513	15,295	13,559
Sales and marketing (1)	154,406	151,002	128,569	75,180	70,327
Technology and development (1)	53,580	48,021	36,563	23,685	21,960
General and administrative (1)	59,908	83,494	58,296	30,857	34,228
Depreciation and amortization	23,345	17,646	13,213	11,569	11,768
Total costs and operating expenses	316,406	323,820	254,154	156,586	151,842
Loss from operations	(38,899)	(63,982)	(47,505)	(22,628)	(71,953)
Interest income	376	107	59	121	229
Interest expense	(2,530)	(443)	(380)	(1,988)	(3,359)
Other income (expense)	—	13	37	18	(18)
Loss before (provision) benefit for income taxes	(41,053)	(64,305)	(47,789)	(24,477)	(75,101)
Benefit (provision) for income taxes	(655)	(606)	(640)	(579)	606
Net loss	$ (41,708)	$ (64,911)	$ (48,429)	$ (25,056)	$ (74,495)
Net loss per share, basic and diluted (2) (3)	$ (0.49)	$ (0.79)	$ (0.68)	$ (0.43)	$ (1.33)
Weighted average common shares outstanding, basic and diluted (2) (3)	84,483	81,914	70,837	58,540	55,828
Other Financial Information:					
Adjusted EBITDA (4)	$ 15,039	$ 7,572	$ 10,884	$ 2,140	$ (46,523)
Non-GAAP net loss (5)	$ (11,115)	$ (11,016)	$ (3,290)	$ (11,875)	$ (60,815)

We believe the combination of poor recent performance, negative developments related to one of its core business partners, and additional obstacles that are outside of its control make TrueCar a short idea candidate. Technically speaking, TrueCar's price chart is not compelling, even if it is able to close the gap resulting from its recent price drop following its third-quarter report. Investors may note that shares were unable to close the gap following its second quarter report, and the stock appears to be mired in a material downtrend.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Outstanding
5% Stockholders:		
Entities affiliated with United Services Automobile Association (1)	12,175,335	13.9
Entities affiliated with Upfront Ventures (2)	9,585,332	11.0
Pacific Sequoia Holdings LLC (3)	8,304,457	9.6
Scott Painter (4)	7,685,359	8.2
Morgan Stanley (5)	7,115,247	8.2
UBS Group AG (6)	6,800,844	7.8
William R. Woodward (7)	5,225,042	6.0
PAR Capital (8)	4,928,447	5.7
Vulcan Capital Growth Equity LLC (9)	4,860,775	5.6
Named Executive Officers and Directors:		
Chip Perry (10)	792,916	*
Michael Guthrie (11)	1,363,737	1.5
Neeraj Gunsagar (12)	520,177	*
Abhishek Agrawal (13)	57,005	*
Robert Buce (14)	456,863	*
Christopher Claus (15)	148,695	*
Steven Dietz (16)	7,439,202	8.6
John Krafcik (17)	668,006	*
Erin Lantz (18)	4,736	*
Wesley Nichols (18)	4,736	*
Ion Yadigaroglu (19)	2,236,828	2.6
All current executive officers and directors as a group (13 persons) (20)	14,083,603	15.5

Kris Rosemann contributed to this article.

July 1, 2016

Inaugural Letter to Members

Dear Valued Member,

Welcome! You are one of a very limited number of members that will ever bear witness to the pages that follow.

The launch week of the Nelson Exclusive coincided with news that Britain has voted to leave the European Union. The decision, while sending the European banks tumbling violently, does little to muddy the context setting the background of the inaugural edition of this publication.

Broader stock market valuations are at frothy levels, and interest rates continue to hover near all-time lows. The investment-decision landscape is more complicated today than ever before for all types of investors, from those seeking long-term capital appreciation to those that are targeting certain income goals. Cyclicals today are trading at peak multiples on peak earnings, and even consumer staples equities have reached valuation levels that may be more appropriate for aggressive growth equities, not mature operators. *Said differently, the market has laid down the gauntlet.*

The next few years in the markets may be among the most difficult witnessed since the Great Recession. Even a broader market pullback 20% from current all-time highs wouldn't be abnormal given that the collective market valuation of S&P 500 companies has effectively tripled from the March 2009 panic bottom. The launch of the Nelson Exclusive in such conditions can be considered perilous as broader market performance inevitably will act as ballast to the returns of ideas surfaced. In this spirit, I want to remind you that not all ideas in this publication will be successful, and some that are eventually may encounter tough sledding over extended periods of time. As a swimmer cannot achieve his best time swimming against the current, a stock selector cannot achieve his best performance in a down market. Regardless, the value placed on a steady hand during challenging times is priceless.

Let's first cover what the Exclusive is and then we'll talk about what it is not. As you know, the Valuentum investment coverage universe is vast, and what we're seeking to deliver in this publication is ideas that fall outside its reach. We're breaking down the traditional barriers of equity coverage to identify underfollowed gems across the investing spectrum, delivering in each monthly edition one idea for income investors, one idea for readers seeking long-term capital appreciation, and a bonus idea for those looking for a "short" consideration (1). Underfollowed doesn't mean obscure, however, and the ideas that we're targeting will be investable ones, avoiding thinly-traded instruments and penny stock "traps." We'll clearly define our expected time horizon for each consideration, and where applicable, we'll update our theses in subsequent editions. We'll keep score, tracking performance over time.

Let's talk about what the Exclusive isn't. The Exclusive does not constitute individual investment advice, and the ideas within it are not personal recommendations. Each of you reading should always work with your personal financial advisor who knows your individual goals and risk tolerances. I do not. Only you and your personal financial advisor know what's best for your life circumstances. The personal financial advising markets and what we do at Valuentum via financial publishing are two different verticals in the same industry, but they are different nonetheless. I just want to be very clear about this because I can never tell you to buy or sell anything at any time, even if this may be what you want. It's not that I don't have conviction in my work – it's the rules of the business.

Within the twelve editions of the Nelson Exclusive each year, we'll be highlighting in total 36 ideas for consideration with varying investment parameters. That's a lot. Depending on the time horizon set forth with each idea, fantastic performance might mean a success rate of 60%, great performance might be 55%, average performance might be 50%, while anything below that mark may constituent a poor showing. Obviously, I'm aiming for a 100% success rate, but I also have to be realistic. The great Joe DiMaggio may have hit safely for 56 consecutive games in the last baseball season before the United States was thrust into World War II, but he "only" hit .357 that year. That season of '41, the great Ted Williams would be the last player to hit .400, meaning that one of the best hitters in baseball…ever…was still called out ~60% of the time.

The greatest investors face a similar paradigm. Stock selection is a process where there will be homeruns and strikeouts. You know me. The Exclusive is not a "get-rich-quick" product, and you should keep a close eye on your wallet if you encounter anyone promising anything of the sort. In the inaugural edition of the Nelson Exclusive, I'm going to take 36 swings – they are going to be hard and through the zone, and I'm not going to pull my shoulder out or take my eye off the ball. Market conditions are expected to be stormy in coming years as "reversion-to-the-mean" dynamics rain down, and a crafty lefthander with great "stuff" may be on the mound, but we're stepping up to the plate and digging in.

Batter up!

Sincerely,

Brian Nelson, CFA
President, Investment Research & Analysis
Valuentum Securities, Inc.
brian@valuentum.com

P.S. On a very personal note, I wanted to thank you for your continued support. Without you, neither the Nelson Exclusive publication nor Valuentum would exist. This fact is not lost on me. I thank you deeply.

The Nelson Exclusive: Volume 2, Issue 12

The Nelson Exclusive is published monthly. Contact us at info@valuentum.com for more information.

(1) From the SEC's website: A short sale is the sale of a stock that an investor does not own or a sale which is consummated by the delivery of a stock borrowed by, or for the account of, the investor. Short sales are normally settled by the delivery of a security borrowed by or on behalf of the investor. The investor later closes out the position by returning the borrowed security to the stock lender, typically by purchasing securities on the open market.

Investors who sell stock short typically believe the price of the stock will fall and hope to buy the stock at the lower price and make a profit. Short selling is also used by market makers and others to provide liquidity in response to unanticipated demand, or to hedge the risk of an economic long position in the same security or in a related security. If the price of the stock rises, short sellers who buy it at the higher price will incur a loss.

Brokerage firms typically lend stock to customers who engage in short sales, using the firm's own inventory, the margin account of another of the firm's customers, or another lender. As with buying stock on margin, short sellers are subject to the margin rules and other fees and charges may apply (including interest on the stock loan). If the borrowed stock pays a dividend, the short seller is responsible for paying the dividend to the person or firm making the loan (Source: SEC https://www.sec.gov/answers/shortsale.htm)

Short selling is not for all types of investors, and readers should consult their personal financial advisor that understands their individual goals and risk tolerances before considering any investment or any strategy. Potential losses for an investor engaging in a short selling strategy are theoretically infinite.

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