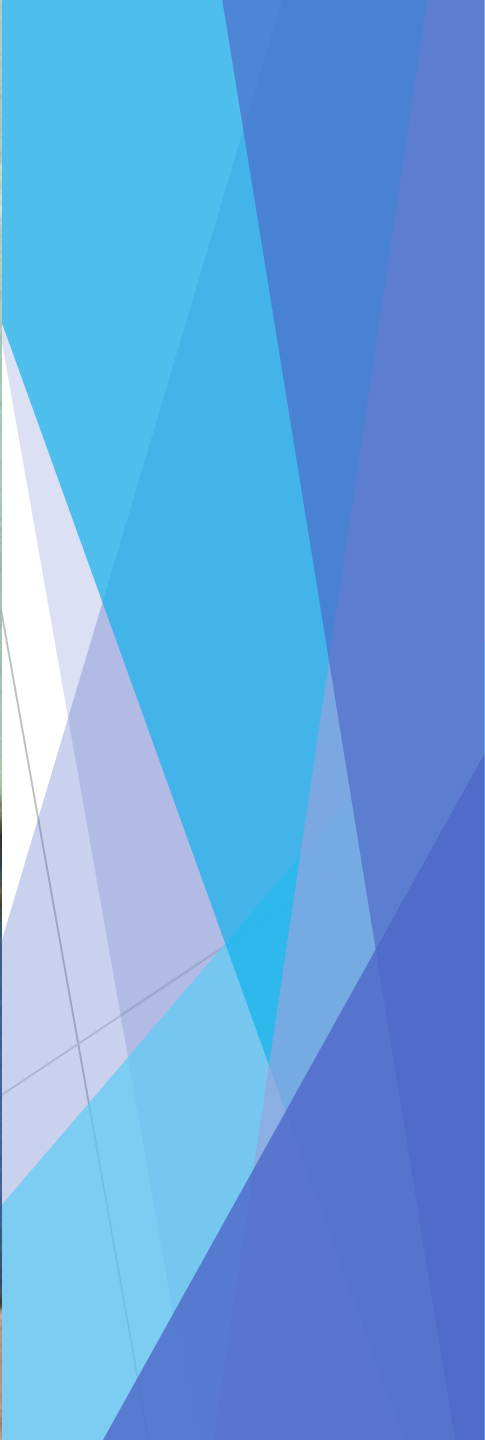




# The Buffeters





The Buffeteers

# Overview

The slide features a white background with decorative elements on the right side. A red triangle is partially visible on the far left edge. On the right, there are several overlapping, semi-transparent geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily triangles and quadrilaterals, creating a modern, abstract design.

# Middleby Corp.

- ▶ a major designer, manufacturer, and marketer of a wide range of commercial and institutional foodservice equipment
- ▶ Leading Global Solutions Provider to Food, Beverage, Processing, Bakery and Residential Appliance Industry
  - ▶ Employees: 7,500+
  - ▶ Countries: 100+
  - ▶ Sales and Manufacturing Locations: 100+

# Middleby Corp.

## ▶ Products:

- ▶ conveyor & infrared ovens for quick-service pizza industry
- ▶ heavy-duty cooking equipment such as ranges, convection ovens, broilers, and grills for restaurants and other institutional kitchens
- ▶ commercial toasters, mixers, griddles, and other cooking equipment for quick-service and full-service restaurants
- ▶ other innovative foodservice products that Middleby either manufactures or distributes

Industry Trends	Middleby Advantage
New Concept Growth	Equipment for all trends and established, deep relationships
Continued International Demand	Entering growing global markets with existing customers. International sales offices
Food Safety	Commercial and processing equipment addresses issues, suppliers replacing old processes for food safety
Labor and Space Savings	Middleby innovation can automate and make kitchen more efficient

# Middleby Corp.

## ▶ Customers:

- ▶ full-service restaurants
- ▶ quick-service chains
- ▶ supermarket and convenience stores
- ▶ resorts, hotels, stadiums, schools, hospitals, long-term care and correctional facilities, and other institutions
- ▶ It counts among its customers the top 100 quick-service chains – 1 of 3 restaurants in the world use their products

# PREMIER CUSTOMERS



- Blue-chip customer base
- Long standing relationships
- Limited customer concentration
- Large installed base
- Serve all food segments



# History



# Early History

- ▶ 1888 - Founded by Joseph Middleby & John Marshall as a bakery supplier
- ▶ 1983 - Purchased by TMC Industries Ltd.
- ▶ 1985 - Incorporated as Middleby Corp. & moved HQ to Elgin, Illinois
- ▶ 1996 - Expands manufacturing base overseas and opens manufacturing/training facility in Santa Rosa, Laguna, in the Philippines
- ▶ 1997 - September, it's first public offering with a share price of \$10
- ▶ 2001 - Selim Bassoul becomes CEO of Middleby

## 2001-2006

- ▶ Income yield from sales increases from about 3% to over 10%
- ▶ Stock valuation increases over 15-fold
- ▶ Shuts down three facilities in 2001 and 2002, and two more by 2006, leaving 5 manufacturing facilities in the United States
- ▶ With no loss of product lines or capacity

# CEO Selim Bassoul

## ▶ Education

- ▶ M.B.A. in Finance and Marketing: Northwestern University Kellogg School of Management
  - ▶ Certificate in Accounting
- ▶ B.A. in Business Administration with Distinction: American University of Beirut
  - ▶ David Dodge Scholar Award.



# CEO Selim Bassoul

- ▶ Before Middleby
  - ▶ 8 years - American Hospital Supply and Baxter Healthcare in mergers and acquisitions, corporate planning and regional director in the Middle East and Africa
  - ▶ 8 years - Premark, Inc., a unit of Illinois Tool Works as Director of Marketing, General Manager of the Cook-Chill division and Vice President of Sales for the Vulcan Cooking Division



# CEO Selim Bassoul

## ▶ How do you manage teams?

- ▶ We are highly decentralized. If it were all centralized on me, I would die. It would fail.

I don't manage groups in the traditional way. I focus on individual players on the team, working on individual skills, one on one. I empower them to do a lot of things, and they get it done. The data show that 98% of our employees have stayed with us.



# CEO Selim Bassoul

- ▶ Middleby doesn't chase customers
  - ▶ Our goal is 100% customer retention. We chase very little new customers. We are not interested in chasing new customers. We believe that you should retain the same customers, pamper them, surround them and protect them, and the way we do that is simple.

So feature and benefit, a value proposition, but the biggest thing that has been a big success for me is that I spend most of my time not visiting my own customers. I visit customers of my competitors, because those customers tell me what the competitors are doing right and wrong, and take it back and apply to my own.



# History

- ▶ 2008 - Receives ACG Emerging Company Growth Award
- ▶ 2009 – Acquires **TurboChef Technologies, Inc.** and Doyon Equipment Inc.
- ▶ 2010 - Acquires PerfectFry Company Ltd. & Cozzini Inc.
- ▶ 2011 - Acquires Beech Ovens, Lincat Group plc, Maurer-Atmos, Auto-Bake Pty Ltd., F.R. Drake Company, Armor Inox & Danfotech Inc.
- ▶ 2012 - Acquires Turkington USA, Stewart Systems, Nieco Corporation, **Viking Range Corporation (\$380mil)**
- ▶ 2013 – Acquires Spooner Vicars Bakery Systems, Celfrost, & Automatic Bar Controls, Inc.



# History

- ▶ 2014 - Acquires Market Forge Industries, Inc., Concordia Coffee Company, Inc., U-Line Corporation, Desmon Food Service Equipment Company, Goldstein Eswood
- ▶ 2014 - Declares 3-for-1 Stock Split
- ▶ 2015 – Acquires Marsal & Sons, Inc., Marel High Speed Slicing Business Unit, Induc Commercial Electronics Co., Ltd., Lynx Grills & **AGA Rangemaster Group plc**
- ▶ 2016 – Acquires Follett Corporation
- ▶ 2017 – Announces acquisition of Burford Corporation, Sveba Dahlen Group, CVP Systems, QualServ Solutions, LLC., & Globe Food Equipment Company

Brands





Food Processing Equipment



Griddles & Fryers



Wood Fired Ovens



Convection and Combi Ovens



Beverage Systems



Warming and Holding



Induction Cooking



Conveyor Ovens



Cooking Systems with Oil



Toasters



Combi and Display Ovens



Commercial/Residential Ranges



Steam Cooking



Charbroilers and Griddles



Conveyor Ovens



Meat Processing and Forming



Bakery Ovens and Holding



Ventless Deep Frying



Fryers and Rethermalizers



High Volume Packaging



Ranges, Broilers and Steamers



Bakery Systems



Baking Systems



Toasters, Ovens and Warmers



Speed Cooking Technologies



Commercial and Residential Cooking Equipment



Ventless Cooking and Countertop Equipment



Dispensing Equipment

## Foodservice Brands (43)

- AGA
- Anets
- Bear Varimixer
- Beech
- Blodgett
- Bloomfield
- Britannia
- Carter-Hoffmann
- Celfrost
- Concordia
- CookTek
- Desmon
- Doyon
- CTX
- Follett
- frifri
- Giga
- Glimek
- Goldstein Eswood
- Holman
- Hounö
- IMC
- Jade
- Lang
- Lincat
- MagiKitch'n
- Marsal
- Market Forge
- Middleby Marshall
- Middleby Worldwide
- Nieco
- Nu-Vu
- Perfect Fry
- Pitco
- Southbend
- Star
- Sveba Dahlen
- Toastmaster
- TurboChef
- U-Line
- Viking Range
- Wells
- WunderBar

## Food Processing Equipment Brands (15)

- Alkar
- Auto-Bake
- Armor Inox
- Baker
- Burford
- Cozzini
- CVP Systems
- Danfotech
- Drake
- Maurer-Atmos
- MP Equipment
- RapidPak
- Spooner Vicars
- Stewart Systems
- Thurne

#1 in PIZZA CHAINS

#1 in CONVENIENCE STORES

#1 in FAST CASUAL

#1 in PAN-ASIAN CUISINE

#1 in CASUAL DINING

#2 in QUICK SERVICE (QSRs)

# Acquisition Strategy

- ▶ Does a target company provide a trusted brand and a patented technology that's disrupting the commercial kitchen market?
- ▶ Can Middleby add value by providing an opportunity to scale quickly or by infusing the company with some of its own DNA?
- ▶ Will the acquisition be accretive to Middleby's earnings per share in less than 18 months? (EPS is enhanced beyond what was originally paid)

# CAPEX

- ▶ Disciplined spending: Consistent at < 1.5% of sales
- ▶ Significant investments at Viking:
  - ▶ Refrigeration, Tooling
- ▶ Primary uses include: Fabrication equipment, Tooling, Facility Expansion, Efficiency gains and margin expansion through:
  - ▶ Automation & Insourcing
- ▶ Significant ability to increase throughput with limited investment

# Business Segments

The background features abstract geometric shapes, primarily overlapping triangles, in various shades of blue (light, medium, and dark) and a small red triangle on the left edge. The shapes are layered, creating a sense of depth and movement.



# Business Segments

- ▶ Commercial Foodservice
  - ▶ 56% of Revenues
  - ▶ 29% EBITDA Margin
  - ▶ \$5+ billion market opportunity
  - ▶ 30+ Industry Leading Brands

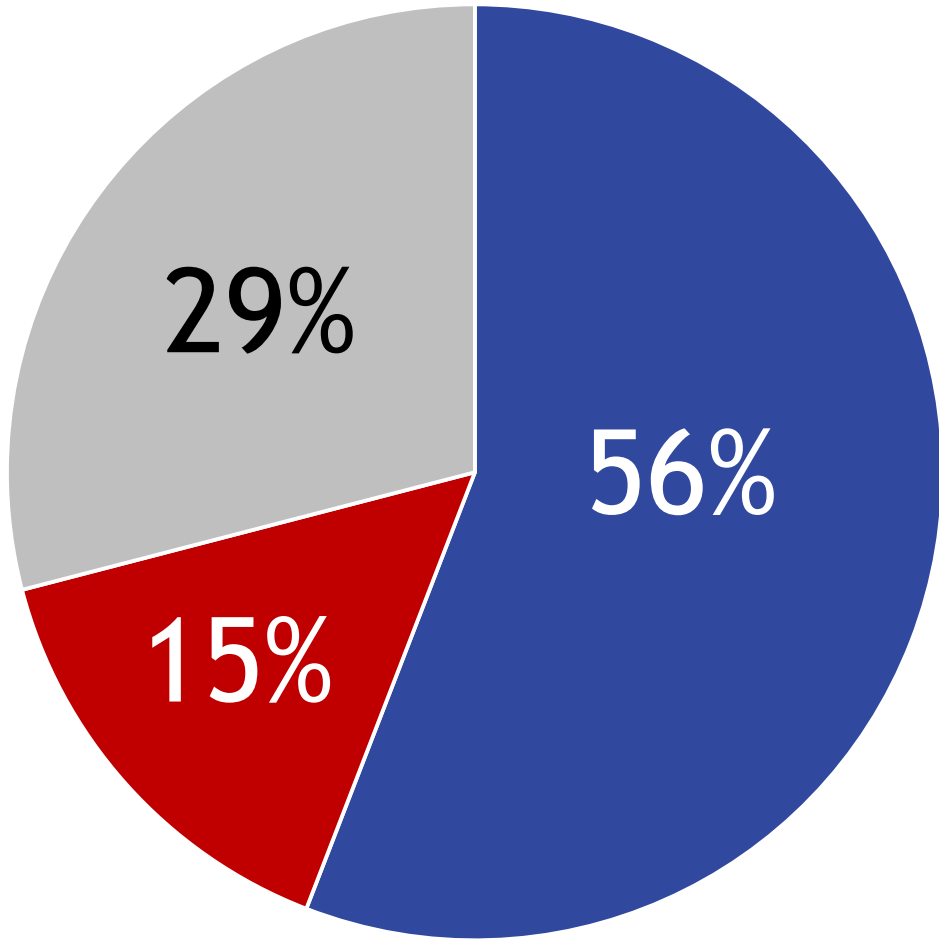
# Business Segments

- ▶ Residential Kitchen
  - ▶ 29% Revenues
    - ▶ AGA Group: 51%
    - ▶ Viking: 31%
    - ▶ Lynx: 9%; Uline: 9%
  - ▶ 20% EBITDA Margin
  - ▶ \$3+ billion market opportunity
  - ▶ 12 Industry Leading Brands

# Business Segments

- ▶ Food Processing
  - ▶ 15% Revenues
    - ▶ Meat: 77%
    - ▶ Bakery: 23%
  - ▶ 27% EBITDA Margin
  - ▶ \$5+ billion market opportunity
  - ▶ 13 Industry Leading Brands

# Net Sales by Segment (2016)



- Commercial Foodservice
- Food Processing
- Residential Kitchen

Commercial Foodservice  
\$ 1,266,955,000

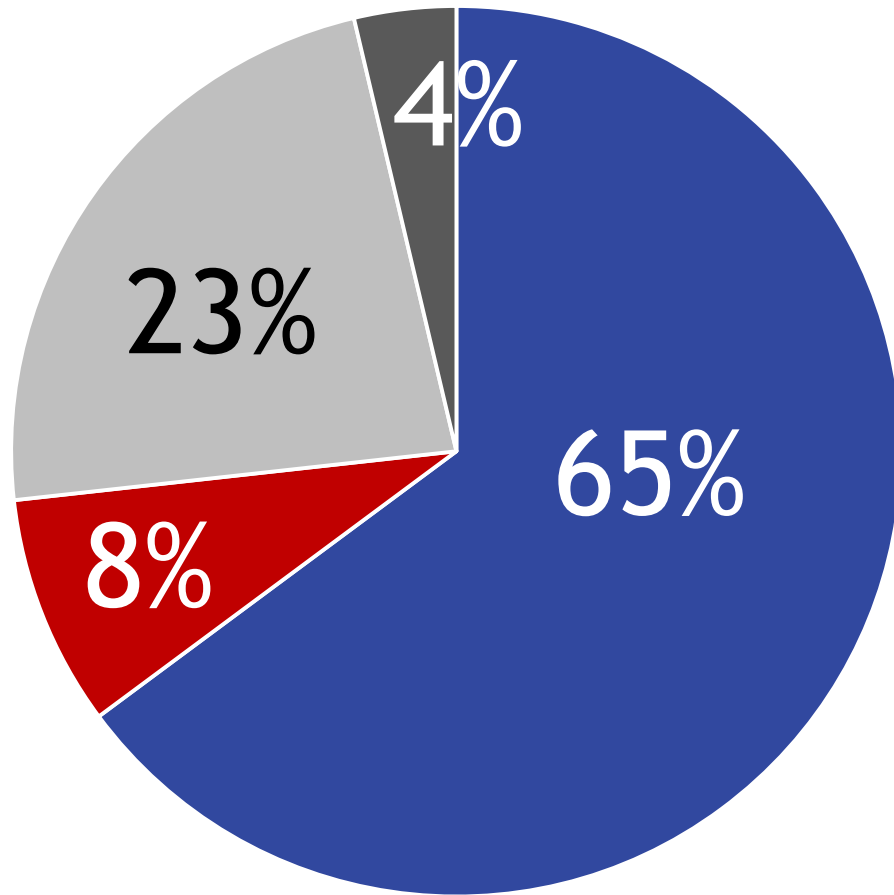
Residential Kitchen  
\$ 658,662,000

Food Processing  
\$ 342,235,000

Total  
\$ 2,267,852,000



# Net Sales by Continent (2016)



- United States & Canada
- Asia
- Europe & Middle East
- Latin America

United States & Canada  
\$ 1,470,566,000

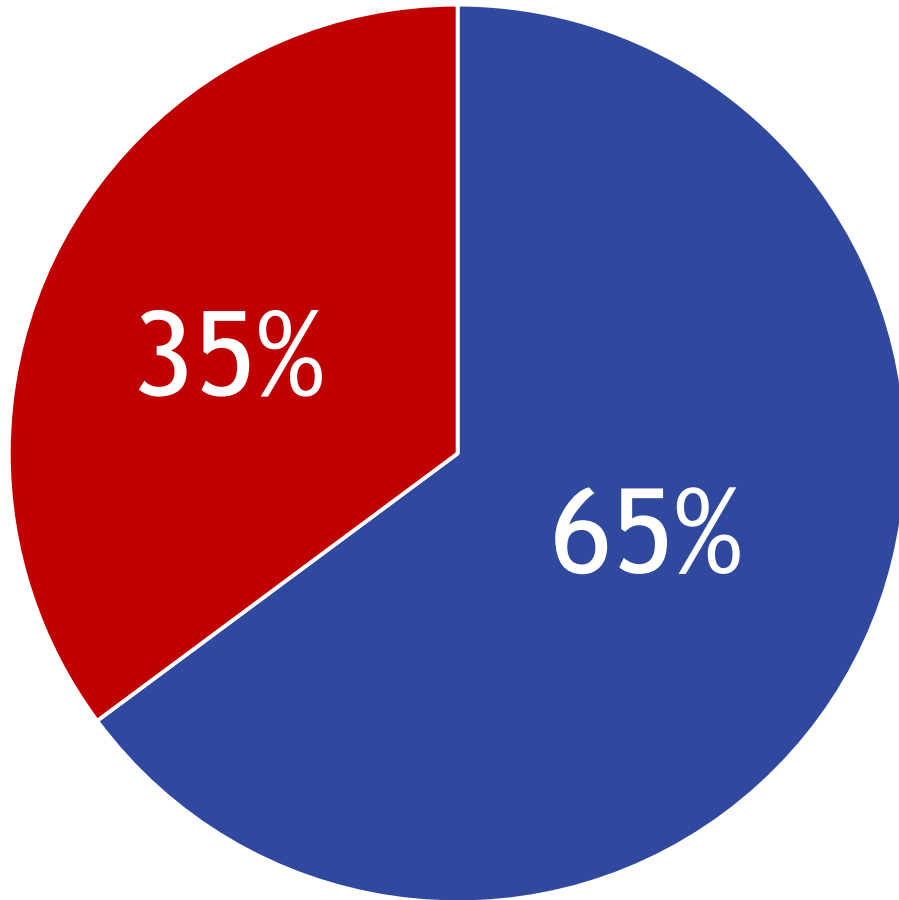
Europe & Middle East  
\$ 522,819,000

Asia  
\$ 190,548,000

Latin America  
\$ 83,919,000

Total  
\$ 2,267,852,000

## Net Sales Domestic vs International (2016)



■ Domestic ■ International

Domestic

\$ 1,470,566,000

International

\$ 797,286,000

Total

\$ 2,267,852,000

Growth



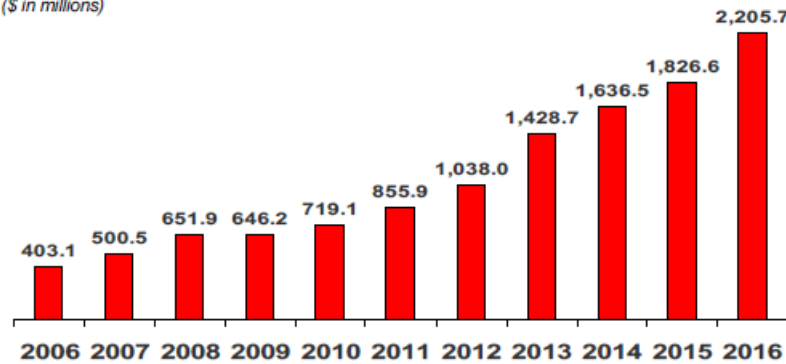


# Growth

## Historical Financial Performance

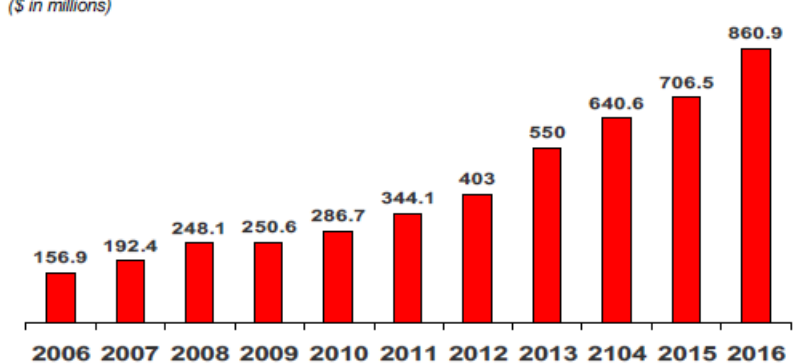
### Sales

(\$ in millions)



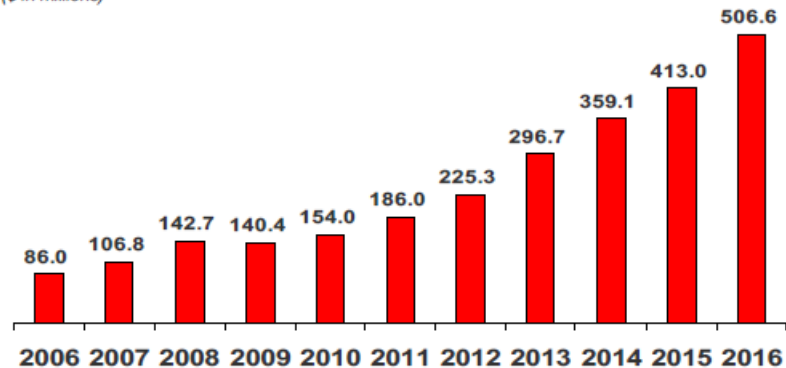
### Gross Profit

(\$ in millions)

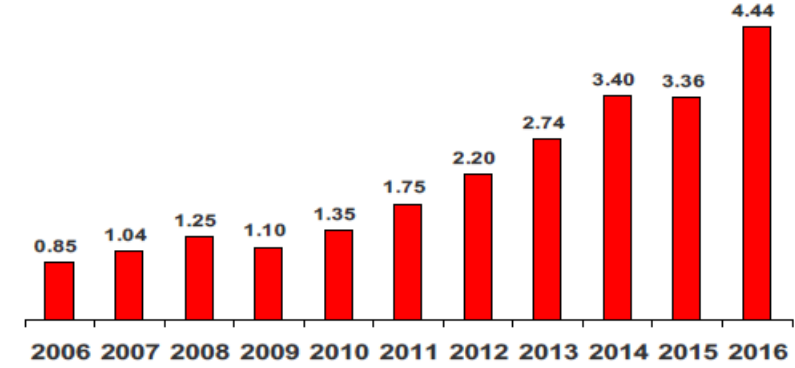


### Adj. EBITDA (1)

(\$ in millions)



### EPS

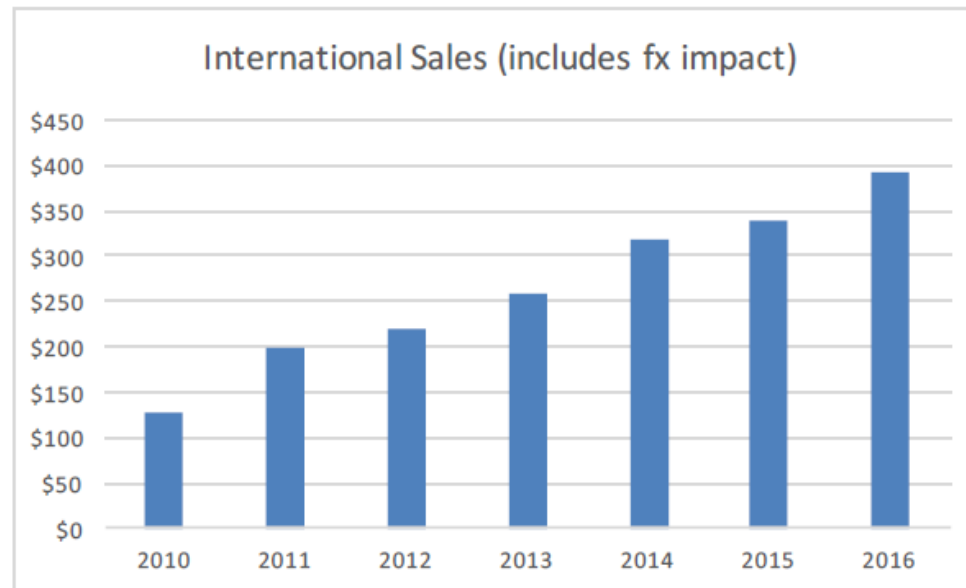


**Consistent Growth in Sales and Profits**

(1) Adjusted EBITDA

# Growth

## Commercial Foodservice International Growth



### Commercial Foodservice Comments:

- 21.8% average growth since 2010
- Significant International Infrastructure
- Investments in Key Growth Markets:
  - Brazil
  - India
  - Russia
  - China
  - Dubai
  - Saudi Arabia
  - Australia
  - UK

**International Markets Continue to Provide Significant Growth Potential**

# Growth

- ▶ Strategic Acquisitions, consolidate industry
- ▶ Foreign markets
- ▶ Housing market
- ▶ Fast Food market

Risk



# Risk

- ▶ Current credit agreement
- ▶ Large brand growth failure
- ▶ Equipment resale
- ▶ Heavy acquisition
- ▶ Currency fluctuations

# Competitive Advantage

- ▶ Patented Tech
- ▶ Strong Brand Name
- ▶ Large Global Brand Customers
- ▶ Economies of Scale
- ▶ Switching Costs

# Qualitative Analysis

Sustained competitive advantage?	Yes
Easily explainable?	Yes
Heavily unionized?	No*
Heavy capital infusion?	Yes
Heavy research and development?	No*
Obsolete Inventory?	No
Chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the Company be able to sell more in the future?	Yes
Billion Dollar Competitor?	Yes*

# Industry Breakdown

TTM	Middleby MIDD	Manitowoc MTW	JBT Corp JBT	Whirlpool WHR	Illinois Tool Works ITW
Market Cap	7.13B	1.41B	3.78B	12.11B	57.98B
Revenue	2.30B	1.61B	1.56B	21.21B	14.08B (2.10B)
P/E	24.02	NMV	44.23	15.83	25.52
P/S	3.17	.51	2.42	.59	4.12
P/B	5.62	1.42	8.79	2.54	11.36
EV/EBIT	17.23	(4.59)	32.27	14.77	18.07
ROA	10.05	NMV	6.83	4.00	14.43
ROE	22.76	NMV	27.02	16.57	44.65
Gross Margin	39.65	15.70	28.78	16.82	41.84
Operating Margin	20.35	(9.50)	8.14	5.64	24.04 (25.4)
Net Margin	13.21	(23.30)	5.41	3.76	16.12



# Industry Breakdown

<b>TTM</b>	<b>Middleby MIDD</b>	<b>Manitowoc MTW</b>	<b>JBT Corp JBT</b>	<b>Whirlpool WHR</b>	<b>Illinois Tool Works ITW</b>
<b>Market Cap</b>	7.13B	1.41B	3.78B	12.11B	57.98B
<b>Revenue</b>	2.30B	1.61B	1.56B	21.21B	14.08B (2.10B)

Blue: Commercial Food service Equipment

Gold: Food Processing Equipment

Purple: Residential Kitchen Appliance

# Industry Breakdown - Returns

<b>TTM</b>	<b>Middleby MIDD</b>	<b>Manitowoc MTW</b>	<b>JBT Corp JBT</b>	<b>Whirlpool WHR</b>	<b>Illinois Tool Works ITW</b>
<b>ROA</b>	10.05	(3.81)	6.83	4.00	14.43
<b>ROE</b>	22.76	(9.85)	27.02	16.57	44.65

Blue: Commercial Food service Equipment

Gold: Food Processing Equipment

Purple: Residential Kitchen Appliance

# Industry Breakdown - Margins

<b>TTM</b>	<b>Middleby MIDD</b>	<b>Manitowoc MTW</b>	<b>JBT Corp JBT</b>	<b>Whirlpool WHR</b>	<b>Illinois Tool Works ITW</b>
<b>Gross Margin</b>	39.65	15.70	28.78	16.82	41.84
<b>Operating Margin</b>	20.35	(9.50)	8.14	5.64	24.04 (25.4)
<b>Net Margin</b>	13.21	(23.30)	5.41	3.76	16.12

Blue: Commercial Food service Equipment

Gold: Food Processing Equipment

Purple: Residential Kitchen Appliance

# Industry Breakdown - Valuation

TTM	Middleby MIDD	Manitowoc MTW	JBT Corp JBT	Whirlpool WHR	Illinois Tool Works ITW
P/E	24.02	NMV	44.23	15.83	25.52
P/S	3.17	.51	2.42	.59	4.12
P/B	5.62	1.42	8.79	2.54	11.36
EV/EBIT	17.23	(4.59)	32.27	14.77	18.07

Blue: Commercial Food service Equipment

Gold: Food Processing Equipment

Purple: Residential Kitchen Appliance

## Du Pont Analysis: Industry (guru TTM)

Company	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	ROE
MIDD	13.21	.71	2.44	22.89%
MTW	(4.01)	.93	2.52	NMV
JBT	5.41	1.09	3.31	19.54%
WHR	3.76	1.02	4.39	16.84%
ITW	16.12	.86	3.25	45.06%

# Interpretation of the Financial Statements



# Interpretation of the Financial Statements

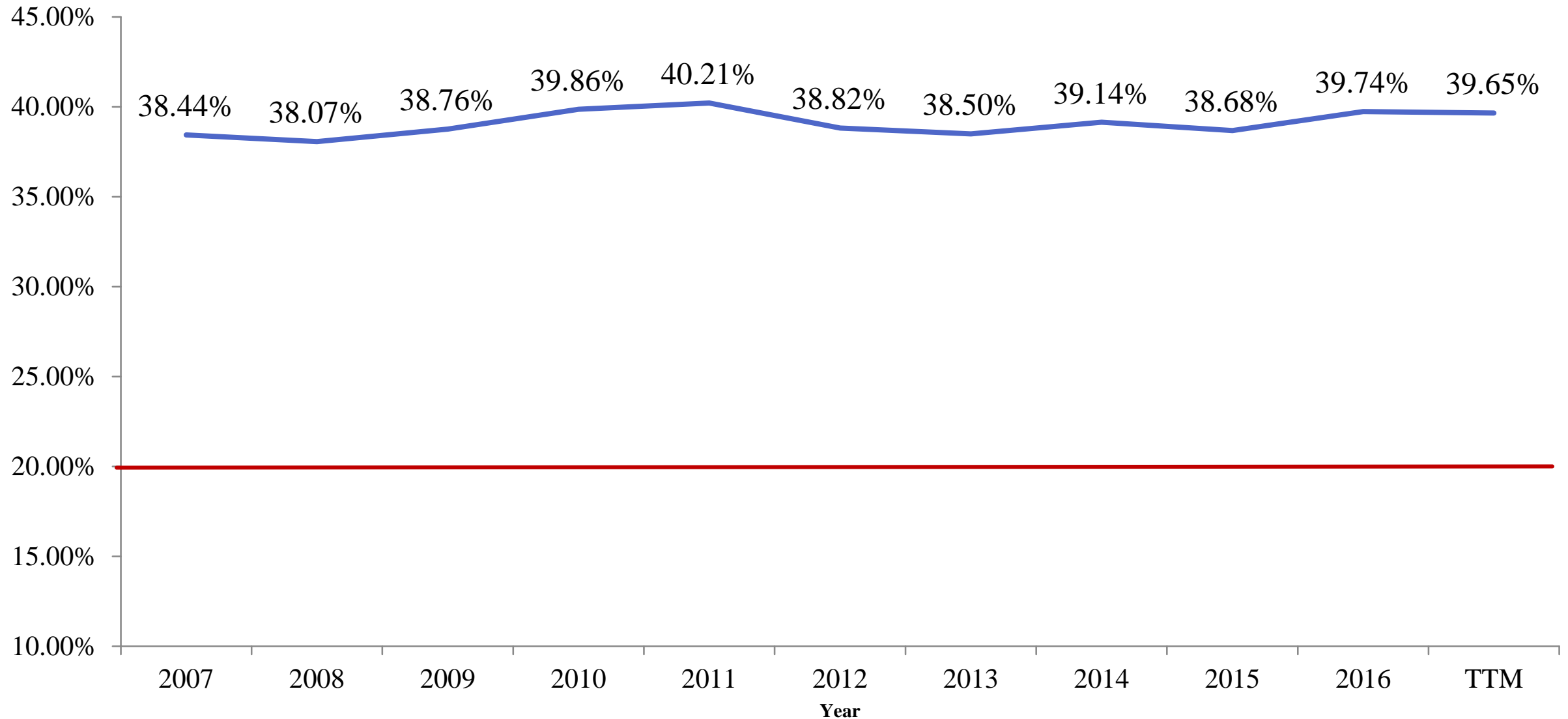
TTM	Value	Low Threshold	Pass?
Gross Profit Margin	39.65%	$\geq 20\%$	Yes
% SGA	47.82%	$\leq 80\%$	Yes
% R&D	5.90%	$\leq 10\%$	Yes
% Depreciation	6.92%	$\leq 10\%$	Yes
Interest % of OP	3.92%	$\leq 15\%$	Yes
Net Profit Margin	13.21%	$\geq 10\%$	Yes
Current Ratio	1.93	$\geq 1$	Yes
Obligation Ratio	2.80	< 5 years	Yes

# Interpretation of the Financial Statements

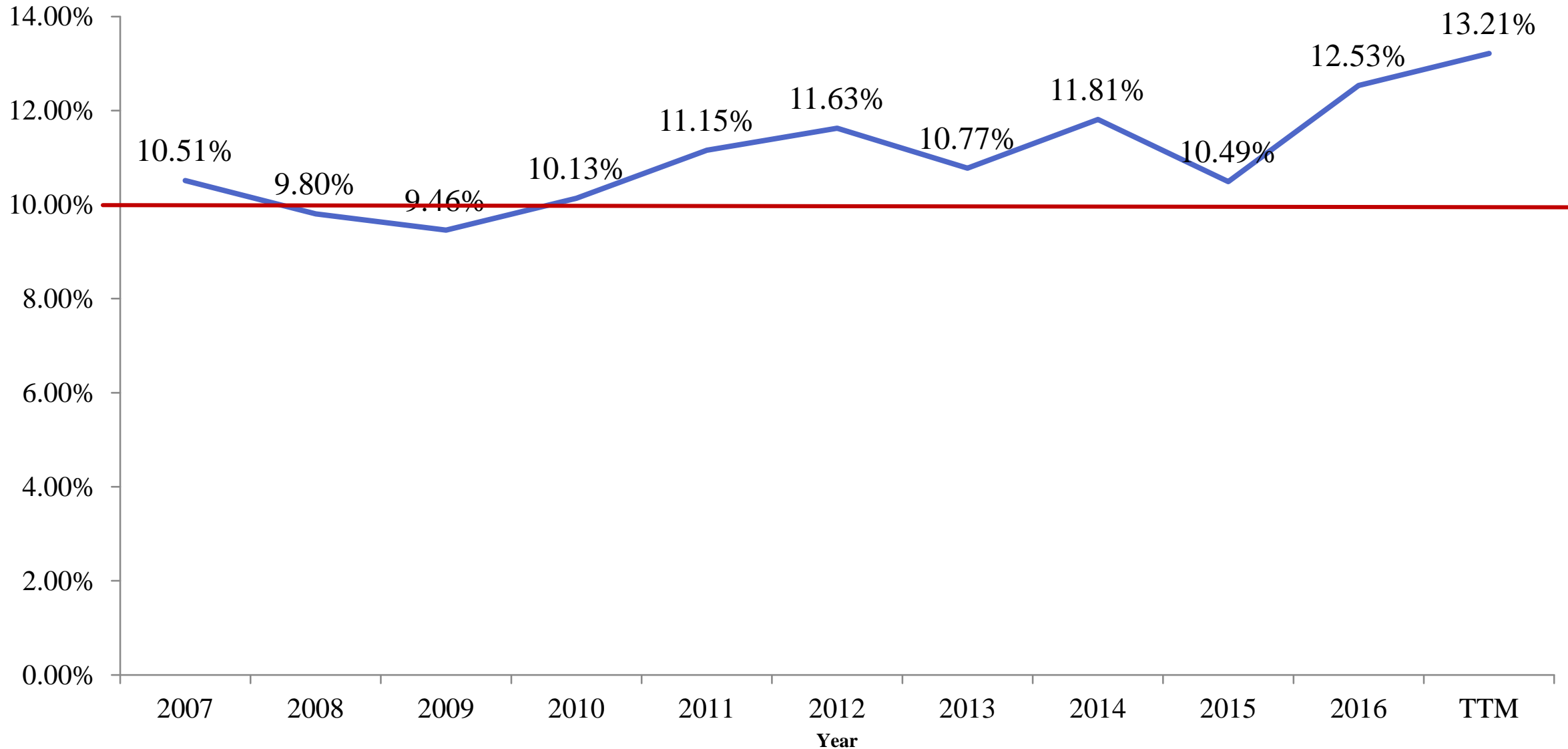
TTM	Value	Low Threshold	Pass?
Adj. Debt to Shareholder Equity	1.08	< 0.8	No
Return on Equity	22.89%	≥ 15%	Yes
Return on Capital	13.46%	≥ 15%	No
Dividend Payout Ratio	0.00%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	15.94%	≤ 25%	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes



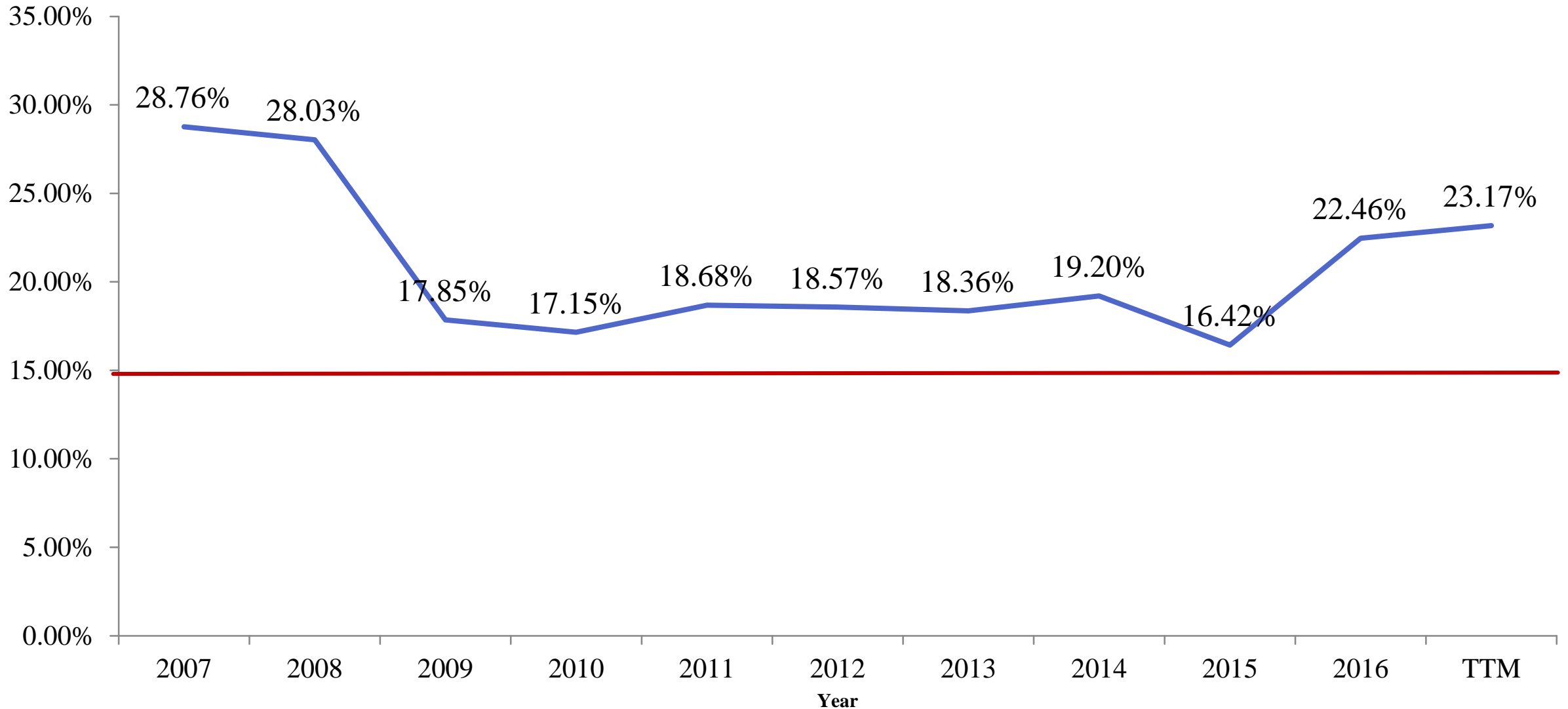
# Gross Profit Margin



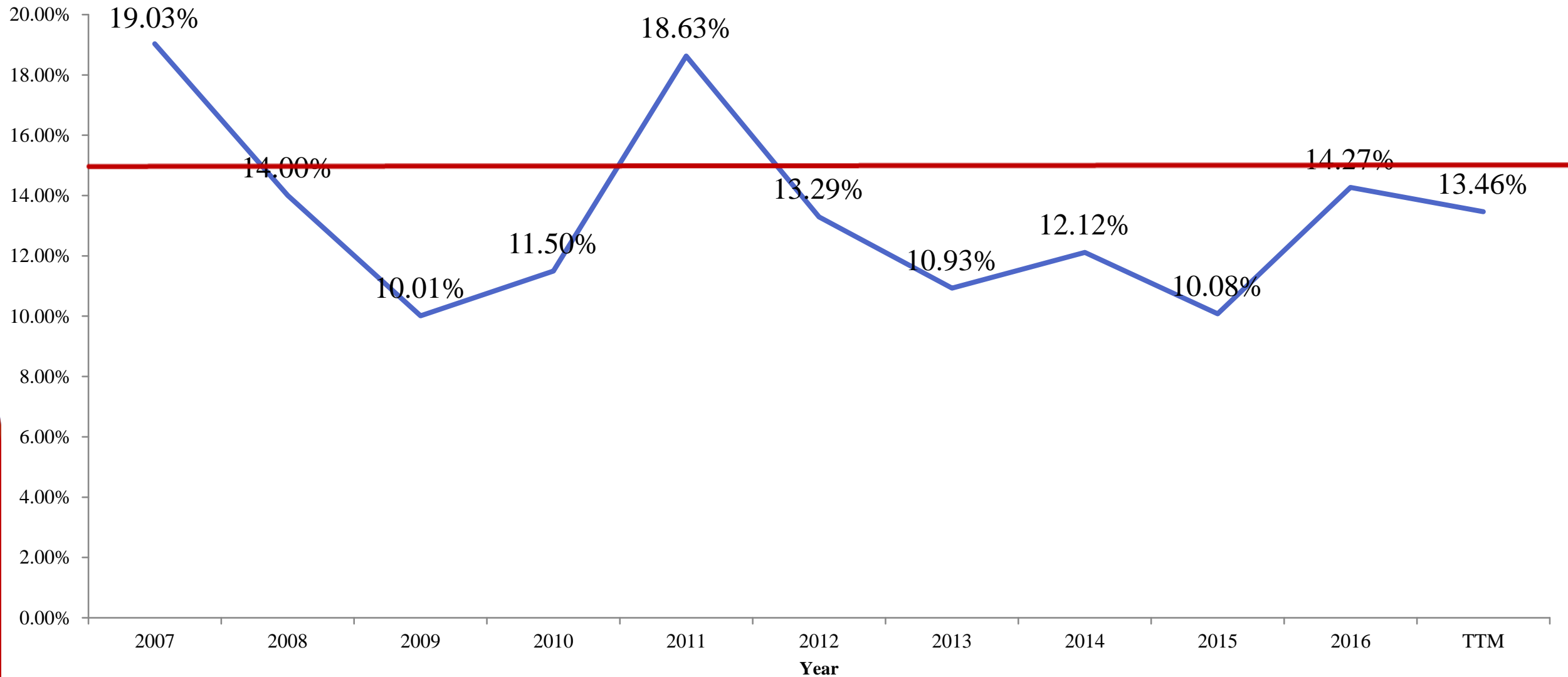
# Net Profit Margin



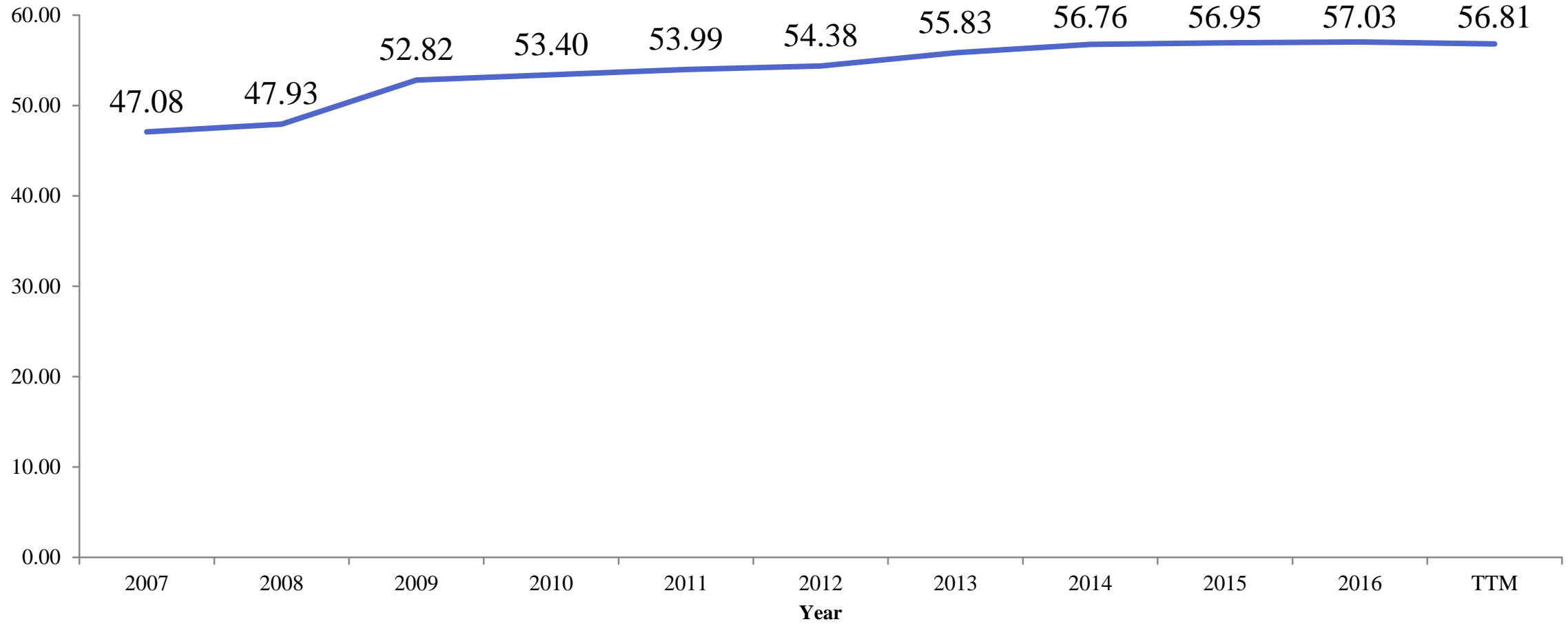
# Return on Equity



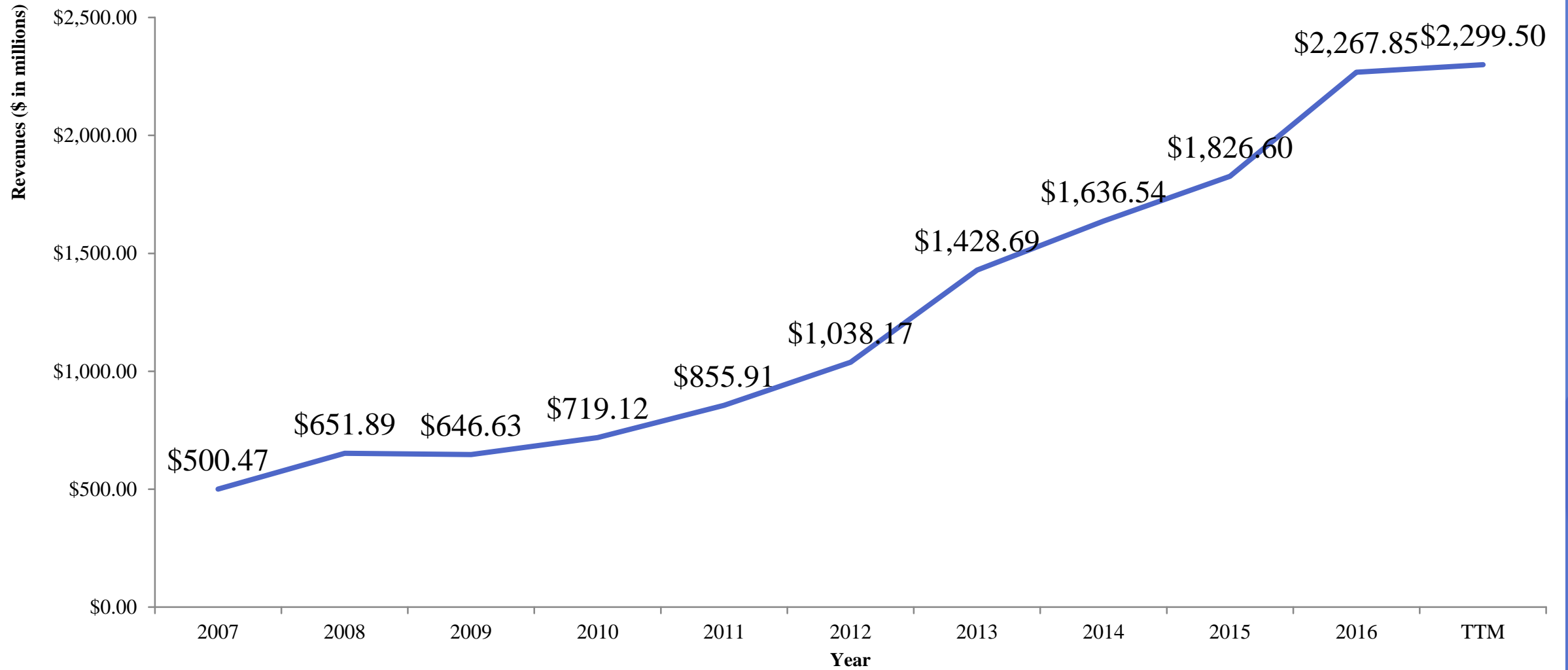
# Return on Capital



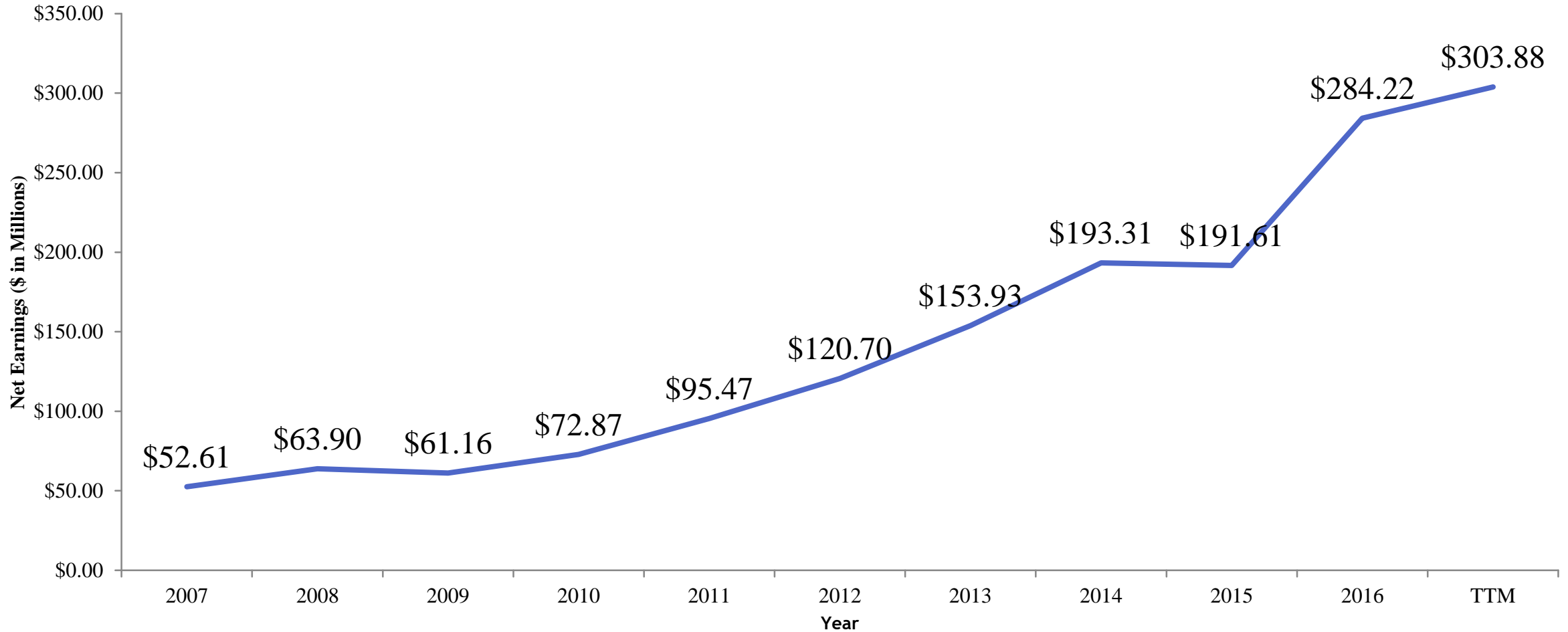
# Shares Outstanding



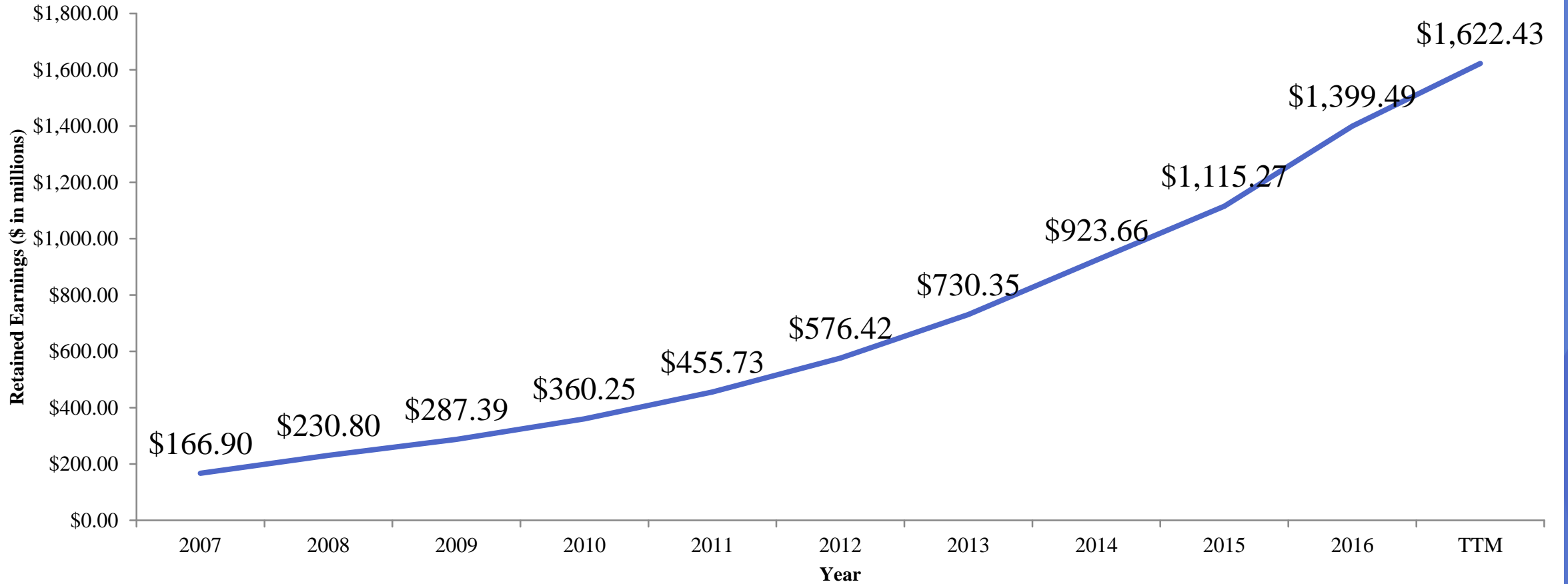
# Revenues (10 years)



# Net Earnings

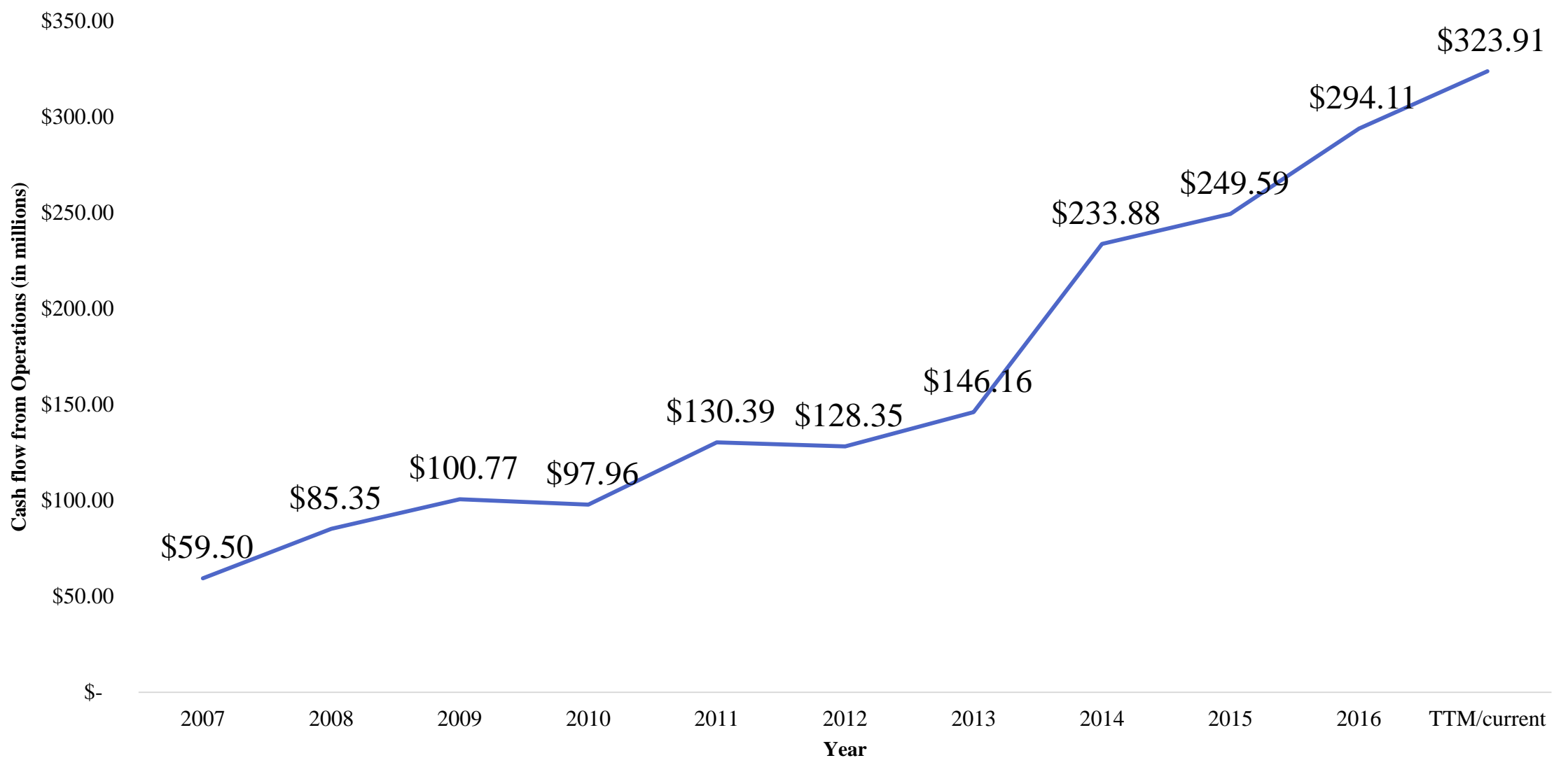


# Retained Earnings





# Cash Flow from Operations



# Du Pont Historical

Years	Net profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2014	11.81%	.79	2.05	19.13%
2015	10.49%	.66	2.37	16.41%
2016	12.53%	.77	2.31	22.28%
TTM	13.21%	.71	2.44	22.89%

# Debt Analysis

<b>Maturity Date</b>	<b>Variable Rate Debt Amount</b>
2017	\$5,883
2018	\$292
2019	\$113
2020	\$113
2020 and thereafter	\$725,725
<b>Total</b>	<b>\$732,126</b>

# Analysis of Acquisitions

- ▶ 10-year total net income/ 10-year total Acquisition Expenditures = .75
- ▶ Buffet normally requires a ratio of 2:1

# Analysis of Acquisitions

- ▶ 2016 Revenues increased by 22.4% due to acquisitions
- ▶ 2015 Revenues increased by 14.1% due to acquisitions

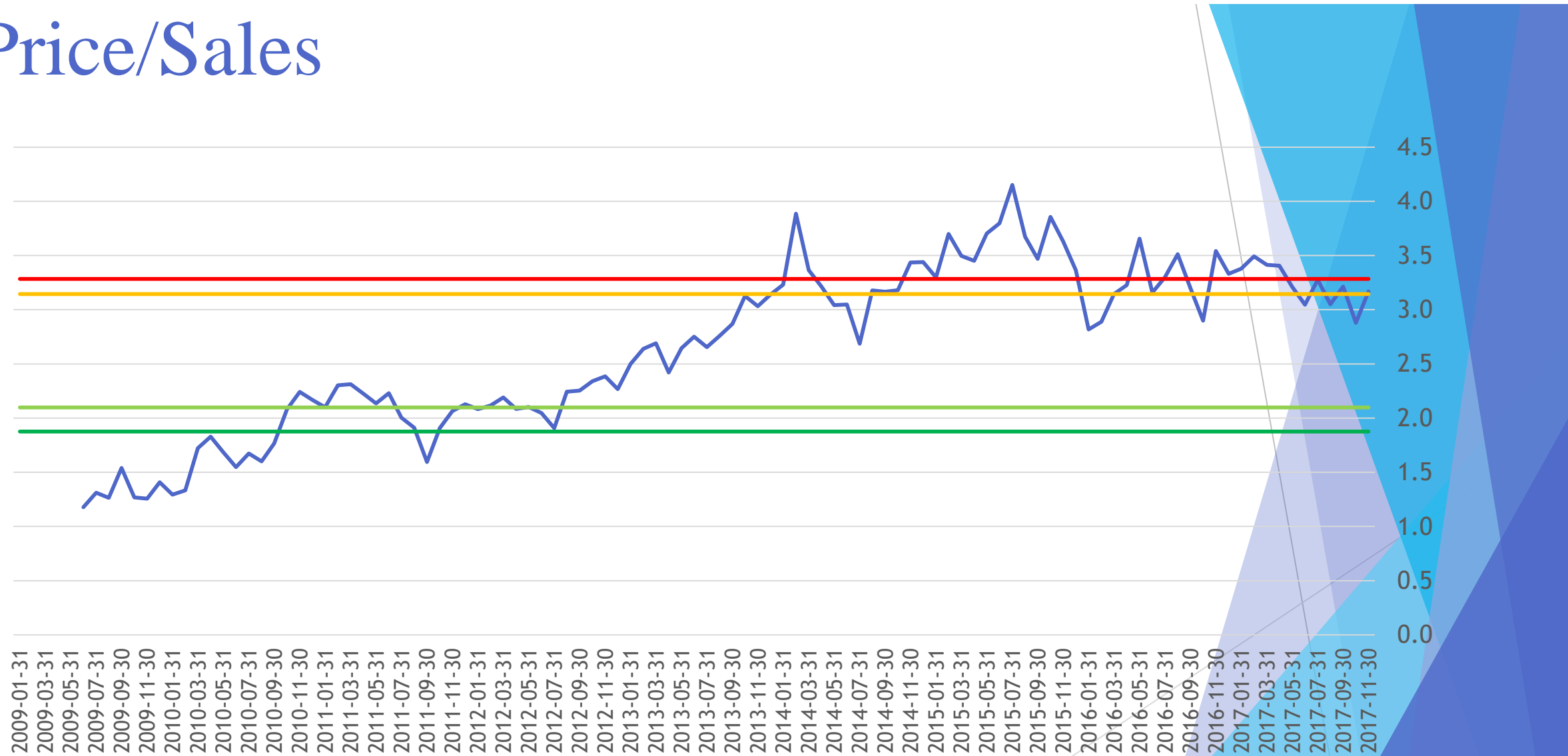
# Analysis of Acquisitions

- ▶ 10-year earnings growth-5x higher
- ▶ 10-year Cash Flow from Operations Growth- 5x higher

The background features abstract geometric shapes. On the left, a red shape tapers to a point. On the right, several overlapping translucent blue shapes of various shades create a layered effect. The central text is positioned in the white space between these elements.

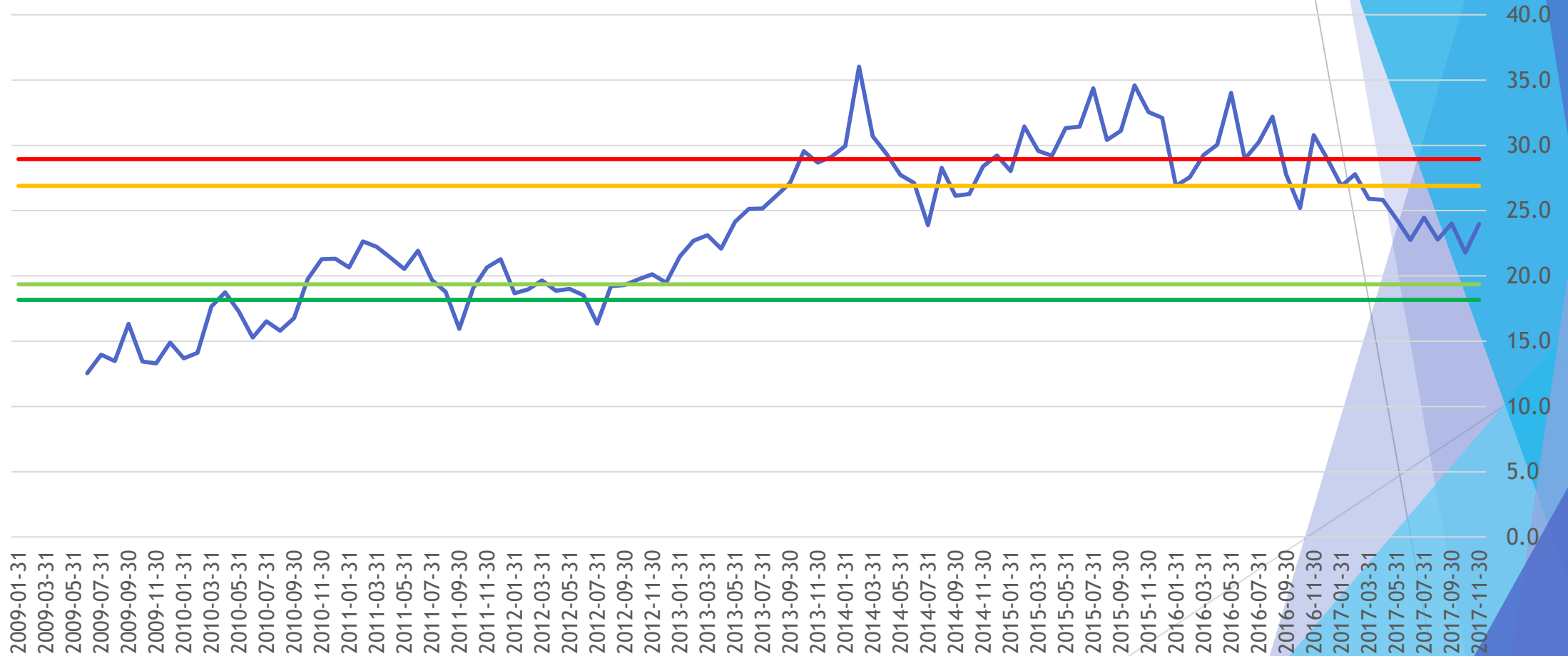
# Valuebands

# Price/Sales

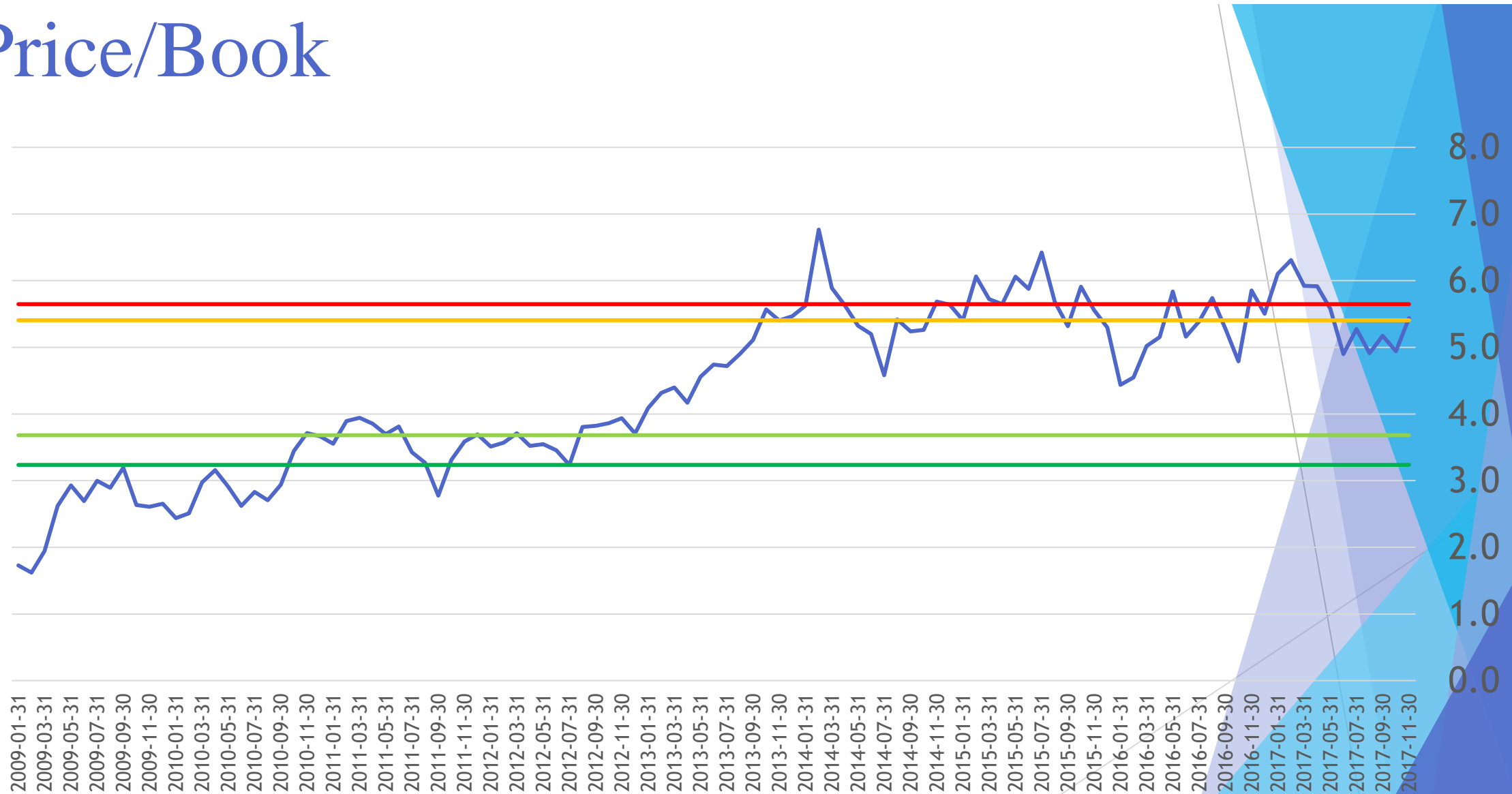




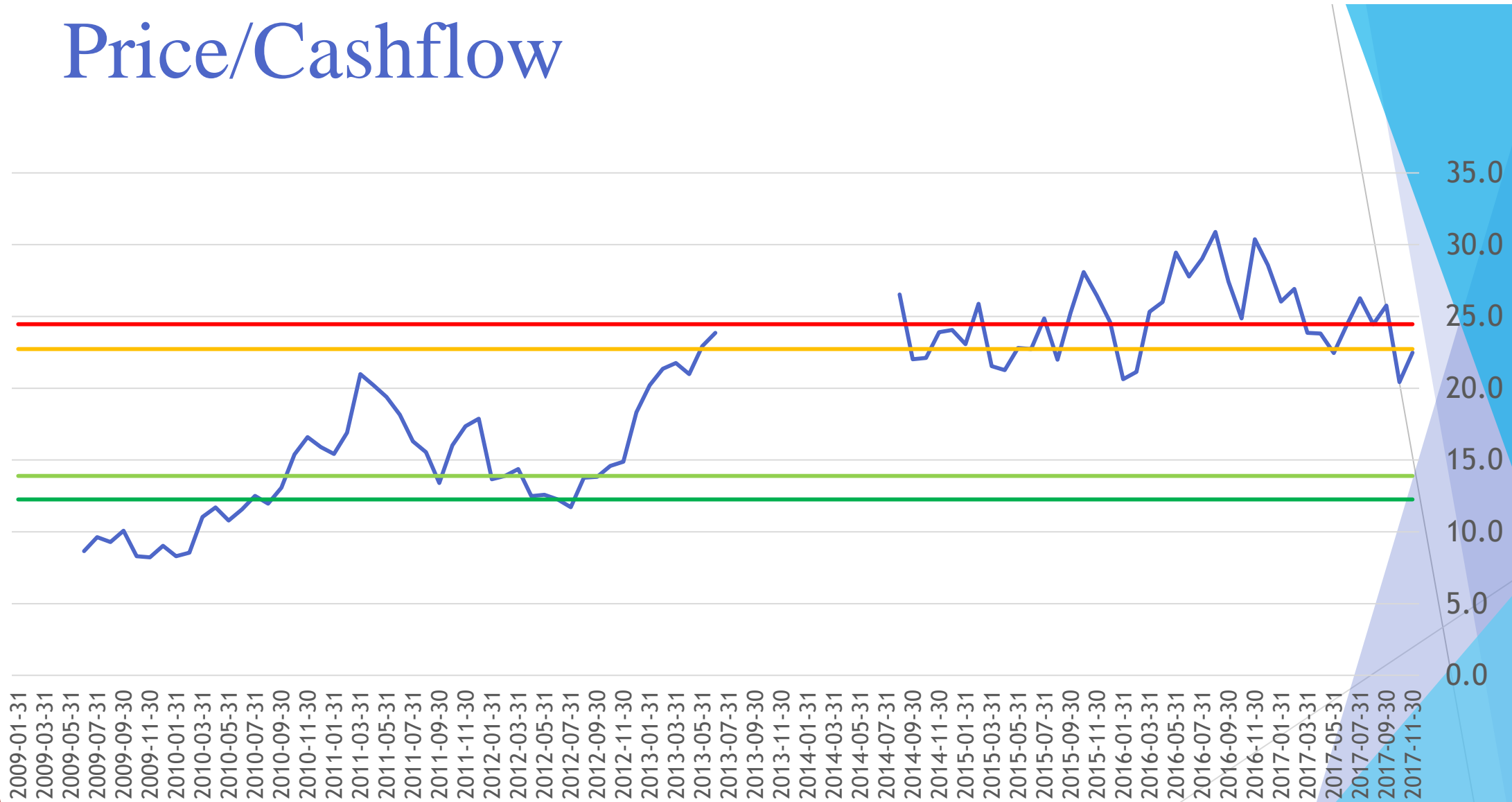
# Price/Earnings



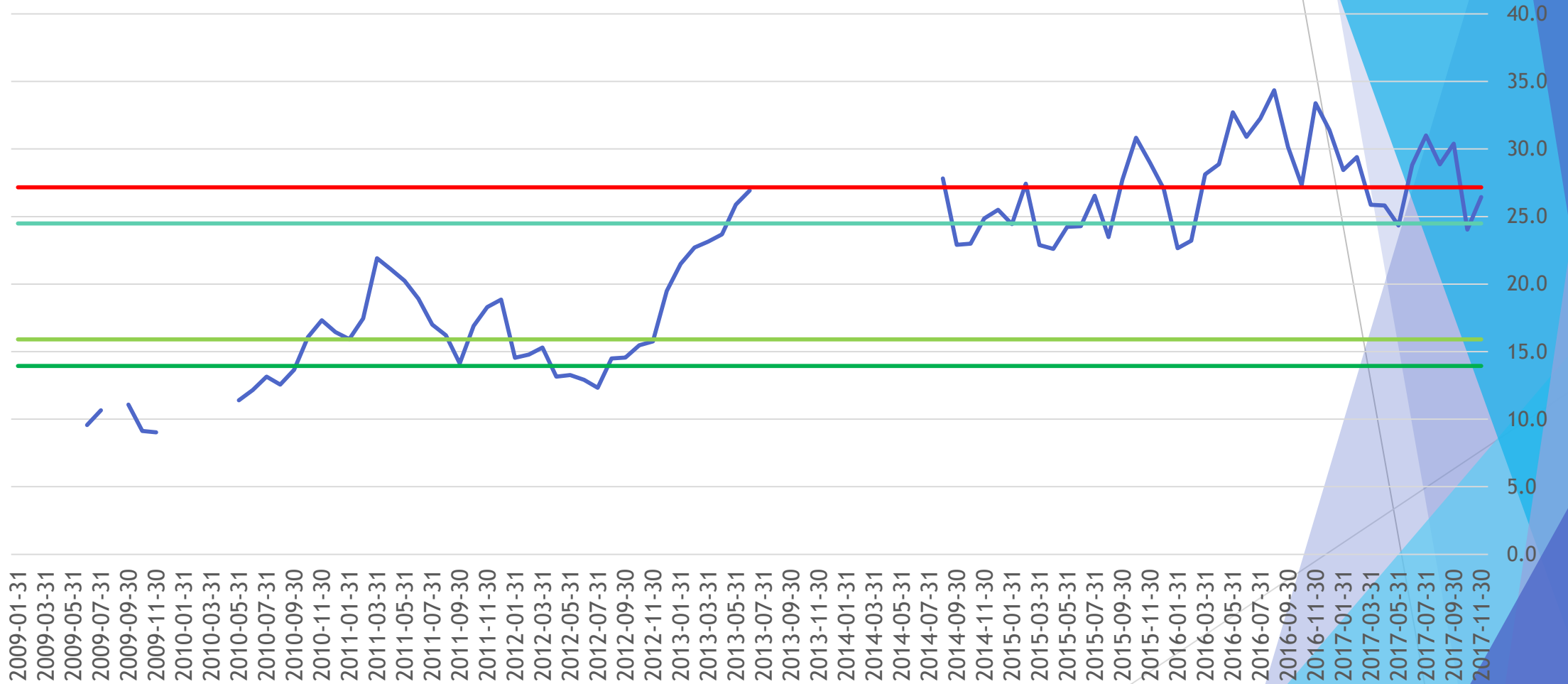
# Price/Book



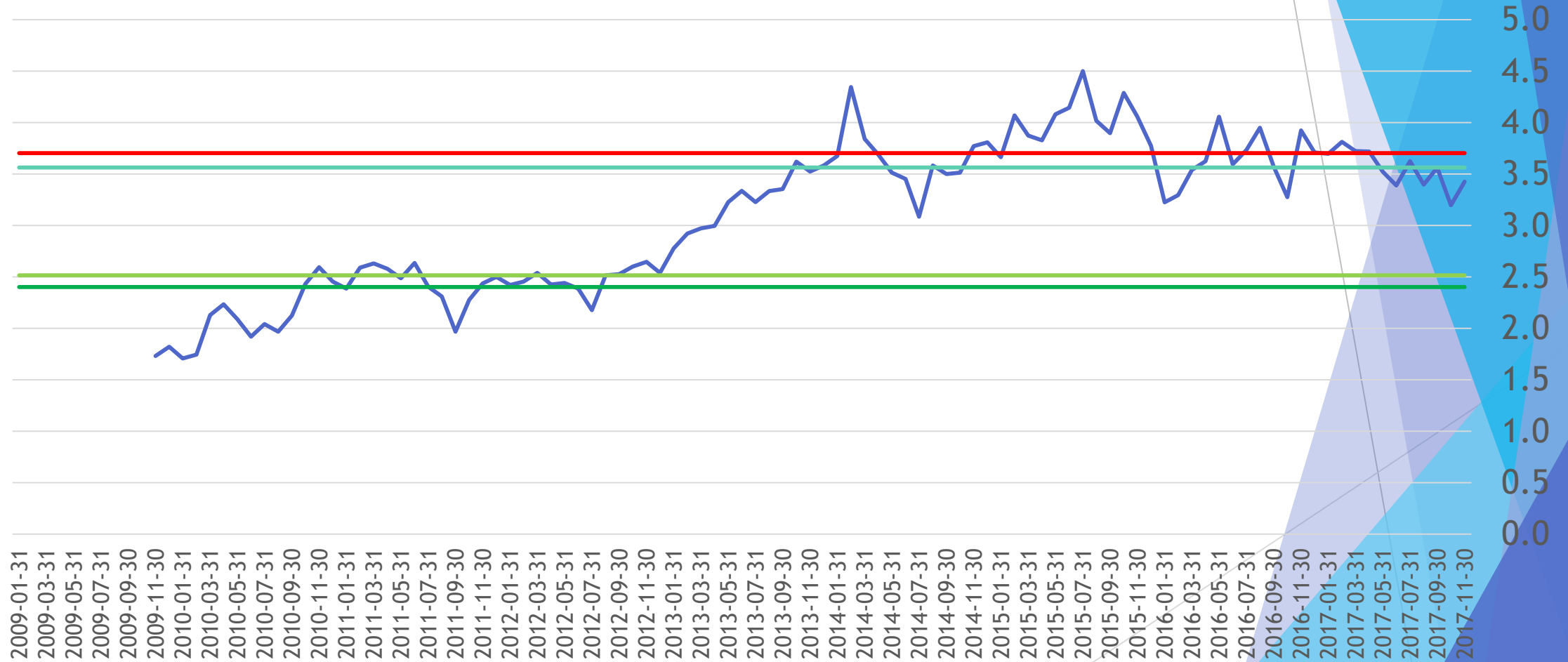
# Price/Cashflow



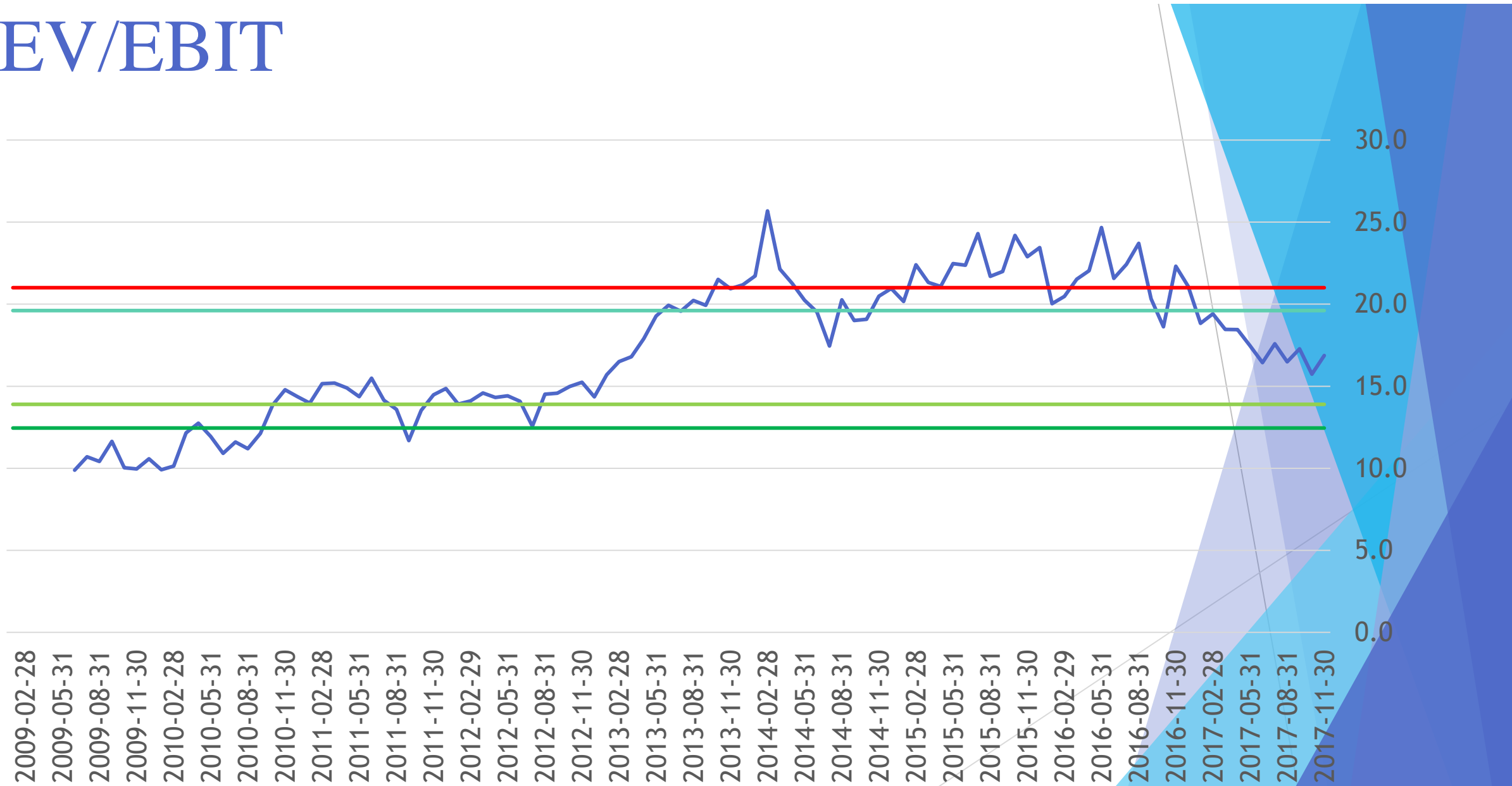
# Price/Free Cashflow



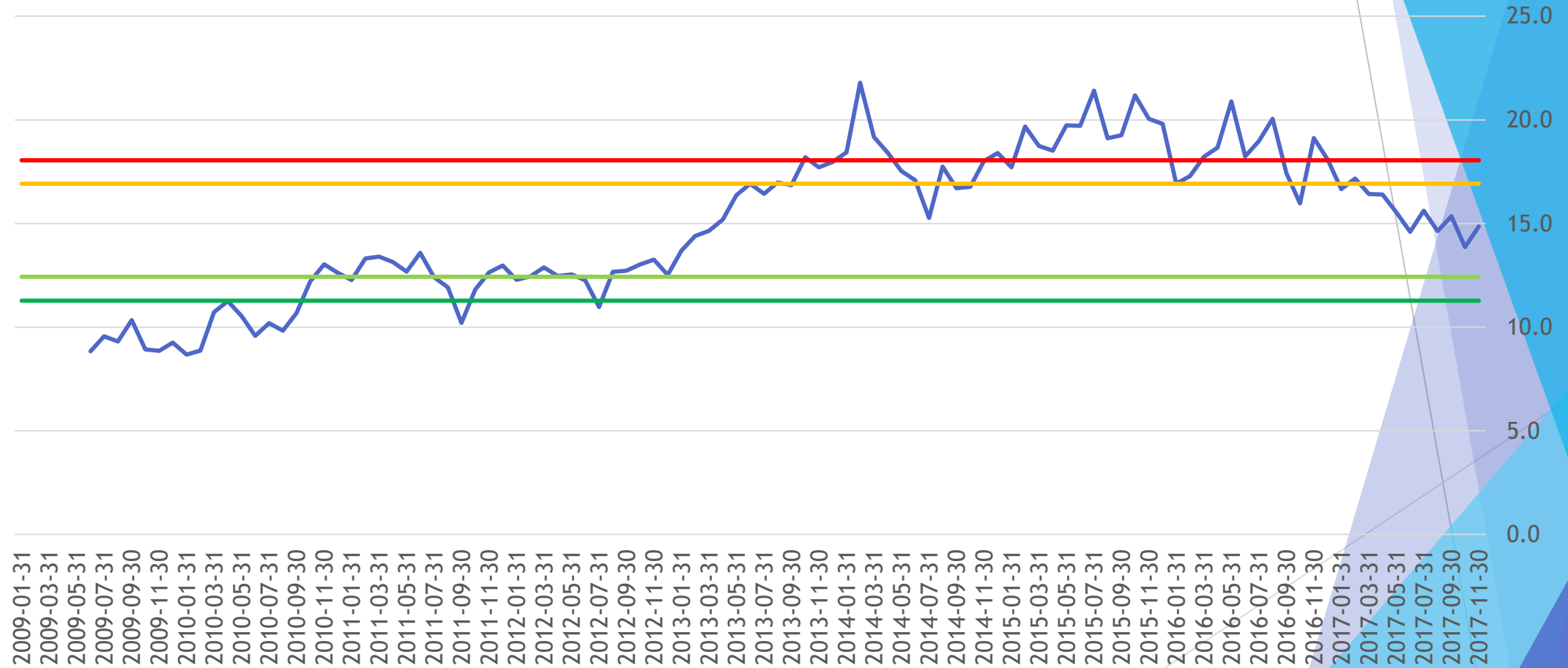
# EV/Revenue



# EV/EBIT



# EV/EBITDA



The background features abstract geometric shapes. On the left, a red shape tapers to a point. On the right, several overlapping blue shapes in various shades (light blue, medium blue, dark blue) create a layered, dynamic effect.

# PEG Ratio



# PEG Ratio

Guru's PEG Ratio	PEG Ratio using Value Line's 13% Growth Rate
1.01	1.84

# Discounted Cash Flow



# Guru Default-12% Discount Rate

**User Defined DCF:** Default

Earnings Per Share ? : \$ 5.32

Growth Rate In the Next ? : 10 Years: 18.7 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF <sup>NEW</sup>

---

**Fair Value ? : 138.97**

---

Tangible Book Value ? : \$ -11.00  
 Add to Fair Value

Growth Value ? : 74.25

Terminal Value ? : 64.72

Stock Price: \$ 124.70

Margin Of Safety: **10%**

# Reverse DCF

User Defined DCF: Default


Earnings Per Share <sup>?</sup>: \$ 5.32

Growth Rate In the Next <sup>?</sup>: 10 Years

Terminal Growth Rate <sup>?</sup>: 4 %

Years of Terminal Growth <sup>?</sup>: 10

Discount Rate <sup>?</sup>: 12 %

Business Predictability <sup>?</sup>:  <sup>?</sup>

**Save Parameters**



DCF Reverse DCF <sup>NEW</sup>

**Growth Rate <sup>?</sup>: 17.40%**

---

Stock Price: \$ 127.52

Revenue Growth Rate <sup>?</sup>: 16.80%(10y) 20.20%(5y) 4.10%(1y)

EBITDA Growth Rate <sup>?</sup>: 17.30%(10y) 21.90%(5y) 17.00%(1y)

Earnings Growth Rate <sup>?</sup>: 18.70%(10y) 21.50%(5y) 19.60%(1y)

Free Cash Flow Growth Rate <sup>?</sup>: 16.40%(10y) 19.00%(5y) 17.70%(1y)

Book Value Growth Rate <sup>?</sup>: 25.40%(10y) 19.70%(5y) -2.70%(1y)

# Guru Default- 9% Discount Rate

1. Fair Value Calculator Tutorial

2. Fair Value Calculator Updates

3. Reverse DCF: How It Works

4. Undervalued Predictable Companies.

User Defined DCF:

Default



Earnings Per Share ? : \$ 5.32

Growth Rate In the Next ? : 10 Years: 18.7 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 9 %

Business Predictability ? :



Save Parameters



DCF

Reverse DCF <sup>NEW</sup>

**Fair Value ? : 184.86**

Tangible Book Value ? : \$ -11.00

Add to Fair Value

Growth Value ? : 87.6

Terminal Value ? : 97.26

Stock Price: \$ 124.70

Margin Of Safety: **33%**

# Reverse DCF

1. Fair Value Calculator Tutorial

2. Fair Value Calculator Updates

3. Reverse DCF: How It Works

4. Undervalued Predictable Companies.

User Defined DCF:

Default

Earnings Per Share ? : \$ 5.32

Growth Rate In the Next ? : 10 Years

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 9 %

Business Predictability ? : 

Save Parameters



DCF Reverse DCF <sup>NEW</sup>

**Growth Rate ? : 13.33%**

Stock Price: \$ 127.52

Revenue Growth Rate ? : 16.80%(10y) 20.20%(5y) 4.10%(1y)

EBITDA Growth Rate ? : 17.30%(10y) 21.90%(5y) 17.00%(1y)

Earnings Growth Rate ? : 18.70%(10y) 21.50%(5y) 19.60%(1y)

Free Cash Flow Growth Rate ? : 16.40%(10y) 19.00%(5y) 17.70%(1y)

Book Value Growth Rate ? : 25.40%(10y) 19.70%(5y) -2.70%(1y)

# Value Line's Growth Rate

1. Fair Value Calculator Tutorial

2. Fair Value Calculator Updates

3. Reverse DCF: How It Works

4. Undervalued Predictable Companies.

User Defined DCF:

Default

Earnings Per Share ? : \$ 5.32

Growth Rate In the Next ? : 10 Years: 13 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 9 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF

Reverse DCF <sup>NEW</sup>

**Fair Value ? : 124.67**

Tangible Book Value ? : \$ -11.00

Add to Fair Value

Growth Value ? : 65.21

Terminal Value ? : 59.46

Stock Price: \$ 124.70

Margin Of Safety: **0%**

# Conscious Investor

The background features abstract geometric shapes, primarily overlapping triangles, in various shades of blue (light, medium, and dark) and a small red triangle on the left side. The shapes are layered, creating a sense of depth and movement.



# 10-Year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
<b>EPS (\$)</b>	1.037	1.250	1.097	1.323	1.717	2.163	2.737	3.400	3.360	4.980	<b>\$5.330</b>	10	19.30%	87.66%
<b>SPS (\$)</b>	9.884	12.787	11.616	12.989	15.293	18.404	24.901	28.579	31.868	39.414		10	16.86%	90.55%

# 10-Year Safety

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD <sup>®</sup>	Req Return	TARGD <sup>®</sup>
<b>Default</b>	120.22	\$5.330	27.78	19.30%	0.0%	21.81%	-20.00%	\$8.05K
<b>Safety</b>	120.22	\$5.330	18.40	12.49%	0.0%	10.22%	-20.00%	\$2.96K

Cut Growth Rate by 35.28%

Cut P/E by 33.76

# 6-Year



	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
<b>EPS (\$)</b>	1.037	1.250	1.097	1.323	1.717	2.163	2.737	3.400	3.360	4.980	<b>\$5.330</b>	6	22.04%	94.95%
<b>SPS (\$)</b>	9.884	12.787	11.616	12.989	15.293	18.404	24.901	28.579	31.868	39.414		6	20.56%	96.44%

# 6-Year Safety

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD <sup>®</sup>	Req Return	TARGD <sup>®</sup>	
<b>Default</b>	120.22	\$5.330	27.78	22.04%	0.0%	24.61%	-20.00%	\$10.10K	Copy
<b>Safety</b>	120.22	\$5.330	18.40	14.26%	0.0%	11.96%	-20.00%	\$3.46K	Copy

Cut Growth Rate by 35.3%  
 Cut P/E by 33.7%

# 3-Year



	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years	HGROWTH	STAEGR®
<b>EPS (\$)</b>	1.037	1.250	1.097	1.323	1.717	2.163	2.737	3.400	3.360	4.980	\$5.330	3	21.03%	91.54% 
<b>SPS (\$)</b>	9.884	12.787	11.616	12.989	15.293	18.404	24.901	28.579	31.868	39.414		3	17.44%	98.30% 

# 3-Year Safety

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD <sup>®</sup>	Req Return	TARGD <sup>®</sup>	
<b>Default</b>	120.22	\$5.330	27.78	21.03%	0.0%	23.58%	-20.00%	\$9.30K	Copy
<b>Safety</b>	120.22	\$5.330	18.40	13.06%	0.0%	10.78%	-20.00%	\$3.11K	Copy

Cut Growth Rate 37.90%  
 Cut P/E by 34%

# Kill it!

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD <sup>®</sup>	Req Return	TARGD <sup>®</sup>	
Default	120.22	\$5.330	27.78	19.30%	0.0%	21.81%	-20.00%	\$8.05K	Copy
Safety	120.22	\$5.330	18.40	12.49%	0.0%	10.22%	-20.00%	\$2.96K	Copy
 Saved 2017-11-29	120.22	\$5.330	18.40	2.00%	0.0%	-0.06%	-20.00%	\$1.11K	Copy 

Cut growth rate by 90%  
 Cut P/E Ratio 34%

# Intraportfolio Valuations





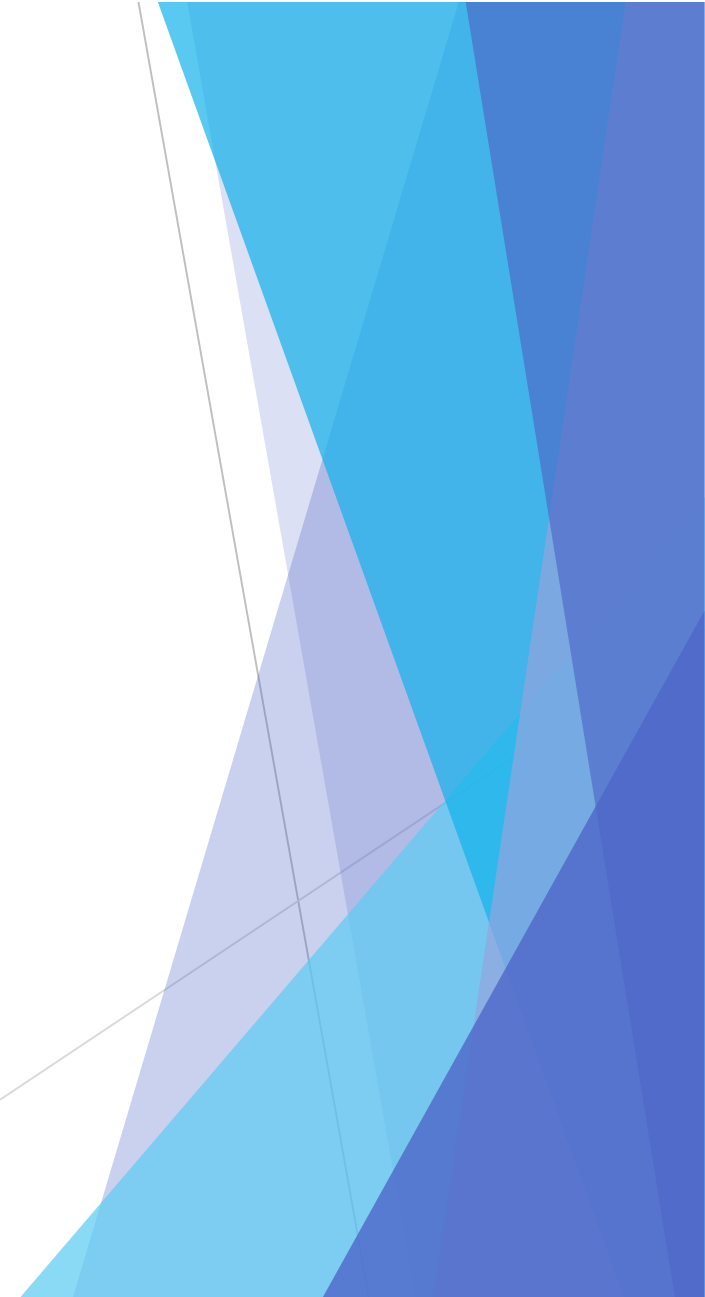
# EV/EBIT

Symbol	EV-to-EBIT
AIG	-43.65
MCK	5.77
UHAL	12.17
TSCO	12.98
DG	13.23
ORCL	14.09
IBM	14.11
UNP	14.19
CNI	14.73
BRK.B	15.17
MIDD	17.17
CHRW	17.48
PEP	17.81
NKE	20.93
MSFT	21.31
NSRGY	21.54
QCOM	23.46
PII	27.58



# P/S Ratio

Symbol	PS Ratio
MCK	0.16
CHRW	0.87
DG	1.09
AIG	1.15
TSCO	1.22
PII	1.54
IBM	1.85
BRK.B	1.98
UHAL	2.04
PEP	2.65
NSRGY	2.92
NKE	2.97
MIDD	3.15
QCOM	4.43
UNP	4.89
ORCL	5.43
CNI	5.81
MSFT	6.99



# ROE

Symbol	ROE %
IBM	61.71
PEP	56.96
MCK	44.70
CHRW	36.31
NKE	31.98
MSFT	31.12
TSCO	30.95
CNI	25.95
PII	23.24
UNP	23.19
MIDD	22.76
DG	22.33
ORCL	18.95
NSRGY	15.37
UHAL	12.01
QCOM	7.88
BRK.B	6.42
AIG	-3.20

# PE ratio

Symbol	PE Ratio
AIG	0.00
MCK	7.22
IBM	12.87
CNI	19.40
DG	19.93
TSCO	20.24
ORCL	21.43
UHAL	22.30
UNP	22.35
MIDD	23.94
PEP	24.13
BRK.B	25.52
NKE	25.71
CHRW	25.88
NSRGY	28.14
MSFT	28.53
PII	40.04
QCOM	40.21

# ROIC

Symbol	ROIC %
MSFT	82.29
NKE	39.21
MCK	31.62
ORCL	25.05
TSCO	24.57
PII	24.25
PEP	23.47
IBM	22.45
CHRW	21.05
CNI	16.37
MIDD	15.59
DG	15.34
UNP	14.30
UHAL	13.13
NSRGY	11.48
QCOM	7.81
BRK.B	6.08
AIG	-1.95

# Conclusion

- ▶ Economies of Scale
- ▶ Patents
- ▶ Brand Name Recognition
- ▶ Financially Sound
- ▶ Growth Opportunities

# Recommendation

- ▶ Market Order
  - ▶ \$127.00



**“It’s better to buy a wonderful company at a fair price than a fair company at a wonderful price.”**

**-Warren Buffett**

# Appendix





# Debt Analysis

## (4) FINANCING ARRANGEMENTS

The following is a summary of long-term debt at December 31, 2016 and January 2, 2016:

	2016	2015
	(dollars in thousands)	
Senior secured revolving credit line	\$ 725,500	\$ 733,000
Foreign loans	6,413	32,813
Other debt arrangement	213	248
Total debt	<u>\$ 732,126</u>	<u>\$ 766,061</u>
Less current maturities of long-term debt	<u>5,883</u>	<u>32,059</u>
Long-term debt	<u>\$ 726,243</u>	<u>\$ 734,002</u>

# Debt Analysis

## Contractual Obligations

The company's contractual cash payment obligations are set forth below (dollars in thousands):

	Amounts Due Sellers From Acquisition	Debt	Estimated Interest on Debt	Operating Leases	Total Contractual Cash Obligations
Less than 1 year	\$ 5,664	\$ 5,883	\$ 20,822	\$ 24,669	\$ 57,038
1-3 years	3,447	405	40,726	37,744	82,322
4-5 years	512	725,727	32,137	25,961	784,337
After 5 years	—	111	1,426	26,342	27,879
	<u>\$ 9,623</u>	<u>\$ 732,126</u>	<u>\$ 95,111</u>	<u>\$ 114,716</u>	<u>\$ 951,576</u>