



***Wabtec***  
CORPORATION

**THE BAD ASSETS**

# OVERVIEW

**Ticker: WAB**

**Recent Price: \$73.44**

**Incorporated:1999**

**HQ: Wilmerding, Pennsylvania**

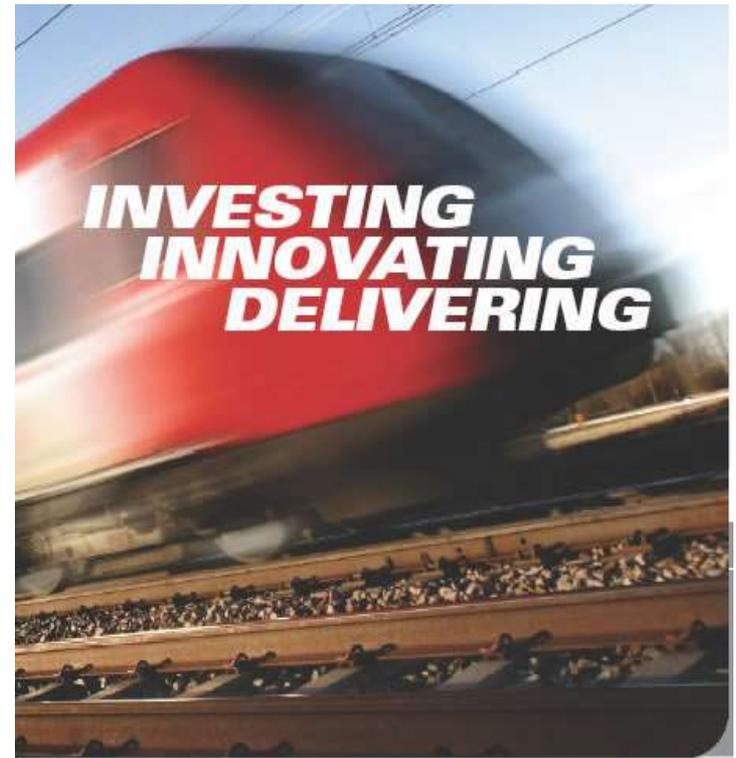
**Market Cap: 7.71 B**

**Enterprise Value:7.95 B**

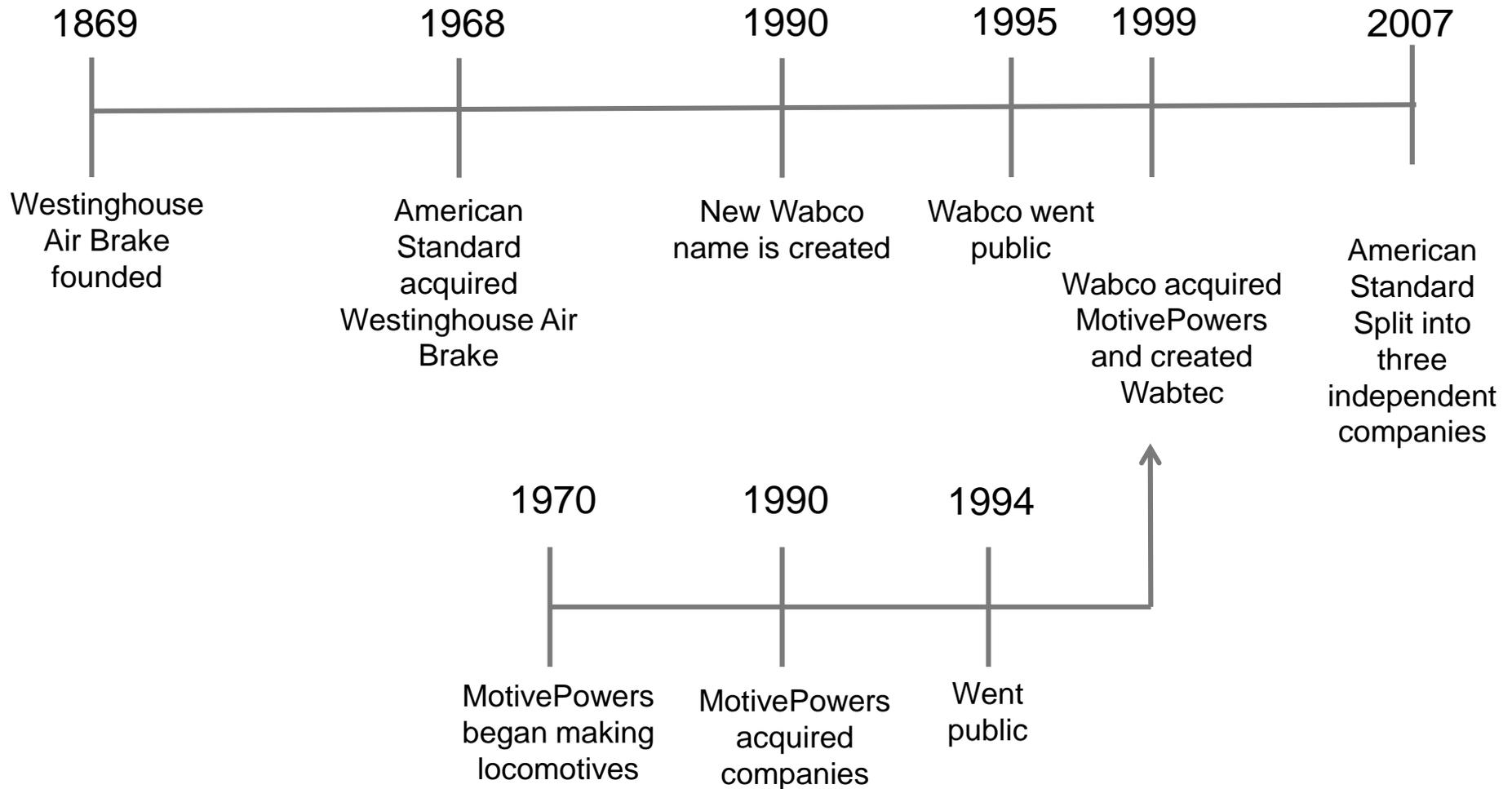
**Return on Equity: 19.63%**

**Return on Capital: 16.33%**

**P/E (TTM): 18.29**



# HISTORY

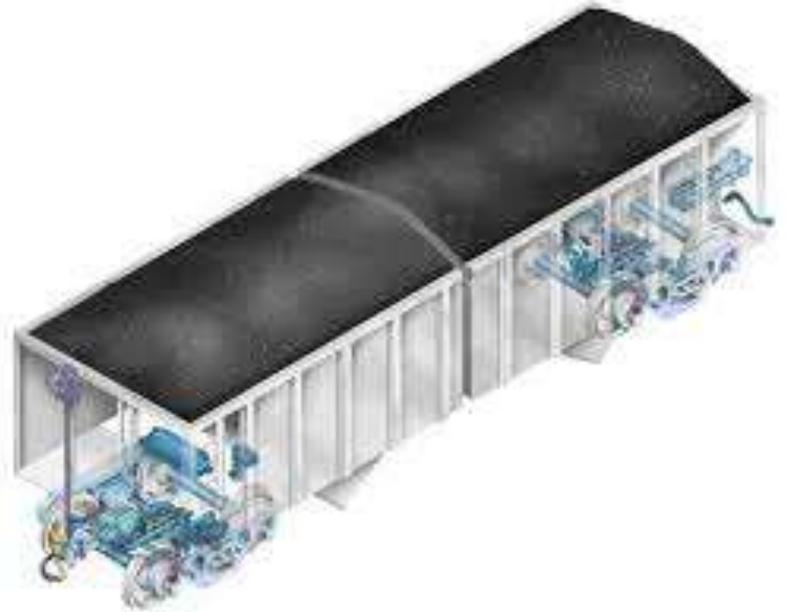


# WHAT DOES WABTEC DO?

## Rail equipment and services provider

- Found on all US locomotives
- Passenger transit cars and buses

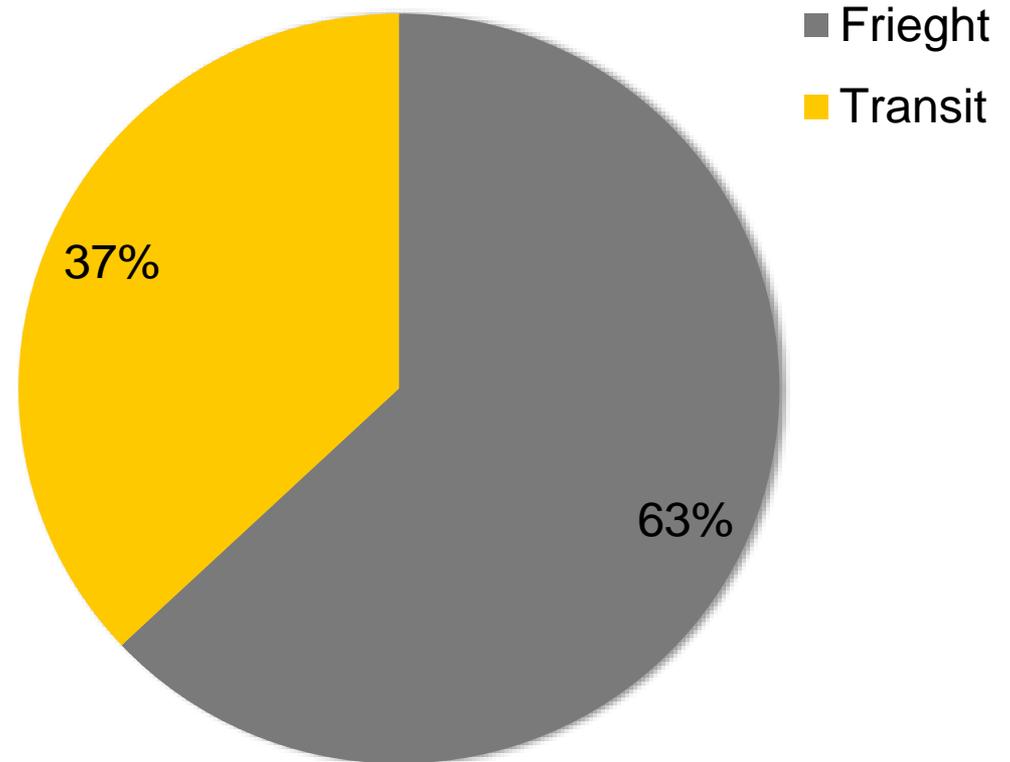
**Largest manufacturer  
of rail and transit components**



# BUSINESS MODEL

**Two main segments:**

- Freight Segment
- Transit Segment



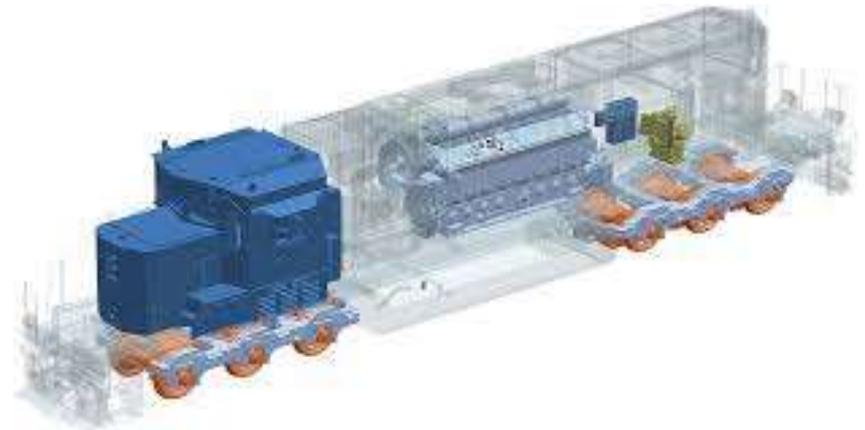
**Revenue Per Segment**

# FREIGHT SEGMENT

**Manufactures and services components for new and existing locomotive and freight cars**

## **Markets:**

- Locomotive
- Freight Car
- PTC
- Power Generation
- Industrial



# TRANSIT SEGMENT

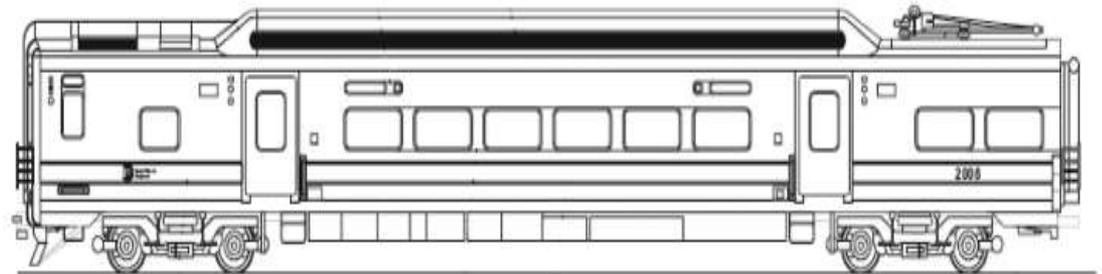
Manufactures and services components for new and existing passenger transit vehicles

Builds new commuter locomotives

Restores subway cars

Markets:

- Transit Car
- Transit Bus



## Big Flats

Orthstar, Inc.  
Cab Simulator Equipment

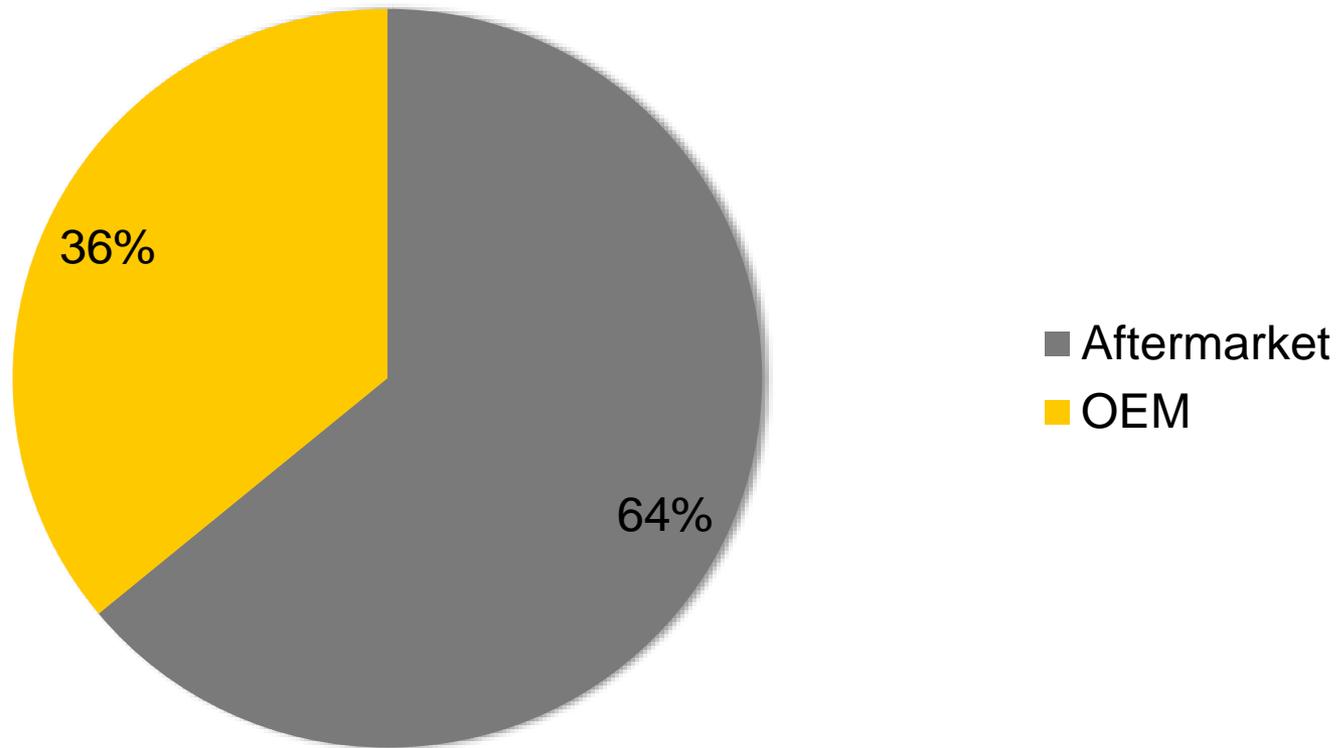
## Yonkers

Kawasaki Heavy Industries, Ltd.  
Design, Carshell Manufacturing,  
Truck Manufacturing, Final Assembly

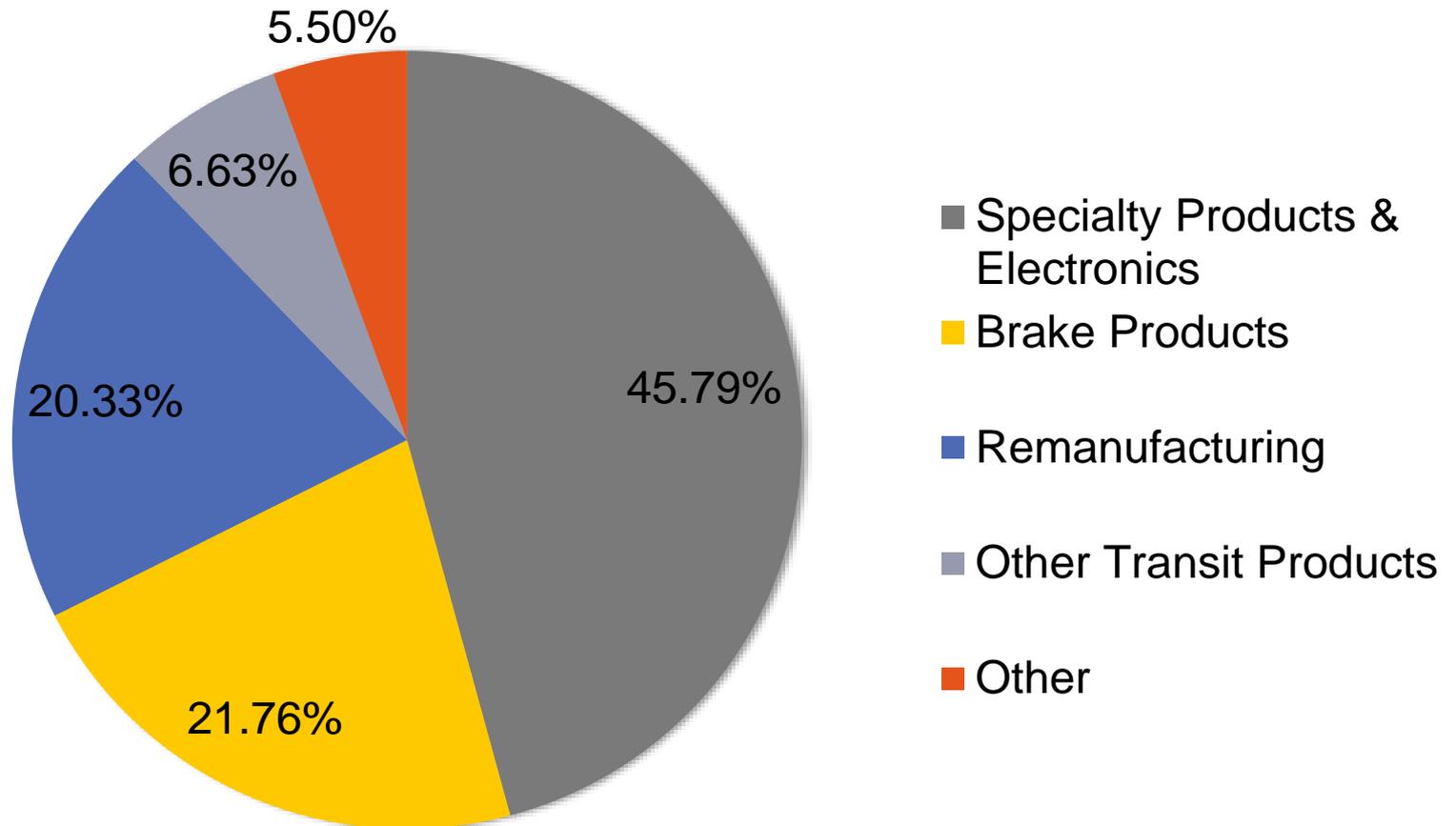
## Elmsford

Wabtec Passenger  
Transit  
Coupler System

# MARKET REVENUE BREAKDOWN



# WABTEC'S SALES BY LEADING PRODUCTS



# LOCATION

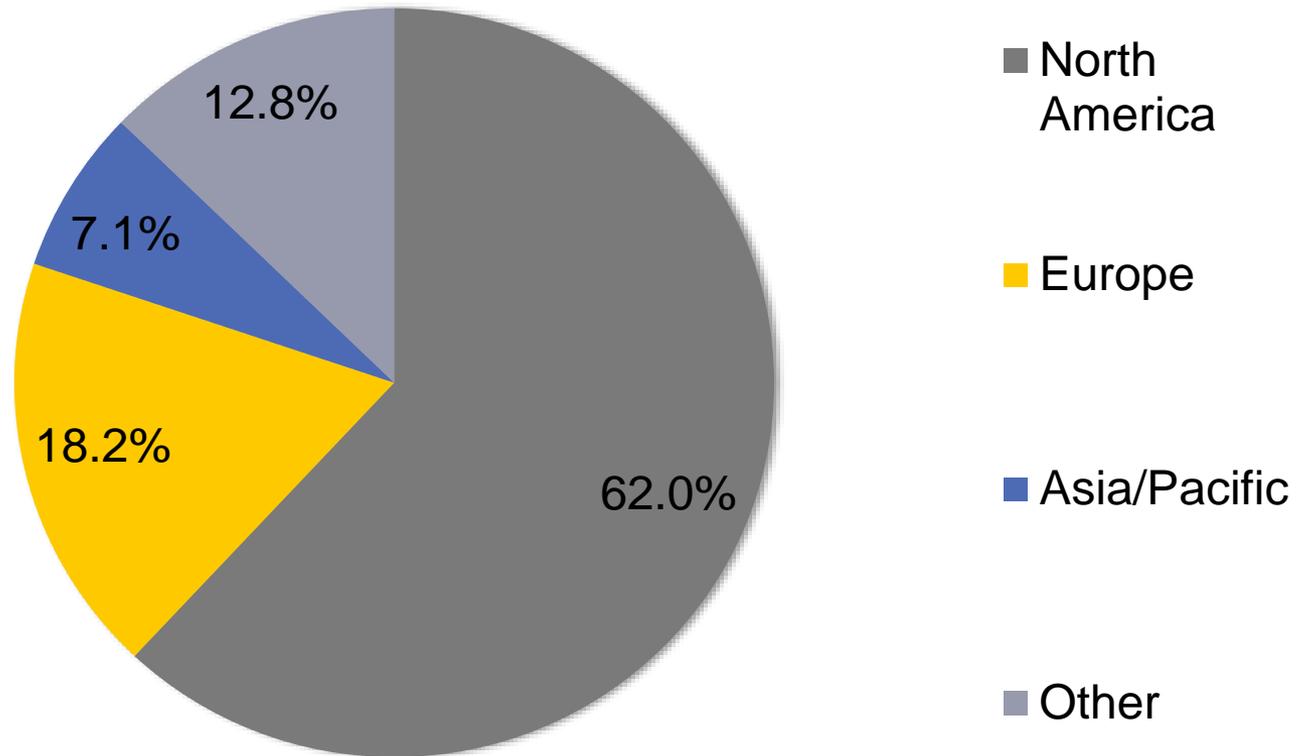
More than 50 manufacturing plants, service centers, and sales offices worldwide

## **Located in:**

- North America
- Europe
- Asia
- Australia
- South Africa
- Brazil



# SALES BY LOCATION



# **RISK FACTORS**

## **Dependency on key customers**

- 5 customers accounted for 17% of net sales in 2014

## **Macroeconomic factors**

- Declines in freight volume

## **Unions**

- 28% of Wabtec's workforce is unionized

## **Environmental and government regulations**

## **Positive Train Control (PTC) deadline**

# COMPETITIVE ADVANTAGE

**Leading market positions in core products**

**Broadest product offering in the industry**

**Leading design and engineering capabilities**

- 2,241 active patents

**Virtually all railway vehicles have Wabtec components**

**Sticky Business**

# GROWTH OPPORTUNITIES

## Switches from trucking to rail

## Aftermarket expansion

- 61% of 2014 sales are from aftermarket products and services
- Industry in-house work service provider

## Positive Train Control

## Strategic acquisitions

## Global expansion

- Sales to non-U.S. customers were 1.5 B in 2014

# **WABTEC:**

## **A YEAR IN REVIEW**

**Earnings per share rose 10% from \$3.63 to \$4.01**

**Freight segment sales rose 12% from \$453M to \$507M**

- Increased demand for original freight products, PTC electronics, and aftermarket products

**Transit sales fell 12% from \$344M to \$302M**

**Currency translations took \$39M out of revenues**

**Several key acquisitions have been made**

- Net sales increased by 2% (12M) in the 3<sup>rd</sup> quarter

# ACQUISITIONS

**Acquisitions amounted to \$395M this year**

**July 2015: Announced Acquisition of Faiveley Transport for \$1.8 B**

- Leader in railway Energy & Comfort, Access & Mobility, and Brakes & Safety services with revenues of \$4.5B

**Acquisitions related to the Freight Segment:**

- 2 companies for \$102M

**Acquisitions related to the Transit Segment:**

- 3 companies totaling \$293M

# MANAGEMENT'S DISCUSSION

## Q3 Report:

Freight group's performance

Sluggish economic conditions

- Trinity and Greenbrier
- Orders for new freight cars have fallen 83% over the year

Trinity and Greenbrier's current backlog

- 122,000+ units

## Looking Forward:

9% revenue growth for the rest of 2015

Earnings per share to increase by \$0.10 by the end of 2015

Faiveley acquisition should strengthen position in global transit

# RECENT NEWS

**Faiveley acquisition - Dow Jones**

**PTC deadline moved to 2018**

**Saudi Arabia railway ordered \$26M in components**

**Colorado company signed for \$27M in signaling designs**

**Department of Transportation requiring pneumatic braking**

- Deadline of 2021
- Ongoing court cases are likely to last until 2017
- \$750M opportunity for Wabtec

**Recently acquired Relay Monitoring Systems**

# QUALITATIVE ANALYSIS

Qualitative Question	
What type of business is this: Commodity or Sustained Competitive Advantage	Sustained Competitive Advantage
Is the business easily explainable?	Yes
Is it heavily unionized?	Yes
Does it require heavy capital infusion?	No
Does it require a lot of R&D?	No
Can inventory become obsolete?	No
Are there chronic “one-time” write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
If I gave you \$1 billion could you develop a competitor?	No

# QUANTITATIVE ANALYSIS

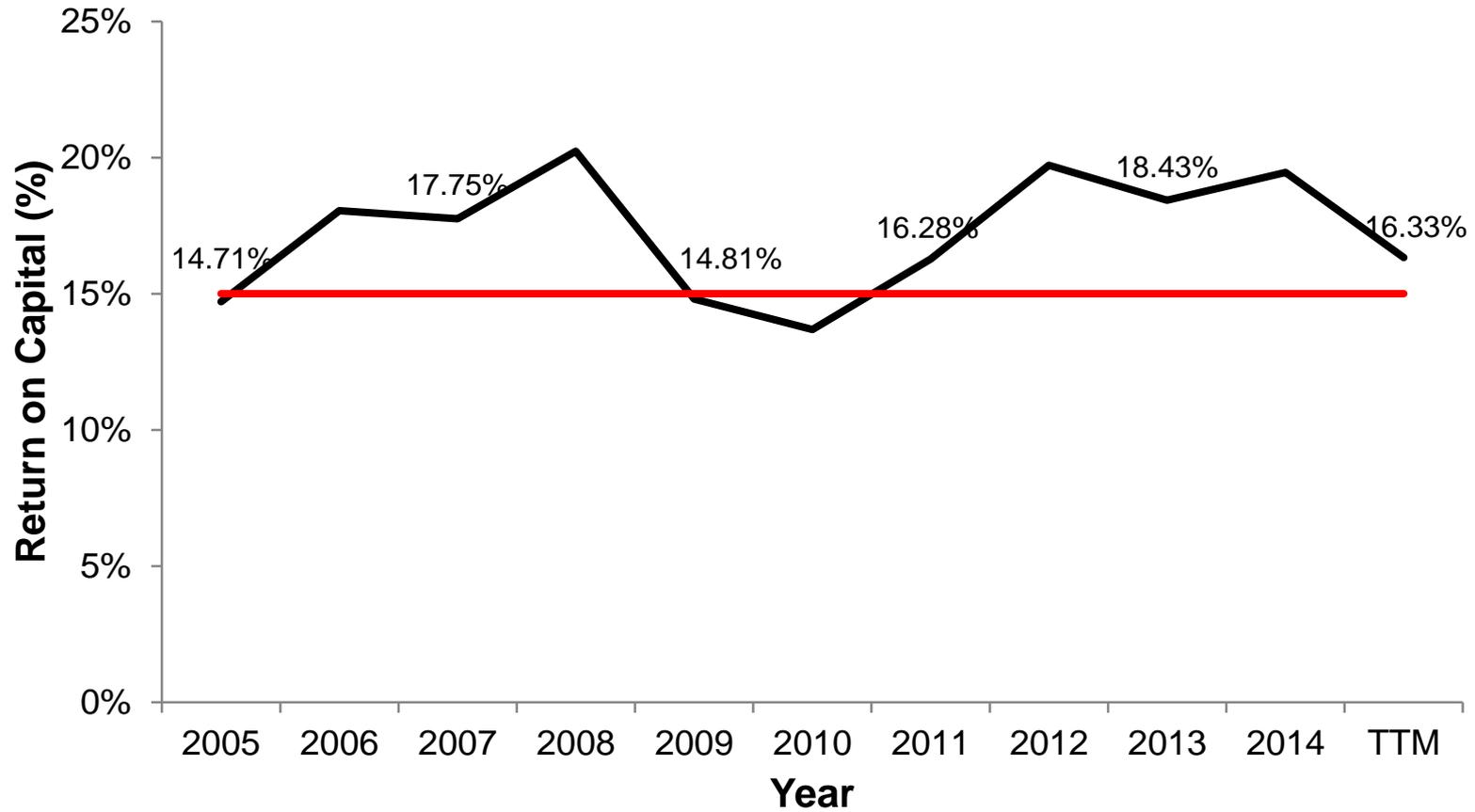
# INTERPRETATION OF THE FINANCIAL STATEMENTS

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	31.39%	$\geq 20\%$	Yes
% SGA	33.74%	$\leq 80\%$	Yes
% R&D	6.78%	$\leq 10\%$	Yes
% Depreciation	6.23%	$\leq 10\%$	Yes
Interest % of OP	2.87%	$\leq 15\%$	Yes
Net Profit Margin	11.82%	$\geq 10\%$	Yes
Current Ratio	2.52	$\geq 1$	Yes
Obligation Ratio	0.26	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.56	< 0.8	Yes
Return on Equity	19.63%	$\geq 15\%$	Yes
Return on Capital	16.33%	$\geq 15\%$	Yes
Dividend Payout Ratio	6.44%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	12.78%	$\leq 25\%$	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

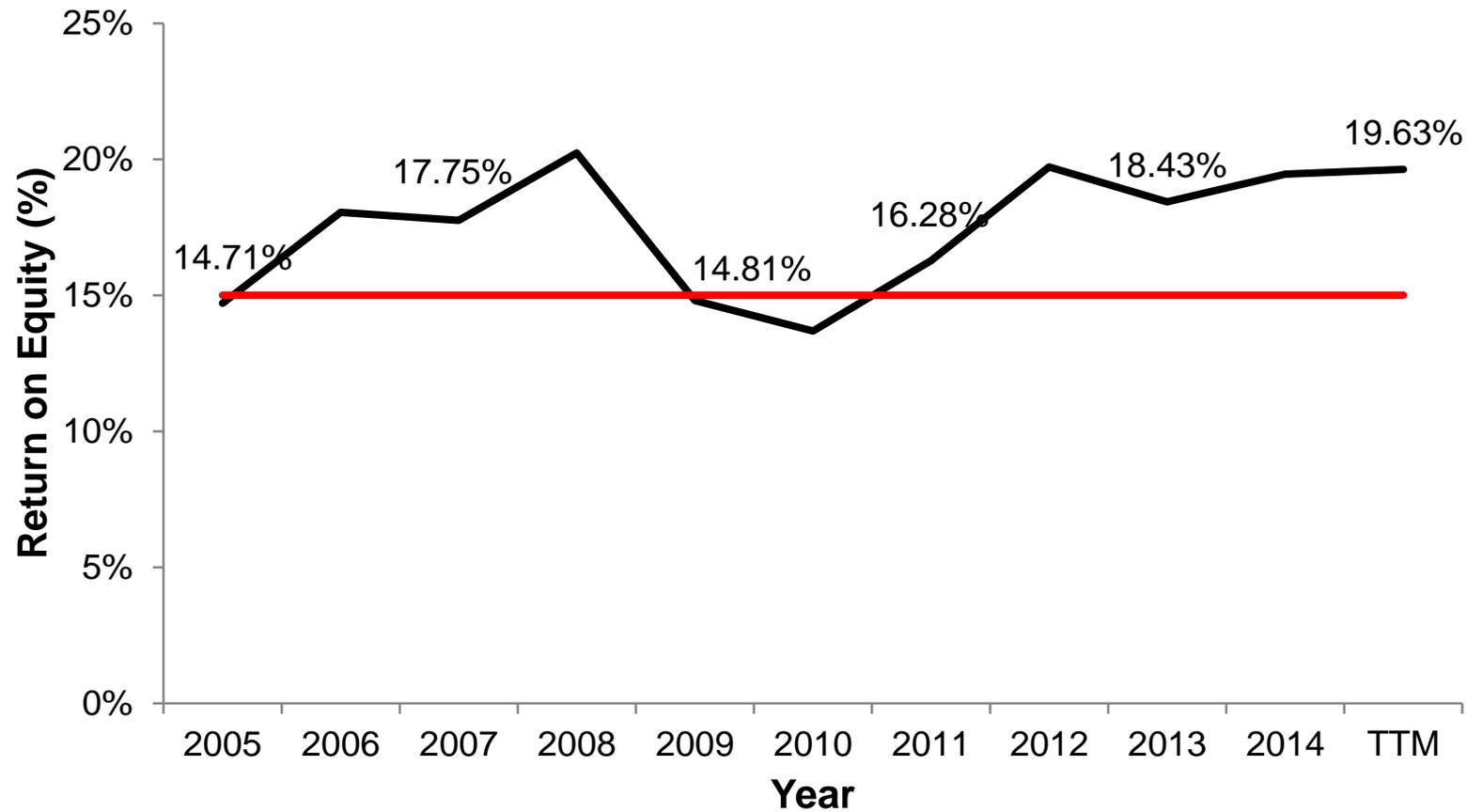
# DUPONT ANALYSIS

Year	Return on Equity (%)	Net Profit Margin (%)	Total Asset Turnover	Financial Leverage Multiplier
2010	13.68	8.17	0.84	2.00
2011	16.28	8.65	0.91	2.07
2012	19.72	10.53	1.02	1.84
2013	18.43	11.39	0.91	1.78
2014	19.46	11.55	0.92	1.83
TTM	19.63	11.82	0.99	1.68

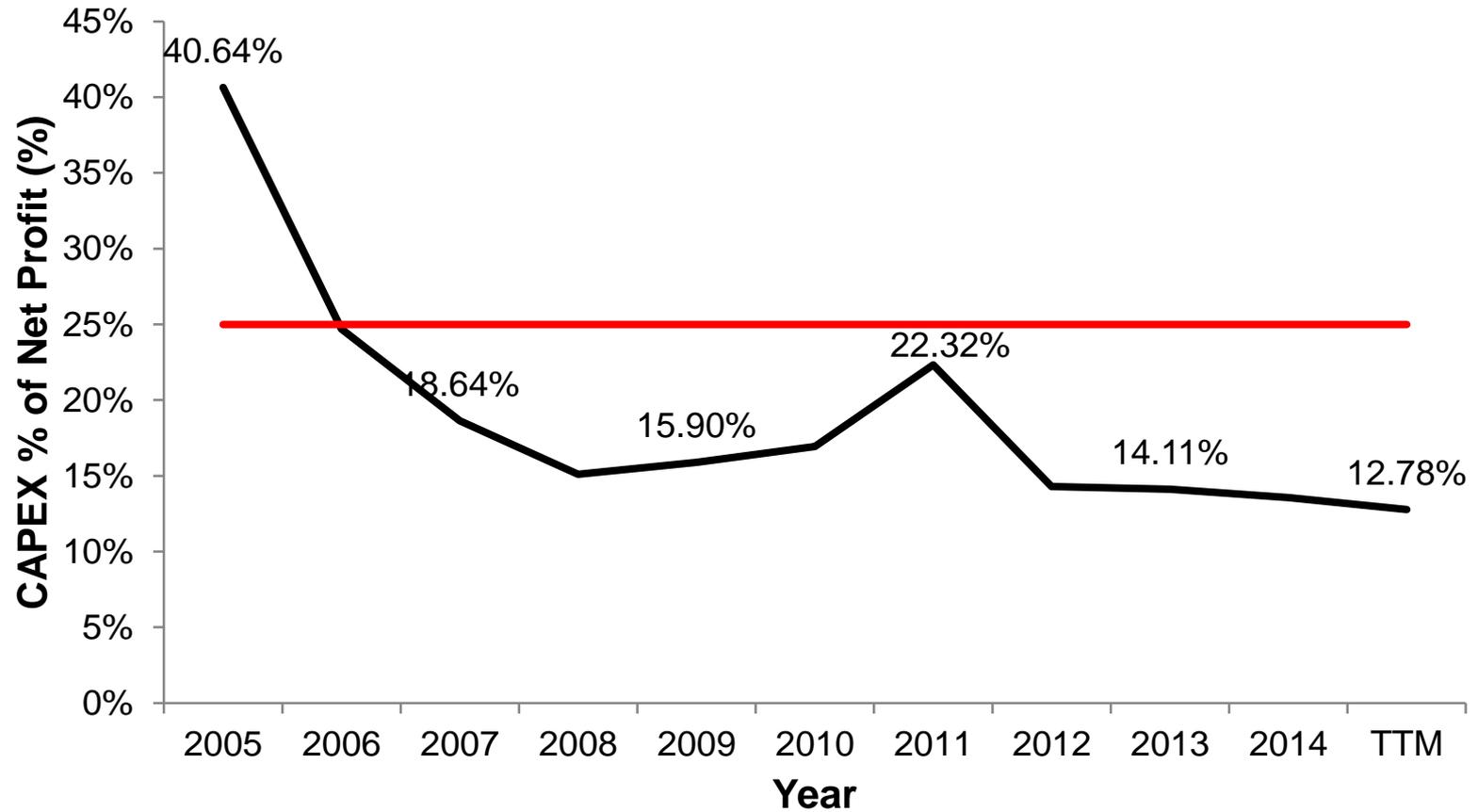
# RETURN ON CAPITAL



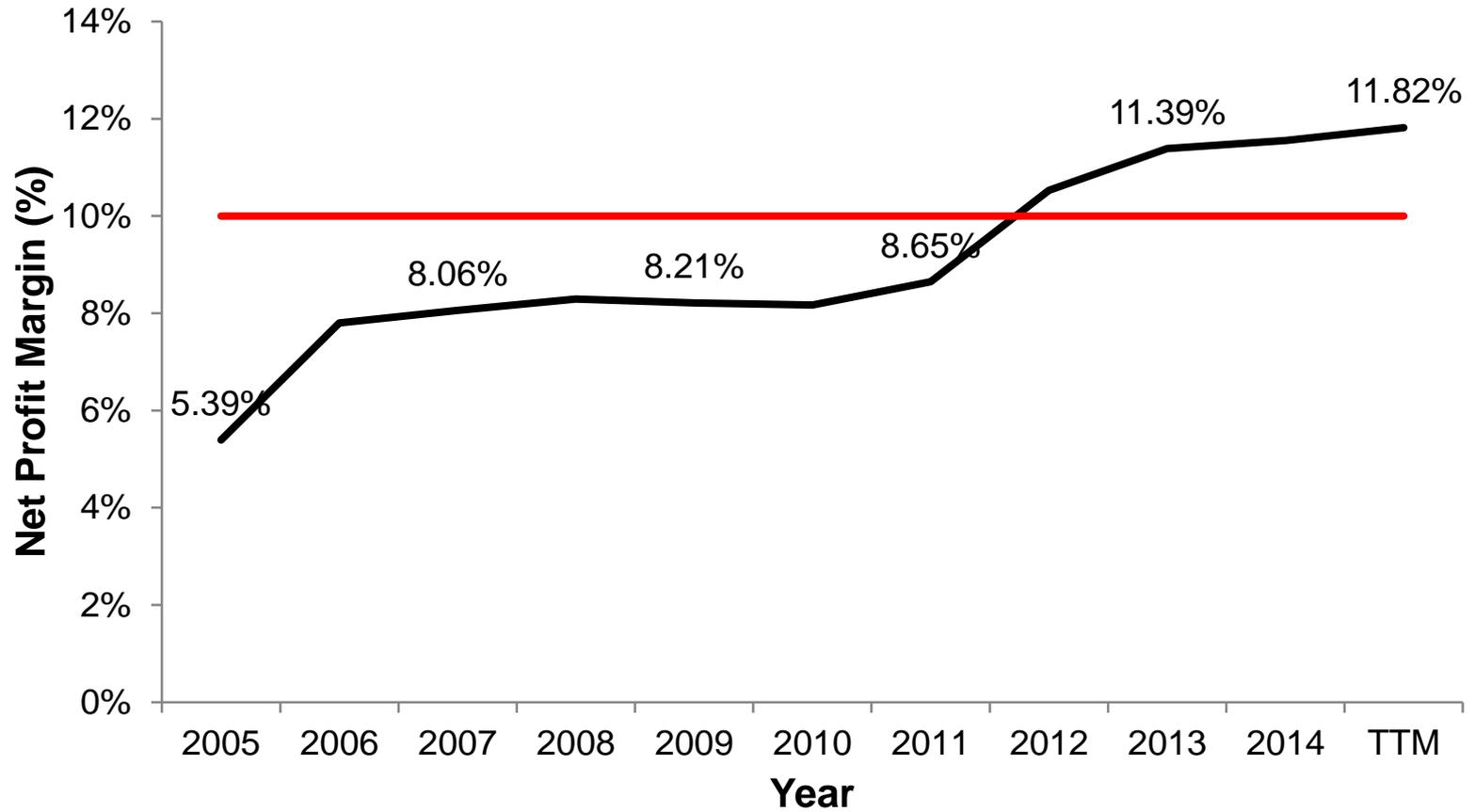
# RETURN ON EQUITY



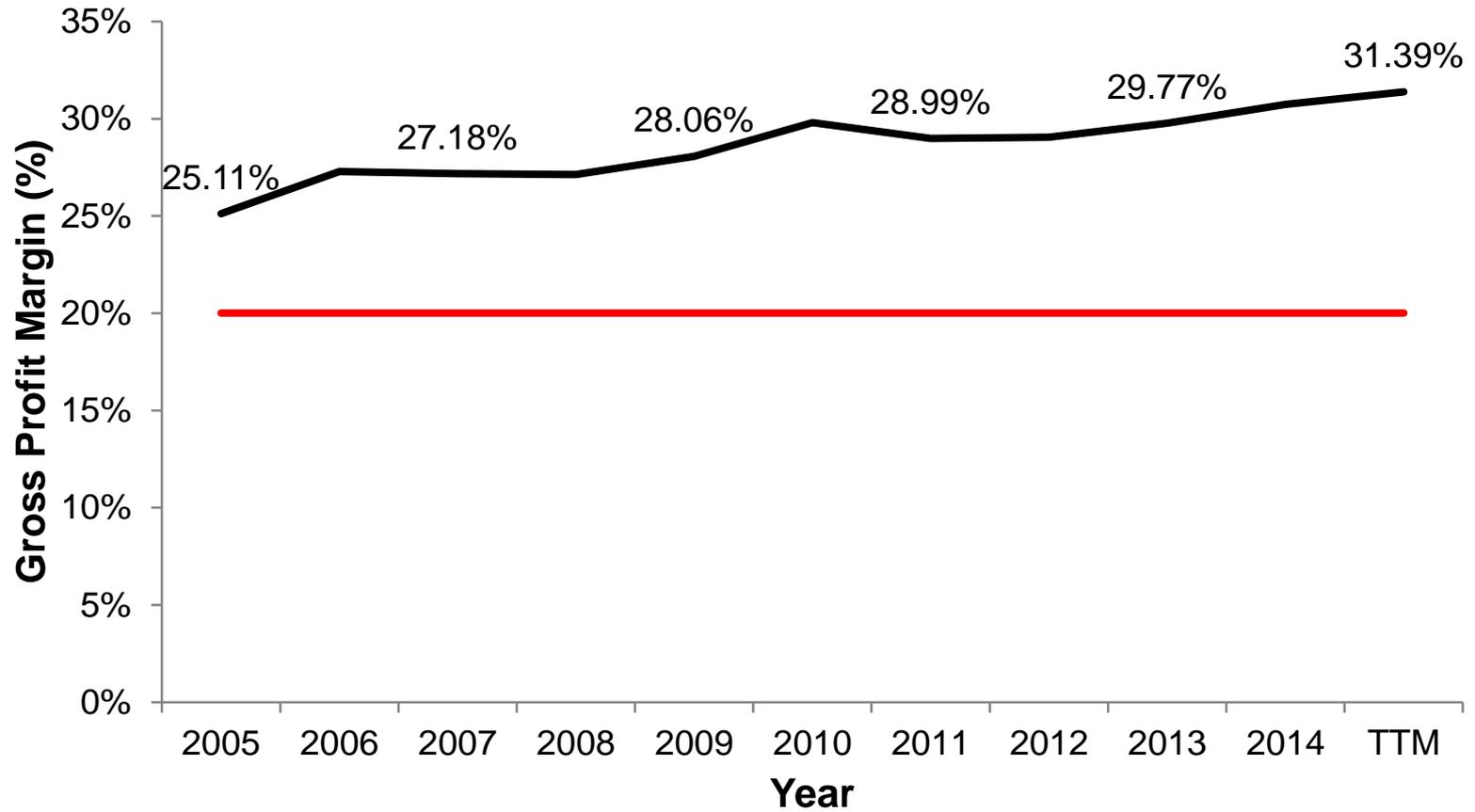
# CAPITAL EXPENDITURES AS A PERCENT OF NET PROFIT



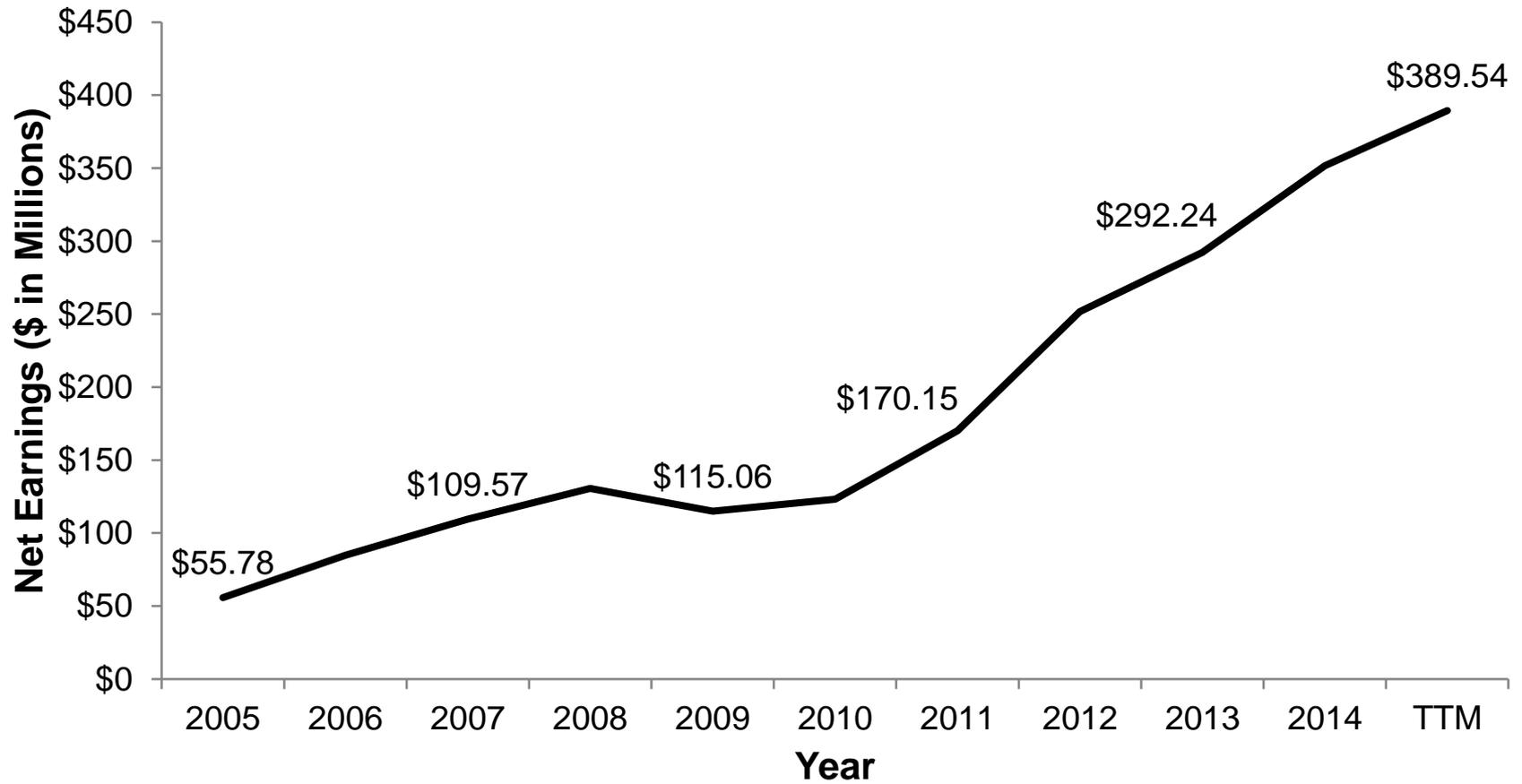
# NET PROFIT MARGIN



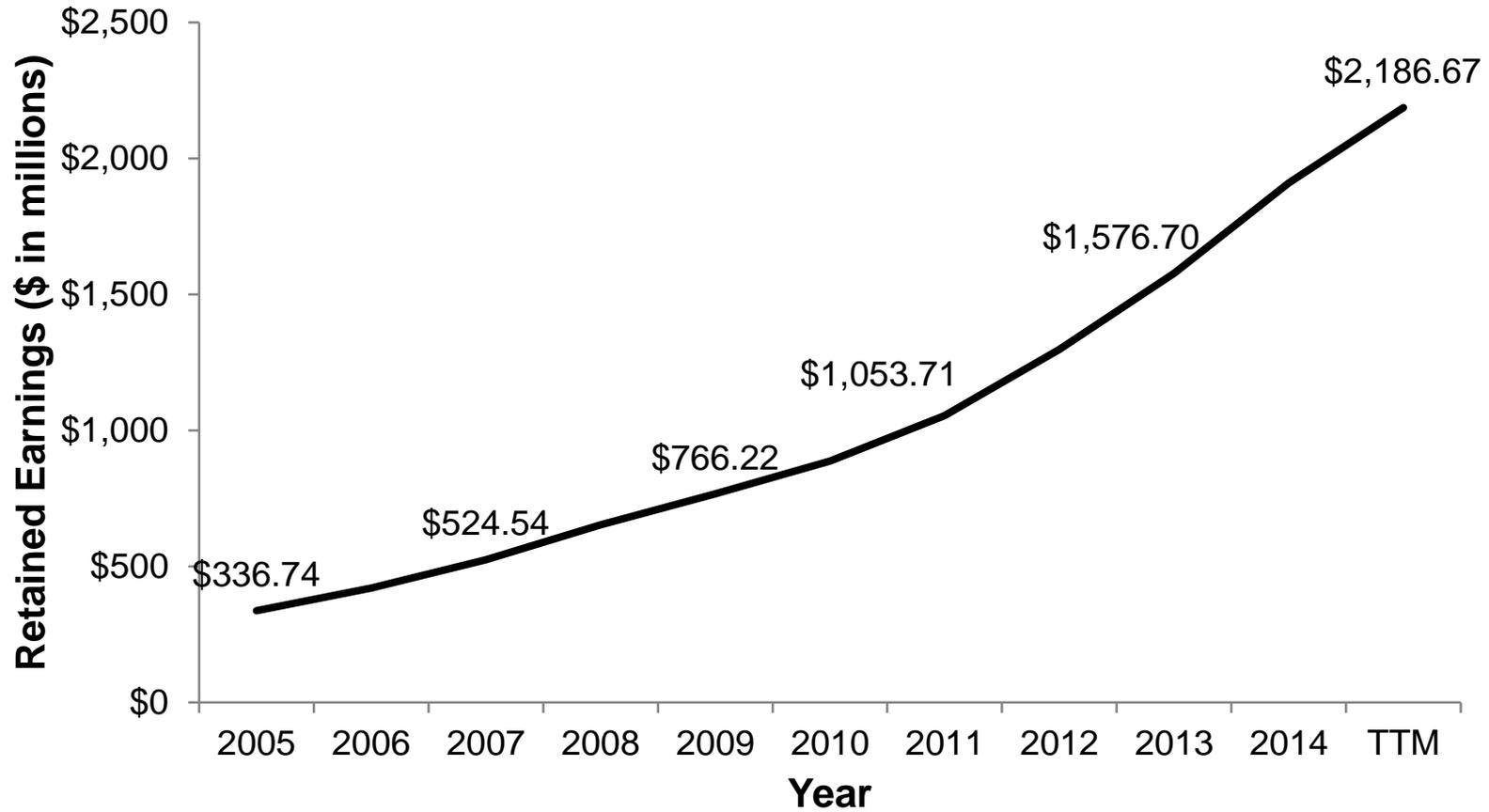
# GROSS PROFIT MARGIN



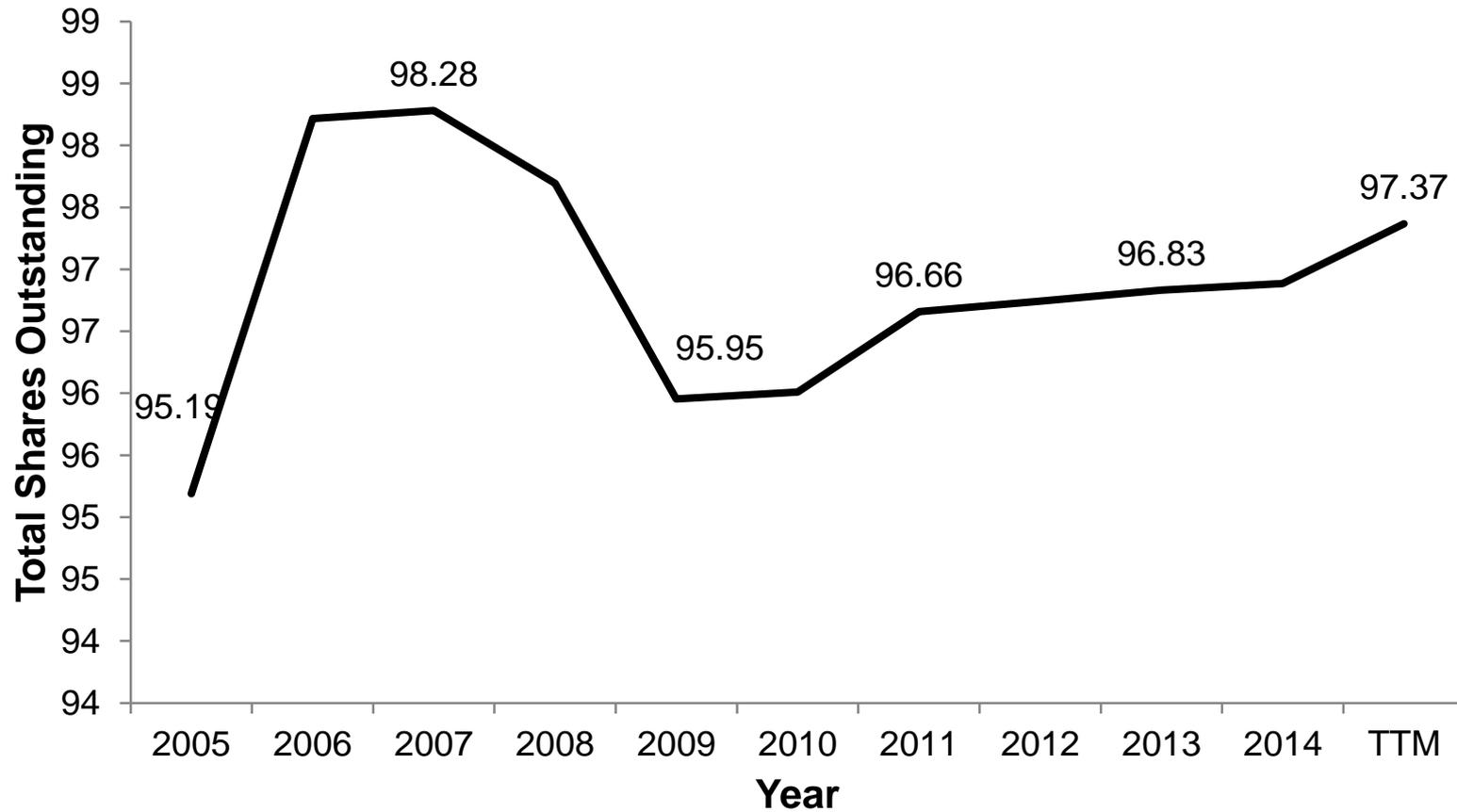
# NET EARNINGS



# RETAINED EARNINGS



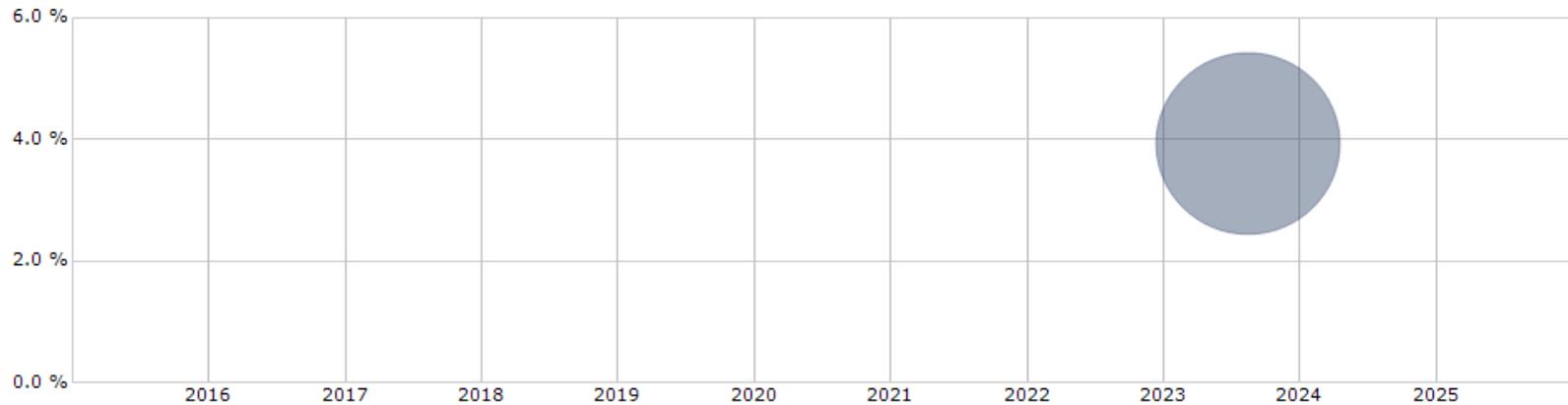
# TOTAL SHARES OUTSTANDING (IN MILLIONS)



# MORNINGSTAR DEBT ANALYSIS

## Yield to Maturity

● Debt   
 ● Preferred   
 ● Convertible   
 ● ● ● Circle size determined by issue amount



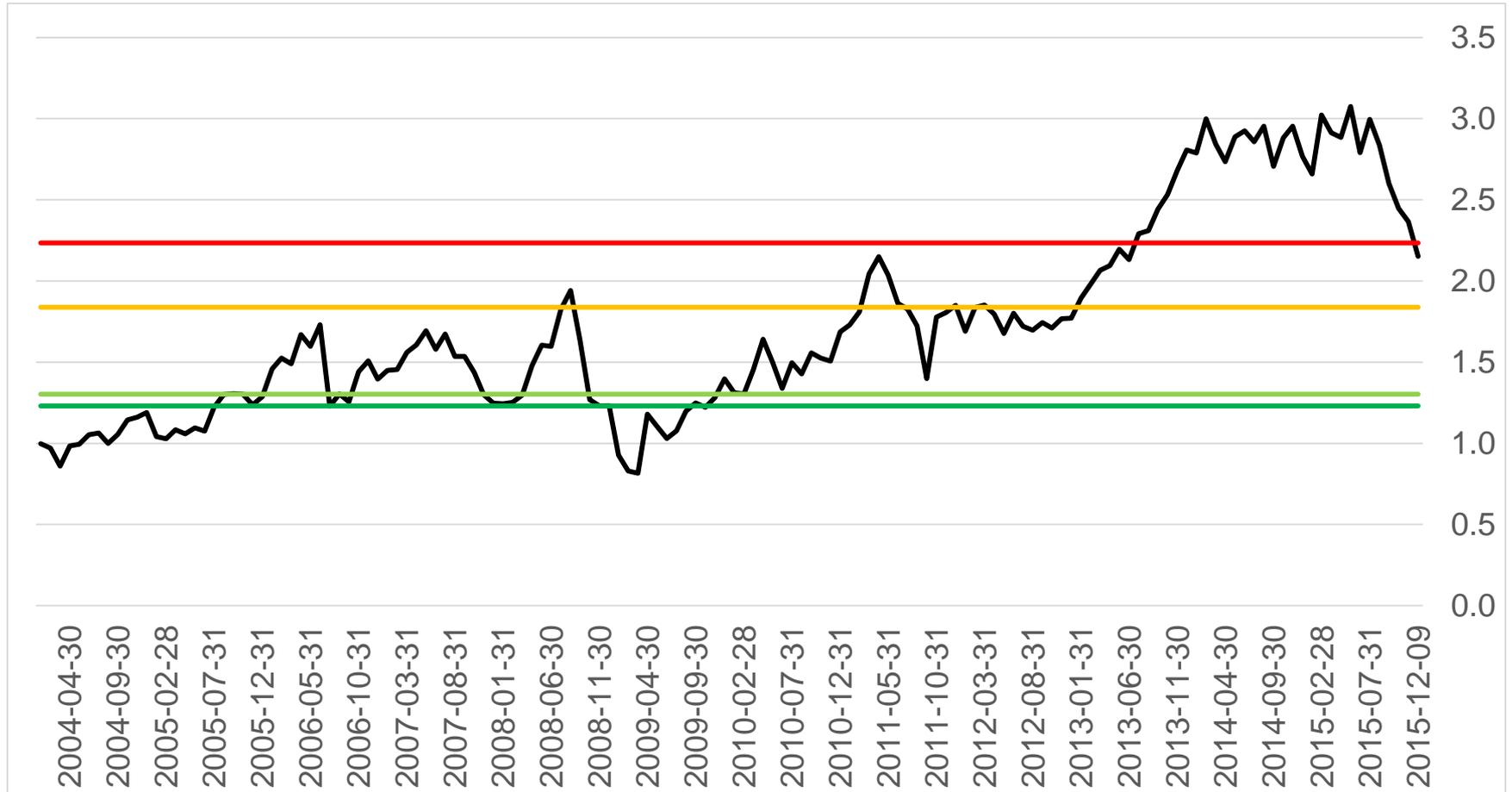
Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Westinghouse Air Brake Co New 4.375%	08/15/2023	250.0	---	103.0	4.375	Fixed	No	No	3.93

# STATISTICAL ARRAY ANALYSIS

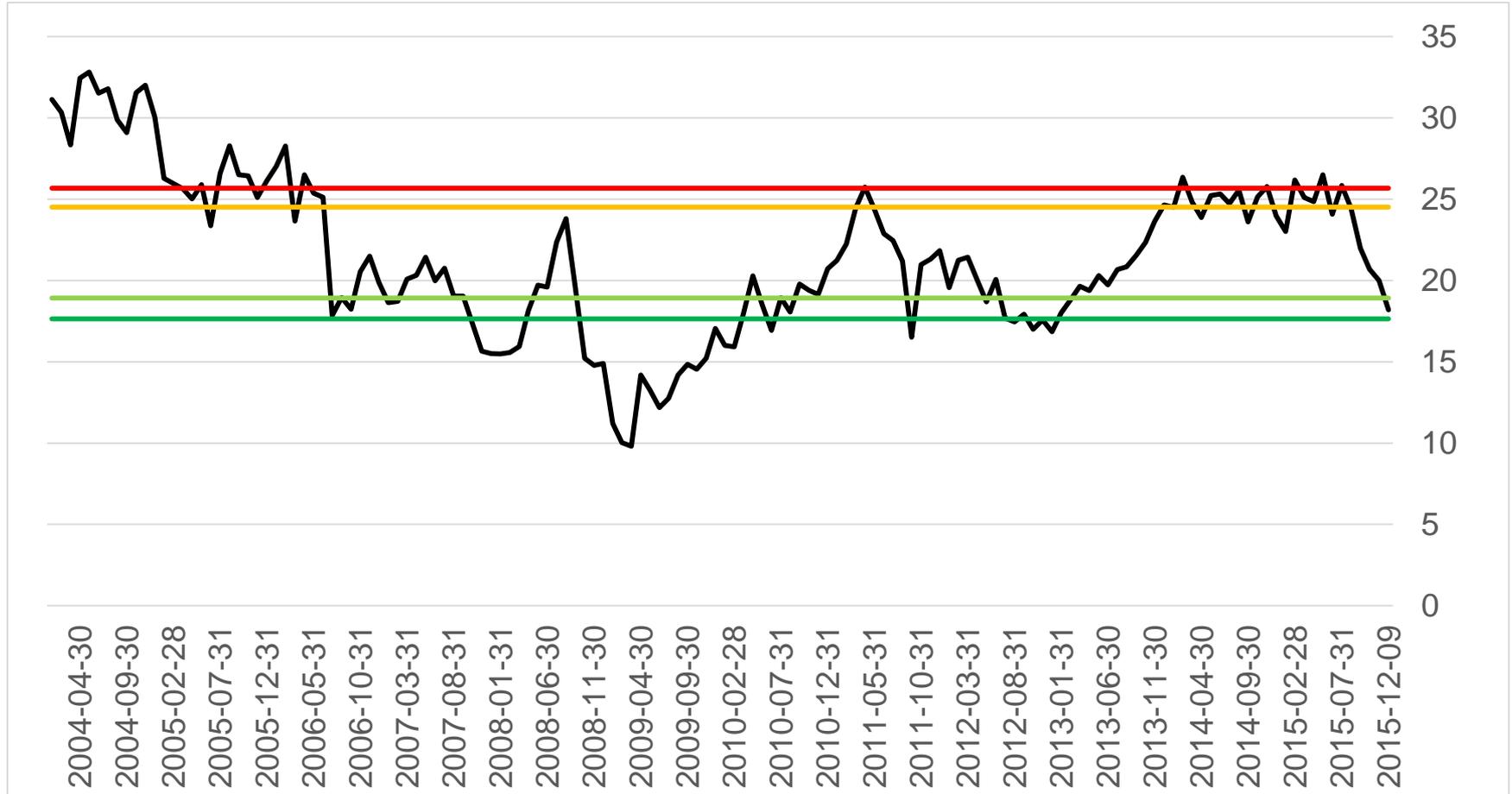
Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Increasing*
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Increasing
Operating Profit Margin	Increasing
Number of Stores	N/A
Net Profit	Increasing
Net Profit Margin	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Consistent*
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Increasing*
Long-Term Debt	Increasing*
All Dividends to Net Profit under 60%	Yes
Annual Growth Rate Analysis	Decreasing*

# VALUEBANDS

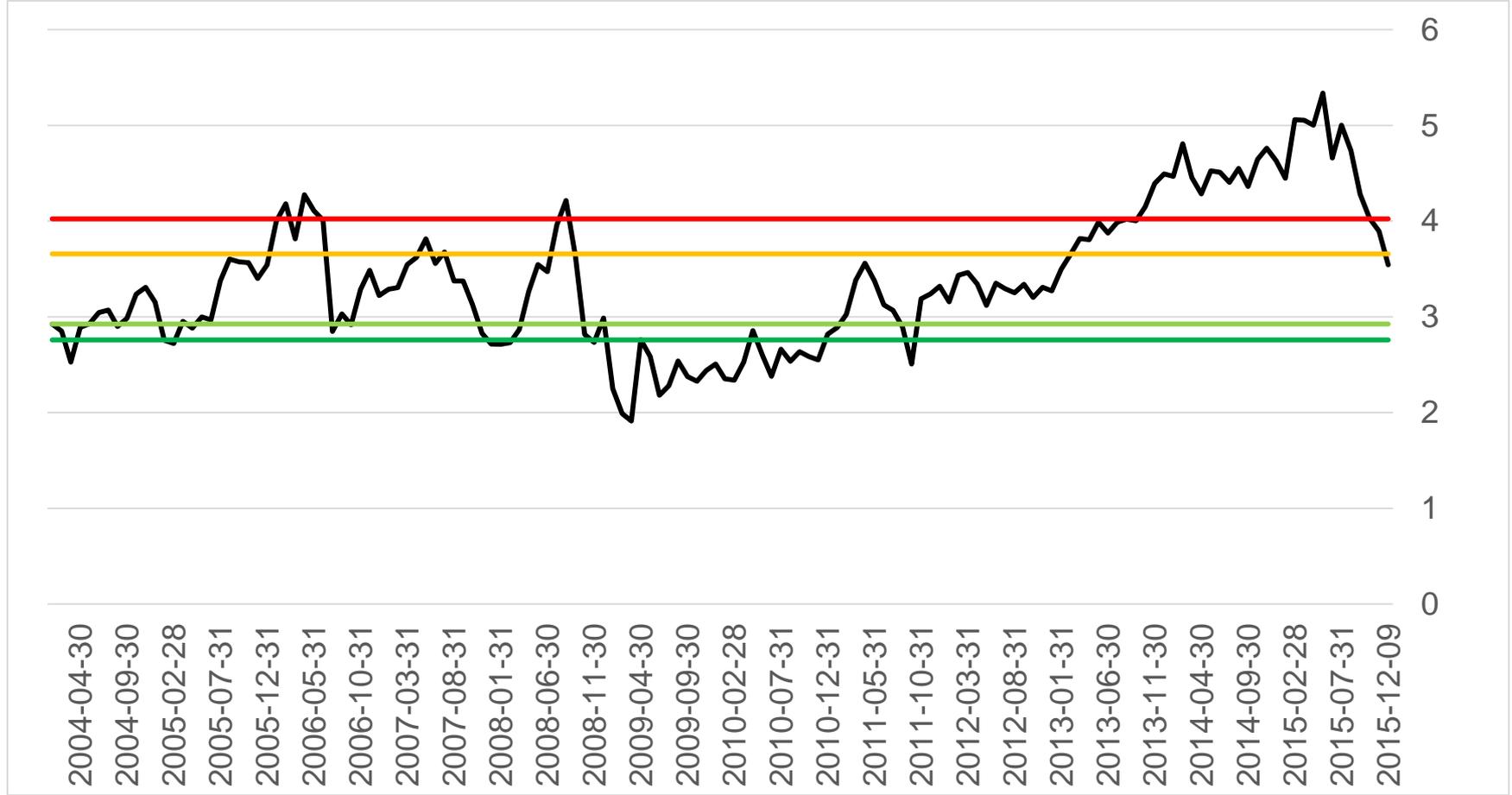
# PRICE TO SALES



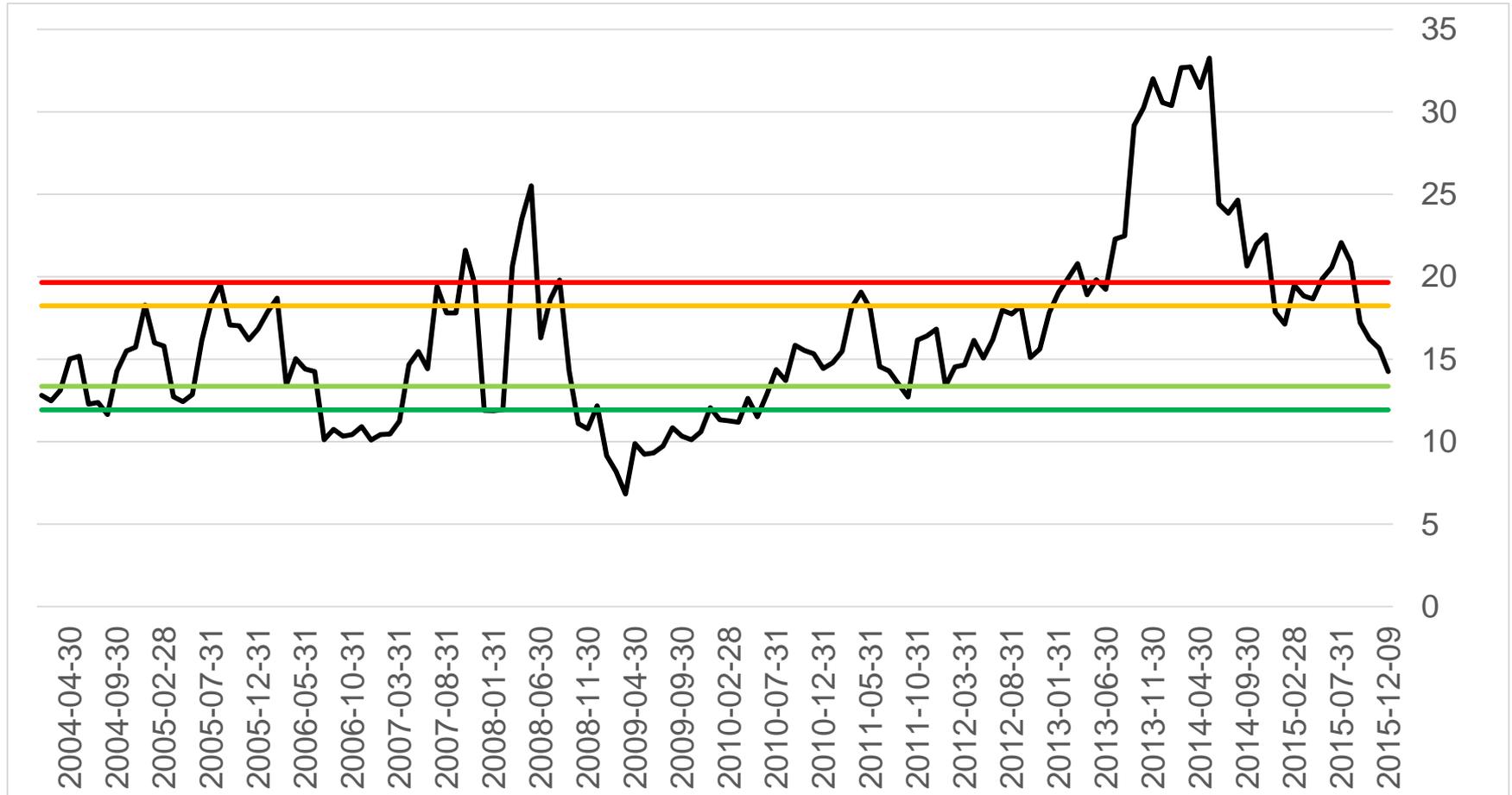
# PRICE TO EARNINGS



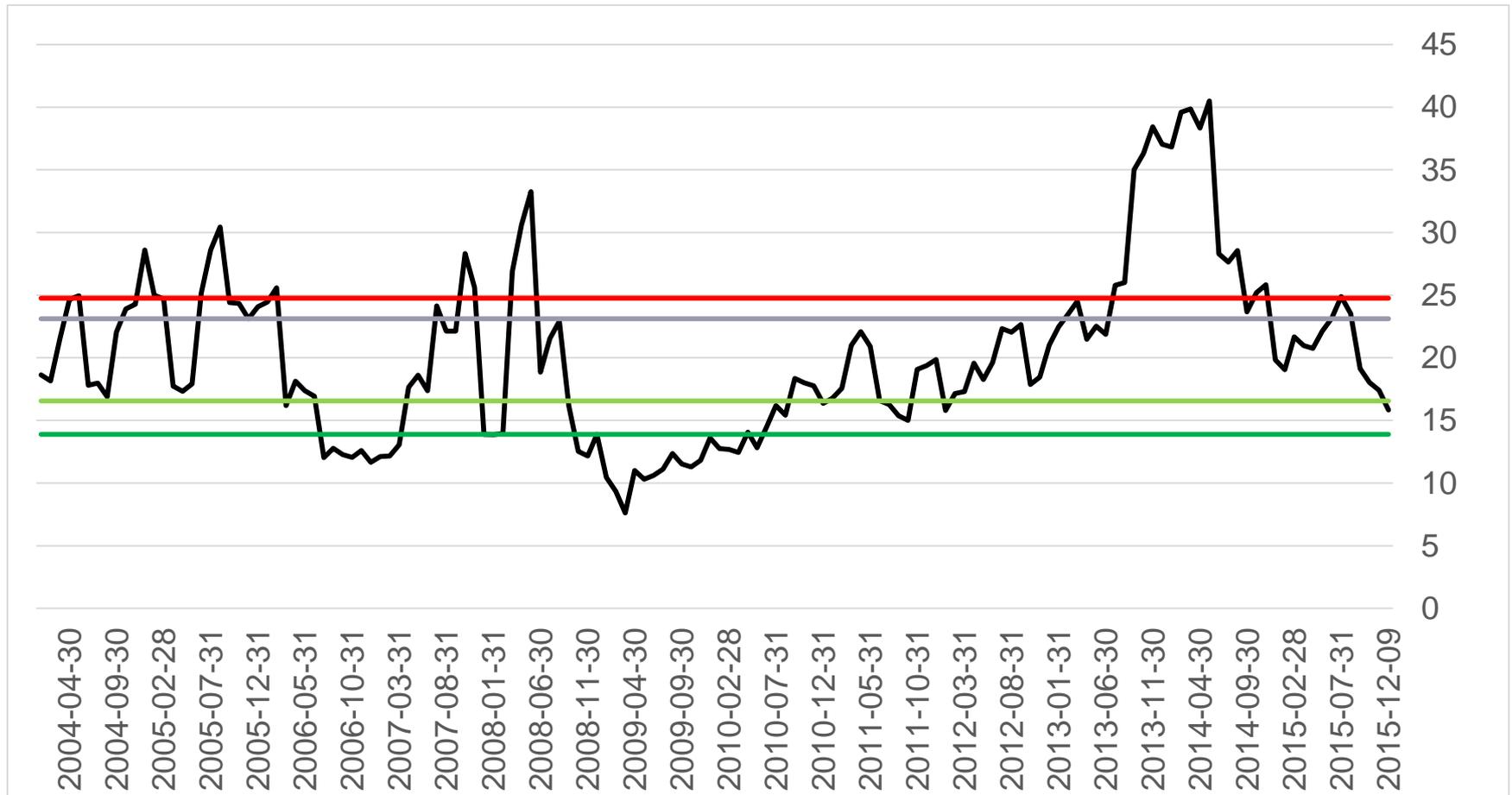
# PRICE TO BOOK



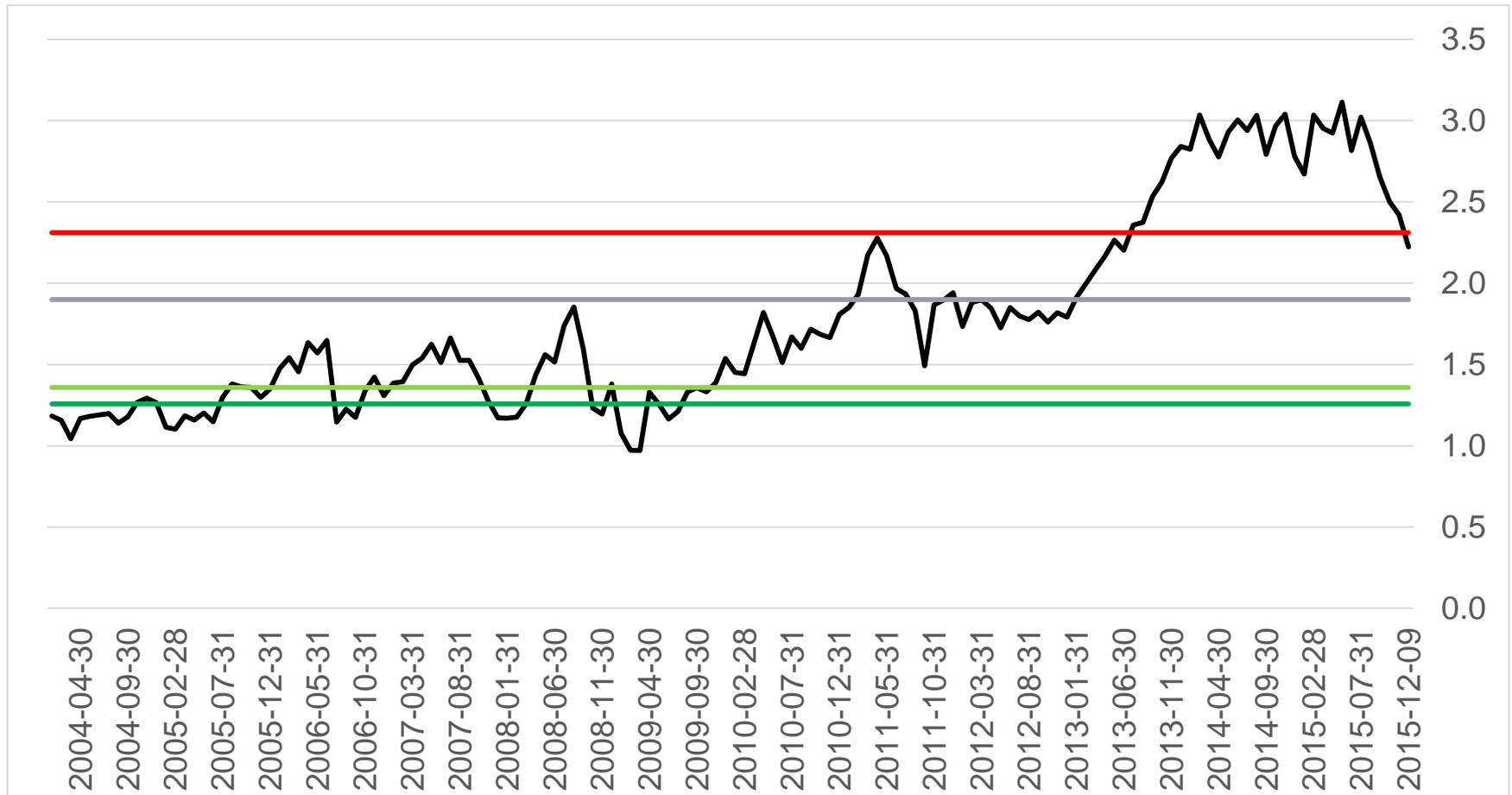
# PRICE TO CASHFLOW



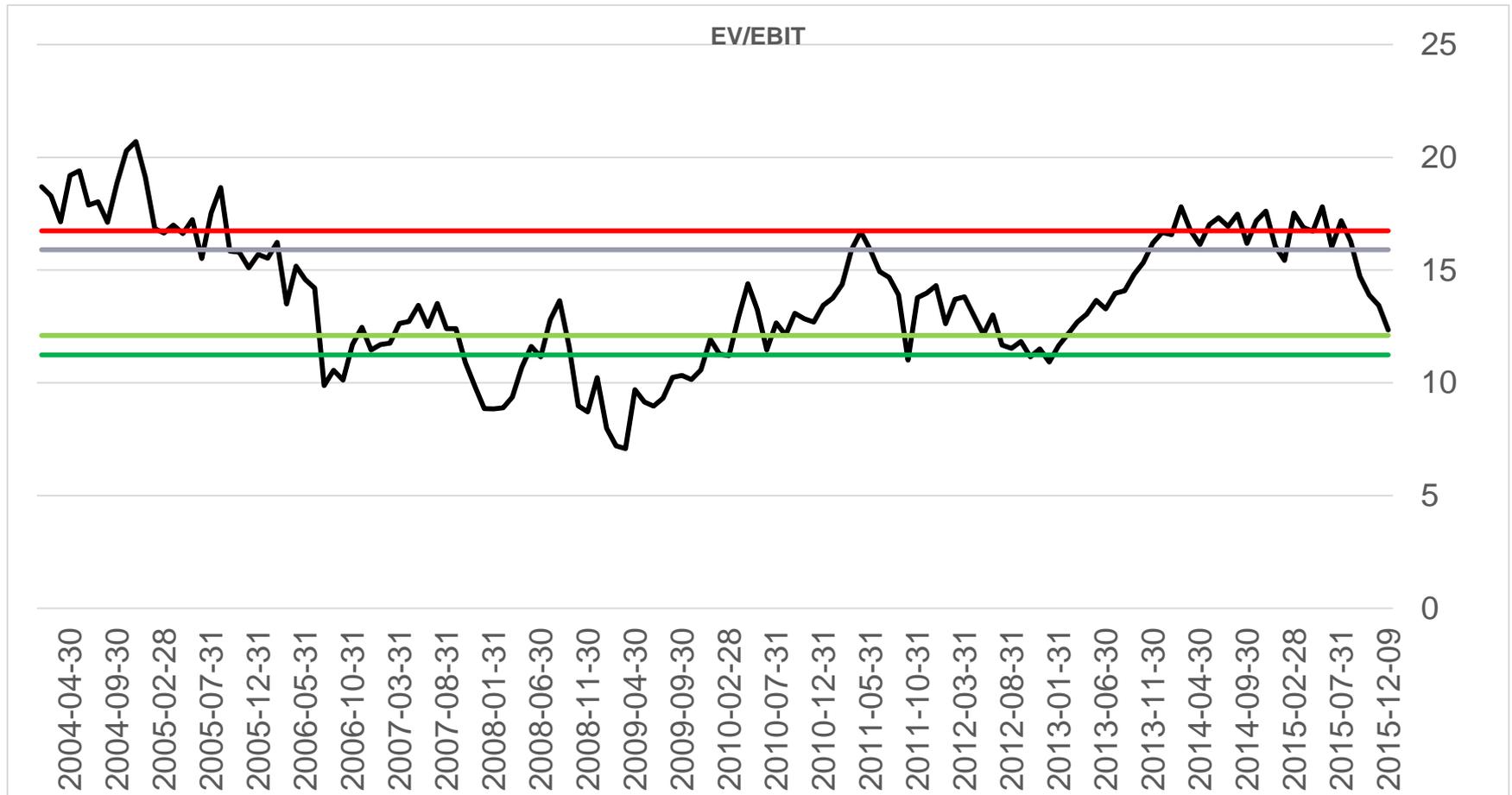
# PRICE TO FREE CASHFLOW



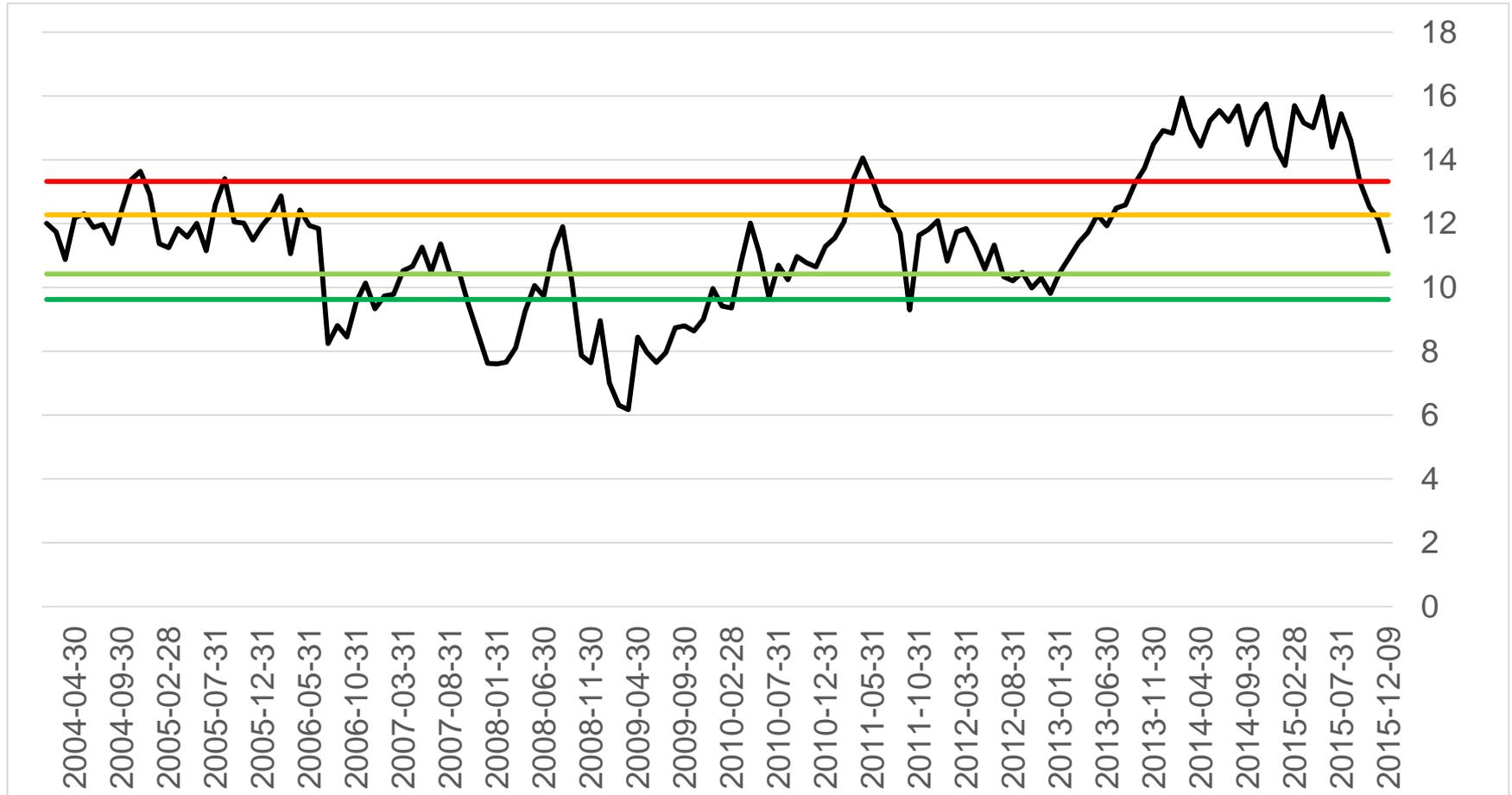
# ENTERPRISE VALUE TO REVENUE



# ENTERPRISE VALUE TO EBIT



# ENTERPRISE VALUE TO EBITDA



# SUMMARY

	Historical Rank	Current Multiple
P/S	79%	2.15
P/E	25%	18.20
P/B	63%	3.54
P/CFO	34%	14.25
P/FCF	26%	15.84
EV/Rev	78%	2.22
EV/EBITDA	43%	11.14
EV/EBIT	32%	12.35
Overall	47%	

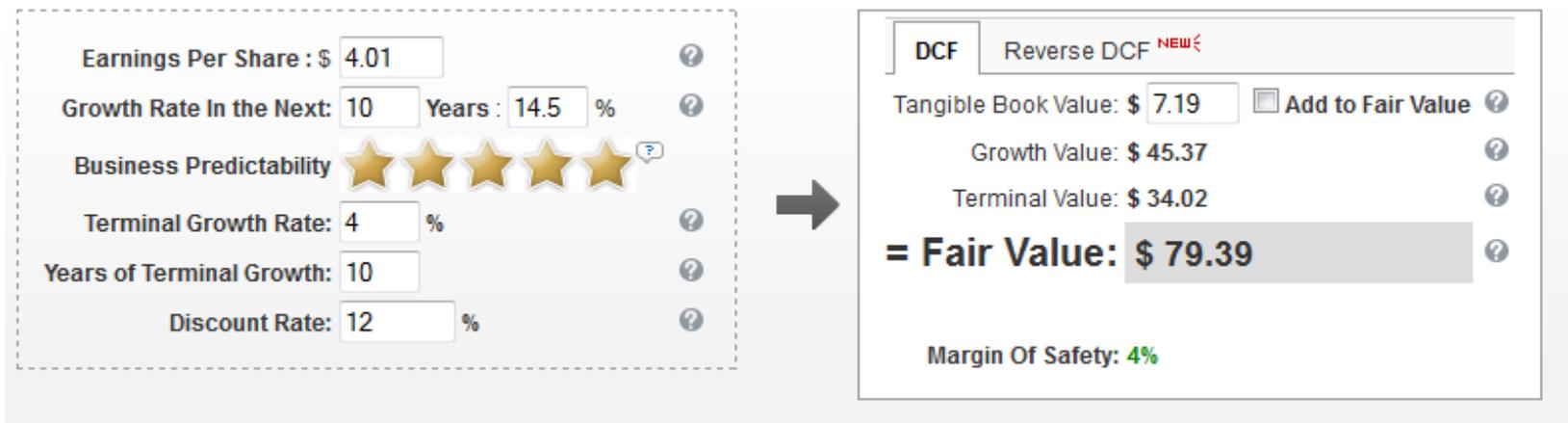
# **DISCOUNTED CASH-FLOW MODEL**

# DCF: OPTIMISTIC



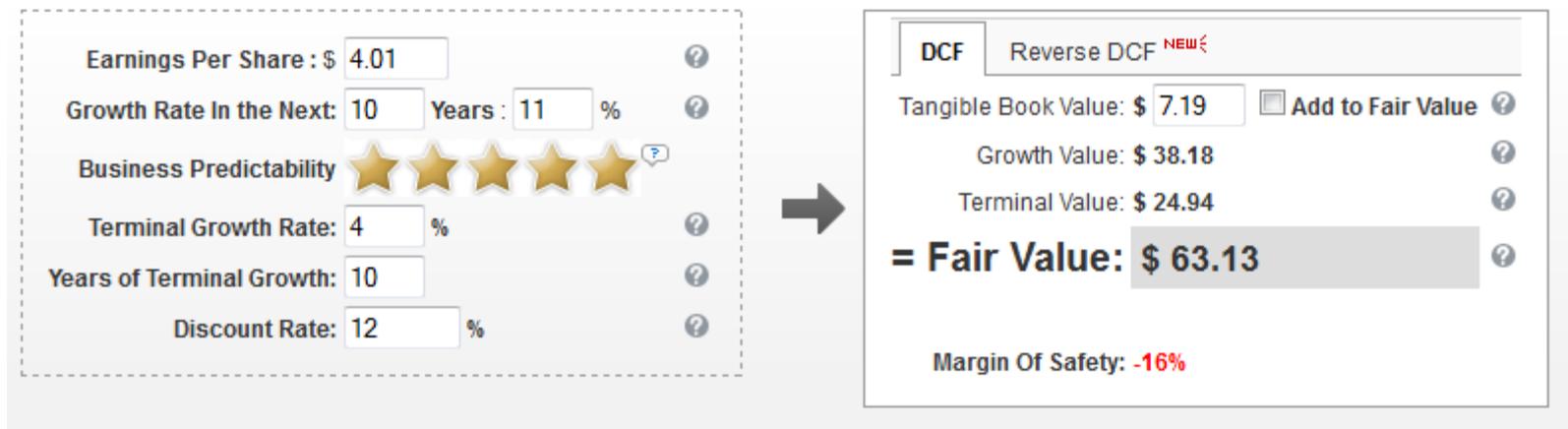
Cut Guru's Earnings per  
Share Growth by 8.4%

# DCF: SAFETY



Cut Earnings per Share  
Growth by 7.25%

# DCF: KILL IT



Cut Earnings per Share  
Growth by 55%

# CONSCIOUS INVESTOR

# CONSCIOUS INVESTOR

## 10 YEAR

WAB:US Westinghouse Air Brake Technologies Corp 											Transportation & Logistics		Last trade 2015-12-03		Return Analysis	
	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®		
EPS (\$)	0.585	0.860	1.115	1.335	1.195	1.282	1.760	2.602	3.018	3.630	\$4.010	10	20.23%	86.42%		
SPS (\$)	10.770	11.270	13.964	16.239	14.695	15.713	20.519	25.062	26.758	31.623		10	12.54%	92.04%		
	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14			Current			
NPM (%)	5.6	8.0	8.0	8.3	8.2	8.2	8.6	10.5	11.4	11.6			11.6%			
ROE (%)	16.1	20.0	20.2	20.7	16.2	14.7	17.5	21.7	20.4	20.7			20.7%			
Payout (%)	3.0	2.0	2.0	1.0	2.0	2.0	2.0	3.0	4.0	6.0			6.0%			
Debt/Eq. (%)	39.6	31.9	24.3	60.0	50.4	46.9	37.9	24.9	28.4	28.8			28.8%			
	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low		Current			
P/E High	24.77	23.30	18.83	22.75	17.95	20.83	20.58	17.11	25.73	25.40	26.21		18.87			
P/E Low	14.13	14.39	12.74	10.76	9.68	14.10	14.03	12.74	14.50	19.13	18.61					
Price High	14.49	20.04	21.00	30.38	21.46	26.71	36.22	44.52	77.64	92.20	105.10		75.65			
Price Low	8.27	12.38	14.20	14.36	11.57	18.08	24.69	33.15	43.77	69.45	74.62					
		Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®							
Default		75.65	\$4.010	20.82	20.23%	4.2%	19.28%	10.00%	177.88					Copy		
Safety		75.65	\$4.010	15.75	11.30%	3.8%	8.10%	10.00%	62.53					Copy		

# CONSCIOUS INVESTOR

## 6 YEAR

WAB:US Westinghouse Air Brake Technologies Corp 

Transportation & Logistics

Last trade 2015-12-03

Return Analysis

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.585	0.860	1.115	1.335	1.195	1.282	1.760	2.602	3.018	3.630	\$4.010	6	27.24%	93.59%
SPS (\$)	10.770	11.270	13.964	16.239	14.695	15.713	20.519	25.062	26.758	31.623		6	17.24%	96.03%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14		Current
NPM (%)	5.6	8.0	8.0	8.3	8.2	8.2	8.6	10.5	11.4	11.6		11.6%
ROE (%)	16.1	20.0	20.2	20.7	16.2	14.7	17.5	21.7	20.4	20.7		20.7%
Payout (%)	3.0	2.0	2.0	1.0	2.0	2.0	2.0	3.0	4.0	6.0		6.0%
Debt/Eq. (%)	39.6	31.9	24.3	60.0	50.4	46.9	37.9	24.9	28.4	28.8		28.8%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low	Current
P/E High	24.77	23.30	18.83	22.75	17.95	20.83	20.58	17.11	25.73	25.40	26.21	18.87
P/E Low	14.13	14.39	12.74	10.76	9.68	14.10	14.03	12.74	14.50	19.13	18.61	
Price High	14.49	20.04	21.00	30.38	21.46	26.71	36.22	44.52	77.64	92.20	105.10	75.65
Price Low	8.27	12.38	14.20	14.36	11.57	18.08	24.69	33.15	43.77	69.45	74.62	

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	75.65	\$4.010	20.82	27.24%	4.2%	26.02%	10.00%	313.03	Copy
Safety	75.65	\$4.010	15.75	14.03%	3.8%	10.52%	10.00%	79.58	Copy

# CONSCIOUS INVESTOR

## 3 YEAR

WAB:US Westinghouse Air Brake Technologies Corp 

Transportation & Logistics

Last trade 2015-12-03

Return Analysis

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.585	0.860	1.115	1.335	1.195	1.282	1.760	2.602	3.018	3.630	\$4.010	3	18.11%	99.51%
SPS (\$)	10.770	11.270	13.964	16.239	14.695	15.713	20.519	25.062	26.758	31.623		3	12.33%	98.34%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14		Current
NPM (%)	5.6	8.0	8.0	8.3	8.2	8.2	8.6	10.5	11.4	11.6		11.6%
ROE (%)	16.1	20.0	20.2	20.7	16.2	14.7	17.5	21.7	20.4	20.7		20.7%
Payout (%)	3.0	2.0	2.0	1.0	2.0	2.0	2.0	3.0	4.0	6.0		6.0%
Debt/Eq. (%)	39.6	31.9	24.3	60.0	50.4	46.9	37.9	24.9	28.4	28.8		28.8%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low	Current
P/E High	24.77	23.30	18.83	22.75	17.95	20.83	20.58	17.11	25.73	25.40	26.21	18.87
P/E Low	14.13	14.39	12.74	10.76	9.68	14.10	14.03	12.74	14.50	19.13	18.61	
Price High	14.49	20.04	21.00	30.38	21.46	26.71	36.22	44.52	77.64	92.20	105.10	75.65
Price Low	8.27	12.38	14.20	14.36	11.57	18.08	24.69	33.15	43.77	69.45	74.62	

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	75.65	\$4.010	20.82	18.11%	4.2%	17.26%	10.00%	148.97	Copy
Safety	75.65	\$4.010	15.75	11.21%	3.8%	8.02%	10.00%	62.03	Copy

# SAFETY

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	75.65	\$4.010	20.82	20.23%	4.2%	19.28%	10.00%	177.88	Copy
Safety	75.65	\$4.010	15.75	11.30%	3.8%	8.10%	10.00%	62.53	Copy
 Saved	75.65	\$4.010	9.00	7.70%	0.0%	0.01%	10.00%	25.33	Copy

Cut PE Growth by 7.5%  
Cut Earnings per Share Growth by 55.8%

# KILL IT

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	75.65	\$4.010	20.82	20.23%	4.2%	19.28%	10.00%	177.88	Copy
Safety	75.65	\$4.010	15.75	11.30%	3.8%	8.10%	10.00%	62.53	Copy
 Saved	75.65	\$4.010	9.00	7.70%	0.0%	0.01%	10.00%	25.33	Copy

Cut PE Growth by another 42.86%  
Cut Earnings per Share Growth by another 31.86%

Industry Breakdown	Westinghouse Air Brakes	Faiveley Transport SA	GE Transportation	Electro-Motive Diesel (Subsidiary of CAT)
Market Cap	7.61 B	1.06 B	N/A	N/A
P/E (ttm)	19.69	24.20	N/A	N/A
P/S	2.32	1.28	N/A	N/A
P/B	3.83	2.14	N/A	N/A
EV/EBIT	13.23	18.43	N/A	N/A
Price/FCF	17.04	21.35	N/A	N/A
Dividend Yield (%)	0.35	1.37	N/A	N/A
ROE (%)	19.5	9.68	N/A	N/A
ROA (%)	11.93	3.34	N/A	N/A
Revenue (millions)	3,296	1,235	5,650	21,727
Operating Margin (%)	18.00	8.46	20.00	18.59
Net Margin (%)	11.82	5.31	N/A	N/A
Insider Ownership	5%	0%	N/A	N/A
PEG Ratio	1.26	8.1	N/A	N/A

# COMPETITOR COMPARISON: QUALITATIVE

Company	Products competing with Wabtec	Railroad Services Offered	Unique Products/Services
Westinghouse Air Brakes	N/A	Signal design and engineering services, Maintenance	PTC and electronics
Faiveley Transport SA	Transit Brakes, Freight wagon brakes, Couplers, Compressors	Maintenance, Brake and Brake Pad Computer simulations	Doors and gates for high speed trains, HVAC for trains,
GE Transportation	Diesel-electric locomotives, remanufactured replacement parts,	Railway 360, maintenance, locomotive modernization	Mining, Drilling, Marine Equipment, Stationary Power,
Electro-Motive Diesel	New replacement OEM parts; Freight, Passenger, Repowered, and Used Locomotives; Railroad Crossing signs	Maintenance, Welding, Track Removal, Recycling	Reconditioned scrap components for freight cars, Rail work materials

# COMPETITOR COMPARISON: QUALITATIVE

Company	Global Presence	Additional Facts
Westinghouse Air Brakes	20 countries	50% market share in North America
Faiveley Transport SA	24 countries	16% of sales- America; 61% of sales- Europe
GE Transportation	Locomotives operate in 50 countries	One of WAB's top customers
Electro-Motive Diesel	13 countries	N/A

# INDUSTRY FACTS

	Global Installed Base of Locomotives	Global Installed Base of Freight Cars	Global Installed Base of Transit Cars
Russia- Commonwealth of Independent States	25%	30%	10%
North America	20%	30%	15%*
Europe	20%*	20%*	20%
Asia-Pacific	35%	20%	55%

\*Not specifically stated by Management



# WABTEC WORLD MAP

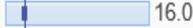
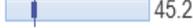
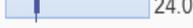
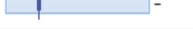
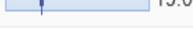
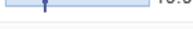
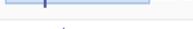
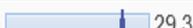
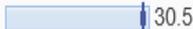
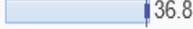


# DU PONT ANALYSIS

Company	Net Profit Margin	Total Asset Turnover Ratio	Financial Leverage Multiplier	ROE
Westinghouse Air Brakes	11.82%	0.99	1.68	19.63%
Faiveley Transport SA	5.32%	0.65	2.80	9.68%

# **INTRA-PORTFOLIO VALUATIONS**

# PRICE/EARNINGS

Ticker	▲ 5-Year Price / Earnings Range
NSRGY	
BBBY	10.2  18.7
IBM	9.0  16.0
FAST	19.9  45.2
UNP	12.7  24.0
AIG	2.1  -
WMT	11.0  19.0
BRK.B	13.3  19.9
CMI	8.3  23.2
CHRW	13.9  36.1
QCOM	12.4  27.4
WAB	15.6  28.1
ORCL	13.3  25.3
WBA	10.0  43.6
AAP	11.5  29.3
PM	13.0  19.3
PEP	15.1  30.5
MDT	10.5  36.5
MSFT	8.8  36.8

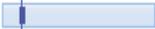
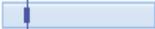
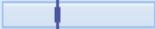
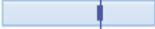
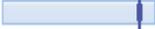
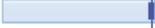
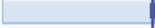
Ticker	▲ Pric... Earnings
AIG-WT	-
IBM	9.6
CMI	10.2
BBBY	10.4
WMT	12.3
UNP	14.2
BRK.B	14.7
QCOM	16.1
ORCL	18.2
AIG	18.4
CHRW	18.7
PM	18.8
WAB	19.7
WBA	20.8
FAST	22.6
AAP	23.1
NSRGY	24.8
PEP	29.7
MDT	35.3
MSFT	36.8

# PRICE/SALES

Ticker	▲ 5-Year Price / Sales Range
NSRGY	
BBBY	0.8 — 1.9
CMI	0.9 — 1.8
CHRW	0.6 — 1.5
WMT	0.4 — 0.6
QCOM	3.1 — 8.4
IBM	1.6 — 2.4
FAST	2.7 — 5.8
UNP	2.1 — 4.9
ORCL	3.6 — 5.4
BRK.B	1.1 — 2.0
WAB	1.3 — 3.3
AAP	0.7 — 1.5
WBA	0.4 — 1.2
PM	3.6 — 5.2
MDT	2.0 — 4.5
PEP	1.5 — 2.4
AIG	0.1 — 1.5
MSFT	2.9 — 5.0

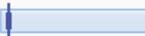
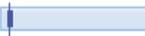
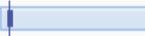
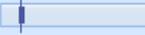
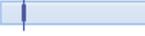
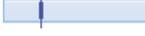
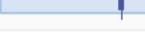
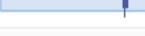
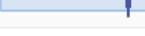
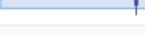
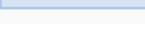
Ticker	Price / Sales
WMT	0.4
CHRW	0.7
BBBY	0.8
WBA	0.9
CMI	0.9
AAP	1.2
AIG	1.5
BRK.B	1.6
IBM	1.7
WAB	2.3
PEP	2.3
NSRGY	2.6
FAST	3.0
UNP	3.2
QCOM	3.4
MDT	4.0
ORCL	4.5
PM	4.9
MSFT	5.0

# PRICE/CASH FLOW

Ticker	▲ 5-Year Price / Cash Flow Range
NSRGY	
BBBY	8.8  15.0
CMI	8.2  24.4
WMT	6.8  12.3
IBM	7.3  12.8
FAST	18.3  60.3
QCOM	12.0  34.0
WAB	11.5  37.8
UNP	6.9  16.6
ORCL	9.6  19.0
BRK.B	7.8  14.1
PEP	11.1  16.6
WBA	6.4  19.5
AAP	6.2  21.4
PM	9.9  20.1
MDT	8.1  18.4
AIG	0.3  -
MSFT	7.1  15.4

Ticker	▲ P/CF
WMT	7.1
IBM	7.8
CMI	8.5
BBBY	9.0
UNP	9.4
BRK.B	10.4
ORCL	12.8
CHRW	13.8
PEP	14.2
WAB	15.4
MSFT	15.4
QCOM	15.4
WBA	15.5
NSRGY	16.5
AAP	16.9
MDT	17.1
PM	18.4
FAST	20.7
AIG	30.2

# 52-WEEK PRICE RANGE

Ticker	▲ 52-wk Range
BBBY	\$52.28  \$79.64
WMT	\$56.30  \$90.97
UNP	\$79.31  \$124.52
CHRW	\$61.46  \$77.49
WAB	\$74.62  \$105.10
QCOM	\$47.52  \$75.72
IBM	\$131.65  \$176.30
AAP	\$142.63  \$201.24
ORCL	\$35.14  \$46.71
BRK.B	\$125.50  \$152.94
FAST	\$34.45  \$48.43
NSRGY	\$70.34  \$79.99
AIG-WT	\$20.17  \$29.56
WBA	\$66.46  \$97.30
PM	\$75.27  \$90.08
PEP	\$76.48  \$103.44
MDT	\$55.54  \$79.50
AIG	\$48.68  \$64.93
MSFT	\$39.72  \$55.23

# CONCLUSION

**Sticky Business**

**Leading market positions in core products**

**Broadest product offering in the industry**

**2,241 active patents**

**5% insider ownership**

**Competitors are also top customers**

# RECOMMENDATION

Put at \$70 with a April 15 Expiration Date



# RECOMMENDATION

## April 15, 2016 PUTS (128 days until expiration) *Click any strike to open contract detail*

Strike / % Distance From 72.81	Bid	YieldBoost** at Bid Total / Annualized	Ask	Last	Vol	Open Interest	Current Odds Expires Worthless	Cost Basis If Put
<a href="#">55.00</a> / -24.46%	0.55	1.00% / 2.85%	1.05	0.53	-	6	91%	54.45
<a href="#">60.00</a> / -17.59%	0.75	1.25% / 3.57%	1.60	1.45	-	1	86%	59.25
<a href="#">65.00</a> / -10.73%	2.00	3.08% / 8.78%	2.35	2.20	15	36	76%	63.00
<a href="#">70.00</a> / -3.86%	3.80	5.43% / 15.48%	4.00	3.60	103	1	62%	66.20

# **APPENDIX – FAIVELEY ACQUISITION**

**In late July, Wabtec agreed to acquire Faiveley Transport for \$1.8 billion in a cash and stock deal that included debt. The acquisition will be a game-changer creating one of the largest public rail equipment companies in the world with revenue of \$4.5 billion and a more diversified global footprint. The DOJ requested more information earlier this month, which could be a cause of concern from investors that the deal may be struck down by regulators. Management noted that it cannot predict when it will close on the deal - their largest acquisition in company history.**

# APPENDIX – FAIVELEY ACQUISITION

❖ ... they could improve on Faiveley's 10% margins, getting them to the mid-teens level. This was especially true since their own transit segment margins are at less than 12.5%. But given the makeup of Wabtec's core international transit business compared to that of Faiveley's, we think there is greater potential in operating leverage and scale advantages that the 15% margin can be achieved.