



STANTON
RESEARCH
GROUP

SUMMER 2025

RESEARCH REPORT

PRESENTED BY
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SUMMER RESEARCH REPORT

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STANTON
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About Us.



Introduction

Founded in 2024, Stanton Research Group was created to provide real world equity research projects to finance students around the nation. Our team of analysts has grown to over 60 represented universities across the United States, fostering a diverse, experienced skill-building focused team of young industry professionals.

Our Philosophy

At Stanton Research Group, we are driven by a commitment to excellence, integrity, and innovation. As a student-led equity research organization, we believe in fostering a collaborative and inclusive environment where curiosity and critical thinking thrive. Honesty and transparency are the cornerstones of our operations, and we are dedicated to providing unbiased, accurate insights.

Vision for the Future

Stanton Research Group aims to provide students who aspire to develop their general finance acumen & skillset with industry leading projects & assignments, preparing them for the real world of finance. These session specific projects will provide students the opportunity to contribute their findings to a team-wide comprehensive research report, serving as a reference of their achieved skillset and research capabilities.



INDUSTRY SPOTLIGHT

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Darling Ingredients (NYSE:DAR)

Rating:	BUY
Current Price:	\$29.85
Price Target / Upside	\$42.00 / 17.15%
52-Week Price High / Low:	\$43.49 / \$26.00
Shares O/S:	158.1 M

Executive Summary

Diversified portfolio with strong renewable fuels growth potential

- Darling Ingredients is a global leader in transforming animal and food waste into value-added products such as feed, food-grade ingredients, and renewable fuels, generating \$5.72 billion in revenue in FY 2024 despite industry headwinds. Q1 2025 sales declined 2.8% year-over-year to \$1.38 billion, with a net loss of \$26.2 million and an EBITDA drop of roughly 30%, reflecting policy-driven margin pressures in the fuel segment.
- The fuel business saw significant profitability erosion due to the U.S. transition from a blender's tax credit to a producer's tax credit, while the food and feed segments continued to post stable or improving results. Strategic initiatives such as the Nextida collagen joint venture, the launch of a sustainable aviation fuel (SAF) facility in Port Arthur, and favorable long-term biofuel mandates position the company for renewed growth.
- Global demand for renewable diesel and SAF is projected to grow strongly over the next decade, creating a substantial addressable market for Darling's biofuel output and strengthening the case for capacity expansion.
- The company's balance sheet flexibility, aided by recent debt reduction and strong asset coverage, provides financial capacity to fund strategic projects and weather commodity and policy volatility.

Business Overview

Global leader in rendering and renewables with integrated supply chain

- Darling transforms animal and food waste into usable products like feed, fuel, and natural fertilizers. It collects slaughterhouse/fishery by-products and produces feed-grade fats and meals, animal proteins, gelatin, collagen, animal plasma, pet-food ingredients, organic fertilizers and yellow grease. These ingredients supply the livestock, per care, food, pharmaceutical and bioenergy sectors.
- The business is divided into Feed Ingredients (largest volume, supplying animal feed proteins/fats), Food Ingredients (edible fats, gelatin/collagen and hydrolyzed proteins) and Fuel Ingredients (renewable fuels). Notably, the Diamond Green Diesel JV (with Valero) produced ~1.25 billion gallons of renewable diesel in 2024 (avg. \$0.46/gal EBITDA). Darling also opened a large sustainable aviation fuel (SAF) unit in Texas (Port Arthur), now debt-free
- Beyond products, Darling provides grease-trap and used-cooking-oil collection services to restaurants and processors, integrating waste streams into its supply chain. Its global network (~500 collection sites, 300+ plants across Americas, Europe and Asia) gives supply-chain flexibility.
- Research and innovation initiatives focus on improving conversion efficiency, developing higher-margin specialty ingredients, and expanding sustainable aviation fuel capacity in response to growing global demand. The company's diversified geographic footprint and broad product mix reduce dependency on any single commodity market, mitigating volatility in raw material prices and regulatory environments.

Competitive Landscape

Scale, ESG focus, and circular economy model create competitive moat

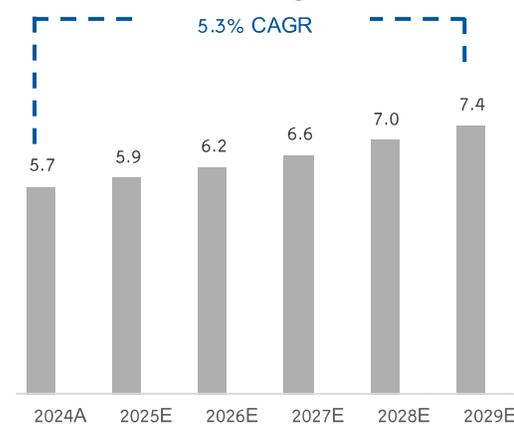
- Darling's niche competition comes from diversified agribusinesses and ingredient makers. Examples include large food processors (Tyson Foods, Cargill) with in-house rendering and specialty ingredient companies (Ingredion, Ajinomoto, Rousselot) that produce proteins and food additives. Its biofuels JV competes with major refiners (Valero, Marathon) and pure-play biodiesel producers (Neste). Publicly traded food peers (e.g. Mondelez, Sysco) trade at ~18–20x P/E, whereas Darling's higher 46 P/E reflects its growth profile.
- Darling's integrated, global processing network provides scale advantages in collecting and refining waste. Few pure-play renderers match its size. The company's "circular economy" focus and ESG leadership also differentiate it in a sustainability-driven market. High fixed costs and regulatory approvals in biofuels and feed biosciences create barriers for new entrants.

Key Metrics Overview

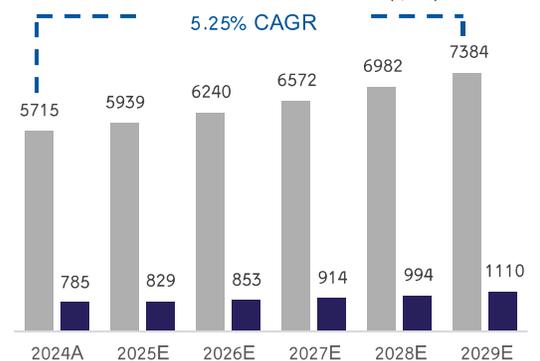
Enterprise Value:	\$8.8B
Revenue:	\$5.72B
UFCF:	\$1,435M
EV/EBITDA:	11.2x
P/E:	45.85x
Upcoming Earnings Date:	03/05/2025



DAR Total Food Segment (in M)



Revenues & EBITDA (\$M)



Consumer Discretionary Coverage Group I Nino Thongwadee I Darling Ingredients LLC

- Government policies significantly affect competition. U.S. renewable fuel mandates and credits underpin Darling's renewables business, but shifts (e.g. blender's-tax to producer's-tax credit in 2025) caused near-term earnings headwinds. Likewise, trade tariffs and RIN (Renewable Identification Number) values influence fat and grease supply costs. Overall, policy tailwinds (RFS, Low Carbon Fuel Standard, SAF incentives) are expected to support Darling's strategy in the long run.
- High capital requirements, specialized processing technology, and established supply agreements create substantial barriers to entry, limiting new competition in both rendering and biofuel markets.



Valuation Summary

Attractive entries with upside from policy tailwinds and SAF expansion

- Based on current market data, I see Darling Ingredients trading at a market cap of roughly \$4.85B and an enterprise value of about \$8.8B, which equates to ~45.7x trailing P/E, ~18x forward P/E, 1.05x P/B, ~1.55x EV/Sales, and approximately 11x EV/EBITDA — all of which sit below the company's historical EV/EBITDA of ~13x and close to the low end of sector norms.
- Using my operating model, I project 2029 EBITDA of approximately \$1.11B; applying a conservative 12x EV/EBITDA multiple yields an implied EV of ~\$9.7B, and after accounting for ~\$4.0B in net debt, equity value comes to about \$5.8B. Discounting that equity value back at a 7.9% WACC results in a present value of around \$4.53B, which divided by 158.2M shares outstanding gives me an intrinsic value estimate of roughly \$42 per share.
- This \$42/share estimate is deliberately conservative. I've used mid-cycle multiples and have not baked in any premium for long-term SAF and renewable diesel growth, which I believe could justify a higher valuation. Sell-side analysts are more optimistic, with a consensus 12-month price target of \$49 (high \$63 — low \$34), implying about 60% upside from current prices around \$30, which suggests the market may be undervaluing Darling's earnings rebound potential.
- The current share price provides an attractive entry point for long-term investors, given Darling's diversified business model, structural tailwinds in renewable fuels, and the likelihood of multiple expansion as profitability recovers.

Multiple-Based Price Target	
2029 EBITDA	1,110,250
x Forward EV/EBITDA Multiple	12
2029 Enterprise Value	9,730,000
(-) Net Debt	3,966,025
Equity Value	5,763,975
x Discount Factor	0.79
Implied Equity Value	4,534,478
(/) Shares Outstanding	158.16
Implied Share Price	28670
Price Target	\$42.00
Upside/(Downside)	17.15%

Operating Model								
In Millions (\$000000)								
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$6,532	\$6,788	\$5,715	\$5,939	\$6,240	\$6,572	\$6,982	\$7,384
% Growth		3.92%	-15.81%	3.92%	5.08%	5.32%	6.24%	5.76%
EBITDA	1,092	1,102	785	829	853	914	994	1,110
% Margin	16.73%	18.24%	13.75%	13.97%	13.67%	13.91%	14.24%	15.04%
EBIT	1,029	949	468	587	551	558	580	631
% Margin	15.75%	13.98%	8.18%	9.88%	8.83%	8.49%	8.30%	8.54%
NOPAT	882	890	506	607	521	508	531	576
Depreciation and Amortization	395	502	503	549	597	648	703	761
Acquisition and integration costs	16	13	8	10	11	13	15	15
Other funds	-	-	-	-	-	-	-	-
Funds From Operation	411	525	511	559	608	661	718	776
Receivables	(56)	(11)	(179)	200	200	150	150	150
Inventories	(130)	50	164	164	164	164	164	164
Accounts Payable	66	(82)	(18)	(20)	(20)	(20)	(20)	(20)
Other Assets/Liabilities	(17)	18	(53)	(3)	(5)	(8)	(11)	(10)
Change in Working Capital	(137)	(25)	(86)	341	339	286	283	284
Capital Expenditures	(391)	(555)	(332)	(415)	(424)	(433)	(446)	(457)
Unlevered Free Cash Flow	\$1,821	\$1,995	\$1,435	\$1,240	\$1,214	\$1,316	\$1,412	\$1,525

Sources: Bloomberg, TradingView, YahooFinance

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Lear Corporation (NYSE:LEA)

Executive Summary

Resilient supplier positioned to grow with the future of mobility

- Lear Corporation (NYSE: LEA) is rated BUY with a 12-month price target of \$107.76, implying a modest +15.79% upside from the current share price of \$93.06. While the near-term valuation upside appears limited, Lear's durable positioning in the automotive supply chain makes it a compelling long-term investment. The company operates a vertically integrated, capital-efficient manufacturing model, supplying mission-critical seating systems and electrical architectures to a diversified set of global OEMs. Lear's value proposition is rooted in its ability to deliver scale, engineering quality and operational reliability across North America, Europe and Asia.
- Its Seating division anchors revenue stability and the E-Systems segment provides secular growth exposure through increasing EV content. Despite macro headwinds, the company maintains a healthy balance sheet, solid free cash flow and disciplined capital deployment — supporting both reinvestment and shareholder returns.
- Lear remains exposed to a few critical risks: production volume swings due to macroeconomic uncertainty, persistent labor inflation in mature markets and input cost volatility. Despite these risks, Lear's fundamental strengths — operational scale, customer stickiness and increasing EV-aligned revenue — justify a favorable long-term view.
- This report focuses on Lear because it combines industrial simplicity with global scale and secular exposure. Unlike many niche EV players or structurally challenged suppliers, Lear operates with its simple business model, stable end markets and it benefits from clear industry tailwinds without relying on speculative technologies. For investors seeking consistent cash flow, Lear Corporation stands out as a quality compounder trading at a reasonable price.

Business Overview

Global supplier with vertically integrated operations

- Lear operates through two primary business segments: Seating and E-Systems. The Seating division, contributing approximately 75% of total revenue, offers complete seat systems, including foam, trim and structure components, to original equipment manufacturers (OEMs) such as General Motors, Ford, BMW and Stellantis. This segment benefits from scale efficiencies, automation and high barriers to entry due to complex engineering requirements and safety standards.
- The E-Systems segment focuses on vehicle electrification, producing electrical distribution systems, power management modules and embedded software for smart architecture and autonomous features. This division is strategically relevant as global OEMs accelerate EV programs, increasing demand for high-voltage architectures and wire harnessing solutions. With manufacturing operations in over 35 countries and a vertically integrated supply chain, Lear is well-positioned to support platform launches across North America, Europe and Asia. Lean operations and a focus on quality engineering continue to drive competitive differentiation.
- Lear designs, develops, engineers, manufactures, assembles and supplies automotive seating and electrical distribution systems for OEMs worldwide. The Seating segment includes seat systems, trim covers, foams, mechanisms, headrests and leather/fabric materials for various vehicle types including light trucks, compact cars and SUVs.
- The E-Systems segment provides wiring harnesses, terminals, connectors, junction boxes and high-voltage power systems. It also develops software platforms like Xevo Market, cybersecurity systems and connectivity protocols for cloud, vehicle and mobile integration. Products and services are offered under multiple brands including GUILFORD, EAGLE OTTAWA, XEVO and LEAR CONNEXUS. Headquartered in Southfield, Michigan, Lear was founded in 1917 and serves markets in North America, Europe, Africa, Asia and South America.

Competitive Landscape

Strong OEM ties and strategic differentiation

- Lear competes with leading Tier-1 auto suppliers including Adient, Faurecia (FORVIA) and Magna International. While Adient holds scale in seating, Lear surpasses in customer diversification and vertical integration. In E-Systems, competition includes Aptiv and Yazaki, though Lear differentiates itself with bundled systems and embedded software. Key advantages include:
 - Deep integration with major OEM platforms, supporting multi-decade relationships
 - Global manufacturing scale with flexible cost structures
 - Technological expertise in EV and ADAS-ready electrical architecture
 - Strong history of free cash flow generation and shareholder returns

Rating:

BUY

Current Price:

\$93.06

Price Target / Upside

\$107.76 / 15.79%

52-Week Price High / Low:

\$119.10 / \$73.85

Shares O/S:

58M

Key Metrics Overview

Enterprise Value:

\$7.1B

Revenue:

22.2B

UFCF:

\$835M

EV/EBITDA:

7.2x

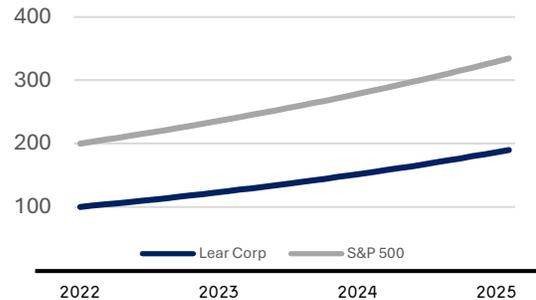
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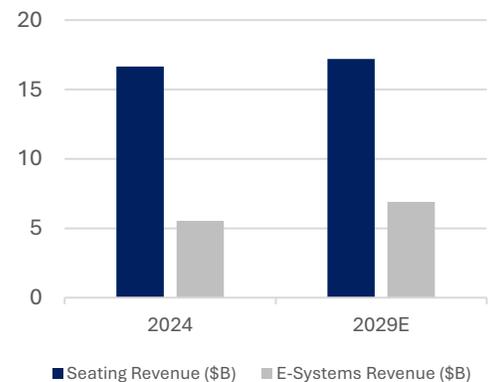
Upcoming Earnings Date:

10/24/2025

Lear vs. S&P-500



Lear Revenue by Segment



Revenues & EBITDA (\$M)



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 - Global manufacturing scale with flexible cost structures
 - Technological expertise in EV and ADAS-ready electrical architecture
 - Strong history of free cash flow generation and shareholder returns

Rating:

BUY

Current Price:

\$93.06

Price Target / Upside

\$107.76 / 15.79%

52-Week Price High / Low:

\$119.10 / \$73.85

Shares O/S:

58M

Key Metrics Overview

Enterprise Value:

\$7.1B

Revenue:

22.2B

UFCF:

\$835M

EV/EBITDA:

7.2x

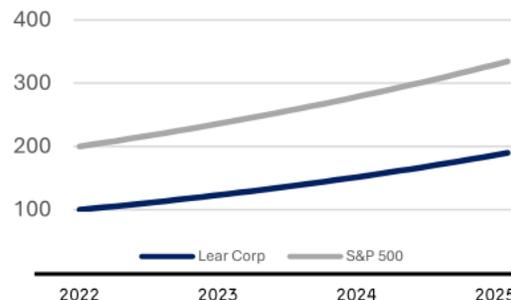
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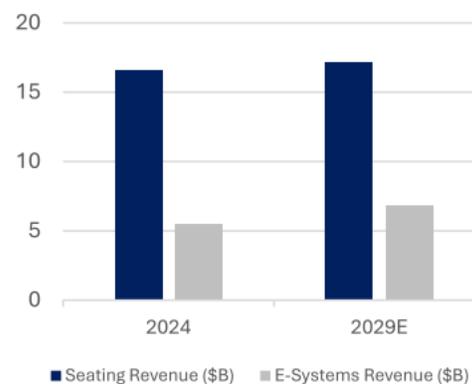
Upcoming Earnings Date:

10/24/2025

Lear vs. S&P-500



Lear Revenue by Segment



Revenues & EBITDA (\$M)



Consumer Discretionary Coverage Group | Mason Engelsberg | Wingstop Inc.

Wingstop Inc. (NASDAQ:WING)

Executive Summary

Overvalued Amid Slowing Growth

- We initiate coverage of Wingstop with a Sell rating and a \$194.11 price target, implying 33.1 percent downside from the \$290.30 share price as of July 29, 2025. Our valuation reflects a scenario-weighted approach incorporating base, upside and downside cases, all of which suggest Wingstop is overvalued relative to near-term fundamentals.
- Wingstop's core growth driver, same-store sales, is losing momentum. After a strong run in prior quarters, foot traffic has slowed, and new customer growth has stalled. Industry data and management commentary point to underwhelming comps this quarter, and full-year guidance implies a sharp deceleration compared to historical performance.
- Recent promotions, including the "20 for \$20" offer, have boosted traffic but diluted check size and likely margin. This strategy risks training consumers to wait for deals, which undermines pricing power. At the same time, burger chains are increasing their focus on chicken as beef prices rise, adding further pressure in Wingstop's core category.
- The Smart Kitchen platform is a long-term initiative aimed at improving labor and service efficiency, but it remains in the early stages with limited measurable impact. With fewer than half of locations onboarded and no clear lift to sales factored into consensus, execution risk remains high.
- Store expansion continues at a healthy pace, although much of the growth is coming from franchising and international markets. These formats typically offer less margin visibility and introduce more variability. On its own, unit growth is unlikely to offset soft comps and near-term operating challenges.
- Despite these issues, Wingstop trades at a substantial premium to peers and to its own historical multiples. The valuation reflects expectations for continued growth and margin expansion that appear increasingly difficult to achieve. We believe the stock's risk-reward profile is skewed to the downside.

Business Overview

Scaled, Franchise-Led Wing Concept

- Wingstop operates a highly franchised, asset-light Quick Service Restaurant (QSR) model focused on chicken wings and digital-forward ordering. Founded in 1994 and headquartered in Dallas, the company earns most of its revenue through royalty and franchise fees, with over 98 percent of restaurants operated by franchisees as of year-end 2024. This structure supports a capital-light, high-margin profile.
- The brand's menu centers on cooked-to-order wings, tenders and fries with strong consumer loyalty driven by its wide range of sauces. Transactions are primarily off-premise, with digital ordering accounting for more than 65 percent of sales.
- Unit growth is a core pillar of Wingstop's strategy. The chain ended 2024 with over 2,250 restaurants globally and is targeting 16 to 17 percent unit expansion in 2025. While the U.S. remains the largest market, international development and franchising are playing a growing role.
- Wingstop's investment in proprietary tech and Smart Kitchen systems is intended to enhance labor efficiency and order throughput across its franchise base, supporting scale-driven margin benefits over time.

Competitive Landscape

Crowded Chicken and Value Focused QSR Market

- Wingstop faces growing competition in an increasingly crowded QSR chicken segment. Larger national players, including burger chains, are expanding into chicken to mitigate beef inflation, which has led to heavier discounting and reduced pricing flexibility across the category.
- Fast-casual rivals like Dave's Hot Chicken, Buffalo Wild Wings GO and Atomic Wings are scaling quickly and targeting similar customer demographics and trade areas. These brands compete on flavor innovation, convenience and franchise economics, putting pressure on Wingstop's market share and development pipeline.
- Wingstop has historically differentiated through its digital-first ordering model, streamlined operations, and strong brand affinity. However, the gap is narrowing as more QSR peers invest in similar capabilities. Increased promotional activity and the rise of alternative chicken formats further challenge Wingstop's positioning.
- While the brand remains well-known, its competitive moat is under pressure from both legacy chains and newer concepts capitalizing on similar growth themes.

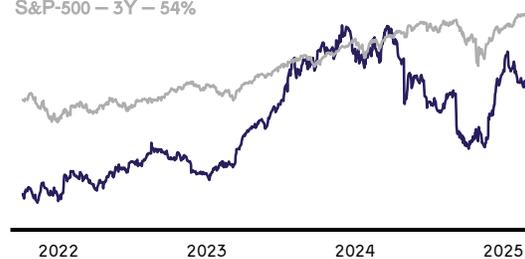
Rating:	SELL
Current Price:	\$290.30
Price Target / Downside	\$194.11 / (33.1%)
52-Week Price High / Low:	\$204.00 / \$433.86
Shares O/S:	27,902.9 M

Key Metrics Overview

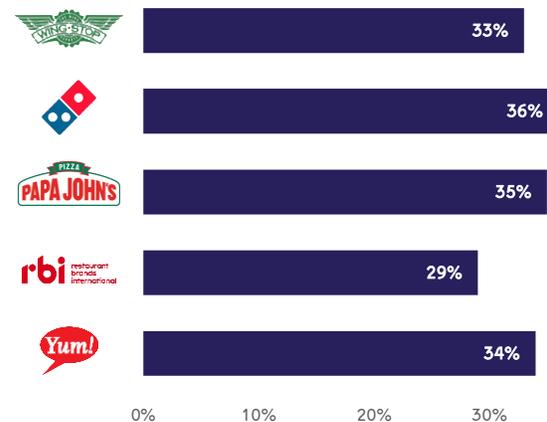
Enterprise Value:	\$7.48 B
Revenue:	\$826,866 K
UFCF:	\$155,318.4 K
EV/EBITDA:	31.5x
P/E:	82.07x
Upcoming Earnings Date:	07/30/2025

WING vs. S&P-500

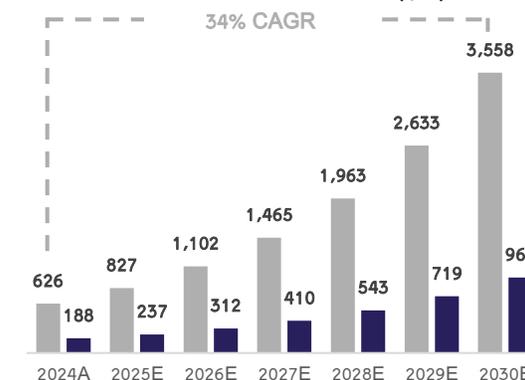
WING – 3Y – 130%
S&P-500 – 3Y – 54%



Average Discount on Chicken Orders



Revenues & EBITDA (\$K)



Wingstop Inc. (NASDAQ:WING)

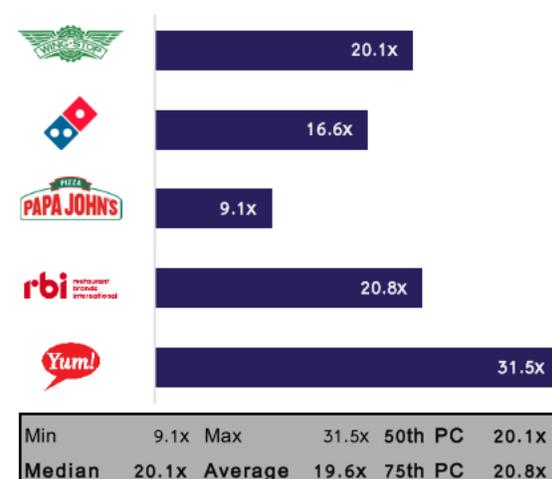
Valuation Summary

Valuation Disconnect from Current Stock Price

- We value Wingstop using a scenario-weighted approach based on both a Discounted Cash Flow analysis and public trading comparable. Our DCF incorporates a blend of the perpetuity growth method and terminal EBITDA multiple method, while our comps analysis focuses on EV/EBITDA and EV/EBIT multiples relative to peers. Across all methodologies, we believe Wingstop's current valuation is difficult to justify given its declining same-store sales growth, rising promotional pressure and limited margin expansion potential.
- In the DCF, we apply a 9.4 percent discount rate and a 2 percent terminal growth rate in our base case. For the terminal EBITDA method, we use a 20.5x terminal multiple based on 2030E EBITDA. This reflects a modest premium to peers but assumes normalization of margins and more efficient unit economics than current trends suggest. Both valuation methods converge around our scenario outcomes and highlight the stock's sensitivity to changes in traffic, margin structure and capital intensity.
- Our public trading comps include Domino's, Papa John's, Restaurant Brands International and Yum! Brands. Wingstop trades well above this group, with forward multiples near 49 times 2025 EBITDA and over 80 times forward earnings. These levels far exceed the QSR peer set, where most trade between 14x and 18x EBITDA. The valuation gap remains significant, even after accounting for Wingstop's unit growth and digital initiatives.
- We apply the following scenario weights in deriving our target:
 - Base Case (50 percent weight): Reflects modest comp stabilization and no material uplift from technology initiatives. Target valuation is \$198.38 per share.
 - Upside Case (30 percent): Assumes better-than-expected unit economics, improve transaction trends and successful execution of kitchen automation. Target valuation is \$202.73.
 - Downside Case (20 percent): Reflects further erosion in comps, continued promotional pressure, and weak international margin contribution. Target valuation is \$170.48.
- The scenario-weighted target of \$194.11 implies 33 percent downside from the share price of \$290.30 as of July 29, 2025.
- Despite a strong unit growth story, Wingstop's current valuation assumes consistent execution and high-margin expansion that no longer appear supported by fundamentals. Trading at a premium to both historical levels and peers, the stock offers limited upside and disproportionate downside risk. We recommend a Sell.

Percentile Rank for Multiples and Valuation			
Low PC			50.0
High PC			75.0
Equity Value per Share			
Median - Active Scenario			
50th PC			198.38
75th PC			300.15
Median - Total	Weight	Target	Premium
Upside	30%	202.73	(30.2%)
Base	50%	198.38	(31.7%)
Downside	20%	170.48	(41.3%)
Weighted Price Target		194.11	(33.1%)
Closing Share Price on 07-29-25		290.30	

Comparable Companies: EV/EBITDA



Operating Model	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
(\$ in Thousands)								
Revenue	460,055	625,807	826,866	1,101,890	1,465,085	1,962,792	2,632,986	3,557,631
% Growth		36%	32%	33%	33%	34%	34%	35%
EBITDA	125,776	187,972	236,975	311,829	409,850	542,701	719,449	960,541
% Margin	27%	30%	29%	28%	28%	28%	27%	27%
(-) D&A			(24,917.8)	(35,960.4)	(51,476.1)	(73,870.1)	(105,675.5)	(151,680.4)
EBIT			212,057	275,869	358,373	468,831	613,774	808,860
(-) Taxes			(55,135)	(71,726)	(93,177)	(121,896)	(159,581)	(210,304)
NOPAT			156,922	204,143	265,196	346,935	454,192	598,557
(+) D&A			24,918	35,960	51,476	73,870	105,676	151,680
(-) Capex			(24,918)	(35,960)	(51,476)	(73,870)	(105,676)	(151,680)
(-) Change in Net Working Capital			(1,604)	(23,225)	(17,414)	(23,176)	(31,976)	(43,375)
Unlevered Free Cash Flow			155,318	180,918	247,782	323,759	422,216	555,182

Sources: Factset, SEC Filings

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Crocs, Inc (CROX)

Crocs, Inc. is a U.S.-based footwear company known for its iconic clog design that blends comfort with casual style. Founded in 2002, the brand has grown into a global leader in the molded footwear category, selling through direct-to-consumer and wholesale channels

Executive Summary

Crocs combines iconic simplicity with strong financial performance, presenting a compelling undervalued opportunity driven by brand strength, strategic growth, and cash flow generation

- Crocs is a category-defining brand with an unmatched ability to turn simplicity into dominance—its signature clog continues to drive demand across generations and continents. With a current P/E of 5.95x and EV/EBITDA of 6.4x, the market is severely undervaluing a business that has grown to \$6.88B in enterprise value and generates \$871M in unlevered free cash flow, reflecting a cash yield of over 12% on enterprise value.
- Following its bold \$2.5B acquisition of Hey Dude in 2022, Crocs is evolving into a two-brand powerhouse. While investor sentiment initially wavered due to debt concerns and brand unfamiliarity, the integration is showing early signs of traction. Management has maintained strong EBITDA margins while expanding DTC channels and rationalizing wholesale distribution, setting the stage for operational synergies in 2025 and beyond.
- With a 59.4% upside to our target price of \$163.66, CROX offers a rare combination of durable brand equity, operational execution, and deep value. For long-term investors willing to look past short-term noise, Crocs presents a high-conviction buy—where cultural relevance meets financial resilience.

Business Overview

Crocs is leveraging global brand recognition and a high-margin product model to scale internationally and diversify through strategic acquisitions

- Global Footprint with Room to Run - Crocs generated over \$4.3B in revenue in FY2024, with international markets now comprising approximately 35% of total sales. With established momentum in Europe and rapid growth in Asia, Crocs aims to grow its international mix to 50%+ over the next five years.
- Localized Manufacturing Supports Global Reach - The company's flexible, regionally distributed manufacturing model enables cost efficiency and tariff mitigation. Facilities across Vietnam, Indonesia, and Bosnia allow Crocs to serve international demand while reducing supply chain friction.
- Brand Resonance Across Borders - Crocs' core clog product maintains broad demographic appeal, but the brand's global campaigns and collaborations (e.g., regional influencers, Jibbitz localization) have fueled particularly strong traction in South Korea, India, and Japan—markets.
- Hey Dude as International Growth Engine - Currently underpenetrated abroad, Hey Dude offers a runway for expansion beyond the U.S. With Crocs' DTC infrastructure and wholesale partnerships already established, management plans to scale Hey Dude internationally, targeting \$1B+ in global revenue within the next 3–5 years.

Competitive Landscape

In a saturated footwear market, Crocs differentiates itself through product simplicity, brand adaptability, and superior unit economics.

- Peers Push Style, Crocs Owns Identity - While competitors like Nike, Skechers, and Deckers (HOKA, UGG) battle for trend relevance through seasonal innovation and heavy endorsements, Crocs thrives on a single, iconic product line that's both evergreen and scalable—generating outsized returns with lower marketing spend and simpler SKU complexity.
- Pricing Power and Margins Define the Edge - Crocs consistently delivers EBITDA margins above 25%, outpacing peers like Skechers and On Running. Its vertically integrated model and DTC emphasis enable strong pricing control, while the low-cost molded design supports industry-leading gross margins—even as global competitors face inflationary cost pressure.
- Strategic Collaborations Amplify Market Presence - Unlike competitors focused on broad product expansion, Crocs leverages limited-edition partnerships with high-profile designers and celebrities to generate buzz and exclusivity. These collaborations enhance brand desirability without the complexity or risk of extensive new product development.

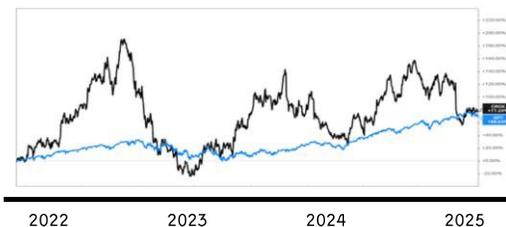
Rating:	BUY
Current Price:	\$97.13
Price Target / Upside	\$163.66 / 59.4%
52-Week Price High / Low:	\$151.13 / \$86.11
Shares O/S:	57.26M

Key Metrics Overview

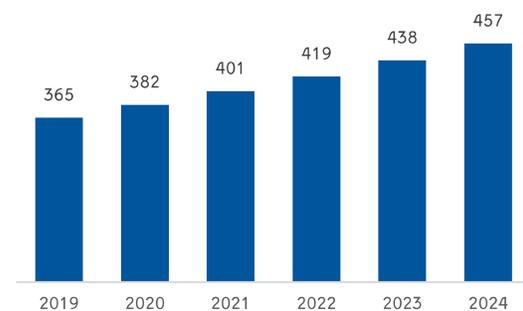
Enterprise Value:	\$6.88B
Revenue:	1.68x
UFCF:	\$871M
EV/EBITDA:	6.4x
P/E:	5.95x
Upcoming Earnings Date:	08/07/2025

CROX vs. S&P-500

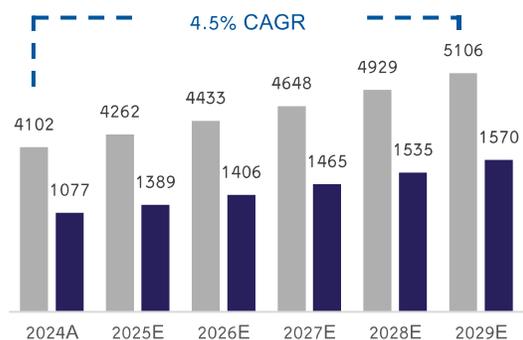
CROX – 3Y – 77%
S&P-500 – 3Y – 68%



Global Footwear Market (\$B)



Revenues & EBITDA (\$M)



Risk Factors

While Crocs faces several operational and macroeconomic risks, its strong free cash flow profile provides resilience and flexibility in navigating uncertainty

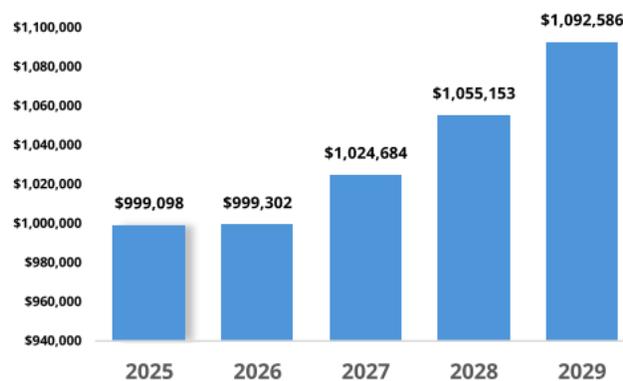
- **Hey Dude Integration and Demand Volatility** - Hey Dude's revenue has shown signs of deceleration as it adjusts to new distribution strategies and shifting consumer demand. A prolonged softness in performance could weigh on consolidated growth and investor confidence.
- **Tariff Exposure and Geopolitical Risk** - With a significant portion of manufacturing based overseas—particularly in Asia—Crocs remains exposed to potential tariff increases, supply chain disruptions, and shifting trade policies that could pressure margins.
- **Execution Risk in International Expansion**: Rapid global growth introduces risks related to localization, regulatory compliance, and inventory management. However, with \$871M in annual unlevered free cash flow, Crocs is well-positioned to absorb short-term headwinds and reinvest strategically in long-term initiatives

Valuation Summary

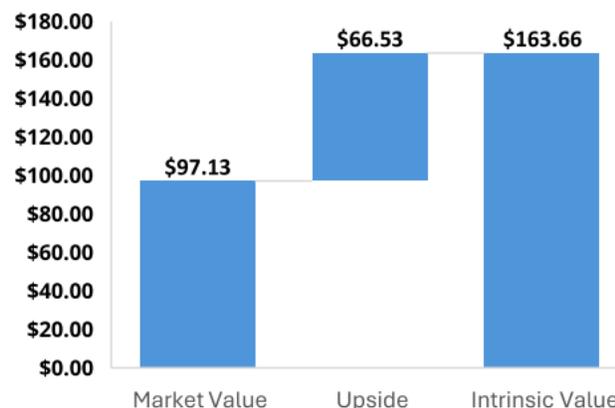
Crocs offers compelling intrinsic value, supported by strong cash flow, disciplined capital structure, and long-term growth potential

- **Deep Discount to Intrinsic Value** - With a current price of \$97.13 and a target of \$163.66, Crocs trades at a 59.4% upside, well below its intrinsic valuation based on future cash flows and peer multiples.
- **Low-Leverage, High-Cash Flow Profile** - Despite financing the Hey Dude acquisition, Crocs maintains manageable debt levels and generates \$871M in UFCF annually, enabling rapid deleveraging and shareholder returns.
- **Attractive Multiples vs. Peers** - Trading at just 5.95x P/E and 6.4x EV/EBITDA, CROX is undervalued relative to peers like Deckers and Skechers, which trade at double-digit multiples despite slower growth and lower margins.
- **Growth-Backed Valuation** - Crocs' revenue is projected to grow at 5–7% annually, driven by international expansion and increasing DTC penetration, making the stock a rare blend of value and growth.

Projected UFCF



Market Value vs Intrinsic Value



Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$3,554,985	\$3,962,347	\$4,102,108	\$4,262,146	\$4,433,001	\$4,647,768	\$4,929,452	\$5,107,556
% Growth		11%	4%	4%	4%	5%	6%	4%
EBITDA	868,744	1,073,754	1,077,287	1,388,665	1,406,139	1,464,927	1,534,807	1,570,009
% Margin	24%	27%	26%	33%	32%	32%	31%	31%
EBIT	850,756	1,036,783	1,021,911	1,325,334	1,329,638	1,372,326	1,426,961	1,444,515
% Margin	24%	26%	25%	31%	30%	30%	29%	28%
NOPAT	646,575	787,955	776,652	1,007,254	1,010,525	1,042,968	1,084,491	1,097,831
Depreciation and Amortization	17,988	36,971	55,376	63,331	76,500	92,602	107,846	125,494
Funds From Operation	664,563	824,926	832,028	1,070,585	1,087,025	1,135,569	1,192,336	1,223,325
Receivables	(50,857)	(12,382)	46,957	(32,454)	(18,654)	(3,919)	(26,589)	(13,152)
Inventories	(102,258)	86,497	28,800	2,768	(27,463)	(12,262)	(22,053)	(16,449)
Accounts Payable	38,885	30,157	3,923	(21,772)	24,603	12,062	11,227	13,359
Other Assets/Liabilities	47,057	34,823	5,803	72,264	33,548	2,373	20,477	14,890
Change in Working Capital	(67,173)	139,095	85,483	20,807	12,034	(1,746)	(16,938)	(1,351)
Capital Expenditures	(94,734)	(86,152)	(45,914)	(92,294)	(99,757)	(109,139)	(120,245)	(129,388)
Unlevered Free Cash Flow	\$502,656	\$877,869	\$871,597	\$999,098	\$999,302	\$1,024,684	\$1,055,153	\$1,092,586

Sources: Seeking Alpha, YahooFinance, Google Finance, MarketWatch

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The Home Depot (NYSE:HD)

Executive Summary

Short-term headwinds

- Home Depot, the largest home improvement specialty retailer in the U.S., is rated a "Hold" due to muted short-term growth prospects stemming from high interest rates, soft consumer sentiment, and tariff risks. Elevated mortgage rates and rising home prices are limiting new construction and home sales, with demand shifting toward smaller-scale improvements rather than large renovation projects. Additionally, immigration crackdowns leave the construction sector vulnerable to potential labor shortages, with 22%, potentially impacting Home Depot's key Pro customer segment.
- Despite these headwinds, Home Depot's strong fundamentals support its long-term investment appeal. The company maintains a dominant market share in the home improvement sector, outpacing its closest competitor, Lowe's. Strategic acquisitions, such as SRS Distribution and GMS, have strengthened its position in the high-value Pro customer segment. Home Depot's diversified supply chain leaves it relatively insulated from tariff risk, with over 50% of its products sourced domestically.
- The company's strong cash position, low cost of capital, and 2.24% dividend yield underscore its ability to deliver stable, long-term returns. The DCF valuation implies a fair value of \$359.03 per share, representing a 7.03% downside from current levels, supporting the "Hold" rating. While short-term growth catalysts are limited, Home Depot remains a fundamentally strong, income-generating investment well-positioned for sustained performance once macroeconomic conditions improve.

Business Overview

Sub header brief sentence

- Home Depot is a home improvement specialty retailer. The company targets the do-it-yourself (DIY) and professional markets with its selection of up to 40,000 items, including building materials, hardware, appliances, millwork and indoor and outdoor garden products. HD also markets home improvement installation services and tool and equipment rentals. It conducts e-commerce operations through its websites and apps.
- Home Depot operates 2,345 stores in the Us (90% of revenue) and 320 stores in Canada and Mexico. Its 3 main product lines are Building Materials (35% of revenue), Decor (35% of revenue), and Hardlines (around 30%). Each Home Depot store stocks around 40,000 items of both national brand products and proprietary products. 95% of its revenues are attributed to products, while services such as installations and rentals contribute 5%.
- Recently, Home Depot's strategy has been centered on growing its pro customer base and online engagement. As the spike in pandemic-era DIY clients has largely subsided due to inflation and economic uncertainty, Home Depot has shifted its focus to the pro market. Pro customers, or professional contractors, are high-value clients because they are more likely to make large repeat purchases. In Q1 2025, pro purchases outpaced DIY purchases. The Home Depot Pro Xtra loyalty program includes exclusive benefits for professional contractors.
- Despite economic uncertainty and rising prices, home improvement spending has increased slightly in Q2 2025. Prices do not yet reflect the results of ongoing trade tensions, instead adjusting to lower labor costs. Elevated mortgage rates and rising home prices are slowing home construction and sales, so consumers opt to spend on home improvement of existing living spaces instead. However, uncertainty around pricing has led many to defer discretionary remodeling spending.

Competitive Landscape

Sub header brief sentence

- Home Depot faces competition from both retail giant such as Walmart and Amazon as well as other home improvement stores like Ace Hardware and Lowe's.
- Lowe's (NYSE: LOW), Home Depot's largest competitor, currently holds a market share of 12% within the home improvement market, while Home Depot holds 17%. With a total of 1,750 stores and FY2024 revenue of \$83.2 billion compared to Home Depot's \$163 billion, Home Depot maintains the dominant position. Lowe's revenues are expected to increase 0.8% year-over-year in 2025, compared to Home Depot's stronger 2.8% growth projection. Although Lowe's has been making efforts to penetrate the Pro market, it continues to appeal largely to DIY consumers. Lowe's currently trades at a P/E multiple of 20.08 compared to Home Depot's 26.24. While Lowe's trades at a lower P/E, Home Depot justifies its premium with a higher dividend yield of 2.24% and consistent five-year growth of 9.73%, versus Lowe's 2.0% yield and 16.15% growth.

Rating:

HOLD

Current Price:

\$386.17

Price Target / Upside

\$359.03 / -7.03

52-Week Price High / Low:

\$326.31 / \$439.37

Shares O/S:

994.9M

Key Metrics Overview

Enterprise Value:

\$443.65B

Revenue:

1.09x

UFCF:

\$16.33B

EV/EBITDA:

16.7x

P/E:

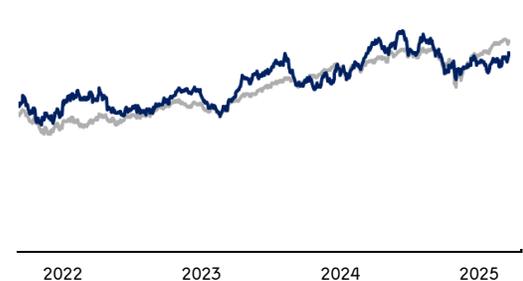
26.15x

Upcoming Earnings Date:

08/19/2025

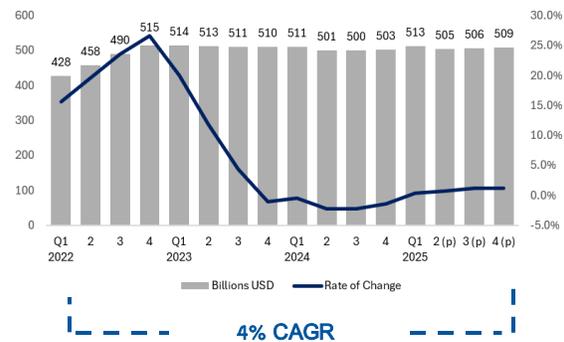
Ticker vs. S&P-500

— SPX Index — Price



Homeowner Improvements and Repairs

(Leading Indicator of Remodeling Activity)

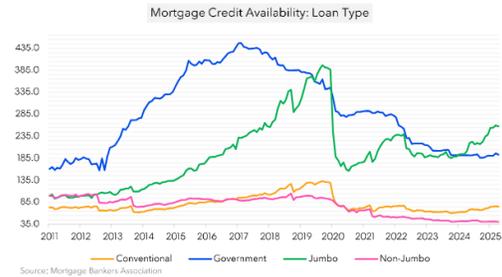


Revenues & EBITDA (\$B)



Consumer Discretionary Coverage Group | Sofya Kozhukhova | The Home Depot

- Competitors like Amazon and Walmart offer a broader selection of appliances at steep discounts, but Home Depot maintains a strong advantage in large appliance sales, bolstered by access to high-end brands. The company incentivizes big-ticket purchases through its Home Depot credit card, which offers substantial savings such as 15 months of interest-free financing on major appliance purchases over \$299. While Amazon Prime provides 1-2-day delivery, Home Depot offers the added convenience of in-store pickup for bulky items. This is a significant advantage given that 78% of the U.S. population lives within 10 miles of a Home Depot store. This highlights the critical role Home Depot's professional customers play in remaining competitive in the retail landscape.
- To differentiate itself in a highly competitive market, Home Depot has focused its strategy on growing its Pro customer base and enhancing its online shopping experience. On March 6, 2025, Home Depot rolled out Apron, a generative AI tool made to enhance the online shopping experience by answering customer questions in real-time. Strategic acquisitions of companies like SRS have allowed HD to capture a wider pro market share, with the acquisition adding thousands of accounts to the Home Depot Core Pro credit program. The recent acquisition of GMS, a specialty building products distributor, could lead to further growth within the pro market.



Valuation Summary

Sub header brief sentence

- The discounted cash flow model approach determined an implied price per share of \$359.03 with a downside of 7.03%. This warrants a "hold" rating. The valuation included a best case, base case, and weak case scenarios as well as a sensitivity analysis for the WACC and terminal growth rate.
- Home Depot's revenue grew 4.5% in FY2024, driven by its acquisition of SRS Distribution, a leading residential specialty trade distribution company. SRS, acquired for \$18.25B, complemented The Home Depot's capabilities to serve the residential professional consumer with the roofing and landscaping segments. In 2023, however, sales declined 3% as consumers adjusted to higher borrowing costs caused by inflation and rising interest rates.
- Because top-line growth is heavily driven by economic conditions, a 3% YoY revenues increase beyond FY2026 was projected. Home Depot is unlikely to see the post-pandemic-level sales growth of 10% or above anytime soon given declining home sales and the Fed's cautious approach to cutting rates. Despite sales declines, Home Depot's gross margin and SG&A as a percentage of sales have remained essentially flat at 33% and 18% and were projected as such.
- The model used a WACC of 6.5%, a Beta of 1, risk free rate of 4.4 and cost of debt of 4.4%. A terminal growth rate of 2% was used due to the company's tendency to grow in line with GDP.

Equity value per share					
\$359.03	Long term growth rate (g):				
	1.0%	1.5%	2.0%	2.5%	3.0%
8.5%	197.99	212.48	229.20	248.70	271.75
7.5%	238.31	258.47	282.30	310.90	345.85
6.5%	293.31	322.88	359.03	404.21	462.31
5.5%	372.78	419.53	479.63	559.77	671.96
4.5%	497.72	580.65	696.76	870.92	1,161.18

Valuation		Perpetuity
Enterprise value		416,339
Net debt		60,631
Equity value		355,708
Shares outstanding		991
Equity value per share		\$359.03

Last twelve months (LTM)		Perpetuity
EV / Revenue		2.6x
EV / EBITDA		16.1x
EV / EBIT		18.1x
Year 1		
EV / Revenue		Perpetuity
EV / EBITDA		2.5x
EV / EBIT		14.9x
		16.5x

	2022	2023	2024	2025
2022				
2023				
2024				
2025				

Operating Model								
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$157,403	\$152,669	\$159,514	\$163,980	\$168,900	\$173,967	\$179,186	\$184,561
% Growth		-3.0%	4.5%	2.8%	3.0%	3.0%	3.0%	3.0%
EBITDA	26,494	24,362	24,560	27,956	28,880	29,833	30,818	31,834
% Margin	16.8%	16.0%	15.4%	17.0%	17.1%	17.1%	17.2%	17.2%
EBIT	24,039	21,689	21,526	25,248	26,005	26,785	27,589	28,416
% Margin	15.3%	14.2%	13.5%	15.4%	15.4%	15.4%	15.4%	15.4%
NOPAT	18,294	16,484	16,423	19,263	19,841	20,436	21,049	21,681
Depreciation and Amortization	2,455	2,673	3,034	2,709	2,874	3,048	3,229	3,418
Funds From Operation	20,749	19,157	19,457	21,972	22,715	23,484	24,278	25,099
Receivables	109	(11)	(1,575)	(137)	(151)	(156)	(160)	(165)
Inventories	(2,818)	3,910	(2,475)	(657)	(723)	(745)	(767)	(790)
Other current assets	(293)	(200)	41	(47)	(52)	(53)	(55)	(56)
Accounts Payable	2,447	10,514	13,398	13,773	14,186	14,612	15,050	15,502
Deferred revenue (current)	532	302	152	(73)	(80)	(83)	(85)	(88)
Other current liabilities	1,101	(242)	(3,754)	(173)	(190)	(196)	(202)	(208)
Change in Working Capital	1,078	14,273	5,787	12,687	12,990	13,379	13,781	14,194
Capital Expenditures	(3,119)	(3,226)	(3,485)	(4,100)	(4,222)	(4,349)	(4,480)	(4,614)
Unlevered Free Cash Flow	\$18,708	\$30,204	\$21,759	\$30,559	\$31,482	\$32,514	\$33,579	\$34,679

Sources: Morningstar, YahooFinance, Bloomberg

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Lamb Weston Holdings (NYSE:LW)

Executive Summary

Lamb Weston tops Q4 estimates, cuts costs to combat headwinds

- Our valuation, based on a blend of DCF and Comparable Companies Analysis, points to a constructive long-term outlook supported by Lamb Weston's strong market position, cost initiatives and operational discipline. However, with the current share price already reflecting much of this potential, we believe a Hold rating is appropriate.
- The newly announced "Focus to Win" strategy targets \$250 million in annualized cost savings by FY2028 and working capital improvements. While FY2026 guidance was slightly below consensus, the plan's focus on efficiency, modernization, and favorable North American potato pricing is encouraging. Industry headwinds include overcapacity, price competition, and potential softness in restaurant traffic, influenced in part by GLP-1 drugs. Lamb Weston continues to adapt to shifting supply/demand dynamics in Europe and Asia.
- Lamb Weston Holdings is a global leader in value-added frozen potato products, serving a diverse customer base across foodservice, retail and international markets.
- Q4 FY2025 results reflected a volume-led beat across earnings and revenue, driven by strong North American demand and effective cost control. Adjusted EPS reached \$0.87 (vs. \$0.64 expected), and revenue hit \$1.68 billion (vs. \$1.59 billion forecasted), with a 4% year-over-year sales increase.

Business Overview

Global frozen potato leader with broad reach and supply chain strength

- Lamb Weston Holdings, Inc. is a global leader in frozen potato and appetizer products - primarily French fries, waffle fries, tater tots, sweet potato items - selling to restaurants and retailers worldwide.
- Founded in 1950, spun off from ConAgra in 2016, and headquartered in Eagle, Idaho, the company now operates approximately 10,700 employees across North America, Europe, Asia, Australia and Latin America
- With a market-leading 42% share in North America and 23% globally, Lamb Weston ranks as the world's second-largest frozen potato producer, trailing only McCain. Its diversified customer base spans branded and private-label B2B channels, supported by a strong global manufacturing and distribution footprint.
- McDonald's is the company's largest customer, accounting for 14% of fiscal 2024 sales, while no other customer exceeds 10%, reflecting a balanced revenue stream. Lamb Weston's scale, deep industry expertise and operational efficiency underpin its competitive moat in a structurally attractive and growing global category.

Competitive Landscape

Few global players, high innovation, heavy CapEx, and rising scrutiny

- The global frozen potato industry is tightly held, with four dominant players - Lamb Weston, McCain Foods, J.R. Simplot, and Cavendish Farms - collectively controlling approximately 97% of total market volume. This oligopolistic structure results in significant pricing power and operational scale, making it difficult for new entrants to disrupt the status quo.
- As consumer preferences shift toward premium, value-added offerings (e.g., coated, seasoned, sweet potato and skin-on fries), product innovation has become a key competitive lever. Lamb Weston and McCain are viewed as category leaders in R&D and SKU diversification, while Simplot remains differentiated through its proprietary products, including the Innate® genetically engineered potato line, which reduces bruising and waste.
- The industry's capital intensity is a major moat. Building and operating state-of-the-art processing plants, maintaining cold chain infrastructure, and securing consistent, large-scale agricultural inputs demand substantial investment and supply chain sophistication, favoring entrenched incumbents.
- In response to margin pressures and shifting demand, Lamb Weston's "Focus to Win" plan prioritizes high-return markets and customer segments where it holds competitive advantages. This strategic realignment reflects a broader industry trend toward disciplined market selection and customer retention, as frozen potato producers seek to balance innovation with profitability amid volatile input costs and global restaurant traffic headwinds.

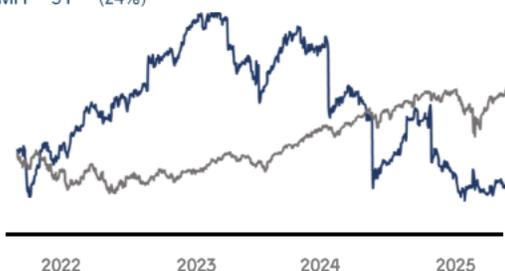
Rating:	HOLD
Current Price:	\$57.07
Price Target / Upside	\$62.44 / \$16.47
52-Week Price High / Low:	\$47.87 / \$83.98
Shares O/S:	140.7M

Key Metrics Overview

Enterprise Value:	10.76M
Revenue:	1.67x
UFCF:	\$187M
EV/EBITDA:	10.04x
P/E:	22.83x
Upcoming Earnings Date:	09/30/2025

Ticker vs. S&P-500

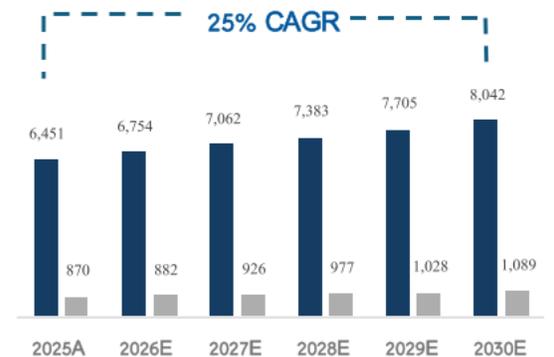
S&P-500 - 3Y - 64%
LMH - 3Y - (24%)



Frozen Potato Production (lb)



Revenues & EBITDA (\$M)



Valuation Summary

Valuation looks high given weak fundamentals and execution risks

- Our DCF-derived price target of \$47 suggests modest downside from the current share price of ~\$57, supporting a **Hold** rating. While Lamb Weston remains a category leader in frozen potatoes with strong brand equity and scale advantages, current valuation appears disconnected from near-term fundamentals and execution risks
- Multiples have expanded despite margin compression, weak Price/Mix, and restaurant traffic softness - raising concerns that the market is overpricing a recovery not yet evident in the data. At 13x EV/EBITDA on FY26 estimates, shares trade above historical averages for a low-growth consumer packaged goods (CPG) name facing commodity cost volatility and muted pricing power.
- Management's FY26 guidance implies a recovery in EBITDA margins to 21–23%, but this hinges on improved capacity utilization and volume recovery - both of which face uncertainty given sluggish demand and competitive pricing. Incremental growth from Idaho expansion and Argentina's MarBran acquisition may support the long-term story, but short-term execution remains a risk.
- Given these dynamics, we believe the risk-reward is balanced. The stock offers limited upside at current levels without clear catalysts to drive multiple expansion or earnings surprise. We therefore recommend holding the stock and waiting for a better entry point or confirmation of margin stabilization.

DCF-derived price target of \$47 suggests modest downside from current levels.

FY26 EBITDA margin guidance hinges on volume recovery and improved utilization.

Shares trade above historical averages despite weak fundamental trends.

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$4,099	\$5,351	\$6,468	\$6,976	\$7,444	\$7,825	\$8,031	\$8,245
% Growth		31%	21%	8%	7%	5%	3%	3%
EBITDA	635	1,059	1,419	1,586	1,893	2,070	2,165	2,264
% Margin	16%	20%	22%	23%	25%	26%	27%	27%
EBIT	448	841	1,121	1,279	1,439	1,552	1,593	1,636
% Margin	11%	16%	17%	18%	19%	20%	20%	20%
NOPAT	591	688	851	957	1,077	1,161	1,191	1,223
Depreciation and Amortization	187	192	223	307	454	518	572	628
Deferred Taxes & Investment Tax Credit	14	0.4	-1.3	-6	-6	-6	-6	-6
Other Funds	102	-41.6	47	46	46	46	46	46
Funds From Operation	303	-224	269	347	494	558	612	668
Receivables	447	724	744	893	1,017	1,124	1,237	1,355
Inventories	574	932	1,139	1,191	1,330	1,446	1,567	1,694
Accounts Payable	403	637	834	834	948	1,033	1,123	1,218
Other Assets/Liabilities	0	0	0	0	0	0	0	0
Change in Working Capital	1,424	2,293	2,716	2,918	3,295	3,603	3,927	4,267
Capital Expenditures	-306	-654	-930	-793	-623	-420	-431	-443
Unlevered Free Cash Flow	\$1,421	\$1,078	\$1,170	\$2,275	\$2,788	\$3,432	\$3,784	\$4,152

Sources: FactSet, YahooFinance

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Centrus Energy Corp. (NYSE:LEU)

Executive Summary

“Centrus is on the line” – “Please hold”

- Curb your enthusiasm**– We maintain a rating of **HOLD** with a DCF-producing price of \$160.79 against today’s 208.33. The DCF is built upon a projected revenue CAGR of 5% for Centrus with a 10% WACC and a terminal value long-term growth rate at a continuous 5%. Lack of affordable HALEU production scale contributes to an unpredictable, expensive market that Centrus’s current price and projections aren’t based upon. Demand is projected to grow at high rates YoY, but uncertainty in Centrus’s growth advises a pause in capital commitment.
- Upside capped by proof-of-scale and growth plan** – Centrus prices in a strong market demand for enriched uranium but their pilot cascade can only produce 900 kg/yr of HALEU per year, a ~0.6% market share in 2026 alone. Plans for scaling the cascade are scarce and lack committed capital or timelines, leaving the growth story dependent on, so meaningful output beyond the pilot remains speculative. Without a concrete road-map, investors may be paying for capacity that never materializes.
- Catalyst map and risk skew** – We would turn more constructive on a sequence of (1) signed HALEU agreements covering ≥50% of initial advanced cascade output for small modular reactors, (2) DOE phase III or IV task orders extending funding past mid-2026 and (3) a fully planned build for the multi-ton, \$1B plant build plan that conveys a true plan to meet the markets growing demand. Additionally, cost of inflation on centrifuge manufacturing and slippage of pilot output increasingly prove Centrus’s price cannot factor in HALEU demand, even as macroeconomic tailwind propel nuclear energy to the moon.
- At the tone, please record your message** – The bottom line is that even as nuclear proves to be the future of energy, Centrus is not yet readily prepared to produce the HALEU demanded to be the main provider of such energy, which is why the 5% revenue CAGR does not meet the market growth that is currently reflected in its share price.

Business Overview

Strong legacy, unpredictable future

- Dependable but low-growth legacy market** – Centrus sustains consistent earnings from its proven trade in LEU nuclear energy. Locked in contracts, multi-year supply and foreseeable earnings in LEU trade contribute to continued growth. This footing finances DTD operations and shields near term risk for HALEU R&D but offers limited expansion potential: global LEU volume is copious, and most reactors already have suppliers. Small trade will provide reliable, but modest returns are not a catalyst for significant future earnings and share price growth.
- Early lead in HALEU fuel, commercial scale still a question** – Centrus is the first U.S. firm to produce HALEU, the unique fuel future small modular reactors will require. Contracts with the DOE provides cash for initial output through mid-2026 and authenticates the technology. The problem is transforming a 16-machine pilot cascade into a much larger plant that can produce enough energy to power SMRs. Such is contingent upon whether SMR producers will sign long-term fuel contracts, and if regulators will approve faster ways for commercial deployment of SMRs. Until then, Centrus’s first mover advantage remains strong impressively tangible.
- Cash rich today, why not build** – \$402M in convertible-bond issuance from 2024 increased cash reserves to \$671M and puts the BS net-cash positive. This cash painlessly covers short term operating needs and pilot-line tweaks. Scaling to full production for SMR’s, however, will demand significantly more; construction of a multi-ton plant, thousands of centrifuges and more support facilities could cost upwards of \$1B. Paired with management having yet to come out with a material plant build plan or idea capable of meeting demand, it’s too unpredictable.
- Risk-reward evenly balanced** – U.S. policy direction and a large contract backlog, paired with a first-mover position in the HALEU market create real long-run potential. However, the company faces steep execution risk with plant scaling and vulnerability to volatile uranium and enrichment prices. The stock price already riding on nuclear policy sentiment, potentially lacking large catalysts for future short-term growth without a real plan. Accordingly, we preserve a **HOLD** stance; observe progress and wait for clearer proof of scalable earnings in the HALEU market before investing more capital into Centrus.

Competitive Landscape

L-E-Utilitarian, H-A-L-E-Unrivaled (for now)

- LEU market** – Centrus’s main revenue comes from its domestic LEU trade, competing on U.S. soil with flexibility due to U.S. bans on Russian LEU. However, key rivals Orano and Urenco control ~40% of global enrichment capacity while Urenco plans to expand to New Mexico, threatening Centrus’s domestic moat. This expansion, paired with Orano’s abundant spare capacity in the market, cap Centrus’s margin upside and share gains a market with a five-year projected 5% CAGR. Enough to cover daily costs, all marbles are in HALEU.
- HALEU market** – Centrus maintains a first-mover advantage in HALEU production, being the only firm in the Western hemisphere currently producing enriched uranium. Urenco and Orano remain in licensing and subsidy talks, giving Centrus a 2–5-year head start, leaving Centrus temporarily alone in the market. This door will close if Centrus does not secure multi-year contracts from clients and the DOE to build a larger, more capable plant; otherwise, competitors with production will overtake and dissolve their first-mover advantage.

Rating: **HOLD**

Current Price: \$208.33

Price Target / Upside (22.8%) **\$160.79 /**

52-Week Price High / Low: \$33.51 / \$250.88

Shares O/S: 16.77M

Key Metrics Overview

Enterprise Value: \$3.354B

Revenue: 7.1x LTM

UFCF: \$75.93M

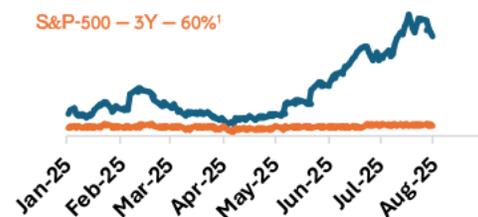
EV/EBITDA: 31.9x

P/E: 32.6x

Upcoming Earnings Date: 08/05/2025

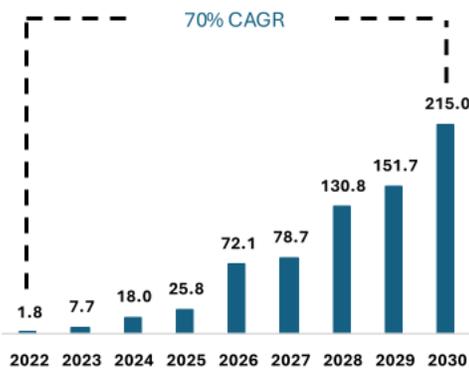
LEU vs. S&P-500

LEU – 3Y – 508%¹
S&P-500 – 3Y – 60%¹



¹Represents market price appreciation across the last 3 years; graph truncated to illustrate returns

HALEU Market Demand (metric t/yr)



Revenues & EBITDA (\$M)



"It's Morphin' Time!"

Shifting towards nuclear

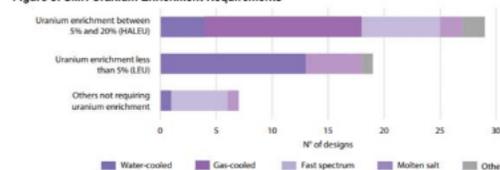
- **Growing demand for energy** – As the world continues to demand more energy, especially driven by AI infrastructure needs, we see the nuclear industry as the leading and long-term supplying source of energy – It's Morphin Time, and the world is morphing towards nuclear.
- **Small Modular Reactors** – Small modular reactors seem to be the future. A cleaner, safer and more efficient energy producer, these reactors are predicted to power the growing demand for energy globally. China has already employed SMRs to generate energy, with the U.S. not far behind. Over half of the SMR technologies under development plan to use HALEU, which has a predicted total addressable market of >\$6B by 2035, opening opportunities for energy providers.

Valuation Summary

Take a chill pill and be still

- **DCF-based price of \$160.79** – 5% CAGR '25-30, 10% WACC, 5% terminal growth; excludes multi-ton HALEU cascade until plant is both contracted and financed.
- **Stable LEU cash covers costs, not growth** – LEU trading funds operations but adds little prospective value, stock needs guaranteed HALEU volume to break above the target price.
- **Funding hurdle** – Multi-ton cascade needs \$1-1.3B; without offtake or a concrete financing plan, we treat the expansion as an unfunded option rather than a core valuation principle.
- **Risk guardrails** – ~\$670M in cash creates valuation floor, meaningful growth requires binding HALEU contracts and a plan for cascade buildout before new equity issuance is welcomed.
- **Key valuation catalysts** – Signed offtake, DOE phase III and IV task orders, funding unclear.

Figure 8: SMR Uranium Enrichment Requirements



Source: NEA, Evercore ISI Research

We believe that the current share price is rich, with no plan for funding the cascade needed to command the HALEU market. New debt will bring on crippling interest, and new equity, while signaling growth for HALEU production, could be more dilutive than accretive without contracts, construction plans, and growth models. The key catalyst for Centrus is execution; can management create a plan for funding the cascade in time to beat competitors and supply clients, and where will that funding come from.

Operating Model (millions)

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	293.80	320.20	442.00	464.10	487.31	511.67	537.25	564.12
% Growth		9%	38%	5%	5%	5%	5%	5%
EBITDA	69.30	59.50	58.80	106.40	112.84	119.64	126.81	134.38
% Margin	23.59%	18.58%	13.30%	22.93%	23.16%	23.38%	23.60%	23.82%
EBIT	59.70	52.40	48.00	97.03	103.19	109.70	116.57	123.83
% Margin	20.32%	16.36%	10.86%	20.91%	21.18%	21.44%	21.70%	21.95%
NOPAT	45.96	52.34	48.13	97.03	103.19	109.70	116.57	123.83
Depreciation and Amortization	9.60	7.10	10.80	9.37	9.65	9.94	10.24	10.55
Deferred Taxes & Investment Tax Credit	14.70	-1.60	-0.70	13.97	-1.92	-2.21	-2.54	-2.92
Other Funds	37.20	(36.50)	(13.60)	(73.89)	(28.43)	(14.69)	(16.60)	(20.01)
Funds From Operation	107.46	21.34	44.63	46.48	82.49	102.74	107.67	111.44
Receivables	-9.00	-11.30	-30.50	-4.00	-4.20	-4.41	-4.63	-4.86
Inventories	-88.50	-83.80	101.00	-8.08	-8.48	-8.91	-9.35	-9.82
Accounts Payable	2.60	8.50	-1.40	1.94	2.04	2.14	2.25	2.36
Other Assets/Liabilities	-50.60	18.80	-33.70	217.09	-18.78	60.69	22.93	24.34
Change in Working Capital	-145.50	-67.80	35.40	206.95	-29.42	49.51	11.19	12.01
Capital Expenditures	(0.70)	(1.60)	(4.10)	(0.21)	(2.43)	(0.68)	(0.87)	(1.24)
Unlevered Free Cash Flow	(38.74)	(48.06)	75.93	253.22	50.63	151.57	117.99	122.22

Sources: Bloomberg, YahooFinance, DOE

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Clearway Energy (NYSE:CWEN)

Executive Summary

A Buy Call Backed by Contracted Stability

- We initiate coverage of Clearway Energy (CWEN) with a Buy rating and a \$45.16 price target, implying a 18% upside from current pricing. Clearway Energy is a leading U.S. renewable energy developer, utilizing long-term power purchase agreements and accelerating demand for clean energy.
- A majority of revenue stems from long-term contracted arrangements for output associated to Clearway's renewable and storage portfolio, creating predictable cash flow and earnings. With roughly 5 GW of projects under development supported by tax credits and growing demand from utilities and AI data centers, Clearway also has predictable expansion in progress.
- As it becomes increasingly more apparent that clean energy will grow scarce in availability as time grows, Clearway and energy companies alike will continue to benefit from PPAs securing energy sources for large tech brands. However, higher interest rates could weigh on financing costs in addition to the lengthy project delays that remain a concern in today's labor and supply chain environment.
- Benefits from tax policy and Clearway's business model continues to create growth in market share in the continued growing demand of renewables. In our view, Clearway offers investors a favorable combination of reliable cash flows and growth opportunity, positioning it as a great pick among mid-cap renewables over the next 1-2 years.

Business Overview

From Utility Spin-Off to Renewables Leader

- Founded in 2018 and headquartered in Princeton, New Jersey, Clearway Energy develops and operates renewable energy projects across the US, utilizing PPAs and capacity contracts to generate long-term revenue, offering low merchant exposure.
- Clearway currently owns and operates about 11.8 GW of contracted wind, solar, and battery storage capacity, with 15 GW in in development. Operating across a diversified energy portfolio of utility scale and distributed generation sets Clearway apart from comparables as it keeps the ability to maintain long-term PPAs (average remaining duration: ~10 years). With over a 100% planned expansion in power development, Clearway is expected to expand significantly in all areas of its energy inventory.
- Led by CEO Craig Cornelius with a background in leadership of NRG Energy's renewables division and solar investment, Clearway's leadership team focuses on scaling project pipelines, using tax incentives and credits, as well as maintaining financial discipline to optimize returns. Using selective M&A, such as the recent acquisition of the 137 MW Tuolumne wind project, and strategic partnerships allows for strategy to advance the 15 GW of power in development.
- In FY 2024, Clearway generated \$232 million from flexible generation (ex. Conventional power) and \$948 million from renewables (such as wind, solar and battery storage). Management targets a balanced capital allocation strategy, reinvesting in growth and maintaining a sustainable dividend yield, approximately at 5.7%. With growing cash available for distribution (CAFD), modest dividend increases are expected by 2027.

Competitive Landscape

A Sector Powered by Policy Support and Growing Competition

- U.S. renewable energy continues its rapid expansion, making record annual additions to solar, wind and battery storage by the end of 2024 (solar reaching 128 GW and wind reaching 154 GW). Utility-scale renewables now make up a quarter of national electricity generating and are expected to remain the fastest growing energy supply source through the end of the decade.
- The Inflation Reduction Act implemented in August of 2022 provides tax credits and financing mechanisms to encourage renewable energy manufacturing investment. The act creates investment tax credits for storage, solar production tax credits, and financing transferability, making it easy for energy developers like Clearway to continue developing clean energy. The act has spurred ~\$422 billion in U.S. clean energy projects as well has hundreds of thousands through 2024. Capital markets deal activity and M&A remained robust in through the last year as IRA finance mechanisms protected incentives even with macroeconomic headwinds.

Rating: BUY

Current Price: \$32.64

Price Target / Upside \$45.16 / 12.52

52-Week Price High / Low: \$33.22 / \$24.40

Shares O/S: 83.257M

Key Metrics Overview

Enterprise Value: \$15.11B

Revenue: 10.40x

UFCF: \$598M

EV/EBITDA: 18.5x

P/E: 20.71x

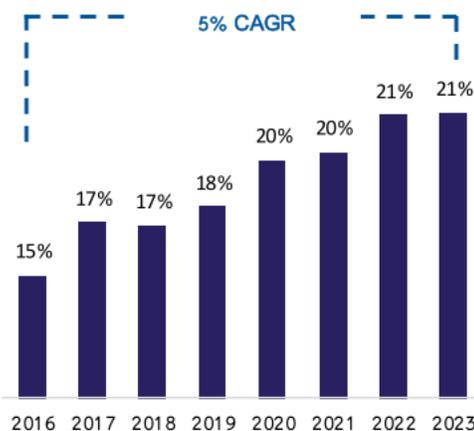
Upcoming Earnings Date: 08/05/2025

Ticker vs. S&P-500

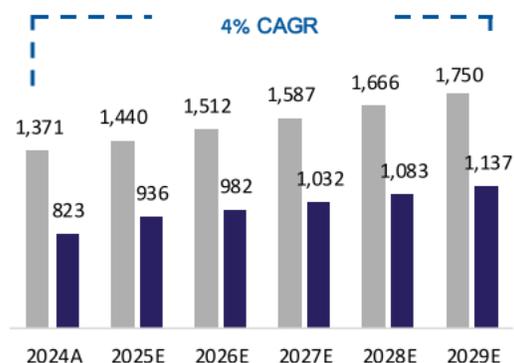
CWEN - 3Y - 2%
S&P-500 - 3Y - 42%



% of U.S. Electricity Generated by Renewables



Revenues & EBITDA (\$M)



Energy Coverage Group | Cashen Crowe | Clearway Energy

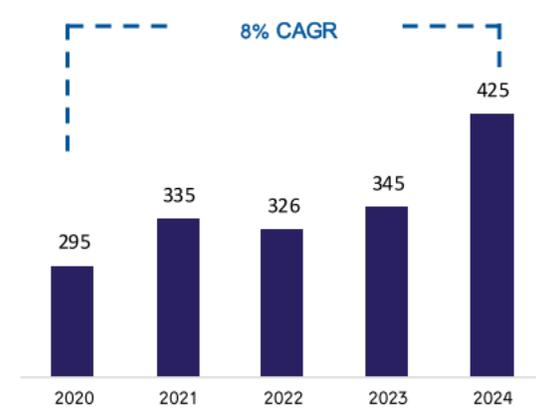
- Despite policy uncertainty with proposals to roll back key credits and limit foreign supply restrictions, long-term investors remain encouraged. With the need for scalable energy on the rise, solar, onshore wind and battery developers continue to attract capital. Additionally, rising demand driven by electrification and AI data centers supports current projects and future developments under operation of Clearway.
- Offshore wind and community solar projects are also beginning to take their share in the market, scaling rapidly. Offshore wind farms allow for a larger capacity factor than onshore (15%-20% more) and create an attractive energy generation opportunity for grids under stress like data centers.
- NextEra Energy, the world's largest operator of wind and solar assets (over 37 GW of capacity), boasts advantages in scale and global footprint. However, Clearway's utilization of long-duration PPAs and a less capital-intensive model focusing on "dropdown" asset growth (when a parent company develops a renewable project and then sells or transfers to a yieldco) creates more predictable cash flow.

Valuation Summary

Valuation Anchored

- We value Clearway Energy using a discounted cash flow, discounted at the company's weighted average cost of capital. The model assumes revenue growth of 5% annually, reflecting dropdown asset acquisitions and IRA incentives.
- We apply a WACC in the 7%-8% range, consistent with risk profiles in the energy sector. Our EV/Ebitda valuation, trading at 18.5x, indicates an implied share price of \$45.16, representing a 38% upside.
- Clearway's valuation benefits from its minimally capital-intensive dropdown model, strong incentive policy, and a reliable and predictable growth development pipeline. Risks include policy uncertainty, interest rate volatility and project development delays.
- With an above-market dividend yield and predictable future of growth, an overweight rating is supported.

Cash Available for Distribution (\$M)



Key Assumptions

Revenue Growth:	5%
WACC:	7.2%
Terminal Growth:	2%
Corporate Tax:	21%

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$1,190	\$1,314	\$1,371	\$1,440	\$1,512	\$1,587	\$1,666	\$1,750
% Growth		10%	4%	5%	5%	5%	5%	5%
EBITDA	1,160	1,058	1,146	936	982	1,032	1,083	1,137
% Margin	97%	81%	84%	65%	65%	65%	65%	27%
EBIT	1,514	321	274	543	578	615	653	702
% Margin	127%	24%	20%	38%	38%	39%	39%	40%
NOPAT	1,252	281	523	456	486	516	548	590
Depreciation and Amortization	512	526	627	648	680	714	750	787
Deferred Taxes & Investment Tax Credit								
Other Funds	(1)	4	6	-	-	-	-	-
Funds From Operation	787	702	770	725	712	738	766	779
Receivables	153	171	164	179	188	198	207	14
Inventories								8
Accounts Payable	77	161	113	122	128	135	142	149
Other Assets/Liabilities	(208)	(335)	(111)	(95)	(87)	(86)	(79)	139
Change in Working Capital	22	(3)	166	207	230	247	270	310
Capital Expenditures	(124)	(245)	(450)	(288)	(302)	(317)	(333)	(350)
Unlevered Free Cash Flow	\$685	\$454	\$486	\$643	\$640	\$668	\$702	\$739

Sources: Bloomberg, YahooFinance

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NextDecade Corp. (NASDAQ:NEXT)

Executive Summary

Carbon-Smart LNG, Deep-Value Upside De-Risked Green LNG Poised for 28% Upside

- NextDecade Corp. is a U.S.-based liquefied natural gas (LNG) developer focused on delivering low-carbon LNG to match rising global demand. Its flagship Rio Grande LNG project in South Texas (5 trains, 27 MTPA capacity) is currently under Phase 1 of construction, with a target of first LNG production by 2027. NextDecade's strategy centers on long-term offtake contracts (20-year SPAs) while simultaneously implementing new carbon capture and storage technology, aiming to reduce facility CO₂ emissions by more than 90% for a "green LNG" appeal.
- Key financials: NextDecade's market capitalization is currently valued at \$2.95B (share price: \$11.36), and its enterprise value is \$8.79B. With no revenue yet (pre-production), the stock trades at a steep discount to its project NPV—our DCF yields a \$14.56/implied share price—implying significant upside as cash flows materialize. We've labeled NEXT as a **Buy** rating, predicated on robust long-term LNG demand (global LNG volumes expected to grow ~60% by 2030 as gas bridges the energy transition), valuation upside with a 28% forecasted increase to the current share price and ESG tailwinds. Rio Grande's carbon-capture design and regulatory alignment position it favorably for approvals and sustainability-focused investors.
- In summary, NextDecade offers a unique opportunity to invest in a significantly de-risked LNG infrastructure platform with long-term contracts, high margins, and improving free cash flow, all supported by global decarbonization trends and strong institutional partners. We expect multi-year appreciation as Rio Grande LNG becomes operational and generates substantial cash flows, which will drive our bullish outlook.

Business Overview

Fully-Funded Tolling Platform Turning Texas Gas into 27 MTPA of 'Green' LNG

- NextDecade's core business model is to develop, own, and operate LNG export infrastructure monetized via tolling-style contracts. Rio Grande LNG will liquefy locally sourced U.S. natural gas from the Permian and Eagle Ford basins and sell it through 20-year agreements. NEXT has also obtained 16 MTPA in long-term offtake contracts for trains 1–3, including agreements with Shell, TotalEnergies and others, guaranteeing that 85% of the capacity is sold upfront. This contracted revenue model mitigates commodity risk and underpins a stable cash flow profile once the business is operational. NextDecade achieved Final Investment Decision (FID) on Phase 1 in July 2023, raising \$18.4B in debt and equity financing. Notably, global infrastructure investors and TotalEnergies jointly acquired a 79.2% stake in the project's cash flows, leaving NextDecade with a 20.8% ownership stake—a trade-off that secured full funding while minimizing dilution.
- Construction is well underway: as of Jan 2025, Trains 1–2 were ~38% complete (Train 3 ~15%) with Bechtel executing a \$12B lump-sum EPC contract. This fixed-price EPC helps cap cost overruns and stay on schedule for NextDecade's goal of hitting first LNG by 2027. The 984-acre RGLNG site at the Port of Brownsville, Texas, offers deepwater access and pipeline connectivity, providing NextDecade with a geographic advantage in linking abundant Texas gas to global LNG markets. NextDecade has already contracted 4.6 MTPA for Train 4 and is also in the preliminary stages of an offtake agreement with Saudi Aramco. These expansions could boost total capacity to 27 MTPA by 2032 and unlock additional value.
- In short, NextDecade's execution strategy—securing regulatory permits (FERC/DOE approved), contracting volumes early and partnering with industry majors—has positioned it to deliver one of the largest U.S. LNG export projects on time and on budget.

Competitive Landscape

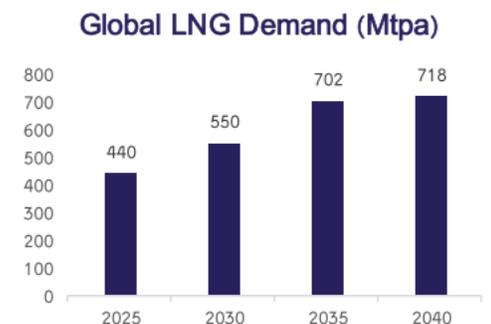
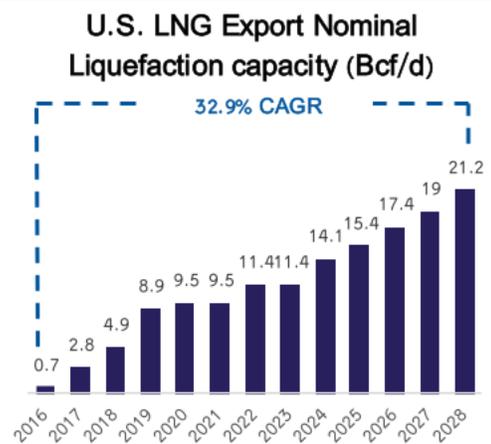
Contracted Carbon-Capture Challenger Punching Above Its Weight

- NextDecade competes in a global LNG industry dominated by established players and emerging developers. Cheniere Energy (NYSE: LNG)—the pioneering U.S. LNG exporter—operates ~45 MTPA of capacity and serves as a benchmark with its robust cash flows and ~6x EV/EBITDA valuation. NextDecade's RGLNG will match Cheniere's scale per facility (27 MTPA vs. Sabine Pass 30 MTPA), as well as implementing carbon capture capabilities. Tellurian (NASDAQ: TELL) is a smaller peer attempting to develop Driftwood LNG without traditional long-term contracts. This strategy has struggled significantly, and Tellurian has yet to reach FID or secure financing, highlighting the importance of NextDecade's long-term contracted approach.

Rating:	BUY
Current Price:	\$11.36
Price Target / Upside	\$14.56 / \$3.20
52-Week Price High / Low:	\$4.27 / \$12.12
Shares O/S:	260.44M

Key Metrics Overview

Enterprise Value:	\$8.79B
EV/MTPA:	801.2x
EV/Contracted Capacity:	870.9x
P/B:	9.8x
Upcoming Earnings Date:	09/03/2025



Energy Coverage Group | Connor McShane and
 Thomas McIntyre | NextDecade Corp.

- Venture Global LNG, a private developer, rapidly brought 10 MTPA online (Calcasieu Pass) and is constructing 20 MTPA (Plaquemines LNG). Venture Global's rapid build-out posed early operational difficulties and a higher valuation of ~11x EBITDA. This validates strong market appetite for new U.S. LNG underdogs. NextDecade solidifies itself even further with strong financial backing (international energy companies as equity partners) and an industry-leading ESG profile. This ESG focus could prove a competitive advantage in securing European and Asian buyers facing emissions mandates.
- In the broader landscape, LNG supply is expanding but long-term demand visibility is robust. Asia and Europe are contracting volumes into 2040, and a supply gap of 30–60 MTPA is projected in the early 2030s without new projects. NextDecade's fully contracted Phase 1 and progress on Phase 2 offshore underscore that it has differentiated itself by de-risking commercial and regulatory aspects. Its strategic Gulf Coast location offers low upstream gas costs and shorter shipping routes to Latin America and Europe. Overall, we view NextDecade as competitively positioned: it combines the contracted revenue profile of an incumbent (such as Cheniere) with the growth upside of a developer, all while aligning with the climate goals that influence current buyer preferences.

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Valuation Summary

Scenario Based DCF

- A 30-year quarterly DCF (2025-2055) captures Rio Grande LNG's full buildout, debt amortization and terminal value. We run nine discrete sensitivity cases around the Base model to stress capital intensity, pricing, and timing, then triangulate to a probability-weighted equity value.
- The unadjusted Base case values NEXT at \$14.56/share, driven by 27 MTPA nameplate, 8.00% WACC and 3.5% terminal growth. A Bull case adds higher LNG toll fees (+\$0.50/mmbtu) and on-time Train 4-5 FIDs, lifting equity to \$32.64/share—a 2.2x upside to spot and our primary rerating catalyst.
- Execution & Market Downside. A full-year construction slip erodes NPV by ~\$20/share, flipping to -\$5.59 as cash burn widens. Sustained 15% LNG price discounting produces -\$2.44, while a 5% plant-wide downtime haircut leaves \$2.65. A severe multi-year weather disruption cuts to -\$0.50, indicating equity is highly sensitive to schedule risk but relatively insulated from short-term operating expense shocks.
- Assigning 60% Base, 20% Bull, 15% moderate stress and 5% severe delay yields a probability-weighted value of ~\$16/share—25% above market.

Even in simultaneous working-capital and SG&A headwinds, equity retains a ~\$12 floor, underscoring the depth of contracted cash flows.

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	\$0	\$0	\$0	\$0	\$0	\$71	\$1,006	\$2,191	\$3,295	\$4,212	\$4,520	\$4,622	\$4,727
% Growth	0%	0%	0%	0%	0%	0%	1317%	118%	50%	28%	7%	2%	2%
EBITDA	(53)	(123)	(171)	(199)	(208)	(159)	602	1,569	2,468	3,212	3,454	3,525	3,598
% Margin	0%	0%	0%	0%	0%	(224%)	60%	72%	75%	76%	76%	76%	76%
EBIT	(55)	(123)	(171)	(199)	(208)	(179)	366	1,062	1,692	2,410	2,652	2,723	2,796
% Margin	0%	0%	0%	0%	0%	(253%)	36%	48%	51%	57%	59%	59%	59%
NOPAT	(44)	(98)	(137)	(159)	(166)	(144)	293	850	1,354	1,928	2,122	2,179	2,237
Depreciation and Amortization	1	6	13	0	0	20	236	507	776	802	802	802	802
Other Funds	0	6	(1)	0	0	0	0	0	0	0	0	0	0
Funds From Operation	(42)	(86)	(125)	(159)	(166)	(123)	529	1,357	2,130	2,730	2,924	2,981	3,039
Receivables	—	—	0	0	0	(3)	(12)	(12)	(9)	(10)	(1)	(1)	(1)
Inventories	—	—	0	0	0	0	0	0	0	0	0	0	0
Accounts Payable	—	—	2	537	460	40	(512)	(602)	(168)	0	0	0	0
Other Assets/Liabilities	—	—	41	(112)	0	0	0	0	0	0	0	0	0
Change in Working Capital	—	—	43	425	460	37	(524)	(614)	(177)	(9)	(1)	(1)	(1)
Capital Expenditures	—	—	0	(2,900)	(6,653)	(8,007)	(5,327)	(2,365)	(293)	(211)	(226)	(231)	(236)
Unlevered Free Cash Flow	(\$42)	(\$86)	(\$82)	(\$2,634)	(\$6,359)	(\$8,093)	(\$5,322)	(\$1,622)	\$1,661	\$2,511	\$2,697	\$2,749	\$2,802

Sources: U.S. Energy Information Administration (EIA), FactSet, NextDecade, SEC, Wood Mackenzie & Rystad Energy, International Energy Agency (IEA), Federal Energy Regulatory Commission (FERC), Department of Energy (DOE), Hart Energy

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Atlas Energy Solutions (NYSE:AESI)

Executive Summary

We rate AESI as a BUY for its revolutionary developments in transportation, Permian Basin dominance, and transformational diversification strategy.

- Recognizing the high transportation costs of the frac sand industry (50–60% of total delivered cost), AESI has become an early adopter of long-distance conveyor and autonomous trucking solutions. Over the course of 2024, the 42-mile Dune Express system was constructed, and recently has reached full effective utilization of 13 million tons per annum. The Dune Express is the world's first long-haul proppant conveyor system which directly contributes to management's expected delivery margins increasing towards 50% in the future, far surpassing the proppant-provider historical 10–15% margin. This system reduces trucking miles by up to 95%, leaving newly introduced autonomous trucks to carry out last-mile deliveries, which also promise cost-cutting solutions. The trucks come from Kodiak Robotics, a soon-to-be-public AV company, with 4 trucks currently in use, and many more planned for 2025H2, which will promote capital efficiency in the medium term.
- As part of another strategic acquisition, AESI purchased Moser Energy Systems in early 2025, in a \$180 million and 1.7 million share deal. The move enabled AESI to transform into a broader energy solutions provider, with an expected \$40+ million in 2025 EBITDA added as a rental revenue stream. Moser's products are leasable, natural gas generators that run on by-product gas that would otherwise be flared in the oil production process due to returns not sufficing for LNG storage and sale. By oil-producing companies utilizing Moser generators, they can power their oilfield service operations through already-abundant natural gas, with generators capable of producing 350kW of energy stably and continuously.
- Management shows strong confidence within recent acquisitions and operational enhancements demonstrated by AESI's executive compensation structure. The three highest paid executives within the company, Ben Brigham, John Turner, and Dathan C. Voelter, have 80%+ of compensation tied to performance-based equity, which is far above the norm for mid-cap companies. Under the current compensation plan, 75% is based on relative total shareholder return and 25% weight is based on return on capital employed. Incentivized by this structure in 3-year vesting periods, management is strongly aligned with investor concerns over stock performance including dividends, as well as operational improvements, which have been seen to be a focus with recent acquisitions.

Business Overview

A vertically integrated and expansive frac sand provider for the West Texas Shale industry, with a growing power generation footprint.

- AESI services oil & gas companies in the Permian basin, Texas & New Mexico, which encompasses both the Delaware and Midland basins. The company operates 14 proppant manufacturing facilities with 28 million tons per annum of production capacity, making it one of the largest frac sand businesses in the United States. Servicing the Permian Basin, which accounts for roughly 40% of total U.S. crude oil production and around 15% of natural gas production, AESI benefits from ideal geographic positioning and the possibility for expansion. In 2024's acquisition of Hi-Crush, AESI obtained facilities capable of holding 52.5 million tons of proven reserves, demonstrating the company's commitment to growth and dominance in the Western Texas landscape.
- AESI services over 30 unique customers, including many of the largest independent exploration & production (E&P) operators in the Permian, with roughly 80% of its 2024 production under contract. Sand is mined from large dunes with different size and texture characteristics and shipped to these E&P companies to be used during fracking processes. This sand is vital for opening and sustaining rock fissures where fossil fuels are to be harnessed for extraction. The multi-year agreements managed provide volume certainty, reducing exposure to spot market volatility and supporting more efficient capital allocation across its production network.
- The frac sand AESI supplies is engineered to meet the increasingly demanding requirements of modern wellsite completions. As well designs have evolved to include longer reaches and more densely spaced fracturing stages, the volume of sand required per well has grown significantly. Today, the average Permian well consumes 5,000–6,000 tons of proppant, up from 3,500–4,000 tons just five years ago, reflecting a 40–50% increase in sand intensity. In 2023, total U.S. proppant demand reached roughly 120 million tons, with the Permian Basin alone accounting for more than 55% of that volume. By offering customized sand grades capable of withstanding extreme pressures and maximizing hydrocarbon flow, Atlas is positioned to capitalize on rising material needs across the basin's most active drilling programs.
- After going public via an initial public offering in 2017, the company has expanded to reporting 592.9 million tons of proven and probable sand reserves while expanding their offerings as a energy solutions provider. This includes the 42-mile Dune Express, 900 Moser generators, 116 and 4 conventional and autonomous trucks respectively, and a robust infrastructure spanning 86,000 square miles of land across the region.

Rating:

BUY

Current Price:

\$14.33

Price Target / Upside

\$24.56 / 71%

52-Week Price High / Low:

\$11.76 / \$26.75

Shares O/S:

123.64M

Key Metrics Overview

Enterprise Value:

\$2.1B

EV/Revenue:

1.8x

UFCF:

(\$132M)

EV/EBITDA:

9.15x

P/E:

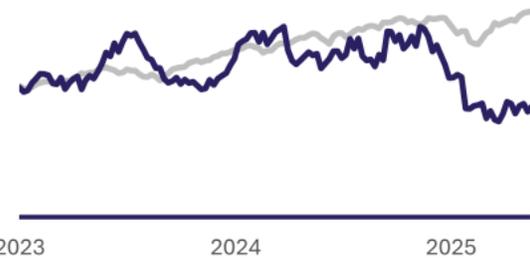
21.64x

Upcoming Earnings Date:

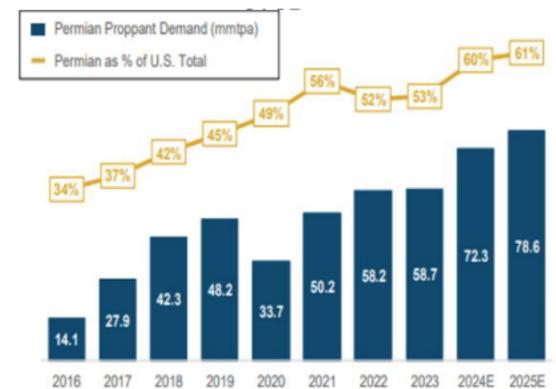
08/04/2025

AESI vs. S&P500

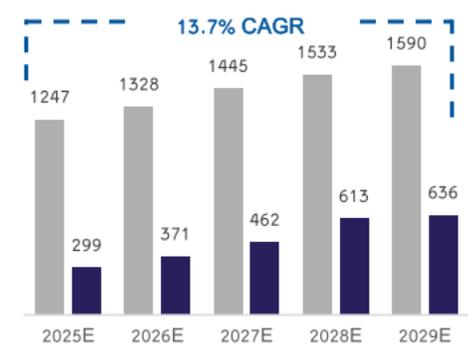
AESI – 3Y – -14%
S&P-500 – 3Y – 57%



Permian Basin Proppant Demand



Revenues & EBITDA (\$M)



Competitive Landscape

In a fragmented proppant industry, Atlas has emerged as the dominant player in the Permian, benefiting from high entry barriers and logistics advantages.

- Liberty Energy (LBRT): While LBRT is a scaled pressure pumper with solid execution, its fundamentals are heavily tied to short-cycle service pricing. In contrast, AESI benefits from integrated asset ownership and margin durability, with Q1 2025 adjusted EBITDA margin of 25% and a forward path to 30% due to fixed infrastructure and rental income growth.
- ProFrac Holding Corp. (ACDC): ACDC is pursuing vertical integration, but remains exposed to completions volatility and carries higher capital intensity. AESI offers a cleaner, more focused business model, already operating at scale (~28M TPY capacity), with in-basin logistics and mine ownership that support sustainable cash flow and operating leverage.
- Patterson-UTI Energy (PTEN): PTEN's diversified model spans drilling and completions, but both segments are tied to rig count and well activity cycles. AESI's revenue mix is shifting toward higher-quality, recurring streams (e.g. Moser rental revenue, Dune Express delivery contracts), which are less cyclical and support long-term margin expansion.

Valuation Summary

AESI remains compelling as the company combines high-margin growth with structural cost advantages not fully priced into current market levels.

- Operating margins are forecasted to expand to 30%, reflecting synergies and cost efficiencies from recent operational acquisitions, including the integration of Hi-Crush and OnCore assets, alongside the AV partnership with Kodiak Robotics.
- Rental revenue from Moser Energy Systems is modeled as a new income stream, with immediate adoption yet gradual scaling over the forecast horizon to reflect Moser's previous performance. This recurring, high-margin segment supports top-line growth and stabilizes cash flows.
- Frac sand product sales are projected to decline in the near term, driven by lower oil prices and reduced well completion activity across the Permian, pressuring AESI's core proppant volumes. While a concern, overall revenue still increases supported by service and rental revenue streams highlighted the management's innovative approach to diversify against commodity cycles.
- AESI's current 7.6% dividend yield, supported by a payout ratio of approximately 313%, is assumed to decline steadily toward 2% over the forecast period. This reflects a transition to a more sustainable distribution policy as free cash flow improves and capital is increasingly allocated toward infrastructure growth and balance sheet strength. The revised yield trajectory also better aligns with long-term sector norms for infrastructure-backed service providers.

Company	Ticker	Rating	Market Capitalization
U.S. Pressure Pumps & Land Drillers Comps			
Helmerich & Payne, Inc.	HP	NC	\$1,672
Liberty Energy, Inc. Class A	LBRT	Buy	1,939
Nabors Industries Ltd.	NBR	NC	430
Patterson-UTI Energy, Inc.	PTEN	Buy	2,289
Precision Drilling Corporation	PDS	NC	594
ProFrac Holding Corp. Class A	ACDC	Hold	1,027
ProPetro Holding Corp.	PUMP	Buy	590
RPC, Inc.	RES	Hold	1,048
Average			
SMID Cap Oilfield Services & Equipment Comps			
Solaris Energy Infrastructure, Inc. Class A	SEI	Buy	\$882
Cactus, Inc. Class A	WHD	Buy	3,434
Flowco Holdings Inc Class A	FLOC	NC	493
Average			
Group Average			
Atlas Energy Solutions Inc.	AESI	Buy	\$1,634

Moser Rental Revenue Segment

Summary of Power Solutions		
	Smaller Load Generators	Larger Load Generators
Size Range Offered	70kW, 130kW, 170kW	250kW, 350kW
Primary Oilfield Use	✦ Sites with smaller load demand profiles (artificial lift for older wells, or smaller onsite electric infrastructure)	✦ Sites with larger load demand profiles (recently completed wells) Paralleling capacity for seamless deployment in multi-MW microgrid applications (10+ MW)
Key Features	✦ Remote telemetry, automated notifications, and GPS tracking is standard on all units ✦ Control unit that integrates and coordinates all critical functions ✦ Auto-switch between fuel sources (natural gas / propane)	
Benefits	✦ Low-emissions vs. diesel, without need for expensive after-treatment devices ✦ Extreme tolerance for all weather conditions	✦ No special site preparation or foundations required ✦ Maximum mobility on the well-site

Operating Model (\$ in Thousands)

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$ 482,724	\$ 613,960	\$ 1,055,957	\$ 1,247,805	\$ 1,328,451	\$ 1,445,268	\$ 1,533,853	\$ 1,590,081
% Growth		27%	72%	18%	6%	9%	6%	4%
EBITDA	262,123	308,143	232,691	299,473	371,966	462,486	613,541	636,032
% Margin	54%	50%	22%	24%	28%	32%	40%	40%
EBIT	231,991	265,130	113,876	112,302	185,983	289,054	460,156	477,024
% Margin	48%	43%	11%	9%	14%	20%	30%	30%
NOPAT	230,135	233,752	98,040	85,350	141,347	219,681	349,719	362,538
DD&A	27498	39798	98747	187,171	185,983	173,432	153,385	159,008
Funds From Operation	257633	273550	196787	272521	327330	393113	503104	521546
Receivables	74392	71170	165967	168973	172031	193372	193662	196150
Inventories	16411	21857	40550	44605	49066	53972	59369	65306
Accounts Payable	31799	61159	119244	90846	99786	96758	79181	70856
Other Assets/Liabilities	(20,327)	(151,759)	(385,725)	(252,011)	(315,937)	(347,495)	(314,924)	(330,028)
Change in Working Capital	102,275	2,427	(59,964)	(52,413)	(4,945)	3,393	(17,288)	(2,285)
Capital Expenditures	(\$289,038)	(\$406,477)	(\$298,583)	(\$124,781)	(\$132,845)	(\$144,527)	(\$153,385)	(\$159,008)
Unlevered Free Cash Flow	\$70,870	(\$130,500)	(\$161,760)	\$95,328	\$189,540	\$251,979	\$332,430	\$360,254

Sources: Morningstar, YahooFinance, Company Reports, Stifel

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Jefferies Financial Group (NYSE:JEF)

Executive Summary

Jefferies positioned for a valuation re-rating as growth resilience

- Jefferies Financial Group Inc. operates as a standalone U.S.-based full-service investment bank and leverages its independence and diversified platform to navigate complex global markets while delivering comprehensive financial solutions to corporate, governmental, sponsor-backed, and institutional clients
- Jefferies Financial Group Inc. operates as a standalone U.S.-based full-service investment bank and leverages its independence and diversified platform to navigate complex global markets while delivering comprehensive financial solutions to corporate, governmental, sponsor-backed, and institutional clients
- Our model forecasts revenue growth to \$14.3 billion and EBITDA expansion to \$1.82 billion in FY2025, supported by a rebound in global M&A, stronger fixed income performance, and continued growth in alternative asset management
- Jefferies currently trades at 3.4x 2026E EV/EBITDA and 0.9x forward book value, offering significant valuation upside compared to peers and justifying our DCF-derived price target of \$61.50, which implies a 10.4% return and supports our Strong Buy rating

Business Overview

Jefferies combines global advisory scale with trading and asset management depth

- Jefferies operates across three core segments: investment banking, capital markets, and asset management, which together position the firm for multiple revenue streams and a diversified earnings base
- The investment banking division remains the firm's largest contributor, offering M&A advisory, debt and equity underwriting, and restructuring services across sectors including healthcare, financial institutions, energy, TMT, and consumer
- Capital markets activity, particularly in fixed income and equity trading, has strengthened client retention through high-touch block trading, market-making, and structured product execution for institutional clients navigating turbulent conditions
- The firm's asset management capabilities are expanding under the Leucadia Asset Management umbrella and include co-investments, direct lending platforms, and bespoke alternative strategies aligned with rising demand for private capital
- With over 40 global offices in financial hubs including New York, London, Frankfurt, Hong Kong, Tokyo, and Dubai, Jefferies has cemented its role in cross-border advisory while preserving a lean and decentralized management structure that empowers top talent and drives value creation

Competitive Landscape

Jefferies disrupts both bulge brackets and boutiques through agility and product breadth

- Jefferies continues to differentiate itself by remaining the only standalone full-service investment bank in the U.S. market, allowing for nimble decision-making and customized client solutions without the regulatory burden of a bank holding company
- In 2025 Q1, Finance and insurance nominal gross output increased to \$4,155.4 billion. Real gross output, adjusted for changes in price, increased by 2%
- In M&A and equity capital markets, Jefferies is gaining share against larger peers such as Goldman Sachs and Morgan Stanley due to its ability to underwrite and advise on mid-cap and sponsor-driven deals with faster execution and stronger alignment

Rating:

BUY

Current Price:

\$55.73

Price Target / Upside

\$61.50 / 10.5%

52-Week Price High / Low:

\$82.68 / \$39.82

Shares O/S:

206.3M

Key Metrics Overview

Enterprise Value:

\$23.2B

Revenue:

2.30x

UFCF:

\$1.8B

EV/EBITDA:

3.40x

P/E:

20.60x

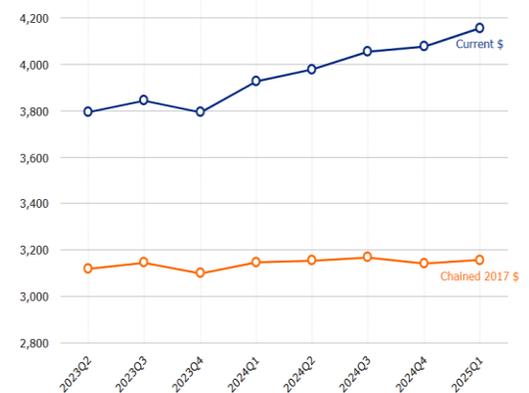
Upcoming Earnings Date:

09/29/2025

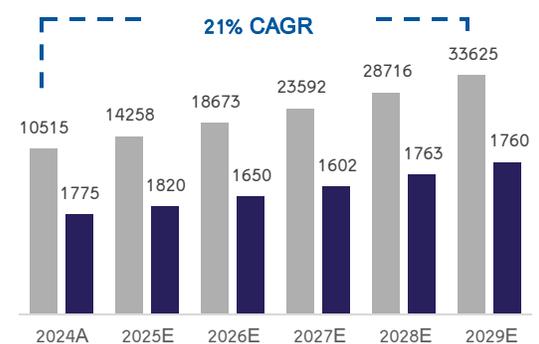
Ticker vs. S&P-500



Finance & Insurance Gross Output (\$B)



Revenues & EBITDA (\$M)



- Relative to elite boutiques such as Evercore and Moelis, Jefferies provides a broader product suite including trading, lending, and structured solutions, which allows it to capture a greater portion of wallet share across complex transactions
- International expansion remains a key differentiator, as Jefferies increases its footprint across Europe and Asia, competing more directly with global banks on cross-border mandates and capital markets distribution
- The firm's ability to retain and attract senior talent through an entrepreneurial culture, equity participation, and front-line autonomy continues to sustain its competitive edge in an increasingly consolidated advisory landscape

Valuation Summary

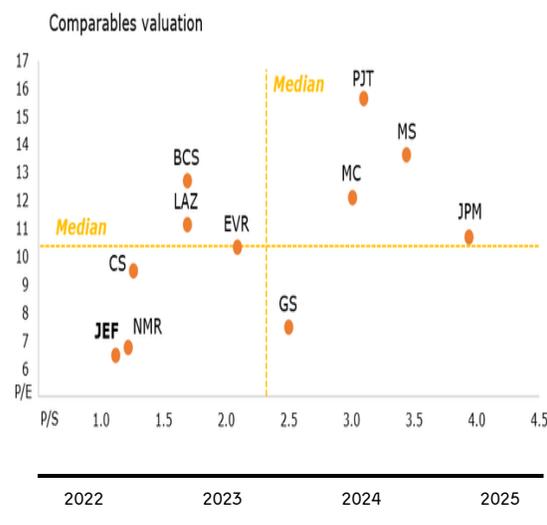
Discounted multiples and strong cash flow support compelling upside potential

- Our DCF model uses a 9.3 percent discount rate and 3 percent perpetual growth rate, with a terminal value based on both a 3.4x EV/EBITDA exit multiple and a perpetual cash flow methodology, resulting in a blended enterprise value of \$39.5 billion
- After adjusting for \$7.0 billion in debt and \$1.13 billion in cash, the implied equity value is \$33.7 billion or \$61.23 per share, compared to the current market price of \$55.73 per share, implying a 10 percent upside
- Implied internal rate of return (IRR) over the holding period is 11 percent, underpinned by consistent unlevered free cash flow generation totaling \$22.6 billion across the forecast horizon.
- Our forecast projects annual cash flows of \$8.7 billion in 2026 and a five-year average of \$4.0 billion, driven by EBITDA growth, moderate CapEx, and disciplined working capital deployment
- The stock's current EV/EBITDA multiple remains meaningfully below peers, suggesting re-rating potential if management continues executing on cost control, merchant banking divestitures, and international expansion

Jefferies Offices Worldwide



Comparable Companies Valuation



NYSE: Jefferies Financial Group Inc.
NYSE Ticker: (JEF)

(\$) in Millions	Achievement				My Consensus					Soft Landing		
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue	8938	7176	7499	10515	14258	18673	23592	28716	33625	37817	40784	42007
Growth %		-20%	5%	40%	36%	31%	26%	22%	17%	12%	8%	3%
EBITDA	2481	1835	977	1775	1820	1650	1602	1763	1760	1745	1769	1812
Margin %	28%	26%	13%	17%	13%	9%	7%	6%	5%	5%	4%	4%
EBIT	2247	1055	355	1006	1201	931	899	1040	1048	1009	1029	1062
Margin %	25%	15%	5%	10%	8%	5%	4%	4%	3%	3%	3%	3%
(Tax o EBIT)	(562)	(264)	(89)	(252)	(300)	(233)	(225)	(260)	(262)	(252)	(257)	(266)
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
NOPAT	1685	791	266	755	901	698	675	780	786	757	772	797
Depreciation & Amortization	157	184	112	190	166	168	164	177	174	176	178	181
(Net Capex)	(166)	(224)	(116)	(251)	(164)	(163)	(147)	(185)	(168)	(1692)	(171)	(177)
(Change in NWC)	(2,171)	1137	64	(112)	(271)	(271)	(271)	(569)	(1,000)	(1,478)	(1,239)	(1,239)
Unlevered Free Cash Flow	(495)	1888	326	582	632	433	421	203	(208)	(2238)	(461)	(438)

Sources: Bloomberg, YahooFinance, S&P Capital IQ, Reuters, WSJ, Market Watch, FinWiz

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Janus Henderson Group PLC (NYSE:JHG)

Executive Summary

Janus Henderson Group PLC represents a compelling opportunity as the firm combines major acquisitions and partnerships with consistent investment performance to deliver strong returns for its investors.

- M&A and Partnerships:** In June 2023, JHG entered a joint venture with Privacore Capital to deliver alternative investment products to high-net-worth clients. In 2024, the firm strengthened their position in the alternatives market by acquiring the private investments team of NBK Capital Partners, a firm focused on EM private capital, and a majority stake in Victory Park Capital, a private credit firm. In 2024, JHG acquired Tabula, a leading ETF provider in Europe and EM to expand opportunities for clients around the world. In April 2025, JHG entered a partnership with Guardian Life, managing \$45 billion of Guardian's investment grade public fixed income, and receiving additional seed capital. These acquisitions and partnerships diversify JHG's products and client base while laying the foundation for strong earnings growth in the future.
- Strong Investment Performance:** As of 2024, JHG's AUM has outperformed benchmarks by 70%+ in the past 3-, 5-, and 10-years. This AUM performance competitively positions JHG against bigger name brand competitors while driving credibility. This consistent return generation translates to organic growth for the firm, working in tandem with the inorganic growth represented in the firm's M&A/partnerships. JHG has demonstrated the ability to deliver results for its investors despite recent market volatility, supporting strong growth in the future.
- Robust Dividend History:** JHG maintains strong cash flows, leading to reinvestment in the business and consistently returning capital to shareholders. JHG is currently undergoing a common stock repurchase plan, with management authorized to repurchase up to \$150M in common stock. The firm pays a reliable and growing dividend. In Q1 2025, the company issued \$0.40 USD, a 2.6% increase from Q4 2024. Over the past 5 years, JHG has seen an 11% increase in dividend payouts.

Business Overview

Janus Henderson Group PLC is a global active asset manager which, through its subsidiaries, manages equity, fixed income, multi-asset and alternatives to institutional, retail, and high net worth clients.

- JHG is a client-focused global business with approximately \$380 billion in assets under management as of December 31st, 2024. Founded in 1934 and based out of the United Kingdom with operations in North America, Europe, Asia, and Oceania, the firm works to deliver superior investments services to its institutional and retail clients across equities, fixed income, multi-asset, and alternatives.
- Clients entrust their or their clients' monies to the firm, where JHG deliver results based off a specific mandate or by the prospectus for the specific fund they invest in. These funds are measured as AUM, increasing or decreasing based on attracting investments, divestitures, investment performance, market/currency movements, etc.
- Clients pay a management fee which is calculated a percentage of AUM. Certain products are subject to performance fees, varying based on whether specific criteria are achieved. These management and performance fees are the primary drivers of JHG's revenue.
- JHG's employs a three-pronged strategy to grow and maintain business. These pillars are "Protect & Grow", "Amplify", and "Diversify". The "Protect & Grow" pillar is defined as identifying other existing opportunities in the existing core business to increase market share. The "Amplify" pillar is defined as pursuing opportunities in adjacent investment vehicles, best seen in JHG's M&A and partnerships activity. The "Diversify" pillar seeks to expand the firm's offerings in areas clients demand, seen in JHG's expansion into the private credit and emerging markets.

Competitive Landscape

Janus Henderson Group PLC operates in a highly competitive investment management environment.

- JHG is a middle-market asset management firm and as it grows it will have to compete with larger, more established asset managers such as BlackRock, Vanguard, Fidelity, and State Street. JHG does operate a global and diversified product suite, but they do not possess the scale or distribution to compete with these megafirms.
- The investment management has increasingly become competitive in recent years, with both established players and new, growing firms using emerging technologies such as robo-advisors and artificial intelligence to attract new clients and help make investment decisions. These innovations put pressure on traditional active managers such as JHG to enact lower-cost, technology-driven solutions for their clients.

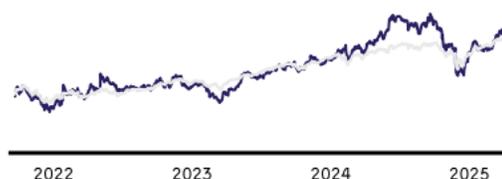
Rating:	BUY
Current Price:	\$42.30
Price Target / Upside	\$58.79/39.0%
52-Week Price High / Low:	46.68/28.26
Shares O/S:	157.5M

Key Metrics Overview

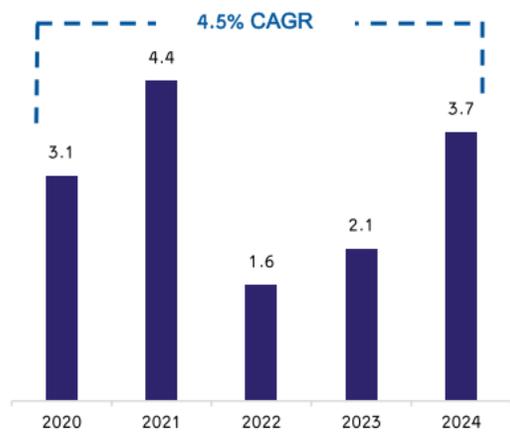
Enterprise Value:	\$7.47B
Revenue:	1.18x
UFCF:	\$625.2M
EV/EBITDA:	10.1x
P/E:	15.5x
Upcoming Earnings Date:	10/25/2025

Ticker vs. S&P-500

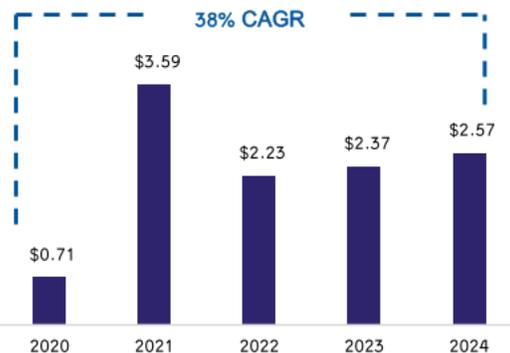
JHG - 3Y - 99%
S&P-500 - 3Y - 60%



Global Net Flows As A Share of BoY AUM (%)



JHG Basic EPS (\$)



Financials Coverage Group | Rijul Tripathi | Janus Henderson Group PLC

- JHG must also continue to differentiate itself by expanding product offerings to their clients, strengthen the distribution network, and credibility. The firm's ability to change and adapt to investor preferences will be essential in maintaining and growing the firm's market share, credibility, and client base.
- Failure to innovate and stay competitive across emerging technologies, the shift to passive-managed strategies, and offering new investment solutions to clients will negatively impact JHG's AUM, revenue growth, and profitability. Maintaining strong investment performance and adapting to the constantly changing investment management landscape is crucial.
- JHG is significantly dependent on financial intermediaries on access to client base and the ability to market and distribute investment products. Existing relationships with third-party distributors and access to new distributors could be adversely affected by recent M&A activity within the industry. This recent activity may result in an increase of distribution costs, increased competition, and a reduction in new clients.

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Valuation Summary

Janus Henderson Group PLC represents a high upside investment, targeting a share price of \$58.79.

- Used a perpetuity growth method for the Discounted Cash Flow model, using a WACC of 10.9% and targeted growth rate of 2.5%. Projecting UFCF through 2029, the resulting target share price is \$58.79. This valuation reflects JHG's consistent performance as an asset manager and its growing presence as a credible asset management firm through its recent M&A activity and partnerships with Guardian Life and alternatives investments firms.
- The comparable companies analysis for JHG, based on a peer set including Affiliated Managers Group, StepStone Group Inc., Invesco Ltd., Hamilton Lane Incorporated, and Victory Capital Holdings, Inc., yields an EV/EBITDA-based implied share price of \$53.50. This provides strong support for the targeted share price and the market is currently underpricing JHG.
- JHG's AUM is concentrated in the U.S and European equity markets. Declines in the equity markets and in the segments where investment products are concentrated have in the past caused JHG's AUM to decrease. Fixed income investments make up a large portion of AUM as well. Declines in the fixed income markets have in the past caused JHG's AUM to decrease.
- As of Q2 2025, JHG has seen a 2% QoQ increase in total revenue, from \$621.4M in Q1 2025 to \$633.2M in Q2 2025. There was a minimal increase in total operating expenses QoQ, <1% and a 7% increase in operating income QoQ, from \$153.6M to \$163.8M. Finally, JHG has a strong liquidity position with \$1.6B in cash and securities compared to \$395M in outstanding debt.

The resulting target share price is \$58.79, reflecting JHG's consistent performance as an asset manager and its growing presence through its recent M&A activity and the Guardian Life partnership.

Operating Model (In Millions)								
Janus Henderson Group PLC (NYSE: JHG)	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$2,203.6	\$2,101.8	\$2,473.2	\$2,468.4	\$2,607.4	\$2,904.9	\$3,068.0	\$3,240.0
% Growth		-4.6%	17.7%	-0.2%	5.6%	11.4%	5.6%	5.6%
EBITDA	\$557.3	\$506.6	\$665.5	\$709.6	\$773.1	\$812.9	\$883.4	\$932.9
% Margin	25.3%	24.1%	26.9%	28.7%	29.7%	28.0%	28.8%	28.8%
EBIT	\$525.6	\$483.7	\$641.0	\$695.9	\$745.3	\$814.2	\$870.8	\$919.6
% Margin	23.9%	23.0%	25.9%	28.2%	28.6%	28.0%	28.4%	28.4%
NOPAT	\$424.7	\$383.4	\$474.7	\$508.0	\$550.7	\$594.3	\$635.7	\$671.3
Depreciation and Amortization	\$31.7	\$22.9	\$24.5	\$29.0	\$30.6	\$34.1	\$36.0	\$38.0
Deferred Taxes & Investment Tax Credit	\$1.1	\$1.6	\$1.0	\$1.2	\$1.3	\$1.2	\$1.6	\$1.0
Other Funds	(\$15.3)	(\$193.0)	\$251.0	\$2.4	\$2.4	\$3.1	\$2.8	\$3.8
Funds From Operation	\$442.2	\$214.9	\$751.2	\$540.6	\$585.0	\$632.7	\$676.1	\$714.1
Receivables	\$349.7	\$415.1	\$432.7	\$399.2	\$415.7	\$415.8	\$410.2	\$413.9
Inventories	-	-	-	-	-	-	-	-
Accounts Payable	\$4.3	\$3.2	\$4.7	\$4.1	\$4.0	\$4.3	\$4.1	\$4.1
Other Assets/Liabilities	(\$329.3)	(\$311.8)	(\$553.3)	(\$390.9)	(\$406.5)	(\$405.6)	(\$398.9)	(\$401.8)
Change in Working Capital	\$24.7	\$106.5	(\$115.9)	\$12.3	\$13.1	\$14.5	\$15.4	\$16.2
Capital Expenditures	(\$17.6)	(\$10.8)	(\$10.1)	(\$14.2)	(\$15.0)	(\$16.7)	(\$17.6)	(\$18.6)
Unlevered Free Cash Flow	\$449.3	\$310.6	\$625.2	\$538.8	\$583.1	\$630.5	\$673.9	\$711.7

Sources: S&P CapIQ, YahooFinance, FactSet, Company Filings, Company Investor Presentations, BCG

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Qfin Holdings Inc. - ADR (NASDAQ: QFIN)

Executive Summary

Qfin Holdings Inc. offers a compelling opportunity as the company possesses unique AI-driven capabilities leading to high growth in the future.

- AI-Driven Operations:** QFIN has pioneered the applications of AI in credit-tech throughout its operations, using cutting-edge machine-learning and deep-learning algorithms to create a proprietary credit score system which processes 99% of loan applications automatically. Furthermore, QFIN has leveraged the power of AI in their online advertising to streamline multichannel user acquisition, leading to a consistently expanding user base. In Q1 2025, QFIN had a 2.7% QoQ increase in cumulative users with approved credit lines, and cumulative borrowers rose 3.3% QoQ. This AI-driven model has also led to a decrease in QFIN's operating expenses, allowing the company to operate on a capital-light model, and better risk management, with a near 90% 30-day collection rate and 5% delinquency rate in Q1 2025. With this technological advantage, QFIN will sustain strong growth for the future.
- Growing Chinese Credit-Tech Market:** QFIN has gained a tremendous advantage in addressing the growing consumer credit-tech market in China, which represents a 9.2% CAGR from 2021-2026E, and the rapidly growing SME credit-tech market in China, which possesses a 35.9% CAGR from 2021-2026E. By being partnered with 163 financial institutions and already possessing 58M users with approved credit lines, QFIN possesses the tools to make credit more accessible and affordable to Chinese borrowers, driving growth for the future.
- Attractive Dividends:** In 2024, the dividend per American Depositary Share was \$1.30 USD, a 21% increase from 2023, which was \$1.08 dividend per ADS. QFIN's dividends have grown tremendously in the past 4 years, with 2021's dividend per ADS being \$0.54 USD, possessing a 25% CAGR from 2021-2024. QFIN has also authorized a share repurchase plan of \$905M USD worth of ADSs repurchased cumulatively. This represents a planned 21% share count reduction through the share repurchase plan making QFIN attractive to potential shareholders.

Business Overview

Qfin Holdings Inc. is a leading AI-driven credit-tech platform in China that connects borrowers with financial institutions in China.

- QFIN, founded in 2016, operates as a leading credit-tech platform in China and connects underserved borrowers with affordable credit. As of Q1 2025, 69% of total users are under the age of 40 with 81% geographic coverage from tier 3 and 4 cities. QFIN is partnered with 163 financial institutions, including national banks, city/rural commercial banks, and consumer finance companies. QFIN also focuses on serving SMEs, who are often overlooked by traditional financial institutions despite this segment's growth potential.
- The firm provides an array of credit-driven services to the financial institutions they serve, including user acquisition, credit assessment, matching, loan facilitation, and post-facilitation services. The firm's primary revenue driver are service fees charged to financial institution partners when matching borrowers with financial institutions and facilitating loans.
- QFIN leverages AI and technology platforms like the Intelligent Credit Engine to optimize various aspects of the firm's operations, such as user acquisition, credit assessment, and post facilitation services. This has allowed the firm to operate on a capital-light model and decrease expenses while increasing revenue and growing margins. The new TRIDENT system, QFIN's multimodal large language model, is designed to enhance fraud detection, streamline services, and optimize user experience by combining and analyzing data from multiple channels.
- The company employs a "One Core, Two Wings" strategy in its pursuits to become a respected global fintech company. By focusing on the core credit business in China, this allows QFIN to provide fintech solutions for financial institutions and expand overseas out of the Chinese market, supported by their AI-driven strategy.

Competitive Landscape

Qfin Holdings Inc. operates within a rapidly evolving credit-tech industry in China subject to changing regulations while competing with various players.

- The credit-tech industry in China is in a developing stage and represents a high growth opportunity, but the regulations around this market is still evolving and remains uncertain. Also, credit-tech industry in China has not witnessed a full credit cycle yet, so players including QFIN may not be able to respond to the change of market situations effectively.
- The leading players in China's digital lending space include Ant Group, WeBank, Lufax Holding Ltd., and Du Ximan. These companies compete with QFIN in serving underserved borrowers, including the rural population and SMEs.

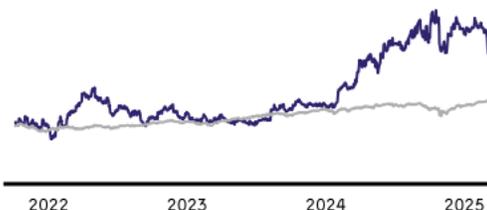
Rating:	BUY
Current Price:	\$33.65
Price Target / Upside	\$54.71/62.6%
52-Week Price High / Low:	48.94/18.13
Shares O/S:	134.5M

Key Metrics Overview

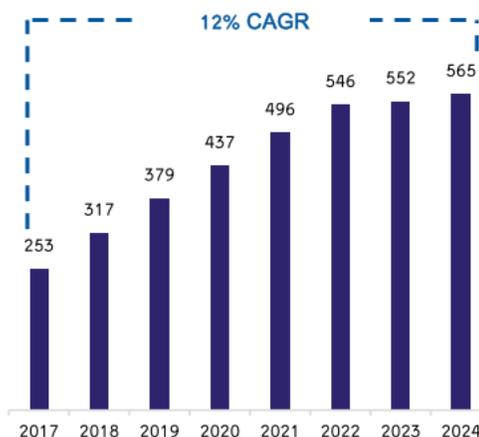
Enterprise Value:	\$6.07B
Revenue:	1.02x
UFCF:	\$605M
EV/EBITDA:	5.9x
P/E:	6.6x
Upcoming Earnings Date:	08/12/2025

Ticker vs. S&P-500

QFIN - 3Y - 184%
S&P-500 - 3Y - 60%



China Consumer Credit (In CNY \$B)



QFIN's Loan Facilitation Volume (In CNY \$B)



Financials Coverage Group | Rijul Tripathi | Qfin Holdings Inc. - ADR

- Ant Group owns the largest mobile payment platform, Alipay, which serves over 1 billion users and 80 million businesses. It also operates 2 consumer lending businesses, Huabei and Jiebei, which serves hundreds of millions of users. Ant Group also operates MYbank, an online bank focused on SMEs and rural populations. The digital bank, WeBank, owned by Tencent is a significant player in the Chinese fintech space as well and uses AI and big data analytics to enhance operations, similar to QFIN.
- Lufax Holding Ltd. is another fintech that connects borrowers with institutions, using technology for credit assessment and risk management. This company focuses on small business owners and offers this segment situation specific financing products. Du Xioman, another microlender, uses AI and big data for personal credit and financing services.
- QFIN's business is fully concentrated in China, making it susceptible to the economic downturn that could negatively impact consumer spending and demand, affecting financials. Prolonged economic challenges can negatively affect borrower creditworthiness and demand for credit services as well.

Prolonged economic challenges in China will negatively affect QFIN's business as downturn will negatively affect borrower creditworthiness and demand for credit services.

Valuation Summary

Qfin Holdings Inc. represents a high upside investment, targeting a share price of \$54.71.

- Using the perpetuity growth method for the Discounted Cash Flow model, using a WACC of 9.9% and targeted growth rate of 3.5%. Projecting UFCF through 2029, the resulting target share price is \$54.71. This valuation reflects QFIN's consistent performance driven by its proprietary Intelligent Credit Engine and pioneering use of AI in their operations.
- The comparable companies analysis for JHG, based on a peer set including X Financial, FirstCash Holdings, Inc., FinVolution Group, Lufax Holding Ltd., and LexinFintech Holdings Inc., yields a P/E-based implied share price of \$52.15. This provides strong support for the implied share price and the market is currently underpricing QFIN.
- The DCF model is supported by stable operating performance through 2029, especially with QFIN's capital-light model and growing presence, with UFCF expected to grow from \$402.9M in 2025 to \$489.7M in 2029. Despite flat revenue growth, QFIN has growing EBITDA margins.
- Capital expenditures are expected to remain low because of QFIN's emphasis on a capital-light model. This will normalize capital expenditures and changes in working capital. Furthermore, D&A will remain low. QFIN's margins will increase in the future, driving earnings growth.

The resulting target share price is \$54.71. This valuation reflects QFIN's consistent performance driven by its proprietary Intelligent Credit Engine and pioneering use of AI in their operations.

Operating Model (In Millions)								
Qfin Holdings Inc. - ADR (NASDAQ: QFIN)	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$2,400.1	\$2,297.3	\$2,351.7	\$2,329.2	\$2,306.9	\$2,310.4	\$2,296.8	\$2,283.3
% Growth		-4.3%	2.4%	-1.0%	-1.0%	0.2%	-0.6%	-0.6%
EBITDA	\$1,243.1	\$1,113.1	\$1,126.6	\$1,175.5	\$1,267.7	\$1,371.4	\$1,261.5	\$1,254.1
% Margin	51.8%	48.5%	47.9%	50.5%	55.0%	59.4%	54.9%	54.9%
EBIT	\$1,233.9	\$1,104.2	\$1,117.6	\$1,117.5	\$1,232.2	\$1,342.4	\$1,221.1	\$1,213.9
% Margin	51.4%	48.1%	47.5%	48.0%	53.4%	58.1%	53.2%	53.2%
NOPAT	\$1,127.1	\$961.9	\$892.3	\$894.0	\$985.8	\$1,073.9	\$976.9	\$971.2
Depreciation and Amortization	\$11.2	\$10.4	\$10.3	\$10.5	\$10.4	\$10.5	\$10.4	\$10.3
Deferred Taxes & Investment Tax Credit	\$147.8	\$150.6	\$165.3	\$154.6	\$156.8	\$158.9	\$156.8	\$157.5
Other Funds	(\$831.4)	(\$1,882.8)	(\$761.1)	(\$1,157.7)	(\$1,150.4)	(\$1,154.1)	(\$1,146.2)	(\$1,141.0)
Funds From Operation	\$454.7	(\$759.9)	\$306.8	(\$98.7)	\$2.6	\$89.2	(\$2.1)	(\$2.0)
Receivables	\$2,698.4	\$3,886.5	\$3,964.5	\$3,516.5	\$3,789.2	\$3,756.7	\$3,687.4	\$3,744.4
Inventories	-	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-	-
Other Assets/Liabilities	(\$2,352.7)	(\$3,008.5)	(\$3,645.6)	(\$3,002.7)	(\$3,280.3)	(\$3,247.0)	(\$3,180.7)	(\$3,240.7)
Change in Working Capital	\$345.7	\$878.0	\$318.9	\$513.8	\$508.9	\$509.7	\$506.7	\$503.7
Capital Expenditures	(\$3.9)	(\$11.9)	(\$21.0)	(\$12.2)	(\$12.1)	(\$12.1)	(\$12.0)	(\$12.0)
Unlevered Free Cash Flow	\$796.5	\$106.2	\$604.7	\$402.9	\$499.4	\$586.8	\$492.6	\$489.7

Sources: S&P CapIQ, FactSet, Company Filings, Company Investor Presentations, YahooFinance

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[Financials] Coverage Group | [Ananth Mantena] | [Evercore Inc.]

Evercore Inc. (NYSE:EVR)

Executive Summary

Strong financials, robust business model, and global expansion support a long-term Buy recommendation.

- We recommend a Buy rating on Evercore Inc.. Based on its Financial performance, shareholder return, and strong position in Advisory markets. Their focus on high-margin services allowed them to beyond their competition. Their services allowed them to combat volatile environment and avoid riskier business strategies, while staying consistently profitable.
- In 2024 Evercore made around \$3.00. billion in adjusted net revenue. Making them have a 23% increase year-over-year. The firm also returned around \$590 million in dividends to shareholders. Displaying their shareholder-first approach and the plenty cash generation. Evercore is primarily U.S. based; however, they have been growing into the international markets. Their asset-light model helps them with flexibility and scalability in the new market.
- The slowdown in deals, interest rate uncertainty, regulatory shifts may impact Evercore's momentum in the short-term. However, Evercore has minimal expenses and demand for independent, high-quality service help them position well for long term growth. Overall, Evercore Inc. Has a strong investment argument based on their solid financial, global expansion, and business model that aligns with the clients' needs. Their ability to adapt in the different markets support their long-term outlook.

Business Overview

Boutique strategies drive consistent growth and client trust.

- Evercore is an independent banking advisory firm. The Company has its headquarters in New York City and focuses on Investment Banking, Equities, and Investment Management. The firm specializes in M&A advisory, equity research, restructuring, and private equity advisory. Evercore differentiates itself from larger investment banks by having an advisory model that is high touch and conflict-free. Where senior or well experiences bankers are providing more tailored support and work personally with the clients. Because Evercore does not lend money to their clients, it avoids conflict of interest. In contrast, large banks may sometimes recommend a deal to earn profits from a loan they issue. The Chairman and CEO, John S. Weinberg, strongly emphasizes Evercore's boutique values: integrity, senior banker engagement, and performance-based accountability while also following the "eat what you kill" model.
- In 2024 Evercore made around \$3.00 billion in adjusted net revenues. Which was up 23% year-over-year meaning it had the second strongest performance. Evercore made \$2.44 billion from advisory fees, \$157 million in underwriting, \$85 million in asset management fees, and \$214 million is equity commissions. The company has also increased its revenue growth in its international markets (Europe, Middle East, Africa, Asia-Pacific) by 20%. Evercore also continues to return over \$590 million to shareholders through dividends and repurchases and in the 4th quarter they declared \$.80 per share dividend.
- Evercore focus is on advising clients through high-stake deals. Evercore avoids risky trading and offers a more stable and personalized service. Their major clients are private equity firms, large companies, and even family offices. Evercore's main source of revenue is from the U.S., however they are still growing their international presence in cities like London, Hong Kong, Frankfurt, and more. As the economy changes, Evercore continues to stay profitable by keeping is costs minimal and making revenue from high-paying advisory work. This allows them to navigate the different market cycles effectively.

Competitive Landscape

Evercore stands out by offering conflict-free advice and hands-on support.

- Evercore competes with both large banks and boutique advisory firms. The large banks include Goldman Sachs, JPMorgan, Morgan Stanley, and more. While the Advisory firms include Lazard, Moelis, Centerview and more. Evercore competes by focusing of advisory services, while bigger banks might offer services like lending and trading. This allows them to avoid conflict of interest and give more personalized services.
- Evercore is ranked number one in global M&A amongst independent firms. They are also recognized as the leading advisors in large cap cross-border transactions. In the past few years, the firm has advised over \$250 billion in announced transactions annually. Creating majority of the U.S and global advisory market. Evercore's senior banker involvement, deep industry expertise, and unbiased advice gives them a competitive advantage for clients that need more tailored counsel.

Rating: BUY

Current Price: \$294.01

Price Target / Upside \$345 / 17.34

52-Week Price High / Low: \$324.06 / \$148.63

Shares O/S: 38.67M

Key Metrics Overview

Enterprise Value: \$11.9B

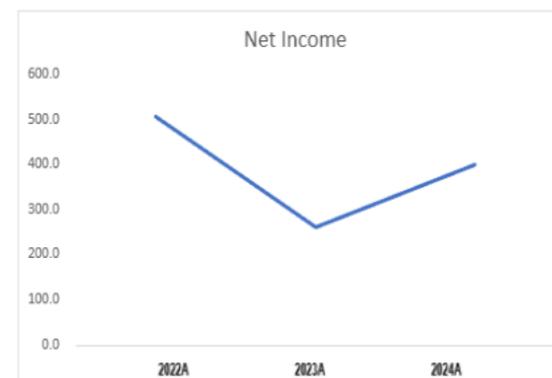
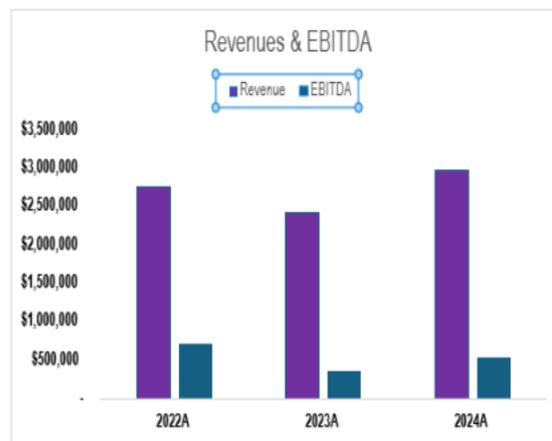
Revenue: 3.7x

UFCF: \$441M

EV/EBITDA: 19.9x

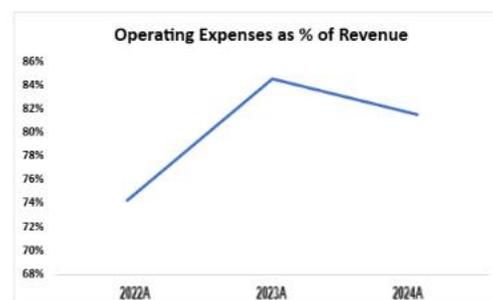
P/E: 26.4x

Upcoming Earnings Date: 10/22/2025



[Financials] Coverage Group | [Ananth Mantena] | [Evercore Inc.]

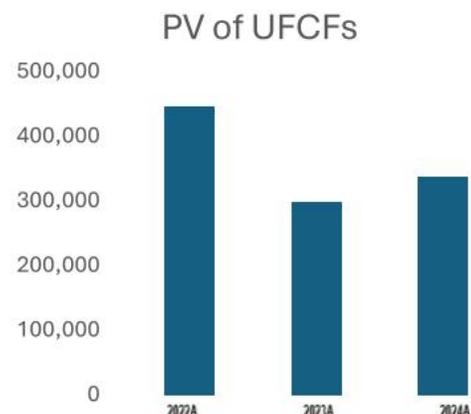
- However, Evercore has some challenges that the face. Since most of their revenue comes from M&A advisory. There is a chance it could be affected when deal activity is slowed down. Bigger banks also have more unique ways to make money like trading and lending. Trading and lending help bigger banks in tougher markets. Competition in the boutique firms is increasing and may continue to limit the number of deals Evercore can secure over time.
- Broader industry factors such as interest rate changes, geographical and political uncertainty, new regulation, and more can impact deal activity and Evercore performance. However, corporate boards preference for independent conflict-free advice may favor Evercore in the long run. As companies continue to prioritize relationships, trust, and long-term advisory, Evercore is in a good position to maintain and even grown in the industry.



Valuation Summary

Strong valuation highlights investor confidence in Evercore's steady growth and unique business model.

- Evercore is currently valued higher than some of its competition. Showing investors trust in the company's business model and financial performance. As of July 2025, the company is worth around \$11.2-11.9 billion. It is also trading about 19.9x its EBITDA and its P/E ratio is 26.4x. These numbers show that investors will be willing to invest more into Evercore to show higher profits, more shareholders return, and international growth.
- Evercore's forward P/E of around 24-25x proposes that Evercore has the potential to continue to grow its earnings. The EV/Revenue multiple of 3.7x allow it to stand alongside the top boutique advisory firms. These valuations are supported by the companies 23% year-over-year revenue growth and the vast dividends returned to the shareholders.
- Unlike the larger banks Evercore does not make its money from lending and trading. They make their money from low-cost, asset-light business model helping them stay profitable even when the markets are unstable. Based on their strong performance and long-term client relationships, Evercore is currently has a valuation of a Buy.



Operating Model								
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$2,762,048	\$2,425,949	\$2,979,593	\$3,277,552	\$3,539,756	\$3,787,539	\$4,013,731	\$4,214,418
% Growth		-12%	23%	10%	8%	7%	6%	5%
EBITDA	710,799	366,513	531,468	655,510	743,349	832,038	903,089	969,316
% Margin	26%	15%	18%	20%	21%	22%	23%	23%
EBIT	683,086	342,265	506,999	606,344	690,254	776,244	843,883	906,098
% Margin	25%	14%	17%	19%	20%	21%	21%	22%
NOPAT	539,638	270,389	400,529	479,012	545,300	613,232	666,668	715,817
Depreciation and Amortization	27,713	24,348	24,468	24,713	24,960	25,209	25,461	25,716
Deferred Taxes & Investment Tax Credit	2,624	4,332	22,265	18,000	15,000	12,500	11,000	10,000
Other Funds	19,127	(16,566)	(6,435)	2,000	5,000	7,000	7,000	8,000
Funds From Operation	589,102	282,503	440,827	523,725	590,260	657,941	710,129	759,533
Receivables	(42,896)	7,515	(62,508)	(35,000)	(25,000)	(12,000)	(8,000)	(5,000)
Inventories				-	-	-	-	-
Accounts Payable	115,105	71,827	77,535	85,000	88,000	90,000	92,000	95,000
Other Assets/Liabilities	(164,254)	(34,154)	(17,467)	(15,000)	(12,000)	(10,000)	(8,000)	(5,000)
Change in Working Capital	(92,045)	45,188	(2,440)	50,000	51,000	68,000	76,000	85,000
Capital Expenditures	2,319	1,677	3,010	3,160	3,318	3,484	3,658	3,841
Unlevered Free Cash Flow	\$499,376	\$329,368	\$441,397	\$576,885	\$644,578	\$729,425	\$789,787	\$848,374

Sources: Bloomberg, YahooFinance, SEC

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Lazard (NYSE:LAZ)

Executive Summary

Strong Fundamentals in a Shifting Market

- Lazard Inc. is a leading global financial advisory and asset management firm specializing in mergers & acquisitions (M&A), and asset management. We rate Lazard a **Buy** due to its strong position in a recovering M&A market and a resilient asset management business that provides diversified revenue. Lazard trades at an attractive valuation relative to peers, offering upside potential.
- Lazard's Financial Advisory segment, grew 27% in FY2024, driven by increased deal volume and larger transactions. Asset Management, managing approximately \$248 billion in assets, returned to positive net inflows in early 2025, boosting fee stability. M&A advisory is cyclical and sensitive to macroeconomic factors such as interest rates, trade policies, and geopolitical uncertainty. Although overall deal volume declined in early 2025 due to policy uncertainty, total deal values are near a four-year high, propelled by a surge in mega-deals. This trend aligns well with Lazard's focus on large, complex transactions, supporting its growth outlook.
- Lazard competes with global banks and elite advisory boutiques like Evercore and Moelis. It ranks among the top 10 M&A advisors globally and benefits from strong deal pipelines in strategic sectors like technology and infrastructure. Its dual business model helps smooth revenue volatility typical in advisory firms.
- Key risks include potential delays in dealmaking due to economic or geopolitical shocks and market volatility impacting asset management fees. However, Lazard's diversified revenue base, conservative balance sheet, and ongoing investments in talent and client relationships provide resilience and downside protection. We expect Lazard to outperform peers over the next 3-5 years as the M&A market normalizes and asset management growth compounds.

Business Overview

Integrating Advisory Excellence with Asset Management Scale

- Founded in 1848, Lazard is a leading global financial advisory and asset management firm headquartered in New York City. It operates in over 40 cities across 25 countries, serving corporations, governments, institutions, and individuals with expertise in complex transactions and asset management.
- Lazard operates through two primary segments: Financial Advisory and Asset Management. Financial Advisory, contributing roughly 58% of revenue, specializes in mergers & acquisitions, restructuring, capital markets advisory, and other strategic mandates, with a reputation for handling large, high-stakes, cross-border transactions. Asset Management, accounting for about 42% of revenue, oversees approximately \$248 billion in assets across institutional funds, alternative strategies, and wealth management, delivering steady, recurring fee income.
- The dual-segment structure allows Lazard to offset the cyclical swings of M&A advisory with the stability of asset management fees. Over the next 3–5 years, we expect Financial Advisory growth to be driven by a rebound in global dealmaking, particularly in mega-deals and restructuring, while Asset Management benefits from product expansion, growing demand for alternatives, and geographic diversification.
- Lazard earns advisory fees mainly through success fees on completed deals and asset-based fees from management. It combines global resources with a boutique, client-focused culture. Recent initiatives include expanding restructuring advisory, launching new ETFs, and recruiting top talent. Its focus on complex, cross-border deals and diversified asset management positions it to capitalize on market opportunities.

Competitive Landscape

Balancing Boutique Expertise and Global Scale

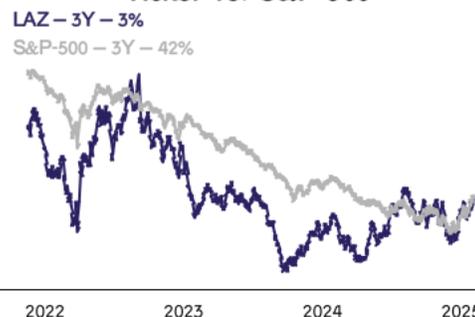
- Lazard operates in a competitive space that includes large global investment banks and elite boutique advisory firms. Its primary competitors in M&A advisory include global bulge-bracket banks such as Goldman Sachs, JPMorgan, and Morgan Stanley, as well as independent boutiques like Evercore, Moelis & Co, PJT Partners, and Rothschild. Unlike bulge-brackets that offer a full suite of banking services, Lazard and these boutiques focus primarily on high-value advisory services, positioning themselves as trusted, specialized advisors.
- Lazard ranks among the top 10 global M&A advisors, having executed approximately \$87 billion in deal value in Q1 2025, a testament to its ability to win large, complex mandates. It has notably gained market share in strategic, cross-border, and restructuring transactions, where its global presence and experienced teams provide a competitive advantage. While Evercore and Moelis also posted strong growth with Evercore's advisory revenue up 23% y/y in Q2 2025 and Moelis showing a 38% increase, Lazard's combined advisory and asset management model offers more diversified revenue streams, reducing its exposure to M&A cyclicality. This mitigates downturn risk and supports more predictable free cash flow over time.

Rating:	BUY
Current Price:	\$51.28
Price Target / Upside	\$56.80 / 10.76
52-Week Price High / Low:	\$61.14 / \$31.97
Shares O/S:	94.36M

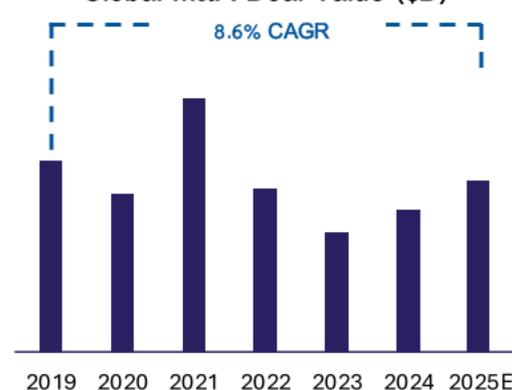
Key Metrics Overview

Enterprise Value:	\$6.07B
Revenue:	1.98x
UFCF:	\$1.3B
EV/EBITDA:	10.93x
P/E:	17.4x
Upcoming Earnings Date:	10/30/2025

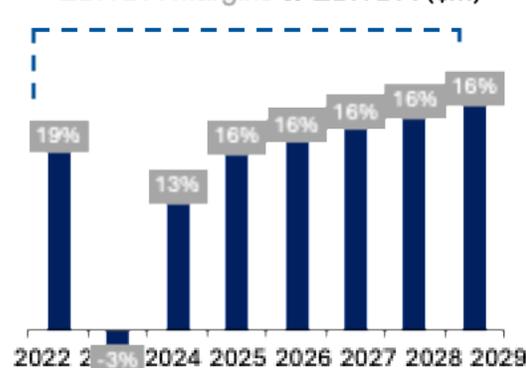
Ticker vs. S&P-500



Global M&A Deal Value (\$B)



EBITDA Margins & EBITDA (\$M)



- Lazard's key differentiators include its dual business model blending advisory and asset management, which smooths revenue volatility common in pure-play advisory firms. Its deep expertise in cross-border transactions and restructuring enables it to capture mandates that require nuanced strategic and geopolitical insights. Additionally, Lazard's global footprint across 40+ cities ensures local market intelligence combined with global deal execution capabilities. The firm's boutique culture promotes high-touch client relationships, leading to repeat business and long-term mandates.
- Despite its strengths, Lazard faces intense competition for mandates, especially from larger banks with broader capabilities and boutiques aggressively expanding their advisory platforms. Pricing pressure remains a concern as competition for high-profile deals intensifies. Regulatory scrutiny and evolving geopolitical tensions also pose risks to cross-border transactions. However, Lazard's ongoing investments in recruiting top-tier bankers and expanding its restructuring and geopolitical advisory practices aim to mitigate these challenges and reinforce its competitive moat.

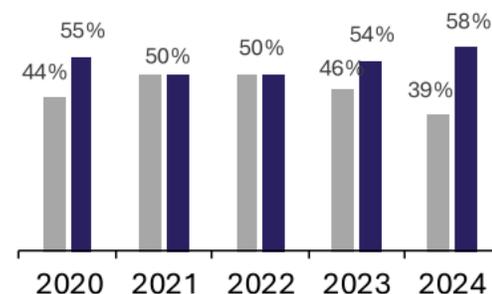
Valuation Summary

Trading below peer multiples with meaningful upside potential

- Lazard is currently trading at approximately \$51 per share, with a price-to-earnings (P/E) ratio of about 17.4x and an enterprise value to EBITDA (EV/EBITDA) multiple near 10.93x. These valuation multiples are modestly below the peer group averages of 22.2x P/E and 12.0x EV/EBITDA, suggesting that Lazard is attractively valued relative to comparable financial advisory and asset management firms.
- Analyst consensus price targets average around \$60 per share, reflecting an expected EBITDA growth rate of 6–7% annually over the next 3 to 5 years, driven by robust deal flow and stable asset management revenues. Lazard's balanced dividend payout ratio of approximately 69% and consistent dividend yield of ~3.8% further enhance shareholder returns.
- Given Lazard's strong market position, stable cash flows, and growth prospects, we see potential for multiple expansion toward historical peer averages, supporting upside potential in the \$60+ per share range. This implies an attractive total annualized return of 6–10% over a 3- to 5-year horizon, combining dividend income and capital appreciation.

Asset Management vs. Advisory

Fees as a % of Revenue



\$3.5 Trillion USD

Expected M&A Deal Value in 2025

17.4x

Lazard P/E Ratio

22.2x

Compset Average P/E Ratio

Operating Model (\$ thousands)

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$2,773	\$2,515	\$3,052	\$3,222	\$3,412	\$3,620	\$3,819	\$4,025
% Growth		-9%	21%	6%	6%	6%	6%	5%
EBITDA	517	(80)	386	515	545	579	611	644
% Margin	19%	-3%	13%	16%	16%	16%	16%	16%
EBIT	440	(390)	138	527	564	605	644	686
% Margin	16%	-16%	5%	16%	17%	17%	17%	17%
NOPAT	461	(46)	469	417	446	478	509	542
Depreciation and Amortization	449	473	485	12	19	26	33	42
Non-Cash Lease Expense	61	63	67	67	67	67	67	67
Impairment / Acquisition-related Expense	-	23	23	23	23	23	23	23
Deferred Taxes & Investment Tax Credit	43	(81)	11	11	11	11	11	11
Funds From Operation	1,014	433	1,055	530	566	605	643	685
Receivables	0	0	0	0	0	0	0	0
Accounts Payable	-	443	308	376	342	359	350	355
Change in Working Capital	-	443	308	376	342	359	350	355
Capital Expenditures	(50)	(28)	(46)	(64)	(68)	(72)	(76)	(81)
Unlevered Free Cash Flow	\$964	\$848	\$1,318	\$842	\$840	\$892	\$917	\$959

Sources: Bloomberg, YahooFinance, CapitalIQ, Lazard Investor Relations, IMAA Institute, PwC

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GoodRx Holdings. Inc. (NYSE:GDRX)

Executive Summary

A Solution for Consumer Pharma Affordability

- GoodRx is an American healthcare company that offers digital information and tools that enable consumers to compare prices and save on their prescription purchases. GoodRx has extremely low cost of revenue, which allows them to focus more on growth, positioning themselves well for the future. Sales and marketing typically accounts for the majority of its expenses, which reflects a deliberate growth-centric strategy that focuses on maintaining a strong brand and acquiring a solid customer base. Without the burden of keeping up high costs with increasing revenue, GoodRx can redirect capital to gaining more market share. Our valuation reflects a scenario-weighted approach incorporating base, upside and downside cases dependent of the result of various assumptions.
- Consumers in healthcare are becoming increasingly well-informed and cost-conscious. GoodRx rises to this trend by offering a comprehensive platform that enables consumers to browse a wide range of offerings, find what best fits their needs and receive a high discount while doing so. For the American who is looking to be more conscious about their pharmaceutical spending and usage, GoodRx offers an ideal solution.
- While growth has moderated since pandemic highs, recent quarters have shown reacceleration in revenue and improving profitability metrics, suggesting the company is stabilizing post-disruption. GoodRx's hybrid consumer-enterprise model, high customer retention rates and expanding integration with payers and pharmacy benefit managers could support stock growth in a healthcare environment increasingly focused on affordability and access.

Business Overview

Hybrid Business Model Focused on Growth

- GoodRx is a healthcare technology company that provides consumers with tools via their app and website to compare prescription drug prices and access discounts across tens of thousands of US pharmacies, aiming to improve affordability and transparency in healthcare.
- The company mainly generates most of its revenue through prescription transaction fees (also known as script acquisition fees) from pharmacy benefit managers (PBMs). It also generates revenue from its paid subscription service, GoodRx Gold, where consumers gain access to discounted telehealth services, heightened discounts and free mail delivery. The third stream of revenue is pharma manufacturer solutions, where GoodRx uses its platform and attractive discounts to connect manufacturers with customers. Their overall business model is to align savings for consumers with monetization from pharmaceutical partners. Consumers who use GoodRx save an average of 84% when comparing to retail prices.
- With a strong footprint in retail pharmacies, growing B2B partnerships and an expanding digital health portfolio, GoodRx aims to position itself as a leading consumer-driven healthcare platform in an increasingly cost-conscious and fragmented U.S. healthcare environment. Despite external healthcare environment fluctuations, GoodRx cements itself as being a tool for consumers to save big on their pharmaceuticals.
- GoodRx operates with a high gross margin profile, staying consistently above 90% gross margin in recent years. This low cost of revenue allows them to spend income in other places. Sales and marketing remains its largest expense category, consistently comprising a significant portion of operating costs as the company invests heavily in growth and reaching new customers.

Competitive Landscape

Crowded space, yet GoodRx Brand Stands Out Well

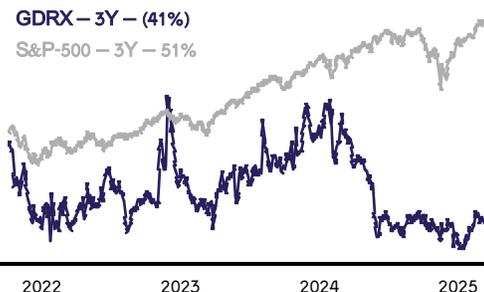
- GoodRx competes with legacy PBMs and their direct-to-consumer discount programs, such as OptumPerks (UnitedHealth), ScriptSave WellRx (MedImpact) and Inside Rx (Express Scripts/Cigna). These platforms benefit from vertically integrated relationships and may offer deeper discounts or automatic price application for insured users. However, GoodRx differentiates itself with broad pharmacy access, consumer-first branding and the ability to serve uninsured or underinsured customers.
- Major retail pharmacies and tech firms have launched their own prescription savings programs (e.g., Amazon Pharmacy, Walmart Rx Program, CVS CarePass) that offer competitive especially for generics. While these players have distribution scale and pricing leverage, their programs are usually limited to in-house networks or private-label products. GoodRx maintains its advantage here because of the way it has cross-pharmacy comparison, giving users the option to find the best option across multiple retailers.

Rating:	BUY
Current Price:	\$4.53
Price Target / Upside	\$6.05 / 33.55%
52-Week Price High / Low:	\$3.67 / \$9.16
Shares O/S:	377.4M

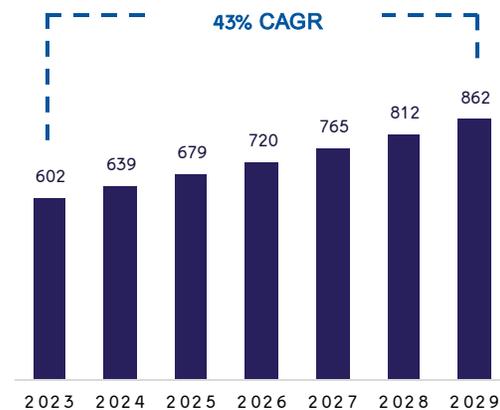
Key Metrics Overview

Enterprise Value:	\$2.28B
Revenue:	2.49x
UFCF:	\$149M
EV/EBITDA:	11.8x
P/E:	64.47x
Upcoming Earnings Date:	08/06/2025

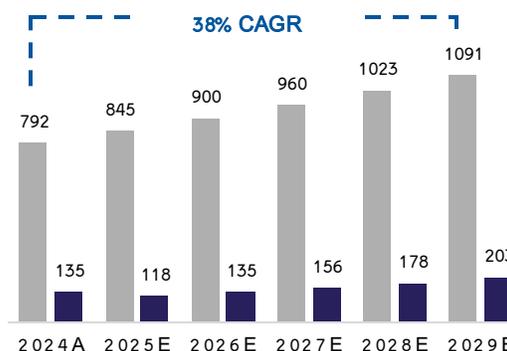
GDRX vs. S&P-500



US Pharmaceutical Market (USD billion)



Revenues & EBITDA (\$M)



Healthcare Coverage Group | Elias Aquel-Lacayo | GoodRx Holdings, Inc.

- Despite a competitive space, GoodRx benefits from strong brand recognition, SEO dominance and deep relationships and trust with customers that are supported by its long-standing partnerships with PBMs and pharmacy chains around the US. Its mobile app ranks among the top health apps by downloads and it holds a first-mover advantage in price transparency tools for prescriptions. GoodRx's strong, reputable and well-known brand paired with its developed relationships with pharmacies and consumers create significant barriers to entry for newer or smaller companies.

Valuation Summary

Intrinsic Valuation Analysis

- We employed a discounted cash flow (DCF) analysis to derive an intrinsic valuation for GoodRx, using financial forecasts that were in line with management projections in addition to reasonable assumptions driven from key growth points. Our model incorporates historical performance from 2022 to 2024 and projects unlevered free cash flows through 2029. Revenue is projected to grow at a compound annual growth rate (CAGR) of approximately 6.4% over the forecast period. EBIT and EBITDA margins are predicted to grow slightly with the assumption of increased revenue coupled with steady margin associated with sales and marketing expense. Unlevered free cash flow is expected to grow from \$121 million to \$175 million.
- To calculate terminal value, we applied the Perpetuity Growth Method while assuming a growth rate of 1.65% and a weighted average cost of capital (WACC) of 8.7%. These inputs take into account risk associated with macroeconomic factors along with GoodRx's strong position and influence in the growing US pharmaceuticals industry.
- Downside case valuation scenario: Less Americans caring about pharma purchase details and affordability, and failure of sales and marketing spend to obtain more customers, resulting in revenue stagnation or loss that loses investor confidence.
- Base case valuation scenario: The continuation of the trend of Americans being conscious of their healthcare purchases and success of sales and marketing spend to obtain new customers paired with steady revenue growth.
- Upside case valuation scenario: Increase in Americans caring about pharma purchase details and affordability. Successful sales and marketing spend securing customers and revenue growth.
- Our valuation comes out to an estimation of \$6.05 per share, with our downside case being \$5.45 and our upside case being \$6.66. This price reflects a reasonable target that is in line with analyst estimates and reflects GoodRx's growth potential within the pharmaceuticals industry.

GoodRx stands out from their competition with the breadth of pharmaceutical offerings it presents paired with its established relationships with customers.

GoodRx is positioned well for growth due to their strong focus on expanding to new customers and the value that its product will bring in the current consumer environment.

2022 2023 2024 2025

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$767	\$750	\$792	\$845	\$900	\$960	\$1,023	\$1,091
% Growth		-2%	6%	7%	7%	7%	7%	7%
EBITDA	56	81	135	118	135	156	178	203
% Margin	7%	11%	17%	14%	15%	16%	17%	19%
EBIT	2	(27)	66	44	56	71	88	107
% Margin	0%	-4%	8%	5%	6%	7%	9%	10%
NOPAT	(8)	20	51	31	39	50	62	75
Depreciation and Amortization	54	108	70	74	79	84	90	96
Deferred Income Taxes	(0)	(66)	(12)	30	-	-	-	-
Stock-based compensation	120	105	99	108	108	108	108	108
Other	26	22	9	-	-	-	-	-
Funds From Operation	192	189	216	243	226	242	259	279
Receivables	1	(26)	(2)	(10)	(10)	(11)	(12)	(12)
Prepaid Expenses	(14)	(32)	6	(4)	(5)	(5)	(5)	(6)
Accounts Payable	(1)	17	(21)	1	1	1	1	1
Accrued Expenses	(5)	21	26	7	7	7	8	8
Operating Lease Liabilities	(4)	(3)	(5)	-	4	0	0	0
Other Assets/Liabilities	2	1	(1)	-	-	-	-	-
Change in Working Capital	(20)	(22)	2	(6)	(3)	(7)	(7)	(8)
Capital Expenditures (Capitalized Software)	(51)	(55)	(69)	(74)	(79)	(84)	(89)	(95)
Unlevered Free Cash Flow	\$121	\$112	\$149	\$163	\$145	\$151	\$163	\$175

Sources: FactSet, Yahoo Finance, GoodRx Investor Relations, Bloomberg

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Zoetis Inc. (NYSE:ZTS)

Executive Summary

Zoetis: Leading Animal Health with Sustainable Growth

- Given its leadership position, resilient end-markets and strong cash generation, Zoetis trades at a premium valuation relative to peers, which we believe is justified. The stock offers investors a combination of defensive growth, high-margin expansion and shareholder returns, making it a compelling addition to long-term portfolios.
- The global animal health industry is projected to grow at a ~6% CAGR from 2023 to 2030, supported by increasing pet ownership trends, the rise of premium veterinary care and continued global protein consumption trends.
- Our valuation reflects a scenario-weighted approach incorporating base, upside, and downside cases dependent on the result on the result of certain assumptions such as those listed above.
- Zoetis Inc. (NYSE: ZTS) is the global leader in animal health, offering medicines, vaccines, diagnostics, and digital solutions for both companion animals and livestock. Zoetis' robust pipeline, which includes monoclonal antibodies Librela and Solensia in addition to an expanding diagnostics portfolio provide significant long-term growth opportunities. The company's scale, brand strength and R&D capabilities create high barriers to entry, ensuring dominant competitive advantage.

Business Overview

Diversified Animal Health Platform with Recurring Revenue Model

- Zoetis' business model revolves around developing, manufacturing and distributing products that prevent, diagnose and treat animal diseases globally. Its integrated structure spans the entire value chain, from R&D through commercialization, supported by a direct-to-veterinarian sales strategy that fosters strong brand loyalty and consistent revenue streams.
- The company operates across two primary segments: Companion Animals and Livestock. Companion Animal products, which accounted for 68% of total revenue in 2024, include dermatology treatments, parasiticides, vaccines and emerging monoclonal antibody therapies. Growth in this segment is driven by rising pet ownership, the humanization of pets and the increasing adoption of pet insurance. Livestock products, contributing 32% of revenue, focus on vaccines and anti-infectives for cattle, swine, poultry and aquaculture. While growth is modest compared to Companion Animals, the segment provides geographic diversification and resilience against economic cycles.
- Zoetis differentiates itself through its direct distribution model, which targets veterinarians, clinics and livestock producers rather than end consumers. This approach allows the company to maintain close relationships with prescribers, capture market feedback and reinforce product stickiness through recurring treatment regimens.
- The company invests approximately 7–8% of annual revenue into R&D, reflecting a commitment to innovation. Current priorities include expanding its portfolio of biologics and monoclonal antibodies (e.g., Librela and Solensia for osteoarthritis), enhancing dermatology offerings and scaling its diagnostics and digital solutions. Zoetis' innovation strategy also emphasizes life-cycle management: upgrading existing therapies to extend exclusivity and defend market share against generics.

Competitive Landscape

An Industry Shaped by Scale, Innovation and Regulation

- The animal health market is highly consolidated at the top, with the five largest players controlling a significant share of the global market. Among these, Zoetis maintains the leadership position with roughly double the revenue of its nearest publicly traded competitor, Elanco. This concentration creates substantial barriers to entry for smaller firms, as competitors must overcome challenges related to R&D intensity, distribution infrastructure and regulatory compliance.
- A defining feature of competition in this sector is the emphasis on innovation speed and regulatory approvals. Unlike human pharmaceuticals, where generics dominate after patent expiry, animal health markets exhibit slower commoditization due to the complexity of biologics, vaccines and delivery mechanisms. This dynamic benefits leaders like Zoetis, which has established regulatory expertise across multiple jurisdictions, giving it a time-to-market advantage over less experienced rivals.
- Competitors have pursued different strategies to capture share. Elanco has focused on acquisitions to scale its portfolio, a strategy that has left it highly leveraged and challenged by integration costs. Merck Animal Health, part of a diversified pharmaceutical giant, benefits from resource depth but lacks the singular focus of Zoetis.

Rating:

BUY

Current Price:

\$145.79

Price Target / Upside

\$189.49 / 29.97%

52-Week Price High / Low:

\$200.33 / \$139.70

Shares O/S:

448.5M

Key Metrics Overview

Enterprise Value:

\$89.737B

Revenue:

7.54x

UFCF:

\$100M

EV/EBITDA:

18.18x

P/E:

26.72x

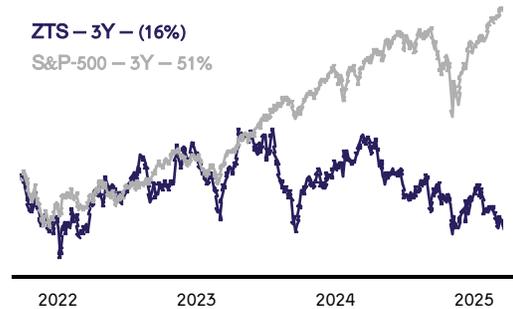
Upcoming Earnings Date:

08/05/2025

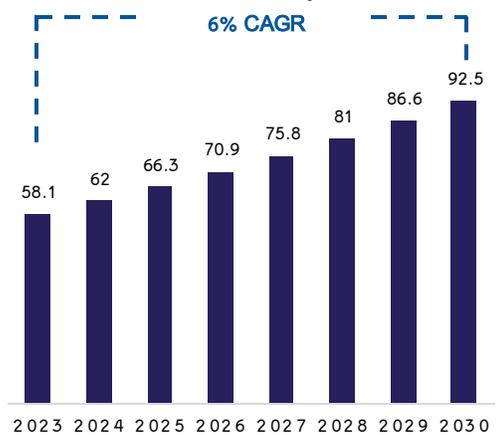
ZTS vs. S&P-500

ZTS – 3Y – (16%)

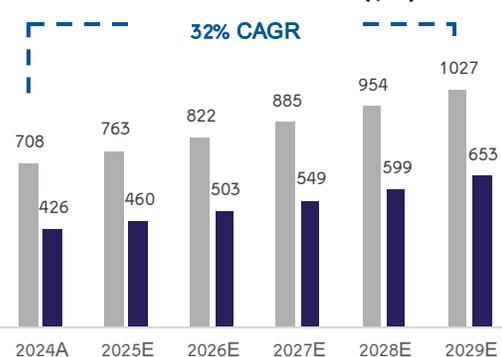
S&P-500 – 3Y – 51%



Animal Health Industry Size (In \$B)



Revenues & EBITDA (\$M)



- Zoetis' most defensible competitive advantage lies in its direct engagement model and deep relationships with veterinarians. While competitors rely more heavily on distributors, Zoetis employs a hybrid approach that strengthens loyalty and provides real-time feedback on product performance. This channel strategy, combined with proprietary data analytics tools and diagnostic integration, creates an ecosystem effect therefore making it costly and operationally disruptive for customers to switch to other suppliers.
- Looking forward, competitive intensity is expected to rise in biologics and pain management, where Zoetis currently dominates. Patent cliffs will eventually test the resilience of its blockbuster franchises and generic entry, while delayed, poses long-term risk. However, smaller players face structural disadvantages in navigating complex biologic manufacturing and global regulatory processes. This reality suggests that scale players like Zoetis will continue to consolidate power, leveraging innovation and customer relationships to defend market share.

The global animal health market is highly concentrated, with the top five players controlling roughly 60% of the total industry revenue. Zoetis is the clear leader, holding approximately 30% of the market share.

Valuation Summary

Intrinsic Valuation Analysis

- We employed a discounted cash flow (DCF) analysis to derive an intrinsic valuation for Zoetis, using management-aligned financial forecasts and conservative assumptions for key value drivers. Our model incorporates historical performance from 2022 to 2024 and projects unlevered free cash flows through 2029. Revenue is projected to grow at a compound annual growth rate (CAGR) of approximately 5% over the forecast period, with EBIT margins gradually expanding to 42% as operating leverage improves. Unlevered free cash flow is expected to grow from \$4.6 billion in 2024 to \$7.4 billion in 2029, reflecting continued strength in Zoetis' product portfolio and disciplined capital expenditure.
- To calculate terminal value, we applied the Gordon Growth Model, assuming a long-term growth rate ranging from 1.5% to 2.5% and a weighted average cost of capital (WACC) ranging from 6.8% to 7.8%. These inputs reflect sensitivity to both macroeconomic risk and secular growth expectations in the animal health sector. We used a base case of a 7.3% WACC and 2.0% terminal growth rate, which reflects a reasonable balance between long-term conservatism and industry trends.
- Our sensitivity analysis yields an equity valuation range of \$185 to \$204.50 per share. The valuation is most sensitive to changes in WACC, given the long duration of Zoetis' free cash flows, but remains relatively robust across plausible assumptions. The base case scenario (WACC of 7.3% and terminal growth rate of 2.0%) produces an implied equity value of \$189.49, which we adopt as our 12-month price target. This price reflects a modest premium to Zoetis' current trading level and supports a constructive view on the stock.

At our \$189.49 target, Zoetis offers a fair risk-reward profile supported by strong free cash flow growth and defensive sector positioning

2022	2023	2024	2025
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Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	8,080	8,544	9,256	9,895	10,470	10,953	11,388	11,845
% Growth		5.7%	8.3%	6.9%	5.8%	4.6%	4.0%	4.0%
EBITDA	3,393	3,560	3,889	3,693	3,908	4,105	4,254	4,415
% Margin	42.0%	41.7%	42.0%	37.3%	37.3%	37.5%	37.4%	37.3%
EBIT	2,928	3,069	3,392	4,157.7	4,399.4	4,602.3	4,785.0	4,976.9
% Margin	36%	36%	37%	42%	42%	42%	42%	42%
NOPAT	2,383	2,473	2,755	3,493	3,688	3,850	3,998	4,154
Depreciation and Amortization	(412)	(441)	(448)	(465)	(491)	(497)	(531)	(562)
Funds From Operation	1,971	2,032	2,307	3,028	3,197	3,353	3,467	3,592
Changes in working capital assets		147	11	0	(314)	(287)	(265)	(284)
Changes in working capital liabilities		(153)	(19)	(22)	(35)	(51)	(92)	(104)
Change in Working Capital		7	8	22	349	338	357	388
Capital Expenditures	586	732	655	700	741	775	806	838
Unlevered Free Cash Flow	\$3,768	\$3,780	\$4,415	\$5,842	\$6,492	\$6,766	\$7,016	\$7,296

Sources: Bloomberg, FactSet, FAO, Zoetis Investor Relations, SEC Filings

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Healthcare Coverage Group | Patrick Lee | Hinge Health Inc.

Hinge Health Inc. (NYSE:HNGE)

Executive Summary

Digital MSK leader Hinge Health has the potential to disrupt the market

- Hinge Health is a leading digital health digital health tech platform focused on transforming the treatment of musculoskeletal (MSK) conditions, one of the largest cost drivers in U.S. healthcare. Through a vertically integrated model combining motion-tracking technology, virtual physical therapy and behavioral coaching, Hinge delivers results that rivals traditional healthcare at significantly lower costs.
- Hinge Health Inc. was founded in 2014 by Daniel Perez and Gabriel Mecklenburg, and now serves over 1,250 employers and health plans. For more than a decade, Hinge Health has focused on rapidly scaling its platform, supported by strong clinical outcomes and user engagement. Its customer base includes a third of the Fortune 500, and the company reports industry-leading satisfaction metrics
- The digital MSK space is positioned for sustained growth, with an estimated CAGR of 22–30% driven by aging populations and rising chronic pain. Not to mention, the rise of technology and virtual appointments only serves as another catalyst for its growth. Therefore, Hinge Health is well positioned to capitalize on this trend through continuous R&D investment and its data-driven approach to long-term patient care.
- This report reflects a coverage status for HNGE being of HOLD, with a very conservative outlook reflecting a stable view of Hinge Health's long-term potential and current valuation. While the company benefits from strong revenue momentum and favorable industry trends, profitability and the competitive landscape warrant caution. The thesis behind the rationale is that while upside exists, it is also priced in at current levels and can be unpredictable given their IPO occurred just 3 months prior.

Business Overview

Hinge's hybrid platform with recurring revenue models indicate sustainability

- Hinge Health operates as a vertically integrated digital health company specializing in musculoskeletal (MSK) conditions. Its digital platforms deliver hybrid care that includes wearable sensors, app-based physical therapy, behavioral coaching and more. However, offerings aren't limited to virtual insights, as they also provide real-time physician support, targeting conditions like chronic back, knee, shoulder and joint pain.
- Unlike other traditional telehealth players, Hinge Health specializing in managing its own clinical network of physical therapists and physicians. In doing so, they ensure quality control and integrated care delivery. The company uses motion-sensing devices and personalized plans to drive user engagement and clinical outcomes, with over 90% of users reporting reduced pain and improved mobility.
- The company has also begun expanding its offerings beyond their focus in MSK care, diving into areas such as pelvic floor therapy and post-operative recovery. These extensions reflect Hinge's strategy to increase lifetime value per user while positioning itself as a full-stack digital musculoskeletal solution. By branching out, Hinge will be able to provide overall healthcare solutions, but with a brand recognition centered around their MSK care.
- Being a digital health tech company, most of Hinge's expenses result from R&D and SG&A, accounting for almost all their operating expenses. On the other side, revenue is primarily generated through B2B contracts with large self-insured employers and health plans, often tied to per-member-per-month (PMPM) pricing. Therefore, the company's strong employer list indicate product-market fit, though competition from other digital MSK and telehealth providers remains a key watch point.

Competitive Landscape

Hinge operates in a highly competitive and rapidly evolving digital market

- Hinge Health faces growing competition from both large established healthcare companies expanding into digital MSK therapy as well as emerging startups offering specialized remote care solutions. Some notable key direct competitors include Sword Health, Kaia Health, and RecoveryOne, which each company delivering tech-enabled physical therapy.
- Hinge's ability to maintain market share is challenged by the low switching costs for enterprise clients, who often evaluate solutions based on pricing and member engagement. While Hinge maintains a strong foothold through high satisfaction scores and strategic payer partnerships, new entrants continue to innovate in areas of AI-based diagnostics, remote monitoring and hybrid care models that blend in-person and virtual support. Despite being a large player within the industry for over a decade, the path forward still contains obstacles.

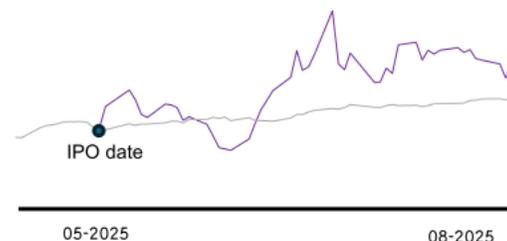
Rating:	HOLD
Current Price:	\$45.03
Price Target / Upside	\$56.49 / \$11.46
52-Week Price High / Low:	\$33.42 / \$52.16
Shares O/S:	26.8M

Key Metrics Overview

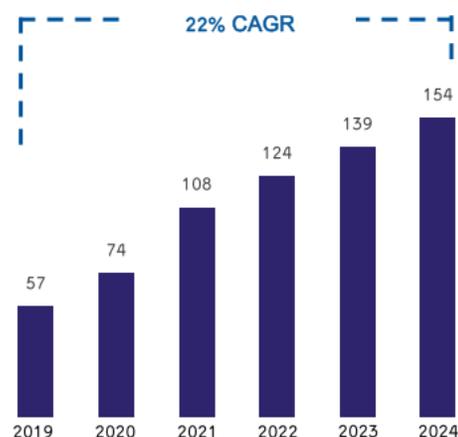
Enterprise Value:	\$3.69B
Revenue:	8.55x
UFCF:	\$78M
EV/EBITDA:	201.7x
P/E:	25.88x
Upcoming Earnings Date:	08/05/2025

Ticker vs. S&P-500

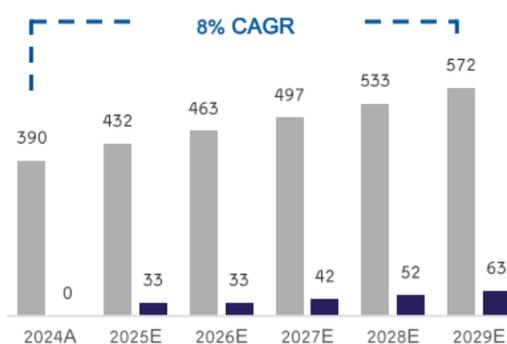
HNGE – 3M – 20%
S&P-500 – 3M – 9%



Global Telehealth Users (M)



Revenues & EBITDA (\$M)



Healthcare Coverage Group | Patrick Lee | Hinge Health Inc.

- Traditional healthcare providers are also scaling their digital offerings, leveraging established patient bases and payer contracts to compete in the virtual MSK space. Hinge's competitive advantage lies in its hybrid offerings through vertical integration as well as their already established brand name. As a result, Hinge could look to leverage their specializations and dominate the market through brand recognition.
- Another competitive pressure comes from platforms offering broader chronic care management. Companies like Omada Health are bundling MSK therapy into holistic care models that also address sectors including diabetes, behavioral health and cardiovascular risk. These integrated solutions are especially appealing to self-insured employers looking to streamline vendor relationships. Although Hinge has excelled within the MSK vertical, its single-condition focus may limit its defensibility if employers begin favoring consolidated digital health platforms.

Valuation Summary

Conservative modeling reflects downside protection but limits implied upside

- Despite strong market tailwinds in digital MSK care, our valuation approach for Hinge Health applies notably conservative inputs. We assume a static year-over-year revenue growth rate of 7%, which is significantly below the industry average of 18%. This is because our model intends to reflect a longer-term growth rate as the company has already been founded for over a decade. In addition, Hinge is experiencing swings due to their IPO just 3 months prior, so combined with the digital health tech space being quite volatile, an assumption of long-term growth seemed more appropriate.
- With the large shifts in revenue and stock price haven taken effect now 3 months post-IPO, valuation of Hinge Health lies primarily within their next earnings report August 5th, 2025. These earnings will allow investors to gain a much better picture as to how Hinge intends to use their capital and brand equity of going public. It is, however, important to note that companies within industries like digital health tech remain unprofitable for a while, reflected by 3 years of Hinge's reported profits.
- The comps analysis highlights a wide range in valuation multiples, yet even when benchmarking against the lower quartile of peer EV/Revenue ratios, Hinge appears fairly valued under our base case. The use of median over the mean ratio was chosen due to the wide range of multiples in the industry, skewing the averages and extremes. The concluding implied equity value shows limited upside (\$56.49) unless management delivers outsized growth or margin acceleration beyond our conservative projections.

Investors should be cautious of the low barriers of entry to the digital health-tech industry, allowing thousands of startups to enter a saturated field. As a result, pricing pressures and differentiation are going to be the main drivers of success.

Even with largely conservative future estimates, Hinge Health remains an attractive investment opportunity. However, the volatility and lack of information following their IPO ultimately brings their rating to a HOLD.

Hinge Health Inc (NYSE:HNGE) Operating Model (in \$ millions of USD)

	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	\$293	\$390	\$432	\$463	\$497	\$533	\$572	\$614
% Growth		33%	11%	7%	7%	7%	7%	7%
EBITDA	(109)	(11)	33	33	42	52	63	76
% Margin	-	-	8%	7%	8%	10%	11%	12%
EBIT	(111)	(14)	31	31	40	50	61	73
% Margin	-	-	7%	7%	8%	9%	11%	12%
NOPAT	(111)	(14)	29	29	38	46	56	67
Depreciation and Amortization	2	2	2	2	2	2	2	2
Deferred Taxes & Investment Tax Credit	1	1	-	1	1	1	1	1
Other Funds	28	40	41	36	37	38	39	40
Funds From Operation	30	43	44	39	40	41	42	43
Receivables	(23)	(1)	(18)	(21)	(21)	(22)	(22)	(23)
Inventories	11	1	(3)	3	3	3	3	3
Accounts Payable	12	(11)	(3)	(7)	(7)	(7)	(8)	(8)
Other Assets/Liabilities	10	25	30	22	23	23	24	24
Change in Working Capital	10	14	6	(3)	(3)	(3)	(3)	(3)
Capital Expenditures	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Unlevered Free Cash Flow	(\$73)	\$41	\$78	\$64	\$73	\$83	\$94	\$105

Sources: Bloomberg, YahooFinance

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Zoetis Inc. (NYSE:ZTS)

Executive Summary

Zoetis: Leading Animal Health with Sustainable Growth

- Given its leadership position, resilient end-markets and strong cash generation, Zoetis trades at a premium valuation relative to peers, which we believe is justified. The stock offers investors a combination of defensive growth, high-margin expansion and shareholder returns, making it a compelling addition to long-term portfolios.
- The global animal health industry is projected to grow at a ~6% CAGR from 2023 to 2030, supported by increasing pet ownership trends, the rise of premium veterinary care and continued global protein consumption trends.
- Our valuation reflects a scenario-weighted approach incorporating base, upside, and downside cases dependent on the result on the result of certain assumptions such as those listed above.
- Zoetis Inc. (NYSE: ZTS) is the global leader in animal health, offering medicines, vaccines, diagnostics, and digital solutions for both companion animals and livestock. Zoetis' robust pipeline, which includes monoclonal antibodies Librela and Solensia in addition to an expanding diagnostics portfolio provide significant long-term growth opportunities. The company's scale, brand strength and R&D capabilities create high barriers to entry, ensuring dominant competitive advantage.

Business Overview

Diversified Animal Health Platform with Recurring Revenue Model

- Zoetis' business model revolves around developing, manufacturing and distributing products that prevent, diagnose and treat animal diseases globally. Its integrated structure spans the entire value chain, from R&D through commercialization, supported by a direct-to-veterinarian sales strategy that fosters strong brand loyalty and consistent revenue streams.
- The company operates across two primary segments: Companion Animals and Livestock. Companion Animal products, which accounted for 68% of total revenue in 2024, include dermatology treatments, parasiticides, vaccines and emerging monoclonal antibody therapies. Growth in this segment is driven by rising pet ownership, the humanization of pets and the increasing adoption of pet insurance. Livestock products, contributing 32% of revenue, focus on vaccines and anti-infectives for cattle, swine, poultry and aquaculture. While growth is modest compared to Companion Animals, the segment provides geographic diversification and resilience against economic cycles.
- Zoetis differentiates itself through its direct distribution model, which targets veterinarians, clinics and livestock producers rather than end consumers. This approach allows the company to maintain close relationships with prescribers, capture market feedback and reinforce product stickiness through recurring treatment regimens.
- The company invests approximately 7–8% of annual revenue into R&D, reflecting a commitment to innovation. Current priorities include expanding its portfolio of biologics and monoclonal antibodies (e.g., Librela and Solensia for osteoarthritis), enhancing dermatology offerings and scaling its diagnostics and digital solutions. Zoetis' innovation strategy also emphasizes life-cycle management: upgrading existing therapies to extend exclusivity and defend market share against generics.

Competitive Landscape

An Industry Shaped by Scale, Innovation and Regulation

- The animal health market is highly consolidated at the top, with the five largest players controlling a significant share of the global market. Among these, Zoetis maintains the leadership position with roughly double the revenue of its nearest publicly traded competitor, Elanco. This concentration creates substantial barriers to entry for smaller firms, as competitors must overcome challenges related to R&D intensity, distribution infrastructure and regulatory compliance.
- A defining feature of competition in this sector is the emphasis on innovation speed and regulatory approvals. Unlike human pharmaceuticals, where generics dominate after patent expiry, animal health markets exhibit slower commoditization due to the complexity of biologics, vaccines and delivery mechanisms. This dynamic benefits leaders like Zoetis, which has established regulatory expertise across multiple jurisdictions, giving it a time-to-market advantage over less experienced rivals.
- Competitors have pursued different strategies to capture share. Elanco has focused on acquisitions to scale its portfolio, a strategy that has left it highly leveraged and challenged by integration costs. Merck Animal Health, part of a diversified pharmaceutical giant, benefits from resource depth but lacks the singular focus of Zoetis.

Rating: BUY

Current Price: \$145.79

Price Target / Upside: \$189.49 / 29.97%

52-Week Price High / Low: \$200.33 / \$139.70

Shares O/S: 448.5M

Key Metrics Overview

Enterprise Value: \$89.737B

Revenue: 7.54x

UFCF: \$100M

EV/EBITDA: 18.18x

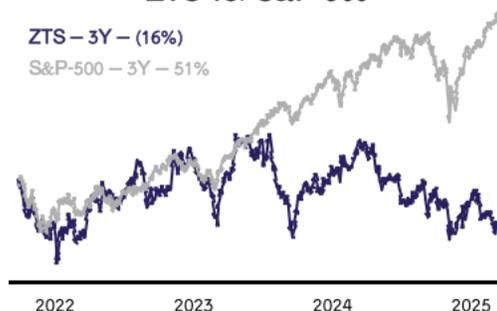
P/E: 26.72x

Upcoming Earnings Date: 08/05/2025

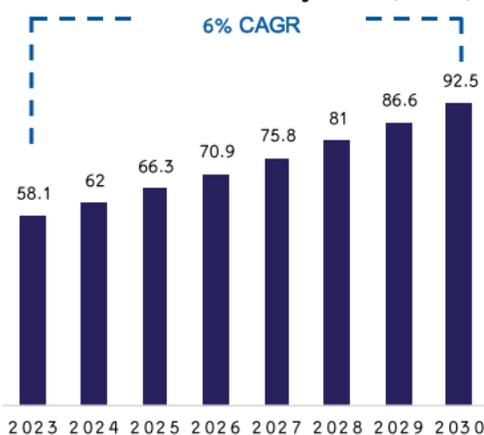
ZTS vs. S&P-500

ZTS - 3Y - (16%)

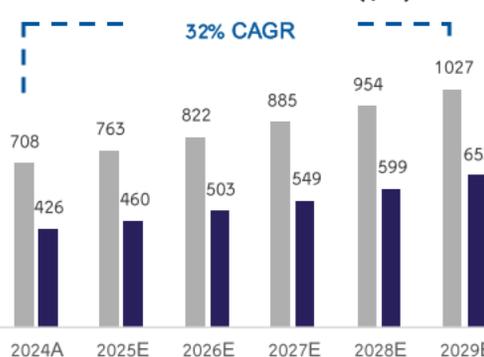
S&P-500 - 3Y - 51%



Animal Health Industry Size (In \$B)



Revenues & EBITDA (\$M)



- Zoetis' most defensible competitive advantage lies in its direct engagement model and deep relationships with veterinarians. While competitors rely more heavily on distributors, Zoetis employs a hybrid approach that strengthens loyalty and provides real-time feedback on product performance. This channel strategy, combined with proprietary data analytics tools and diagnostic integration, creates an ecosystem effect therefore making it costly and operationally disruptive for customers to switch to other suppliers.
- Looking forward, competitive intensity is expected to rise in biologics and pain management, where Zoetis currently dominates. Patent cliffs will eventually test the resilience of its blockbuster franchises and generic entry, while delayed, poses long-term risk. However, smaller players face structural disadvantages in navigating complex biologic manufacturing and global regulatory processes. This reality suggests that scale players like Zoetis will continue to consolidate power, leveraging innovation and customer relationships to defend market share.

Valuation Summary

Intrinsic Valuation Analysis

- We employed a discounted cash flow (DCF) analysis to derive an intrinsic valuation for Zoetis, using management-aligned financial forecasts and conservative assumptions for key value drivers. Our model incorporates historical performance from 2022 to 2024 and projects unlevered free cash flows through 2029. Revenue is projected to grow at a compound annual growth rate (CAGR) of approximately 5% over the forecast period, with EBIT margins gradually expanding to 42% as operating leverage improves. Unlevered free cash flow is expected to grow from \$4.6 billion in 2024 to \$7.4 billion in 2029, reflecting continued strength in Zoetis' product portfolio and disciplined capital expenditure.
- We calculated terminal value using the Gordon Growth Model, applying a WACC range of 6.8%–7.8% and a terminal growth rate of 1.5%–2.5%. Our base case uses a 7.3% WACC and 2.0% terminal growth rate, resulting in our target price of \$189.49.
- Sensitivity analysis yields a valuation range of \$185.00 to \$204.50 per share, with the model most sensitive to WACC assumptions. To account for execution risk and macro uncertainty, we apply a scenario-weighted framework:
 - Base Case (60% weight): Margin expansion, stable livestock trends. Target: \$189.49
 - Upside Case (30%): Stronger demand, EM tailwinds, SG&A leverage. Target: \$204.50
 - Downside Case (10%): livestock stagnation and regulatory risk . Target: \$185.00

The global animal health market is highly concentrated, with the top five players controlling roughly 60% of the total industry revenue. Zoetis is the clear leader, holding approximately 30% of the market share.

At our \$189.49 target, Zoetis offers a fair risk-reward profile supported by strong free cash flow growth and defensive sector positioning

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	8,080	8,544	9,256	9,895	10,470	10,953	11,388	11,845
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% Margin	42.0%	41.7%	42.0%	37.3%	37.3%	37.5%	37.4%	37.3%
EBIT	2,928	3,069	3,392	4,157.7	4,399.4	4,602.3	4,785.0	4,976.9
% Margin	36%	36%	37%	42%	42%	42%	42%	42%
NOPAT	2,383	2,473	2,755	3,493	3,688	3,850	3,998	4,154
Depreciation and Amortization	(412)	(441)	(448)	(465)	(491)	(497)	(531)	(562)
Funds From Operation	1,971	2,032	2,307	3,028	3,197	3,353	3,467	3,592
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Change in Working Capital		7	8	22	349	338	357	388
Capital Expenditures	586	732	655	700	741	775	806	838
Unlevered Free Cash Flow	\$3,768	\$3,780	\$4,415	\$5,842	\$6,492	\$6,766	\$7,016	\$7,296

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Bloom Energy (NYSE:BE)

Executive Summary

Fueling Energy Transition with Distributed Clean Power Solutions

- Bloom Energy is a leading innovator in solid oxide fuel cell technology, providing on-site, highly efficient, and resilient power generation systems for commercial, industrial, and utility customers. The company's modular Energy Server products enable organizations to reduce carbon emissions, improve grid independence, and secure reliable energy amid growing concerns over power disruptions and increasing regulatory pressure for decarbonization.
- Bloom is positioned to capitalize on key global trends, including net-zero commitments from both public and private sectors, surging demand for cleaner backup power, and broader adoption of distributed generation. Strength in core verticals such as data centers, healthcare facilities, and manufacturing reflects the company's focus on mission-critical customers seeking stable, lower-carbon energy alternatives.
- The company's commercial momentum continues to accelerate, with a robust backlog and expanding international footprint, notably in South Korea and Europe. Enhanced product flexibility, enabled by support for multiple fuels like natural gas, renewable biogas, and hydrogen, giving Bloom a unique advantage as markets evolve toward green hydrogen and other emerging fuels.

Business Overview

Strategic Growth Through Partnerships and Expanding Ecosystem

- Bloom Energy has accelerated its business transformation with a focus on strategic partnerships and ecosystem integration, moving beyond its traditional fuel cell offerings. In recent years, the company has forged notable alliances, including with CoreWeave, a prominent cloud infrastructure and AI computing company. This collaboration leverages Bloom's reliable, low-carbon power solutions to support AI-driven and data-intensive operations, helping to meet surging demand for high-density, resilient computing power. These partnerships are positioning Bloom to tap into emerging digital infrastructure markets that require unprecedented reliability and energy flexibility.
- In 2024, Bloom signed a power capacity agreement with Intel to expand its installation at the company's high-performance computing (HPC) facility in Santa Clara, making it the largest fuel cell-powered HPC site in Silicon Valley. With Equinix, Bloom's relationship dates back to 2015 and has since scaled to over 100 MW of on-site fuel cell capacity across 19 U.S. data centers, supporting Equinix's 100% clean energy goal. In mid-2025, Bloom partnered with Oracle Cloud Infrastructure to deploy modular fuel cell systems capable of powering entire data centers, specifically to meet the demands of AI workloads. These systems can be installed in under 90 days and provide clean, water-free, and highly scalable power. Collectively, these partnerships highlight Bloom's growing role as a critical clean energy provider for data-intensive enterprises.
- Bloom Energy has strategically expanded its reach into new verticals through initiatives in hydrogen infrastructure, large-scale distributed power networks, and behind-the-meter clean energy solutions. These efforts position the company as both a solutions integrator and a technology provider, enabling it to engage customers through a broader energy-as-a-service model rather than relying solely on hardware sales. This approach supports the development of more recurring and long-term revenue streams. Technologically, Bloom differentiates itself with high electrical efficiency, fuel flexibility, and modular scalability—allowing customers to tailor deployments to their specific needs while remaining adaptable to future requirements. Its continued innovation in solid oxide electrolyzer cells (SOEC) further strengthens its position in the fast-growing green hydrogen market. Together, these advantages underscore Bloom's long-term strategic value and competitive edge in the evolving energy landscape.

Competitive Landscape

Strong tech, but intensifying competition

- Bloom Energy operates in a highly competitive and evolving clean energy market, where companies are vying to provide scalable, efficient, and low-emission power solutions to both commercial and industrial customers. The sector is characterized by rapid technological innovation, shifting regulatory dynamics, and increased demand from data centers, utilities, and global enterprises seeking to decarbonize operations. Competitive differentiation hinges on system efficiency, upfront and lifecycle cost, scalability, reliability, and the ability to deliver consistent on-site power independent of the grid. Bloom's modular solid oxide platform allows it to target high-performance use cases, but competitors continue to invest heavily in R&D, alternative chemistries, and hybrid energy solutions. The market also presents risks from emerging technologies that may leapfrog current systems in terms of cost or emissions. As demand for clean baseload power grows, maintaining a technological edge and proven commercial deployments will be key to sustaining market share.

Rating:

BUY

Current Price:

\$37.39

Price Target / Upside %

\$53 / 41.76%

52-Week Price High / Low:

\$9.02 / \$39.09

Shares O/S:

182.21M

Key Metrics Overview

Enterprise Value:

\$9.46B

Revenue:

1.564M

UFCF:

15.2%

EV/EBITDA:

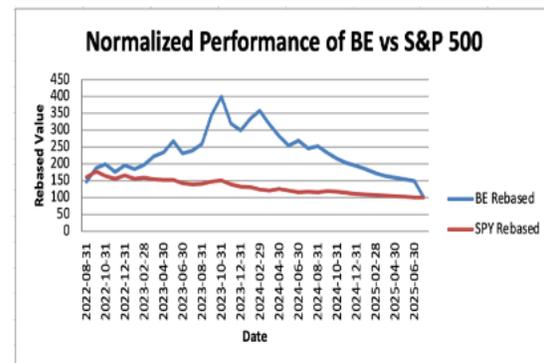
20.84x

P/E Ratio:

72.6x

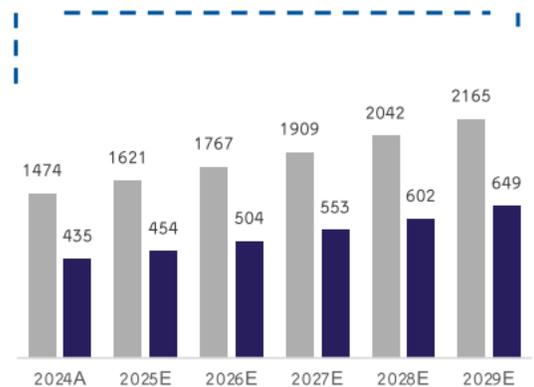
Upcoming Earnings Date:

07/31/2025

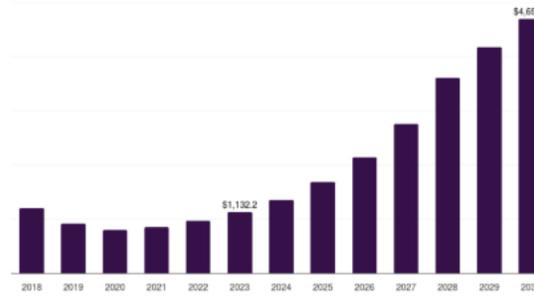


Revenues & EBITDA (in Thousands)

7.9% CAGR

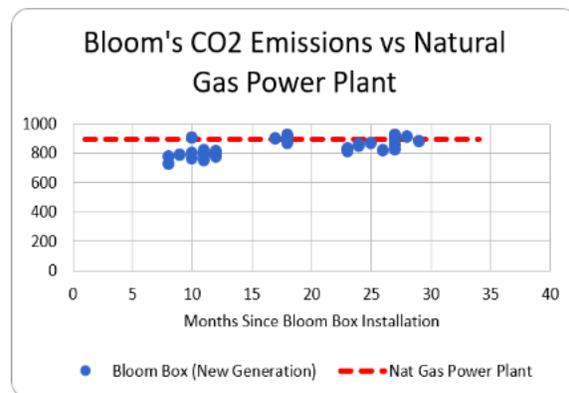


U.S. fuel cell market, 2018-2030 (US\$M)



Industrials Coverage Group | Aashay Marathe | Bloom Energy

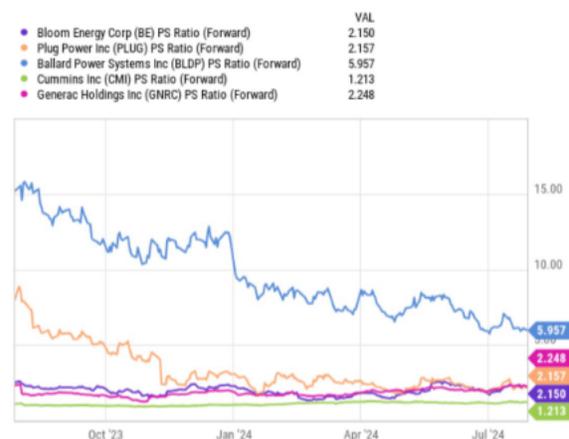
- Key competitors to Bloom Energy include Plug Power, Ballard Power Systems, and FuelCell Energy, each with differing financial trajectories and strategic focuses. Plug Power has historically posted higher revenues but larger operating losses due to aggressive hydrogen infrastructure expansion. Ballard Power, focused on PEM fuel cells for transportation, has maintained a lower revenue base and consistent net losses. Bloom stands out with higher gross margins and more stable revenue growth in recent years, driven by strong commercial traction in data centers and industrial markets. However, all players continue to face challenges in achieving profitability, given high R&D spend and capital requirements.
- Several players in the fuel cell market are competing alongside Bloom Energy, each pursuing different technologies, customer segments, and geographic strategies. Competitors range from those focused on PEM and alkaline fuel cells to others scaling solid oxide or methanol-based systems, creating a fragmented but rapidly evolving landscape. Some target automotive and mobility, while others, like Bloom, focus on stationary power for data centers and industrial use. Many rivals benefit from government support, strategic partnerships, or vertical integration. As demand for grid-independent, zero-emission energy rises, innovation, cost, and deployment scale have become key competitive battlegrounds.



Valuation Summary

Positioned for High-Growth Valuation Upside

- As of the latest filings, Bloom has made progress toward improving its margins and operating performance, with 2024 marking its first year of positive EBIT. EBITDA margins have been improving gradually, sitting near 28–30%, showing better cost control and scalability. However, the company is still not consistently net profitable, and free cash flow remains volatile. Valuation multiples such as EV/EBITDA are now more usable but still relatively high compared to mature energy peers, reflecting both ongoing risks and investor optimism. Investors today are paying a premium for Bloom's technology and future growth rather than its current bottom-line performance.
- Looking ahead, Bloom Energy's valuation could become more grounded in earnings-based metrics if it continues its trajectory toward consistent profitability and stronger free cash flow generation. The potential growth in hydrogen, distributed energy, and Energy-as-a-Service markets gives it a large addressable market that justifies high forward multiples, assuming execution risk is managed. If Bloom can sustain positive EBIT and expand its recurring revenue streams, P/E and EV/EBITDA ratios may normalize relative to other industrial tech firms. The company's ability to monetize its innovations (like solid oxide electrolyzers) and scale profitably will be critical to supporting its long-term valuation. In short, Bloom is still in a transitional valuation phase, moving from growth-story to earnings-driven.



Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$ 1,199,125.00	1,333,470.00	1,473,856.00	1,621,241.60	1,767,153.34	1,908,525.61	2,042,122.40	2,164,649.74
% Growth		11.2%	10.5%	10.0%	9.0%	8.0%	7.0%	6.0%
EBITDA	470,888	469,310	434,787	453,948	503,639	553,472	602,426	649,395
% Margin	39%	35%	29%	28%	28%	29%	30%	30%
EBIT	(260,992)	(208,907)	22,902	3,000	17,483	37,604	59,586	83,816
% Margin	-21.8%	-15.7%	1.6%	0.2%	1.0%	2.0%	2.9%	3.9%
Net Income (Loss)	(315,086)	(307,937)	(27,203)	2,700	15,735	30,835	47,073	66,215
Non-cash Expenses	310,205	375,768	192,639	324,248	353,431	381,705	408,424	432,930
Working Capital - Assets	(348,629)	(320,315)	(150,470)	(161,124)	(176,715)	(190,853)	(204,212)	(216,465)
Working Capital - Liabilities	170,483	(83,506)	109,134	113,487	123,701	133,597	142,949	151,525
Other Adjustments	(8,696)	(36,541)	(32,102)	(32,425)	(35,343)	(38,170)	(40,842)	(43,293)
Funds From Operation	(191,723)	(372,531)	91,998	246,886	280,809	317,114	353,392	390,912
Capital Expenditures	117	84	59	56	108	94	60	60
Unlevered Free Cash Flow	(\$191,840)	(\$372,615)	\$91,939	\$246,830	\$280,701	\$317,020	\$353,332	\$390,852

Sources: Bloomberg, YahooFinance, FactSet, Bloom Energy

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Stanley Black & Decker (NYSE:SWK)

Executive Summary

Cost-Cutting with a Growth Initiative

- Founded in 1843 by Frederick T. Stanley, Stanley Black & Decker has grown into a global provider of hand tools, power tools, outdoor equipment, and engineered fastening solutions. The company's modern form stems from the 2010 merger with Black & Decker, positioning it as an industry leader often ranking among the top two in U.S. retail market share for power tools and hand tools alongside key rival TTI. SWK's portfolio features iconic brands such as DeWalt, Craftsman, Stanley, Black & Decker, and Cub Cadet, which collectively secure leading positions across professional contractor and consumer DIY segments.
- In mid-2022, management initiated a Global Cost Reduction Program targeting \$2.0 billion in run-rate cost savings by 2025. This program, encompassing supply chain transformation, footprint consolidation, and SKU simplification, has already yielded approximately \$1.5B of savings. In addition, the company simultaneously executed a variety of portfolio divestitures totaling \$4.7B in proceeds for the company. These sales were part of the larger scheme to sharpen the company's portfolio of assets and streamline/simplify operations. The divestitures included (1) \$3.1B for the sale of its commercial security business (2) \$916M for the sale of its automatic doors unit, and (3) \$729M for the sale of its infrastructure (oil and gas/attachments) division.
- Despite these improvements, Stanley Black & Decker's near-term outlook remains fair, supporting our HOLD rating. The stock has recently experienced significant volatility as a result of the tariff impacts during the latter half of the first quarter; however, management is hopeful that the worst is behind them.

Business Overview

Tools & Outdoor and the Industrial Segments

- Stanley Black & Decker operates through two primary segments: Tools & Outdoor and Industrial.
 - The Tools & Outdoor segment is by far the largest, contributing \$13.3B (87%) of revenue in 2024. This segment encompasses the Power Tools Group (professional and DIY power tools), Hand Tools, Accessories and Storage, and Outdoor Power Equipment divisions. SWK is a worldwide leader in these markets and is considered to be at the core of their future.
 - The Industrial segment contributed \$2.1B in 2024 revenue (13%) and is composed of Engineered Fastening; in other words, fastening systems for automobiles and other specialized vehicles.
- In recent years, SWK has embarked on major transformation initiatives to enhance efficiency and refocus on its core business. A pivotal effort is the aforementioned Global Cost Reduction Program, which, coupled with their strategic investment and growth efforts, should provide meaningful value for the company and their market share in the coming years. Furthermore the company had achieved \$1.5B of run-rate savings and reduced inventory by over \$2B, consistent with their margin stabilization efforts. The company is emphasizing new development, with R&D spending of \$329M in 2024 (2.1% of sales) focused on key end-user needs including enhanced productivity, cordless electrification of tools, and digital features for the jobsite.

Competitive Landscape

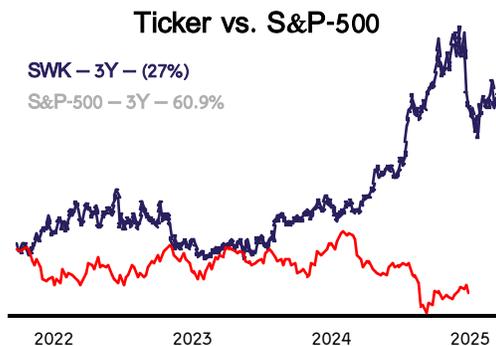
Stanley leads NA with International Competition

- Stanley Black & Decker operates in a highly competitive global tools market, facing rivals ranging from diversified industrial conglomerates to focused niche players. Its main competitors include Techtronic Industries (TTI), Bosch, Snap-on, and Makita, among others. Due to SWK's wide product offering of DIY tools and hardware products, along with its leading brands, the Company maintains a relatively competitive position.

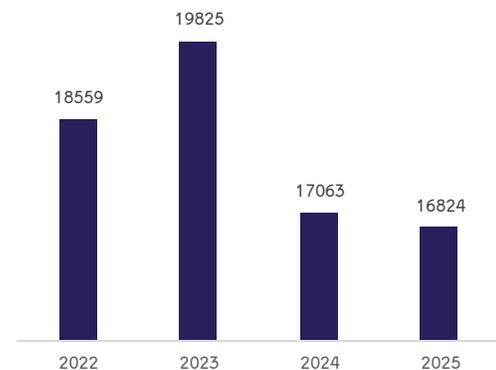
Rating:	HOLD
Current Price:	\$70.00
Price Target / Upside	\$62.05 / -11.4%
52-Week Price High / Low:	\$53.91 / \$110.88
Shares O/S:	159.2M

Key Metrics Overview

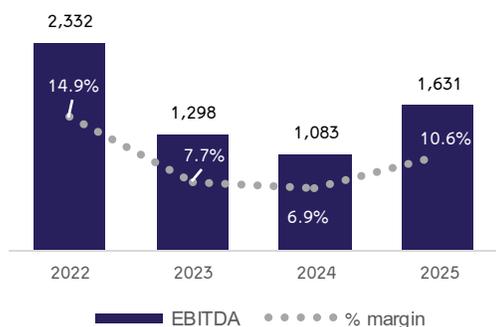
Enterprise Value:	\$15.61B
Revenue:	1.09x
UFCF:	\$1.01B
EV/EBITDA:	14.41x
P/E:	21.54x
Upcoming Earnings Date:	10/22/2025



U.S. Housing Starts (TTM)



EBITDA (\$M) & Margin (%)



Industrials Coverage Group | Luis Benitez | Stanley Black & Decker

- Techtronic Industries (TTI), based in Hong Kong, generates over \$14 billion in annual revenue and competes aggressively through innovation under its Milwaukee and Ryobi brands. Milwaukee has gained strong traction among professionals, while Ryobi appeals to DIY users. Although SWK's DeWalt brand is competitive, TTI's rapid innovation and growth have given it an edge in the professional segment.
- Bosch, a German industrial conglomerate, holds strong market share in Europe through its well-engineered Bosch Power Tools. Its products are respected for quality, but its diversified structure may limit its focus compared to tool-centric firms like SWK. Bosch's North American penetration lags SWK's, where DeWalt and Craftsman enjoy a stronger retail presence.
- All in all, SWK's position in NA is predominantly stronger in the US than it is internationally. Since the Company is focused on defending and expanding on its market share in the United States, the main competitors is Snap-on. On the other hand, expansionary steps by Stanley Black & Decker will be met with major pushback/competition due to the established nature of Bosch, TTI, and Makita in their respective jurisdictions. Nonetheless, the entrenched and involved nature of the Craftsman and DeWalt brands particularly, along with the comprehensive brand offering of SWK will allow it to continue in the face of uncertainty and increased competitive dynamics.

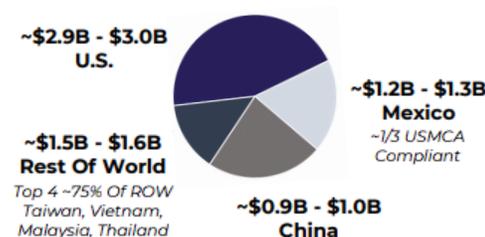


Valuation Summary

Conservative Approach to Geopolitical Instability

- Stanley Black & Decker's current valuation reflects a business in recovery mode following two years of underperformance. As of mid-2025, the company trades at approximately 14.4x EV/EBITDA and 13x forward P/E, based on management's 2025 adjusted EPS guidance. These multiples place it slightly below its historical average but in line with peers, suggesting the market is cautiously optimistic about the margin recovery underway.
- Despite these positive developments, valuation upside remains limited. The company's exposure to macro-sensitive end markets, such as residential construction and DIY spending, introduces volatility, especially in a high-interest-rate environment. Furthermore, its dependence on large retail customers and lingering supply chain risks weigh on its multiple. Compared to peers like Snap-on, which trades at higher earnings multiples due to superior margins and a more stable customer base, SWK appears fairly valued at current levels. Our hold rating and \$62 price target imply a modest downside from current levels, reflecting a balance between long-term franchise strength and near-term operational risk.

Cost of Goods By Region (~6.8B)



2022 2023 2024 2025

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$15,617	\$16,947	\$15,781	\$15,366	\$15,653	\$15,945	\$16,312	\$16,830
% Growth		9%	-7%	-3%	2%	2%	2%	3%
EBITDA	2,332	1,298	1,083	1,631	1,843	1,877	1,921	1,982
% Margin	15%	8%	7%	11%	12%	12%	12%	12%
EBIT	928	651	1,204	1,409	1,435	1,468	1,515	1,576
% Margin	6%	4%	8%	9%	9%	9%	9%	9%
NOPAT	928	488	979	1,113	1,134	1,160	1,197	1,245
Depreciation and Amortization	370	432	426	434	442	453	467	486
Funds From Operation	1,298	920	1,405	1,547	1,576	1,612	1,664	1,731
Accounts Receivable	(330)	71	(148)	22	22	28	39	51
Inventories	414	(1,123)	(202)	85	86	108	153	201
Prepaid Expenses	(66)	(81)	(13)	6	7	8	12	15
Other Current Assets	60	20	(24)	1	1	1	2	2
Accounts Payable	1,095	46	(138)	-	-	-	-	-
Accrued Expenses	577	(344)	485	-	-	-	-	-
Change in Working Capital	(1,751)	1,411	41	(114)	(116)	(145)	(205)	(270)
Capital Expenditures	(530)	(339)	(354)	(361)	(367)	(376)	(388)	(403)
Unlevered Free Cash Flow	(\$983)	\$1,993	\$1,092	\$1,073	\$1,093	\$1,091	\$1,071	\$1,057

Sources: Bloomberg, YahooFinance, Stanley Black & Decker Investor Relations, FRED

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American Airlines (NASDAQ:AAL)

Executive Summary

Fort Worth based Airline

- American Airlines, based in Fort Worth, Texas, is one of the worlds largest airline carriers, operating a network that connects 350 destinations across 60 countries. Through the merger of American Airlines and US Airways in 2013, American Airlines provides passenger and cargo transportation through a mainline fleet of 977 aircrafts and regional aircrafts, operating under the American Eagle brand. Their
- Their mission "To Care for People on Life's Journey" encourages customer experience, innovation and sustainability, with values rooted in safety, diversity, and operational excellence. As a founding member of the OneWorld alliance, AAL holds a strong position in the global airline industry, but trails competitors like Delta and United in financial stability.
- in 2024, AAL reported annual revenue of \$54.21 billion, a 2.7% increase from 2023, though profitability remains challenged with a net income of \$846 million and tight margins due to high operating costs. Its market capitalization stands at approximately \$7.3 billion (August 2024), reflecting a 33% year-to-date stock decline.
- AAL's growth potential hinges on corporate travel recovery, fleet modernization, and loyalty program expansion, but it faces risks from high debt (\$37 billion), economic sensitivity, and competitive pressures. Despite a low valuation (P/S ratio of 0.1), AAL's weak balance sheet makes it a high-risk investment with cautious optimism for long-term recovery.

Business Overview

Expenses challenge margin

- American Airlines Group operates as a network air carrier, offering scheduled passenger and cargo services through its mainline subsidiary, American Airlines, and regional carriers Envoy Air, Piedmont Airlines, and PSA Airlines, which operate under the American Eagle brand.
- With 6,700 daily flights, AAL serves a global network via hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix, and Washington, D.C., and partner gateways in London, Doha, Madrid, Seattle, Sydney, and Tokyo. The company's operations are supported by a mainline fleet of 977 aircraft and 556 regional aircrafts.
- AAL reports revenue across two segments: Passenger and Cargo but operates as a single business segment focused on air transportation. The AAdvantage loyalty program and corporate travel contracts are key profit drivers.
- AAL's business is driven by its extensive network, strategic alliances (oneworld), and focus on premium travel. Recent fleet upgrades enhance fuel efficiency, while investments in technology and sustainability (e.g., sustainable aviation fuel) aim to improve customer experience and reduce costs. However, high fuel, labor, and debt servicing costs challenge profitability.

Competitive Landscape

Success in a bleeding industry

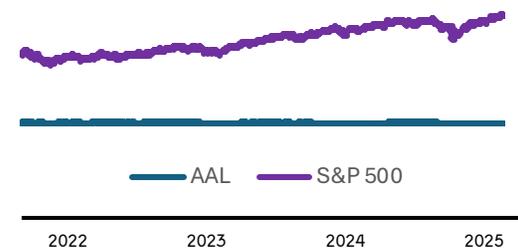
- Delta Air Lines (DAL) and United Airlines (UAL) are AAL's primary rivals, with stronger balance sheets and better operational reliability. Delta's Q2 2025 outperformance highlights its lead in premium travel.
- AAL's 350+ destinations and oneworld membership provide unmatched connectivity. Aadvantage, with 1,000+ partners, drives high margin revenue and customer retention. AAL's extensive routes in Latin America gives it a regional edge, with 95 destinations.
- The airline industry is navigating a complex landscape shaped by evolving trends that impact American Airlines Group Inc. (AAL) and its competitors. Demand for premium and international travel is rebounding, supporting AAL's focus on corporate and transatlantic routes, though softening domestic leisure demand challenges its core revenue segment. Sustainability pressures are intensifying, with regulatory and consumer expectations pushing carriers to invest in sustainable aviation fuel and emissions reduction, increasing costs but aligning with long-term goals.

Rating:	HOLD
Current Price:	\$11.49
Price Target / Upside	\$10.82 / -13%
52-Week Price High / Low:	\$8.5 / \$19.1
Shares O/S:	659.83M

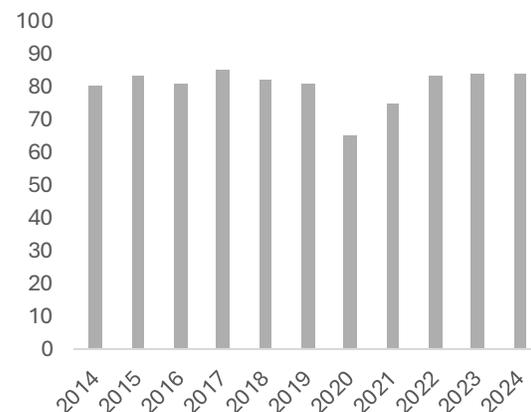
Key Metrics Overview

Enterprise Value:	\$36.22B
Revenue:	1.09x
UFCF:	\$8.2B
EV/EBITDA:	14.27x
P/E:	13.68x
Upcoming Earnings Date:	10/16/2025

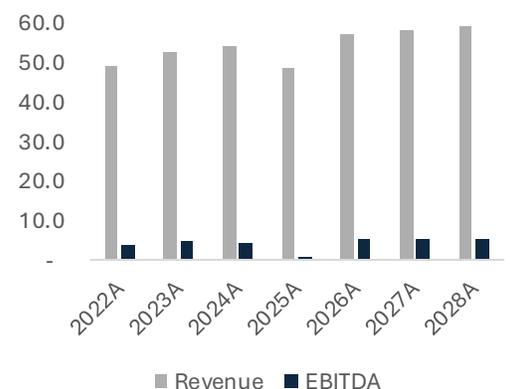
AAL vs S&P 500



AAL Load Factor 2014-2024 (%)



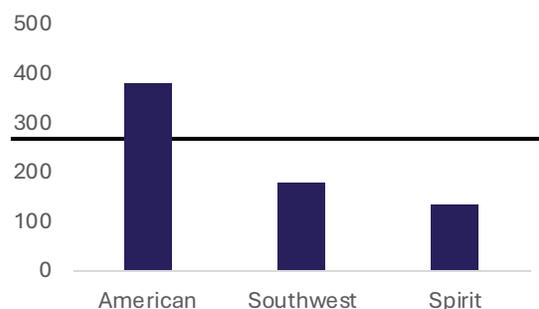
Revenues & EBITDA (\$M)



Industrials Coverage Group | Michael Bridges | American Air lines

- American Airlines operates in a fiercely competitive U.S. airline industry, where rivals like Delta and United consistently outperform in key areas. Delta's focus on premium cabins and operational reliability has won over high-margin corporate travelers, while United's international route expansion capitalizes on growing global demand. Both competitors have also invested heavily in fuel-efficient fleets, cutting costs and boosting margins. American, however, struggles with an older fleet and higher debt, limiting its ability to match rivals' pricing or service enhancements, which erodes market share and pressures its stock price.
- Low-cost carriers like Southwest and Spirit further intensify the competition by undercutting American on domestic routes, appealing to price-sensitive leisure travelers. These budget airlines maintain leaner cost structures, enabling aggressive fare wars that American, with its elevated non-fuel unit costs (up 3% in Q2 2025), can't sustain without sacrificing profitability. As competitors innovate and capture more of the market, American's weaker positioning in both premium and budget segments could continue to weigh on its financial performance and investor confidence.

Average Domestic Flight Ticket (\$)

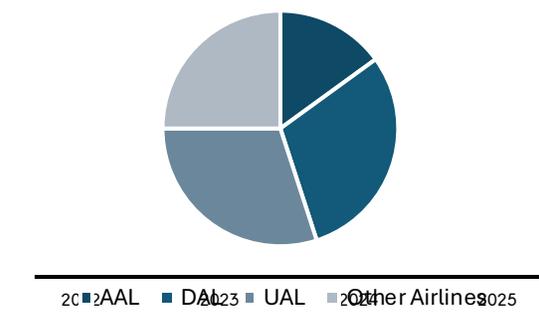


Valuation Summary

Grappling with sluggish market

- American Airlines is grappling with a sluggish domestic travel market, which essential since over two-thirds of its revenue comes from U.S. passengers. Economic uncertainty, high inflation, and cautious consumer spending have led to softer bookings, especially in the summer of 2025, which is typically a peak season. Reports indicate a 6.4% drop in domestic unit revenue in Q2 2025 compared to the prior year, and the airline's guidance suggests ongoing weakness, with a projected adjusted loss per share of 10 to 60 cents in Q3. If consumers keep tightening their belts or shift to cheaper carriers, AAL's revenue could take a hit, dragging the stock price down.
- Rising operational costs are squeezing margins, and American hasn't been as nimble as rivals like Delta or United in managing expenses. Labor costs, including salaries and benefits, jumped 11% year-over-year in Q2 2025, driven by new union agreements. Non-fuel unit costs are expected to rise in the low-single digits in Q1 2025, partly due to lower capacity and a shift to smaller regional jets, which are less efficient. Fuel prices, while lower than last year, remain volatile, and any spike could further erode profits. With a high debt-to-equity ratio, over 500% due to \$39 billion in debt against a \$7 billion market cap, these cost pressures leave little room for error, making the stock less appealing to investors.
- Strategic missteps have hurt American's competitive edge, particularly in the corporate travel segment. The airline's push for direct bookings over travel agencies backfired, costing an estimated \$1.4 billion in revenue in 2024 as corporate clients flocked to Delta and United. A tragic incident involving American Eagle Flight 5342 in January 2025 also dented consumer confidence and likely contributed to a 0.2% revenue dip in Q1. These self-inflicted wounds, combined with operational disruptions (up 36% year-over-year in Q2 2025), signal management challenges.

Airline Corporate Travel Share



Operating Model							
	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Revenue	\$48,971	\$52,788	\$54,211	\$48,790	\$57,084	\$58,226	\$59,390
% Growth		8%	3%	-10%	17%	2%	2%
EBITDA	3,584	4,970	4,540	973	5,290	5,349	5,418
% Margin	7%	9%	8%	34%	21%	23%	27%
EBIT	1,658	2,993	2,604	(953)	3,349	3,404	3,481
% Margin	3%	6%	5%	32%	17%	18%	21%
NOPAT	1,185	2,140	1,862	(682)	2,395	2,434	2,489
Depreciation and Amortization	1,977	1,936	1,926	1,941	1,945	1,937	1,937
Deferred Taxes & Investment Tax Credit	6	24	(10)	42	16	14	15
Other Funds	(1)	4	6	-	-	-	-
Funds From Operation	3,167	4,106	3,784	1,301	4,355	4,385	4,441
Receivables	2,138	2,026	2,006	2,307	2,653	3,051	3,509
Inventories	(36)	(21)	29	(114)	92	85	34
Accounts Payable	2,149	2,353	2,455	2,182	2,285	2,319	2,310
Other Assets/Liabilities	(98)	31	91	4	(1)	(1)	(1)
Change in Working Capital	4,153	4,389	4,581	4,379	5,029	5,454	5,852
Capital Expenditures	(75)	(137)	(130)	(124)	(116)	(127)	(124)
Unlevered Free Cash Flow	\$7,245	\$8,357	\$8,235	\$5,556	\$9,268	\$9,712	\$10,169

Sources: Bloomberg, YahooFinance, SEC

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ADT Inc. (NYSE:ADT)

Executive Summary Driving Stability and Innovation

- ADT Inc. has a strong position in the home and commercial security industries, which is supported by a consistent recurring revenue stream. With over 75% of its revenue coming from long-term customer monitoring and service contracts, the company has predictable cash flows and a loyal customer base to support its financial stability.
- As consumer preferences shift, ADT is strategically expanding into the smart home and automation market. Its collaboration with companies like Google exemplifies this shift, incorporating modern technology into its solutions and allowing the company to compete more successfully against tech-savvy security companies. This project demonstrates ADT's commitment to long-term innovation and product relevance.
- ADT's commercial sector, which offers integrated security, fire, and access control solutions to small businesses and corporations, is expanding steadily outside residential areas. This diversification creates fresh avenues for growth and lessens dependency on the residential sector.
- Management for ADT is implementing steps to increase profitability and reduce leverage. The executive team is leading the company to stronger free cash flow and a healthier balance sheet through disciplined capital allocation, cost containment, and margin optimization efforts.

Business Overview Core Operations and Strategic Direction

- ADT Inc. operates one of the largest networks of security and automation services in North America, with a history spanning over 145 years. The company's scale enables it to provide 24/7 professional monitoring, installation, and customer support across all 50 U.S. states. This broad geographic reach and strong service infrastructure give ADT a significant competitive advantage in delivering protection and rapid response to a wide variety of residential and business customers.
- In addition to core monitoring services, ADT generates value through equipment sales, installation fees, and warranty services, offering bundled packages that increase customer retention and average revenue per user. These value-added services reinforce long-term relationships and support upselling opportunities. By bundling security with automation and home control features, ADT enhances customer engagement while building a differentiated product portfolio.
- The company has continued to invest in digital transformation, aiming to modernize internal operations and improve the customer experience. ADT has upgraded its mobile app functionality, self-installation options, and cloud-based service platforms to meet evolving expectations. These changes help streamline onboarding, reduce installation costs, and attract a broader customer base that prefers more flexible and user-controlled security setups.
- Strategic divestitures and partnerships are playing a critical role in refining ADT's core focus. The company has exited non-core businesses, such as its Canadian operations, to sharpen its emphasis on U.S.-based growth. Additionally, joint ventures and technology alliances are helping ADT remain agile and innovative without taking on excessive R&D risk. This strategic discipline reflects a long-term vision centered on profitability, scalability, and targeted market leadership.

Competitive Landscape Intensifying Competition

- The competitive dynamics of the security industry are rapidly evolving as telecom and cable companies like Comcast and Cox Communications enter the market with bundled home service packages. These firms threaten traditional providers, like ADT, through customer relationships and infrastructure to cross-sell home security.
- Market consolidation is accelerating, with larger firms acquiring smaller regional players to expand their reach and capabilities. While ADT has done this, it must continuously assess acquisition opportunities and threats to defend its market share to avoid being outmaneuvered in underserved or emerging regions.

Rating:	BUY
Current Price:	\$8.40
Price Target / Upside	\$9.05 / 7.2%
52-Week Price High / Low:	\$8.80 / \$6.68
Shares O/S:	765.34M

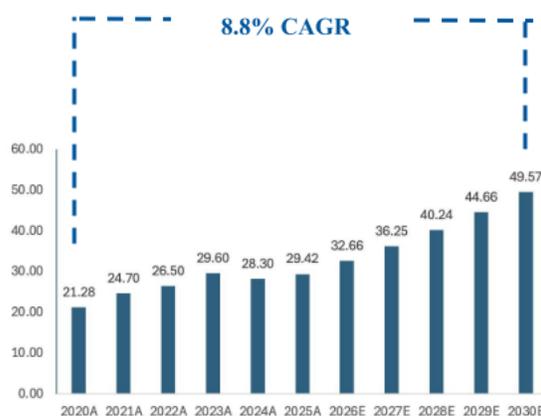
Key Metrics Overview

Enterprise Value:	\$14.70B
Revenue:	2.91x
UFCF:	\$1,178M
EV/EBITDA:	5.09x
P/E:	12.58x
Upcoming Earnings Date:	10/23/2025

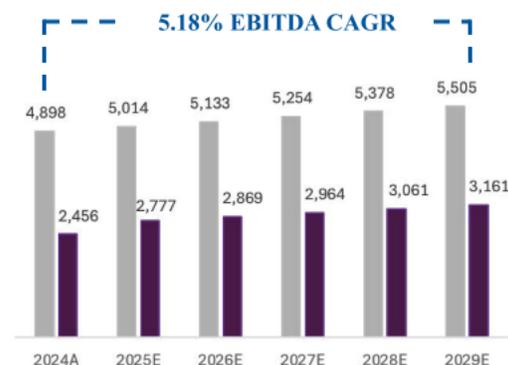
Ticker vs. S&P-500



Estimated Market Growth (\$B)



Revenues & EBITDA (\$M)



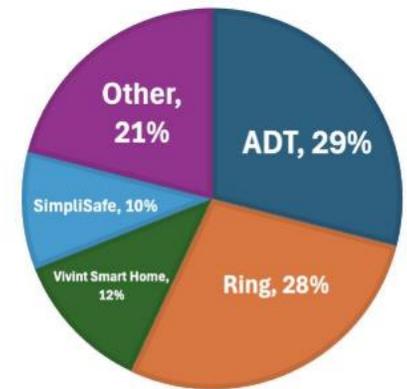
- Customer expectations for digital experiences, fast response times, and transparent pricing are now shaped by broader consumer technology trends. ADT competes not just on product features but also on the overall customer journey, requiring sustained investment in mobile interfaces, real-time support, and flexible service models to stay competitive.
- International competitors are starting to explore the U.S. through online platforms and smart home partnerships. While ADT mainly focuses on domestic markets, growing global interest in smart home technologies means it may face intensified competition from new entries.

Valuation Summary

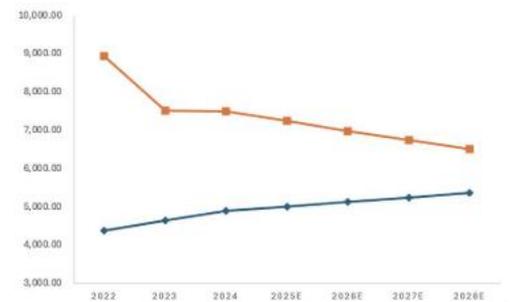
Balancing Debt and Potential Upside

- When analyzing how much investors pay for ADT earnings, its stock might appear less expensive than some of its rivals. This is likely not because ADT is weak or unprofitable, but rather because it is growing more slowly and has more debt. Due to all of this, it presents a potential buying opportunity given its steady cash flows and large market presence.
- A discounted cash flow analysis points to modest upside from current levels, assuming continued margin growth and steady customer retention. The company’s shift toward higher-margin smart home services further supports its intrinsic value. ADT’s ability to generate reliable free cash flow makes it attractive in uncertain markets.
- While debt has remained high, management has made meaningful progress in reducing and cutting interest costs. These improvements not only lower the financial riskiness of the company but also strengthen investor confidence. As the balance sheet continues to improve, valuation multiples could rise as a result.
- ADT provides investors with regular income in addition to the possibility of stock price growth through its dividend payments. As a result, long-term and income-focused investors might find the stock more appealing. Over time, there is potential to raise shareholder returns as the business’s finances improve.
- In contrast to rapidly expanding but unprofitable tech competitors, ADT provides a less hazardous, revenue-generating option. It has a strong platform for ongoing value development due to its strong brand, extensive networks, and long-term client contracts. Because of this, ADT appeals to investors looking for consistent returns with room to grow in the future.

Security Providers Market Share



Future Long Term Debt vs Revenue



Operating Model (In Millions)								
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$4,382	\$4,653	\$4,898	\$5,014	\$5,133	\$5,254	\$5,378	\$5,505
% Growth		6%	5%	2%	2%	2%	2%	2%
EBITDA	2,544	2,983	2,456	2,777	2,869	2,964	3,061	3,161
% Margin	58%	64%	50%	55%	56%	56%	57%	57%
EBIT	725	1,179	1,208	962	1,055	1,149	1,247	1,346
% Margin	17%	25%	25%	19%	21%	22%	23%	24%
NOPAT	568	866	918	878	747	1,032	1,146	1,234
Depreciation and Amortization	1,819	1,804	1,247	1,815	1,815	1,815	1,815	1,815
Deferred Taxes & Investment Tax Credit	20	125	140	(119)	(119)	(119)	(119)	(119)
Other Funds	(10)	(649)	10	-	-	-	-	-
Funds From Operation	2,396	2,146	2,314	2,574	2,443	2,728	2,842	2,931
Receivables	(178)	(107)	(146)	(98)	(98)	(98)	(98)	(98)
Inventories	143	185	212	75	75	75	75	75
Accounts Payable	9	(3)	9	18	(5)	(5)	5	20
Other Assets/Liabilities	(133)	(421)	(365)	(116)	(93)	(93)	(103)	(118)
Change in Working Capital	(159)	(347)	(290)	(121)	(121)	(121)	(121)	(121)
Capital Expenditures	(177)	(176)	(164)	(223)	(223)	(223)	(223)	(223)
Unlevered Free Cash Flow	\$2,722	\$3,193	\$2,619	\$3,057	\$2,905	\$3,190	\$3,305	\$3,393

Sources: Bloomberg, Yahoo Finance, Macrotrends, FinViz, SEC 10-K Filings, ADT Inc. Investor Relations

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Applied Industrial Technologies (NYSE:AIT)

Executive Summary

Strong Execution & Growth

- AIT trades at \$272.13, approaching its 52-week high, with a BUY rating and price target of \$287, representing nearly 15% upside. The company commands premium valuation multiples—18.1x EV/EBITDA and 27.4x P/E—reflecting strong investor confidence.
- With an enterprise value of \$10.81 billion and 38.2 million shares outstanding, AIT demonstrates great scale. Its EV/Revenue multiple of 2.40x and \$359 million in unlevered free cash flow highlight a well-balanced mix of profitability and operational efficiency.
- AIT stands out as a leading value-added distributor in the industrial sector, leveraging automation and supply chain reliability trends to drive demand. Its broad product portfolio and national scale give it an edge in both customer retention and market expansion.
- AIT is well-positioned to benefit from trends like supply chain reshoring and decarbonization. Strategic priorities include expanding in fluid power and flow control, scaling automation offerings and optimizing its national distribution network. Continued acquisitions in engineered solutions support cross-selling, technical differentiation and long-term margin expansion.
- AIT's elevated trading multiples, while rich compared to the broader industrials sector, appear justified given the company's consistent track record of margin stability and cash flow generation. The firm's ability to maintain double-digit EBITDA margins and deliver great UFCF in a low-growth sector speaks to its differentiated model.

Business Overview

Leading Distribution

- AIT is a leading distributor and service provider focused on industrial motion, fluid power, flow control, automation and MRO (maintenance, repair and operations) products. AIT serves a broad spectrum of customers across manufacturing, energy, infrastructure and other industrial sectors. With a catalog of more than 9 million SKUs and a footprint of approximately 590 facilities across North America and Australasia, the company maintains a strong presence.
- AIT's core capabilities include engineering design, system integration, repair, assembly and inventory management. This dual model, offering both products and deep technical expertise, positions AIT as a strategic partner, enabling customers to reduce downtime and modernize their operations.
- The company operates through two principal business segments: Service Center-Based Distribution and Engineered Solutions. The Service Center-Based Distribution segment addresses general MRO needs and power transmission products, while Engineered Solutions focuses on specialized offerings such as hydraulic, pneumatic and process control solutions. Growth in both segments has been driven by targeted acquisitions as well as ongoing investment in engineering talent and digital transformation.
- AIT serves a diverse customer base across industries, with recurring demand driven by equipment maintenance and uptime needs. Strong supplier relationships and a broad inventory network enable fast fulfillment and high customer loyalty. Recently, AIT has focused on growing higher-margin engineered solutions and automation to support evolving customer needs and long-term value creation.

Competitive Landscape

Differentiation in a Fragmented Market

- AIT is a top-10 North American distributor and service provider specializing in industrial motion, fluid power, automation, flow control and MRO supplies. In 2024, AIT reported \$4.5 billion in sales. Despite its scale, the company holds just 1.9% of a highly fragmented market, where over half is controlled by firms generating under \$100 million annually.
- Key competitors include W.W. Grainger (\$16B+), Motion Industries (\$8B), Fastenal (\$7.3B), and MSC Industrial Direct (\$3.9B). These players differentiate themselves through strengths like e-commerce dominance, automation solutions, and vendor-managed inventory systems. Each brings a distinct model to an evolving industry landscape.
- This fragmentation presents a opportunity for bolt-on M&A, where AIT can deploy capital strategically to absorb smaller, subscale competitors and expand its geographic footprint.

Rating:

BUY

Current Price:

\$272.13

Price Target / Upside

\$287.0 / 14.87

52-Week Price High / Low:

\$188.71 / \$282.98

Shares O/S:

38.21M

Key Metrics Overview

Enterprise Value:

\$10.81B

EV/Revenue:

2.40x

UFCF:

\$359M

EV/EBITDA:

18.1x

P/E:

27.44x

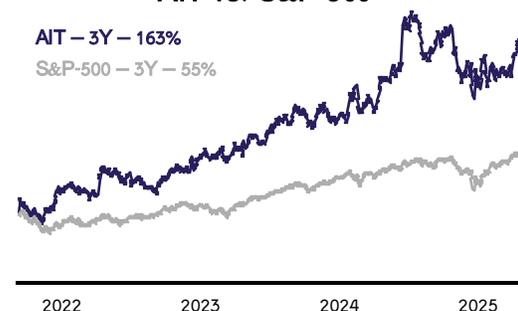
Upcoming Earnings Date:

08/14/2025

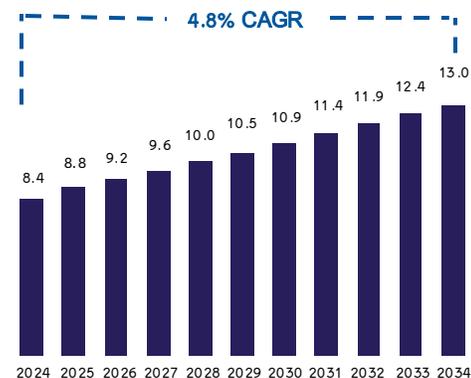
AIT vs. S&P-500

AIT – 3Y – 163%

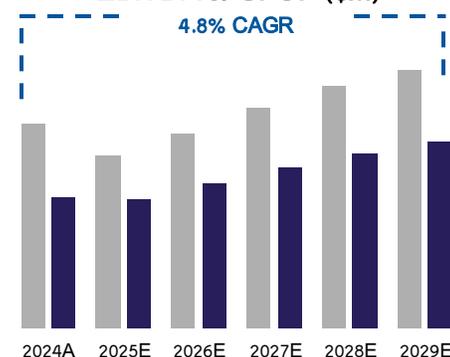
S&P-500 – 3Y – 55%



Industrial Distribution Market Size (\$T)



EBITDA & UFCF (\$M)



Industrials Coverage Group | Amedstone Plaisir | Applied Industrial Technologies

- The market is undergoing structural shifts: digital sales are outpacing traditional channels, M&A activity is consolidating the field and customers are increasingly prioritizing automation and predictive maintenance. These forces are reshaping competitive dynamics and customer expectations.
- AIT differentiates itself through a national footprint, deep technical capabilities and an engineering-driven approach. Its technical sales force offers customized, high-value solutions rather than commoditized products, positioning the firm as a strategic partner rather than a transactional vendor.
- The company's broad inventory network supports fast fulfillment for both MRO and OEM clients, while long-standing supplier and customer relationships reinforce its position. Though AIT faces challenges from larger peers and rapid tech change, it is well-positioned to capitalize on cross-selling, tech-enabled services and consolidation opportunities.

As digital sales, automation and predictive maintenance redefine industrial distribution, AIT's solutions-first model, supported by deep technical expertise and fast-fulfillment infrastructure, allows it to stay ahead of customer expectations and industry change

Valuation Summary

Fair to Slight Upside Potential

- A discounted cash flow (DCF) analysis was used for AIT, using operating projections from 2025 through 2029. Using the perpetuity growth method with a 3% terminal growth rate, the analysis yields a total enterprise value (TEV) of approximately \$8.5 billion. In contrast, the exit multiple approach, applying a 13.7x terminal EBITDA, produces a TEV of \$11.1 billion. Both methods are supported by strong projected free cash flow generation and moderate risk, with a weighted average cost of capital of 4.41%.
- Revenue growth is expected to ramp up following a flat 2025, showing high growth through 2029. EBITDA margins are projected to stabilize in the 11% to 12% range, reflecting operating leverage gains as AIT scales beyond 2026. These margins drive consistent expansion in unlevered free cash flow, which is projected to exceed \$400 million annually by 2027.
- Despite some volatility in working capital, AIT is forecasted to generate strong UFCF, totaling approximately \$2.4 billion in present value over the forecast period. Capital expenditures are expected to increase gradually but remain manageable, allowing for ongoing investment without straining liquidity.
- After adjusting for net debt of approximately \$112 million and 38.4 million shares outstanding, the DCF with the exit multiple approach yields an implied equity value per share of \$287. This shows modest near-term upside versus the recent share price of around \$272, suggesting the market is close to fully reflecting AIT's growth trajectory. Overall, the exit multiple valuation supports a constructive to neutral outlook.

Post-2025, AIT is forecasted to benefit from scalable operations, with EBITDA margins stabilizing in the 11%–12% range. As fixed costs spread over a growing top line, this leverage fuels rising free cash flow and supports long-term intrinsic value.

2022 2023 2024 2025

Operating Model

	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$4,479	\$4,476	\$4,861	\$5,279	\$5,689	\$6,067
% Growth	2%	0%	9%	9%	8%	7%
EBITDA	563	476	536	603	664	712
% Margin	13%	11%	11%	11%	12%	12%
EBIT	511	390	447	509	565	606
% Margin	11%	9%	9%	10%	10%	10%
NOPAT	398	303	346	395	438	470
Depreciation and Amortization	52	86	90	94	99	106
Deferred Taxes & Investment Tax Credit	(1)	0	0	0	0	0
Other Funds	11	0	0	0	0	0
Funds From Operation	461	388	436	489	537	576
Receivables	(2)	(23)	(32)	(32)	(25)	(15)
Inventories	18	(26)	21	20	15	8
Accounts Payable	(39)	29	(6)	(8)	(13)	(19)
Other Assets/Liabilities	(54)	15	17	18	20	21
Change in Working Capital	(77)	(4)	(1)	(2)	(4)	(4)
Capital Expenditures	(25)	(30)	(36)	(43)	(52)	(62)
Unlevered Free Cash Flow	\$359	\$354	\$399	\$444	\$482	\$510

Sources: Bloomberg, FactSet, YahooFinance SEC Filings

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Real Estate Coverage Group | Angel Berreondo | CareTrust REIT Inc.

CareTrust REIT Inc. (NYSE:CTRE)

Executive Summary

Diversified healthcare real estate portfolio with high margins

- CareTrust REIT (NYSE: CTRE) is a specialized healthcare real estate investment trust managing 258 properties with 28,088 beds/units across 32 states, focusing on skilled nursing (55%) and senior housing facilities. In 2024, CTRE invested \$1.4 billion in 172 properties at a 9.7% blended stabilized yield, highlighted by a \$840 million acquisition of a UK-based healthcare REIT in May 2025, adding 134 care homes and \$69 million in annual rent, significantly enhancing geographic and operator diversification.
- Financially, CTRE achieved total revenues of \$296.3 million, a substantial increase from \$217.8 million in 2023, driven by higher rental income and strategic acquisitions. Net income rose to \$124.4 million from \$53.7 million, supported by a robust balance sheet with \$213.8 million in cash, no significant debt maturities until 2028 and investment-grade credit ratings, BBB- from S&P and Fitch. The company maintains a conservative 76% FFO payout ratio, supporting a \$1.34 annual dividend, which has increased every year since its 2014 inception.
- CTRE is well-positioned to capitalize on the “silver tsunami” of an aging population driving demand for post-acute and long-term care facilities. Its triple-net lease model ensures stable cash flows with strong tenant coverage ratios (2.2x EBITDAR, 2.7x EBITDARM). Risks such as potential Medicare or Medicaid reimbursement cuts could reduce tenant cash flows, threatening CTRE’s rental income stability. High tenant concentration, with the top five tenants accounting for ~50% of rent post-UK acquisition, could amplify financial risks if any key tenant defaults.

Business Overview

Growing healthcare REIT through acquisitions and best in class tenants

- CareTrust REIT’s portfolio includes 318 skilled nursing facilities, 52 assisted living facilities, 6 independent living facilities and 32 multi-service campuses, primarily leased under long-term triple-net agreements. These leases include CPI-based rent escalators (often capped or fixed), providing predictable cash flow growth. The portfolio spans 32 states, with key markets in Colorado, Texas and Florida and recent expansion into the UK enhances its international presence.
- CTRE pursues growth through aggressive acquisitions and selective development, investing \$1.4 billion in 2024 alone, including the transformative UK acquisition. The company maintains a conservative financial profile with low leverage (net debt/EBITDA ~0.5x) and accesses capital markets efficiently, raising \$1.1 billion through the sale of 41 million shares in 2024. Strategic joint ventures and development projects further bolster its pipeline, focusing on high-yield opportunities with risk-adjusted returns.
- Led by experienced executives like CEO Dave Sedgwick and CFO Bill Wagner, CTRE has operated since 2014 with a focus on partnering with high-quality operators like Ensign Group which provides, 28% of rental income and PACS Group with 15% of rental income. The triple-net lease structure shifts operating risks to tenants, allowing CTRE to maintain high margins and focus on portfolio expansion while ensuring financial stability through investment-grade credit ratings and minimal debt encumbrance.
- CTRE employs a disciplined approach to capital allocation, prioritizing investments with strong risk-adjusted returns, such as its 2024 sale-leaseback transactions and financing receivables (\$795.2 million in real estate loans). By maintaining a flexible capital structure, including an undrawn \$1.2 billion revolver and at-the-market equity program, CTRE can swiftly capitalize on market opportunities while preserving liquidity to navigate potential economic or regulatory headwinds.

Competitive Landscape

Industry supported by age windfalls and growing demand

- CTRE operates in the healthcare REIT sector, which benefits from strong demographic tailwinds, including an aging population in not just the United States but internationally with 19% of England’s population being 65+ and 38% is 50+. The increased demand for skilled nursing and senior housing facilities has led to U.S., Medicare and Medicaid funding the centrality of skilled nursing facilities in the healthcare system. Similarly, the UK’s National Health Service and social care system provides a stable funding environment for care homes, enhancing CTRE’s market opportunity.
- CTRE competes with specialized healthcare REITs like Omega Healthcare Investors (OHI), Sabra Health Care REIT (SBRA) and National Health Investors (NHI), all of which focus on skilled nursing and senior housing. CTRE’s low leverage of ~2.7x net debt/EBITDA and reliance on unsecured financing (no mortgages) distinguish it from peers with secured debt. Its scale and metrics are comparable to NHI, but CTRE’s recent UK expansion and higher acquisition-driven growth provide a slight edge in diversification and growth potential.

Rating:

HOLD

Current Price:

\$31.28

Price Target / Upside

\$37.55 / 20.05

52-Week Price High / Low:

\$33.15 / \$24.79

Shares O/S:

187.66M

Key Metrics Overview

Enterprise Value:

\$6.12B

Dividend:

\$1.34

UFCF:

\$238M

EV/EBITDA:

21.25x

P/AFFO:

17.05x

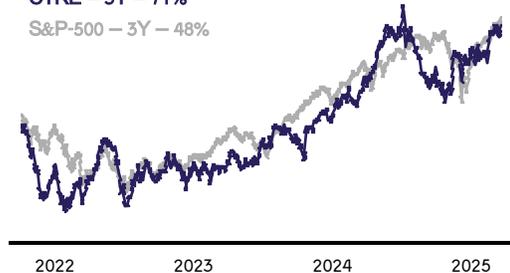
Upcoming Earnings Date:

08/06/2025

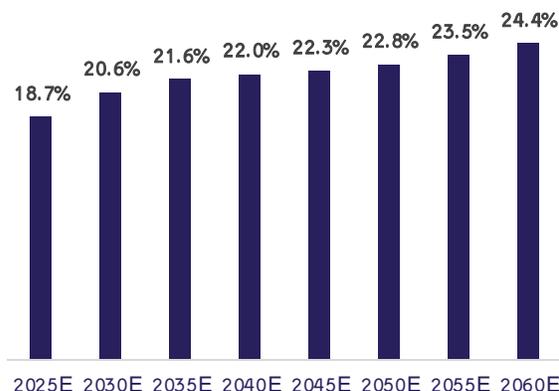
CTRE vs. S&P-500

CTRE – 3Y – 71%

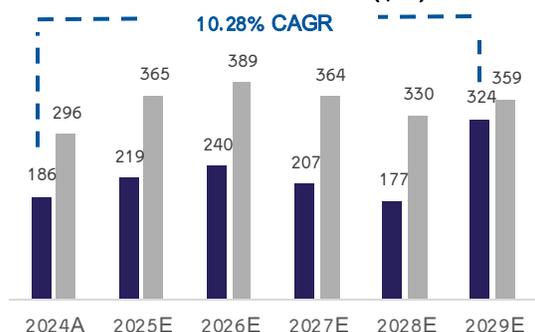
S&P-500 – 3Y – 48%



Percentage of Population over 65



Revenues & FFO (\$M)



Real Estate Coverage Group | Ange Berreondo | CareTrust REIT

- CTRE's triple-net lease model, strong tenant coverage ratios (2.2x–2.7x) and investment-grade credit rating provide stability and attract capital at favorable terms. However, intense competition for high-yield acquisitions and regulatory risks, such as potential Medicare/Medicaid reimbursement cuts, could challenge growth at attractive cap rates. CTRE's focus on in demand healthcare facilities and conservative financial management positions it well, but it must navigate tenant concentration risks and UK-specific regulatory and currency challenges to sustain its competitive edge.
- CTRE differentiates itself by fostering long-term relationships with regional and national operators, enabling it to identify and support underserved operators with capital through tailored lease and loan structures. 19.7% of its contractual rent has a lease maturity in 2038. Its ability to underwrite deals with high tenant coverage ratios and secure long-term leases provides a competitive advantage over larger, less-specialized REITs. However, CTRE must continuously monitor operator performance to mitigate risks associated with economic downturns or shifts in healthcare delivery models.

258 healthcare properties across 34 states, with 19.7% of contractual rent secured by 2038 leases, driving 2024 growth through \$1.4 billion in acquisitions at a 9.7% yield.

Valuation Summary

Premium valuation with strong fundamentals

- CareTrust REIT (CTRE) stands out among peers with a \$6 billion market cap, trading at 25.05x EV/EBITDA and 1.46 Price/NAV ratio, higher than the industry average of 22.66x and 1.22x, respectively. With 187 million shares, this suggests a share price range of \$24–\$35 (EV/EBITDA) or \$21–\$31 Price/EV compared to the current \$31.04, fueled by its low debt (21% debt-to-assets vs. ~46% for peers) and a massive \$1.4 billion in 2024 property deals, including a big UK buyout.
- CTRE's properties and cash flow are projecting \$327 million 2025 NOI, but the market price of \$31.04 suggests investors are betting on more growth, especially from a \$840 million acquisition adding \$69 million in rent. Its lean balance sheet paired with long term leases and no debt due until 2028 keep it nimble.
- CTRE's expected to generate at least \$34.65 million in revenue in 2025, thanks to steady leases (95% margins). The shift to cost-effective care settings, with nursing home expenditures expected to rise from \$209.3 billion in 2023 to \$337.4 billion by 2032. A declining SNF supply (from 15,600 facilities in 2016 to 14,800 in 2024) and industry fragmentation create a favorable supply-demand imbalance. CTRE is well-positioned to capitalize on this trend through strategic acquisitions in the fragmented SNF market, meeting the needs of higher-acuity patients in cost-efficient settings.

CTRE's projected to reach \$344.77 million in 2025 revenue from 258 healthcare properties across 34 states, boosted by a \$840 million UK REIT acquisition, strong tenant coverage (2.2x EBITDAR, 2.7x EBITDARM), and a solid balance sheet with \$213.8 million cash and BBB- ratings.

Operating Model								
	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$196	\$218	\$296	\$345	\$382	\$354	\$320	\$324
% Growth	-1%	6%	15%	16%	11%	-7%	-10%	1%
Net Operating Income	189	187	208	327	365	337	304	316
% Margin	96%	86%	70%	95%	96%	95%	95%	98%
Interest Expense								
Operating Income	31	97	148	160	191	163	131	252
% Margin	16%	44%	50%	46%	50%	46%	41%	78%
Net Income	(10)	52	125	121	151	126	105	227
Depreciation and Amortization	52	53	57	84	85	76	66	66
Gains(losses) on asset sales	(4)	2	(2)	(2)	(2)	(2)	(2)	(0)
Straightline rent adjustments	1.40	0.03	0.03	0.02	0.02	0.02	0.02	1.02
Other Funds	(1)	4	6	-	-	-	-	1
Funds From Operation	40	111	186	203	234	199	169	295
Accounts and other receivables	0	0	1	1	1	1	1	1
Prepaid Expenses & other assets	12	23	36	31	32	32	32	12
Accounts payable, accrued expenses, and deferred rent	24	34	56	50	52	51	51	19
Change in Working Capital	(12)	(10)	(20)	(18)	(19)	(18)	(18)	(7)
Capital Expenditures	(7)	(11)	(8)	(13)	(13)	(14)	(14)	(3)
Unlevered Free Cash Flow	\$20	\$90	\$158	\$172	\$202	\$167	\$137	\$286

Sources: Bloomberg, FactSet, United State Census Bureau

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Compass Inc. (NYSE: COMP)

Rating: BUY

Current Price: \$7.42

Price Target / Upside \$8.76 / 18.06%

52-Week Price High / Low: \$10.25 / \$3.84

Shares O/S: 501.51M

Executive Summary

Strong Revenue Growth & Improving Profitability

- In fiscal year 2024, Compass Inc. ("Compass") generated \$5.63B in revenue (+15% YoY), with a GAAP net-loss of \$154M and adjusted EBITDA of \$126M. Since Q1 2024, Compass has achieved positive free cash flow in each quarter, helping them end the full year with \$223.8M in cash \$121.5M in operating cash flow.
- Q4 2024 revenue reached \$1.38B, up approximately 26% from the prior year. The quarter recorded a net-loss of \$40.5M, an improvement from Q4 2023's \$83.7M loss. Excluding the acquisition of Christie's International Real Estate, adjusted EBITDA stood at \$20.9M.
- Q1 2025 highlighted Compass' rapid expansion through its nearly 29% YoY revenue growth to \$1.4B, net-loss of \$50.7M (up from net loss of \$132.9M in Q1 2024), and another positive free cash flow quarter at \$19.5M. Additionally, Compass' market share rose to a record 6.0%, up 125bps YoY, while principal agents increased 41% YoY with a retention rate of 96.6%.
- In Q2 2025, Compass recorded \$2.06B revenue, up 21% YoY, driven by a 20.9% increase in transactions and an increase in market share to 6.09%. Compass achieved a 90.3% YoY surge in GAAP net income to \$39.4M, up from \$20.7M in Q2 the previous year, bolstered by organic agent growth and other strategic acquisitions.

Key Metrics Overview

Enterprise Value: \$3.96B

Revenue: 1.52x

UFCF: \$193.1M

EV/EBITDA: 109.0x

P/E: -

Upcoming Earnings Date: 07/30/2025

COMP vs. S&P-500 & Nasdaq



Business Overview

Streamlined Real-Estate Brokerage Services

- Compass is the largest residential real-estate brokerage in the US by sales volume, with approximately 33,000 agents completing over 205,000 transactions in 2024. The company runs a cloud-based agent centric platform which offers CRM, analytics, AI marketing tools, and concierge services designed to assist agents in buying and selling processes. The company further enhances its value proposition through integrated offerings such as title, escrow, and settlement services. Compass Concierge provides upfront funding for home improvements to increase property value and expedite sales. Additionally, Compass features the Glide toolset which enables digital forms, e-signatures, and seamless collaboration, accessible to both in-house agents and external users.
- Compass' growth strategy centers on scaling through strategic acquisitions of regional brokerages and service providers. Between 2023 and 2025, notable additions to its portfolio include Parks Real Estate, Latter & Blum, Washington Fine Properties, Realty Austin, Realty San Antonio, and Christie's International Real Estate. These acquisitions have bolstered its geographic footprint and strengthened service integration, contributing to higher agent productivity and operational efficiency.

Industry Existing Home Sales (Ths)



Competitive Landscape

Navigating an Ultra-Competitive Industry

- Compass operates in an intensely competitive US residential real estate market, facing legacy brokerages like Keller Williams and Coldwell Banker, as well as other tech-centric platforms like Redfin and Zillow. Its signature "pocket-listing" or private "premarketing" approach, which allows properties to be marketed internally through Compass before public MLS (multiple listing service) listings, makes Compass potentially less transparent than other platforms. While Compass presents this strategy as offering greater control and privacy to sellers, critics are concerned over reduced exposure and listing fragmentation.

Net Income & Free Cash Flow (\$M)



Real Estate Coverage Group | Charles Hackett | Compass Inc.

- As a technology-enabled brokerage, Compass touts its proprietary Compass Platform, CRM tools, marketing automation, analytics, and integrated title and escrow services. Although the company claims advantages in efficiency and client experience, some argue that the tools are incremental compared to incumbents and that high agent costs and sustained cash burn can dampen its scalability.
- Compass has aggressively expanded through acquisitions which have grown its footprint but introduced operational complexity and higher overhead. Market commentary suggests that the Street views Compass more like a traditional brokerage facing profitability pressures than a high-growth tech operator.
- Compass, by nature, operates within the highly cyclical residential real estate industry which is affected by external macroeconomic factors such as interest rates and consumer sentiment. Compass' core business, residential brokerage, is directly impacted by fluctuations in transaction volume. Rising mortgage rates or tightening credit conditions can significantly dampen homebuyer activity.

The real estate sector is strongly influenced by macroeconomic factors like changes in interest rates that affect homebuyer activity.

Valuation Summary

Sub header brief sentence

- Currently, Compass trades near \$7.50, giving it a market capitalization just shy of \$4B. The company remains unprofitable, reporting a net loss of \$154M in 2024 and negative earnings per share. Since its IPO in early 2021, Compass is still down over 60% but has risen significantly from its 2023 lows of under \$2.00.
- Compass trades at 0.7x EV/Sales, significantly below market-leading peers like Redfin (1.6x), Zillow (8.4x), RE/MAX (1.8x), and Anywhere Real Estate (2.6x). A rerating towards a brokerage median 1.4x could price Compass upwards of \$8B or roughly double from today's prices.
- Real estate sales are highly sensitive to changes in interest rates, particularly the federal funds rate, which directly influences subsequent mortgage rates. As the Fed is expected to cut rates in 2025 and 2026, lower mortgage rates should improve affordability and, subsequently, pent-up demand. This would drive a recovery in transaction volume, Compass' primary revenue driver, positioning them for accelerated top-line growth as market activity rebounds.

Compass trades at 0.7x EV/Sales, but movement towards the brokerage median (1.4x) could double its value

Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$6,018	\$4,885	\$5,629	\$6,738	\$7,933	\$9,199	\$10,446	\$11,863
% Growth		-18%	15%	20%	18%	16%	14%	14%
EBITDA	(503)	(225)	(72)	235	289	349	411	484
% Margin	-8%	-5%	-1%	3%	4%	4%	4%	4%
EBIT	(589)	(315)	(154)	141	178	220	265	318
% Margin	-10%	-6%	-3%	2%	2%	2%	3%	3%
NOPAT	(589)	(315)	(154)	110	139	172	208	250
Depreciation and Amortization	86	90	82	94	111	129	146	166
Other Funds	-	-	-	-	-	-	-	-
Funds From Operation	(502)	(225)	(72)	205	250	301	354	416
Receivables	7	(4)	(8)	(3)	2	8	14	15
Other Assets	27	31	28	28	28	28	28	28
Accounts Payable	(5)	(10)	(6)	(6)	(7)	(7)	(7)	(7)
Other Liabilities	(37)	(11)	42	29	12	(5)	(22)	(25)
Change in Working Capital	(29)	35	61	5	39	73	107	114
Capital Expenditures	(70)	(11)	(16)	(17)	(20)	(23)	(26)	(30)
Unlevered Free Cash Flow	(\$602)	(\$201)	(\$27)	\$193	\$270	\$351	\$435	\$500

Sources: Compass Investor Relations, FactSet, US News & World Report, YahooFinance

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Cirrus Logic (NYSE: CRUS)

Executive Summary

The underdog of semiconductor industry

- Cirrus Logic is a leader in low-power, high-precision mixed-signal processing solutions which operates under dynamic global trade landscape influenced by tariffs, export controls, and geopolitical policies, particularly between the United States and China. The company monitors and adapts to these changes to maintain regulatory compliance and continuity in international sales.
- As a fabless semiconductor firm, Cirrus Logic relies on partners like TSMC and GlobalFoundries for fabrication and assembly. While this model supports flexibility and scale, it also requires careful coordination to manage capacity, inventory, and supply chain resilience.
- The company's revenue are primarily driven by a concentrated base of customers in the consumer electronics and smartphone sectors. It continues to pursue diversification efforts while managing seasonality and shifts in consumer demand.
- Cirrus Logic competes in a rapidly evolving semiconductor space marked by innovation, cybersecurity awareness, and talent retention. The company invests in R&D and security infrastructure to stay competitive while navigating global macroeconomic conditions. Given the relative and income-based undervaluation of the company and its operations on many frontiers, Cirrus Logic is going to be a BUY rating.

Business Overview

Products and solutions in today's market

- Cirrus Logic Inc is a leader in low-power, high-precision mixed-signal processing solutions that create innovate user experiences for world's largest top mobile and consumer applications. The firm was incorporated in 1984 and became a public company in 1989 with offices in United States, United Kingdom, Taiwan, China, South Korea, Japan, and Singapore. The common stock is publicly traded on NASDAQ since 1989 under the ticker CRUS.
- As mentioned earlier, the company is a market leader in low-power and high-precision audio components like amplifiers, codecs, and DSPs, used in smartphones, laptops, AR/VR headsets, and automotive systems. The company is also rapidly expanding its HPMS portfolio, which includes camera controllers, haptics, and battery/power ICs. This product line targets smartphones and is diversifying into automotive, industrial, and imaging markets.
- The company is pursuing a focused strategy: 1) maintain its dominant position in smartphone audio, 2) increase HPMS content in mobile devices, and 3) expand into new markets using existing and new components. Cirrus forms deep engineering partnerships with OEM product teams, which helps secure initial design wins and often leads to expanding content within customer platforms. This strategy has been successful with key customers like Apple, which made up 89% of revenue in FY2025.
- As fabless semiconductor company, Cirrus Logic outsources its wafer production to foundries like GlobalFoundries and TSMC, and partners with several assembly and test providers. This asset-light model allows the company to focus on design and IP development while accessing cutting-edge fabrication technologies. It maintains redundancy across suppliers to mitigate risks, and recent capacity agreements ensure stable supply through 2026.

Competitive Landscape

Maintaining competition in ever-involving industry

- Cirrus Logic leads in audio codec quality and power efficiency, commanding around 40% of the high-end audio market. This positions them ahead of Analog Devices (25%) and Qualcomm (15%), but competitors like Qualcomm and Apple offer integrated, multifunction SoCs that appeal to OEMs seeking cost-effective integration. Cirrus Logic maintains an edge when premium audio performance is a priority, but must continuously innovate to justify standalone ICs in a landscape favoring integration.
- With Apple accounting for roughly 89% of its revenue, Cirrus Logic is deeply tied to iPhone and AirPods cycles. This dependency brings lucrative design wins - like its recent haptics and noise-cancellation chips for AirPods - but also exposes the business to demand swings or strategic shifts by Apple. The company is actively diversifying into haptics, PMICs, and automotive to reduce overreliance on a single customer.

Rating:

BUY

Current Price:

\$108.97

Price Target / Upside

\$252.26 / +143.29

52-Week Price High / Low:

\$147.46 / \$75.83

Shares O/S:

51.31M

Key Metrics Overview

Enterprise Value:

\$5.04B

EV/Revenue:

2.65x

UFCF:

\$370.15M

EV/EBITDA:

9.53x

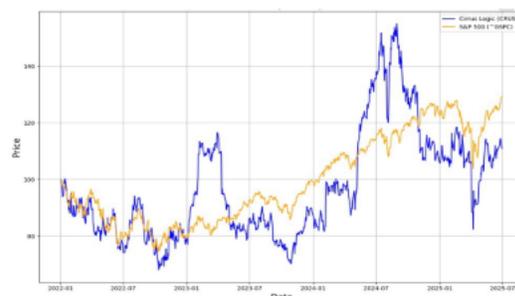
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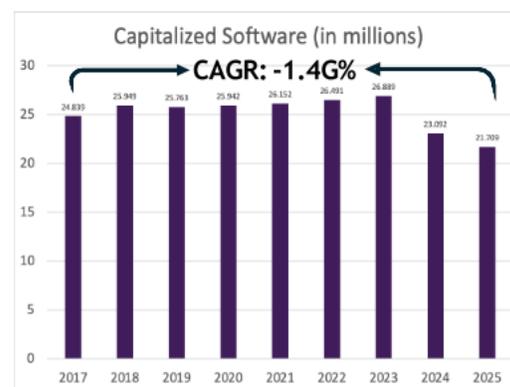
Upcoming Earnings Date:

07/29/2025

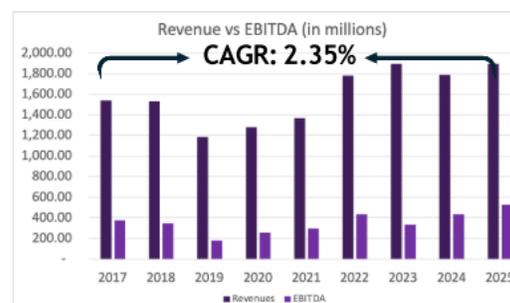
NYSE: CRUS vs. S&P-500



Software Capital (\$M)

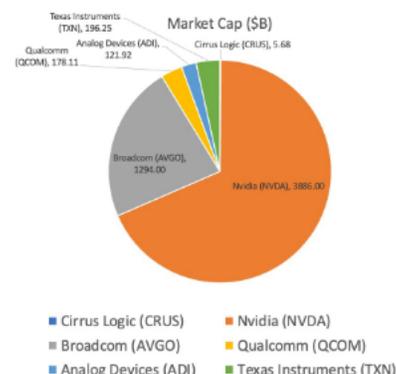


Revenues & EBITDA (\$M)



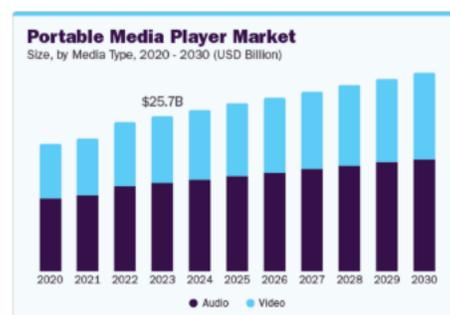
Technology Coverage Group | Rudra Pandya | Cirrus Logic

- ESS Technology (Sabre DAC), AKM, Texas Instruments, and Analog Devices now compete seriously in professional and portable audio segments. ESS dominates designs in desktop audiophile gear, while TI and Analog Devices focus on high-resolution professional audio converters. Cirrus Logic holds the portable market niche, but competitors' growing presence in overlapping segments requires differentiation based on efficiency. Overall, the audio segment market is poised for future growth.
- Overall, the semiconductor company is highly competitive. Top companies such as Nvidia and Broadcom dominate the industry with trillions in market capitalization, contrary to Cirrus Logic with \$5.6 billion in market capitalization. As mentioned earlier, Texas Instruments and Analog Devices now compete in professional and portable audio segments, and both companies have tremendously market capitalization than Cirrus Logic.



Valuation Summary
Undervaluation on many frontiers

- Due to the current economic scenario with low projections of GDP and high discount rate, the average implied share price occurs to be \$233.22. This is mainly because of tariffs which have an impact in low GDP growth rate and the 10-year yields being high which have an impact with high discount rate. Overall, the company under any scenario has an upside.
- Cirrus Logic does report impressive statistics from comparable market analysis table. The average EV/Rev, EV/EBITDA, and P/E ratio happens to be 14.21, 38.02, and 63.19 respectively. The company reports the respective ratios of 2.66, 9.53, and 2.08 showing massive relative undervaluation in the overvalued semiconductor industry. In addition, Cirrus reports a beta of 0.94 showing low systematic risk than the market as a whole.



Company Name	Market Data		Financial Data (2025)				Valuation		
	Price (\$/share)	Market Cap (\$B)	Beta	Revenue (\$M)	EBITDA (\$M)	Net Income (\$M)	EV/Rev	EV/EBITDA	P/E
Cirrus Logic (CRUS)	110.27	5.68	0.94	1896.08	528.95	331.51	2.66	9.53	2.08
Nvidia (NVDA)	159.34	3886.00	2.12	130.50	86.14	72.88	25.54	41.69	50.73
Broadcom (AVGO)	275.18	1294.00	1.12	51.57	23.88	6.17	23.27	43.89	98.50
TSM (TSM)	234.80	1218.00	1.34	100.08	71.89	40.05	8.40	11.68	27.37
Advanced Micro Devices (AMD)	137.91	223.61	1.99	25.79	5.26	1.64	8.00	37.18	101.11
Qualcomm (QCOM)	162.21	178.11	1.26	38.96	12.74	10.11	4.23	12.80	16.56
Texas Instruments (TXN)	216.02	196.25	0.99	15.64	7.54	4.80	12.69	26.74	40.83
Arm Holdings (ARM)	155.09	164.28	2.60	4.01	1.01	0.79	40.26	159.10	206.17
Analog Devices (ADI)	245.68	121.92	1.00	9.43	4.20	1.64	12.88	28.84	66.62
Micron Technology (MU)	122.29	136.86	1.28	25.11	9.58	0.78	4.19	8.73	21.94
Mean			1.46				14.21	38.02	63.19
Median			1.27				10.55	27.79	45.78

Operating Model														
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenue	1,538.94	1,532.19	1,185.52	1,281.12	1,369.23	1,781.46	1,897.62	1,788.89	1,896.08	1,964.26	2,034.89	2,108.06	2,183.86	2,262.38
% growth	-	-0.44%	-22.63%	8.06%	6.88%	30.11%	6.52%	-5.73%	5.99%	3.60%	3.60%	3.60%	3.60%	3.60%
EBITDA	376.56	350.11	180.53	258.90	297.55	431.34	335.03	432.81	528.95	744.83	815.46	888.63	964.43	1,042.96
% margin	24.47%	22.85%	15.23%	20.21%	21.73%	24.21%	17.66%	24.19%	27.90%	37.92%	40.07%	42.15%	44.16%	46.10%
EBIT	313.12	268.71	100.70	190.67	250.47	369.28	263.83	384.51	478.00	681.22	751.85	825.02	900.82	979.35
% margin	20.35%	17.54%	8.49%	14.88%	18.29%	20.73%	13.90%	21.49%	25.21%	34.68%	36.95%	39.14%	41.25%	43.29%
NOPAT	259.29	165.60	96.95	168.90	222.57	326.97	185.79	295.15	364.59	621.95	692.58	765.75	841.55	920.07
Depreciation and Amortization	63.43	81.40	79.83	68.24	47.08	62.06	71.20	48.29	50.95	63.61	63.61	63.61	63.61	63.61
Deferred Taxes	10.89	11.65	1.72	(5.89)	(5.58)	(15.00)	(34.51)	(13.30)	(0.03)	(5.56)	(5.56)	(5.56)	(5.56)	(5.56)
Other non-cash charges	8.98	(3.86)	0.43	0.70	(0.62)	0.37	3.10	2.36	0.78	1.36	1.36	1.36	1.36	1.36
Funds from Operation	342.58	254.79	178.92	231.95	263.45	374.40	225.58	332.50	416.29	681.35	751.98	825.15	900.95	979.48
Receivables	(31.44)	19.17	(14.32)	(33.08)	45.29	(124.83)	89.79	(12.77)	(53.53)	(12.86)	(12.86)	(12.86)	(12.86)	(12.86)
Inventories	(25.88)	(37.87)	40.64	17.77	(26.54)	42.50	(95.01)	6.20	(71.84)	(16.67)	(16.67)	(16.67)	(16.67)	(16.67)
Accounts Payable	1.77	0.14	(21.97)	27.63	21.10	10.53	(34.31)	(23.94)	9.15	(1.10)	(1.10)	(1.10)	(1.10)	(1.10)
Other Assets/Liabilities	0.78	29.13	(13.38)	(16.76)	(0.84)	(98.17)	(7.61)	13.91	(6.54)	(11.05)	(11.05)	(11.05)	(11.05)	(11.05)
Change in Working Capital	(54.77)	10.58	(9.03)	(4.45)	39.01	(169.97)	(47.14)	(16.59)	(122.77)	(41.68)	(41.68)	(41.68)	(41.68)	(41.68)
Capital Expenditures	(41.85)	(55.18)	(31.82)	(15.66)	(18.25)	(26.14)	(35.09)	(37.65)	(22.78)	(31.58)	(31.58)	(31.58)	(31.58)	(31.58)
Unlevered Free Cash Flow	245.96	210.19	138.28	211.84	284.21	178.29	143.35	278.26	270.75	608.09	678.72	751.89	827.69	906.22

Sources: Bloomberg, YahooFinance

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Elastic NV (NYSE:ESTC)

Executive Summary

Search-powered solutions for a data-driven world

- Elastic N.V. is a leading platform for search-powered solutions, helping organizations ingest, store, analyze and visualize large volumes of structured and unstructured data in real time. Its core product, the Elastic Stack (formerly known as the ELK Stack—Elasticsearch, Logstash and Kibana), supports a broad range of use cases across observability, security (SIEM) and enterprise search.
- The long-term investment case is driven by Elastic’s position at the intersection of three major trends: the rapid growth of machine-generated data, the shift toward cloud-native infrastructure and the rising demand for real-time insights in security and operations. As cloud environments become more complex, Elastic’s unified platform stands out for its ability to support observability, application performance monitoring (APM) and threat detection.
- That said, the company faces tough competition from specialized players like Datadog and CrowdStrike as well as native tools from cloud giants like AWS, Azure and Google Cloud. In addition, Elastic’s usage-based pricing model can lead to revenue volatility during periods of economic uncertainty, which remains a key risk for the company as they look to navigate a complex field.
- Still, with a growing presence in the cloud, strong developer adoption and a differentiated platform, we believe Elastic is positioned for steady mid-teens revenue growth and improving margins. Our five-year price target implies approximately 58% upside from current levels driven by scaling and margin expansion. However, due to competition and short-term profitability challenges, we assign a Hold rating for long-term investors.

Business Overview

Powering observability, security, and enterprise

- Elastic N.V. is a global software company that provides a leading search-powered platform for real-time data ingestion, analysis and visualization at scale. It is best known for the Elastic Stack—formerly called the ELK Stack—which includes Elasticsearch, Logstash, Kibana and Beats. Originally developed as open-source tools, these products have evolved into a full-featured platform supporting a wide range of critical business applications.
- Founded in 2012 and headquartered in Mountain View, California, Elastic has grown from its open-source origins into a subscription-based enterprise software company. Today, it serves over 19,000 organizations across industries such as technology, healthcare, financial services, government and telecommunications. Its solutions are widely used by both developers and enterprise IT teams to monitor infrastructure, analyze data and ensure system performance.
- In recent years, Elastic has prioritized the growth of Elastic Cloud, its fully managed SaaS offering available on AWS, Microsoft Azure and Google Cloud. This shift has accelerated its revenue growth, with cloud-based deployments now making up more than 40% of total revenue. Because Elastic Cloud uses a consumption-based pricing model, its revenue scales with customer usage, creating strong incentives for adoption and expansion.
- Elastic’s platform supports three main use cases. In observability, it offers tools for log analytics, metrics, application performance monitoring (APM) and user experience monitoring—critical for managing complex cloud-native environments. In security, it powers modern SIEM and endpoint detection and response (EDR) solutions, helping organizations detect and respond to threats in real time.

Competitive Landscape

Navigating a crowded cloud market

- The company’s competitive advantage stems from the flexibility and scalability of its platform, the breadth of use cases it can support from a single stack and strong developer mindshare cultivated over years of open-source adoption. However, Elastic operates in highly competitive markets, facing challenges from both specialized vendors such as Datadog and CrowdStrike as well as hyper-scalers offering native observability and security tools.
- Still, with increasing demand for real-time, AI-augmented insights, Elastic is well-positioned to play a central role in the convergence of search, analytics, observability and security in the enterprise software landscape. Its ability to unify these functions within a single scalable platform gives it a unique strategic advantage as enterprises seek to consolidate tooling and reduce operational complexity.

Rating:	Hold
Current Price:	\$79.58
Price Target / Upside	\$92.49 / 16.22
52-Week Price High / Low:	\$69.00 / \$118.84
Shares O/S:	105.53M

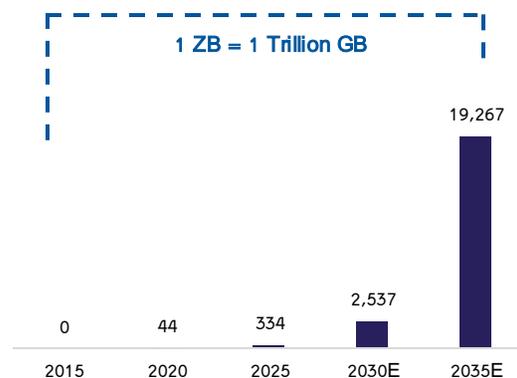
Key Metrics Overview

Enterprise Value:	\$8.09B
Beta:	1.07x
UFCF:	\$261.82M
EV/Revenue:	5.12
P/E:	38.61x
Upcoming Earnings Date:	09/04/2025

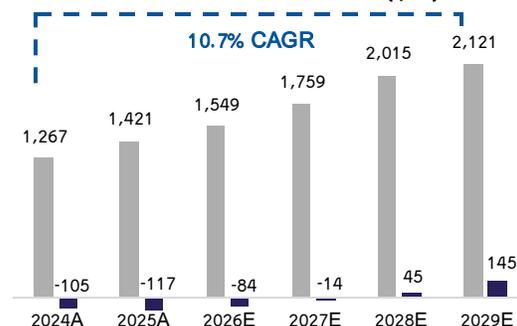
Ticker vs. S&P-500



Data Growth Worldwide (in ZB)



Revenues & EBITDA (\$M)



Technology Coverage Group | Mazen Sadat | Elastic NV

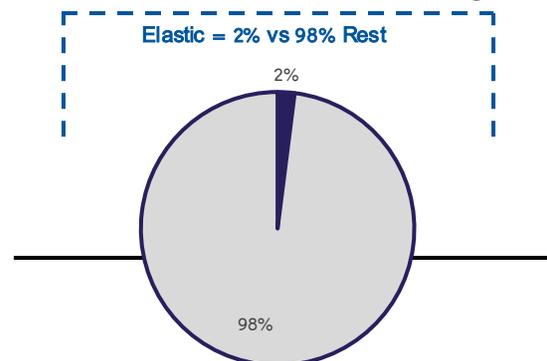
- In the observability space, Elastic faces significant competition from Datadog, which has established itself as the category leader in cloud-native monitoring with a deeply integrated platform and strong go-to-market execution. New Relic and Dynatrace also compete aggressively by offering full-stack observability solutions with AI-driven insights and robust UI layers.
- These players often benefit from more intuitive user experiences and streamlined onboarding processes, posing a challenge to Elastic's more developer-centric interface. While Elastic's platform is powerful, it requires greater customization which can slow down time-to-value.
- This dynamic creates pricing pressure and highlights the importance of differentiation through multi-cloud flexibility, user experience, and advance analytics features. To remain competitive, Elastic must continue to innovate around AI-driven insights, user-centric design, and integrations that reduce friction in complex environments.

Valuation Summary

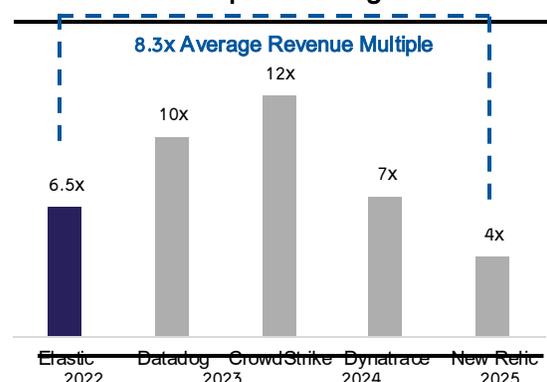
Limited near-term upside

- Elastic N.V. currently trades at a forward EV/Revenue multiple of approximately 6.5x, positioning it below premium SaaS peers like Datadog and CrowdStrike and slightly above slower-growth players like Splunk and New Relic. This relative multiple reflects the market's view of Elastic as a high-potential platform with strong open-source roots.
- We project Elastic to reach \$2.1 billion in revenue and \$292 million in unlevered free cash flow by FY2029, implying a 5-year revenue CAGR of approximately 9% and a free cash flow margin of ~13.9%. After adjusting for net cash and an assumed share count of ~120 million, this yields a 2029 price target of \$92.49.
- At a current share price of \$79.58, our target implies a 5-year upside of approximately 16.2% or a 3.0% CAGR. This modest return profile suggests the stock is fairly valued in the near term with upside largely dependent on consistent execution, improved operating leverage and durable mid-single-digit revenue growth.
- While Elastic remains a differentiated platform with exposure to several large and growing markets—including observability, cybersecurity and enterprise search—competitive intensity and the complexity of its product stack may constrain re-rating potential.
- We assign a Hold rating reflecting limited near-term upside from current levels but recognizing Elastic's strategic positioning and improving financial profile. For long-term investors comfortable with moderate growth and moderate risk, Elastic remains a credible compounder with optionality.

Elastic NV Market Share Percentage



Revenue Multiples Amongst Peers



Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$862	\$1,069	\$1,267	\$1,421	\$1,549	\$1,759	\$2,015	\$2,121
% Growth		24%	19%	12%	9%	14%	15%	5%
EBITDA	(86)	(162)	(105)	(117)	(84)	(14)	45	145
% Margin	-10%	-15%	-8%	-8%	-5%	-1%	2%	7%
EBIT	(166)	(182)	(123)	(141)	(101)	(37)	15	62
% Margin	-19%	-17%	-10%	-10%	-7%	-2%	1%	3%
NOPAT	(180)	(193)	(137)	(153)	(110)	(40)	16	67
Depreciation and Amortization	80	20	18	15	18	21	24	27
Deferred Taxes & Investment Tax Credit	(2)	(2)	(217)	5	7	8	9	10
Other Funds	152	289	322	254	254	254	254	254
Funds From Operation	50	114	(14)	121	169	243	303	358
Receivables	(62)	(46)	(64)	(57)	(57)	(57)	(57)	(57)
Inventories	-	-	-	-	-	-	-	-
Accounts Payable	21	6	(10)	6	6	6	6	6
Other Assets/Liabilities	(24)	(8)	1	(10)	(10)	(10)	(10)	(10)
Change in Working Capital	(66)	(48)	(72)	(61)	(61)	(61)	(61)	(61)
Capital Expenditures	(7)	(3)	(3)	(5)	(5)	(5)	(5)	(5)
Unlevered Free Cash Flow	(\$23)	\$64	(\$89)	\$55	\$103	\$177	\$237	\$292

Sources: Bloomberg, YahooFinance

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Universal Display Corp. (NASDAQ:OLED)

Executive Summary

Research, development and commercializing OLED technology

- Universal Display Corporation is an industry leader in the production, development and mainstreaming of organic light emitting diode (OLED) tech and all the compartments used in each product. 1994 marked the foundation of the company and now has over 6,500 patents that are issued and already in place. It's energy and eco friendly PHOLED design is highly efficient and was a breakthrough in the industry.
- Started as an R&D startup working on mainly display panel manufacturing, to now today with their tech in virtually every OLED product in the world. Their headquarters resides in New Jersey, with international offices in China, Hong Kong, Ireland, Japan, South Korea and Taiwan. They have long established their position as a leader in the OLED industry.
- The main products we see in their business model are, nearly all OLED tech such as smartphones and smartwatches. This also pans to TVs from major partners like Samsung and LG. New projects as well are phosphorescent technology in OLED lighting and with the demand in efficient lighting products, are poised to fuel the company's growth.
- With tremendous growth opportunities highlighted by the company, even with the everchanging tariff developments, they have been unaffected by them up to this point. With a strong supply chain and large global presence, they have navigated through volatility concerns before and see little problems ahead in the emerging market.

Business Overview

High growth opportunities with focus on transitioning from old technology

- The long and short-term trajectory of the OLED market is in very good hands. From a high level, there are expansion possibilities in the IT, automotive and foldable phone markets in the near future. The OLED smartphones are looking at a forecasted 6% YoY growth to 848 million units, the IT units are expected to increase 16% YoY to 27 million units and TVs are expected to grow 4.5% YoY growth to 7.1 million units.
- By 2026 alone, the smartphone segment is expected to grow to \$28 billion with a market share of just below 50%. Another increase in the consumer electronics and automotive display segment with 15% and 13% growth rates respectively. This is also paired with an increase in average unit price of \$50 from all products sold. Although we will see a decrease in prices of the TV sector, Capex has been trending down with a more condensed supply chain.
- The biggest tell of where this business is headed is focused on the booming market that OLED is today and will be. The chart on the right shows the increase from \$38 billion in 2022 to a staggering \$213 billion in a little under 10 years time. The display sector was 82% of their business in 2022, then only just led in market share a year later for the first time.
- For more insight on their technology, OLED, AMOLED and QLED, are beginning to replace the outdated LCD tech. As LCD starts to phase out, Universal Display Corp continues to develop new tech as well as improve their production as well. It is essential in many industry leading products today such as the iPhone 15 and other high-quality smartphones. A high growth segment that has yet to fully take off is the foldable displays that when perfected are nearly only produced with OLED technology

Competitive Landscape

Prime market share position and strong partnerships

- For a competitive outlook, it is important to note that OLED is much larger than many of the other competitors in the same mid-cap realm. The main competitors include Sumitomo Chemical, Mitsubishi Chemical, Camtek and Idemitsu Kosan. Camtek being the closest in price at \$95.45 is still nowhere near the size and ability to compete with Universal Display Corp.
- Moving into the strengths of the company as has been stated in the overview before, OLED is a pioneer in the organic light-emitting diode technology. This is important from a market share aspect and their extensive portfolio of assets allows them to keep this control for many years to come. They have built and maintained strong relationships with Samsung, LG and others on the smaller side. With direct connection to just these two major companies, it shows the collaboration and ability to stay in control for many years to come.

Rating:

BUY

Current Price:

\$149.21

Price Target / Upside

\$188.38 / 39.17

52-Week Price High / Low:

\$103.70 / \$231.83

Shares O/S:

47.46M

Key Metrics Overview

Enterprise Value: \$7,542.49M

Revenue: 1.09x

UFCF: \$191.53M

EV/EBITDA: 30.35x

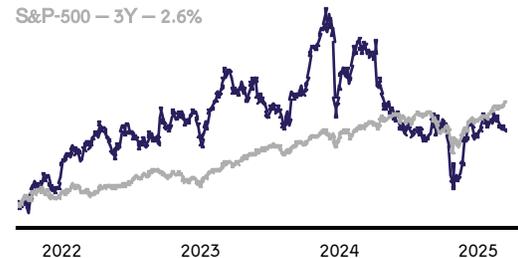
P/E: 45.16x

Upcoming Earnings Date: 10/30/2025

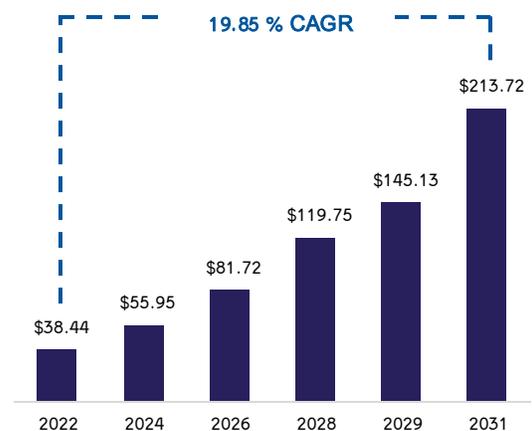
Ticker vs. S&P-500

OLED - 3Y - 3.6%

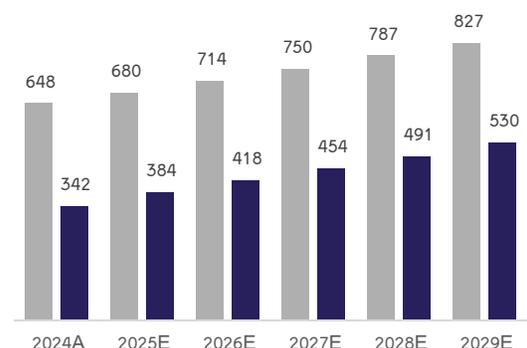
S&P-500 - 3Y - 2.6%



OLED Market Size Forecast (in billion USD)



Revenues & EBITDA (\$M)



Technology | Will Walker | Universal Display Corp.

- Although the company does not seem to be worried about the tariff affects at least for now, with 61.4% of revenue being in Korea and Japan at their facility locations, it is tough to tell how this will come into play as the tariffs continue to be extremely volatile. With their large and diversified supply chain, the company has made it clear that they have weathered these storms before.
- Taking a look to the right, there are many locations outside of the US. While Korea leads in production based on the sheer size of their plants, Japan has the most locations around the country. It will be interesting in the coming months to see the adjustments made in the supply chain or if we see any major development happening in the US. From a convenience standpoint, most of their partnerships produce in the same areas making it easy to transfer between locations.

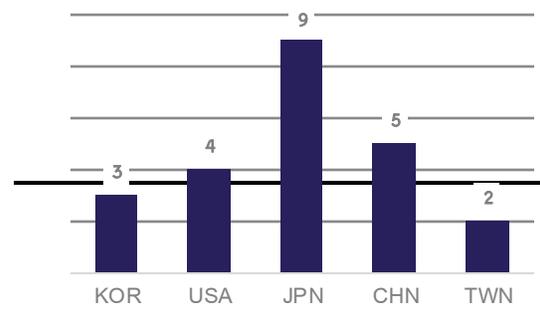
Valuation Summary

Strong predictable cash flows and an ever-growing market

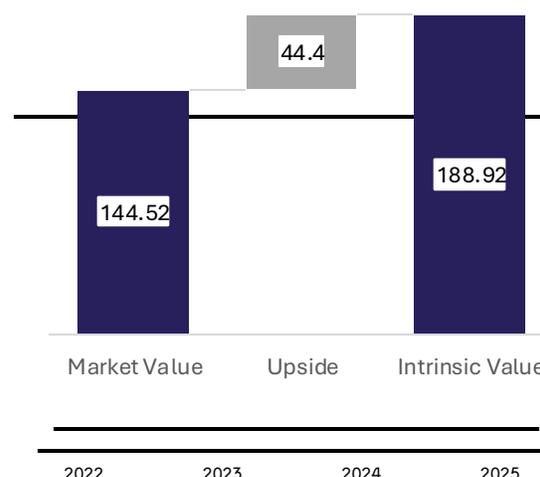
- The easiest place to start is the strong predictable cash flows from the major partnerships with Samsung and LG. This allows for a baseline projection over however many years to come. This is the strongest driver in their revenue holding 56.4% to the OLED tech sales in these partnerships and to other vendors as well. That number is equivalent to \$365 million for 2025 and experienced a 13.5% YoY growth.
- This leads into taking a look at the company's intrinsic value that was modeled out. To the right the price today and a price target based on the future cash flows. With an increase of 5% revenue over the coming years, which is on the conservative side, it predicts at \$44 increase in share price. Even with high R&D costs, the Capex is relatively low on a production basis. When always improving tech in this rapidly growing market, it is not out of the ordinary to see high R&D costs.
- On the most recent earnings call, UDC reported an EPS of \$1.41 which beat expectations by 20.5%. This is the second quarter in a row they have beat earnings and they narrowly missed by \$0.12 the quarter before. They also announced an increase in the automotive market as well as consumer electronics as well.
- Net income in Q2 increased from \$52.3 million to \$67.3 million just a year ago as a result of their top line expansion and growth. Material sales were down a little under \$8 million from the year prior, but revenues from licensing and royalties were up from \$58.6 million to \$75.7 million. This is just further proof of UDC's ability to keep steady production while expanding their business in less capital-intensive ways. This has brought Capex down and helped boost earnings even with the tariff uncertainties.

Factory and Distribution

Center Locations



Market Value vs Intrinsic Value



Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$ 616.62	\$ 576.43	\$ 647.68	\$ 680.07	\$ 714.07	\$ 749.78	\$ 787.26	\$ 826.63
% Growth		-7%	11%	5%	5%	5%	5%	5%
EBITDA	305.16	304.95	342.19	383.93	417.93	453.63	491.12	530.49
% Margin	49%	53%	53%	56%	59%	61%	62%	64%
EBIT	251.31	199.21	222.72	272.49	297.08	322.90	350.00	378.47
% Margin	41%	35%	34%	40%	42%	43%	44%	46%
NOPAT	193.14	157.05	172.67	222.37	246.95	272.77	299.88	328.34
Depreciation and Amortization	35.81	31.80	36.74	34.78	34.78	34.78	34.78	34.78
Deferred Taxes & Investment Tax Credit	58.17	42.16	50.05	50.13	50.13	50.13	50.13	50.13
Other Funds	-	-	-	-	-	-	-	-
Funds From Operation	93.98	73.96	86.79	84.91	84.91	84.91	84.91	84.91
Receivables	14.98	(47.19)	26.20	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)
Inventories	(49.06)	7.43	(7.14)	(16.26)	(16.26)	(16.26)	(16.26)	(16.26)
Accounts Payable	3.34	4.05	10.36	5.91	5.91	5.91	5.91	5.91
Other Assets/Liabilities	(103.55)	(67.79)	(54.72)	(75.35)	(75.35)	(75.35)	(75.35)	(75.35)
Change in Working Capital	(134.30)	(103.51)	(25.30)	(87.70)	(87.70)	(87.70)	(87.70)	(87.70)
Capital Expenditures	(42.50)	(59.79)	(42.64)	(48.31)	(48.31)	(48.31)	(48.31)	(48.31)
Unlevered Free Cash Flow	110.33	67.71	191.53	171.27	195.85	221.67	248.78	277.24

Sources: Bloomberg, YahooFinance, FactSet, Electro IQ

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Klaviyo Inc (NYSE:KYVO)

Executive Summary

Klaviyo empowers e-commerce brands through first-party data marketing

- Klaviyo is a high-growth SaaS platform that enables businesses—primarily e-commerce brands—to build direct relationships with customers through data-driven email, SMS, and automation tools. Its unique integration with Shopify and other platforms has made it the go-to marketing engine for small and midsize online retailers.
- The company operates in the structurally expanding global email marketing industry, expected to reach \$13.99B by 2028, growing at a CAGR of 9.4%. As consumer acquisition costs rise and third-party data becomes less reliable, Klaviyo's first-party data engine becomes increasingly critical to driving ROI for its customers.
- While Klaviyo has yet to achieve consistent profitability, it has demonstrated strong top-line growth (FY23 revenue: \$698M) and improving margins. Its sticky customer base, high net revenue retention, and product-led expansion strategy support a long-term growth thesis. The company's differentiated positioning within e-commerce marketing automation makes it a compelling play on the digitization of retail marketing.
- With its scalable model, improving cash flow profile, and strategic partnerships, Klaviyo is well positioned to generate durable shareholder value as it continues to capture share in a rapidly growing market.

Business Overview

Powers personalized marketing for over 130,000 brands

- Founded in 2012, Klaviyo is a cloud-native SaaS company that empowers businesses to deliver personalized email and SMS marketing experiences at scale. By harnessing first-party customer data—collected directly from online stores and user behavior—Klaviyo enables brands to automate customer journeys, increase lifetime value, and build long-term loyalty
- platform integrates natively with key e-commerce ecosystems, including Shopify (a key strategic partner and investor), BigCommerce, Magento, WooCommerce, and over 300 third-party apps. This seamless integration allows Klaviyo users to access rich behavioral and transactional data in real time, enabling segmentation, predictive analytics, and lifecycle automation without relying on cookies or third-party tracking.
- Klaviyo's competitive advantage lies in its ability to serve small and midsize businesses (SMBs) with enterprise-grade capabilities—offering intuitive UI, plug-and-play integrations, and a modular pricing model. The company's solutions help brands drive higher open and conversion rates, reduce customer acquisition cost (CAC), and improve return on marketing spend (ROAS).
- The company generates revenue on a recurring subscription basis, typically priced according to contact list size and volume of messages sent. Klaviyo has demonstrated strong fundamentals, with consistently high gross margins (~70–75%), net revenue retention above 110%, and an expanding base of customers adopting both email and SMS services. As of 2024, Klaviyo serves over 130,000 businesses globally, with a significant presence in the U.S. DTC (direct-to-consumer)

Competitive Landscape

Klaviyo holds a competitive advantage through seamless integration, and simplicity

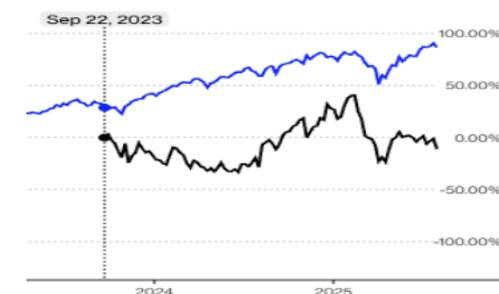
- Klaviyo benefits from a strategic partnership with Shopify, which invested in the company and deeply integrated its platform into the Shopify ecosystem. This gives Klaviyo real-time access to commerce and customer data, positioning it as the default marketing solution for thousands of merchants. While enterprise players like Salesforce and Oracle offer robust tools, their complexity, high cost, and long implementation timelines make them poorly suited for small and mid-sized e-commerce businesses. Klaviyo's intuitive interface, quick setup, and DTC focus make it a strong fit for Shopify's base, allowing merchants to move fast and fully own their customer relationships.
- The company competes with standalone tools like Mailchimp, Omnisend, and ActiveCampaign, as well as more advanced platforms like Braze and HubSpot, but differentiates through simplicity, pricing transparency, and unified

Rating:	BUY
Current Price:	\$33.09
Price Target / Upside	\$43.48 / 10.39
52-Week Price High / Low:	\$32.32 / \$41.67
Shares O/S:	297.43M

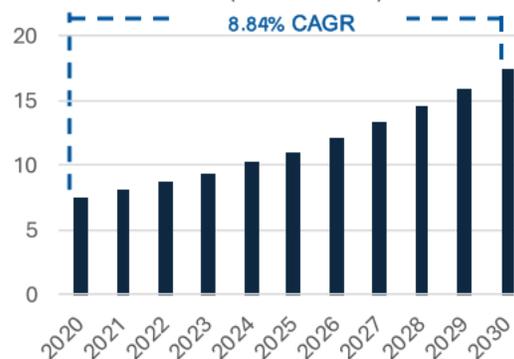
Key Metrics Overview

Enterprise Value:	8962.22M
Revenue:	1.01x
UFCF:	\$658.1M
EV/EBITDA:	15.9x
P/E:	54.95x
Upcoming Earnings Date:	08/05/2025

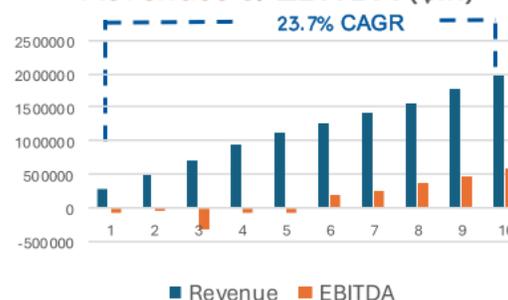
KWYO vs. S&P-500



Global Email Marketing Market Size (Billion USD)



Revenues & EBITDA (\$M)



Technology Coverage Group | Shreyash Sinha | Klaviyo Inc

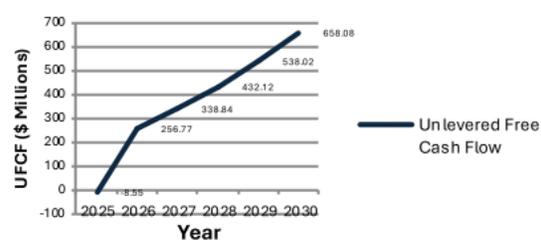
- With increasing privacy regulations and the decline of third-party cookies, Klaviyo's emphasis on first-party data ownership and real-time behavioral segmentation has become a strategic advantage for merchants looking to personalize customer engagement.

Valuation Summary

Valuation based on DCF that supports a Buy with significant upside

- Our intrinsic valuation of Klaviyo is based on a 5-year unlevered free cash flow DCF model using a WACC of 8.5% and a terminal growth rate of 2.0%, reflecting the company's durable competitive position and long runway in the expanding email and SMS marketing space.
- We estimate an Enterprise Value of \$12.05B, which, after adjusting for \$881M in net cash and minimal debt, yields an equity value of \$12.93B. Using 297.43 million fully diluted shares outstanding, we derive an implied share price of \$43.48, implying a \$10.39 upside (+31.4%) from the current market price of \$33.09 (as of July 22, 2025).
- Our model reflects Klaviyo's strong top-line growth trajectory, expanding free cash flow profile, and high-margin SaaS operating model. With robust net revenue retention and a sticky e-commerce customer base, we believe the market is undervaluing Klaviyo's long-term earnings power.
- We initiate coverage with a Buy rating, underpinned by compelling risk-adjusted upside, favorable industry dynamics, and operational execution that supports further multiple expansion.

Projected Unlevered Free Cash Flow (2025–2030)



KVVO Valuation: Implied vs. Market Price



Operating Model	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$472,748	\$698,099	\$937,464	\$1,119,308	\$1,253,625	\$1,404,060	\$1,572,547	\$1,761,253
% Growth		48%	34%	19%	12%	12%	12%	12%
EBITDA	(46,996)	(316,971)	(66,361)	(83,581)	179,797	261,861	355,146	461,041
% Margin	-10%	33%	16%	34%	21%	23%	27%	27%
EBIT	(43,184)	(283,460)	(3,282)	(22,256)	241,242	323,306	416,591	522,486
% Margin	-9%	-41%	0%	-2%	19%	23%	26%	30%
NOPAT	(43,267)	(284,652)	(5,744)	(25,556)	239,771	321,835	415,120	521,015
Depreciation and Amortization	5,269	9,040	13,651	17,717	11,419	11,419	11,419	11,419
Deferred Taxes & Investment Tax Credit	3,358	10,613	15,764	19,752	12,372	12,372	12,372	12,372
Other Funds	-	22,040	52,897	52,897	31,959	31,959	31,959	31,959
Funds From Operation	(34,640)	(242,959)	76,568	64,810	295,521	377,584	470,869	576,764
Receivables	(5,164)	(12,877)	(20,761)	(10,972)	(10,972)	(10,972)	(10,972)	(10,972)
Inventories	(5,180)	(2,375)	(17,296)	(9,744)	(9,744)	(9,744)	(9,744)	(9,744)
Accounts Payable	(21,115)	4,505	113	1,851	1,851	1,851	1,851	1,851
Other Assets/Liabilities	38	5,305	840	1,307	1,307	1,307	1,307	1,307
Change in Working Capital	(35,494)	(5,923)	(27,708)	(16,833)	(16,833)	(16,833)	(16,833)	(16,833)
Capital Expenditures	(15,821)	(3,653)	(5,921)	(9,605)	(9,605)	(9,605)	(9,605)	(9,605)
Unlevered Free Cash Flow	(\$63,427)	(\$227,562)	\$31,251	(\$8,554)	\$256,773	\$338,836	\$432,122	\$538,016

Sources: Bloomberg, YahooFinance

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Technology | Will Walker | Universal Display Corp.

- Although the company does not seem to be worried about the tariff affects at least for now, with 61.4% of revenue being in Korea and Japan at their facility locations, it is tough to tell how this will come into play as the tariffs continue to be extremely volatile. With their large and diversified supply chain, the company has made it clear that they have weathered these storms before.
- Taking a look to the right, there are many locations outside of the US. While Korea leads in production based on the sheer size of their plants, Japan has the most locations around the country. It will be interesting in the coming months to see the adjustments made in the supply chain or if we see any major development happening in the US. From a convenience standpoint, most of their partnerships produce in the same areas making it easy to transfer between locations.

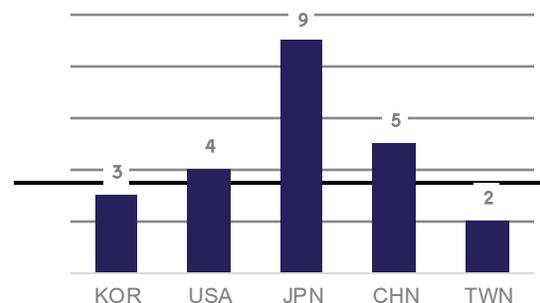
Valuation Summary

Strong predictable cash flows and an ever-growing market

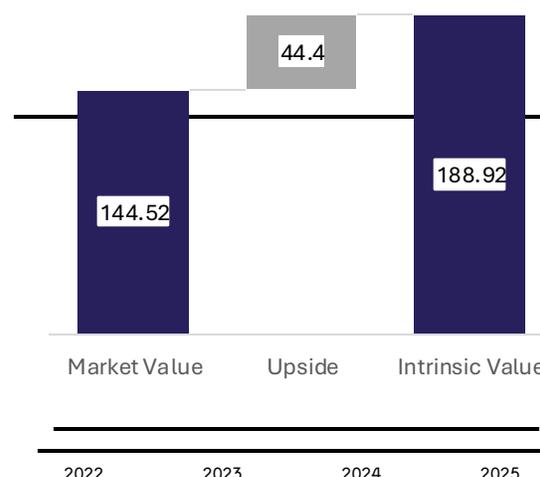
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- Net income in Q2 increased from \$52.3 million to \$67.3 million just a year ago as a result of their top line expansion and growth. Material sales were down a little under \$8 million from the year prior, but revenues from licensing and royalties were up from \$58.6 million to \$75.7 million. This is just further proof of UDC's ability to keep steady production while expanding their business in less capital-intensive ways. This has brought Capex down and helped boost earnings even with the tariff uncertainties.

Factory and Distribution

Center Locations



Market Value vs Intrinsic Value



Operating Model

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$ 616.62	\$ 576.43	\$ 647.68	\$ 680.07	\$ 714.07	\$ 749.78	\$ 787.26	\$ 826.63
% Growth		-7%	11%	5%	5%	5%	5%	5%
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NOPAT	193.14	157.05	172.67	222.37	246.95	272.77	299.88	328.34
Depreciation and Amortization	35.81	31.80	36.74	34.78	34.78	34.78	34.78	34.78
Deferred Taxes & Investment Tax Credit	58.17	42.16	50.05	50.13	50.13	50.13	50.13	50.13
Other Funds	-	-	-	-	-	-	-	-
Funds From Operation	93.98	73.96	86.79	84.91	84.91	84.91	84.91	84.91
Receivables	14.98	(47.19)	26.20	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)
Inventories	(49.06)	7.43	(7.14)	(16.26)	(16.26)	(16.26)	(16.26)	(16.26)
Accounts Payable	3.34	4.05	10.36	5.91	5.91	5.91	5.91	5.91
Other Assets/Liabilities	(103.55)	(67.79)	(54.72)	(75.35)	(75.35)	(75.35)	(75.35)	(75.35)
Change in Working Capital	(134.30)	(103.51)	(25.30)	(87.70)	(87.70)	(87.70)	(87.70)	(87.70)
Capital Expenditures	(42.50)	(59.79)	(42.64)	(48.31)	(48.31)	(48.31)	(48.31)	(48.31)
Unlevered Free Cash Flow	110.33	67.71	191.53	171.27	195.85	221.67	248.78	277.24

Sources: Bloomberg, YahooFinance, FactSet, Electro IQ

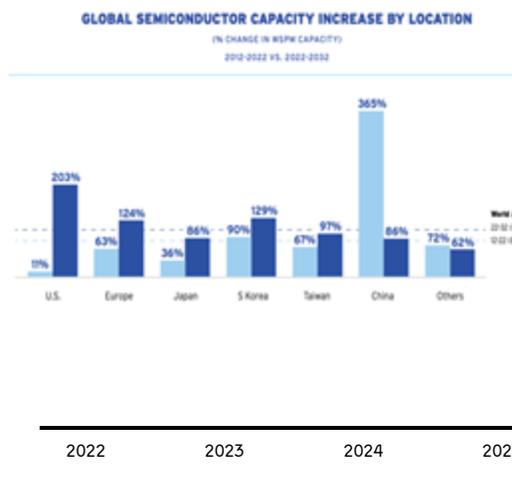
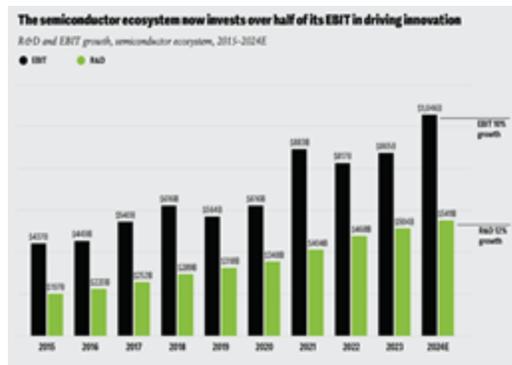
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- MACOM competes with other companies in the semiconductor technology industry like Qorvo, Skyworks Solution and Analog Devices, specifically in the RF and microwave section of their operations. Though these competitors distribute their products on a larger scale, MACOM emphasizes and focuses on creating high performance, quality of technology, and reliability that is both standard and customizable for their consumers' needs.
- MACOM's ability to cater to diverse markets, but specifically satellites and optical networks that exist in a long-cycle market, allows for more stable margins and comparatively lower pricing pressure unlike its competitors. In addition, their deep-rooted understanding of semiconductors, especially GaN, and consistent demand drivers allows itself to continue growing alongside the integration of AI, defense advancements, and improved satellite communication.

Valuation Summary

- MACOM faces multiple risks in areas such as operations and supply chain, demand, regulatory policies and restrictions domestically and internationally, and competition in the tech industry. MACOM faces risk in the semiconductor industry as it is cyclical and can be subject to downturn as result of the rapid changes in the technology. In addition, MACOM relies on a few number of individuals on both ends with their dependence on limited suppliers and few number of weighty customers that are responsible for making up a major part of the company's revenue.
- Not only does MACOM face risk in its supply and demand, but also financials with investors. The cyclical nature of the semiconductor industry makes it difficult to accurately satisfy and exceed quarterly or annual benchmarks consistently, which can be responsible for decline in stock price with earnings date. Investors also draw concern with MACOM ability to compete with the threat of geopolitical tensions and competition with China, which has continued the "chip war" battle in manufacturing semiconductors. The domination of China in the semiconductor industry pose as competition to not only MACOM, but the U.S. semiconductor industry.
- Despite these risks and the overweight valuation of MACOM's stock, investors are optimistic about MACOM's ability to stay at the forefront of semiconductor leadership, especially as the industry moves into continually investing their R&D to innovation that drives the semiconductor space to develop and adapt to the integration of AI and newfound technology into the industry. MACOM's strong profitability with double-digit revenue growth, customer base servicing high demand markets like 5G framework, data centers and defense, and trust in the continual forefront of MACOM's technology in a growing industry makes MACOM a moderate buy rating.



Operating Model								
(in millions)	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	675	648	729	787	850	919	992	1,071
% Growth		-4%	13%	8%	8%	8%	8%	8%
EBITDA	308	179	163	197	213	230	248	268
% Sales	46%	28%	22%	25%	25%	25%	25%	25%
EBIT	251	127	96	134	145	156	169	182
% Sales	37%	20%	13%	17%	17%	17%	17%	17%
NOPAT	111	85	61	113	122	131	142	153
Depreciation and Amortization	57	52	67	67	73	79	85	90
Deferred Taxes & Investment Tax Credit	(200)	19	5	5	5	5	5	5
Other Funds	(1)	3	5	5	5	5	5	5
Funds From Operation	(33)	159	138	190	205	220	237	253
Receivables	101	91	105	115	125	135	145	155
Inventories	125	155	215	240	260	280	305	335
Accounts Payable	(30)	(24)	(43)	(50)	(55)	(60)	(65)	(70)
Other Assets/Liabilities	-	-	-	-	-	-	-	-
Change in Working Capital	196	(26)	55	28	25	25	30	35
Capital Expenditures	(26)	(24)	(22)	(30)	(30)	(30)	(30)	(30)
Unlevered Free Cash Flow	\$137	\$109	\$171	\$188	\$200	\$215	\$237	\$258

Sources: YahooFinance, Wall Street Journal, MACOM, SEMI, Deloitte

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