Applied Investment Management (AIM) Program

AIM Class of 2017 Equity Fund Reports
Fall 2016

Date**:* Friday, October 14th | ***Time: *3:00 – 4:30* p.m. | ***Location: AIM Research Room 488***

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Nick Dykema	Mercury Systems, Inc.	MRCY	Technology	2
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These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A.

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Mercury Systems, Inc. (MRCY)
October 14, 2016

Nick Dykema | Domestic Technology

Mercury Systems, Inc. (NASDAQ: MRCY) is a leading manufacturer of secure processing subsystems designed and assembled in the United States. Mercury specializes in the production of embedded processing modules and subsystems, radio frequency (RF) and microwave multi-function subsystems, and RF and microwave components. The company's defense technology has been deployed in over 300 different military programs such as Aegis, F-35, Patriot, Predator, Reaper, and the Surface Electronic Warfare Improvement Program (SEWIP). MRCY is primarily focused on serving the Department of Defense (DoD), as well as others in the intelligence market. A significant portion of the company's revenues are derived from prime defense contractors: Lockheed Martin (23%), Northrop Grumman (8%), and Raytheon (20%). Only 4% of Mercury's FY16 revenues occurred outside of the United States. Mercury Systems has been trading publicly since 1998 and is headquartered in Chelmsford, MA.

Price ($):	23.57
Price Target ($):	31.83
52WK H-L ($):	26.37 - 15.52
Market Cap (mil):	951
Float (mil):	38.5
Short Interest (%):	2.0
Avg. Daily Vol (mil):	0.20
Dividend ($):	0.00
Yield (%):	0.0

Beta:	0.95
WACC	7.2%
M-Term Rev. Gr Rate Est:	15.4%
M-Term EPS Gr Rate Est:	10.1%
Debt / Equity (%):	40.7
Total Debt / EBITDA:	4.26
ROA (%):	3.51
ROE (%):	4.80
ROIC (%):	3.93

FY: June	2015	2016	2017E	2018E
Revenue (Mil)	234.8	270.2	376.0	406.1
% Growth	12.5%	15.1%	39.2%	8.0%
Gross Margin	44.0%	42.9%	45.0%	45.0%
EBITDA Margin	15%	17%	20%	21%
EPS (Cal)	$0.31	$0.56	$0.92	$1.08
FCF / Share	$0.80	$0.83	$1.20	$1.38
P / E (Cal)	47.2	44.4	25.6	21.8
EV / EBITDA	11.4	23.7	15.2	13.4

Recommendation

The defense electronics market is highly competitive and suppliers are constantly updating their products and services to meet the specifications required by the DoD. Recently, government trends have shifted towards shorter term defense programs and Mercury prides itself on providing flexible solutions that can be adaptable and integrated into larger systems. Over the next couple years, the DoD will be seeking to upgrade the electronic subsystems in their existing defense solutions and Mercury's recent acquisitions have increased the company's secure embedded computing capabilities. Likewise, MRCY has emerged as the defense industry's largest commercial embedded secure processor. Over the years, the company's products and solutions have been deployed in over 300 defense programs with over 25 prime contractors. Mercury's proven track record is another reason the firm is well-positioned to continue supplying prime contractors that serve the DoD's needs. Recently, the government has been focused on improving the protection of the U.S. military's defense electronic systems. Outsourcing the manufacturing of defense electronics would create an additional risk of the systems being tampered with, hacked or attacked. Even though many companies are outsourcing to cheaper manufacturing, defense is an industry where it is best to keep production within the U.S. Mercury's image as a leader in the supply of secure processing subsystems in the U.S. positions the company well to take advantage of the current security threats within the industry. Over the last three years, MRCY has spent on average 14.5% of sales on research and development with a focus on enhancing the functions of their current products as well as developing new technology. Due to a positive outlook for defense spending, synergies from acquisitions, and their diversified portfolio of secure defense systems, it is recommended that Mercury Systems, Inc. be added to the AIM Equity Fund with a price target of $31.83, which represents a 35% upside.

Investment Thesis

- **Positive Outlook for Defense Spending.** Geopolitical instability and evolving global threats have increased the demand for defense spending. World defense electronics funding available to the U.S. was $34.9 billion in FY16 and President Obama's recent budget submission requested a 4.9% increase, or $36.6 billion, in defense spending for FY17. The budget for defense spending likely will continue to grow in the future regardless of who wins the presidency in November. In May 2016, the Pew Research Center found the percentage of Americans supporting increased defense spending was at its highest level in over a decade. In the U.S. there is a growing demand for secure sensor and mission processing capabilities for critical defense and intelligence applications. Also, the new defense procurement reform forces prime contractors to outsource the manufacturing of commercial technology. Given Mercury's established relationships with prime contractors, the company's future sales will be positively impacted by the procurement reform.

- **MicroSemi Synergies.** On May 2, 2016, Mercury acquired the custom microelectronics, RF and microwave solutions, and the embedded security operations from MicroSemi Corporation for $300 million. MRCY expects the "carve-out" business to increase Mercury's FY17 revenue by $110 million as wells as reduce costs. Management has increased their adjusted EBITDA margin guidance from 18%-22% to 22%-26% since the acquisition. Manufacturing efficiencies, similar business models, and increased purchasing power are the causes for resulting synergies. Additionally, management has indicated they have discovered opportunities in high-growth markets as a result of the deal.
- **DoD's Security Requirements.** The DoD's plan to export more defense technology with increased security requirements likely will benefit MRCY's foreign sales. Currently, only 4% of the company's revenues are derived from outside the U.S. In December 2015, Mercury acquired Lewis Innovative Technologies, Inc. (LIT), which focuses on security systems for embedded computing. LIT's technology is improving the security of MRCY's diversified portfolio of solutions. Security is essential in preventing foreign countries from compromising the DoD's intelligence. Having advanced security capabilities gives Mercury's products and solutions additional value that will position the company to be more attractive to current and potential customers.

Valuation

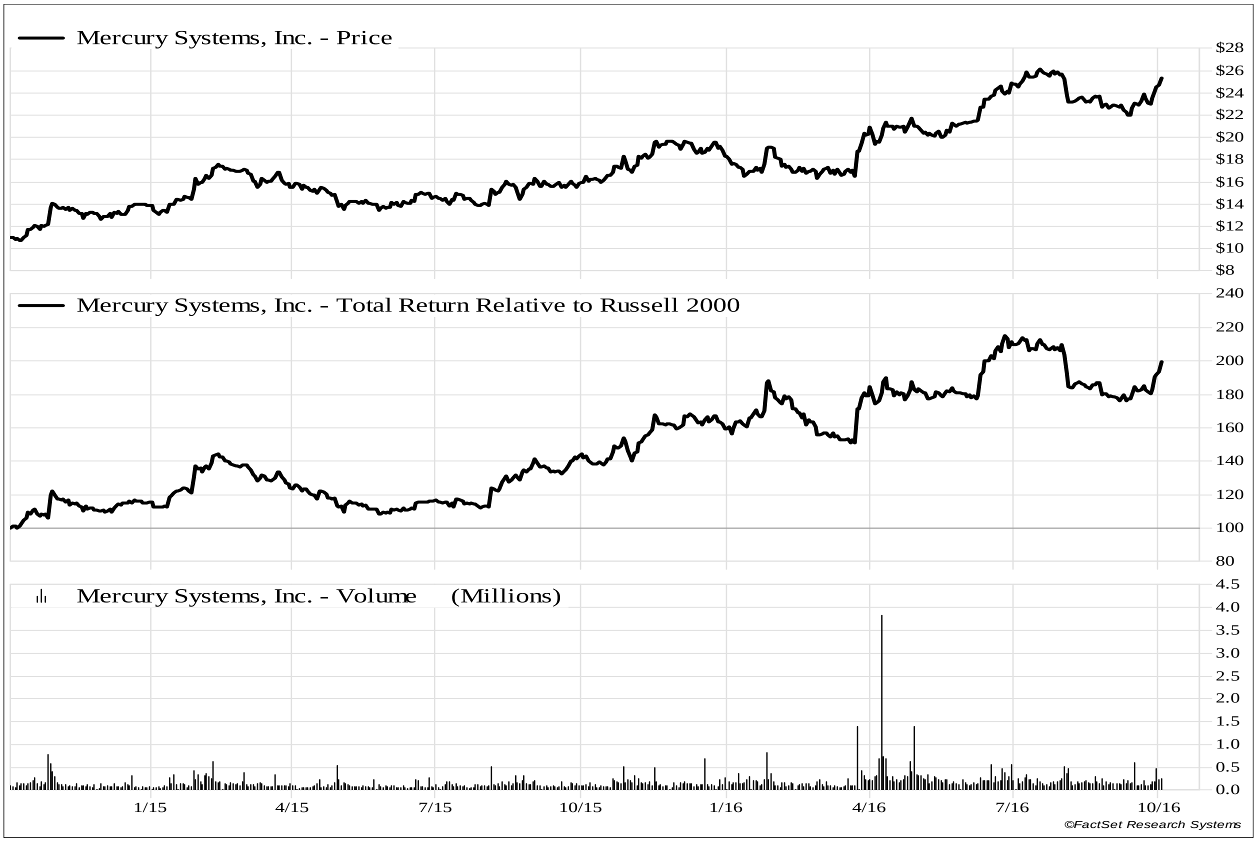
To find MRCY's intrinsic value, a five year DCF model was constructed. A terminal growth rate of 2% and a WACC of 7.2% were used to find a price target of $32.60. A sensitivity analysis of the terminal growth rate and WACC ranged from $26.60 to $43.08. In addition, a price-to-earnings (P/E) multiple valuation was conducted using a peer comparable of 23.8x and an average of estimated future EPS, to value MRCY at $29.51. By weighing the DCF model 75% and the P/E multiple valuation 25%, an intrinsic value of $31.83 was reached, representing a 35.03% upside. The firm does not pay a dividend.

Risks

- **Important Customers.** The majority (51%) of Mercury's net revenues in FY16 are derived from three prime contractors. Although sales to each of these contractors are spread across multiple programs and platforms, decreased sales to these companies would have a negative impact on the business.
- **Future Acquisitions.** Management acknowledges their plans for growth may include exploring acquisition opportunities, which could pose additional risks to the company.
- **High Level of Debt.** Following the acquisition of MicroSemi, Mercury holds a significant amount of debt that could affect their financial condition. MRCY has a $200 million term loan and a $100 million undrawn revolver.

Management

Mark Aslett has served as President and Chief Executive Officer of Mercury Systems since joining the company in 2007. Mr. Aslett has many years of experience working in the the telecommunications and technology industry. Gerald M. Haines was appointed Mercury's Executive Vice President, Chief Financial Officer, and Treasurer in 2014. Haines served as an executive with multiple companies in the technology industry.



Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	P/E	Debt / EBITDA
Mercury Systems, Inc.	MRCY	951	270	45	25.0	4.3
Adlink Technology	6166-TW	435	273	23	27.6	0.8
Analog Devices	ADI	19,774	3,397	1,042	22.1	1.7
CSP	CSPI	40	105	5	-	0.0
Kontron	KBC-DE	175	489	31	-	0.2
RadiSys	RSYS	207	205	13	21.8	1.9
Peer Averages		4,126	894	223	23.8	0.9

Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	4.54%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	3,588,474 ▲	8.89
The Vanguard Group, Inc.	3,000,642 ▲	7.43
Barrow, Hanley, Mewhinney & Strauss LLC	2,342,049 ▼	5.80
Dimensional Fund Advisors LP	2,007,191 ▲	4.97
Waddell & Reed	1,704,017 ▲	4.22

Source: FactSet

Qiwi plc. - (QIWI)
October 14, 2016

Jaclyn Godwin International Financial Services

Qiwi plc. (Nasdaq: QIWI) operates as a Russian-based company in the payment services industry. It offers products across the payment life cycle through physical, online, and mobile channels. Its distribution network includes 115,000 kiosks, 57,000 terminals, and over 16 million virtual wallets. Self-service kiosks and terminals, owned by third-party agents, provide physical distribution points that enable customers to make payments to vendors. Virtual wallets, co-branded with Visa, allow for online and mobile payments through the use of stored money on online accounts. Customer payments are distributed to Qiwi's vendors which are concentrated primarily within e-commerce, financial services, money remittance, and telecommunications. Qiwi was incorporated in February of 2007 and became public in February of 2013. It is headquartered in Nicosia, Cyprus.

Price ($):	$14.52	Beta:	1.38	FY: Dec	2013	2014	2015	2016E
Price Target ($):	$17.65	WACC	9.9%	Revenue (Mil)	186	234	282	296
52WK H-L ($):	20.50 - 10.42	M-Term Rev. Gr Rate Est:	18.0%	% Growth	30.2%	25.5%	20.9%	5.0%
Market Cap (mil):	881	Debt/Equity:	0.85	Gross Margin	44.2%	47.7%	47.0%	48.7%
Float (mil):	-	Debt/EBITDA:	3.46	EBIT Margin	21.8%	26.6%	27.5%	28.4%
Short Interest (%):	2.5%	EBIT/Interest	44.50	EPS (Cal)	0.59	1.42	1.43	1.40
Avg. Daily Vol:	369,091	ROA (%):	12.4%	FCF/Share	58.63	-9.72	-77.29	17.52
Dividend ($):	$0.69	ROE (%):	23.0%	P/E (Cal)	95.07	15.48	12.59	11.41
Yield (%):	4.8%	ROIC (%):	12.4%	ROE (%)	68.6%	55.9%	23.0%	23.4%

Recommendation

There is no denying the fact that the Russian economy is facing challenges both left and right. Decelerating economic growth, plunging oil prices and political instability have all contributed to the country's recessionary environment. Despite the negative macro picture, the necessity to pay for goods has prompted further development of the Russian payment services industry, projected to grow at an annual rate of 18% until 2020. The saying holds true that old habits die hard and while it has been over two decades since the end of the Soviet era, Russians still shy away from anything credit related. This has resulted in a cash-driven economy. To date, 80% of all payments in Russia are made in cash and 73% of card transactions are cash withdrawals. Known as the PayPal of Russia, Qiwi eats, sleeps, and breathes cash. Its payment kiosks offer customers a simple cash alternative. To cater to other audiences, the firm launched an electronic wallet in the early 2000s, recently expanded to the money remittance space with the acquisitions of Contact and Rapida, and plans to enter the consumer finance market. Since the company's IPO in 2013, revenues have climbed by 30%, 26%, and 21% in 2013, 2014, and 2015, respectively. Equityholders have also benefitted with the average five-year ROE at 44% and the current dividend yield at 4.81%. As the Russian payment services industry consolidates from 20+ players to no more than five, Qiwi is well situated for growth due to its key position in the industry, portfolio expansion efforts, and successful business model. Therefore, it is proposed that Qiwi plc. be added to the AIM International Fund at a target price of $17.65, with an upside of 21.6%. The firm has a dividend yield of 4.8%

Investment Thesis

- **Room for Growth:** To say that the Russian online payment services segment is underdeveloped would be an understatement. Russia shied away from online payments while the digital global market gained momentum. Russia's slow transition to online payments provides a compelling opportunity for growth. Although 90% of Russians have a bank account, online banking has yet to fully gain a foothold. With online payments expected to reach 10% by 2020 and smartphone penetration predicted to be 54% by 2018, Qiwi is poised for considerable growth. The company has deployed over 16 million virtual wallets, which will provide a solid platform as the digital continues to expand in the region.

- **Margin Expansion.** Profitability has been a key component of Qiwi's success. The firm recorded an EBIT margin of 27.5% in 2015 outperforming its peers Sberbank Russia, Alibaba, Yandex and Rostelecom that averaged an EBIT margin of 24.3%. Enhanced profitability has been the result of tight management of SG&A costs. Over the past five years, the firm saw operating expenses decrease from 68% of sales in 2011 to 49% of sales in 2015. With this trend likely to continue, the firm will enjoy enhanced profitability in a highly competitive environment.
- **Portfolio Diversification.** Speculation regarding financial activity has prompted regulatory bodies to tighten restrictions in Russia. To shield its market share from negative regulatory impacts, Qiwi is diversifying its portfolio to include products in money remittance and consumer finance. With the recent acquisition of the Contact money transfer system and the Rapida payment processing system, the firm carves out a strategic market position in the money remittance space. In 2015, Qiwi payment volumes in money remittance grew by 146%, compared to overall volume growth of 35%. To further expand its capabilities, Qiwi is also looking to enter the consumer finance market within the next three to five years. The company's current capabilities and infrastructure should transfer well to this space and continue to diversify the product ecosystem.

Valuation

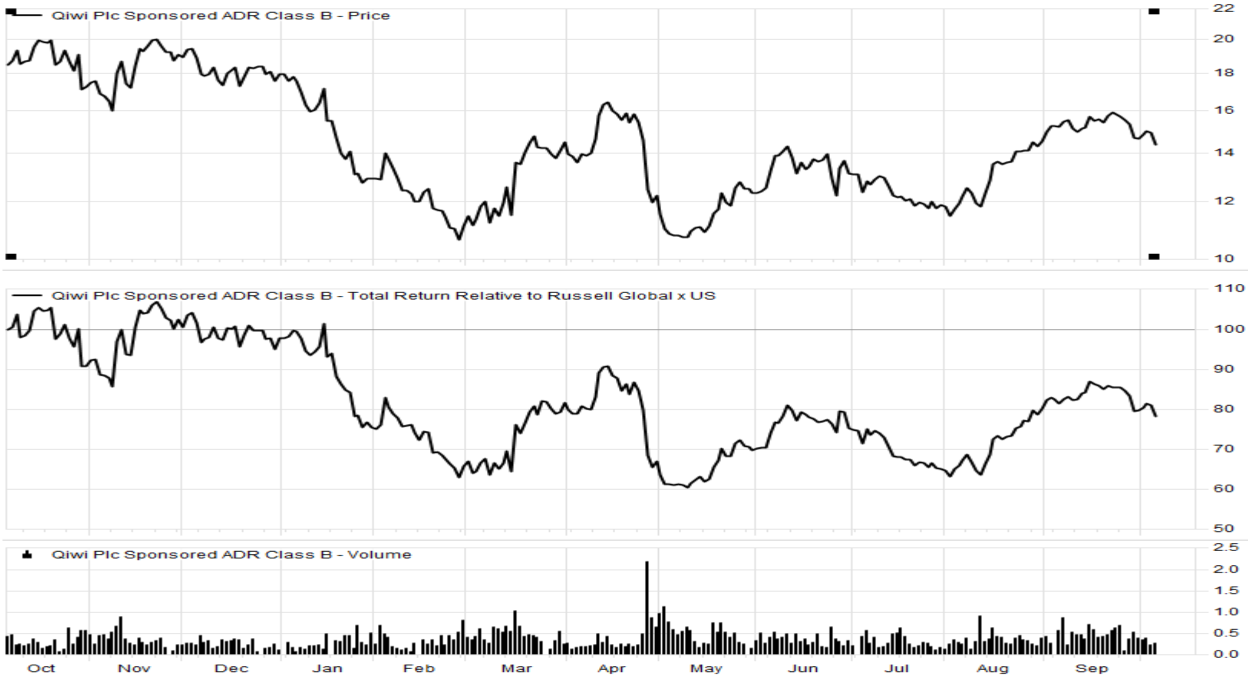
To find Qiwi's intrinsic value, a five-year discounted cash flow model was created using an average growth rate of 13.6%, a terminal growth rate of 2.5%, and a WACC of 9.92%. The calculation of the WACC included a country risk premium of 3.92%. After discounting and summing the cash flows, a value of $15.96 was generated, representing a 9.9% upside. A sensitivity analysis of the terminal growth rate and WACC produced a price range of $12.60 to $21.75. To compare Qiwi to its relative peers, a P/E valuation model was created. With a peer average of 14.8x and an estimated 2016 EPS of $1.40, a value of $20.80 was found. This produced a 43.3% upside. Weighting the valuations 65/35, an intrinsic value of $17.65 was reached, providing a 21.6% upside. Qiwi has a dividend yield of 4.8% and announced a 2016 quarterly dividend of $0.22 per a share.

Risks

- **Competition:** The payment services industry is highly competitive. Large regional banks and new entrants may pose a threat if they seek to gain market share in this low entry barrier industry.
- **Political Instability:** Under the rule of President Vladimir Putin, Russia remains in a precarious situation. Its assertion of nationalist beliefs and skeptical actions in Ukraine and Syria further strain relations with the West.
- **Reliance on Oil:** Considered a commodity-driven economy, Russia has struggled with the recent plunge in oil prices. With crude oil prices still falling below $50 per a barrel, a weaker Russian currency and GDP could ensue in coming years.
- **Regulation:** Beginning in 2010, Russian banks and financial organizations have come under severe regulatory scrutiny. Qiwi Bank and Rapida, both subsidiaries of Qiwi, have been targets of these actions. In particular, regulations have minimized Qiwi's agent network, negatively impacting deposits received. If this environment continues, it could have an adverse impact on the business.

Management

Sergey Solonin serves as director and Chief Executive Officer of Qiwi. He began his term as director in 2010 and his term as CEO in 2012. Solonin is an entrepreneur by trade and has 14 years of experience in the payment services industry. Alexander Karavaev has served as the Chief Financial Officer since 2013 and has previous experience in the digital services industry.



Peer Analysis

Name	Ticker	Market Cap (mil)	EBIT Margin	Dividend Yield	P/E	ROE
Qiwi, plc.	QIWI	867	27.5%	4.8%	11.5	22.5%
Sberbank Russia	SBRCY	54,500	26.7%	1.6%	8.6	11.0%
Alibaba Group Holding Ltd.	BABA	270,500	29.2%	0.0%	17.3	39.4%
Yandex	YNDX	6,983	17.0%	0.0%	31.7	16.7%
Rostelecom	ROSYY	3,545	11.2%	3.1%	9.2	14.0%
Peer Averages		110,661	24.3%	0.5%	19.2	22.4%

Source: Factset

Ownership

% of Shares Held by All Insider and 5% Owners:	2.43%
% of Shares Held by Institutional & Mutual Fund Owners:	>97%

Source: Factset

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Institutional Trust Company, N.A.	2,603,820	9.94
Waddell & Reed Investment Management Co.	1,486,300	5.67
Vanguard Group, Inc.	1,417,100	5.41
Frontier Capital Management Company, LLC	1,195,781	4.56
Dimensional Fund Advisors, L.P.	1,097,554	4.19

Source: Factset

AMN Healthcare Services, Inc. (AHS)

October 14, 2016

John O'Connor — Domestic Healthcare

AMN Healthcare Services, Inc. (NYSE: AHS) provides healthcare workforce solutions and staffing services to healthcare facilities across the nation. Its workforce solutions include managed services programs and recruitment process outsourcing. The company operates through the following segments, which were realigned in Q4 2015: Nurse and Allied Solutions (64% of revenue), Locum Tenens Solutions (22%) and Other Workforce Solutions (14%). The Nurse and Allied Solutions segment provides hospital and other healthcare facilities with a range of clinical workforce solutions, predominantly staffing. The Locum Tenens Solutions segment includes temporary staffing services. Other Workforce Solutions offers managed service programs, vendor management systems and other SaaS-based systems. AMN Healthcare Services was founded in 1997 and is headquartered in San Diego, CA.

				FY: Dec	12/31/2015A	12/31/2016E	12/31/2017E	12/31/2018E
Price ($):	31.91	Beta:	1.03	Revenue (Mil)	1,463	1,916	2,172	2,320
Price Target ($):	44.02	WACC	8.37%	% Growth	41.21%	31%	13%	7%
52WK H-L ($):	44.99 - 21.24	M-Term Rev. Gr Rate Est:	12.0%	Gross Margin	30.6%	31.3%	31.4%	31.3%
Market Cap (mil):	1,572	M-Term EPS Gr Rate Est:	10.7%	EBITDA Margin	10.2%	11%	12%	13%
Float (mil):	47.4	Debt/Equity (LTM):	1.02	EPS (Cal)	1.68	2.12	2.39	2.70
Short Interest (%):	14.3	Debt/EBITDA (LTM):	2.07	FCF/Share	0.76	1.47	1.88	2.17
Avg. Daily Vol (mil):	0.7	ROA (%):	10.57	P/E (Cal)	18.5x	13.9x	12.5x	11.2x
Dividend ($):	0.00	ROE (%):	30.68	EV/EBITDA	10.9x	8.97x	7.73x	6.56x
Yield (%):	0.0	ROIC (%):	17.10					

Recommendation

AMN Healthcare benefits from a combination of macroeconomic trends as well as internal operational improvements. The nursing and physician shortage in the United States will largely benefit AMN Healthcare's "Nurse and Allied Solutions" segment. Given that AHS is the market leader in temporary healthcare staffing with 11% share of the $15 billion total addressable market (TAM), they stand to gain the most from this macroeconomic trend. While the "Other Workforce Solutions" segment ($5 billion TAM) is the smallest in term of revenue, AHS plans to take advantage of this segment's rapid growth and high margins to increase the bottom line. Management guides EBITDA margin to increase from 11.3% in 2015 to 14% by 2020. This margin will be achieved through a variety of strategies; including gross margin improvements, Workforce Solutions growth, increase in operating leverage, and an increase in SG&A efficiency. In an effort to grow their Workforce Solutions business, AHS has made three strategic acquisitions within the past two and a half years. The most recent of these acquisitions being AMN Healthcare's purchase of Peak Health Solutions for $64.2MM. Peak is a health information management services company with a strong +15% EBITDA margin; and management expects the acquisition to be immediately accretive to EPS. Taking into consideration all of these factors, it is recommended that AHS be added to the portfolio given its 35.28% upside.

Investment Thesis

- **Major shortage of nurses** – One of the largest trends in healthcare is the shortage of healthcare professionals; particularly nurses. The Bureau of Labor Statistics estimates 1.2 million nursing vacancies will exist between the years 2014 and 2022. In 2009, a team of Vanderbilt University researchers predicted that by the year 2025, the shortage of nurses will be "more than twice as large as any nurse shortage experienced since the introduction of Medicare and Medicaid in the mid-1960s". There are a variety of factors contributing to this; including a rise in chronic disease, an aging nurse workforce, and scarcity of nursing faculty at U.S. universities. A lack of nurses means that hospital managers must turn to staffing agencies such as AMN Healthcare to seek out nurses to fulfill their staffing requirements; as opposed to just hiring full time nurses on their own. As nursing vacancies increase, temporary nurse staffing typically follows suit and should grow as a result. The Bureau of Labor Statistics estimates 16% growth in registered nurse employment for the years 2014-2024.

- **Growing Workforce Solutions segment increases the bottom line –** AHS is the leading innovator in healthcare workforce solutions. By providing managed service programs (MSP) and vendor management systems (VMS) to clients, AHS enables their clients to reduce staffing complexity and increase efficiencies. The Other Workforce Solutions segment, which was adopted in December 2015, is AHS's fastest growing segment with Q2 growth of 174% y/y (32% organic growth). AHS is poised to grow the bottom line moving forward given the combination of this segment's high growth and even higher margins (gross and EBIT margins 76% and 24.8%, respectively). Demand for AHS Workforce Solutions should remain strong as a BBC Research report projects healthcare IT spend to grow at a 4.8% CAGR for the years 2015-2019. This growth is predominantly due to a combination of Affordable Care Act regulations and advantages in cloud computing.
- **Leveraging position as market leader to grow individual brands –** AMN Healthcare and its three segments are comprised of several different brands. It is through these brands that AHS provides their temporary, per-diem, and permanent placement services; as well as integrated workforce solutions. Being the market leader with a large, diverse client-base allows AHS to effectively cross-sell its offerings to its clients. AMN Healthcare has a proven track record of cross-selling as they have grown from inception as a strictly travel nurse staffing provider to offering several different services today.
- **Increased demand due to aging population and the ACA** – The aging U.S. population drives demand for AMN Healthcare's services in more way than one. The first being the general population who, as they age, demand more healthcare services and specialized care. The CDC projects that the population aged 65 and older will nearly double in size from 43.1 million in 2012 to 83.7 million in 2050.

Valuation

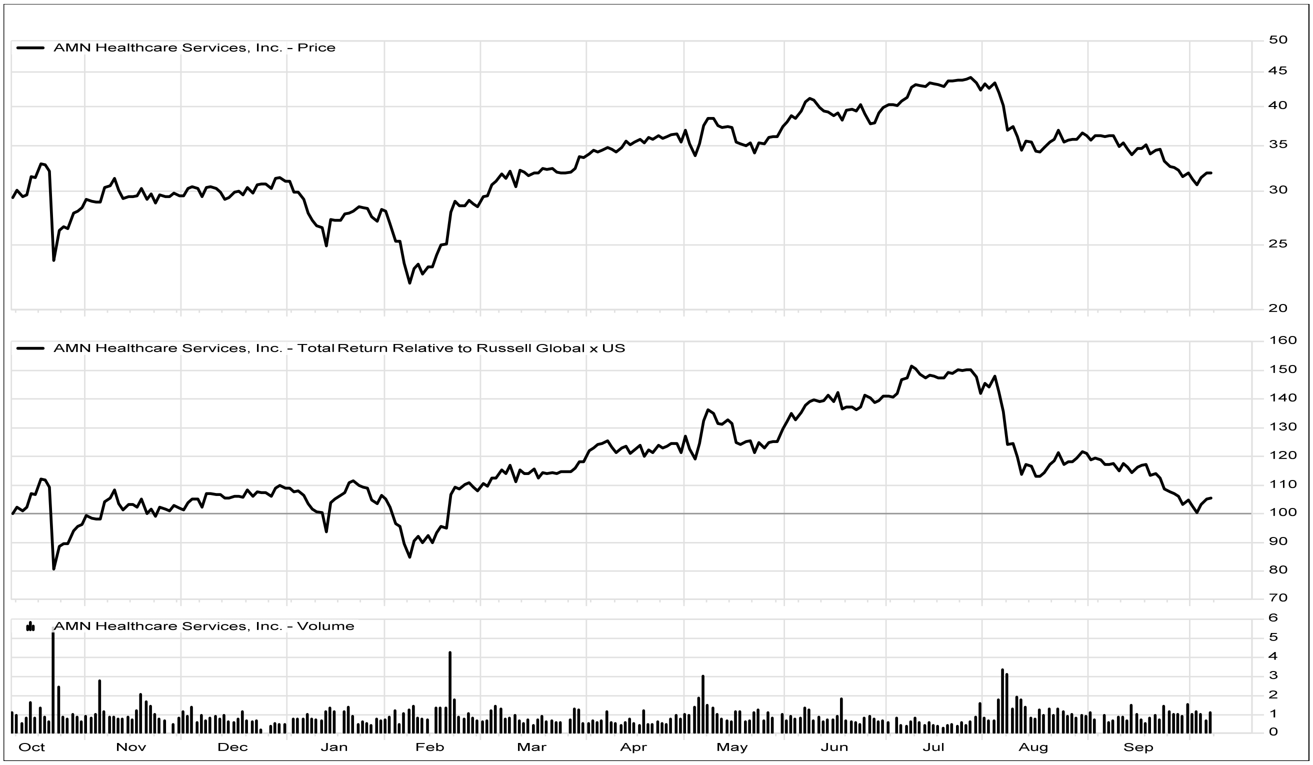
To reach an intrinsic value for AHS, a five-year DCF model was constructed. Using a WACC of 8.37% and a terminal growth rate of 2.25% resulted in an intrinsic value of $49.14, yielding an upside of 35.28%. A sensitivty analysis of the terminal growth rate and WACC yielded a price range of $44.10-$70.11. In addition to using a five year DCF, an EV/EBITDA multiple was utilized. Using a peer EV/EBITDA multiple of 10.5x, an intrinsic value of $46.50 was reached. Lastly, a P/E multiple of 14.34x was used to arrive at a price of $31.30. The DCF model was weighted 50% while the EV/EBITDA and P/E multiples were weighted 25% each, and a final instrinsic value of $44.02 was reached. This represents a 35.28% upside on the current stock price of $32.54. The firm does not pay a dividend.

Risks

- **Consolidation of buyers** – Should hospitals and other healthcare systems begin to consolidate and engage in group purchasing, AMN Healthcare's clients may experience an increase in bargaining power. As a result, this may have an adverse effect of AHS' revenues.
- **Changes in healthcare regulation –** Given that the healthcare sector is highly regulated, there exists uncertainty regarding changes in future policies. A significant change in healthcare regulation may have a material impact on AHS' ability to remain competitive in the staffing industry.

Management

Susan Salka is the CEO, President, and Director of AMN Healthcare and joined the firm in 1990. She held a variety of other executive positions before becoming CEO, and in 2014 was named Director of the Year for Corporate Citizenship by the Corporate Director's Forum. The CFO of AMN Healthcare is Brian Scott, who joined the firm in 2003 and was appointed CFO, Chief Accounting Officer, and Treasurer in 2011. In 2015 AHS was awarded as having the best compliance and ethics program for small to mid-cap companies by the Corporate Secretary.



Ownership

% of Shares Held by All Insider Owners:	1.41%
% of Shares Held by Institutional & Mutual Fund Owners:	99.78%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
The Vanguard Group, Inc.	4,892,456	10.18
BlackRock Fund Advisors	4,287,732	8.92
Waddell & Reed Investment Management Co.	1,866,900	3.89
Dimensional Fund Advisors LP	1,859,247	3.87
SSgA Funds Management, Inc.	1,099,249	2.29

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	P/E	EV/ EBITDA
AMN Healthcare Services	AHS	1,533.20	1,727.10	198.80	14.26x	9.81x
Cross County Healthcare	CCRN	400.80	784.90	39.80	20.11x	12.02x
On Assignment	ASGN	1,971.70	2,339.80	261.30	11.35x	10.19x
Kelly Services	KELYA	734.80	5,537.20	94.60	11.38x	7.80x
Team Health	TMH	2,846.20	4,137.00	388.50	13.25x	13.59x
Manpower Group	MAN	936.60	2,813.20	148.70	10.27x	7.39x
Peer Averages		1,378.02	3,122.42	186.58	14.36x	10.1x

Source: FactSet

Gemalto (GTOMY)
October 14, 2016

Taylor Smith International Technology

Gemalto (OTC: GTOMY) is a digital security company based in the Netherlands that provides software solutions, secured personal devices, and managed services to businesses and governments. The company reports its information in three segments: Payment & Identity (58% revenue), Mobile (41%) and Patents (1%). The Payment and Identities segment is divided into Payment, Enterprise Security, and Government, while the Mobile segment is compiled of Mobile Communications and the Internet of Things. The company also is the largest manufacturer of SIM cards in the world. Gemalto was founded in 2002 and is headquartered in Amsterdam, Holland.

Price ($): (2/6/15)	33.11	Beta:	0.88	FY: Dec	2015	2016E	2017E	2018E
Price Target ($):	45.59	WACC	8.2%	Revenue (Mil)	$3,122	$3,294	$3,491	$3,771
52WK H-L ($):	27.3-37.1	M-Term Rev. Gr Rate Est:	11.4%	% Growth	26.63%	5.51%	6.00%	8.00%
Market Cap (mil):	5,014	M-Term EPS Gr Rate Est:	49.9%	Gross Margin	33.93%	35.50%	37.02%	37.12%
Float (mil):	81.3	Debt/Equity:	29.7%	EBITDA Margin	14.09%	18.96%	20.28%	20.60%
Short Interest (%):	11.7%	Debt/EBITDA (ttm):	1.86	EPS (Cal)	$1.50	$3.08	$3.73	$4.07
Avg. Daily Vol (mil):	1977	ROA:	3.3%	FCF/Share	$3.42	$4.07	$4.59	$4.36
Dividend ($):	0.31	ROE:	5.6%	P/E (Cal)	20.7	10.1	8.3	7.6
Yield (%):	0.7	ROIC:	4.7%	EV/EBITDA	11.79x	8.5x	7.1x	6.3x

Recommendation

Massive swaths of data are moved around every day, often times intercepted by unwanted third party members. This thievery has caused enterprises and governments to strongly desire safe and secured means of transferring sensitive information without the consequence of sacrificing efficiency. Since 2013, more than $3.6B data records have been stolen or lost. Growth in big data, cloud computing, and social media companies have recognized that the current perimeter of security is not sufficient enough to protect identities and data. Backing this concern, estimates show that worldwide identity and access management markets are set to grow at an 8% CAGR to 2019. There is undoubtedly an existential necessity to ensure that only authorized users can come in contact with transferable data and information. In regard to transaction security, shipments of smart payment and banking cards are expected to increase from 4.2 billion in 2014 to 9.1 billion in 2020, while remote transactions are expected to increase from 79 billion in 2015 to 163 billion by 2020. Gemalto provides solutions that significantly reduces fraudulent utilization in online services, which enhances trust between parties on digital networks and lowers operating costs for providers. The company's largest segment, Payment and Identity, works with enterprises and governments to ensure that only authorized users come into contact with transactions. Gemalto has also enhanced its position of security through the recent acquisition of SafeNet, which has contributed core network protection and authentication technologies for big data with enterprises. Additionally, the market for the Internet of Things (IoT) is gaining ground and is estimated to hit a 33.3% CAGR by 2021 due to increased market penetration with connected smart devices. Gemalto has its own division dedicated to providing machine-to-machine platforms and services to capture this growth. Due to its strong foothold in the digital security and payment sector, growth with government and enterprise relationships, and solid presence in IoT, it is recommended that Gemalto be added to the AIM International Equity Fund with a price target of $45.59, yielding an upside of 43.47%. The company has a dividend yield of 0.8%.

Investment Thesis

- **Transactional Security.** In 2015, there were more than $700 million of exposed data records. Yahoo! alone experienced a hack over night with 500 million accounts exposed to an outside source. With payment shifting to electronic methods, data protection has become paramount. Remote transactions are expected to be €4.4 trillion in 2020. Gemalto has positioned itself at the forefront of this concern, with its largest revenue contributor being its Payment and Identity segment. In the first half of 2016, payment grew 11% in revenue, while enterprise security grew 12%. In addition to providing Apple and Samsung with smart pay capabilities, the company aims to grow its largest segment even further by adding more clients across different countries.
- **Internet-of-Things.** The Internet of Things is set to explode, aiming to eventually connect any device with an on and off switch to the internet. In order to make a device "smart" it needs to be supplied with processing capabilities. Gemalto uses both sensor technology to capture data in the field and uses analytical

capabilities in the cloud to generate information with its machine-to-machine business. Estimates have that 50 billion devices are expected to be connected to the internet by 2020. In 2015, the market for wearable devices alone grew 225%. Gemalto currently sells to Apple for their watch series and also has made agreements with Samsung to supply their Gear S2 series. Additionally, the company has experienced solid traction in the automotive market and also has a solid footprint in consumer and industrial OEM, mobile network operators, and cloud service providers. By growing the m2m portion of revenues by 9% percent in the first half of 2016, Gemalto has displayed strong capability in the early stages of what is expected to be massive growth in upcoming years.

- **Strategic Acquisitions.** The company acquired a business called SafeNet in 2015 that specializes in cloud data, software and transaction security. SafeNet is one of the largest digital information security companies in the world that protects over 80% of the world's intra-bank fund transfers and caters to corporations and governments in over 100 countries. Customers of SafeNet include names such as Bank of America, Cisco, Dell, Netflix, and Starbucks. As a result of the acquisition, Gemalto gains a stronger foothold in big data security through synergies with SafeNet and expects its 2017 profit of operations objective to be surpassed by nearly 10%.
- **Growth in Government.** The number of air passengers over the next 20 years will double. Gemalto combats this growth by providing a number of products that help boost efficiency in moving people though borders. Its electronic and biometric identity documents are a world first, which match a persons fingerprints to a given card. The company offers Coesys ID Verification, which is a software system that autimatically verifies the physical and electronic security aspects of identification documents and then runs them through real time background checks and links to watchlists. This ID Verification solution and the biometric IDs can be deployed together. In September, Norway signed with Gemalto for a fully integrated solution of ID Verification. Additonally, its Automated Boarder Control (ABC) Solution offers completely automated and secure border facilitation with automatic document verification, facial verification, and fingerprint verification. By offering electronic documents and solutions in over 100 countries, the company has positioned itself at the forefront of the shift to digitized border control.

Valuation

To reach an intrinsic value for Gemalto, a five year DCF model was assembled. By using a terminal growth rate of 2% and a WACC of 8.17%, an intrinsic value of $45.62 was reached. A ± 2% senstitivity analysis on the WACC and terminal growth rate ranged from $39.42-$56.42. Additionally, an EV/EBIDTA multiple valuation was conducted using 2016 EBITDA of $605MM and a blended multiple of 10.63x resulting in a valuation of $38.89 (after factoring in ADR conversion). A P/E multiple valuation was also conducted using a 2016 EPS of $3.47 and a blended multiple of 26.9x to reach a price of $52.14. By weighing the three valuation models 70/15/15, a price target of $45.59 was achieved, representing an upside of 43.47%

Risks

- **Technology Changes.** The pace of innovation in technology, specifically in the areas of payment and security, is extremely high. If Gemalto fails to continue its innovation with emerging technologies, it risks falling behind possible competition. On the flip side, if adoption of new technologies like IoT are slower than expected, the company could be negatively impacted through investing in these segments.
- **Instability in Europe.** Europe has been involved with a slew of misfortune over the past few years with examples ranging from Greece's default to Brexit to negative interest rates. These events create uncertainty in the future of economies in Europe. Keeping in mind that Gemalto has a foothold in a variety of companies in this region, any sort of blow up could negatively impact Gemalto sales.

Management

The company has very recently experienced a change in its CEO position. Now former CEO Oliver Piou was replaced by the COO, Philippe Vallée on September 1st. The switch does not come as a major surprise due to Piou's term coming to a close this year. Prior to being appointed as the chief executive officer, Vallée led various critical projects as COO, including the EMV ramp in America, the integration of SafeNet, and the development of government programs. The company is also guided by its CFO, Jacques Tierny, who has held his position for more than nine years.

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/EBIDTA
Gemalto NV Sponsored ADR	GTOMY	5,014	3122	440	0.7	11.79
Zetes Industries	ZTS-BE	219	258	26.11	1.40	10.1
VASCO Data Securities	VDSI-US	652	241	30.61	0.00	17.3
Thales	HO-FR	17,374	14,063	1609.5	1.60	10.0
Peer Averages		6082	4854	555.41	1.0	12.4

Source: Factset

Ownership

% of Shares Held by All Insider Owners:	18.69%
% of Shares Held by Institutional & Mutual Fund Owners:	41.62%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
OppenheimerFunds, Inc.	3,440,001	3.83
Norges Bank Investment Management	2,009,407	2.24
Jupiter Asset Management Ltd.	1,931,100	2.15
Comgest S.A.	1,784,783	1.99
BlackRock Fund Advisors	1,685,046	1.87

Source: FactSet

SAP SE ADR (SAP)

October 14, 2016

Yiqiu Zhu International Technology

SAP (NYSE: SAP), formerly SAP AG, is a provider of business application, analytics software in digital commerce, and enterprise cloud service. The company has approximately 320,000 customers in 190 countries. In FY 2015, SAP's geographic revenue mix was as follow: Europe, Middle East, and Africa (44.2%), North America (40.5%), and Asia Pacific Region (15.3%). The company generates revenue through four business segments: Support (48.5% of FY 2015 Revenue), Software (23.3%), professional services (17.2%), and could subscriptions and support (11%). SAP HANA platform and SAP cloud portfolio are the company's major business elements, which enable SAP provides enterprise resource planning, data analysis and predictive analysis for customers across five industry sectors. The company is headquartered in Walldorf, Germany and was founded in 1972.

Price ($): (10/11/16)	88.61
Price Target ($):	102.39
52WK H-L ($):	92.8-66.4
Market Cap (mil):	108,857.4
Float (mil):	77.70%
Short Interest (%):	9.05%
Avg. Daily Vol (mil):	0.77
Dividend ($):	1.27
Yield (%):	1.43%

Beta:	0.85
WACC	7.5%
M-Term Rev. Gr Rate Est:	6.3%
M-Term EPS Gr Rate Est:	17.0%
Debt/Equity:	39.4%
Debt/EBITDA (ttm):	1.70
ROA:	7.7%
ROE:	14.3%
ROIC:	10.2%

FY: December 31	2015	2016E	2017E	2018E
Revenue (Mil)	20,793.00	22,040.58	23,363.01	24,998.43
% Growth	18.41%	6.00%	6.00%	7.00%
Gross Margin	68.00%	68.00%	69.00%	70.00%
Operating Margin	25.02%	25.00%	26.00%	27.00%
EPS (Cal)	$2.56	$3.10	$3.72	$4.15
FCF/Share	$2.51	$4.49	$4.94	$5.47
P/E (Cal)	28.7x	20.74x	18.57x	17.06x
EV/EBITDA	17.2	15.0	13.0	12.5

Source: Bloomberg

Recommendation

SAP is the world leader in enterprise applications in terms of software and software-related service revenue. Enterprise resource planning (ERP) and cloud services are two major market that generate all the revenue for SAP and the company has several advantages that help it to stay competitive in the market. In the ERP market, SAP has two competitive advantages over its competitors (Oracle and Microsoft). First, unlike its competitors, SAP developed its ERP product from the ground up, which resulted in a more consistent product with well-integrated functions. As a result, SAP's ERP system has a lower implementation cost ($2.2 million vs. Oracle's $2.7 million) and a shorter implementation duration (19.5 months vs over 23 months for Oracle and Microsoft). Second, customers who implement SAP's ERP system usually have a shorter payback period (9 months vs. Oracle's 21 months and Microsoft's 22 months). Because of these competitive advantages, SAP currently has the highest market share of 23% in ERP business compared to 16% for Oracle and 9% for Microsoft. In terms of historical performance, SAP has maintained its growth momentum and the firm achieved a record year in 2015. The company grew its full-year cloud subscription and support revenue by 109%. Non-IFRS total revenue for SAP was €20.8 billion, a 12% CAGR since 2010. Non-IFRS operating profit for FY 2015 was €6.22 billion, a 10% CAGR since 2010. Due to its comparative advantages over its peer and strong historical performance, it is recommended that SAP be added to the AIM International Equity Fund with a target price of $102.39, representing a 15.54% upside. SAP pays an annual dividend of $1.27, yielding 1.43%.

Investment Thesis

- **Investment in Internet of Things (IoT).** The Internet of Things is recognized as a potential disruptive technology in the future. The IoT market is estimated to be $14.4 trillion. The amount of data IoT will create is enormous and therefore the need for software systems that have the capability to analyze such big amount of data is strong. SAP announced that they will invest about $2.2 billion in IoT by the end of 2020 and the company will launch a new product line called SAP IoT. As a market leader in the enterprise software segment with large amount of existing customers already using SAP's ERP system, it will be easy for SAP to gain market share in the IoT market.

- **Growth in SAP S/4HANA's customer base will continue or get strong in future.** Since the launch of SAP S/4 HANA in Feb 2015, the market's reaction for this new SAP enterprise software is positive. According to SAP, 500 more customers subscribed to SAP S/4 HANA in Q2 FY 2016 (of which 40% were new SAP customers), bringing the total customer amount to over 3,700 (of which 35% were new SAP customer). This is good progression from 900 in Q2 FY 2015. It is estimated that majority of SAP's existing ERP customers (over 30,000) will migrate to S/4 HANA over a 6-10 year timeframe. Currently, 10% of the existing customer have committed to move to S/4 HANA. The incremental customers per year will reach its peak around 2018. The total revenue S/4 HANA will bring to SAP over the next decade is estimated to be around $58 billion.
- **Growth in cloud computing and support segment.** After launching the SAP S/4 HANA, the company's ERP system now has the ability to deploy in the cloud. This function boosts the company's revenue from cloud subscription and support. Since the launch of S/4 HANA in Feb 2015, SAP's cloud subscription and support increased 109%. In addition, the industry trend today is that companies prefer more of the cloud system than an on premise system. Therefore, SAP expects its cloud subscription and support revenue will be close to its software license revenue by 2017, which will makes the cloud service revenue becomes the second biggest revenue segment.

Valuation

In order to reach an intrinsic value for SAP, a five-year DCF was constructed. Using a terminal growth rate of 1.5% and a WACC of 7.54%, a price target of $106.28 was established. In addition, a ±0.5% and ±1% sensitivity analysis on terminal growth rate and the WACC was conducted. The price ranged from $77.43-$125.99. In addition, an EV/EBITDA multiple valuation was conducted using FY 2016 estimated EBITDA of $7.485 MM and peer comparable EV/EBITDA multiple of 16.1x, resulting in a valuation of $86.80. By weighting the two valuation models 80/20, a price target of $102.39 was reached, resulting in a 15.5% upside.

Risks

- **Competition from Oracle.** Oracle are the direct competitor of SAP. Both Oracle and SAP are in the top tier of the ERP market. Compare to SAP's ERP products, Oracle's ERP products are more suitable for start-ups and companies that does not request ERP to integrated into every aspect of their system. If Oracle develops an ERP product that targets the same customer group as SAP's product does, it could potentially hurt SAP's revenue.
- **Cyber security risk.** SAP's newest upgrade, SAP S/4 HANA, gives SAP's ERP system the ability to deploy in the cloud. This new feature could increase the possibility of cyber attack on the system. If there are more cyber attacks happen to customers who use SAP S/4 HANA, it will negatively affect SAP's revenue.
- **Companies' IT spending budgets might decrease.** The IT market currently has a stable growth of 4.9% YOY; however, IT spending growth could be affected by the overall economic condition. A slowdown in the economy will have negative impact on IT market and company's IT spending budget.

Management

The management team in SAP are well experienced. Bill Mcdermott is the CEO. He joined SAP since 2002. Due to his correct focus of the market and innovation-led strategy, SAP has been experiencing great increase in customer base and total revenue. Bernd Leukert is the Chief Products & innovation officer. Mr. Leukert started as the lead developer for SAP R/3 (previous generation of S/4 HANA). He is an expert in SAP products and has strong knowledge in future tech trend such as IoT and Industrie 4.0.

Ownership

% of Shares Held by All Insider and 5% Owners:	22.30%
% of Shares Held by Institutional & Mutual Fund Owners:	33.18%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
The Vanguard Group, Inc.	18,511,000	1.51
Norges Bank Investment Management	18,335,000	1.49
Allianz Global Investor GmbH	17,507,000	1.43
Lyxor International Asset Management SAS	13,791,000	1.12
Black Rock Asset Management Deutschland AG	12,614,000	1.04

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	D/E	Sales Growth 5yr	P/E	EV/ EBITDA
SAP SE ADR	SAP	98,440	39.40%	28.0%	26.86x	15.88
IBM	IBM	133,133	283.00%	-8.7%	12.51	10.55
Microsoft	MSFT	402,558	74.60%	27.1%	27.32	14.28
Oracle	ORCL	142,200	114.00%	17.0%	18.31	9.31
HP Inc.	HPQ	23,849	NA	-36.3%	8.18	4.71
Salesforce.com	CRM	43,085	41.00%	152.0%	226.11	43.18
Fiserv	FISV	19,663	172.40%	35.5%	25.22	14.63
Peer Averages		127,415	137.0%	31.10%	52.94	16.11

**Removed For Relative Valuation Analysis*

Source: FactSet

Ardelyx, Inc. (ARDX)
October 14, 2016

Joe Mungenast Domestic Healthcare

Ardelyx, Inc. is a clinical-stage biopharmaceutical company focused on the discovery, development and commercialization of innovative, minimally-systemic therapeutic drugs that work exclusively in the gastrointestinal (GI) tract to treat GI and cardio-renal diseases. The lead product candidate, tenapanor, is currently being evaluated in two Phase 3 clinical studies in patients with constipation-predominant irritable bowel syndrome, or IBS-C. In a separate Phase 2b clinical trial, tenapanor lowered elevated blood phosphorus levels in patients with end-stage renal (kidney) disease, or ESRD. Ardelyx expects to receive results from this trial in the second half of 2016. Another drug candidate, RDX022 is being tested for the treatment of hyperkalemia, or elevated serum potassium. Ardelyx expects plans to proceed with a Phase 3 clinical program, which they expect to initiate in the second half of 2016.

Price ($): (10/11/16)	14.75
Price Target ($):	19.09
52WK H-L ($):	6.4-21.3
Market Cap (mil):	697
Float (mil):	46.0
Short Interest (%):	2.58%
Avg. Daily Vol (mil):	0.17
Dividend ($):	0.00
Yield (%):	0.00%

Beta:	2.18
WACC	8.3%
M-Term Rev. Gr Rate Est:	43.9%
M-Term EPS Gr Rate Est:	NA
Debt/Equity:	0.0%
Debt/EBITDA (ttm):	0.00
ROA:	-59.0%
ROE:	-64.3%
ROIC:	-27.0%

FY: Dec	2015	2016E	2017E	2018E
Revenue (Mil)	24.03	0.00	0.00	26.00
% Growth	-24.02%	0.00%	0.00%	--
Gross Margin	NA	NA	NA	60.00%
Operating Margin	NA	NA	NA	NA
EPS (Cal)	($1.29)	($2.21)	($2.50)	($2.36)
FCF/Share	($1.59)	($3.98)	($0.73)	($1.07)
P/S (Cal)	29.0	NA	NA	26.8
EV/Sales	34.8	NA	NA	32.1

Recommendation

The need to treat the aging population is becoming an increasingly more important focus within US healthcare. As bodies get older, not only do organs such as the heart, liver, and kidneys begin to slow down, but entire organ systems – such as the gastrointestinal tract – also show signs of deterioration. Irritable Bowel Syndrome (IBS) alone generates between 2.4 and 3.5 million physician visits each year in the United States, and estimates show that indirect and direct costs to society exceed $21 billion annually. A 2015 study by Dr. Joel Heidelbaugh showed that over half of patients suffering from IBS-C rate their pain as “extremely bothersome” and led to a monthly average of 4.9 days of disrupted productivity and 0.8 days of missed work. An increasingly popular solution, surgery, puts patients at unnecessary levels of risk and expense. Ardelyx seeks to provide a far less invasive solution to the 4.4 million Americans suffering from IBS-C with Tenapanor. Tenapanor regulates sodium and phosphate levels in the gut while also being largely undetectable; the most recent clinical trial showed a stronger efficacy and less side effect prevalence than current oral solutions to IBS-C. Tenapanor and another clinical drug, RDX022, are also under Phase IIb and III testing, respectively, for their ability to treat ESRD - which affects over 650,000 Americans each year, increasing by 5% per annum. ESRD is correlated with high sodium and potassium levels in the blood, which is why Ardelyx seeks to treat more than just one issue per drug. Due to Ardelyx’s strong late-stage pipeline featuring 3 drugs in Stage III trials and 2 in Stage IIb, it is suggested that this company be added to the AIM portfolio with a price target of $19.09, representing an upside of 40%. Ardelyx does not pay a dividend.

Investment Thesis

- **Focus on the Elderly.** All of Ardelyx’s late-stage products cater to conditions that are more prevalent with the elderly. The reason for the growing population of ESRD patients in the United States is a product of typical high-potassium, high-phosphorus Western diets in older age as well as the prevalence of diabetes and its strain on the kidneys. From 2017 to 2025, the US population over the age of 65 is expected to grow from 52 million to 66 million individuals, which would mean a great market opportunity for Ardelyx.

- **Potential Benefit to the Government.** Currently, ESRD patients make up 1% of the Medicare population but take up 7% of its budget. Simple, effective, and unnoticeable solutions such as tenapanor could significantly reduce the burden on the government, increasing the likelihood of the FDA to accelerate approval of tenapanor and RDX022 moving forward.
- **Safer for the Patient.** When compared to current solutions to hyperphosphatemia and ESRD, tenapanor – the lead drug candidate – is significantly less harmful. All currently approved methods for treating hyperphosphatemia involve phosphate binders, which add to the pharmacological complexity of patients who often are already taking 12-14 drugs a day. These binders clump together phosphates in the digestive tract to be later passed. Tenapanor, as of the stage III trial, not only is more effective than these drugs, but also uses a different approach: a sodium inhibitor. By regulating the absorption of dietary sodium, tests have shown that patients' bodies better regulate their phosphate and phosphorus blood levels and, most importantly, their GI water levels. Ardelyx's NHE3 performs the same tasks as drugs on the market, but the better regulation of GI water levels significantly reduces the most prevalent side effect: diarrhea.

Valuation

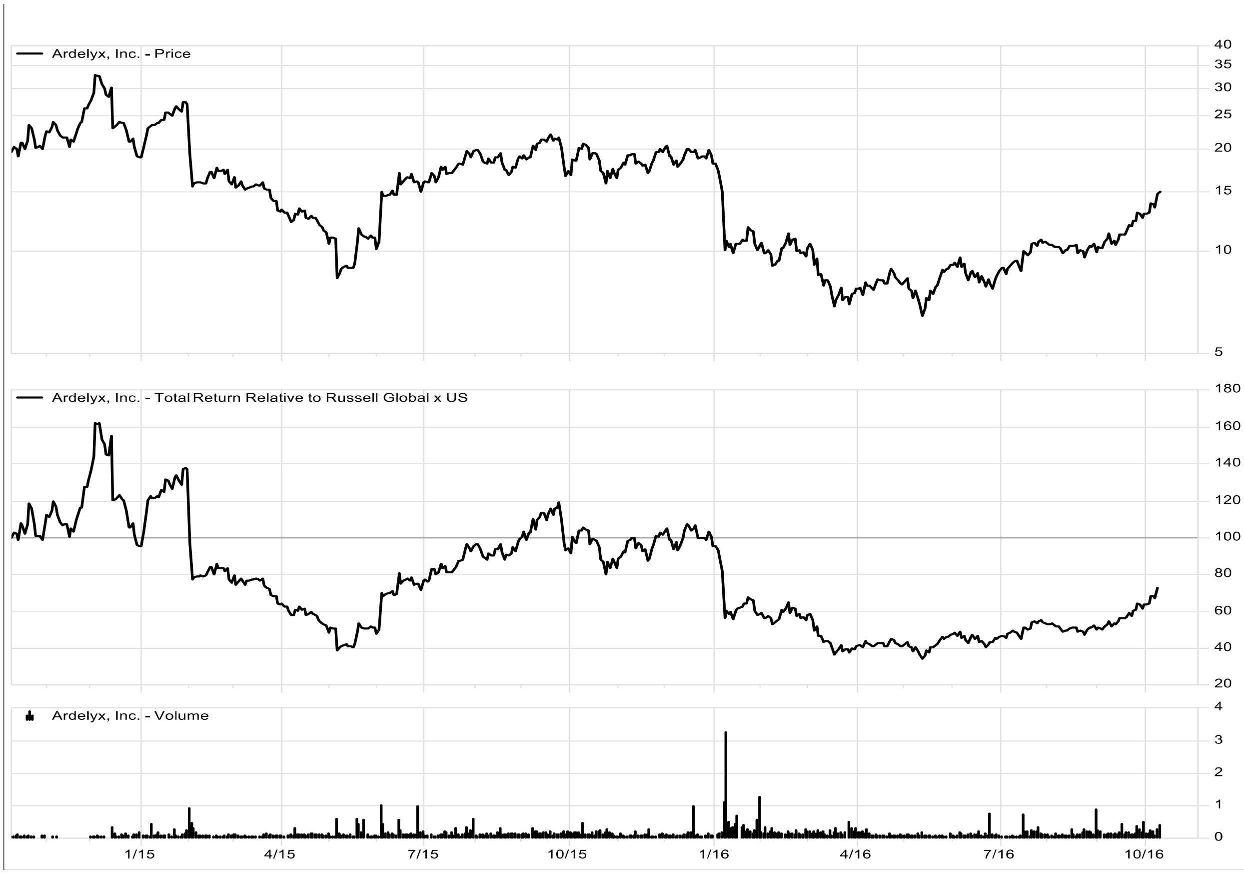
To reach an intrinsic value for ARDX, a ten-year DCF model was constructed. Using a terminal growth rate of 3.00% and a WACC of 8.28%, an intrinsic value of $20.79 was reached. Additionally, a EV/Sales multiple valuation was conducted. Using 2020 Sales of $205 MM and a peer comparable multiple of 3.29x, a valuation of $17.39 was reached. Weighting the two valuation models 50/50 resulted in a price target of $19.09, representing a 40.07% upside.

Risks

- **All Products Are In Testing.** Despite Ardelyx's portfolio of late stage products, all of their potential revenue streams still have to be approved by the FDA. Should none of the products make it to market, Ardelyx would not survive. Before their products can even make it to market, Ardelyx must also maintain a healthy cash balance to keep the value of their equity at a reasonable price. Due to the nature of expensive drug testing, Ardelyx released more equity to the market during 1Q 2016. As a result, the stock dropped over 32% on January 7. Given the company has no debt, their preferred method of financing is through additional public offerings, making it concerning as a shareholder to hold this position without promise of revenue.
- **Momentum Indicators.** ARDX is currently trading at a 6-month high and above its 50-day moving average. While the stock is anticipated to rise, entering into the position now puts the portfolio at risk for an initial loss on the holding, making it more difficult to generate alpha. However, in the 3-5 year time horizon, the stock is expected to grow well above where it currently trades.
- **Lack of Sales Team.** While Ardelyx has promising drugs that are close to being market-ready, they currently do not have a sales force to generate any revenue. They must invest more time and capital to create a sales team before any of the drugs can even be sold.

Management

Michael Raab has served as Ardelyx's CEO since March 2009. Prior to his time at Ardelyx, Mr. Raab was a partner at New Enterprise Associates, one of the world largest and most successful venture capital firms. While there, Mr. Raab specialized in healthcare investments, specifically biotech and pharmaceuticals. Prior to joining NEA, Mr. Raab was the Senior Vice President of Therapeutics and General Manager of the Renal Division at Genzyme Corporation, a Sanofi company. He received his BA from DePauw University. Mr. Raab is joined by the current CFO, Mark Kaufmann. Mr. Kaufmann joined the company in 2011 and assumed his role as CFO in May 2014. Before Ardelyx, Mr. Kaufmann spent 2 years as President of Allostera Pharma Inc., and President and CEO of Celmed Biosciences, Inc. Mr. Kaufmann received a BA in Biochemical Sciences from Harvard University, and an MBA from the University of Michigan School of Business.



Peer Analysis

Name	Ticker	Market Cap (mil)	Cash (mil)	D/E	Sales 2019	EV/Sales 2019
Aredlyx, Inc.	ARDX	705	257	0.00%	130	6.2
Sucampo Pharmaceuticals	SCMP	606	155	0.00%	274	2.5
Ironwood Pharmaceuticals	IRWD	2,216	325	0.00%	520.4	4.4
Enanta Pharmceuticals Inc.	ENTA	546	219	0.00%	NA	NA
Peer Averages		1,123	233	0.00%	397.20	3.4

**Removed For Relative Valuation Analysis*

Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	40.04%
% of Shares Held by Institutional & Mutual Fund Owners:	42.70%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
New Enterprise Associates LLC	14,084	29.81
Fidelity Management & Research Co.	4,010	8.49
RA Capital Management LLC	3,458	7.32
Future Fund Management Agency	3,436	7.27
Presidio Partners	2,540	5.38

Source: FactSet