Applied Investment Management (AIM) Program

AIM Class of 2014 Equity Fund Reports
Spring 2013

Date**:* April 12th | ***Time: 2:30 – 4:30 p.m.

Location: College of Business DS 106

Join us in person, or considering joining us live at:

Connect to the LIVE meeting via Blackboard web-based conferencing tool

Student Presenter	Company Name	Ticker	Price	Page No.
Mark Long	ICON Public Limited Company	ICLR	$30.66	2
Daniel Gaide	Banco de Chile	BCH	$90.85	5
Kevin Hansen	Arlington Asset Investment Corp.	AI	$25.78	8
Sean Morrissey	AZZ incorporated	AZZ	$46.32	11
David Yarmulnik	Great Southern Bancorp Inc.	GSBC	$23.81	14
John Hurley	Cia Energetica de Minas Gerais	CIG	$12.24	17
Joseph Bachmann	Kodiak Oil & Gas Corp.	KOG	$8.30	20
Sean Whitney	OpenTable, Inc.	OPEN	$63.93	23
Steven Marszalek	United States Lime & Minerals, Inc.	USLM	$51.21	26

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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ICON Public Limited Company (ICLR)
April 12, 2013

Mark Long — International Health Care

ICON PLC (NASDAQ: ICLR) is a contract research organization (CRO) based in Dublin, Ireland. ICLR caters to pharmaceutical companies that wish to outsource their development and testing services. ICON is a global company with a presence in 82 locations in 40 countries. ICLR derives its revenues from two operating segments: Clinical Research (92.55% of revenue in 2012) and Central Laboratory (7.45%). ICLR's geographical revenue segments are derived from the United States (42.3%), Europe (45.8%), and the rest of the world (11.9%). ICLR assists companies in all four stages of the clinical development process including preclinical and phase 1 to phase four clinical studies; as well as enhance medical technology to improve the research and testing process.

Price (4/5/13) ($):	30.66	Beta:	0.54	FY: Jan 31	2012A	2013E	2014E
Price Target ($):	39.72	WACC	10.59%	Revenue ($, M)	$1,115	$1,227	$1,374
52WK H-L ($):	33.07-20.02	ROA (TTM):	4.97%	% Growth	18%	7%	7%
Market Cap ($B):	1.85B	ROE (TTM):	7.72%	Gross Margin	35.63%	40.07%	39.48%
Industry Cap ($B):	1.88B	Debt/Equity:	59.31%	Operating Margin	6.61%	8.78%	8.46%
Avg. Daily Vol (M):	328,000	Debt/Asset	37.23%	EV/EBITDA	24.54	12.84	10.31
Short Interest (%):	$1.80	Dividend ($):	N/A	FCF/Share	(2.93)	1.64	2.11
P/E (2012A)	1.83	Yield (%):	N/A	EPS (Cal in $)	1.93	2.17	2.73

Recommendation

Icon PLC is one of the leading players in the contract research organization (CRO) industry. With a global presence and state-of-the-art technology utilized in enhancing its Central Laboratory business sector and its diverse large-cap clients utilizing its Clinical Research segment, Icon PLC has positioned itself to remain a fierce competitor in the marketplace. Given its recent acquisition in a strategy-consulting business, PriceSpective in 2012, and its entrance in the Chinese market with BeijingWits Medical Limited in 2012. These acquisitions prove that ICON wishes to increase and maintain its global presence and reputable business offerings to its large base of pharmaceutical companies in order to position itself to have strong growth in the future. Icon's low beta of 0.54 can be attributed to its noncyclical industry, as research for drug use to treat patients and consumers tend to always be in demand. Based on the company's recent acquisitions to remain a large global player and the potential effects of the Affordable Health Care Act, ICLR should be added to the AIM International Equity Portfolio with a target price of $39.72, providing a potential upside of 30%.

Investment Thesis

- **Recent Acquisitions.** In addition to having relatively strong organic growth, Icon has been focusing on maintaining its competitve status in the CRO business by expanding to international markets. This can be seen through its strategic acquisition of a leading value strategy consulting company PriceSpective in 2012, its entry into the China region with the acquisition of BeijingWits Medical Limited in 2012, and the acquisition of the Clinical Trial Services Division of Cross Country Healthcare, Inc for $52M cash. The acquisitions for PriceSpective and BeijingWits Medical Limited amounted to $48.6M.
- **Pharmacetuical Companies Seeking to Increase Revenues.** With the United States being the largest geographical revenue segment for Icon, many pharmaceutical companies are trying to increase their net profits in light of the Affordable Healthcare for America Act, where companies' patents would be shortened from 20 years to 12 years. Pharmaceutical companies could turn to Icon because of their known reputation for their efficient research and development times, which

would allow companies to retain a larger profit on specialized drugs, before these same drugs are forced to become generic drugs.

- **Industry Reputation.** Since Icon's formation 23 years ago, the company has had a reputation for being one of the largest CROs in the world. With a market capitalization of $1.85B, Icon is just about at the $1.88B industry average for Medical Laboratories and Research. Being a relatively young company in comparision to its competitiors, increases in pharmaceutical companies turning to CROs will increase Icon PLC's market shares over time.

Valuation

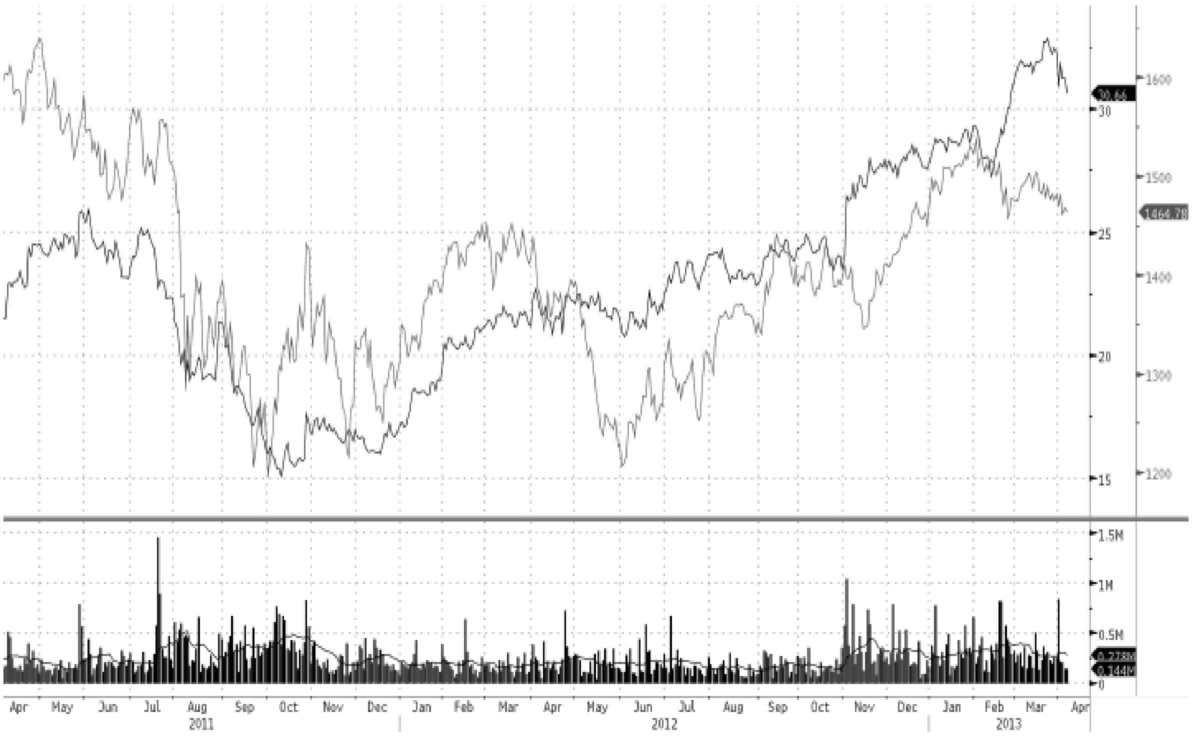
In order to reach an intrinsic value for ICLR, a five-year DCF model combined with a EV/EBITDA multiple was conducted. Using a terminal growth rate of 2% and a WACC of 10.59% resulted in a valuation of $39.72. Sensitivity analysis on both the terminal growth rate and WACC provided for a range between $34.05 to $69.50. An EV/EBITDA multiple was also incorporated into the model with a 24.54X mulpitle. Using a DCF analysis, an intrinsic value of $39.72 was found. This is a $9.06 increase over the current stock price of $30.66 on 4/5/2013. ICLR does not currently issue any dividends.

Risks

- **Limited Number of Clients.** As a leading industry CRO, Icon has many of the largest pharmaceutical clients in the world, including Pfizer. As a result of attracting large clients, its client base is small, with 48% of revenues in 2012 being dervied from its top five clients. Two clients alone contributed 20% to Icon's overall revenues. The end of a business relationship with one of ICON PLC's five largest clients could have serious reprocussions on its revenues.
- **Political Reforms and Effects Internationally.** Having an international presence loss of research data due to potential threats of government takeovers in the South American countries are plausable. Additionally, political tensions in the Korean Penninsula could also be a threat to the research data found in its South Korean research facilities. Another major political effect could result from AHCa. AHCA would increase the operating expenses of many of Icon PLCs pharmaceutical clients. With many pharmaceutical companies cutting down on research that could go onto trial testing, a decrease of revenues for Icon PLC would occur.
- **Acquisitions.** With the success and growth of Icon PLC over the past few years, the company has started to acquire several CROs around the world. Icon acquired 3 companies in 2012 alone. While many of these acquisitions have proved successful in the past, one negative acquisition could severely impact Icon PLC's bottom line.

Management

Thomas Lynch became Director and Chairman of the Board since January 2013. Mr. Lynch's prior experiences includes various senior roles and board member positions at many pharmaceutical companies. Ciaran Murry has held the title of Director and Chief Executive Officer of PLC since October 2011. Mr. Murry is a chartered accountant who was brought to ICON as the Chief Financial Officer in 2005. Dr. Steve Cutler has been serving as the President of Clinical Research Services since November 2011. Mr. Cutler has obtained 23 years of business and research experience since obtaining his B.Sc and PhD from the University of Sydney and his MBA from University of Birmingham in the United Kingdom.



Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	N/A
% of Shares Held by Institutional & Mutual Fund Owners	N/A

Source: Yahoo! Finance

Top 5 Shareholders

Holder:	Shares	% Outstanding
Earnest Partners LLC	5,391,736	9.20%
Neuberger Berman Group, LLC	5,280,353	9.01%
Artisan International Value Fund	3,968,752	6.77%
Neuberger & Berman Genesis Fund	3,882,200	6.62%
Wellington Management Company, LLP	3,158,246	5.39%

Source: Yahoo! Finance

Banco de Chile (BCH)
April 12, 2013

Dan Gaide International Financials

Banco de Chile (NYSE: BCH) is the second largest bank in Chile with over 300 branches and 1400 ATMs. BCH undertakes operations through four primary segments: retail banking, wholesale banking, money market operations and subsidiary operations including mutual funds and insurance. BCH provides its retail customers with credit cards, mortgages, consumer loans and credit lines, as well as traditional deposit services, such as current accounts, savings accounts and time deposits. Its wholesale banking segment provides commercial loans, foreign trade, debt services, derivative contracts and leases for businesses. The treasury and money market segment include currency trading and foreign exchange transactions. The Bank is headquartered in Santiago de Chile and is locally supervised by the Superintendencia de Bancos e Instituciones Financieras of Chile.

Price 4/4/13 ($):	$92.50	Beta:	0.87	FY: Dec 31	2012A	2013E	2014E
Price Target ($):	$114.60	Cost of Equity:	9.42%	Net Interest Income ($M):	1,960.25	2191.85	2423.31
52 WK L-H ($):	79.00-102.31	M-Term Rev. Gr Rate Est:	10.56%	% Growth:	8.63%	11.81%	10.56%
Market Cap (M):	13500.6	M-Term EPS Gr Rate Est:	8.36%	NIM (%)	4.59%	4.40%	4.30%
Float (M):	25.47	Financial Leverage	0.395	EPS:	$10.88	$11.77	$12.76
Avg. 10 Day Vol:	8,135	ROA (FY 2012):	2.07%	BVPS:	$47.58	$53.63	$60.55
Loan Loss %	11.61%	ROE (FY 2012):	24.87%	P/B:	1.94	1.65	1.58
Dividend:	$3.61	Tier-1 Capital Ratio	7.73%	P/E	8.50	8.48	8.45
Dividend Yield:	4.30%	Credit Rating	A+	Div. Per Share	$3.61	$4.01	$4.45

Recommendation

Over the past decade, a select group of South American countries have consistently outperformed the global economy as a whole. Chile in particular has been extremely successful, outperforming even Brazil with an average GDP growth of 4.38%. Chile leads Latin American nations in human development, competitiveness, income per capita, globalization, economic freedom and low percent of corruption; these attributes contributed to Chile being the first South American country to join the OECD. A major driver for this success has been Chile's financial sector. Since 1997 the financial sector has enjoyed the introduction of new financial tools such as home equity loans, currency futures and options, factoring, leasing, and debit cards coupled with increased use of loans and credit cards. Banco de Chile has been able to capitalize on these developments by growing total loans 149% since 2005 and by issuing 200,000 new credit cards last year. As macroeconomic conditions have improved, BCH has been able to significantly advance its funding position and grow its deposits by 133% since 2005 providing strong revenue growth from outside sources. For the following reasons and a favorable valuation, it is recommended that BCH be added to the AIM International Equity Fund with a target price of $114.60, which offers a potential upside of 24%. BCH also offers an attractive 4.30% dividend.

Investment Thesis

- **Attractive Macroeconomic Environment.** After hitting a peak of 11.6% unemployment in 2009, unemployment levels have receded to a historic low of 6% in January in Chile. This decrease in unemployment has helped spur internal demand and consumption, growing retail sales and manufacturing by 11.3% and 5.2% YoY respectively. Increased retail sales have been concentrated particularly on higher-cost durable goods. These developments have been profitable for BCH as it has added 200,000 new credit card clients last year and increased its loans by 51% since 2009. Loans are becoming increasingly profitable for BCH as non-performing assets have decreased from a 2010 high of 4.3% to a low of 2.3%.
- **Increased Investment in Expansion.** On March 21st BCH announced its plan to invest $98 million into the rapidly growing local market in 2013; this is an increase of 28% from 2012.

These expansionary efforts have proven to be successful historically as BCH has gained 0.8% market share in residential mortgage loans in 2012 and expanded their customer base by 4% YoY in individuals and SMEs. As mentioned earlier BCH gained 200,000 new credit card clients and gained market share in credit card purchases. Investments were also used in 2012 to update current systems resulting in higher efficiencies and capabilities which are expected to reduce expenses mid-term.

- **Diversification Driving Loan and Revenue Growth.** The results of the most recent quarter indicated solid financial strength for BCH. Revenues beat expectations because of unexpectedly high fees, trading income and growth of consumer and real estate loans. This led to ROE improvement to 28.7% from 22% in Q3. Recent success will make capital access and continued growth easier for BCH than competing banks. In fact BCH has outperformed its largest competitor, Banco Santander Chile, in terms of growth for Net Interest Income, customer deposits and Net Income at least 4 of the last 5 years.

Valuation

To find the intrinsic value of BCH, an Excess Equity Return model was conducted, as well as a P/B ratio analysis and a Hypothetical Dividend model. A conservative Cost of Equity of 9.42% was used in the equity excess returns and hypothetical dividend model calculations. Using the Equity Excess Returns model, net income and equity cost were projected until 2017 to find the Excess Equity Return, which was then discounted to its present value yielding an intrinsic value of $108. For the P/B model, a blended historical and peers average of 1.78x was used against 2013E BVPS to yield an intrinsic value of $111. The DDM projected 5.5% annual dividend growth, yielding an intrinsic value of $136. Weighting the different models 40%, 40% and 20%, respectively, a price target of $114.60 was established, offering a 24% upside.

Risks

- **Depressed Global Economic growth.** As the second largest bank in Chile, BCH's success is tied to the growth of the larger Chilean economy. This reliance comes from consumer spending habits and interest payments which comprise BCH's primary business lines. A large portion of Chile's GDP is tied to exports, making Chile's growth and development dependent on the demand derived from economies around the world. Continued stagnation in Europe or problems developing in China or the U.S. would make continued growth at the current pace challenging.
- **Intense Competition for Deposits.** With interest rates at record lows competition to attract deposits has grown considerably. This competition has forced banks to lower the interest that they are charging on loans, reducing their NIM lowering net income. The average fourth-quarter NIM for the diversified banking sub-industry fell to 3.33%, from 3.40% in the third quarter, and 3.56% last year. BCH's NIM fell from 4.59 to 4.40 this year. Continued competition for deposits and loans would push BCH margins lower.

Management

Arturo Quiroz is the CEO of Banco de Chile. Quiroz has had his position since May 2010 and has been with BCH since 1998. Quiroz was previously the managing director for the Institutional and Investor Relations. Quiroz received his MBA from the University of Chicago. Pablo Granifo Lavin is the chairman of BCH; he has held this position since March 2007. He had previously been the CEO of BCH from 2001-2007.

Ownership

% of Shares Held by All Insider and 5% Owners:	<1%
% of Shares Held by Institutional & Mutual Fund Owners:	<1%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Soc Adm Oblig Subord Saos	29,135,724,000	33.09
LQ Inversiones Financiera	28,184,010,149	32.01
Sociedad Matrix Banco De Chile	12,368,623,667	14.05
Ergas Jacob	5,185,951,514	5.89
Vangaurd Group Inc	577,538,758	0.66

Source: Bloomberg

Arlington Asset Investment Corp. (AI)
April 12, 2013

Kevin Hansen Financials

Arlington Asset Investment Corp (AI) was formed on March 31, 2003 through the merger of two business segments which were both formerly a part of Friedman, Billings, Ramsey Group, Inc. AI is an investment firm that primarily acquires and holds mortgage-related assets. AI's main investment is in mortgage-backed securities, both agency-backed and private-label. Agency-backed securities are guaranteed and low risk, while private-label are not guaranteed and consist of both prime and sub-prime mortgages. AI is headquartered in Arlington, Virginia and is registered in the United States as a C Corporation.

Price 4/4/13 ($):	25.65	Beta:	1.21	FY: Dec 31	2012A	2013E	2014E
Price Target ($):	35.91	Cost of Equity:	12.1%	Net Interest Income ($M)	59.2	69.5	81.7
52 WK L-H ($):	17.84-26.97	M-Term Rev. Gr Rate Est:	13.9%	% Growth:	18.3%	17.5%	17.5%
Market Cap (M):	$413	M-Term EPS Gr Rate Est:	17.7%	NIM (%)	4.47%	1.62%	1.81%
Float (M):	15.2	Financial Leverage	4.5x	EPS:	$18.80	$2.51	$3.22
Short Interest (%):	1.47%	2013E ROA:	1.8%	BVPS:	$35.47	$38.02	$41.24
Avg. 3 Month Vol:	285,648	2013E ROE:	6.6%	Est P/B:	0.7x	0.8x	0.9x
Dividend:	$3.50			Est P/E	8.9x	12.2x	8.8x
Yield:	13.65%			Div. Per Share	$3.50	$3.56	$3.62

Recommendation

The housing market nation-wide is making a strong rebound following the recent bubble and as a company that relies on the housing market for investing it is poised to show strong growth in the upcoming years. The U.S. government's QE3 policy is helping to increase revenues and opportunities for AI and the longer this policy continues the bigger the effect it will have on helping out AI's numbers. This could become even more substantial in the long-term since QE3 still has no defined end date. AI has also resumed paying a dividend after having eliminated it during the recession, showing faith by the executives of the company that it is in a strong position financially. Prior to the recession AI was trading at a Price to Book multiple of 1.2x, and the multiple has been climbing back to that number since their stock price plummeted. For these reasons it is recommended that AI be added to the AIM Equity Portfolio with a price target of $35.91, representing a 40% upside. AI also pays a dividend that is currently at a 14% dividend yield.

Investment Thesis

- **QE3's Continued Effect on MBS Price Growth.** The Federal Reserve's QE3 program is injecting $85B of capital into the markets each month through the purchase of bonds. $40B of this $85B is going towards the purchase of agency-backed mortgage based securities each month, which is driving up their cost. The increase in prices means that AI's holdings of agency-backed mortgage based securities continues to increase in value the longer that QE3 continues. QE3 is also keeping interest rates at historically low levels which allows AI to borrow cheaply and reinvest the money in more securities on which it continues to see great returns resulting from QE3.
- **Flexibility Regarding Business Classification.** AI currently has a lot of flexibility in terms of how it is viewed by the government for tax and regulation purposes. AI is currently exempted from regulation of investment companies by the Investment Company Act of 1940. Beginning in 2014 AI also has the potential to reclassify itself as a REIT should it so choose, which would enable it to deduct dividends paid from its taxes, however the investors who receive dividends would then have to pay the full 35% corporate tax rate. In the status quo owners of AI stock only pay federal income tax at a 15% rate on dividends paid by AI due to its classification as a C corporation. The flexibility that management has regarding how they want to handle

classification of their business means that they will be able to have the most tax-efficient structure in place no matter what.

- **Recovering National Real Estate Market.** February of 2013 saw the largest year over year growth in housing prices at 12% since June of 2006. The strength of the housing market will help stabilize the market for mortgage-backed securities as AI will not have to worry as much about defaults on loans and mortgages and can also take out more loans which are backed by their securities in order to invest even further.

Valuation

A price to earnings and price to book ratio approach combined with a dividend discount model were used to find the intrinsic value of Arlington Asset Investment Corp. The price to earnings ratio was weighted 30%, the price to book ratio was weighted 30%, and the dividend discount model was weighted 40%. The peer-group average P/E ratio of 8.5 and P/B ratio of 1.05 were used in valuing AI. The earnings per share and book value per share that were used to value the company were derived from 2013-2015 projections of the income statement and balance sheet. The prices obtained from these three years of estimates were then averaged to find the price that would be used for the weighting. The dividend discount model used a dividend at time 0 of 3.5 with a 1.8% growth rate for the first 5 years, the same growth rate from 2011 to 2012, and a 1% perpetuity growth rate. Using a cost of equity of 12.1% yielded an intrinsic value of $36.34. The price to book and price to earnings approaches produced prices of $43.51 and $27.72 respectively. Combining the three prices using the aforementioned weights produces an intrinsic value of $35.91, representing an upside of 40%.

Risks

- **Credit Crunch Risk.** AI funds significant portions of their business through short-term borrowing and if the credit market goes through another crunch similar to what was seen during the recent recession that could have a major impact on the ability of AI to continue business as usual. Short-term borrowing makes up 72% of the total debt and equity of the company as of the end of the 2012 fiscal year.
- **Adverse Developments in the Residential Mortgage Market.** A decline or extended flattening in real estate values could increase the rates of delinquency on loans or defaults on mortgages which would decrease the performance and market value of AI’s securities. Additionally if home owners are unable to refinance their homes in order to keep monthly payments low this could have an impact on the securities. Various federal, state, and local authorities have also either taken or proposed laws that could hinder the servicer’s ability to foreclose on the defaulted mortgages quickly which would even further affect the performance of the loans and securities.
- **Any Changes in Laws or Regulations Regarding Fannie Mae and Freddie Mac.** The agency-backed securities in which AI invests are guaranteed by either Fannie Mae or Freddie Mac, which are both government-sponsored entities however are not backed by the full faith and credit of the United States. Both entities have suffered heavy losses since 2007 and a U.S. report published in February of 2011 calls for the pricing of the guarantees made by these entities to be increased so that the private sector can take over the role. The increased price of these loans being guaranteed would obviously hurt AI’s profit margin.

Management

Eric F. Billings is the Chairman and CEO of AI and has been since its inception, and he also co-founded the previous parent company FBR in 1989 and founded that company’s principal investing unit in 1997. J. Rock Tonkel, Jr. is the President and COO of AI and has also been on its board since 2007. He was previously the head of investment banking at FBR, a position he took in 1994 and held until his switch to AI. Kurt R. Harrington is the Executive VP and CFO of AI. He joined FBR as the VP of Finance and Treasurer in 1997. Brian J. Bowers is the CIO and joined FBR in 2000.

Ownership

% of Shares Held by All Insider and 5% Owners:	6%
% of Shares Held by Institutional & Mutual Fund Owners:	43%

Top 5 Shareholders

Holder	Shares	% Out
The Vanguard Group, Inc.	325,206	2.59
BlackRock Institutional Trust	281,138	2.24
Yorktown Management & Research	281,000	2.24
American Pension Inv	248,500	1.98
BlackRock Fund Advisors	248,133	1.98

AZZ, Inc. (AZZ)
April 12, 2013

Sean Morrissey — Domestic Industrials

AZZ, Inc. (NYSE:AZZ) is involved in the designing, engineering, and installation of electrical distribution systems and the manufacturing of various other industrial related products. The company is comprised of two segments that operate primarily in North America: Electrical and Industrial Products (E&I-40%) and Galvanizing Services (60%). E&I offers products and services critical to the distribution of high voltage power such as transformers, generators, and switching devices. Galvanizing Services serves the steel fabrication industry through steel galvanization as a preventative measure against corrosion. AZZ, Inc. was incorporated in 1956 and is headquartered in Fort Worth, Texas.

Price ($) (4/8/13):	46.32		Beta:	1.15		FY: February	2013A	2014E	2015E
Price Target ($):	$ 61.34		WACC	12.23%		Revenue ($Mil)	570.60	856.00	958.00
52WK H-L ($):	23.33-49.10		M-Term Rev. Gr Rate Est.	15.8%		% Growth	21.6%	50.0%	11.9%
Market Cap (mil):	1,180.00		M-Term EPS Gr Rate Est.	14.0%		Gross Margin	29.19%	25.00%	25.00%
Short Interest:	2.16%		Debt/Equity:	17.9%		Operating Margin	17.46%	15.00%	15.00%
Avg. Vol (90 day)	182,652.0		ROA:	9.7%		EPS ($Cal)	$2.37	$2.90	$3.34
Dividend:	$ 0.56		ROE:	19.5%		FCF/Share	1.98	2.71	3.20
Div. Yield:	1.2%					P/E (Cal)	19.78	21.15	18.36
						EV/EBITDA	9.14	7.83	6.76

Recommendation

AZZ is in an advantageous position as the various end markets to which it contributes have the potential for future increased production. Electrical infrastructure in the U.S. is in decline as power distribution systems fail at an increasing rate and will need repair and/or replacement in the near future. According to a 2013 report by the ASCE, siginificant power outages in 2011 had risen by 75% from 2007 levels due to various factors including aging equipment. AZZ's E&I segment stands to benefit from increased investment in this area through its productive capabilities as well as its installation services. Continued investment in nulear energy, both domestically and by foreign nations, may benefit AZZ which aquired Nuclear Logistics, Inc. (NLI), in June 2012 and Aquilex SRO in April 2013. These subsidiaries offer safety-related euqipment, maintainence and repair to the nuclear industry, and, as members of the E&I segment, complement AZZ's energy distribution business. These acquisitions exemplify AZZ's expansion strategy of actively searching for opportunities to efficiently grow operations and profitability. Financial operating results have been impressive with YOY growth in revenue and EPS. FY2013 revenue grew by 22% YOY to $570.59 million and EPS grew by 52% YOY to $2.37. Increased contribution by newly acquired companies as well as increased activity in AZZ's end markets should lead continued financial success in the near term. For these reasons, it is recommend that AZZ be added to the AIM Equity Fund with a price target of $61.34, which has a potential upside of 32%.

Investment Thesis

- **Increased Nulear Regulation and Activity.** Japan's newly established Nuclear Regulatory Authority (NRA) is set to release a set of regulations in July 2013 aimed at protecting nuclear power facilities against natural disasters and terrorist attacks in light of the Fukushima plant incident in 2011. AZZ may benefit from this as the subsidy, NLI, specializes in nuclear safety products and systems and, currently, contributes to international markets. It has also supplied products or systems to every nuclear plant in the U.S.. The acquisition of Aquilex SRO, further increases the presence of AZZ in the nuclear industry, improving the likelihood of attaining future contracts for repair of aging facilities domestically and production of new facilities internationally as nuclear energy grows globally.
- **Effective and Profitable Acquisitions.** Three recent acquisitions by AZZ attempt to increase market presence and expand operations. NLI was acquired in June 2012 and accounted for 27% of E&I revenues for Q3FY2013 and management expects it to grow between 10% and 15% for

several years to come generating somewhere between $75 and $80 million. AZZ acquired G3 Galvanizing, located in Nova Scotia, in January 2013. Although little is expected in terms of revenue from G3 because of production capacity, the acquisition represents AZZ's effort to become the top supplier of galvanizing services in Canada. Aquilex SRO was acquired on April 1, 2013for $250 million from Aquilex Holdings LLC. Aquilex provides maintenance, repair, and overahul services to nuclear, fossil power, and refining plants so it functionally compatible with AZZ's E&I segment. Revenue generated by the company, in the first year, is expected to be between $200 and $250 million.

- **Potential International Opportunities**. A report issued by Pike Research on the future of the electricity transmission infrastructure in 2010 claimed that cumulative expenditures on electricity transmission projects will surpass $606 billion by 2020. Growing populations and economies, especially in Asian and South American countries are the source for this increase in electricity demand. About 20% of the E&I segment's revenue comes from international sales, and this percentage is only expected to increase with the addition of NLI and Aquilex SRO whose services have a global presence. Continued increase in international electrical distribution construction could be a source of strong revenue flow for AZZ in the future.

Valuation

A five year discounted cash flow model was conducted to reach AZZ's intrinsic value. Using a terminal growth rate of 3% and a WACC of 12.23% resulted in a valuation of $65.80. Varrying the WACC and terminal growth rate in a sensitivity analysis yielded a range of values from $54 to $100. An EV/EBITDA multiple was also performed in this analysis. An industry average EV/EBITDA multiple of comparable firms yielded a multiple of 12.73x while a regression analysis showed AZZ's historical average to be 7.5x trending toward 8.8x. The industry average was weighted 50% while the historical average and regression were each weighted 25% to reach a EV/EBITDA multiple of 10.4x. By weighting the DCF model 50% and the EV/EBITDA multiple 50%, a price target of $61.34 was established offering a potential upside of 32%. AZZ pays a quarterly dividend of $0.14, which yields about 1.2%.

Risks

- **Operations Subject to Economic Uncertainty.** Uncertainty in the macroeconomic environment can lead to reduced or delayed orders. Customers may put holds on their orders or cancel them completely because of lowered confidence in economic health. Electrical construction projects may be delayed until the economic and regulatory situation is more stable. Revenue and EPS projections for FY2013 had to be reduced in February because of an increase in customer requested delivery delays.
- **Increase in Raw Material Prices.** Increasing raw material prices is an external factor that would adversely affect profitability. Both E&I and Galvanizing Services segments operate with raw materials as a large cost of production. AZZ's ability to pass an increase in prices along to its end customers relies on various factors such as rate of price change and is therefore unknown.
- **Acquired Firm Integration.** Newly acquired firms may go through challenges in adopting AZZ operations and strategy. Any number of factors may lead to reduced growth and performance from disgruntled employees to over-extension of capacity. Also, new risks may arise from integration that were missed in due diligence.

Management

David H. Dingus has been the President of AZZ since 2000 and the CEO since 2001. On March 4, 2013 Mr. Dingus announced that he has pancreatic cancer and will seek treatment but is not stepping away from day-to-day operations. Dana L. Perry has been the CFO since 2000. Galvanizing Services and E&I were both asigned new COO's on March 4, 2013. Both Kolady (E&I) and Pendley (Galvanizing) have been with the firm for several years.

Ownership		
% of Shares Held by All Insider and 5% Owners:	1%	
% of Shares Held by Institutional & Mutual Fund Owners	90%	
	Source: Yahoo! Finance	

Top 5 Shareholders		
Holder	Shares	% Out
Vanguard Group, Inc. (The)	1,333,714	6.05%
Lord Abbett & Co.	1,141,934	5.18%
Ariel Investments, LLC	998,339	4.53%
Price (T. Rowe) Associates Inc.	988,850	4.48%
BlackRock Fund Advisors	951,646	4.31%
		Source: Yahoo! Finance

Great Southern Bancorp (GSBC)
April 12, 2013

David Yarmulnik Financial Services

Great Southern Bancorp (NASDAQ: GSBC) is the bank holding company for Great Southern Bank, which provides a full array of banking services to individuals as well as businesses. GSBC offers a wide assortment of deposit products, but GSBC is primarily concerned with the originating of residential and commercial real estate loans, construction loans, other commercial loans and consumer loans. Its loan portfolio consists largely of real-estate secured loans at 80%. GSBC's loan strategy includes holding adjustable rate loans and fixed rate loans with terms under five years and selling longer term fixed rate mortgage loans in the secondary market. The company has increased its assets from $2.66B in 2008 to $4.00B in 2012. This increase is primarily due to FDIC-assisted acquisitions of other banks, but also has been influenced by organic growth from the loan portfolio and deposit increases, which account for approximately 20% of the growth. These recent acquisitions in the past four years have allowed GSBC to expand from 39 banking centers in only Missouri to 107 banking centers in 6 different states - Missouri, Kansas, Arkansas, Nebraska, Iowa, and most recently Minnesota. The company was founded in 1923 and is headquartered in Springfield, Missouri with over 1200 employees.

Price ($): (4/5/13)	$23.81	Beta:	0.94	FY: Jan	2012A	2013E	2014E
Price Target ($):	$29.52	WACC:	4.70%	Revenue (mil):	198.51	175.01	189.58
52WK H-L ($):	31.81-21.25	M-Term Rev. Gr Rate Est:	5.72%	% Growth	5.05%	-11.84%	8.32%
Market Cap (mil):	324.08	M-Term EPS Gr Rate Est:	4.85%	NIM	4.80%	4.80%	4.80%
Float (mil):	9.6	Leverage Ratio	1.06x	Pretax Margin	16.09%	18.11%	19.82%
Short Interest (%):	1.70%	ROA:	1.26%	EPS (Cal)	$3.54	$2.34	$2.51
Avg. Daily Vol:	16,052	ROE:	16.63%	BVPS	$22.94	$26.36	$29.78
Dividend ($):	$0.72	Tier 1 Capital Ratio:	15.70%	P/B	1.04x	1.10x	1.10x
Yield (%):	3.00%	Debt/Assets	0.10	P/E (Cal)	9.49	13.25	12.82

Recommendation

GSBC has been able to maintain a high quality financial position over the past several years, despite the financial crisis in 2008, and has been able to produce sustained growth. The company has almost tripled its banking centers from 39 to 107 and has increased its assets by over 50% since 2008. With a tier one capital rate of 15.7% GSBC is well-capitalized, which has allowed it to acquire weaker and struggling banks with the FDIC agreement to pay for 80% of the losses that arise from covered loans. The support from the FDIC permits GSBC to increase its banking footprint as well as add to its loan portfolio with minimal risk. This company has emerged from the financial crisis with a promising outlook, increasing assets by 50% since 2008 as well as expanding its reach to 6 states. Management has continued to express an interest in further expansion and M&A activity, but is conservative in their efforts as to not over expand and fail to be competitive in the new markets. GSBC's recent acquisitions and strategy to further diversify the mix and maturity of its loan portfolio have resulted in increases in net interest income with a CAGR of 7.5% over the past 4 years. The company has also been able to produce a net interest margin of 4.8%, with the industry average of banks in that region having approximately 3.5% NIM. In November of 2012, GSBC sold Great Southern Travel and Great Southern Insurance for a total gain of $6.1M, and has decided to focus on its core business - banking. With its several acquisitions, high NIM, and ability for growth, it is recommended that GSBC be added to the AIM equity fund with a target price of $29.52, which offers an upside of 22%. The company also pays a dividend of $0.72, which is a yield of 3%.

Investment Thesis

- **Acquisitions and Expansion.** Great Southern Bank has been categorized as well-capitalized by the FDIC for the past 4 years, which permits it to undergo FDIC-assisted acquisitions of assets from struggling banks. This loss-sharing agreement with the FDIC allows GSBC to continue to expand its presence in the U.S. while being reimbursed for 80% of the losses resulting from covered loans of the new acquisitions. GSBC's management has stated that they are continuing to search for expansion opportunities and more acquisitions, but are careful not to overextend itself and take on too much risk. GSBC has the ability to increase its footprint with minimal risk. Additionally, these acquisitions have been obtained at a discount with no recorded goodwill.

- **Real-Estate Markets.** GSBC's loan portfolio consists heavily of commercial real-estate loans at 36%, up from 25% in 2007 and residential real-estate loans at 29%. These markets in the areas in which GSBC is involved have been improving over the years with vacancy rates continuing to fall well below the US average and increases in rents and sales. Current vacancy rates are approximately 1% higher than they were before the downturn in 2008; however, these rates are expected to continue to fall. Additionally, with improving real-estate conditions, interest rates should increase allowing GSBC to increase its NII due to its significant amount of adjustable rate mortgages. Furthermore, in the past year unemployment rates have dropped to 6.5% in Missouri from 8.2% in 2011. In all other markets where GSBC is present this rate is below in the US average of 7.6%, with the exception of Branson, Missouri, whose economy relies heavily on tourism, which is expected to increase in future years.

Valuation

To find the intrinsic value of GSBC a price to book multiple was used, as well as an excess equity and discount dividend model. The 5-year average historic price to book for GSBC and its peer average turned out to be approximately equal with an average P/B of 1.1x. The P/B yielded an intrinsic value of $32.93. The excess equity approach using a cost of equity of 9.6% and a long term growth rate of 3% resulted in an intrinsic value of $28.03. Finally the discounted dividend model used a WACC of 4.7% and projected future dividends increasing slightly at 1% growth from a $0.72 dividend in 2012 provided a value at 19.46. Weighting these valuations 50/40/10 respectively, the final estimated intrinsic value of GSBC is $29.11, which provides an upside of over 22%.

Risks

- **Increased Bank Regulation.** An increase in government regulation of banks has resulted in an increase in operating costs. Regulatory rules such as Dodd-Frank and Basel III because additional legal costs in order to comply with these new laws. These laws could result in material decreases in earnings and negatively affect operating margins. Increased regulations also make it more difficult for banks to plan future business activities due to the uncertainty of exact implementation of the enacted laws or the possibility of new future regulations.
- **Local Economies.** Since GSBC's business is primarily concentrated in Missouri, Iowa, Kansas, Arkansas, Nebraska, and Minnesota, a significant downturn in these state or local economies, namely in Springfield, St. Louis or Branson, may adversely affect our business. The company's lending and deposit activity is heavily concentrated in southeastern Missouri. These economies currently seem to be more favorable than other places, but a negative effect on this local economy could somewhat damage overall earnings.
- **Loan Portfolio Mix.** GSBC's current loan portfolio mix has increased risk due to the relatively high concentration of commercial and residential construction, commercial real estate, multi-family and other commercial loans, which account for 65% of the portfolio. These loans tend to have a higher delinquency rate since repayment is usually dependent on the success of a project. Furthermore, these loans tend to be more adversely affected by the real estate market and the local economy in general.

Management

Mr. Joseph W. Turner (48) is the current CEO and President of Great Southern Bancorp. Joseph Turner is the son of the former CEO and current Chairman of the Board William Turner, who has been chairman since 1974. Joe Turner has over 18 years of experience in the financial services industry and has served as an Officer of GSBC since 1995 after joining the company in 1991.

Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	35%
% of Shares Held by Institutional & Mutual Fund Owners:	22%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Vanguard Group, Inc.	561,961	4.13
Dimensional Fund Advisors LP	418,932	3.08
BlackRock Institutional Trust Company, N.A.	347,213	2.55
BlackRock Fund Advisors	232,363	1.71
State Street Corporation	185,229	1.36

Source: Yahoo! Finance

Companhia Energetica de Minas Gerais (CIG US)
April 12, 2013

John Hurley International Utilities

Companhia Energetica de Minas Gerais, also known as CEMIG, (NYSE: CIG) engages in the generation, transformation, transmission, distribution, and sale of electric energy primarily in the Brazilian State of Minas Gerais. CEMIG generates electricity through hydroelectric plants, thermoelectric plants, and wind farms. While electricity remains their main product, CEMIG also distributes natural gas, provides telecommunication services, and engages in a consulting business that helps provide efficient energy solutions to industrial, service, and commercial sector companies worldwide. CEMIG was founded in 1952 and is currently headquartered in Belo Horizonte, Brazil.

Price ($) (4/05/13)	11.93	Beta:	0.88
Price Target ($):	15.92	WACC	12.5%
52WK Range ($):	10.07-20.97	M-Term Rev. Gr Rate Est:	5.0%
Market Cap:	10.44B	M-Term EPS Gr Rate Est:	3.0%
Float	2.1M	Debt/Equity	134.3%
Short Interest (%):	1.2%	ROA:	11.0%
Avg. Daily Vol:	2.986M	ROE:	35.9%
Dividend ($):	$ 2.67		
Yield (%):	5.94%		

FY: December	2012A	2013E	2014E
Revenue (Mil)	9,487	9,712	10,198
% Growth	0.55%	2.37%	5.00%
Gross Margin	32.92%	33.32%	33.00%
Operating Margin	20.70%	22.23%	21.00%
EPS (Cal)	$2.76A	$2.50E	$2.58E
FCF/Share	0.67	2.35	2.42
P/E (Cal)	4.33	4.77	4.62

Recommendation

Brazil's economy experienced higher growth in the past decade than most other countries, resulting in an average real GDP growth rate of 3.79% during the past decade. The Brazilian economy faultered in 2012 and experienced GDP growth of only .9%, but there is still optimism about strong growth for the region. CEMIG is in a solid position to reap these benefits and continues to be a power player in the Brazilian electricity segment. They have obtained market share throughout all of Brazil, offer electricity services in Chile, and provide services to more than 11 million consumers. CEMIG has the opportunity to gain market share due to their vast presence throughout the country, scale of operations, and high quality of service. The firm's revenues have been steadily increasing at a compound annual growth rate of 18% over the past ten years. In 2012 their revenues increased by only 0.5% to $9,487.18 million – and while this was uncharacteristic of their past revenue growth, 2013 revenues are set to grow at slightly under 3% as the Brazilian economy recovers. Brazilian electricity is highly regulated, so while they increased their customer base, the struggling economy caused the government to decrease the maximum price CEMIG could charge for electricity. CEMIG's net income for 2012 was significantly higher than 2011, increasing by $748 million to $2,195 million. While this was a solid improvement, it was primarily due to a large settlement gain from the State of Minas Gerais. Their net income for 2013 is expected to be a more normal $1200 million. CEMIG has generated consistently solid cash flows and recently increased their dividend payout, an indicator that they are relatively comfortable with their operating cash flow. Due to a favorable valuation and encouraging growth propects, it is recommended that CEMIG be added to the AIM International Equity fund with a target price of $15.92. This would provide a potential upside of 33% - along with a dividend yield of nearly 6%.

Investment Thesis

- **Presence in Brazil.** While CEMIG operates primarily in the State of Minas Gerais, they still have a presence and provide electricity throughout the entire nation. Brazil is the 5th most populated country in the world and their economy still has room for growth. By situating themselves throughout the entire country – and in Chile - they will continue to grow as the regional economies become more developed. They are also one of three Brazilian companies, and the only electricity corporation, to be a member of the Global Dow Index. This index lists companies that are considered world leaders and should be looked at as a benchmark. CEMIG is the third largest energy providing company in Brazil and along with their broad presence, diversified locations, and favorable reputation, CEMIG is in a favorable position to gain market share as Brazil continues to develop.

- **Continual Revenue Growth.** For the past ten years CEMIG has seen their revenues increase every year. In 2012 they experienced a small increase, but this was largely due to the Brazilian government declaring a lower maximum electricity price because of the lull in the economy. The company was still able to post a solid net income and performed better than most competitors during this period. As Brazil continues to develop and rebounds economically, CEMIG should experience revenue growth rates similar to the past.
- **Regulation in Brazil.** Regulation in Brazil provides both a positive and negative effect on CEMIG. The positive aspect is part of President Dilma Rousseff's plan to fight through the lull in the economy. One political move she made to boost the economy and increase her chances of being re-elected was beneficial for CEMIG. To induce consumers to spend, she is lowering the price and taxation of electricity near 20%. This will decrease consumers electricity bills significantly and hopefully revive the economy. The firm could see their customer base and electric demand increase if the economy responds favorably. Consumers may decide to use more electricity because they see their costs were cut dramatically, a revenue booster for CEMIG.

Valuation

In order to reach an intrinsic value for CEMIG, a ten year discounted cash flow model was conducted. A WACC of 12.46% was combined with a terminal growth rate of 3% to reach a valuation of $14.16. A P/E relative valuation was also conducted. Comparing CEMIG to four other peers over 5 years provided an average P/E ratio of 7.74x. CEMIG has experienced an average P/E of 6.41x over the past five years. Recently CEMIG's P/E ratio has been very low at around 4.08x at the end of 2012. Multiplying CEMIG's expected EPS for 2013 by the competitor average and their historical average provided a projected value of $19.34 and $16.02 respectively. By weighing the DCF model 50% and each P/E valuation 25%, a target price of $15.92 was reached. CEMIG also paid a dividend of $2.67 yielding nearly 6%.

Risks

- **Regulation.** Regulation provides a negative aspect to CEMIG's business. ANEEL, the Brazilian government organization that monitors the nation's utilities, sets a maximum price that distributors can sell electricity. This was a major cause for CEMIG's revenues increasing by only .5%. When the economy is struggling they are forced to offer a lower price for their service and thus can't cover their cost of goods sold like they usually can. Government regulation takes away from the electricity industries competition and limits the gross margin that CEMIG can attain.
- **Competitors Limiting Potential Growth.** ANEEL works with CEMIG and many other electricity companies in Brazil. One of the issues with this is that they have ties to many of CEMIG's competitors. Utilities can often be characterized as monopolies in their respective region, and the Brazilian government accepts and recognizes this. Due to the maximum price ANEEL sets and their interest in the health of CEMIG's competitors, it will be increasingly difficult for CEMIG to gain a monopoly in other Brazilian States. ANEEL limits CEMIG's growth and decreases their ability to steal away market share from competitors.

Management

Djalma Bastos de Morais is the Chief Executive Officer of CEMIG. He has served as the President and CEO since 1999 and has continually grown CEMIG. He served as the vice president of Petrobras, a similar utility company that specializes in natural gas, for four years prior to joining CEMIG. Arlindo Neto Port is the Vice President of CEMIG. He has been with the company since 2003 and also served as a Senator of the State of Minas Gerais. He has been a valuable asset to CEMIG and also provides a solid in with the government that highly regulates their business. Management seems to have good qualifications and have the numbers to back up their performance.

Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	N/A
% of Shares Held by Institutional & Mutual Fund Owners:	N/A

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Vontobel Asset Management	23,950,742	4.99
BlackRock	13,096,274	2.73
Capital Group Company	9,420,821	1.96
Vanguard Group INC	9,043,116	1.88
JP Morgan Chase	4,761,340	.99

Source: Bloomberg

Kodiak Oil and Gas Corp. (KOG)
April 12, 2013

Joseph Bachmann — Domestic Energy

Kodiak Oil and Gas Corp. (NYSE: KOG) is an independent oil and gas exploration and production company in the United States. The company's production is primarily focused in the Williston Basin, within the sub areas of the Bakken and Three Forks shale formations, with control over approximately 154,000 net acres. As of December 31, 2012, KOG had estimated proved reserves of 94,783MBOE. The company operated seven drilling rigs in 2012, and is able to flexibly operate between 6 and 7 rigs throughout 2013 depending on existing needs. The company was formerly known as Columbia Copper Company Ltd. and changed its name to Kodiak Oil and Gas Corp. in September 2001. Kodiak Oil and Gas was incorporated in 1972 and is headquartered in Denver, Colorado.

Price ($): (3/2/13)	8.42	Beta:	1.50		FY: Dec. 31	2011A	2012A	2013E
Price Target ($):	9.94	WACC	10.25%		Revenue (Mil)	119.99	408.69	818.00
52 WK H-L ($):	9.97-6.92	L-Term Rev. Gr Rate Est:	10.00%		% Growth	287.11%	240.61%	100.15%
Market Cap (mil):	2202.07	L-Term EPS Gr Rate Est:	10.00%		Gross Margin	50.87%	41.00%	48.92%
Float (mil):	259.10	D/E	106.25		Operating Margin	34.62%	32.55%	14.02%
Short Interest (%):	8.25%	ROA:	5.45%		EPS (Cal)	0.02	0.50	0.46
Avg. Daily Vol (mil)	6.739	ROE:	14.03%		FCF/Share	-1.47	-4.24	-0.71
Dividend ($):	0.00	Debt/EBITDA	3.78		P/E (Cal)	79.17	21.59	11.84
Yield (%):	0.00%				EV/EBITDA(Cal)	35.19	11.76	6.26

Recommendation

Located on the border between Montana and North Dakota, the Williston Basin formation has long been thought to be a potentially lucrative source of oil and gas, with USGS estimating that between 3.0 to 4.3 billion barrels could be technically recoverable from the area. Now, with new fracturing technology available and expanding, this area is ripe for development. With a stake of 154,000 net acres in the region, KOG is positioned to exploit strong proven reserves of nearly 95,000 MBOE. This positioning has translated into massive production increases for the company, with BOE produced per day having more than doubled between comparable periods in 2011 to 2012. This increase in production has potentially lucrative benefits: revenues are expected to grow by approximately 100% in 2013 over 2012, from $408.69M to $818M. The company is also poised to grow this revenue organically rather than through acquisitions, with 95% of 2013 budgeted capital expenditures going toward production growth in existing areas. Because of these reasons and a favorable valuation, it is recommended that KOG be added to the AIM Equity Fund with a target price of $9.94, which offers a potential upside of 18%.

Investment Thesis

- **Rapid Growth of Production and Revenues.** Over the past several years, KOG has experienced rapid growth in daily production rates of oil. Production increased from the fourth quarter of 2011 of 7,200 BOE to 18,200 B0E for the same period in 2012, an increase of 152%. Additionally, this production growth is poised to continue in the future: as of March 2013, management estimated average daily production throughout the year to be 29,000 to 31,000BOE/d, an approximate 100 to 110% increase over 2012 figures. Additionally, as of the beginning of 2013, only 45% of KOG's 94,783.7MBOE total proved reserves are considered developed. 55% of total proved reserves are in undeveloped areas that could potentially be developed. This untapped potential could fuel even more future revenue growth, increasing future profitability.
- **Strong Focus on Organic Growth.** KOG's recent production and revenue growth have been driven through production in their existing fields rather than new acquisitions. Of their estimated $775M CAPEX budget for 2013, $740M, or 95% of the budget, is being invested in existing areas to spur production in 6-7 rigs across 75 planned net wells. None of the 2013 budget was allocated for potential

acquisitions. With this statistic combined with their growing production rates, KOG exhibits a dedication to efficiency by harnessing existing assets to their greatest potential.

- **Concentration in Oil Rather than Natural Gas Production.** KOG has consistently demonstrated a strong oil focus in their reserve acquisitions. With current reserves consisting of over 85% oil over natural gas, KOG's oil production focus is set to continue. This focus has the dual effect of shielding KOG from potentially risky cyclical natural gas prices and allowing the firm to take advantage of the higher profit margins of oil. It also potentially allows KOG to consolidate their production focus on oil in order to reduce related production costs.

Valuation

In order to reach an intrinsic value for KOG, a ten year discounted cash flow model was conducted. Using a long term growth rate of 10%, a terminal growth rate of 2% and a WACC of 10.25% resulted in a valuation of $9.79. Additionally, an EV/EBITDA comparison valuation was used. Using an EV/EBITDA multiple of 9.25, consisting partially of an industry average, and using 2013 expected EBITDA of $401M, a value of $9.84 was obtained. Finally a NAV of proven reserves resulted in a price target of $10.05. By weighing the DCF model 50% and the EV/EBITDA and NAV prices 25% each, an overall price target of $9.94 was established. KOG does not pay a dividend.

Risks

- **Commodity Price Risk.** The market prices for oil and gas are highly volatile. If future oil and gas prices move unfavorably, KOG's future revenues could hurt. KOG uses both costless collars and derivative swaps in order to mitigate some downside pricing risk, but could also potentially limit KOG's ability to benefit from price increases.
- **Governmental and Environmental Regulation.** Hydraulic fracturing, or "fracking", a process used by KOG and other energy companies of injecting water, sand and chemicals into rock formations to stimulate oil and gas production, has come under intense public scrutiny due to its potentially negative effect on water supplies and the environment as a whole. Federal or state legislation that hinders or prohibits fracking could cause material adverse effects on KOG's production, reducing future profitability.
- **Production Concentration.** Although KOG has 7 drilling rigs across different specific key areas, all of these key areas are located in the Williston Basin, a relatively constrained geographic area. This leaves KOG particularly vulnerable to factors such as weather. The North Dakota, Montana area is potentially subject to severe weather, including cold and snow in the winter and rainstorms and flooding in the spring. Such occurrences would likely create production slowdowns for KOG, hampering future revenue growth.

Management

Lynn A. Peterson has served as a director of Kodiak Oil and Gas since November 2001, and President and Chief Executive Officer since July 2002. He was named Chairman in June 2011. Mr. Peterson has over 30 years of experience in the energy sector. James E. Catlin has acted as a director of the company since 2001, Secretary and Chairman from 2002 to 2011, and COO from 2006 to 2011. As of 2012, Mr. Catlin is now Executive Vice President of Business Development, and he has over 35 years of industry related geologic experience, especially in the Rocky Mountain Region. James P. Henderson has been the company's CFO since rejoining the company in 2010. He also served as CFO from May 2007 to May 2008. Dr. Russell A. Branting has been with Kodiak since June 2007 and is currently Executive Vice-President of Operations, and Michael Murray joined Kodiak in August 2007 and is the current Vice President of Land. They have over 20 and 31 years of experience in the energy sector, respectively.

Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	2%
% of Shares Held by Institutional & Mutual Fund Owners:	71%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Blackrock	17,797,282	6.71
Vanguard Group, Inc.	14,733,158	5.55
Citadel Advisors LLC.	13,456,463	5.07
Jennison Associates LLC.	8,971,610	3.27
Frontier Capital Management Comp	6,800,582	2.45

Source: Bloomberg

OpenTable Inc. (OPEN)
April 12, 2013

Sean Whitney Information Technology

OpenTable Inc. (NASDAQ:OPEN) is a provider of free, real time, online restaurant reservations for diners and a guest management solution for restaurants. It is the world's largest source of online restaurant reservations. OpenTable's network contains over 27,000 restaurants which cover all 50 states and specific markets outside of the United States, including Canada, Germany, Japan, and the United Kingdom. OpenTable has seated over 400 million diners since its creation in 1998. OpenTable provides two main offerings: the first is their Electronic Reservation Book (ERB), which allows restaurants to replace the pen and paper reservation system. It also allows restaurants to build large diner databases for greater guest recognition and specific email marketing. The other offering, Connect, is targeted towards restaurants that do not rely as heavily on reservations. Connect allows restaurants to accept online reservations through the OpenTable system. Both options provide an efficient way to locate available tables that meet diner's desired criteria for cuisine, price and location at specific times. OpenTable received 56% of revenues from reservations, 35% from subscriptions, and 9% from other revenues. The company is headquartered in San Francisco, California.

Price ($) (2/27/13)	62.93	Beta:	1.1	FY: December	2012A	2013E	2014E
Price Taget ($):	79.53	WACC	10.0%	Revenue (Mil)	162	198	238
52WK Range ($):	33.53-65.00	M-Term Rev. Gr Rate Est:	14.0%	% Growth	15.85%	22.50%	20.00%
Market Cap:	1,444.6 M	M-Term EPS Gr Rate Est:	10.0%	Gross Margin	100.00%	100.00%	100.00%
Shares Oustanding	23 M	Debt/Equity	0.0%	Operating Margin	22.61%	27.00%	25.00%
Short Interest (%):	25.5%	ROA:	12.0%	EPS	$1.04	$1.48	$1.64
Avg. Daily Vol:	0.862M	ROE:	17.2%	FCF/Share	1.85	2.16	3.09
Dividend ($):	$ -			P/E	60.51	53.91	48.49
Yield (%):	0.00%			EV/EBITDA	27.20	26.41	23.43

Recommendation

OPEN offers substantial benefits over traditional reservation methods including; greater operational efficiency, superior guest recognition and service, and the ability to fill additional seats by offering reservations online. Flour and Water restaurant recently stated that OpenTable saves them an average of $20,000 a year. ERB users pay a one-time installation fee ($2,000), a monthly subscription fee ($200), and a fee for each restaurant guest seated ($1.00 through OpenTable network, $0.25 through own site). The Connect customers only pay the fee for each restaurant guest seated; however, they do not receive the guest management services of the ERB. OpenTable currently represents roughly 85% of all online restaurant reservations in North America. Revenues have been growing rapidly at a compound annual growth rate of 28% and management projects mid-teen growth rates over the next five years. The firm expects growth in seated diners per restaurant to grow in 2013 due to its improvements in search filters, mobile updates, and social integration. Due to strong growth potential, continuing technological advancements, and a favorable valuation, it is recommended that OPEN be added to the AIM Equity Fund with a target price of $79.53, which offers a potential upside of 26.2%.

Investment Thesis

- **Significant Room for Further Penetration in North America and Internationally.** Currently 15-20% of all diner reservations are placed online, which allows for significant growth in this area as the shift from phone based reservations to online continues. This further allows for even greater upside potential than management estimates. The standard phone reservation process still remains OpenTable's largest competitor; however estimates show that 30% of reservations will be placed online by 2016, and with OpenTable's roughly 85% hold of all online restaurant reservations this will lead to increased revenue growth. Furthermore, OPEN expects international growth to improve to 18% of revenue by 2016. Total international revenue has increased from $8.9 million in 2010 to $22.3 million in 2012. Acquisitions greatly help OPEN enter new markets; the purchase of Toptable in the U.K. helped solidify presence there and should help the international aspect start generating a profit in the near future.

- **Improved Technology.** OPEN is set to release its new cloud based ERB offering in Q3. This will provide restaurants with easier, more efficient, and more personalized access to information; and it will also make installation costs obsolete which would save an average of $1,600 per restaurant. OpenTable recently launched a newer version of its mobile site, which is more user friendly, and has an improved location based targeting system. In Q4, OPEN released its new mobile app in the U.K. and this lead to conversion rates doubling which they hope to see in North America as well. Furthermore, OPEN is fully integrated with Apple's iOS and Google's Android. OpenTable is also suggested by Apple's Siri once users begin to search for local restaurant destinations. Additionally, OPEN has developed 20,000 new mobile optimized websites for their clients and currently, 2,000 of those have been purchased by clients. Lastly, the recent purchase of Foodspotting has added more than 3 million images of restaurant dishes to OPEN's site. The firm believes these adjustments will increase its conversion rate and lead to higher revenue growth.
- **First Mover Advantage.** OpenTable's 48% penetrations of North American reservation accepting restaurants give them a large first mover advantage. The company's base of 27,000 restaurants gives it a far ahead advantage over any competitor such as Urbanspoon's Reezbook restaurant base of 4,000. This advantage makes them highly defensible compared to competition. Furthermore, OpenTable continues to stay ahead of the competition by continuing new offerings and product development.

Valuation

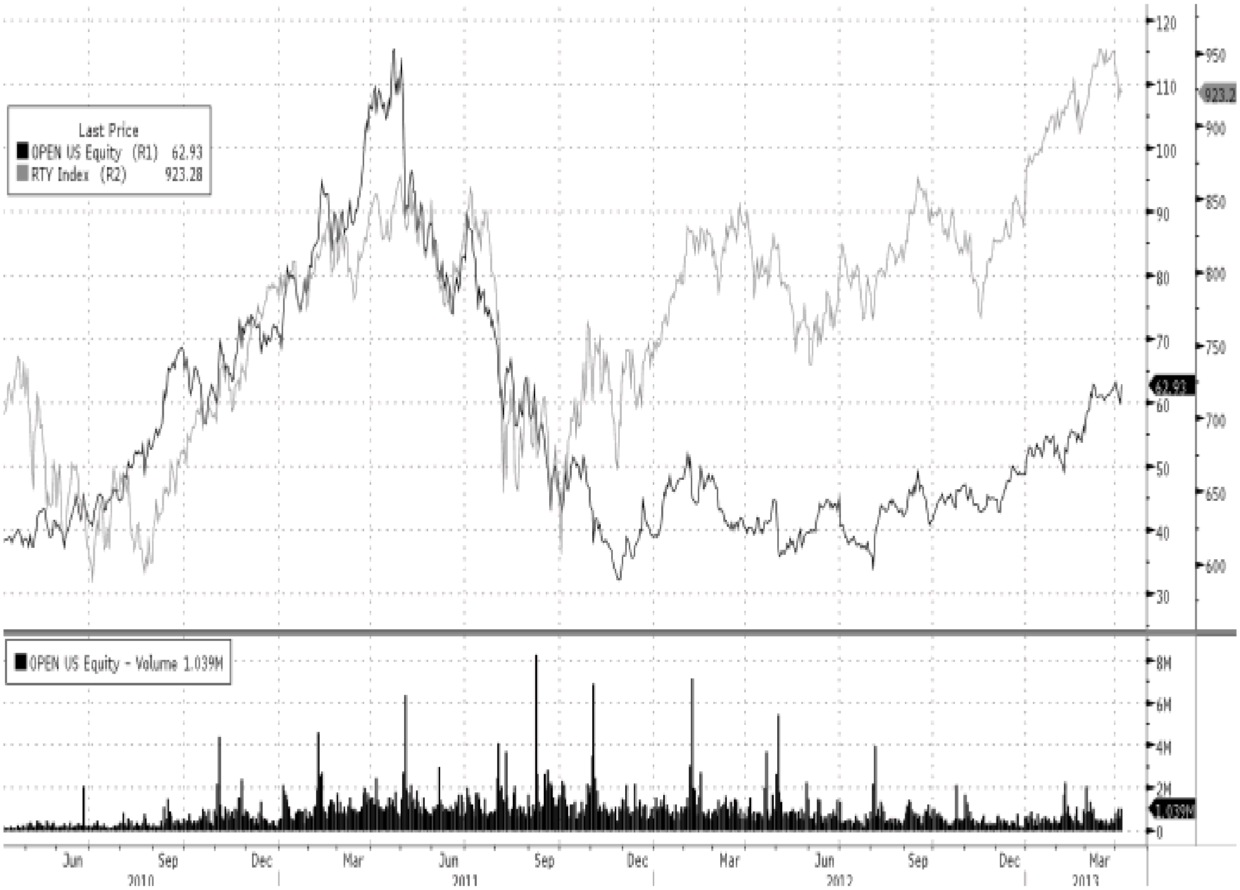
To find the intrinsic value of OPEN, a ten-year DCF model was constructed. A WACC of 10.0% was used, as well as a long term 3% terminal growth rate. The DCF model generated an intrinsic value of $83.54 per share. A forward EV/Sale multiple approach was also used with a peer multiple of 3.5x and an intrinsic value of $75.52 was generated. Weighing the two values at 50/50, a price target of $79.53 was established, representing a 26.2% upside.

Risks

- **Reliance on Consumer Discretionary Spending and Economy.** OpenTable's customers generally are top of the line restaurants that depend on consumer discretionary spending. This makes OpenTable highly sensitive to macroeconomic impacts. Restaurants also have high failure rates that could hurt OpenTable. Changes in consumer discretionary spending could lead to significantly lower profit margins. Due to the fact that many restaurant customers are in major metropolitan areas the effects of an economic downturn could significantly increase these effects. Lastly, if the European sovereign debt crisis worsens it may have a negative impact on operations.
- **Technological Investments Greater Than Expected.** OpenTable is focused on improving technology in hopes of increasing conversion rates; however, this focus may lead to large technological advancement expenses. Technology investments such as development of cloud based offerings could lead to lower profits.
- **Increasing Competition.** OPEN has begun to face more competition than in previous years as it was the first to penetrate the online reservation systems market. Livebookings in Germany has shown increasing competition, and they recently launched Freebookings in the U.S. Urbanspoon's Reezbook is OpenTable's most significant domestic threat. Reezbook does not charge the $0.25 fee that OpenTable does for reservations made on the restaurants own site. Furthermore, Reezbook recently launched its cloud based reservation system.

Management

OpenTable was founded in 1998 by Chuck Templeton, a former marketer who observed the difficulty his wife faced while trying to book a dinner reservation by phone. Thomas Layton is the current Chairman and has held the position since 2011. He graduated from Stanford Graduate School of Business. Matthew Roberts is the President and CEO of OpenTable and has been since 2005. He was previously the CFO at E-Loan Inc. During his time, OPEN has grown from 3,000 installed restaurants to more than 20,000.



Ownership	
% of Shares Held by All Insiders and 5% Owners:	12%
% of Shares Held by Institutional & Mutual Fund Owners	>90%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
T Rowe Price Associates	3,078,020	13.41%
JP Morgan	2,112,961	9.20%
Capital Group Companies Inc.	1,982,78 9	8.64%
Benchmark Capital	1,735,680	7.56%
Blackrock	1,723,925	7.51%

. Source: Bloomberg

United States Lime & Minerals, Inc. (USLM)
April 12, 2013

Steven Marszalek Domestic Materials

United States Lime & Minerals, Inc. (NASDAQ: USLM) is a manufacturer of lime and limestone products, supplying primarily the construction , roof shingle, metals, environmental, oil and gas services, and agriculture industries. The company extracts high-quality limestone from its open-pit quarries and an underground mine, processing it for sale as pulverized limestone, quicklime, hydrated lime and lime slurry. The company, through its wholly owned subsidiary, U.S. Lime Company, has royalty interests ranging from 15.4% to 20% and has a 20% non-operating working interest with respect to oil and gas rights on the company's 3,800 acres of land located in Johnson County, Texas, in the Barnett Shale Formation. In 2012, limestone and natural gas interests accounted for 95% and 5% of revenue respectively. USLM was founded in 1950 and is headquartered in Dallas, Texas.

Price ($): (4/4/13)	51.33		Beta:	0.818		FY: Dec. 31	2012A	2013E	2014E
Price Target ($):	61.40		WACC	9.41%		Revenue (Mil)	139.00	142.73	148.30
52 WK H-L ($):	60.33-41.25		M-Term Rev. Gr Rate Est:	5.00%		% Growth	7.53%	2.68%	3.90%
Market Cap (mil):	288.20		M-Term EPS Gr Rate Est:	6.10%		Gross Margin	24.46%	25.80%	26.35%
Float (mil):	1.60		Debt/Equity	0.22		Operating Margin	17.99%	18.81%	19.59%
Short Interest (%):	1.71%		ROA:	8.72%		EPS (Cal)	3.01	3.27	3.43
Avg. Daily Vol (mil):	0.005		ROE:	12.47%		FCF/Share	4.03	4.69	4.87
Yield (%):	0.00%					P/E	17.05	17.64	17.89
						EV/EBITDA	6.57	6.68	7.08

Recommendation

Over the past few years, USLM has positioned itself favorably within the lime industry. From 2007 to 2011, USLM's gross and operating margins comfortably exceeded the industry margin averages of 16.77% and 5.81%, respectively. During that same time period, USLM's operating margin rose from 14.67% and 22.80% . In 2012, USLM spent $2.8 million on outside contractor quarry stripping, which along with lower natural gas revenues, reduced margins and net income. Management expects these costs to be reduced as much as 50% in the future—returning to higher profitability. When combining this cost factor with a 3.5% price increase in lime products, USLM's gross margin is expected to increase to 26%, although still below the 2011 high of 29%. The firm operates in Texas, Arkansas, Colorado, Louisiana, and Oklahoma. The firm sells its lime and limestone products in 17 states ranging from Arizona to Pennsylvania, and its main competitors are Marietta Materials and Vulcan Materials. With a construction materials market share of 0.14% and a 60% annual utilization rate, USLM has room to grow. Based off of solid historical and forecasted operating results, and with an expected rebound in the overall economy, it is recommended that USLM be added to the AIM Equity Fund with a target price of $61.40, which offers a potential upside of 19.6%.

Investment Thesis

- **Rebounding Construction Industry.** Thanks to rising consumer confidence and low mortgage rates, housing construction is rising in the United States. Housing starts increased almost 1% in February, and the total of 917,000 starts was 27.7% higher on a YoY basis. The continued increase in housing construction will lead to more demand and higher prices for USLM's pulverized limestone, which is used in roof shingles and other construction materials. In 2012, increased construction demand led to increased limestone prices, which nearly offset the firm's decreased natural gas revenue. In addition to the housing industry, the highway construction industry is expected to experience growth. In July 2012, President Obama signed MAP-21, which provides $105 billion annually for highway construction. Texas tollroad construction will increase by 7% in 2013 and 2014, which will lead to increased demand of pulverized limestone and quicklime, key materials in asphalt and soil stabilization.

- **Rising Lime Prices.** As a result of expected increases in limestone consumption in the United States, the prices for quicklime and lime hydrate are expected to rise by 4.5% and 3.3% respectively in 2013. USLM's average lime product price will increase by roughly 3.5% in 2013, which will help increase margins. According to management, the forecasted price increase will offset as much as a 40% decrease in natural gas interests revenues in 2013.
- **Facility Modernization.** While USLM has not made any acquisitions since 2006, they have been able to grow organically through increased efficiency as well as upgrading and modernizing their facilities. Since 2003, lime output capacity has more than doubled. Their new distribution terminal in Shreveport has expanded their market area for this additional output. Thanks to facility modernization, expansion and development projects, the USLM has up-to-date, fuel-efficient plant facilities, which has resulted in lower production costs and greater operating efficiencies, enhancing the company's competitive position.

Valuation

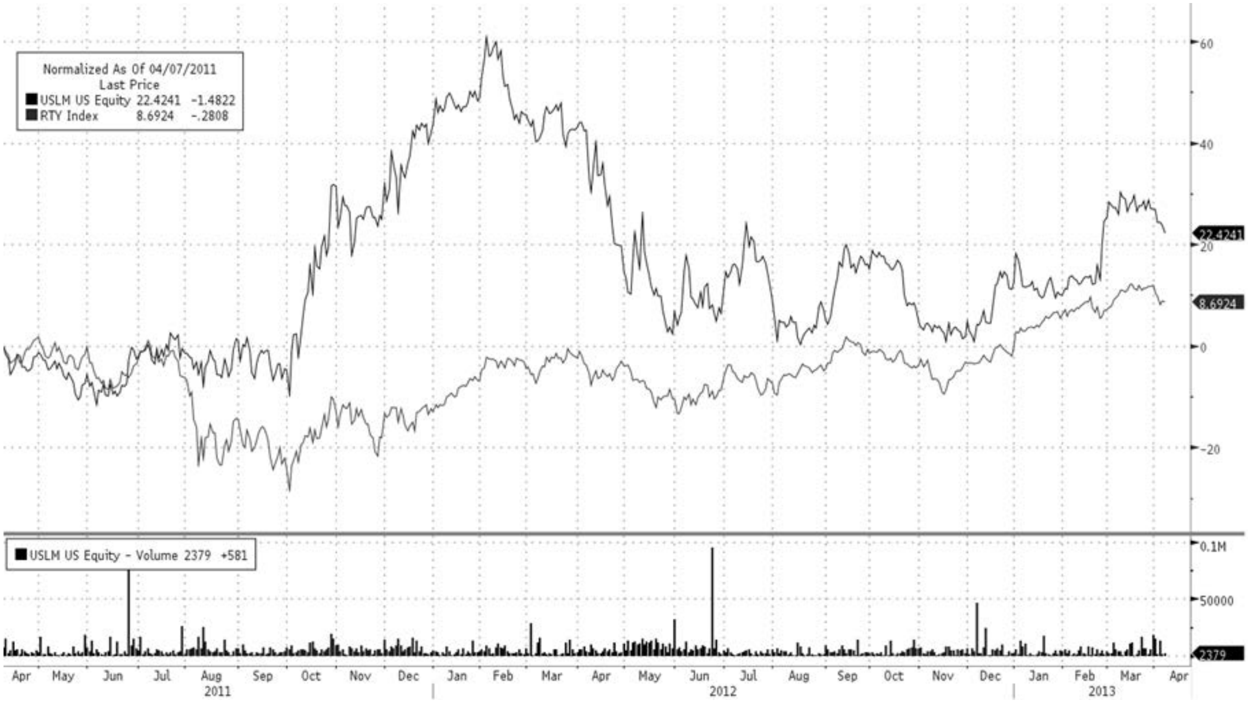
In order to reach an intrinsic value for USLM, a ten year discounted cash flow model was conducted. The firm's current WACC of 8.3% was given a 110 bps premium due to the overall higher industry average. Therefore, using a terminal growth rate of 2% and a WACC of 9.41% in the DCF model resulted in a valuation of $61.09. Sensitivity analysis conducted on both the revenue growth rate and WACC provided for a range between $49.77 and $69.87. Using a blend of industry average, regression, and historical EV/EBITDA, an EV/EBITDA multiple of 8.1x was used to calculate an intrinsic value of $61.71. By weighing the DCF and EV/EBITDA models 50% each, a price target of $61.40 was obtained—which provides an upside of nearly 20%. USLM has not paid a dividend since 2003.

Risks

- **Steel Industry Uncertainty.** While demand from construction customers increased in 2012, steel industry customers reduced their purchase volumes due to the ongoing difficult economic conditions. If steel and other manufacturing companies maintain their reduced demand levels, it could mitigate a portion of future construction customer increases in demand for lime and limestone products.
- **Natural Gas Prices.** Due to the increased market supply of natural gas, prices for both natural gas and natural gas liquids decreased to $5.74 per MCF compared to $8.27 in 2011. Production volumes decreased to 1.2 BCF in 2012 from 1.6 BCF in 2011 due to low prices and normal declines in production for existing wells. The natural gas segment could struggle if natural gas continues to remain at current prices. Corresponding to the decrease in natural gas and natural gas liquids prices, drilling activity declined, reducing demand from oil and gas services customers for USLM's lime and limestone products.
- **Weather.** USLM mines limestone in open pit and underground mining operations. Adverse weather and natural disasters, such as heavy rains, flooding, ice storms, drought, and other natural events may affect operations, transportation, or customers. If any of these conditions were to occur, operations may be disrupted and there could be a delay of production or shipments.

Management

Timothy W. Byrne is the President and CEO and has held this position since 2000. He was previously President and CEO from 1997-1998 before returning to the company in 2000.. Antoine Doument is Chairman of the Board. M. Michael Owens has been Vice President, CFO, Treasurer, and Corporate Secretary since 2002. He was previously the Vice President of Sunshine Mining and Refining before joining the company in 2002.



Ownership

% of Shares Held by All Insider and 5% Owners:	71%
% of Shares Held by Institutional & Mutual Fund Owners:	19%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
NSB Advisors LLC	217,202	3.91
Dimensional Fund Advisors LP	163,877	2.95
Vanguard Group, Inc.	111,903	2.01
Minerva Advisors LLC	100,246	1.80
BlackRock Institutional Trust Company	80,495	1.45

Source: Yahoo! Finance