Applied Investment Management (AIM) Program

AIM Class of 2014 Equity Fund Reports
Fall 2013

Date: Friday, September 6, 2013 Time: 12:15 pm – 1:30 pm
Road Show Location: Dana Investment Advisors, Inc.

Student Presenter	Company Name	Ticker	Price	Page No.
Joe Bachmann	Energy XXI (Bermuda) Ltd	EXXI	$27.02	2
Ryan Bailey	First Majestic Silver Corp.	AG	$14,21	5
Kevin Hansen	Fortegra Financial Corporation	FRF	$7.70	8
Ellen Toshach	Carrefour S.A.	CRRFY	$6.36	11
Nick Kerger	Given Imaging Ltd.	GIVN	$18.34	14

Thank you for taking the time today and participating in the AIM 'road show' at Dana Investment Advisors, Inc. 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. Again, thank you for allowing us the opportunity to present at Dana.

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Energy XXI (Bermuda) Ltd. (EXXI)
September 6, 2013

Joseph Bachmann — Domestic Energy

Energy XXI (Bermuda) Ltd. (NASDAQ: EXXI) is an independent oil and gas exploration and production company with operations within the United States. The company's production is focused in the U.S Gulf Coast region. EXXI is one of the largest independent oil producers in the Gulf. They control 412,330 net acres and operate in five of the area's largest 15 oil fields, including the second largest. In 2013, EXXI produced an average of 47,000 Barrels of Oil Equivalent (BOE) per day. As of June 30, 2013, the company had estimated proved reserves of 178.5 million Barrels of Oil Equivalent (MMBOE), 75% of which consisted of oil rather than natural gas. Energy EXXI was incorporated in 2005 and is headquartered in Hamilton, Bermuda.

Price ($): (3/2/13)	26.57		Beta:	1.70		FY: Jun. 30	2012A	2013A	2014E
Price Target ($):	32.15		WACC	10.28%		Revenue (Mil)	1303.40	1208.85	1269.29
52 WK H-L ($):	37.90-21.49		M-Term Rev. Gr Rate Est:	5.00%		% Growth	51.67%	-7.25%	5.00%
Market Cap (mil):	2,014.01		M-Term EPS Gr Rate Est:	4.00%		Gross Margin	46.15%	38.55%	38.75%
Float (mil):	75.80		D/E	96.89		Operating Margin	39.53%	32.63%	30.94%
Short Interest (%):	8.17%		ROA:	6.71%		EPS (Cal)	4.10	1.89	2.31
Avg. Daily Vol (mil)	6.74		ROE:	4.81%		FCF/Share	1.98	-2.37	0.02
Dividend ($):	0.48		Debt/EBITDA	1.80		P/E (Cal)	79.17	21.59	11.84
Yield (%):	1.81%					EV/EBITDA(Cal)	3.53	4.44	3.24

Recommendation

The Gulf of Mexico has been a historically lucrative energy source for the United States. In 2012, the area provided 463 MBOE (19.5% of US production). The Gulf region should remain one of the most dominant domestic energy reserves, especially as new deep-water production techniques and improved geographic mapping have increased the region's recoverable reserves. Energy XXI is poised to take full advantage of these production enhancements. Through both effective acquisitions and organic growth, the company has been successful in expanding their reserve base from 120 MMBOE in 2012 to 178.5 MMBOE in 2013, a 49% increase. Of this 178.5 proven MMBOE, 38% is undeveloped, allowing for future production advances. EXXI is also beginning to employ new horizontal drilling programs that should allow more complete exploitation of their existing plays, generating stronger future free cash flow. The company is also beginning to employ new exploration and seismological modeling techniques that should improve their understanding of potential plays, allowing for more effective acquisitions and exploitation. Because of these reasons and a favorable valuation, it is recommended that EXXI be added to the AIM Equity Fund with a target price of $32.15, which offers a potential upside of 20.99%. Furthermore, EXXI has a dividend yield of 1.81%

Investment Thesis

- **Competitively Effective in Acquisition and Exploitation.** EXXI has consistently exhibited a dedication to acquiring proven reserve properties at bargain prices, and upon acquisition, exploiting those properties for extended value. For example, in 2010, EXXI acquired properties holding a market value of 53 MMBOE of proved reserves from ExxonMobil. However, since the acquisition, EXXI has been able to expand the proved reserve estimate of the purchase to 75 MMBOE, a 30% growth, through effective exploitation. Overall, the company's 146 MMBOE of acquisitions has grown to 261 MMBOE, a 79% organic increase in value. Furthermore, while their competitors typically pay $28 per BOE in their acquisitions, EXXI pays between $16 and $24 per BOE. This effective acquisition and exploitation approach remains one of the company's core values, and should continue to increase the worth of both current and future acquisitions.

- **Enhanced Production due to Horizontal Drilling.** Since 2012, EXXI has begun using more horizontal rather than vertical drilling techniques in order to achieve the best possible production from their plays. In 2013, the company began a horizontal drilling program of 13 wells that generated 12.4 MMBOE. The company currently has over 95 potential horizontal drilling locations within their existing plays. While the company is still evaluating which horizontal programs make economic sense, it is clear that the technique will allow for greater production efficiency and improved recoverable reserves in the future, driving profitability.
- **Salt Dome Joint Ventures.** Salt domes are rock salt formations that can often hold substantial amounts of pool oil. Through exploration joint ventures with several different companies, including ExxonMobil and Apache JV, EXXI is in the process of modelling different salt domes in the Gulf. Recent technological advancements, including Wide Azimuth (WAZ) 3D coverage, have allowed for more accurate detailing of difficult to model salt domes. Although still in the early stages, this improved exploration could lead to the finding of new and profitable play areas, which EXXI could then move to exploit.

Valuation

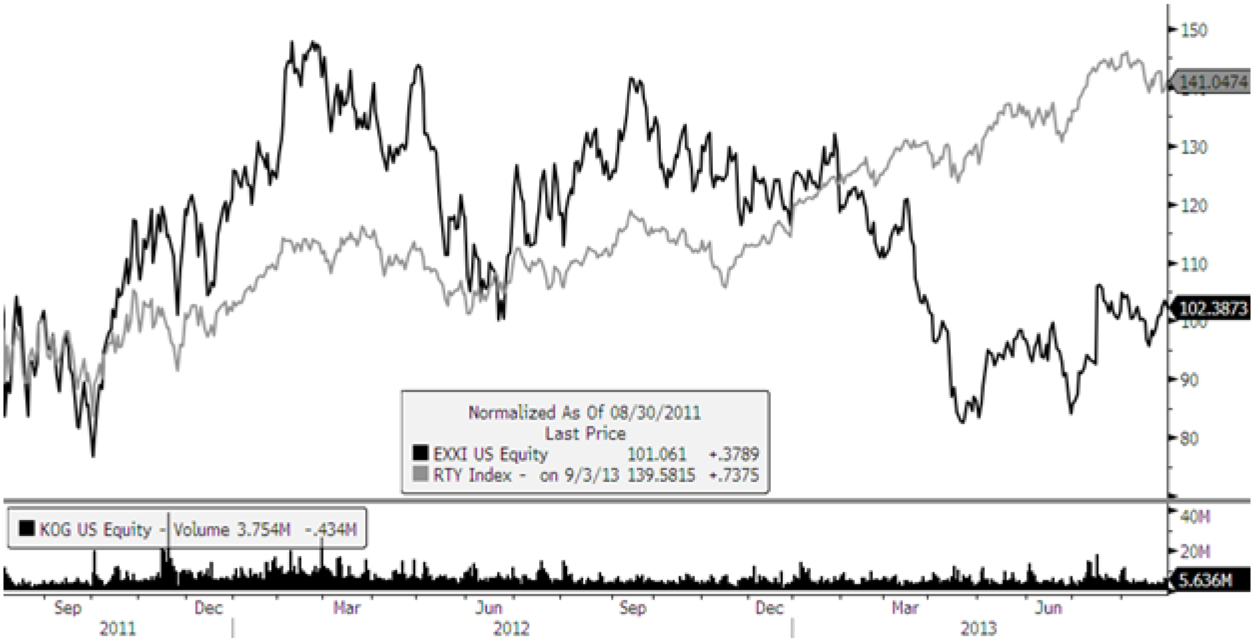
In order to reach an intrinsic value for EXXI, a ten year discounted cash flow model was conducted. Using a short-term growth rate of 5%, a terminal growth rate of 2%, and a WACC of 10.28% resulted in a valuation of $32.13. Additionally, an EV/EBITDA comparison valuation was used. Using an EV/EBITDA multiple of 5.02, consisting partially of an industry average, and using a 2014 expected EBITDA of $774M, a price of $31.44 was obtained. Finally, a NAV of proved and unproved reserves yielded a per share price of $32.87. Weighing each valuation equally, a price target of $32.15 was reached.

Risks

- **Commodity Price Risk.** The market prices for oil and gas are highly volatile, especially in the current geopolitical and economic environment. If future oil and gas prices move unfavorably, EXXI's future revenues could hurt. EXXI employs an active hedging program consisting primarily of cost collars to help mitigate this risk, but this hedging structure could also hinder EXXI's gains in rising price environment.
- **Governmental and Environmental Regulation.** Operating in State and Federal waters in the Gulf of Mexico, EXXI is subject to governmental regulatory restrictions and inspections. The 2010 *Deepwater Horizon* explosion in particular increased government scrutiny in the area, and similar incidents arising from a competitor or even EXXI itself could further increase governmental regulatory costs.
- **Production Concentration.** Although EXXI operates several different rigs, all of their operations are within a relatively constrained area within the Gulf of Mexico. Therefore, their production is at risk of slowdown and damage from inclement weather such as hurricanes. The company uses windstorm insurance in order to lessen potential weather-related loss, but there is no guarantee that the payout will be enough to cover all or even a material part of the damages.

Management

John Schiller has served as a Chairman and CEO since the inception of EXXI in 2005. Mr. Schiller has over 30 years of experience in the energy sector. CFO David Griffin has also served since inception, and he brings EXXI more than 25 years of finance experience. Ben Marchive, the Executive Vice President, Exploration and Production, has been with the company since 2006 and has over 30 years of energy sector experience. Hugh Menown acts as the Chief Accounting Officer and Chief Information Officer, and has more than 30 years of experience in managerial finance.



Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	97%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Wells Fargo	6,877,164	9.07
Mount Kellett Capital Management	5,923,158	7.81
Blackrock	5,366,297	7.08
Vanguard	4,702,986	6.20
T Rowe Price Associates	3,961,813	5.23

Source: Bloomberg

First Majestic Silver Corp. (AG)
September 6, 2013

Ryan Bailey International Materials

First Majestic Silver Corp. (NYSE: AG) is the purist play silver producer in the world with only 9% of their production in gold, lead and zinc. AG has five mines, all located in Mexico: La Encantada (38% of 2013E production), La Parrailla (25%), Del Torro (16%), San Martin (13%) and La Guitarra (7%). With La Guitarra coming online in 2012, and Del Torro in 2013, a significant ramp in volume can be expected for First Majestic as production increases. Currently, AG is the 20th largest silver producer in the world, but reaching optimized levels at these two mines and beginning production at La Luz (expected to be online in 2015) could catapult AG to the 10th position in as little as three years. First Majestic Silver Corp. was founded in 1979 and is headquartered in Vancouver, Canada.

Price ($): August 30 2013	$14.21	Beta:	1.24	FY: Dec	2012A	2013E	2014E
Price Target ($):	$18.09	WACC:	11.4%	Revenue ($mil)	$247	$295	$462
52 WK H-L ($):	$8.81-24.20	M-Term Revenue Gr. Rate Est:	5.00%	% Growth	1%	19%	57%
Market Cap (bil):	$1.66	M-Term EPS Gr. Rate Est:	7.46%	Gross Margin	57%	50%	53%
Float (mil):	112	Debt/Equity Ratio	1.78%	Operating Margin	44%	35%	41%
Short Interest (%):	N/A	ROA:	10.9%	EPS (Cal)	$0.79	$0.75	$1.25
Avg 10 Day Vol (K):	1,631	ROE:	21.0%	FCF/Share	-$0.60	-$0.92	$0.82
Dividend ($):	$0.00	Silver Reserves/Share (oz)	3.87	P/E (Cal)	17.99	18.93	11.33
Yield (%):	0.00%			EV/EBITDA	11.69x	11.57x	7.02x

Recommendation

Given the currently volatility in currency markets and easy-money policies starting up and winding down across the globe, real assets and real asset producers offer an inflation/currency hedge. A report from the BBC estimates that the global reserves of silver could be depleted by 2029, as advances in technology and science bring more uses of silver to light. Benefiting from the underlying need for the precious metal, First Majestic Silver Corp. will be bringing 3 additional mines online between 2013 and 2015, nearly doubling their annual volume and positioning them to take advantage of potential appreciation in silver prices. Over 50% of silver production is used in industrial applications (opposed to only 10% of gold), and this percent is expected to grow in the coming years as silver's excellent conductivity is utilized in technological products and solar panels. Given the recent use of chemical weapons in Syria, it is highly likely that military intervention from the West will occur, sending investors into real assets and driving the price of silver in the short term. Going into 3Q, AG will have favorable Q/Q comps to support revenues because of management's decision to suspend sales given low silver prices in 2Q. Given the current volatility in the markets, and the underlying long-term drivers that will spur the price of silver, it is recommended that First Majestic Silver Corp. be added to the AIM international portfolio with a price target of $18.09, representing an upside of 27.3%.

Investment Thesis

- **New Mines Online.** For 2015, First Majestic is estimating an additional 10M oz./year of silver production over 2012 levels, more than doubling the company's annual volume. This will occur through the addition of the Del Torro (6M Ag oz./year at maturity) and La Luz (67.5M oz./year at maturity) mines, as well as the La Guitarra mine, which is currently being reassessed. Using already-established mines as evidence, it generally takes 2-4 years for management to optimize operations. As such the Del Toro mine is expected to ramp from 2M oz./year in 2013 – its first year, to 6m oz./year in 2015 and will be the leading volume driver for First Majestic. With the added volume from these mines, AG could become the 10th largest silver producer in the world (currently 20th).
- **Solar Powering Demand.** It is estimated that 787M oz. of silver were mined globally in 2012 with ~7% used in the production of solar panels. By 2015, the solar panel market is expected to

nearly double, and if global silver production maintains its current growth rate (~4%), the solar panel industry would require 12% of silver production in three years. The solar panel market is estimated to grow at a 64% CAGR between 2012 and 2015 providing a long-term demand driver for silver, especially as solar panels become a more economical alternative to utility-based energy suppliers. According to Navigant Research, by the end of 2020, solar power is expected to be cost-competitive with retail electricity prices, potentially spurring silver demand further.

- **Suspense over Syria.** With a pending strike on Syria, in response to the use of chemical weapons, a flight to real assets is likely to occur. As a beneficiary of event and geopolitical risk, the value of silver will spike if military action, although regrettable, is taken. Although the UK parliament recently voted against involvement in a military attack on Syria, President Obama and French President Francois Hollande, have announced that a response from the international community is required. Military action is likely, however, the form it takes is uncertain. As much as an 11% increase in the value of silver can be expected if such an attack occurs, using September 11, and the preceding declaration of war as precedent.

Valuation

To find an intrinsic value for First Majestic Silver Corp. a 5-Yr DCF was paired with a P/E multiple. Each valuation method was given a 50% weight. A 5-Yr DCF with a terminal growth rate of 3% and a WACC of 11.37% (inclusive of a 1% country premium) resulted in a valuation of $19.38. Sensitivity analysis around the WACC and terminal growth rate yielded a range of $17.88-$21.15. Additionally a P/E comparable was used and resulted in a multiple of 22.39x yielding a price of $16.81. Combining the valuations resulted in an intrinsic value of $18.09, which is a 27.3% upside. First Majestic Silver Corp. does not pay a dividend.

Risks

- **Efficiency in Solar Panel Production.** If the production process for solar panels improves significantly over the next two years, it could be possible that less silver is required per panel. A resulting decrease in demand for silver/panel could hurt sales, although the total number of panels will likely be an offsetting factor.
- **Mine Restructuring.** The relatively new La Guitarra mine (400,000 Ag oz./year in 2012) is currently being reassessed as management is concerned with the feasibility of an open pit mining plan and are considering an underground-only mine instead. Additional capital could be tied to the restructuring of the mine and volume may be impacted in the short-run if a change is required.
- **Appreciating Dollar.** Strong indications from the FOMC suggest that tapering of QE3 will begin before year-end. Tapering expectations could lead to appreciation of the US dollar as the FOMC injects smaller amounts of cash into the economy, decreasing monthly money supply. Silver and other real assets often trade inversely with the dollar posing a risk to First Majestic sales. However dollar appreciation remains uncertain given the uniqueness of the situation as QE3 ends and the US debt ceiling approaches. At the end of QE2, the price of silver fell ~$3 (-8.6%) during the month but rose $6 (17.7%) the following month.

Management

President and CEO of AG since November 2001, Mr. Keith Neumeyer was also involved in the Canadian investment community for 28 years with multiple brokerage firms with experiences in business development, finance, strategic planning and corporate restructuring. Mr. Neumeyer has experience navigating regulatory, legal, and accounting environments having listed a number of companies on the TSX. Mr Neumeyer arranged the merger with First Silver Reserve Inc. in 2006. With ~3.1M of outstanding shares in his possession, it can be assumed that Mr. Neumeyer’s incentives are aligned with those of long-term shareholders.

Ownership	
% Shares Held by All Insider and 5% Owners:	3.85%
% Shares Held by Institutional & Mutual Fund Owners:	48.86%
	Source: Bloomberg

Top 5 Shareholders

Holder	Shares	% Out
Van Eck	865,208	7.4%
Sprott Asset Management	444,296	3.8%
Greystone Assets Management	374,144	3.2%
TD Asset Management	315,684	2.7%
Baring Asset Management	257,224	2.2%
		Source: Yahoo! Finance

Fortegra Financial Corporation (FRF)
September 6, 2013

Kevin Hansen — Financials

Fortegra Financial Corp (NYSE: FRF) was incorporated in 1981 and re-incorporated in Delaware in 2010.The private equity firm Summit Partners acquired 91.2% of the company through a $43.1MM equity investment in 2007 and took the company public on December 17, 2010 with an IPO on the NYSE at a price of $11.00. FRF is an insurance company that also provides distribution and administrative services to brokers, agents, financial services companies, and other insurance companies, all of which are primarily located in the United States. The primary insurance product sold by FRF is credit insurance which is something businesses buy in order to protect their accounts receivables in the event of default or bankruptcy by their debtors. If a person can no longer pay the money owed, FRF pays out a claim to the policy holder. Ownership of the A/R is then transferred to FRF as they exhaust collection techniques before writing off the debt. FRF acts as a holding company for its 16 majority owned subsidiaries. The three main business segments of the subsidiaries of FRF are Payment Protection (53.0% of revenues), Brokerage (31.4%), and Business Process Outsourcing (15.6%). FRF is headquartered in Jacksonville, Florida.

Price 8/30/13 ($):	$7.70	Beta:	0.74	FY: Dec 31	2012A	2013E	2014E
Price Target ($):	$9.20	Cost of Equity:	7.7%	Revenue ($M):	291.6	380.0	425.2
52 WK L-H ($):	$6.17-$9.63	M-Term Rev. Gr Rate Es	7.8%	% Growth:	3.6%	30.3%	11.9%
Market Cap (M):	$155.3	M-Term EPS Gr Rate Est	3.8%	Pretax Margin (%):	8.07%	6.16%	5.83%
Float (M):	6.2	Financial Leverage	4.8x	EPS:	$0.77	$0.77	$0.81
Short Interest (%):	1.24%	2012A ROA:	2.3%	BVPS:	$7.29	$8.05	$8.62
Avg. 3 Month Vol:	31,311	2013E ROA:	1.8%	P/B:	1.1x	1.0x	1.0x
Dividend:	$0.00	2012A ROCE:	10.8%	P/E	10.0x	11.0x	10.7x
Yield:	0.00%	2013E ROCE:	9.9%	Net Income: ($M)	15.2	15.1	15.9

Recommendation

FRF has been actively attempting to grow revenues under the leadership of Summit Partners, a private equity firm established in 1984 that is currently ranked as one of the world's 50 largest. Summit Partners is a growth focused private equity firm with an investment team of 85 people managing $15B in capital and offices in Boston, California, London, and Mumbai. Their investment has reflected itself in how FRF has conducted business as it completed three acquisitions in 2012 and five acquisitions in 2011. Growth has also been amplified by the recent economic climate. Insurance companies specializing in credit insurance took a hit during the 2008 recession, but the tough economic climate also showed companies why they need credit insurance. The recent results for FRF have been unpredictable in regards to meeting earnings expectations which has contributed to its current status as an undervalued stock. Unpredictability in 1Q 2013 was due to an acquisition greatly increasing cost as well as the elimination of 40 jobs which also increased short-term expenses but is expected to generate long-term savings. 1Q 2013 saw a miss on earnings by pulling in $.17 per share when estimates were $.22 per share, which represented the third consecutive quarter of missing estimates. 2Q however brought in $.23 per share after estimates had been revised down to $.185, and overall revenue growth for 2013 is still on pace for a 30% increase over 2012. FRF was trading at a P/E of 12.0 and P/B of 1.8 in 2010, which dropped steeply in 2011 before partially recovering to its current P/E of 10.1 and P/B of 1.1. These numbers are comparable to the peer group averages of a P/E of 10.9 and a P/B of .94. FRF should continue to see its valuation climb back in line with its early historical numbers and comparable P/E ratios of its peers, which are all trading at a higher P/E than FRF, because of the constant revenue growth that FRF has empirically shown and which is projected to continue in the future. For these reasons it is recommended that FRF be added to the AIM Equity Portfolio with a price target of $9.20, representing a 19.4% upside. FRF does not pay a dividend.

Investment Thesis

- **Reduced Earnings Volatility.** FRF was trading around $8.80 before the early April earnings announcement which saw an earnings miss due to increased costs despite increased revenues of 25.1%. After the August announcement earnings jumped up and made up for the miss in Q1; however, the price remains well below previous levels despite being on the same earnings path. Consistent performance in the next two quarters should inspire investor confidence to return, and as revenues have increased beyond previous expectations prices should jump even higher than previously.
- **2008 Recession as the Perfect Advertising Pitch.** Credit insurance is something that companies never want to purchase. In a perfect economy the only thing credit insurance does is drain money from the bottom line; however, an upside for this stock is that the 2008 recession reminded companies' CFOs that we do not live in a perfect economy and insurance is necessary. Insuring the sales made provides stability to companies, protecting revenues and decreasing risk. The perfect time to invest in a credit insurance company is following a recession because the stock has already been knocked around by the claims during the recession and is poised for growth.
- **Continued Growth Through Acquisitions.** The firm's growth via acquisitions will most likely be at a slowed pace compared to 2011 and 2012, but it remains a core strategy for management. FRF has the means to be able to continue to expand because of an unused credit facility worth $125MM and further cash on hand of $46MM. Debt/equity is 1.66, however this company still has plenty of liquidity to continue the growth strategy which management said would continue in their 2012 10-k. Thus far in 2013 FRF has completed the purchase of RICC for $4.8MM.

Valuation

A historical price to earnings and price to book approach combined with a comparables-based price to earnings, price to book, and price to sales approach was used to find the intrinsic value of Fortegra Financial Corp. The comparables and historicals were each weighted 50%. Historical P/E was weighted a total of 40% with a target price of $8.45, and historical P/B was weighted 10% with a target price of $11.89. Comparables P/B and P/E were each weighted 20%, and produced target prices of $8.10 and $8.85 respectively. Comparables P/S was weighted 10% and produced a target price of $12.38. The peer group values were: P/B .94, P/E 10.9, P/S .57, while the historical values were: P/B 1.37, P/E 10.42. The peer companies chosen were MIG, HMN, and FAF, which are all insurance companies of a similar market cap. Combining the aforementioned target prices and weightings produces an intrinsic value of $9.20, representing an upside of 19.4%. FRF does not pay a dividend.

Risks

- **Concentrated Ownership Group.** Summit Partners, L.P. holds the majority of the shares at 63.3% of shares outstanding. If Summit decides to liquidate their position it would flood the market with supply and cause the price to drop.
- **Unsuccessful Acquisitions.** If FRF fails to be able to identify suitable acquisition targets or if the acquired companies do not perform to expectations it could have a large impact on FRF's bottom line.
- **Higher than Anticipated Loss Ratios.** If the loss ratios projected by the actuaries are inaccurate it would have a substantial impact on both the balance sheet and income statement in future quarters. Large unexpected claims could also have a material impact on business.

Management

Richard S. Kahlbaugh is Chairman, CEO, and President and Chairman of the Executive Committee. He has been CEO since 2007, and was COO from 2003-2007. Walter P. Mascherin is the CFO and has held that role since 2010. Previously he worked 14 years for Volvo Financial Services where he was Chief Credit Officer and COO.

Ownership

% of Shares Held by All Insider and 5% Owners:	5%
% of Shares Held by Institutional & Mutual Fund Owners:	91%

Top 5 Shareholders

Holder	Shares	% Out
Summit Partners, L.P.	12,438,772	63.28
Price (T. Rowe) Associates Inc	1,965,886	10.00
Investment Counselors of Maryland	641,200	3.26
Philadelphia Financial Management of San Francisco LLC	462,869	2.35
Wells Fargo & Company	419,548	2.13

Carrefour S.A. (CRRFY)

September 6, 2013

Ellen Toshach   International Consumer Staples

Carrefour (NASDAQ: CRRFY) is a France-based company that is primarily engaged in retail distribution. CRRFY operates a network of hypermarkets, supermarkets, convenience stores and cash-and-carry outlets, as well as offering e-commerce services. The firm's hypermarkets, which are branded Carrefour, offer a range of food and non-food products. Carrefour SA's supermarket primarily offer food, clothing and household goods. As of December 31, 2012, the company operated 9,994 stores under its banners. The firm operates through numerous wholly-owned and partially-owned subsidiaries mainly in Europe, but also in Asia and Americas. As of November 30, 2012, it completed the sale of a 100% stake in five holdings. On May 23, 2013, it sold its remaining 25% stake in a Middle East joint venture for EUR530 million. Carrefour SA was founded in 1959 and is headquartered in Boulogne-Billancourt, France.

Price ($): (3/2/13)	$ 6.36		Beta:	1.4		FY: Dec	2012 A	2013 E	2014 E
Price Target ($):	$ 8.99		WACC:	10.6%		Revenue ($mil)	$ 97,890	$ 101,329	$ 104,288
52 WK H-L ($):	3.82-6.50		M-Term Rev Gr. Rate Est:	3.7%		% Growth	4%	4%	3%
Market Cap (mil):	$ 21,950.20		M-Term EPS Fr. Rate Est:	15.9%		Gross Margin	19%	21%	21%
Float (mil):	2907		Debt/Equity:	194.3%		Operating Margin	3%	3%	3%
Short Interest (k):	1%		ROA (ttm):	2.6%		EPS (Cal)	0.44	0.35	0.41
Ave Daily Vol (K):	114,019		ROE (ttm):	17.5%		FCF/Share	$ 0.91	$ 0.91	$ 1.09
Dividends ($):	$ 0.15					P/E (Cal)	14.5x	18.3x	15.5x
Yield (%):	2.36%					EV/EBITDA	8.70x	7.70x	6.70x

Recommendation

As the leading food retailer in Europe and the second largest worldwide, Carrefour also has multiple locations in emerging market countries. CRRFY operates in convenience stores (50% of revenue), supermarkets (34%), hypermarkets (14%), and cash and carry stores (2%). The company's main market is in France which accounts for 46% of total revenue, along with Brazil (15%), Spain (10%), and Italy (7%). In 2011, the firm expanded growth to newer markets, including China (6%), Belgium (5%), Argentina (4%) and Taiwan (2%). In order to restructure the company, starting in 2011, Carrefour began decreasing the number of stores worldwide from 15,937 in 2011 to less than 10,000 by the end of 2012. Due to these changes, Carrefour has seen an incremental revenue growth of over 10% revenue growth in Asia and nearly 5% in Latin America. In order to stay competitive with the market, the firm also added drive-in locations within their European marketplace. By refocusing their sales regions, growing into emerging markets and by expanding into more drive-through locations, Carrefour has begun an impressive turn-around - recently reporting earnings above analysts' expectations. Because of the success of the restructuring efforts and with a favorable valuation, it is recommended that Carrefour be added to the AIM International Fund with a price target of $8.99, which offers a potential upside of 41.4%. CRRFY also pays a dividend of $0.15 per share (a 2.4% dividend yield).

Investment Thesis

- **Refocusing the business into profitable segments.** In 2011, Carrefour started the year with 15,937 locations in France, Europe (excl. France), Latin America, and Asia. During the year, the company closed or sold 6,835 locations while opening or acquiring only 836 stores. These changes allowed the company to refocus their emphasis from traditional discount stores and expand into other lines of business. The company virtually eliminated all of the 'hard' discount locations which produced a 37% reduction in stores - while tripling net income from 2011 to 2012. The refocused effort has helped the company derive more profits from supermarkets, convenience stores, hypermarkets, and cash & carry stores. According to recent reports, these fundamental changes have helped the firm recover in the weakened European region.
- **Restructuring within Emerging Markets.** Since the disposal of five Columbian holdings (Alpha BV, Thalie BV, Calliope BV, Uranie BV and Coledim BV) and the refocused business

strategy, Carrefour plans to accelerate their investments both in Latin America and Asia, while decreasing their capital expenditures in Europe. Growth within emerging markets is important for CRRFY because between 2011 and 2012 most of the revenue growth was from Asia and Latin America at 10.3% and 4.6%, respectively - and these regions combined to account for 35% of the company's total operating income. In Brazil, revenue increased 8.5% in 2012, which is 15% of total revenues for the firm.

- **Growing drive-through influence.** Carrefour has accelerated its pace of drive-through openings, which doubled the number of store from 127 to 283 in one year. Drive-through locations account for a large proportion of 'like-for-like' sales growth. For a similar company, drive-through locations accounted for 5% of total sales and almost 40% of life-for-like sales growth. It is expected that similar sales growth will be generated for Carrefour's planned drive-through locations. Drive-through locations are crucial for the firm's future sales and growth because this is a growing trend in the industry within Europe.

Valuation

In order to reach an intrinsic value for Carrefour, a five year discounted cash flow model was constructed. Using a terminal growth rate of 3% and a WACC of 10.6% resulted in a valuation of $13.27. Sensitivity analysis on both the terminal growth rate and WACC provided for a range between $10.58 and $17.63. An EV/EBITDA multiple analysis was also conducted on CRRFY. Using an average of four peers, an EV/EBITDA of 7.6x was used, resulting in an implied share value of $8.74. Additionally, a P/E comparison and valuation of the company's reserves were analyzed. Using an industry average P/E multiple of 14.3x and a 2013 expected EPS $0.35, a value of $4.96 was obtained. By weighing the DCF model, P/E multiple, and EV/EBITDA evenly, a price target of $8.99 was established. Carrefour pays a dividend of $0.15/share.

Threats

- **Non-food products.** Due to the opening of drive-through locations, there is an underlying challenge for the company to maintain and grow non-food sales. Although the CEO argues that drive-through location gives the customer more time in the non-food aisles, there is a risk that due to the drive-through locations that consumers will spend less time in supermarkets and hypermarkets which would generate less sales in the non-food departments.
- **Weaker consumer recovery in European and Latin American markets.** The economy and recovery of markets is an ongoing risk for these regions. Although Europe has been on an upward trend, since Carrefour relies on strong economic growth, if markets do not perform as expected, the company is likely to perform lower than expected. Due to political and economic risks in Europe and Latin America, it is likely sales in these regions may not grow as expected.

Management

Georges Plassat is the current CEO and Chairman of the board, before him, both J-L Duran (2005-2008) and L. Olofsson (2009-2011), failed to turn the company around. Starting at Carrefour in May 2012, Georges Plassat is a French native, and his past experience includes the restructuring of both Casino and Vivarte. Plassat attended Cornell University along with Escuela Hotelera de Lausanne. He is also on the Chairman of the Board at Novartex and has previously served on the board of Centros Comerciales Pryca.

Source: Bloomberg

Ownership

% of Shares Held by All Insider and 5% Owners:	0.08%
% of Shares Held by Institutional & Mutual Fund Owners	38.01%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	Out%
Blue Capital Sarl	57,977,220	8.01%
Credit Suissee Asset Management	31,310,832	4.32%
Norges Bank	25,370,250	3.50%
Commonwealth Bank of Austrailia	23,161,032	3.20%
State Street Corporation	15,956,515	2.20%

Source: Bloomberg

Given Imaging Ltd. (GIVN)
September 6, 2013

Nicholas Kerger International Healthcare

Given Imaging Ltd. (NASDAQ: GIVN) develops, manufactures and markets diagnostic products for the visualization and detection of disorders of the gastrointestinal tract. It is engaged in capsule endoscopy, an approach to visual examination of the gastrointestinal tract through the use of a miniaturized video camera contained in an ingestible disposable capsule. Its principal product, which incorporates its core technology, is the Given System, a wireless imaging system that uses its disposable video capsules, the PillCam capsules. This can be easily ingested by patients and moved naturally through the gastrointestinal tract while wirelessly transmitting to a portable recorder, enabling the gastroenterologist to view video, images and data on a computer workstation, utilizing its RAPID software. The PillCam SB video capsule, the company's main source of revenue, is used for visualization and detection of abnormalities of the small bowel in patients ages two years and up. PillCam COLON is another video capsule the company has developed. Given's sales and marketing operations are organized in three geographical regions: Americas (United States, Canada and Latin America); Europe, Middle East and Africa (EMEA), and Asia-Pacific/Japan (Japan, Australia, New Zealand and the rest of Asia). It manufactures the PillCam capsules at its facilities in Yoqneam, Israel.

Price (9/3/13) ($):	18.34	Beta:	0.61	FY: Dec 31	2012E	2013E	2014E
Price Target ($):	23.49	WACC	7.60%	Revenue ($, M)	$180.50	$200.79	$232.59
52WK L-H ($):	12.82-19.48	M-Term Rev. Gr Rate Est:	15.00%	% Growth	1.41%	11.24%	15.83%
Market Cap ($M):	569.06M	M-Term EPS Gr Rate Est:	20.00%	Gross Margin	76.19%	78.00%	77.50%
Float (M):	21.6	Debt/Equity:	0.00%	Operating Margin	7.68%	10.00%	9.50%
Short Interest:	2.44%	ROA:	5.49%	EPS (Cal)	$0.46	$0.58	$0.64
Avg. Daily Vol (K):	63,412	ROE:	7.33%	FCF/Share	$0.67	$0.74	$0.79
Dividend:	N/A			P/E (Cal)	37.86	31.13	28.46
Yield:	N/A			EV/EBITDA	18.53	14.30	13.18

Recommendation

This summer GIVN received approval of PillCam COLON from Japan's Pharmaceuticals & Medical Devices Agency. PillCam COLON uses a miniature camera to provide patients the only minimally invasive alternative to traditional colonoscopy exams that gives doctors a direct view of the inside of a patient's colon. The incidence and mortality rate of colorectal cancer (CRC) has increased significantly over the past few years, with an incidence of roughly 100,000 cases and over 40,000 deaths per year. CRC is now the second most commonly diagnosed cancer and the third leading cause of cancer-related mortality in Japan. Roughly 4 million colonoscopies are performed annually in Japan. Despite recommendations from the Japanese government for citizens to get a colonoscopy, only about 55% of eligible citizens choose to proceed with the recommended medical scan for a variety of reasons. Similarly to Japan, the United States endoscopy market is also vastly underpenetrated, with only around 50% of eligible U.S citizens undergoing a colonoscopy due to sedation risk, partially obscured views of the colon, and other medical issues. PillCam COLON has been submitted for approval by the FDA and is expected to receive approval in late 2013. Between 7 and 9 million colonoscopies are performed in the United States per year. Should PillCam COLON be approved for use in the United States, Given Imaging could begin capturing consumers who are at a high risk for complication from colonoscopy as well as patients who receive an incomplete optical colonoscopy. To date, 1.9 million patients have benefited from GIVN capsule products, and many more are projected to benefit from the ease of use and less invasive PillCam COLON. Due to approval in underpenetrated markets, GIVN's unique product, access to cutting edge technology, and a favorable valuation, it is recommended that GIVN be added to the AIM International Equity Fund with a target price of $23.49**,** which offers a potential upside of 28%.

Investment Thesis

- **Japan's Aging Population**. Over the next 7 years, individuals over 50 years old are projected to comprise roughly 50% of the Japanese population, ensuring growth in demand for colonoscopies among elderly Japanese men and women. As the world's second-largest healthcare market, behind only the United States, approval of PillCam Colon in Japan could increase the company's customer base from 1,000 to 10,000 and will help enhance colonoscopy treatment experience for over 1,000,000 potential patients.
- **Partnership with RDC (Rafael Development Company).** GIVN currently partners with RDC, which has exclusive rights to commercially exploit defense technologies developed within Rafael Advanced Defense Systems, Ltd, an innovative Israeli defense systems developer. This partnership allows GIVN access to breakthrough military technology to help develop civil applications and advancements to GIVN's product line. Access to this cutting-edge technology helps the company maintain a competitive advantage in the capsule endoscope marketplace.
- **Pending FDA Approval of PillCam Colon in the U.S.** Between 7 and 9 million colonoscopies are undergone per year in the United States, with only about 50% of eligible U.S citizens undergoing a colonoscopy**.** The size of eligible citizens, those 50 years old and older, is expected to grow roughly 20% by 2020. As the world's largest healthcare market, the United States offers large revenue streams for GIVN should PillCam COLON be approve by the FDA. Given Imaging applied for approval of PillCam COLON at the end of 2012.

Valuation

To find the intrinsic value of INFI, three five-year DCFs were computed using a WACC of 7.52% and a terminal growth rate of 3%. The worst case DCF yielded a value of $17.17, the middle $21.24, and the best $32.06. Weighing all three models equally, an intrinsic value of $23.49 was derived, representing an upside of nearly 30%. The company does not pay a dividend. A sensitivity analysis on the middle case WACC yielded values ranging from $14.75 to $38.07, while sensitivity analysis on the terminal growth rate yielded values ranging from $15.89 to $35.12.

Risks

- **Failure to Establish a High Volume Manufacturing Process for PillCam Colon.** PillCam COLON is currently manufactured in a semi-automated manufacturing process, which is sufficient to meet the current demand for the product. However, upon approval around the world, GIVN will need to increase the volume of the manufacturing capabilities in order to meet demand and bring PillCam Colon to market. Failure to successfully bring PillCam COLON to market and continued reliance on PillCam SB capsules will not allow the company to increase revenues going forward.
- **Failure to Gain Approval of PillCam Colon 2 in the U.S.** PillCam COLON approval in the United States is a huge catalyst for revenue growth for GIVN going forward as the United States is the company's largest market. Despite approval in Japan, there is no guarantee that the product will be approved by the FDA. Should the company fail to gain approval of the device in the United States, forecasted future revenue growth could be materially impacted.

Management

Mr. Nachum (Homi) Shamir has served as the company's President and CEO since April 9, 2006. Thomas Looby has served as Chief Marketing Officer since July 2010. Prior to that, from September 2006 until July 2010, he has served Given Imaging in various roles including the Vice President of Corporate Strategy and Planning and Director of Upper GI Products. David Mason has served as Given Imaging's Chief Medical Officer since November 2008. Prior to joining Given Imaging, Dr. Mason had a 23-year career in the pharmaceutical industry, where he played a major role in the development and launch of multiple drugs and biological agents, most recently for inflammatory bowel disease.

Ownership

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

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Elron Electronic Industry	6,802,710	21.55
Discount Investment Co.	4,719,528	14.95
RDC Rafael Development Co	2,662,110	8.43
Camber Capital Management	1,500,000	4.75
Murphy, Michael R	1,148,212	3.64

Source: Bloomberg