Applied Investment Management (AIM) Program

AIM Class of 2010 Equity Fund Reports
AIM Research Room - Thursday, December 10, 2009
Fall 2009

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For more information about AIM please contact:

David S. Krause, PhD
Director, Applied Investment Management Program
Marquette University
College of Business Administration, Department of Finance
436 Straz Hall, PO Box 1881
Milwaukee, WI 53201-1881
mailto:AIM@marquette.edu
or visit www.busadm.mu.edu/aim

Banco Macro
BMA
Price: $28.03 ($8.71-33.85)
Fiscal Year Ends: December 31st

December 4, 2009 — Michael O'Carroll
iShares MSCI EAFE Index: $55.21 (40.35-55.21) — International Financial Sector

Banco Macro S.A. provides banking products and services to individuals and corporate customers in Argentina. It offers various retail products and services, such as savings and checking accounts, time deposits, credit and debit cards, consumer finance loans, mortgage and car loans, home and car insurance coverage, tax collection, utility payments, and money transfer services. BMA's corporate banking products and services include deposits, lending, check cashing advances and factoring, guaranteed loans, credit lines for financing foreign trade, and cash management services. Further, the company provides trust, payroll, and financial agency services. Banco Macro has a network of 416 branches and 803 automated teller machines. The company is headquartered in Buenos Aires, Argentina.

Recommendation

Banco Macro is a regional bank within South America that has maintained strong financial performance within a difficult economic landscape. The firm's most recent earnings call for the 2009 third quarter exceeded analysts' expectations by US$0.16 per ADR. The positive earnings report was the result of increased trading account profits and an increase in value for the firm's large sovereign government bond portfolio (USD $158M). Expectations are that the firm will maintain loan growth of 17% and fee income growth of 13% and 12%, respectively, in both 2010 and 2011. One important aspect to the firm's performance has been the 300 bps decrease in its non-performing loan (NPL) ratio which is currently at 3.1%. (versus 3.4% in 2Q 2009). The stock has recently decreased by 15% since November 6th as the result of a downgrade by the J.P. Morgan analyst covering the stock, who cited his downgrade due to significant price appreciation (137% year to date). Current analyst recommendations stand at one buy, two holds, and two sells. The stock has maintained a dissent among analysts due to the challenging economic and regulatory environment in Argentina. Given the stock's recent downturn due to the analyst downgrade, and the significant revenue growth expected to be generated from loan and fee growth and an appreciating debt portfolio, it is recommended that BMA be added to the AIM portfolio at a target price of $36.

Key Statistics	December 4, 2009
Market Cap	$16,850M
Shares Outstanding	593.40M
Ave. Volume (3 month)	132,117
Adjusted Beta	1.02
EPS (TTM)	$2.95
2009 Estimated EPS	$2.90
P/E (TTM)	9.50
PEG Ratio	2.28
WACC	14.20%
Debt/Assets	7.95%
Dividend	$0.65
Dividend Yield	2.29%
ROE	23.90%
ROA	2.79%
Gross Margin	48.30%
Operating Margin	23.55%
Analyst Coverage	5
Target Price	$36.00

Source: Bloomberg

Investment Thesis

- **Credit Growth.** A recent report by credit card companies Visa and American Express have stated that credit card spending should increase by 10% in 2010 as consumer activity rebounds in the Argentinean economy. Credit card companies expect the bad loan rate to stabilize at 4% at the end of the 4th quarter in 2009. Given the double digit growth expectations in credit (17% for loans in general) and the firm having 70% of its revenue generated from interest income and fees, BMA should expect a large recovery in its credit distribution. BMA is a distributor of both Visa and American Express credit cards.

- **Debt Portfolio**. BMA currently holds $1.99B (ARS 7.57B) in debt securities. The firm's most recent third quarter earnings report was positive due to the sale of sovereign bonds which allowed the firm to book a profit. Out of the total debt securities held, the firm holds $157.75M (ARS 600M) in sovereign bonds, Jorge Scarinci, BMA's finance and investor relations manager, said the company might actively seek to sell securities in the fourth quarter to book more profits. Current requirements by the government only allow BMA to record its securities at "cost plus yield" which requires banks to record their securities at a lower price than market value. The current regime set up by the government will expire at the end of December. If the central bank does not extend the recording process, banks in the region will book large profits by recording securities at market value.
- **Embedded Country Risk.** Given BMA's large holding of sovereign government securities (USD $158M) analysts have discounted the stock due to the fear of Argentina's default risk. As economic conditions improve within the Argentinean economy, BMA should experience upside appreciation as a result.

Valuation

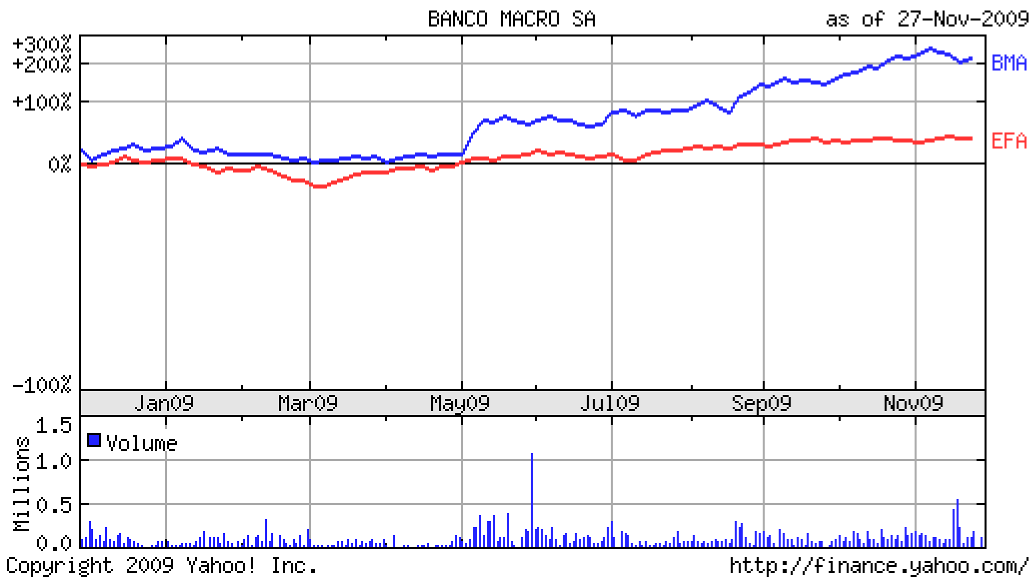
BMA is currently trading at 9.50x TTM EPS of $2.95. A conservative P/E of 10x a 2010E EPS estimate of $3.30 yields a $33.00 price target. Using a forecasted 2010 book value per share of $14.69 and a forecasted P/B of 2.66x yields a $39 price target. Using a discounted cash flow model with a WACC of 14.20% and a terminal growth rate of 3% yielded a $35 price target. Using a sensitivity analysis that adjusts the WACC (13.2-15.2%) and terminal growth rate (2.5-3.5%) generates a price distribution of $34-38. With the stock currently trading around $28, the $36 price target would yield a 28% return.

Risks

- **Government Intervention.** On concern is that the Kirchner Administration could react by adopting more aggressive and unorthodox economic policies. The government could possibly influence management by leveraging its 27% ownership stake in the firm, which occurred through the nationalization of the private pension system. The government could also pull deposits (8% of Macro's deposits come from the government-controlled pension plan).
- **Business Model Change.** Management within the firm has stated that they will begin to redevelop their loan portfolio by shifting its emphasis towards consumer loans. The current loan portfolio is weighted with 52% of its loans towards businesses and 48% to individuals. Over the next two years, the company plans to shift its loan portfolio by making it consist of 55% individual loans and 45% corporate loans. This change in the firm's business model could affect the total percentage of non-performing loans.
- **Value at Risk.** With regards to trading portfolios and loan portfolios, on average (3-month 99% confidence level) Banco Macro has maintained a value at risk of USD $22.08M (USD $0.08/ share) and USD $43.59M (USD $0.14/share). Any unfavorable change in interest rates could negatively impact the value of BMA's trading and loan portfolios which would negatively impact earnings.

Management

Jorge Horacio Brito is the chairman of the board of directors and member of the executive committee and senior credit committee. He has been with the bank since June 1988. Mr. Brito is the chairman of the Argentine Bank Association.



Ownership

% of Shares Held by Insiders:	40.19%
% of Shares Held by Institutional & Mutual Fund Owners:	16.00%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Comgest SA	2,150,000	3.69%
Genesis Fund Management	2,050,300	3.52%
Fidelity Management & Research	1,382,227	2.37%
Capital Research Global Investors	841,915	1.44%
Capital World Investors	841,915	1.44%

Source: Bloomberg

Carnival plc ADS
CUK
Price: $34.63 ($17.37-36.10)
Fiscal Year Ends: November 30

December 10, 2009 — Sarah Finneran
iShares MSCI EAFE Index: $55.39 ($30.90-57.61) — International Consumer Services

Headquartered in both London, England, and Miami, Florida, Carnival Corporation operates as a dual-listed company while remaining a single economic entity through contractual and legal agreements. As the largest cruise operator in the world, CUK enjoys 48% market share and posted over $14 billion in total revenues in 2008. CUK operates in a highly consolidated industry with extremely high barriers to entry. Royal Caribbean (RCL) serves as CUK's major competitor with a 23% market share, in addition to small boutique cruise lines. CUK's robust portfolio includes 11 cruise brands and 93 ships. In FY2008, North America and Europe accounted for the majority of CUK's total revenue (55% and 37%, respectively), while the rest of the world comprised the remaining 8%. Carnival's most notable brands include Carnival Cruise Lines, Princess Cruises, and Costa Cruises.

Recommendation

CUK's strong market presence and ability to capitalize on promising cruise industry trends position the company for solid yield improvements. Although the booking window shrunk to an average 42 days in 1H 2009 across the entire cruise industry, CUK has been able to increase the booking curve by an average of 30 days across its entire brand portfolio in 3Q09. As the booking curve continues to extend, CUK will have the ability to increase cruise prices by approximately 4% in 2010, which were reduced by close to 14% in 2009 in an effort to maintain capacity. Beyond CUK's strategic efforts, strengthening cruise industry dynamics paint a promising picture for major player CUK. According to the Cruise Lines International Association (CLIA), in 2008, 44% of those who have cruised report having a satisfying experience, and 55% of those who cruised have sailed multiple times. Furthermore, CUK's solid balance sheet will provide advantages for the company in the future. With a Debt/Capital ratio of 32%, CUK is operating well within its debt covenant terms, leaving little possibility for a non-investment grade credit rating. With strong company fundamentals and improving industry trends, it is recommended that CUK be added to the international AIM fund at a target price of $44.

Key Statistics	Dec. 4, 2009
Market Cap	$27.96B
Shares Outstanding	213.59M
Ave. Volume (3 month)	185,839
Adjusted Beta	1.08
EPS (TTM)	$2.53
2010 Estimated EPS	$2.39
P/E (TTM)	13.67
PEG Ratio	1.21
Dividend Yield	0.00%
WACC	8.91%
Debt/Equity	46.91%
ROE	11.93%
ROA	5.55%
Gross Margin	38.28%
Operating Margin	18.63%
Analyst Coverage	17
Target Price	$44.00

Source: Bloomberg

Investment Thesis

- **Actively Managing Costs.** CUK boasts a lean cost structure proven by an operating margin of over 18% compared to its closest competitor, RCL, at a mere 8% in 2008. In an effort to continue to manage costs, CUK has made the strategic decision to slow capacity growth over the long-term; capacity growth will peak at an estimated 7.7% in 2010 then incrementally decline as CUK plans to build 2 to 3 new ships per year post-2012, amounting to a 3%-5% long-term capacity growth. As a result, CUK is targeting net cruise costs to remain flat or grow at a rate of half of anticipated inflation (0%-2%) over the long-term. In contrast, competitor RCL is estimating

11.6% capacity growth in 2010, which will most likely result in heightened occupancy rate and pricing pressures that CUK will not have to face.

- **Expansion into Less Penetrated European Markets.** CUK plans to focus on less penetrated markets going forward. According to the company, the European fleet, which comprises 35% of total capacity, generates 47% of overall operating profits. As such, four out of the six new ships to be delivered in 2010 will be placed in the European fleet. The total cruise market penetration rate for all of Europe is only 1.1% compared to 3.5% in the United States, presenting CUK with a significant growth opportunity looking forward.
- **Excellent Cruise Industry Fundamentals.** The cruise industry as a whole is poised for 7%-8% growth in 2010, making it the fastest growing segment in the leisure industry. According to the CLIA, in 2008, only 20% of the entire U.S. population has ever cruised. Further, the shifting demographics toward an older population in the United States should augment cruise activity; the typical cruiser is usually older and retired, with a median age of 46. Finally, 50% of cruisers view their cruise vacations as having superior value to a land vacation as they have opportunity to visit several locations in one trip, to be pampered, and to experience luxury.
- **Capital Constraints of Major Competitors.** With over $6 billion in liquidity at the end of 3Q09, CUK is well-positioned in the face of some of its debt-ridden competitors. As of 3Q09, RCL's Total Debt/Equity reached 98.02% compared to CUK's at 46.91%. CUK continues to remain focused on maintaining its BBB+ credit rating. Further, its strong balance sheet will allow the company to obtain favorable terms on new ship orders.

Valuation

A 10-year DCF analysis using a calculated WACC of 8.91% and a terminal growth rate of 3.0% determined an intrinsic value of $45.65 for CUK. A sensitivity analysis adjusted WACC (7.9%-9.9%) and terminal growth rate (2.5%-3.5%), which produced a price range of $33.83-$65.69. On a relative basis, a12x multiple was applied to my 2010 EBITDA estimate of $4.51 per share. After adjusting for net debt of $11.63 per share, this valuation yielded an intrinsic value of $42.44. Considering both valuation methods, a target price of $44 is appropriate, representing a 27% upside based on a market price of $34.63.

Risks

- **Fuel Obligations.** Fuel costs are a major expense for CUK as the company operates a large fleet of smaller ships. The company currently does not hedge against fuel fluctuations so any volatility in oil prices could cause free cash flow to vary; however, the company is working to increase fuel efficiency through retrofitted ship design via propeller design and hull coating.
- **Decrease in Consumer Spending.** Concern remains that the economic crisis could linger through 2010. If unemployment rates remain high, this could substantially hinder an increase in consumer spending, thereby adversely impacting the entertainment and leisure industry. However, according to the CLIA, there is a low correlation (<34%) between consumer confidence and plans to take a vacation. Further, the unemployment rate for November decreased to 10% from 10.2% in October.
- **H1N1 Flu Virus.** With visits to many exotic locations, cruisers have become fearful of exposure to the latest strain of the flu. Further, if the flu continues to spread, travel restrictions could be set in place, limiting the ports at which ships are able to dock.

Management

CUK boasts deep management experience as the executive management team averages 19 years with the company. Micky Arison has led Carnival as CEO since 1979, taking over shortly after his father founded the company in 1972. Arison is supported by Howard Frank, COO, and David Bernstein, Senior Vice President and CFO.

Ownership

% of Shares Held by Insiders:	22.61%
% of Shares Held by Institutional & Mutual Fund Owners:	2.14%

Source: MSN Money

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Dimensional Fund Advisors, LP	568,898	0.30%
J.P. Morgan Securities Ltd.	500,000	0.20%
Philadelphia International Advisors, LP	476,102	0.20%
Jane Street Capital, LLC	363,496	0.20%
Renaissance Technologies Corp.	320,500	0.20%

Source: MSN Money

France Telecom S.A.
FTE
Price: $26.69 ($20.92-29.50)
Fiscal Year Ends: December 31st

December 10, 2009 — Willie Boucher
iShares MSCI EAFE Index: $56.67 ($30.90 - 57.61) — International Telecom Sector

France Telecom S.A. is one of the world's largest providers of fixed telephony and mobile telecommunications, data transmission, Internet, and multimedia services to consumers, businesses and other telecommunications operators in France, the U.K., Spain, Poland and over 25 other countries. The company focuses on three business segments with Personal Communication Services (54% of revenues) delivering mobile telecom services, Home Communication Services (31%) offers fixed-line telephony, Internet and IPTV services, and Enterprise Communication Services (15%) provides business communication solutions. Mainly through its Orange brand, FTE is the third largest mobile communications operator in Europe, as well as the number one provider of broadband Internet. Spun off from government control in 1988, France Telecom currently has over 180,000 employees and serves over 189 million customers worldwide. Headquartered in Paris, FTE trades on the Euronext Paris and the NYSE (1 ADS represents 4 ordinary shares of FTE).

Recommendation

France Telecom S.A. is a well-known telecommunications company operating in several established and growing markets. Key competitors include Vodafone, Telefonica and Deutsch Telecom. Being a strong competitor in all of its markets, FTE has been able to maintain a gross margin of 55.51% and an operating margin of 19.02%, which are above its closest competitors. By increasing its customer base 6.6% YOY in Q3, the company has been able to combat growing industry pressure and regulatory reform. In addition, implementation of new technologies has enabled FTE to increase service reliability and customer satisfaction. Amidst the weak economic climate of 2009, the firm has been able to manage their debt load without any refinancing issues. The firm also maintains a dividend policy of paying out at least 45% of organic cash flow and currently provides investors a dividend yield of 6.48%. Therefore, because of France Telecom's prominent position in the telecommunications sector and its focus on partnerships and innovation, it is recommended that FTE be added to the International AIM Equity Portfolio with a target price of $35, yielding a 32% return.

Key Statistics	Dec. 10, 2009
Market Cap	$71.06B
Shares Outstanding	2.65B
Ave. Volume (3 month)	270,408
Adjusted Beta	0.753
EPS (TTM)	$2.28
2010 Estimated EPS	$2.83
P/E (TTM)	11.78
WACC	6.31%
Debt/Assets	44.48%
ROE	14.12%
ROA	4.57%
Gross Margin	55.51%
Operating Margin	19.02%
Dividend Yield	6.48%
Analyst Coverage	28
Target Price	$35.00

Source: Bloomberg

Investment Thesis

- **Emerging Markets Growth.** FTE has boosted its exposure to emerging markets recently by entering five new African markets, in addition to its current Eastern European operations with 19% YOY growth in mobile customers. By acquiring established local companies and implementing the Orange brand through licenses for wireless and internet coverage, FTE is positioned favorably to take advantage of low penetration rates (average 30% in Africa) and continued development of high-speed interconnectivity.
- **Joint Venture and Partnership Benefits**. As the telecommunications industry consolidates around the world, FTE continues to take significant steps to increase its overall value. Creating a

joint-venture with Deutsch Telecom's T-Mobile in the U.K. and partnering with Sunrise in Switzerland should enable them to eliminate redundancies and operate more efficiently in each of these markets. The company has said that they are always open to new partnerships and future deals could prove to be fruitful as overall industry trends show decreasing margins.

- **Increasing Contract Revenues.** In an industry that used to rely on prepaid customers, FTE has really stepped up its effort to increase the amount of contract clientele in its business segments. Contracts not only provide greater margins, but they increase customer loyalty and reduce overall churn. In their leading markets of France and the U.K., FTE increased its contract customer mix by 6% and 10%, respectively in the third quarter. These strong trends will aid the company as the industry becomes more and more competitive.

Valuation

FTE is currently trading at 11.78x TTM EPS of $2.28. A conservative historical P/E average of 13 times a 2010 EPS estimate of $2.72 yields a $35.23 price target. Using a comparative industry multiple of 14.1 times the 2010 EPS estimate shows a $38.21 fair value. Based on a 10 year DCF analysis with a computed WACC of 6.31% (including country risk) and a terminal growth rate of 3.0%, an intrinsic value of $35.27 was obtained for FTE. A sensitivity analysis that adjusts both the long-term growth rate from 2% to 4% and the WACC from 5.5% to 7.5% generates a feasible price range of $22.67-49.23. This DCF assumes revenue growth of -3% for the first year of valuation, down from its average of over 8% for the past 5 years, with growth picking up slowly in the following nine. The company also pays out dividends with a current yield at 6.48%. I also utilized a DDM that adjusted the dividend growth down to 2.5% year over year from a historical 10 year CAGR of 5.8%. which realized a $37 value for FTE. Therefore, I have set my target price at $35.00. With the stock currently trading around $26.69, the $35 price target would yield a 32% return and a 6.67% dividend yield.

Risks

- **Increasing Cost Pressure from Governments.** With a recent price adjustment already in effect in Europe, the ability to generate consistent revenues could be an issue. Pressure from various legislative bodies has forced telecom companies to cut switching fees and reduce overall fixed-line and mobile telephone fees in an effort to protect the consumer. Government actions could severely hamper FTE as nearly 75% of its revenues come from Europe.
- **Exchange Rate Fluctuation**. Because FTE operates in so many different areas of the world, exchange rate fluctuations can have enormous effects on the overall performance of the company. In the first 9 months of 2008 alone, FTE lost over 1 billion Euros due to the deterioration of the British Pound and the Polish Zloty vis-à-vis the Euro. These uncertainties could prove to be a large factor in the profitability of the company in the long run.
- **Exposure to Risky Environments.** With much of their emerging and growing business in Africa, the Middle East and Eastern Europe, FTE is exposed to particular economic, political and regulatory risks that could vastly change their business model. With the majority of their growth coming from these high risk areas, FTE could see a significant portion of their growth opportunities lost if conflicts were to occur in these areas.

Management

Mr. Didier Lombard joined France Telecom in 2003 and became Chairman and CEO in 2005 after many years of experience working with the French Ministry of Research and Technology and the French Ministry of Economy, Finance and Industry. Just recently, Mr. Lombard and the rest of the board of directors appointed Mr. Stephane Richard as Deputy Chief Executive. Mr. Richard has previous experience as the Executive Vice President of Veolia Environnement and he was the CEO of Connex. This move signals a possible move to Mr. Richard as CEO in the coming years as negative employee sentiment has plagued the company amidst restructuring and organizational moves.

Ownership

% of Shares Held by Insiders:	26.9%
% of Shares Held by Institutional & Mutual Fund Owners:	1.0%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Brandes Investment Partners	10,060,751	0.38%
AXA	1,853,296	0.07%
NFJ Investment Group (Allianz)	1,588,540	0.06%
Federated Investors Inc.	1,588,540	0.06%
Allianz Global Investors of America	1,323,783	0.05%

Source: Bloomberg

Shire
SHPGY
Price: $58.74 ($39.85-$60.32)
Fiscal Year Ends: December 31

December 7, 2009 | Matthew Pruyn
iShares MSCI EAFE Index: $55.21 ($31.56-$57.61) | International Healthcare Sector

Shire plc is an international pharmaceutical company that focuses its business on three distinct areas: attention deficit hyperactivity disorder (ADHD), human genetic therapies (HGT), and gastrointestinal diseases (GI diseases). The majority of Shire's revenue is derived through its ADHD drugs (50% of net revenue). Shire's best-known drug, Adderall XR, is used for the treatment of ADHD; however, the company has expanded its portfolio to include Vyvanse, Daytrana, and Intuniv. In addition, the company has products in both gastrointestinal and human genetic therapy specialty markets. Shire's HGT segment specializes in the treatment of rare genetic diseases. Shire's revenues can be further broken down into two separate components: Product Sales (91% of 2008 net sales) and Royalties (8% of 2008 net sales). Shire's strong product portfolio can be attributed to its R&D and acquisition efforts, which focus on products with strong intellectual property protection. Shire was founded in 1986 and is currently headquartered in Basingstoke, England.

Recommendation

Despite the strength of its current product portfolio, Shire still plans to further diversify its offerings. Shire continues to pursue select acquisition opportunities and has a strong R&D pipeline of products yet to hit the market. Specifically, Shire will launch sixteen new products over the course of the next five years. Shire's top product, Aderrall XR, lost market exclusivity in April of 2009 (12% of net sales 3Q 09). The strong performance of its core product set ($532M in 3Q 09, 20% YOY growth), however, has helped offset the impact from the generic versions of Aderrall. The unique composition of its ADHD treatment, Vyvanse, has compelled patients to switch over from competitor's products and has attracted many new users. Shire expects sales of this product to surpass the $500M mark by the end of this year. Vyvanse has a composition patent in the US through 2023, which will lock out competitors and help preserve high margins. In addition, Shire plans to introduce several of its existing products into new geographical areas. Specifically, Shire will launch Daytrana in Canada and other European markets. Furthermore, Shire's HGT business has one of the strongest pipelines in the rare disease sectors. As a result, Shire would be a valuable addition to the portfolio because the target price of $70 represents a potential gain of 18%.

Key Statistics	Dec. 1, 2009
Market Cap	$11.02B
Shares Outstanding	187.02M
Ave. Volume (3 month)	723,997
Adjusted Beta	.83
EPS (TTM)	$2.68
2010 Estimated EPS	$3.15
P/E (TTM)	21.8
LT Debt/Equity	68.32%
WACC	7.76%
Forward P/E	20.2
ROE	32.6%
ROA	10.4%
Gross Margin	87%
Operating Margin	19%
Dividend Yield	0.37%
Target Price	$70

Source: Bloomberg

Investment Thesis

- **International Launch of Vyvanse and U.S. Launch of Intuniv**. Since its release in late 2007, Vyvanse has already become the third most prescribed treatment option for ADHD (24% of net product sales). The success of Vyvanse can be attributed to the proven efficacy and safety of the drug. Specifically, Vyvanse has established itself as a safer alternative to other competing drugs in the ADHD market. Vyvanse has been a strong driver for the company and will continue to spur future growth ($129M in 3Q 2009; 34% YOY increase). With the launch of Intuniv this November, Shire is positioned to further penetrate an untouched market. Intuniv's non-stimulant status differentiates this drug from other available options for ADHD. As a result, Shire has a strong portfolio of existing and new products to capitalize on this $4.4B market.

- **Favorable Demographic Trends.** In the U.S., studies have shown that upwards of ten million adults have attention-deficit hyperactivity disorders; however, only 25% of these adults are taking medication for the treatment of this condition (Versus 80% of children). On the other hand, this pattern is expected to change and is the fastest growing segment of the ADHD market. In addition, awareness of the disorder is gaining popularity in other regions of the world. The combination of the untapped adult market and increased international recognition creates additional revenue opportunities for Shire.
- **Strong Free Cash Flow.** Due to the success of its product portfolio, Shire has been able to generate strong free cash flow. As a result, Shire has the financial flexibility to pursue additional acquisition opportunities to expand its market share. Specifically, Shire's acquisition efforts are focused on products in specialist markets with strong intellectual property rights and global rights.

Valuation

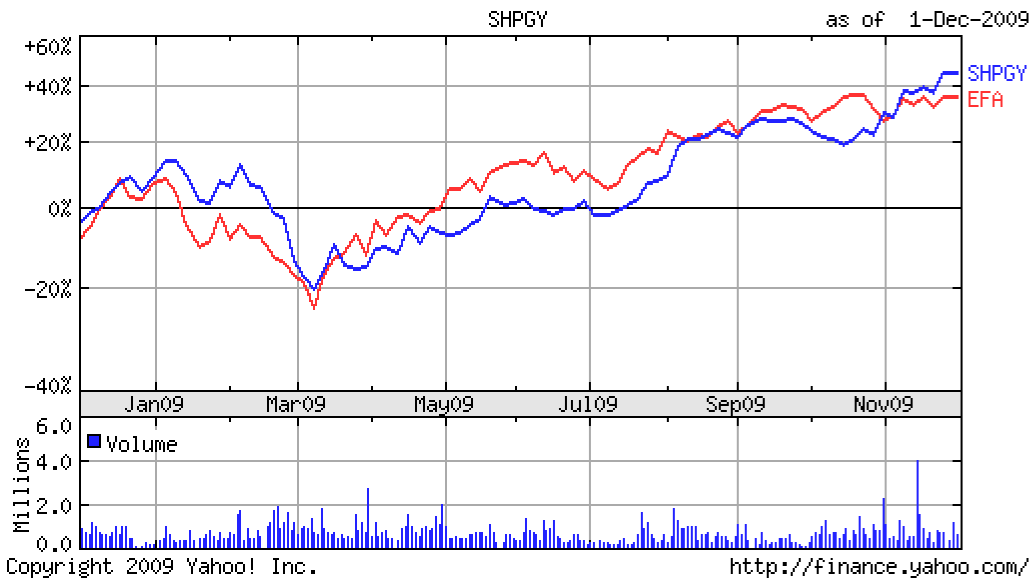
Based on a 10 year DCF model with a computed WACC of 7.76% and a terminal growth rate of 3%, the model yielded an intrinsic value of $70.39. Adjusting for WACC and terminal growth assumptions, a sensitivity analysis yielded a price range of $66.31-$75.88. A conservative historical P/E ratio of 21 times the 2010 EPS estimate of $3.15 yields a $66.15 share price. With all metrics taken into account, a target price of $70 has been established, implying an 18% upside. In addition, Shire pays an annual dividend of approximately $.26 per ADR.

Risks

- **Generic Competition.** In the pharmaceutical industry, patent production is key towards preserving high margins. Consequentially, Shire is faced with the risk of generic competition following the expiration of intellectual property rights. For instance, Shire filed a citizen petition blocking the approval of generic versions of its own Adderall XR; however, the rejection of this petition could negatively impact profitability.
- **Regulatory Approval.** Shire's international expansion hinges upon its ability to meet regulatory standards. For instance, the company faces the risk over the approval of its products both in the U.S. and abroad. The postponement or rejection of a products entrance to a foreign market could harness growth opportunities. In addition, the launch of new products requires significant investment in advertising and promotional spending.
- **Unanticipated Side Effects**. Despite the meticulous nature of clinical testing, Shire faces the risk that its medications will yield an unanticipated or harmful side effect. The discovery of such an effect would create negative publicity and leave physicians reticent to prescribe the drug as a course of treatment. Furthermore, the failure or side effect of a product could result in legal action against the company or propel Shire to withdraw the drug from the market.

Management

Following the retirement of Matthew Emmens, Angus Russell assumed the position of CEO in June 2008; Russel previously served as the CFO of the company from December 1999 to June 2008. Mike Cola, who has more than twenty years of experience in international biopharmaceutical industry, is the President of its Specialty Pharmaceuticals Division. Through its effective management team, Shire has pursued strategic partnerships that have enabled its rapid growth. As a result, more than 30% of net sales are derived from products that have been introduced within the past two years.



Ownership

% of Shares Held by Insiders:	2%
% of Shares Held by Institutional & Mutual Fund Owners:	23%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Jennison Associates LLC	8,166,027	4.37%
Capital World Investors	6,450,000	3.45%
Capital Group International INC	4,900,860	2.62%
Capital Guardian Trust Company	4,531,175	2.42%
Excelleratehro Share Plan	2,791,605	1.49%

Source: Bloomberg

Allis-Chalmers Energy, Inc.
ALY
Price: $3.38 ($0.71-6.07)
Fiscal Year Ends: June 30

December 1, 2009
Russell 2000 Index: $417.07-589.20

Danny Knight
Energy Sector

Allis-Chalmers Energy, Inc. (ALY) is a multi-faceted oilfield services company, providing services and equipment to oil and natural gas exploration and production companies. Its oilfield services include directional drilling, tubular services, underbalanced services and production services, drilling and completion and related services in Argentina, Bolivia and Brazil, and rental services of premium drill pipe, blowout preventers and specialized rental equipment. In 2008, ALY generated 43% of its revenues from its drilling and completion segment, 41% from oilfield services, and 16% from rental services. ALY is a company that grows by identifying and pursuing opportunities in markets that outpace the overall market in order to mitigate cyclical risk by diversifying cash flow sources. ALY is headquartered in Houston, Texas and were incorporated in 1913.

Recommendation

In an industry that has been troubled for the past 18 months, ALY is positioned to make a strong recovery going forward. With rig count being the primary driver for revenue growth, ALY will respond nicely by their diversification in cash flows by having operations in both oil and natural gas. With total U.S. oil and natural rig counts down 38.4%, economic indicators like GDP growth and an increase in consumer demand have led management and industry peers to believe that there will be an increase in overall production, creating strong momentum going into 2010. ALY has not made the strong recovery as some of its larger peers due to much uncertainty about its financial health. The company has a debt-to-equity ratio of 55% and a TTM EPS of ($1.87), with an estimated 2010 EPS of $0.23. However, the company has stabilized its financial health and has expanded operations offshore by acquiring DLS in Argentina and BCH in Brazil, creating quality long-term contracts. With the expectations that oil and natural gas production will pick up domestically and internationally, ALY should see rapid growth in their rental services and oilfield services segments, which are down 34% and 50% YTD respectively. Despite generating a net loss of $13 million in 2008, future outlook looks positive for ALY beyond 2009 from their diversified portfolio and the potential increase in drilling in the U.S and Latin America. Therefore, it is recommended that ALY be added to the AIM Equity Portfolio with a target price of $5.00, a 48% upside. ALY does not issue a dividend.

Key Statistics	Nov. 15, 2009
Market Cap	$311.17M
Shares Outstanding	71,382M
Ave. Volume (3 month)	593,466
Adjusted Beta	2.51
EPS (TTM)	-$1.87
2010 Estimated EPS	$0.23
P/E (TTM)	N/A
PEG Ratio	N/A
WACC	12.17%
Debt/Assets	44.47%
ROE	-18.28%
ROA	-7.41%
Gross Margin	6.97%
Operating Margin	-2.56%
Analyst Coverage	7
Target Price	$5.00

Source: Bloomberg

Investment Thesis

- **Leader in Underbalanced Drilling.** ALY has integrated a new form of drilling that involves air pressure which will prevent fluids from entering the well, generate faster returns on production (2-5 times faster), and an overall lower cost per foot. This is useful in both oil and natural gas rigs and should be a favorable resource to drilling activists due to the increased preservation to the land.

- **Economic Improvements Will Increase Rig Count.** Rig count is an important indicator of activity levels in the oil and natural gas industry. Rig count in the U.S. peaked at 2,031 in August 2008 and dropped to a recent low of 876 in June 2009. By October 2009 active rig counts have increased to 1,048. Active rig counts will have a direct effect on the rental services and oilfield segments of ALY's business which are down 34% and 50% respectively. ALY also provides a specialized drilling procedure which involves directional and horizontal rigs. October 2009 directional/horizontal rig counts were at 651, a 36% decline from October 2008, according to Baker Hughes reports.
- **Emerging Presence in Latin America.** ALY's three business segments operate in several geographical locations which helps provide constant cash inflow. 40% of ALY's revenues are generated from its Argentina market, and in December 2008 ALY recently acquired BCH in Brazil. With rig counts expected to increase globally, ALY now provides the necessary services and equipment to foreign drillers which will significantly increase revenues in their rental services segment going forward.

Valuation

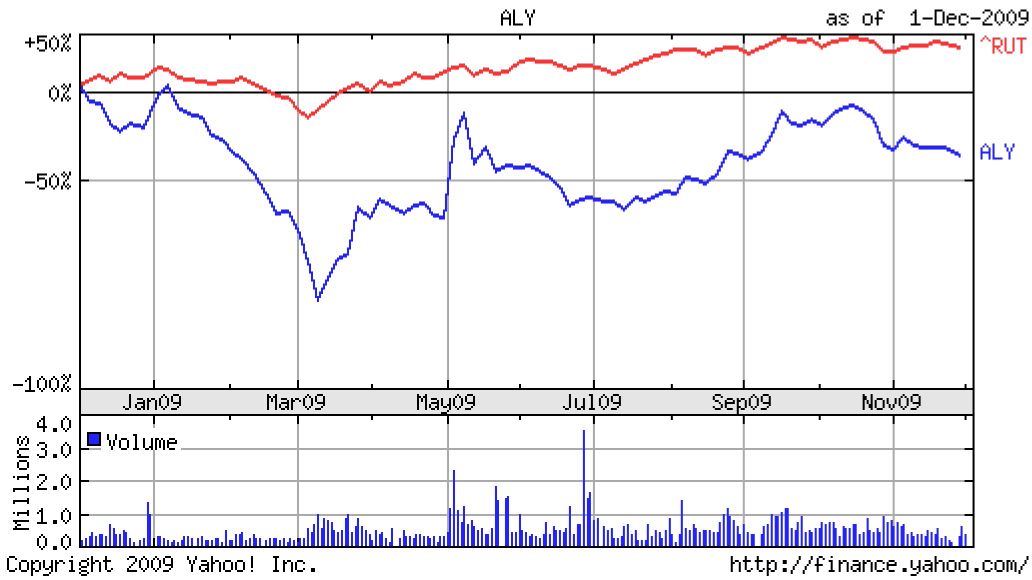
ALY is currently trading at $3.38. A computed forward P/E average of 6.1x estimated 2010 EPS of $0.23 yields a price target of $4.40. Based on a 5 year DCF analysis with a computed WACC of 12.56% and a terminal growth rate of 2%, an intrinsic value of $4.50 was obtained for ALY. A calculated forward enterprise value/EBITDA multiple for 2010 was found to be 20.2x. A sensitivity analysis was performed that adjusts the long-term growth rate (2-2.50%) and a WACC (10.50-14.50%) as well as a best case/worst case scenario. Calculations provided a range from $3.01-7.16. With indications showing that the economy is picking up domestically and internationally, I am assessing ALY with a target price of $5.00, nearly a 48% upside.

Risks

- **Government Regulation.** Quite possibly the biggest threat to ALY is government regulation. There have been talks about regulating offshore drilling in the U.S. There have not been any dramatic changes thus far, but if government decided to put any constraints, the future revenue growth could be affected.
- **Outside Ownership and Share of Rights.** The fall of ALY's stock price over the past year was also due to additional issuances of common stock and the ability for outstanding options to be exercised. In June 2009, ALY issued 35.7 million shares of common equity to sustain financial health, and if they needed to issue more common equity, share dilution would have an adverse effect on stock price. In the process, the DLS sellers and Lime Rock control a substantial stake in ALY which affords them board nomination rights and have influence on the company's actions.
- **Drop in Rig Count.** Despite seeing commodity prices increase in the past few weeks, any drop in prices could lower total rig counts in operating areas which will further hurt the financial health of ALY. We have seen the effects that low natural gas and oil prices have on revenues. If the economy goes through another crisis like 2008-2009, the company could see further losses. A continued warm winter will also have negative affects to its revenue stream.

Management

Munawar H. Hidayatallah has been the CEO and Chairman of ALY since May 2001 after serving as CEO of OilQuip Rentals, Inc. from its formation in 2000 which eventually merged with ALY. Victor M. Perez became the CFO in August 2004. The average tenure for ALY management is 3.3 years, compared to its peers of 9.7 years.



Ownership

% of Shares Held by Insiders:	50.87%
% of Shares Held by Institutional & Mutual Fund Owners:	27.20%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Lime Rock Partners	19,889,044	27.86%
Associated Petroleum Investors	8,435,666	11.82%
Barclays Global Investors	2,694,097	3.77%
Vanguard Group, Inc.	2,462,034	3.45%
Global Oilfield	2,320,000	3.25%

Source: Bloomberg

Advanced Auto Parts, Inc.
AAP
Price: $40.92 ($28.62-47.41)
Fiscal Year Ends: December 31

December 4, 2009 — Amy Klemme
Russell 2000 Index: $602.79($342.59-625.31) — Consumer Services

Advanced Auto Parts, Inc. operates within the automotive aftermarket industry, providing replacement parts, accessories, maintenance items, batteries, and automotive chemicals for cars and light trucks. The company operates under two segments: Advanced Auto Parts (AAP) and Autopart International, Inc. (AI), representing 95.9% and 4.1% of FY 2008 revenue, respectively. The AAP segment focuses on the Do-It-Yourself (DIY) market, while the AI segment primarily serves the Do-It-For-Me (DIFM) market. As of October 10, 2009, AAP operated 3,418 stores within the United States, Puerto Rico, and the Virgin Islands under the trade names of, "Advanced Auto Parts," and "Western Auto." The company was founded in 1929 and is headquartered in Roanoke, VA.

Recommendation

Advanced Auto Parts provides a value proposition within the highly competitive and currently depressed automotive retail industry. AAP continues its market share and profitability growth through parts quality, supply chain initiatives, expense controls, and a renewed focus on the commercial market. Despite the recent economic headwinds, AAP has shown its resilience and low degree of cyclicality in the hardline retail sector through the expansion of its margins and the acquisition of new customers. The automotive aftermarket industry will continue to be driven by the long-term shift in consumer behavior towards reduced discretionary spending. This trend, coupled with management's initiatives regarding pricing and merchandising, parts availability, and improved store execution, have allowed AAP's gross margin to expand an impressive 190bps YoY (from 47.44% to 49.34%). Moreover, AAP's ability to capitalize on future dealership closures will further aid its growth potential and will advance management's goal of a 50/50 DIY/DIFM sales mix split. Considering the firm's strong position within the automotive aftermarket industry and its ability to drive sales and margin productivity, it is recommended that AAP be added to the AIM Equity Fund with a target price of $49, providing upside potential of 20%.

Key Statistics	Dec. 4, 2009
Market Cap	$3,719.10M
Shares Outstanding	94.63M
Ave. Volume (3 month)	2.45M
Adjusted Beta	.92
EPS (TTM)	$3.01
2009 Estimated EPS	$3.07
P/E (TTM)	12.98
PEG Ratio	1.02
WACC	9.50%
Debt/Assets	8.83%
Debt/Equity	21.62%
ROE	22.68%
ROA	8.25%
Gross Margin	49.50%
Operating Margin	8.07%
Dividend Yield	.60%
Analyst Coverage	23
Target Price	$49.00

Source: Bloomberg

Investment Thesis

- **"Cash for Clunkers" Program Ended.** Cash for Clunkers, the $3B government stimulus plan, ended in September 2009. The initiative removed approximately 700K automobiles – a small number compared to the approximate 250M vehicles still on the road. Therefore, the statistically insignificant impact of the program does not undermine the continued dependency on auto part retailers.
- **Industry Consolidation.** The recent economic headwinds will continue to force independent automobile retailers to consolidate. As dealership closures persist, independent retailers of automobile parts and accessories, such as AAP, will benefit through the acquisition of new

customers and a mix shift towards the higher margin commercial segment. It is estimated that for every 1,000 dealerships closed, an additional $.04 will be added to AAP's EPS.

- **Realignment of Management Focus.** In 2008, AAP's management implemented a turnaround strategy emphasizing a focus on the firm's customers and the growth of its business. This implementation focuses on strategic decisions to fund investments in: Commercial Acceleration, DIY Transformation, Availability Excellence, and Superior Excellence. In 3Q 2009, commercial sales represented 32.4% of total revenues, and AAP controlled only 3% of the commercial market share. Management will continue to reinvest in the commercial segment due to the favorable market dynamics and increased growth potential.
- **Increased Average Age of Vehicles.** Continued weak new auto sales, coupled with a sharp reduction in the number of leased vehicles, directly benefits AAP's top line. The anticipated jobless recovery will continue to depress current consumer spending as the consumer faces weakened confidence and a lack of credit availability. These factors will, in turn, cause the consumer to defer the purchase of new automobiles. It is estimated that the average age of vehicles in the US will increase to over ten years by 2010, compared to the approximate eight year average over the course of the past decade.

Valuation

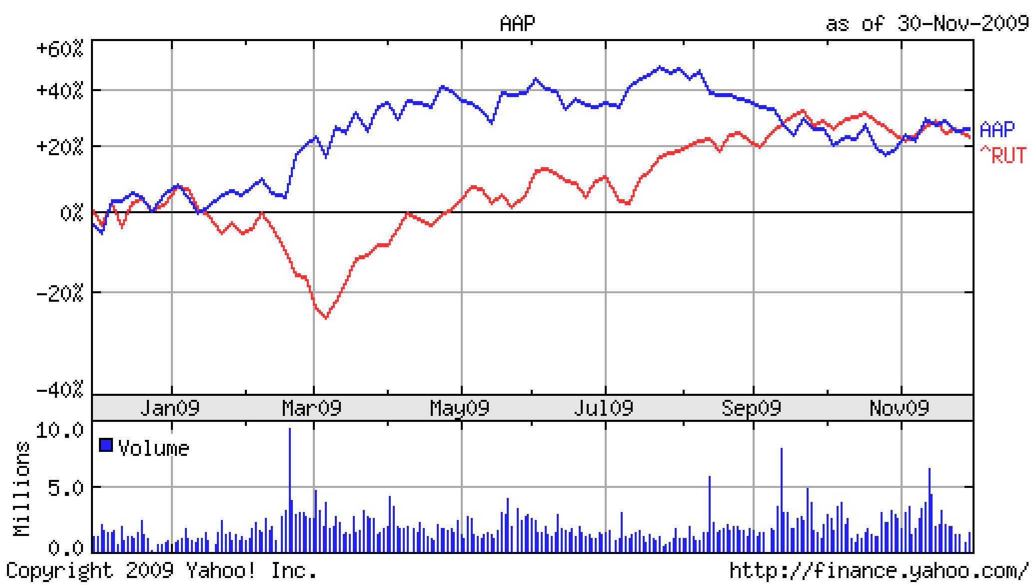
AAP is currently trading at 12.98X TTM EPS of $3.01. A conservative historical P/E average of 17x my 2009 EPS estimate of $3.07 yields a $52.19 price target. Based on a 5 year DCF analysis with a computed WACC of 9.50% and a terminal growth rate of 3%, an intrinsic value of $49.19 was obtained. A sensitivity analysis that adjusts both the long-term growth rate (2-4%) and the WACC (8.00-10.00%) generates a price range of $39.68-66.96. Considering both the DCF and multiple analyses, a target price of $49 was established, providing potential upside of 20% over its current price of $40.92. The company pays a modest $.06 quarterly cash dividend.

Risks

- **Duration of Manufacturer Warranties.** AAP's revenue depends on automobile maintenance and repair. If manufacturers provide longer-term warranties, repairs will typically be provided by the manufacturers' dealer network using dealer parts, which could adversely limit AAP's ability to generate revenue.
- **Expansion and Acquisition Challenges.** AAP's viability in the automotive aftermarket industry is reliant upon on the implementation of its growth strategy, which emphasizes new store openings as well as the appropriate identification of potential acquisition candidates or strategic partners. These relationships could add value through distribution networks; however, the corresponding risks could include: failure to secure cost-effective terms, diversion from management's strategy, and difficulty integrating into the ongoing business.
- **Competitive Landscape.** AAP competes for customers with other automotive manufacturers and automotive aftermarket retailers. If the government intervenes in the depressed automobile market and prevents dealerships from closing, the outcome may alter AAP's ability to access customers. Furthermore, if competition gains advantages over AAP or AAP fails to develop successful competitive strategies, the firm could see deterioration of its customer base.

Management

Darren Jackson has served as the President and CEO since 2008 and has served on the Board of Directors since 2004, where he previously served on the Audit Committee and Finance Committee. Jackson spent time with management on the formulation of certain strategies preceding his appointment to President and CEO. Prior to Advanced Auto Parts, Jackson served as CFO at Best Buy, as well as Nordstrom, Inc. Other officers joined Advanced with a breadth of retail and/or industry experience.



Ownership

% of Shares Held by Insiders:	11%
% of Shares Held by Institutional & Mutual Fund Owners:	96%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Fidelity Management	10,882,270	11.50%
Wellington Management	9,814,795	10.37%
Ruane, Cunniff & Goldfarb Inc	4,859,820	5.14%
Barclays Global Investors UK Holdings	4,789,256	5.06%
State Street Corporation	3,666,498	3.87%

Source: Bloomberg

Innophos Holdings Incorporated
IPHS
Price: $25.44 ($7.59 – 26.46)
Fiscal Year Ends: December 31

December 4, 2009 — Josué López
Russell 2000 Index: $589.20 ($343.26 – 623.94) — Industrial Materials Sector

Innophos Holdings Incorporated processes specialty phosphates in North America through the firm's three principal product lines: Specialty Salts and Specialty Acids, Purified Phosphoric Acid, and Technical Sodium Tripolyphosphate (STPP) and Other Products. Specialty salts and acids function as flavor enhancers in beverages, electrolytes in sports drinks, leavening agents in baked goods, calcium and phosphorus sources for nutritional supplements, and cleaning agents in toothpaste. Purified Phosphoric Acid serves as an input for salts, acids and STPP. STPP is used in detergent applications, water treatment, and copper ore processing. Other Products include phosphate fertilizers produced with Purified Phosphoric Acid. IPHS reports operations in three business segments: United States (52% of net revenue), Mexico (44% of net revenue), and Canada (4% of net revenue). Each business segment distributes the entire portfolio of the firm's products. Innophos became an independent company in August 2004 after purchasing Rhodia, S.A's North American specialty phosphates business. The firm completed an initial public offering in November 2006 and is headquartered in Cranbury, New Jersey.

Recommendation

IPHS set historical records in 2008 with an annual net sales increase of 61.5% to $934.76 million. Net sales for 1Q09 were $190.8 million, a 17.4% YoY increase, due to selling price increases occurring primarily in the Purified Phosphoric Acid and Specialty Salts & Specialty Acids product lines in the United States. During 2Q09 and 3Q09, though, the positive trend came to a halt as net revenues fell to $166.8 million (-36.8% YoY) and $161.9 million (-4.5% YoY), respectively, amidst lower selling prices for STPP and continued weakness in the Mexican market. 4Q09 results will likely be similar to 3Q09 given softening fertilizer demand, a lack of improvement in raw materials pricing, and selling price declines. IPHS has paid down $152 million of long term debt since its IPO, consistently pays a dividend, and has generated positive free cash flow annually since 2005. Short term liquidity is not a concern as the firm has $124 million in cash and a current ratio of 4.82. It is recommended that IPHS be added to the AIM Equity Fund with a target price of $32.

Key Statistics	Dec. 4, 2009
Market Cap	$512.68M
Shares Outstanding	21.31M
Avg. Volume (3 Mo.)	175,454
Beta	1.36
Diluted EPS (ttm)	$5.74
P/E (ttm)	4.20
WACC	10.79%
Total Debt/Equity	82.62%
Total Debt/Assets	37.68%
ROE (ttm)	43.68%
ROA (ttm)	36.27%
Gross Margin	39.00%
Operating Margin	31.97%
Dividend Yield	2.83%
Analyst Coverage	4
Target Price	$32.00

Source: Bloomberg

Investment Thesis

- **Restructuring of Mexican Operations.** Innophos is currently restructuring operations in Mexico due to recent demand weakness and changes in market trends. Net sales decreased 71.3% YoY in the second quarter, while net sales decreased 74.2% YoY in the third quarter. The project at the forefront of this initiative is the conversion of production capabilities of the firm's Coatzacoalcos plant (Veracruz, Mexico) from technical to food grade acid and salts. This plant traditionally produced STPP for household and industrial detergents and other cleaning agents, but ongoing efforts to eliminate STPP in cleaning products has reduced the profitability of this business. Food grade specialty acids and salts is one of the highest value added segments of the Innophos' business and serves stable industries. The plant is scheduled to be completed in the first quarter of 2010. Moreover, the firm will be actively seeking to negotiate new raw materials pricing contracts with more suppliers in 2010. The new sourcing environment and enhanced food grade capability will a principal factor in restoring the profitability of the firm's Mexican operations.

- **Clients within Stable Industries.** The firm generates revenues principally from clients within fairly steady industries in the consumer goods sector. Customers manufacture such products as soft drinks, juices, sports drinks, meat and dairy products, toothpaste and other dental products, and various cleaners and detergents. These industries can readily survive economic downturns given that consumers must still purchase food, beverages, and toiletries during recessions. IPHS stands to benefit as well because the firm provides specialty chemical products that are necessary ingredients in the formulation of the above-mentioned products. Furthermore, these specialty chemicals typically represent only a small percentage of total product costs for Innophos' clients. Consequently, the risks associated with the firm's clients switching specialty chemical suppliers often outweigh the prospective gains since the relative value of these chemicals is greater than the cost. Customer relationships are stable lasting on average over 15 years given the firm's adherence to technical performance requirements and quality standards specific to each customer.
- **Modernizing Operations.** In the 2Q09, management announced a plan for the firm to increase market share and maintain its position as the most reliable specialty phosphate producer. The firm launched a company-wide Enterprise Resource Planning system and business process redesign project to upgrade its technology, improve the quality of its supply chain, and further streamline the engineering and producing processes. The project is expected to total approximately $18 to $21 million by the end of 2010.

Valuation

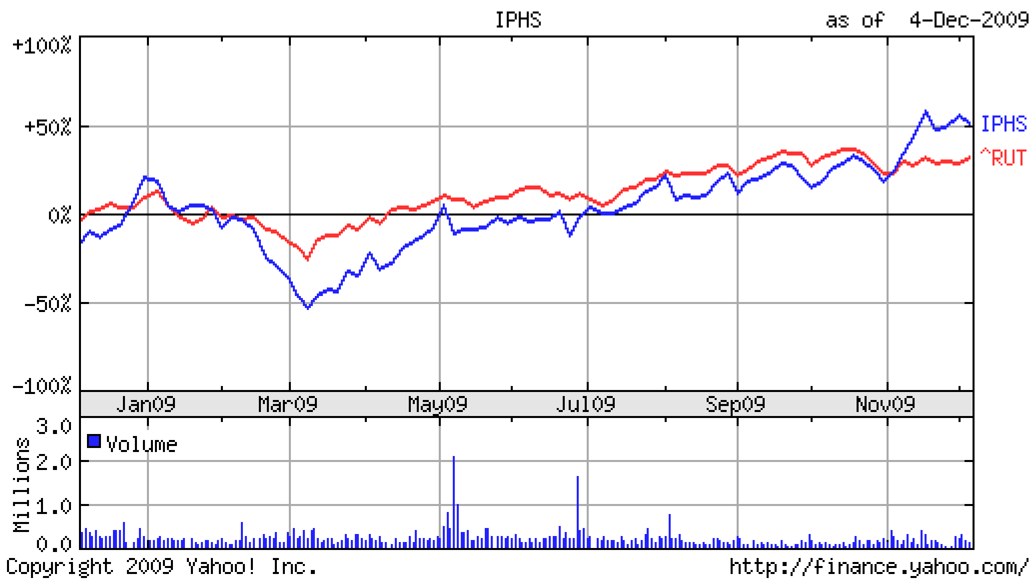
IPHS is currently trading at 4.20x EPS (ttm) of $5.74 compared to the industry average of 20x. Based on a 10 year DCF analysis with a WACC of 10.79% and a terminal growth rate of 3%, an intrinsic value of $48.69 was established for IPHS. A sensitivity analysis varying both the terminal value (1.5-4.5%) and the WACC (9.50-12%) yielded a price range of $40.09 – 55.03. Considering these measures of intrinsic value, a conservative price target of $32 was estimated. With IPHS currently trading at $25.44, the $32 price target presents a potential return of 25.79%, in addition to the firm's 2.83% dividend yield.

Risks

- **Raw Materials Availability and Pricing.** Raw materials are purchased under long-term supply contracts. Thus, periods of decreasing market prices tend to be unfavorable. Also, the cost of phosphate rock is greatly influenced by demand conditions in the fertilizer market and freight costs, which traditionally have been volatile.
- **Environmental and Product Regulation.** Since operations involve the disposal of hazardous materials and the creation of ingredients used in foods and beverages by consumers, the firm is subject to extensive and often changing regulation by federal, state, and local authorities, including the U.S. EPA, FDA, USDA, as well as regulatory authorities in Mexico and Canada.
- **Heavy Reliance on Suppliers.** The firm relies heavily on long-term contracts in place for Phosphate Rock, Sulfur, Merchant Green Acid, and Purified Phosphoric Acid with four different large suppliers. Adverse financial developments affecting any of the four suppliers may require IHPS to find replacement minerals at higher market prices than the established contract prices.

Management

Randolph Gress serves as Chairman of the Board, President, and Chief Executive Officer of IPHS. He joined Rhodia in 1997 and was named President of the Rhodia Specialty Phosphates business (which later became Innophos) in 2001. The majority of the remaining executive officers are also former Rhodia managers who began their employment with the firm an average of 20 years ago.



Ownership

% of Shares Held by Insiders:	1.64%
% of Shares Held by Institutional & Mutual Fund Owners:	71.43%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Allianz Global Investors of America	1,370,000	6.43%
Vanguard Group, Inc.	1,087,074	5.10%
Integrity Asset Management LLC	854,373	4.01%
Acadian Asset Management	835,919	3.92%
Barclays Global Investors UK Holdings Ltd	783,702	3.68%

Source: Bloomberg

Polycom Inc.
PLCM
Price: $22.04 ($12.19-28.43)
Fiscal Year Ends: December 31

December 7, 2009 Rob Mitchell
Russell 2000 Index: $602.79 (342.57-625.31) Hard ware Sector

Polycom Inc. is a communication solutions provider that serves corporations, government agencies, and educational institutions. They offer a variety of conferencing systems including voice and high definition video solutions. Their business can be separated into three market segments: Video Solutions (52% of revenue), Voice Communications Solutions (33%), and Services (15%). Video Solutions encompasses video communication products such as telepresence, room and personal video products as well as infrastructure products (video servers, network management, security, and recording solutions). The Voice Communication Solutions includes conference phone products, wired desktop voice products, and wireless products. Services include maintenance contracts and support offerings. Polycom uses distributors, value-added resellers, service providers, and a direct sales force to sell their products globally in North America, Europe, the Middle East, Africa, Asia-Pacific and Latin America. They were founded in 1990 and are headquartered in Pleasanton, California.

Recommendation

PLCM is a leader in the rapidly growing video conferencing space with a market share of about 35%. The firm currently has roughly $244M in cash, and with no long term debt, PLCM is in a great financial position to take advantage of the strong annual market growth of 20% over the next several years. The company has the ability to generate strong operating cash flows ($167M in 2008) that are increasing regardless of overall market conditions. PLCM plans to improve margins to help EPS growth which has averaged over 25% during the last five years. With Polycom's market position in a rapidly growing industry, the ability to create leading edge products, in addition to a strong financial condition, it is recommended that PLCM be added to the AIM Equity Fund with a target price of $30 offering upside potential of 36%. They do not currently issue a dividend, however they frequently perform stock repurchases.

Key Statistics	**Dec. 7, 2009**
Market Cap	$1,792.10M
Shares Outstanding	84.39M
Ave. Volume (3 month)	1,819,030
Adjusted Beta	0.90
EPS (TTM)	$.96
2010 Estimated EPS	$1.10
P/E (TTM)	22.12
PEG Ratio	1.24
WACC	9.27%
Debt/Assets	0%
ROE	7.60%
ROA	5.82%
Gross Margin	56.88%
Operating Margin	10.57%
Analyst Coverage	11
Target Price	$30.00

Source: Bloomberg

Investment Thesis

- **Global Growth of Video Conferencing.** Video conferencing is one of the fastest growing areas in technology. This market is expected to grow with a CAGR of 20% over the next 5 years as businesses look to control travel costs and improve efficiency. The emergence of video conferencing has allowed for organizations to communicate across the globe in virtual meetings without a physical presence. Polycom's innovative telepresence solutions are a cost-effective way for companies to communicate in an increasingly interactive world. With an estimated 35% market share, Polycom is the leading solutions provider for video conferencing and looks to benefit from this rapidly growing market.
- **Steady Cash Flows.** PLCM is in an excellent financial position as a result of their ability to operate without relying on debt. The firm currently has substantial cash on their books (approximately $2.90 per share) and has had 47 consecutive quarters of positive operating cash

flow. Their cash flow generation will allow them to continue investments in R&D activities and create innovative solutions. Polycom's cash flow generation has allowed them to repurchase $670 million in common stock over the last few years and they will to buy back an additional $187.2 million of shares under the current share repurchase plan. The strong financial condition also gives them the opportunity to acquire smaller providers as a way of increasing market share.

- **Improving Margins.** Polycom outlined in their 5-point plan for growth, their focus on attaining higher profit margins. They look to improve their gross margin of at lest 60% (about 350 bps increase) over the next few years. They can attain their goal with the growth of their video solutions segment as they bring new products with higher margins to the market. The success of the HD video platform has encouraged them to build on their Flagship RPX and TPX telepresence solutions by launching more products with high quality HD capabilities that have favorable margins. Additionally, Polycom is consolidating some of their operations in Canada and the United States by eliminating the existing sales force redundancies.

Valuation

Using a historical P/E average of 30x 2010 EPS estimate of $1.15 yields a $34.55 price target. Based on a 5 year DCF analysis with a computed WACC of 9.27% and a terminal growth rate of 3%, an intrinsic value of $32 was obtained for PLCM. A sensitivity analysis that adjusts both the long-term growth rate (2.5% - 3.5%) and the WACC (8%-11%) generates a price range of $25 - $41. They do not currently issue a dividend, however they have a strong history of stock repurchases. Polycom's price target was set at a conservative $30. With the stock currently trading around $22, this target would yield a 36% return.

Risks

- **Intense Competition.** Polycom will continue to be challenged by current competitors as well as new entrants to the video and voice conference markets. Cisco recently became their largest competitor after completing an acquisition of Tandberg. This may add increased pressure on the selling prices for similar products. The ability to produce innovative products is critical for Polycom to maintain its market share.
- **Dependence on Capital Expenditures.** The recent economic conditions have negatively impacted Polycom's business. Some of their customers may not be able to attain the credit necessary to finance the purchases of their products. Also, there is an increased risk of customer/partner bankruptcies and the unsuccessful collection of account receivables. Future capital restrictions could reduce enterprise customers' IT spending. Each of these factors could substantially affect Polycom's future revenue potential.
- **Dependence on Channel Partners.** Polycom relies on their channel partners and the success of their execution to sell their products. Currently, about 57% of their sales are made through distributors, 30% through value added resellers, 10% through service providers and only 3% are sold directly. Many of the channel partners they use are thinly capitalized and face the threat of bankruptcy if the U.S. goes into another recession. This has already occurred with Nortel, who recently had to file for bankruptcy.

Management

Jeffrey Rodman is a co-founder of Polycom and has been the CTO since its inception. The management team has significant experience in the industry with an average tenure of 8.5 years with the company. Robert Hagerty has served as president and CEO since 1997 and Michael Kourey (CFO) since 1995. Under their leadership, the company has increased their market share while doubling revenues over the last 5 years.

Ownership

% of Shares Held by Insiders:	.16%
% of Shares Held by Institutional & Mutual Fund Owners:	> 90%

Source: MSN Money

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Wellington Management Co.	7,185,478	8.51%
Barclays Global Investors	5,597,163	6.63%
Westfield Capital Management	3,790,445	4.49%
Vanguard Group	3,342,950	3.96%
BlackRock Advisors, LLC	3,111,650	3.69%

Source: Bloomberg

Bank of the Ozarks, Inc.
OZRK
Price: $26.22 ($16.70-30.02)
Fiscal Year Ends: December 31

December 10, 2009 — Mike Rice
Russell 2000 Index: $576.94 (342.59-625.31) — Financial Services Sector

Bank of the Ozarks Inc. is a commercial bank that operates in Arkansas and Texas. OZRK, which started with two offices in Jasper, Arkansas, currently has 66 offices in Arkansas, six in Texas and a loan production office in Charlotte, North Carolina. These offices account for 61%, 33% and 6% of loans and leases originated, respectively. The offices in Arkansas account for about 87% of the company's deposits, while the Texas branches account for the remainder. Despite offering many of the same products as larger banks, OZRK's commitment to customers and communities has helped them grow. This growth is primarily executed through a de novo branching strategy which began in 1994 and continues today. OZRK has recently been recognized as the 2nd, 3rd, and 12th best bank in America by ABA Banking Journal, US Banker Magazine and Bank Director, respectively. Bank of the Ozarks, Inc. currently employs over 700 people and is headquartered in Little Rock, AR.

Recommendation

Bank of the Ozarks' provides a good investment opportunity because of their strong capital position, opportunity for continued growth, and expansion into new markets. OZRK's strong balance sheet has allowed them to maintain a peer group leading tangible common equity ratio of 9.29%. This is even more impressive considering they did not have to raise capital in order to repay TARP and the elimination of the TARP dividend payment during Q4, should make them stronger. OZRK's capital position allows them to continue their *de novo* growth strategy which has helped their asset base expand to almost $3B by opening at least two new branches per year since 1994. Because of OZRK's financial strength and the overall banking environment, the management team recently became interested in participating in FDIC assisted transactions with the possibility of expanding into new and existing markets. With 25% of the outstanding shares currently being shorted, the news of an FDIC assisted transaction would act as an extra catalyst for the stock price. Because of OZRK's strong capital position, the opportunity for continued growth, and expansion into new markets, it is recommended that OZRK be added to the AIM Equity fund with a target price of $35.00, which represents upside of about 30%. With a $0.13 quarterly dividend, OZRK's dividend yield is about 2.0%.

Key Statistics	Dec 10, 2009
Market Cap	$442.72m
Shares Outstanding	16.89
Ave. Volume (3 month)	115,552
Adjusted Beta	.64
2009 Estimated EPS	$2.16
2010 Estimated EPS	$2.42
PEG Ratio	1.2
WACC	6.36%
Net Interest Margin	4.80%
ROE	14.14%
ROA	1.33%
Efficiency Ratio	42.32%
NPA/Total Assets	2.88%
Dividend (Yield)	$0.52 (2.0%)
Analyst Coverage	9
Target Price	$35.00

Source: Bloomberg, Yahoo!Finance

Investment Thesis

- **FDIC Assisted Transactions.** OZRK recently paid back the $75M in preferred stock that was sold to the US Treasury. While OZRK will record charges in Q4, their capital position will remain strong, allowing them to take "advantage of strategic opportunities." Management has stated that they are open to the acquisition of failed institutions with a focus on TX, AR, NC, and SC. They are also open to acquisitions in FL, GA, MO, TN and VA if strong opportunities and good pricing exists. With many banks in these states receiving notice to improve capital position from the FDIC, management believes that more opportunities will exist moving forward than there have been in the past.

- **Strong Net Interest Margin (NIM).** OZRK has been able to maintain a NIM above 3.47% since 2007. Each quarter in 2009, OZRK has posted a NIM above 4.70%. OZRK's 3Q 2009 NIM was primarily driven by the improvement in the spread between yields on loans and leases and the rates paid on deposits. During Q3 NIM increased by about 8bps from 4.72% to 4.80%.
- ***De Novo* Growth Strategy.** During 2009 OZRK has opened two new branches which continues their organic growth strategy of opening new branches each year. In 2010 OZRK's management is expecting to open at least two branches in AR and another in TX. They expect the Arkansas expansion to be completed in the next 3-5 years. Management will then look to expand into Texas in order to grow the deposit and loan base in that market.
- **Shorted Shares.** With about 25% of the outstanding shares currently shorted and a high days-to-cover ratio of 38.3, this could be a strong catalyst on the announcement of an FDIC transaction. While the short sellers are expecting bad news, the recent payback of TARP, strong capital position, and possibility of a FDIC transaction, signal good news may come in the near future.

Valuation

Based on a 5 year DCF analysis, using a computed WACC of 6.36% and a terminal growth rate of 3%, an intrinsic value of $35.26 was found. A sensitivity analysis adjusting the WACC (6%-9%) and terminal growth rate (2%-4%) produced a price range of $33.73-$37.75. This model assumes a decline in interest income before loan provisions of 2% in 2010, but due to a significant decrease in loan provisions in 2010, total net interest income increases by about 20%. A blended multiple approach was also used with assumptions of 15x P/E in 2010 and 2x Price/Tangible book multiples. After applying these to a 2010 EPS of $2.45, and a TBV of $17.38 an intrinsic value of $34.75 was found. OZRK is currently trading around $26.50 and a price target of $35.00 would produce a return of about 30%.

Risks

- **Construction and Development Loans.** OZRK's CEO recently stated that moving forward these loans will be of the most concern to the company. They currently make up about 30% of the portfolio. While the CEO sees challenges ahead in this market, he believes that the peak has passed and they are on the "backside moving down."
- **Commercial Real Estate (CRE) Loans.** OZRK's loan portfolio is currently made up of about 32% commercial real estate loans. OZRK's CEO, who takes an active role in this department, recently reassured investors that they will not have major problems moving forward. Currently, the market is expecting OZRK's portfolio to deteriorate beyond its equity base, thus forcing the company to raise capital. If the company is forced to take charges because of CRE loans, this would especially hurt OZRK's stock price because of the CEO's strong reassurance.
- **Competition.** OZRK competes with national, regional and local banks for loans and deposits. OZRK has been able to remain competitive through their customer service, convenience for local customers, community involvement and competitively priced products. As of June 30, 2008, OZRK has about 4.4% of total deposits in the state of Arkansas which grew from 4.3% in 2007 and 3.9% in 2006. If OZRK begins to lose market share they will be forced to reevaluate their strategy which could result in financial distress.

Management

George Gleason has been the Chairman and CEO since 1979. He purchased the company in 1979 with approximately $28m in assets and currently OZRK has just under $3B in assets. Mr. Gleason and his wife own about 19.6% of the outstanding shares. OZRK's President, Mark Ross, and CFO, Paul Moore, have been with OZRK for over 15 years and have substantial banking experience prior to OZRK.

Ownership

% of Shares Held by Insiders:	23.6%
% of Shares Held by Institutional & Mutual Fund Owners:	76.4%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Jennison Associates	1,238,036	7.33%
Barclays Global Investors	987,991	5.85%
Tamro Capital Partners	912,619	5.40%
US Bancorp	831,330	4.92%
Vanguard Group	777,756	4.61%

Source: Yahoo!Finance

Territorial Bancorp Inc.
TBNK
Price: \$17.15 (\$14.00-17.40)
Fiscal Year Ends: December 31

December 2, 2009 — Brian Paolo
Russell 2000 Index: 589.20 (351.05-623.94) — Financial Services Sector

Territorial Bancorp, Inc. is the bank holding company for Territorial Savings Bank, which provides financial services to individuals, families, and businesses through 25 offices in Hawaii. As of December 1, 2009, Territorial Savings Bank had approximately \$1.2 billion in total assets. Territorial Savings Bank accepts deposits and originates various types of loans. Residential mortgages account for approximately 90% of its loan portfolio. As of December 1, 2009, it had 25 banking offices in Hawaii and approximately \$1.2 billion in total assets. Territorial Bancorp, Inc. is based in Honolulu, Hawaii and was founded in 1921. The firm converted its ownership structure from a bank mutual holding company to a stock holding company early this year. In an initial public offering on July 13, 2009, TBNK sold 12,233,125 shares of common stock at \$10.00 per share.

Recommendation

TBNK, the only regional bank in the Russell 2000 to hold an A rating in financial health by Morningstar, did not receive TARP funds. Relative to competitors, TBNK has conservative loan practices; losses on its loan portfolio totaled 0.49% for Q3. TBNK is also well capitalized and has a Tier 1 capital ratio of 14.25% and a Tier 1 risk-based capital ratio of 37.41%. Federal Reserve Data for 295 Bank Holding Companies between \$1 billion and \$3 billion in assets for Q2 showed an average of 0.58% on loan losses for residential mortgages, an average Tier 1 capital ratio of 8.61%, and an average Tier 1 risk-based capital ratio of 11.13%. While acknowledging TBNK's net interest margin of 3.04% for Q3 is low compared to its peer group (which averaged 3.39% in Q2 – more recent data has not yet been released), management refuses to take on the additional risks associated with commercial real-estate loans. With management looking to use the capital obtained in its recent IPO to open new branches (1 per year the next 3 years), repay short-term borrowings, and even issue dividends and stock repurchases, demand for TBNK's stock will rise. With a price target of \$24.00 and a current stock price of \$17.17, it is recommended that Territorial Bancorp be added to the AIM Equity Portfolio.

Key Statistics	Dec. 2, 2009
Market Cap	\$209.80M
Shares Outstanding	12.24M
Ave. Volume (3 month)	74,378
P/B	\$0.96
EPS (Last 9 Months)	\$0.50
2010 Estimated EPS	\$1.02
P/E (TTM)	34.30
PEG Ratio	5.66
WACC	9.00%
Debt/Assets	0.096
Operating Margin	30.56%
Profit Margin	16.54%
ROE	4.02%
ROA	0.49%
Tier 1 Capital	14.25%
Net Interest Margin	3.04%
Analyst Coverage	2
Target Price	\$24.00

Source: Bloomberg

Investment Thesis

- **Expected increases in net interest margins.** With the additional capital TBNK has received from its IPO, as well as an increase in principal repayments on loans and mortgage-backed securities, management has decided to lower the rates paid on certificates of deposits, allowing those deposits to run off (rates were lowered from 3.23% on 9/30/2008 to 1.93% by 9/30/2009). This allows TBNK to pay higher than market rates on savings accounts (which are still well below rates paid on CDs). As a result, during the nine months ended September 30, 2009, deposits grew \$61.7 million, or 6.7% (offsetting outflows from CDs).

- **Tourism.** Improving economic conditions in the US and Japan can help Hawaiian tourism in 2010. Forecasts from the Financial Forecast Center are predicting the Yen to strengthen 3.78% against the $USD in the first six months of 2010. Additionally, to lure Chinese tourists, the Hawaii Tourism Authority has budgeted almost $2.7 million this fiscal year for marketing in China and in Korea. The U.S. Travel Association expects the number of Chinese traveling to U.S. destinations to grow by double digits in each of the next four years. Chinese travelers spend more than counterparts from any other country, about $7,200 per person per trip, according to the U.S. Commerce Department.
- **Ability to provide better capital management tools.** With net proceeds of $122.4 million from its IPO, TBNK's management plans to distribute the proceeds as follows: 50% in Territorial Savings Bank, 8.2% to its ESOP to purchase shares of its common stock, 19.6% to redeem trust preferred securities, and 22.2% to be retained by TBNK. Management has stated in its Q3 10-Q: "We may use the remaining funds... for investments, to pay cash dividends, to repurchase shares of common stock... Territorial Savings Bank may use the proceeds it receives to support increased lending and other products and services, and to repay short-term borrowings. The net proceeds retained by TBNK and Territorial Savings Bank also may be used for future business expansion through acquisitions of banks, thrifts and other financial services companies, and opening or acquiring branch offices... a substantial portion of the net proceeds will be invested in short-term investments and mortgage-backed securities consistent with our investment policy."

Valuation

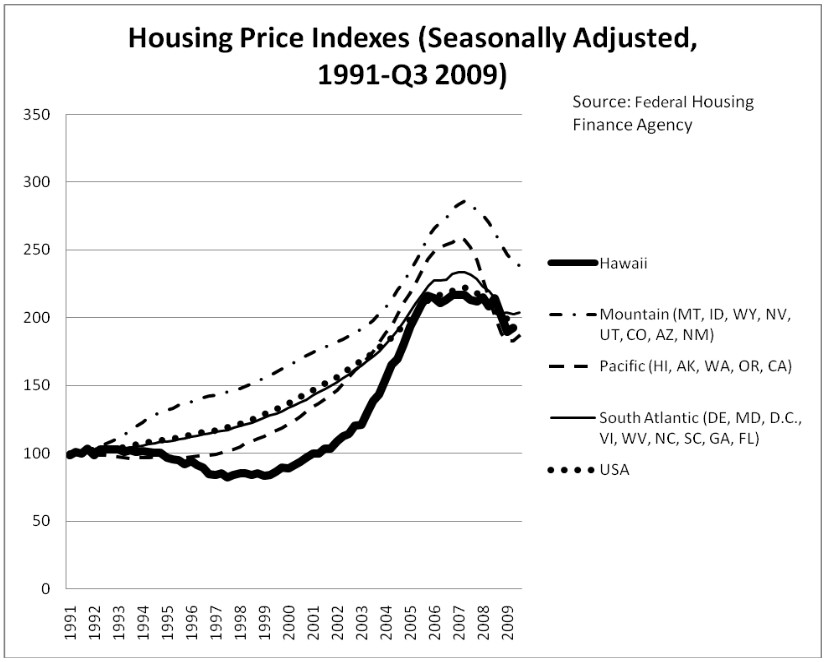
TBNK is currently trading at 34.30x TTM EPS of $0.50. With estimates of forward P/Es ranging from 16.81 to 58.14 multiplied by a 2010 EPS estimate of $1.02, TBNK could be trading anywhere within the range of $16.50-$59.30. Based on a 4 year DCF analysis with a WACC of 9.00% and a terminal growth rate of 3%, an intrinsic value of $26.13 was obtained for TBNK. A sensitivity analysis that adjusts both the long-term growth rate (2-4%) and the WACC (8-10%) generates a price range of $18.50-$41.43. A P/B average of 13 banks in TBNK's peer group (designated by an appraisal firm) came to 0.73. To compensate, the DCF figure will be revised down to a price target of $24.00. With the stock currently trading at $17.17, a price target of $24.00 would yield a 40% return.

Risks

- **Possibility of a secondary offering.** The IPO was oversubscribed as demand for the stock drove its price up 42% on the first day of trading. With the stock currently trading up 71.7% since its IPO, management could decide to hold a secondary offering to raise additional capital.
- **Rising foreclosures.** According to RealtyTrac, among all states, Hawaii is ranked 14th in the country with 1 foreclosure per 185 households, up 29.09% since Q2 (the rate of change is also ranked 14th). Should such rates continue or rise in 2010, TBNK may recognize more losses on its residential loan portfolio.
- **Increased legislation.** A proposal by the House Financial Services Committee, if adopted, would subject all holding companies of federal savings banks such as TBNK to regulation by the Federal Reserve Bank.

Management

Allan S. Kitagawa, CPA has served as Chairman of the Board and CEO of Territorial Savings Bank since 1986, and was named President in 2007. He worked with American Savings and Loan Association from 1974 to 1986, serving as Executive VP and CEO of the Hawaii Division. Vernon Hirata has served as Territorial Savings Bank's Vice Chairman, Co-COO, General Counsel and Corporate Secretary since 2007. Mr. Hirata joined Territorial in 1986 as Senior VP/General Counsel, and was named Executive VP/General Counsel and Corporate Secretary in 1987. Previously, Mr. Hirata was employed at American Savings and Loan Association from 1978 to 1986, including service as Senior VP and Staff Attorney.



Ownership

% of Shares Held by Insiders:	4%
% of Shares Held by Institutional & Mutual Fund Owners:	96%

Source: Yahoo!

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Wellington Management Company, LLP	1,211,067	9.90%
Capital World Investors	782,500	6.40%
Clover Partner, LP	472,900	3.87%
Barclays Global Investors UK Holdings Ltd.	321,187	2.63%
Cannell (Peter B.) & Company Inc.	239,400	1.96%

Source: Yahoo!

AMAG Pharmaceuticals, Inc.
AMAG
Price: $38.49 ($22.20-58.23)
Fiscal Year Ends: December 31

December 4, 2009 — Anne Mongoven
Russell 2000 Index: 579.73 (342.57-625.31) — Healthcare Sector

AMAG Pharmaceuticals, Inc. (AMAG) is a biopharmaceutical firm specializing in the development and commercialization of a therapeutic iron compound to treat anemia and novel imaging agents to aid in the diagnosis of cancer and cardiovascular disease. AMAG has two, FDA approved products which include Feraheme ™ Injection and GastroMARK®. Sales of GastroMARK® have been at their current levels for the last several years and are expected to remain as such. Feraheme ™ is the true driver for AMAG. In July AMAG announced its launch of the drug, an IV injection approved to treat iron deficiency anemia (IDA) in adult patients with chronic kidney disease (CKD). The CKD market is made up of two segments: dialysis and non-dialysis. AMAG was incorporated in November 1981 and is currently headquartered in Lexington, Massachusetts.

Recommendation

There are an estimated 29M people in the U.S. with CKD. Although oral iron is commonly used in non-dialysis patients, its effectiveness is limited due to low bioavailability, poor tolerability due to gastrointestinal side effects, and lack of compliance. *Feraheme's* ability to provide stronger dosing via its 30 sec. sitting reduces treatment times and patient discomfort. Approx. 500 customers purchased *Feraheme* during 3Q09 with 65% of demand in the non-dialysis setting. New customers are being added at a rate of ~50/week. The firm recently announced it received 2 Q-codes for dialysis and non-dialysis Feraheme which reduces lead-time between reimbursement and billing, allowing for automatic processing (v. manual) and faster payment for physicians. I recommend the addition of AMAG to the AIM Equity Fund with a target price of $58.00.

Key Statistics	Dec. 4, 2009
Market Cap	$659.47M
Shares Outstanding	17.133M
Ave. Volume (3 month)	558,196
Adjusted Beta	0.81
EPS (TTM)	-$5.63
2009 Estimated EPS	-$5.55
P/E (TTM)	Neg.
BV/share	9.12
WACC	9.18%
Debt/Assets	0.00%
ROE	-28.70%
ROA	-27.20%
Gross Margin	84.93%
Operating Margin	-4,107.64%
Dividend Yield	0
Analyst Coverage	17
Target Price	$58.00

Source: Bloomberg

Investment Thesis

- **Commercial Growth Potential**. In 3Q09 AMAG posted $2.9M sales of *Feraheme*, in line with expectations, and $11.5M in deferred revenue as of Sept. 30 relating to sales from its launch incentive program. These figures will positively impact reported revenue in 4Q09 and 1&2Q10. The quick administration and minimal staff time necessary to administer *Feraheme* make it more convenient and cost effective and set it apart from the current IV irons (see table below). The dialysis segment is well established with IV irons existing for those patients and AMAG notes this segment will take longer to capture share. The non-dialysis segment, however, is "virtually untapped" and a market opportunity of approx. 3M grams/year exists.
- **Longer Term: Broader *Feraheme* Applications.** Currently *Feraheme* is approved for adult patients with CKD, a tremendous market opportunity (29M adults with CKD). Approval for additional uses are in the pipeline, including broad IDA which includes abnormal uterine bleeding

(AUB) and cancer, as well as vascular-enhanced magnetic resonance imaging (VE-MRI), both in Phases II and I, respectively, of FDA discussions and review. AMAG also has a license agreement with 3SBio Inc., a relationship (an initial term of 13 years) established in 2008 to develop and commercialize *Feraheme* in China. Little has been said about the agreement since *Feraheme's* approval, however, it offers another opportunity to capture market share.

- **Acquisition Target.** Continued consolidation in the healthcare industry singles out AMAG as an attractive acquisition target with its smaller market cap and leading IV iron replacement drug. A recent WSJ article (11/9/09) specifically mentioned AMAG as an acquisition for larger firms (Merck was specified in the article). Reduction in R&D by large pharmaceutical firms has them more inclined to acquire than spend on internal developments.

Dosing[1]	Feraheme	Current IV Irons
Schedule	2 x 510 mg	5-10 x 100–200 mg
Delivery	17-second IV injection	Slow push or 15-30 minute infusion
Regimen (1 g)	2 treatments within one week	5-10 treatments within one month

Valuation

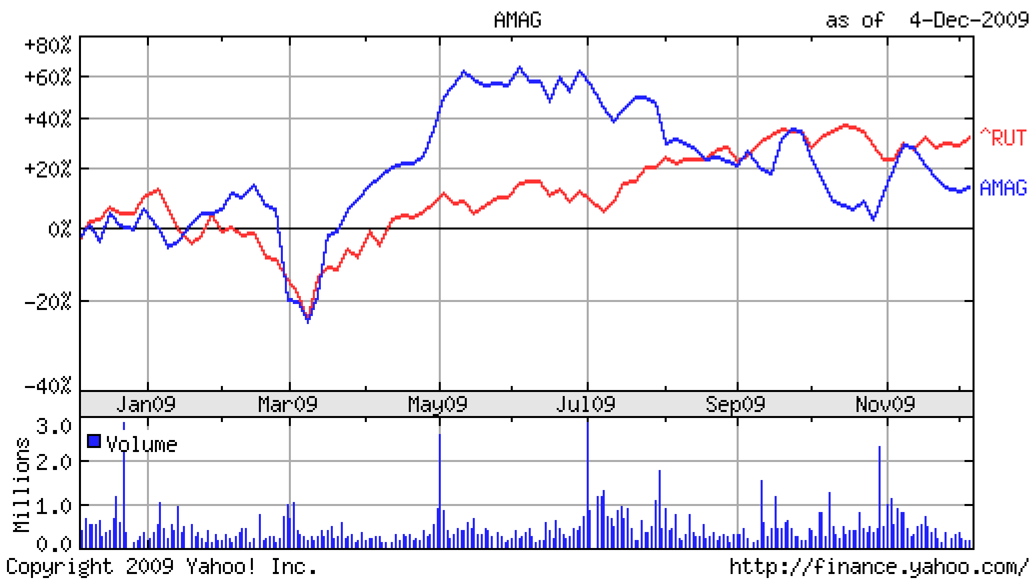
Based on a 7 year DCF analysis with a WACC of 8.77% and a terminal growth rate of 3%, an intrinsic value of $57.82 was obtained. The DCF assumes a 750% growth rate in Y2009 based on management guidance for 4Q09 and 570% in 2010. A sensitivity analysis that adjusts both the long-term growth rate (2-4%) and the WACC (7.77-9.77%) generates a price range of $48.50-76.30. AMAG does not pay a dividend and does not anticipate declaring future dividends. With the stock currently trading at $38.49, the $58.00 price target would yield a 50.7% return.

Risks

- **Single Product Dependence.** Currently AMAG does not have any developments in its pipeline other than the off label approvals for *Feraheme*. That said, the firm is fully dependent on *Feraheme* to drive revenues. Additionally, AMAG has, since its inception, never earned a profit. The DCF assumes positive net income beginning in 2011.
- **Marketing *Feraheme*.** AMAG has never marketed or sold a product without a corporate partner. The firm has built an internal sales and marketing force; however, limited experience in this landscape poses as a threat to competition with experienced sales personnel.
- **Healthcare Reform.** Medicare currently reimburses physician-administered drugs in the dialysis center and physician clinic at a rate of 106% of the drug's average selling price (ASP). Changes by the CMS in payment structure (set to begin in 2011) toward their described "bundling" approach could lower the amount of reimbursement available for *Feraheme* (only on the dialysis front), negatively impacting its ASP.

Management

President and CEO Dr. Brian Pereira has been with AMAG since November 2005. Previously to joining the firm he was CEO of the New England Health Care Foundation, part of Tuft University's New England Medical Center. He also served as President and CEO of New England Health Care Foundation from 2001-05. From 2002-04 he served as President of the National Kidney Foundation. Dr. Pereira is a nationally-recognized expert on kidney disease and nephrology. Executive VP and Chief Medical Officer Dr. Lee Allen joined AMAG in August 2007. Dr. Allen held positions at both Wyeth Pharmaceuticals and Pfizer.



Ownership

% of Shares Held by Insiders:	2%
% of Shares Held by Institutional & Mutual Fund Owners:	127%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
FMR LLC	1,100,395	6.42%
QVT Financial LP	1,082,601	6.32%
Barclays Global Investment UK Holdings Ltd	1,019,628	5.95%
Palo Alto Investors, LLC	983,004	5.74%
Standard Life Investments Limited	963,173	5.62%

Source: Yahoo! Finance