

# CIF Sector Update Report (Spring 2014)

Sector: Industrial

Analyst: Ian McCauley

Presentation Date: 4/17/14

Review Period: Start Date: 3/20/14 End Date: 4/14/14

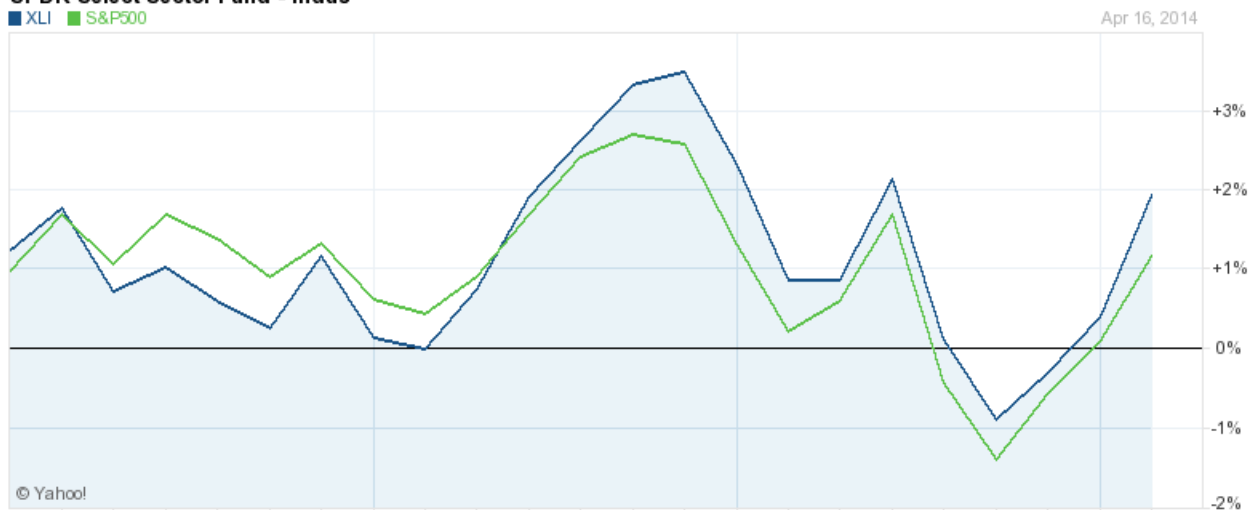
## Section (A) Sector Performance Review

### (A-1) Sector Performance Relative to SP500

	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Capital Gain	# Shares	Current Value	vs. Sector	vs. S&P 500
<b>IND</b>										
S&P 500	\$INX	\$1,830.61	\$1,860.77			-1.62%				
Sector ETF	XLI	\$51.19	\$47.53			7.70%	3180	\$162,784.20		9.32%
<b>Current Holdings</b>										
	FDX	\$132.00	\$132.00	\$120.00	\$150.00	0.00%	160	\$21,120.00	-7.70%	1.62%
	PCP	\$245.51	\$250.32	\$159.00	\$215.00	-1.92%	80	\$19,640.80	-9.62%	-0.30%
	UNP	\$182.10	\$186.85	\$297.09	\$225.00	-2.54%	130	\$23,673.00	-10.24%	-0.92%

Copy/paste a one-month price chart

SPDR Select Sector Fund - Indus  
 ■ XLI ■ S&P500



The Industrial sector outperformed the S&P 500 by 9.32% during the review period from March 20<sup>th</sup> to April 14<sup>th</sup>. With the S&P starting at \$1860.77 and dropping to \$1830.61 (-1.62%) while the XLI ETF saw a rise from \$47.53 to \$51.19 (7.20%) over the review period.

In the broader market overview we have seen a fairly volatile market with recent dip coming around March 26<sup>th</sup> after the Obama announced they will not intervene directly in the Ukraine crisis rather choosing to go with a more diplomatic approach. This has gained more help with most of the Eurozone following through with trade sanctions against Russia however investors are still unsure what will happen over there with moves from both sides changing Dailey. Then we saw a rally in the markets from late March through April 4<sup>th</sup> in which we began to see a large sell off caused by a mix of different economic numbers from foreign markets, and tax season coming where the upper 1% are seeing higher tax rates than ever before. Now in the past couple days we have begun to see a rally again in the market.

Overall the Industrial sector is very cyclical and is going to move with market and the macro environment we see. This being said the recent market volatility has been one not really based on base line economic numbers and more based on investor's interpreting news and different market issues such as high frequency trading. Overall the Industrial sector has been one of the best performing ETF's of recent with PMI seeing growth in March up .5% and expected growth to come in April. We have also seen very good numbers in the aircraft sector which has helped some of the large Industrial stocks. With Weather finally clearing up across the country we can expect housing numbers to begin to improve and some bullish sentiment coming back to the industrial sector. With Earnings season coming over the next few weeks I believe we could see some good number from the Industrial sector and some very positive growth to continue. With S&P 500 ending up .10% from the beginning over the review period when written.

## **(A-2) Big Sector Movers**

### **Top Gainers One-Month:**

### Joy Global INC (JOY) (8.91%)



Joy Global has seen a nice growth over the one month period due to increase demand in mining equipment of recent, and announcement of upward revisions in profit forecast for 2014. They also announced the acquisition of Canada-based hard rock mining equipment manufacturer Mining Technologies International (MTI) for \$46.4 million on April 14<sup>th</sup> which sent their stock up 1.25% closing at \$60.90.

### CH Robinson Worldwide INC. (CHRW) (8.72%)



I could not find any real reason why CHRW is up this month other than on March 19<sup>th</sup> it closed at its 53 week low of \$50.21 and since then has begun to rally a bit. So I believe it is the second top gainer due to the fact the stock was oversold and is now rebounding due to this fact.

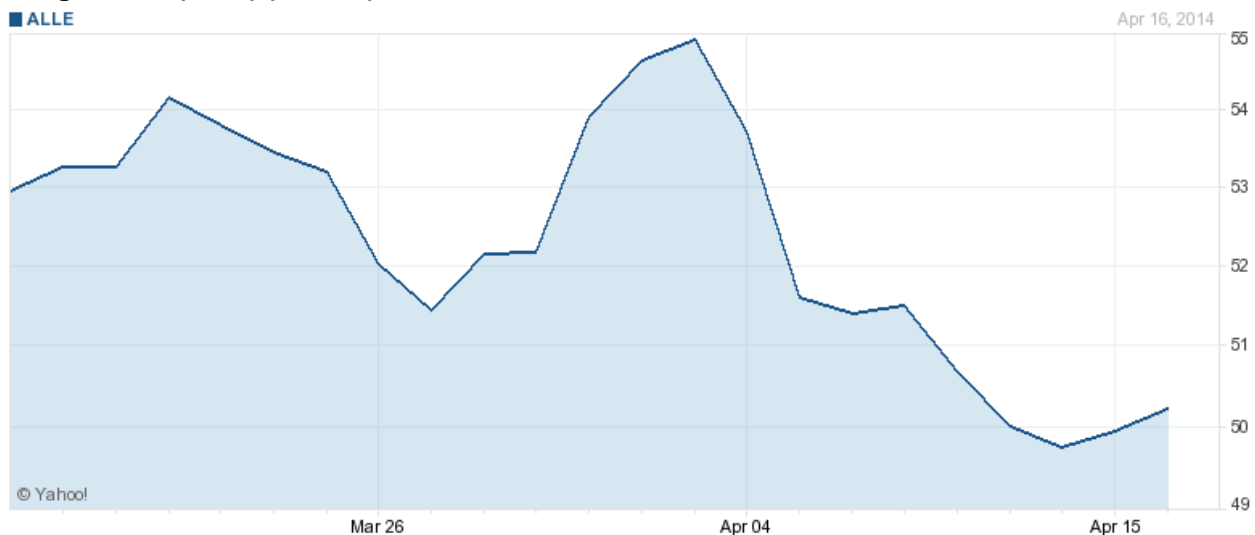
## Biggest Losers One-Month:

### Equifax INC. (EFX) (-6.88%)



Equifax is a database management company for consumer. Commercial and workforce information solutions. They is no real reason why they are the biggest loser during the one month period other than the fact they hit their 53 week high on March 12<sup>th</sup> and have dipped since than partially due to the recent tech stock sell off and market decline through the beginning of April.

### Allegion PLC (ALLE) (-6.27%)



ALLE just joined the S&P 500 on November 22, 2013 replacing J.C. Penney. Once again they are only trading down due to the recent market selloff especially in the tech sector as they are a IT security firm.

### 3 Month Biggest Gainers:

#### Quanta Services, Inc. (PWR) (12.2%)



PWR hit their 52 week high on March 3 and held fairly steady over the past month. This has been realized due to the large increase in demand for the companies Electric Power services during the harsh weather and improve system reliability and deliver renewable electricity. Also they are one of largest service providers of natural gas and oil pipeline infrastructure services in North America which is an industry that has seen high gains of recent.

#### General Dynamic Corp. (GD) (11.62%)



GD has been one of the biggest gains of late due to the fact it has won numerous DOD contracts for its high end sophisticated satellite and communication technology. With roughly \$49,615,000 in defense contract money over the next five years along with a strong backlog of orders for its large cabin aircraft.

### 3 Month Biggest Losers:

#### ADT Corporation (ADT) (-23.13)



ADT is in a lot of trouble of late with Earnings miss of 11% sending the stock dropping to 52 week low than gaining a little before dropping again as they have continued to make bad investments trying to buy back shares vs investing in growing their dying business. Also being accused of Federal Securities laws that led to an investigation starting January 31<sup>st</sup>. They also are carrying \$4.4 billion in debt.

#### Kansas City Southern (KSU) (-16.78)

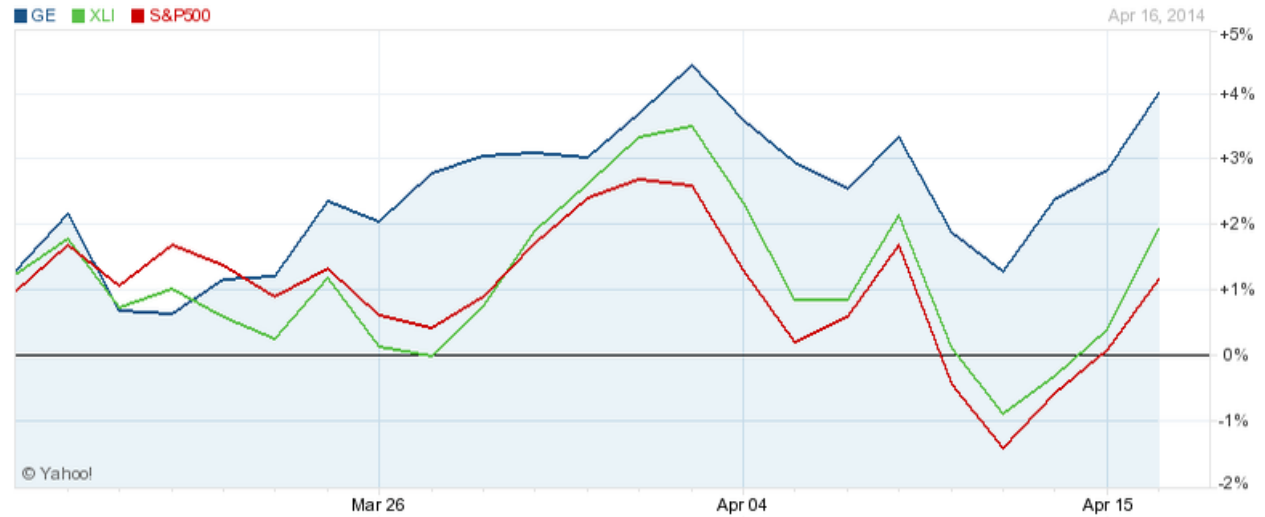


KSU also missed Q4 earnings by 7 cents and saw their stock plummet coupled with the recent bill in Mexico which might cut much of their profits in down there by losing exclusive rights to

the two longest railroads in Mexico. However recent news suggest the Senate is likely to strike the bill down now after passing the House.

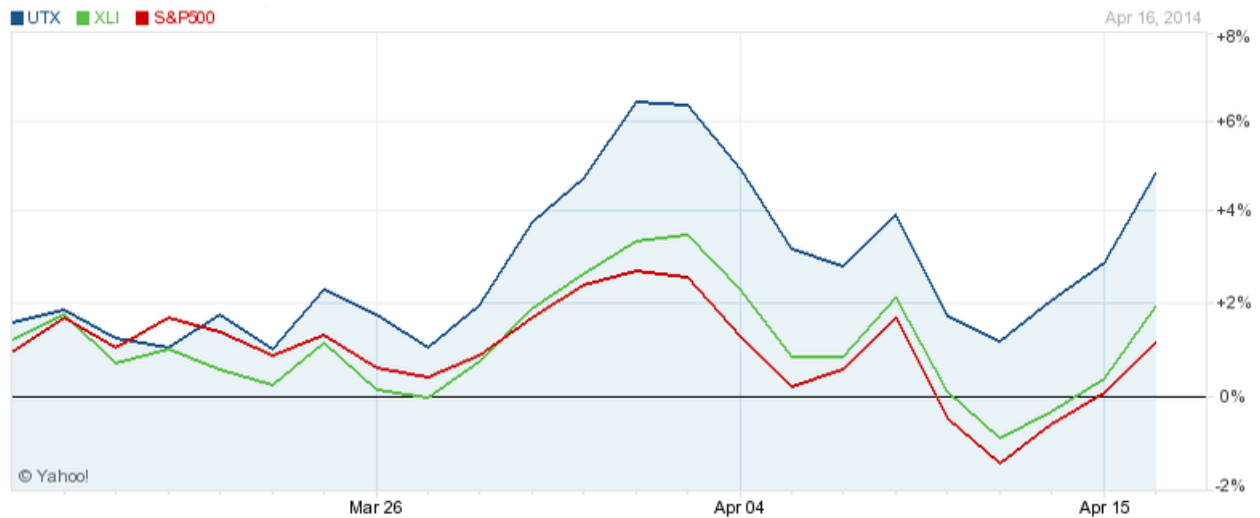
### (A-3) Two Largest Stocks in the Sector

#### General Electric (GE) (4.02%)



GE dipped at the beginning of the year, but has seen a fairly decent recover of late, and has outperformed the sector ETF and S&P 500 of late. GE has seen growth in its core manufacturing business segments (aerospace & energy) and has a strong backlog of orders. However they have seen a downgrade in EPS and Revenue, and everything will come down to their earnings report that comes out Thursday April 17<sup>th</sup>.

## United Technologies Corp. (UTX) (4.86%)



UTX has outperformed both the sector ETF and S&P 500 over the one month period. They have also been leading the way of recent for the industrial sector with many analysis having a positive outlook for them. Especially with their new business partner UTC in china expanding and expected to beat Earnings estimates coming April 22.

### (A-4) Short-term (up to Three Months) Outlook of the Sector

The sector in the next 3 month I believe is poised to see some very positive growth. With probably the most important industrial macro indicator PMI up over the past two months now sitting at 53.7% which is fairly bullish. The weather and summer months coming which should see an increase in manufacturing, also home building growth expected in the coming month coupled with Feds Janet Yellen coming out and sounding less likely to cut the quantitative easing as much as she had first mentioned. However the current market volatility is hard to gauge how things will go and the Ukraine problem could uptick again seeing the market take some large hits causing the industrial sector to dip along with it due to its highly cyclical nature. I believe this earnings season will be very crucial for the growth of the economy going into the future and we if can begin to see some better numbers from some of these major manufacturing companies we could begin to see a strong economic recovery start taking effect and push of the market in to territory un seen before. However if we begin to see more misses, without weather to really blame we could see harsh dip of the markets and another year of struggles for the market.



## Section (B) Sector Holding Updates

### Company #1: FedEx Corporation (FDX)

Date Recommended: 02/24/2014

Date Re-evaluated: 04/16/2014

#### (B-1) Company Updates and Stock Performance

##### Company Update

FDX has seen a rough start to this year with their March earnings report coming out and missing the estimates which they contributed to bad weather. This has then been followed up by litigation in New York over the illegal delivery of unmarked cigarettes to people's homes and not paying the proper taxes and causing the state to lose money. Then on April 11<sup>th</sup> a FedEx truck crashed into a charter bus killing ten people in Northern California. Both these incidences causing FedEx stock price to dip. Though the price has seen no movement over the review period it is currently down -1.07% capital gains compared to when we purchased the stock.

##### Relative Performance

The one price chart we can see the FedEx has vastly outperformed the S&P 500 and the XLI ETF as stated in the stock report done previously. Even with the beginning of year hardships I still believe that FedEx is sitting in a good spot to grow and should have plenty of cash on hand to deal the litigation they are now facing. As we can see the price has currently been rising the past couple of days.

##### 1-Year Price Chart



## (B-2) Valuations, Estimates and Recommendations

### Original Analysis

Ratio	Analysis	Company	Industry	Sector	
P/E	(TTM)		26	17.42	25.53
P/S	(TTM)		0.94	0.41	1.95
P/B	(MRQ)		2.45	1.08	2.07
P/CF	(TTM)		10.34	2.88	10.06

### Re-evaluation Analysis

Ratio	Company	Industry	Sector
P/E (TTM)	25.32	21.63	29.22
P/S (TTM)	0.88	0.55	2.23
P/B (MRQ)	2.79	1.53	2.18
P/CF (TTM)	9.54	10.02	14.13

All the ratios have dropped since the original report done seeing as the stock as dipped also this makes since. However the Industry and Sector rations have all gone up during this time.

## Historical Surprises

### Original Analysis

Historical Surprises				
Sales and Profit Figures in US Dollar (USD), Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimates	Actual	Difference	Surprise %
<b>Sales (in millions)</b>				
Quarter Ending Nov-13	\$11,434.90	\$11,403.00	-\$31.90	0.28
Quarter Ending Aug-13	\$10,967.80	\$11,024.00	\$56.20	0.51
Quarter Ending May-13	\$11,440.30	\$11,435.00	-\$5.30	0.05
Quarter Ending Feb-13	\$10,848.70	\$10,953.00	\$104.30	0.96
Quarter Ending Nov-12	\$10,841.70	\$11,107.00	\$265.30	2.45
<b>Earnings(per share)</b>				
Quarter Ending Nov-13	1.64	1.57	-0.07	4.31
Quarter Ending Aug-13	1.5	1.53	0.03	1.73
Quarter Ending May-13	1.96	2.12	0.16	8.68
Quarter Ending Feb-13	1.38	1.23	-0.15	11.06
Quarter Ending Nov-12	1.14	1.39	0.25	1.42

### Re-evaluation Analysis

#### HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Feb-14	11,434.50	11,301.00	133.54	1.17
Quarter Ending Nov-13	11,434.90	11,403.00	31.91	0.28
Quarter Ending Aug-13	10,967.80	11,024.00	56.20	0.51
Quarter Ending May-13	11,440.30	11,435.00	5.33	0.05
Quarter Ending Feb-13	10,848.70	10,953.00	104.26	0.96
<b>Earnings (per share)</b>				
Quarter Ending Feb-14	1.45	1.23	0.22	15.37
Quarter Ending Nov-13	1.64	1.57	0.07	4.31
Quarter Ending Aug-13	1.50	1.53	0.03	1.73
Quarter Ending May-13	1.96	2.13	0.17	8.68
Quarter Ending Feb-13	1.38	1.23	0.15	11.06

The largest ever historical miss by FedEx was the last quarter which say a -1.17% revenue miss and -15.37% EPS miss. This was said to be contributed to the harsh weather and long winter we have seen in the east and parts of the south.

## Consensus Estimates

### Original Analysis

CONSENSUS ESTIMATES ANALYSIS							
Sales and Profit Figures in US Dollar (USD)							
Earnings and Dividend Figures in US Dollar (USD)							
Date	# of Estimates	Mean	High	Low	1 Year	% difference high&mean	% difference low&mean
SALES (in millions)							
Quarter Ending Feb-14	20	11460.7	11789	10768	11417.2	2.86%	-6.04%
Quarter Ending May-14	20	11714.3	12023	11316	11957	2.64%	-3.40%
Year Ending May-14	27	45628.9	46093	44729	46705.3	1.02%	-1.97%
Year Ending May-15	26	48008.4	49367	46511	49471.6	2.83%	-3.12%
Earnings (per share)							
Quarter Ending Feb-14	27	1.56	1.72	1.41	1.85	10.26%	-9.62%
Quarter Ending May-14	26	2.33	2.52	2.1	2.4	8.15%	-9.87%
Year Ending May-14	32	6.99	7.27	6.75	7.85	4.01%	-3.43%
Year Ending May-15	32	8.94	10.38	8.15	9.29	16.11%	-8.84%
LT Growth Rate (%)	8	15.21	20.4	11	12.54	34.12%	-27.68%

## Re-Evaluation Analysis

### CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)  
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending May-14	17	11,665.30	11,854.90	11,441.00	12,144.10
Quarter Ending Aug-14	10	11,472.70	11,687.70	11,210.70	11,905.10
Year Ending May-14	26	45,421.00	45,874.00	45,169.00	46,735.10
Year Ending May-15	26	47,620.70	48,937.00	46,800.00	49,509.50
<b>Earnings (per share)</b>					
Quarter Ending May-14	25	2.36	2.50	2.25	2.32
Quarter Ending Aug-14	14	1.97	2.15	1.76	2.00
Year Ending May-14	29	6.68	6.88	6.56	7.56
Year Ending May-15	30	8.86	10.25	8.00	9.20
LT Growth Rate (%)	8	15.03	22.00	11.00	12.55

Estimates for Revenue for Quarter ending May-14 is up and EPS is the same however all the other estimates are down compared to the original estimates.

### Estimate Revision Analysis

## Original Analysis (02/24/2014)

### ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Feb-14	0	1	0	3
Quarter Ending May-14	0	0	0	1
Year Ending May-14	0	1	0	2
Year Ending May-15	0	1	0	3
<b>Earnings</b>				
Quarter Ending Feb-14	0	1	1	3
Quarter Ending May-14	0	0	2	1
Year Ending May-14	0	1	0	4
Year Ending May-15	0	0	2	1

**Re-Evaluation Analysis**  
**ESTIMATES REVISIONS SUMMARY**

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending May-14	0	0	4	11
Quarter Ending Aug-14	0	0	3	4
Year Ending May-14	0	0	2	22
Year Ending May-15	0	0	3	20
<b>Earnings</b>				
Quarter Ending May-14	0	0	11	6
Quarter Ending Aug-14	0	0	4	6
Year Ending May-14	0	0	0	27
Year Ending May-15	0	0	8	16

There are many more downgrades than upgrades in the last 4 weeks compared to the original, and this can be contributed to the earnings and revenue miss that FedEx just experienced.

## Analysts' Recommendations

### Original Analysis

#### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	12	12	11
(2) OUTPERFORM	4	6	6	7
(3) HOLD	13	13	12	12
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.10	2.09	2.06	2.10

### Re-Evaluation Analysis

#### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	12	12	12
(2) OUTPERFORM	3	4	5	6
(3) HOLD	13	14	13	12
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.10	2.13	2.10	2.06

The analysis opinions are essentially the same as before with same mean rating there have been less analysis of recent.



### (B-3) Technical Indicators (“Moving Average” and “Relative Strength Index”)



For the 6 month 50-10 day MA there has been a death cross in April after the NY litigations, but is closing in on a golden cross. The 50/200 day MA we see a golden cross in December 2012 and have not crossed since.

## Stock #2: Union Pacific Corp (UNP)

Date Recommended: 3/28/2014

Date Re-evaluated: 04/16/2014

### (B-1) Company Updates and Stock Performance

#### Company Update

There has been really no new news about UNP since we have bought the stock, other than a little bit of insider trading. Nothing really to note, and the stock is currently up since we bought it 2.12% capital gains.

#### Relative Performance

UNP has seen 2.12% gain since we first bought it, and has outperformed both the S&P 500 and sector ETF over the past year.

#### 1-Year Price Chart



## (B-2) Valuations, Estimates and Recommendations

### Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	19.95	22.49	28.84
P/S (TTM)	3.90	1.22	2.09
P/B (MRQ)	4.04	1.65	2.13
P/CF (TTM)	13.88	11.45	12.72

### Re-evaluation Analysis

Ratio	Company	Industry	Sector
P/E (TTM)	19.97	18.41	29.22
P/S (TTM)	3.88	1.71	2.23
P/B (MRQ)	4.04	1.73	2.18
P/CF (TTM)	13.83	10.41	14.13

All the ratios have stayed relatively the same with a few shifts up and down. Most notably P/E has gone up .2 and P/CF down .2

### Historical Surprises

#### Original Analysis

#### HISTORICAL SURPRISES

#### Sales and Profit Figures in US Dollar (USD) Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Dec-13	5,567.15	5,630.00	62.85	1.13
Quarter Ending Sep-13	5,579.29	5,573.00	6.29	0.11
Quarter Ending Jun-13	5,501.73	5,470.00	31.73	0.58
Quarter Ending Mar-13	5,212.73	5,290.00	77.27	1.48
Quarter Ending Dec-12	5,307.92	5,250.00	57.92	1.09
<b>Earnings (per share)</b>				
Quarter Ending Dec-13	2.49	2.55	0.06	2.42
Quarter Ending Sep-13	2.47	2.48	0.01	0.45
Quarter Ending Jun-13	2.35	2.37	0.02	0.69
Quarter Ending Mar-13	1.95	2.03	0.08	3.93
Quarter Ending Dec-12	2.16	2.19	0.03	1.34

## Re-evaluation Analysis

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Dec-13	5,567.15	5,630.00	62.85	1.13
Quarter Ending Sep-13	5,579.29	5,573.00	6.29	0.11
Quarter Ending Jun-13	5,501.73	5,470.00	31.73	0.58
Quarter Ending Mar-13	5,212.73	5,290.00	77.27	1.48
Quarter Ending Dec-12	5,307.92	5,250.00	57.92	1.09
<b>Earnings (per share)</b>				
Quarter Ending Dec-13	2.49	2.55	0.06	2.42
Quarter Ending Sep-13	2.47	2.48	0.01	0.45
Quarter Ending Jun-13	2.35	2.37	0.02	0.69
Quarter Ending Mar-13	1.95	2.03	0.08	3.93
Quarter Ending Dec-12	2.16	2.19	0.03	1.34

Nothing has changed

## Consensus Estimates

### Original Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-14	18	5,659.07	5,768.00	5,579.00	5,645.27
Quarter Ending Jun-14	17	5,853.67	5,950.00	5,783.00	5,935.95
Year Ending Dec-14	24	23,445.70	23,871.50	23,152.00	23,593.60
Year Ending Dec-15	24	24,863.10	25,423.90	24,364.00	24,939.70
<b>Earnings (per share)</b>					
Quarter Ending Mar-14	25	2.36	2.50	2.24	2.33
Quarter Ending Jun-14	24	2.72	2.81	2.63	2.68
Year Ending Dec-14	28	10.82	11.05	10.57	10.75
Year Ending Dec-15	28	12.24	12.63	11.81	12.08
LT Growth Rate (%)	5	14.55	19.00	11.00	14.15

## Re-Evaluation Analysis

### CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)  
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Jun-14	16	5,875.31	5,950.00	5,783.00	5,898.35
Quarter Ending Sep-14	16	5,962.21	6,084.00	5,875.00	6,128.59
Year Ending Dec-14	23	23,537.20	23,871.50	23,160.00	23,604.80
Year Ending Dec-15	23	24,981.50	25,476.00	24,355.00	24,907.70
<b>Earnings (per share)</b>					
Quarter Ending Jun-14	23	2.73	2.81	2.66	2.66
Quarter Ending Sep-14	23	2.88	2.99	2.80	2.86
Year Ending Dec-14	27	10.85	11.06	10.54	10.76
Year Ending Dec-15	27	12.28	12.75	11.81	12.05
LT Growth Rate (%)	5	14.65	19.00	11.00	14.15

Revenue and EPS estimates have increased number of analysis have decreased by one or two, but the close earnings come I believe you will see this number increase to original numbers.

## Estimate Revision Analysis

### Original Analysis (03/28/2014)

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Mar-14	2	0	5	1
Quarter Ending Jun-14	1	0	3	0
Year Ending Dec-14	2	0	7	1
Year Ending Dec-15	2	0	8	0
<b>Earnings</b>				
Quarter Ending Mar-14	0	2	4	8
Quarter Ending Jun-14	0	1	3	2
Year Ending Dec-14	0	3	6	7
Year Ending Dec-15	0	1	5	3

### Re-Evaluation Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Jun-14	2	0	7	1
Quarter Ending Sep-14	2	1	5	3
Year Ending Dec-14	4	0	15	0
Year Ending Dec-15	2	2	13	2
<b>Earnings</b>				
Quarter Ending Jun-14	2	0	8	2
Quarter Ending Sep-14	2	0	4	2
Year Ending Dec-14	5	0	13	4
Year Ending Dec-15	3	0	12	1

There have been an increase in upward revisions over all with upward revisions vastly out numbering downward 22/3 in the last week and 87/15 in the last 4 weeks. More than double the number of revisions overall compared to original due to earnings coming up.

### Analysts' Recommendations

#### Original Analysis

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	10	9	8
(2) OUTPERFORM	8	8	8	8
(3) HOLD	7	8	10	11
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.81	1.92	2.04	2.11

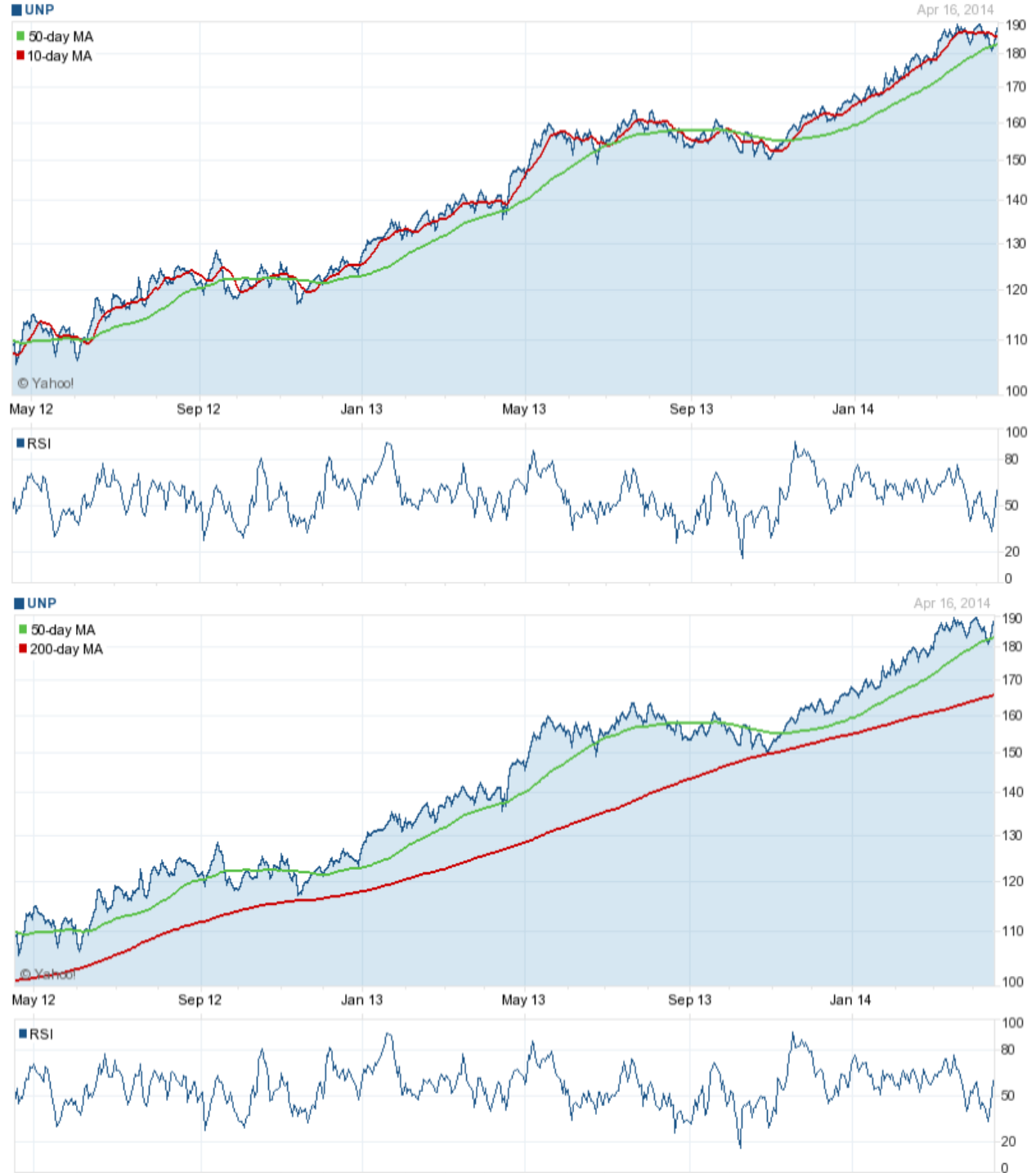
#### Re-Evaluation Analysis

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	11	10	9
(2) OUTPERFORM	7	8	8	8
(3) HOLD	8	7	8	10
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.88	1.85	1.92	2.04

There has been a trend of one analysis moving from buy to Hold, and one less analysis overall. Changing the mean rating from 1.81 to 1.88, slightly less bullish.



**(B-3) Technical Indicators (“Moving Average” and “Relative Strength Index” from**



There was a golden cross in late 2013 in the 10/50 day MA and since then it has been smooth sailing for

UNP.

## Stock #2: Precision Castparts Corp (PCP)

Date Recommended: 04/4/2014

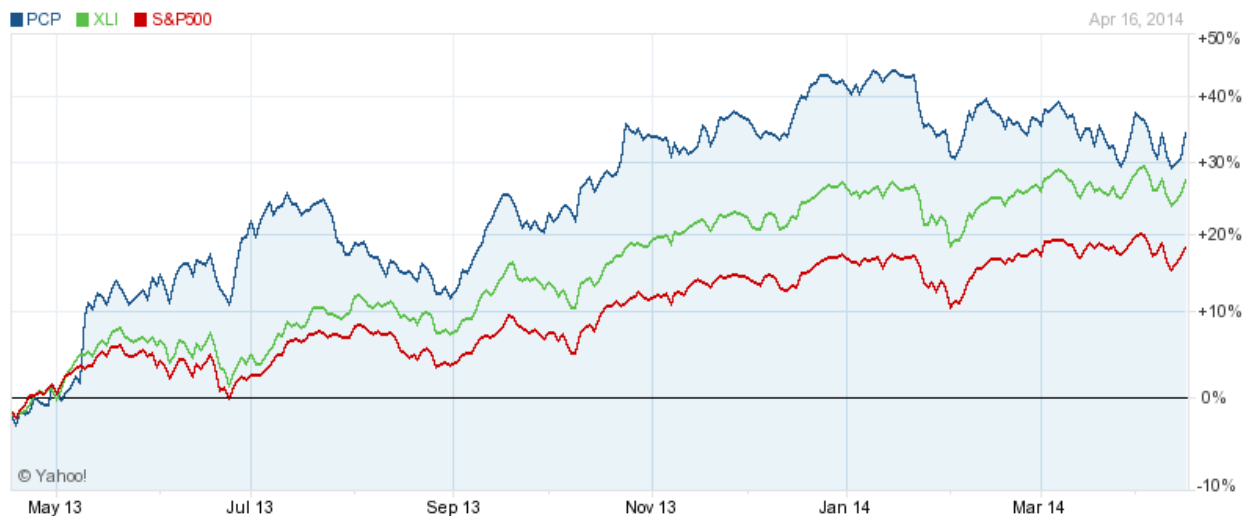
Date Re-evaluated: 04/14/2014

### (B-1) Company Updates and Stock Performance

#### Company Update

There has been not notable new or changes in the last ten days. We paid \$253.63 for PCP and it is not trading at \$253.79. PCP has still outperformed the S&P 500 and XLI ETF by about 10% over the last year.

#### 1-Year Price Chart



### (B-2) Valuations, Estimates and Recommendations

#### Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	22.5	24.0	17.9
P/S (TTM)	4.0	1.4	1.7
P/B (MRQ)	3.4	2.4	2.6
P/CF (TTM)	19.9	14.5	10.9

### Re-evaluation Analysis

Ratio	Company	Industry	Sector
P/E (TTM)	21.97	20.37	29.22
P/S (TTM)	3.87	1.64	2.23
P/B (MRQ)	3.34	2.55	2.18
P/CF (TTM)	18.54	13.01	14.13

There has been a dip in P/E .63 whole p/s has fallen .13, P/B has dropped .66, and P/CF has dropped 1.36. I think this is due to the recent acquisitions being processed.

### Historical Surprises

#### Original Analysis

HISTORICAL SURPRISES				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	2462.77	2357	-105.77	4.29
Quarter Ending Sep-13	2355.32	2362	6.68	0.28
Quarter Ending Jun-13	2520.66	2367	-153.66	6.1
Quarter Ending Mar-13	2507.15	2438.9	-68.25	2.72
Quarter Ending Dec-12	2112.01	2043.2	-68.81	3.26
Earnings (per share)	Estimate	Actual	Difference	Surprise%
Quarter Ending Dec-13	3.04	2.95	-0.09	3.06
Quarter Ending Sep-13	2.83	2.9	0.07	2.65
Quarter Ending Jun-13	2.9	2.88	-0.02	0.72
Quarter Ending Mar-13	2.75	2.82	0.07	2.42
Quarter Ending Dec-12	2.48	2.4	-0.08	3.08

### Re-evaluation Analysis

Sales and Profit Figures in US Dollar (USD)  
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Dec-13	2,462.77	2,357.00	105.77	4.29
Quarter Ending Sep-13	2,355.32	2,362.00	6.68	0.28
Quarter Ending Jun-13	2,520.66	2,367.00	153.66	6.10
Quarter Ending Mar-13	2,507.15	2,438.90	68.25	2.72
Quarter Ending Dec-12	2,112.01	2,043.20	68.81	3.26
<b>Earnings (per share)</b>				
Quarter Ending Dec-13	3.04	2.95	0.09	3.06
Quarter Ending Sep-13	2.83	2.90	0.07	2.65
Quarter Ending Jun-13	2.90	2.88	0.02	0.72
Quarter Ending Mar-13	2.75	2.82	0.07	2.42
Quarter Ending Dec-12	2.48	2.40	0.08	3.08

No changes.

**Consensus Estimates**

## Original Analysis

<b>CONSENSUS ESTIMATES ANALYSIS</b>							
Sales and Profit Figures in US Dollar (USD)							
Earnings and Dividend Figures in US Dollar (USD)							
<b>Date</b>	<b># of Estimates</b>	<b>Mean</b>	<b>High</b>	<b>Low</b>	<b>1 Year Ago</b>	<b>% difference high</b>	<b>% difference low</b>
<b>SALES (in millions)</b>							
Quarter Ending Mar-14	17	2522.25	2577	2473	2804.32	2.17%	-1.95%
Quarter Ending Jun-14	7	2557.92	2675	2470	--	4.58%	-3.44%
Year Ending Mar-14	20	9631.04	9965	9559	10496.3	3.47%	-0.75%
Year Ending Mar-15	20	10661.2	11161	10155	11633.6	4.69%	-4.75%
<b>Earnings (per share)</b>							
Quarter Ending Mar-14	19	3.2	3.27	3.14	3.25	2.19%	-1.88%
Quarter Ending Jun-14	10	3.29	3.42	3.16	3.82	3.95%	-3.95%
Year Ending Mar-14	22	11.94	12.1	11.88	12.02	1.34%	-0.50%
Year Ending Mar-15	22	14.01	14.83	13.2	13.99	5.85%	-5.78%
LT Growth Rate (%)	3	14.63	18.3	10.6	14.52	25.09%	-27.55%

## Re-Evaluation Analysis

### CONSENSUS ESTIMATES ANALYSIS

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Jun-14	8	2,562.56	2,675.00	2,470.00	--
Quarter Ending Sep-14	8	2,597.93	2,695.00	2,485.00	--
Year Ending Mar-14	21	9,630.71	9,965.00	9,559.00	10,488.20
Year Ending Mar-15	21	10,662.10	11,161.00	10,155.00	11,573.40
<b>EARNINGS (per share)</b>					
Quarter Ending Jun-14	12	3.31	3.42	3.16	3.82
Quarter Ending Sep-14	12	3.43	3.69	3.18	3.88
Year Ending Mar-14	23	11.94	12.10	11.88	12.02
Year Ending Mar-15	23	14.02	14.83	13.20	13.98
LT Growth Rate (%)	3	14.63	18.30	10.60	14.52

Quarter ending Jun-14 has added an estimate and gone up 40 roughly. Year ending Mar-14 has also added an analysis and gone down by 1 roughly so has year en Mar-15. EPS estimates analysis has increased by 2 for the quarter ending Jun-14 and EPS raised by .4, while all other number have stayed the same.

## Estimate Revision Analysis

Original Analysis (04/01/2014)

<b>ESTIMATES REVISIONS SUMMARY</b>				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Mar-14	0	0	0	0
Quarter Ending Jun-14	0	0	0	0
Year Ending Mar-14	0	0	0	0
Year Ending Mar-15	0	0	0	0
<b>Earnings</b>				
Quarter Ending Mar-14	0	0	0	0
Quarter Ending Jun-14	0	0	0	0
Year Ending Mar-14	0	0	0	1
Year Ending Mar-15	0	0	1	0

## Re-Evaluation Analysis

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Jun-14	0	0	0	0
Quarter Ending Sep-14	0	0	0	0
Year Ending Mar-14	0	0	1	0
Year Ending Mar-15	0	0	1	0
<b>Earnings</b>				
Quarter Ending Jun-14	1	0	1	0
Quarter Ending Sep-14	1	1	1	1
Year Ending Mar-14	1	0	1	1
Year Ending Mar-15	1	1	3	1

Due to earnings coming out soon we have seen a lot more estimates than before. With two up revisions in last 4 weeks for revenue estimates one in each year endings-14, 15. Than for EPS we have seen 1 down revision from Q-ending September 14, and both year endings. We have also seen one up for each of the quarters and 3 for year ending Mar-15 in the last 4 weeks. One week chart we have seen 1 up revisions in every Q and Year, along with one down in Q-Sep-14 and Year ending Mar-14.

## **Analysts' Recommendations**

### **Original Analysis**

#### **ANALYST RECOMMENDATIONS AND REVISIONS**

<b>1-5 Linear Scale</b>	<b>Current</b>	<b>1 Month Ago</b>	<b>2 Month Ago</b>	<b>3 Month Ago</b>
(1) BUY	11	11	10	10
(2) OUTPERFORM	9	9	10	10
(3) HOLD	2	2	3	3
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.59	1.59	1.70	1.70



**Re-Evaluation Analysis**  
**ANALYST RECOMMENDATIONS AND REVISIONS**

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	11	10	10
(2) OUTPERFORM	9	9	9	10
(3) HOLD	2	2	2	3
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
<b>Mean Rating</b>	<b>1.59</b>	<b>1.59</b>	<b>1.62</b>	<b>1.70</b>

No Change

**(B-3) Technical Indicators (“Moving Average” and “Relative Strength Index”)**





So we still see the death cross in the 10/50 day MA after PCP missed Quarter earnings ending Dec-13. The 200/50 day MA has still not crossed sine back in late 2012.

### Section (C) Sector Holding Recommendations

Company Name	Ticker Symbol	Date Recommended	Date Re-evaluated	Recommendation		
				Sell	Adjust "Target Price"	Adjust "Stop-loss Price"
FedEX Corp.	FDX	2/24/14	4/16/14	N/A	N/A	N/A
Union Pacific	UNP	3/28/14	4/16/14	N/A	N/A	N/A
Precision CastParts	PCP	4/4/14	4/16/14	N/A	N/A	N/A