

CANALYST NEWSLETTER: TURNAROUND WATCH 2017

Happy New Year! Welcome to Analyst's first newsletter of 2017.

In this edition, we bring you our Turnaround Watch of 2017, a full IPO report on Freshii (FRII CN), and SumZero's Top Hedge Fund Stock Picks of 2017, among other market news and tips.

Turnaround Watch 2017

One popular use of Analyst's extensive database is for investors to monitor more companies than they otherwise could themselves. Often, our clients use the extra bandwidth to track potential turnaround stories, checking back on ideas when we post updated models to the portal during earnings.

In this profile, we're looking at three companies that may (or may not) start showing signs of a turnaround in 2017: **Cal-Maine Foods (CALM US)**, **Chipotle Mexican Grill (CMG US)**, and **Tableau Software (DATA US)**. To find them, we looked for companies with 3-year return-on-equity > 15%, trading at or near their 52-week lows, and draw you attention to these particular line items.

Cal-Maine Foods. CALM US is a \$2 billion market cap egg producer, which has been hurt by falling egg prices over the last year. Cal-Maine has kept costs in check over the last many years, but EBITDA margins swing widely based on market prices for eggs.

We would suggest that watchful investors keep an eye on the Net Average Selling Price per Dozen – either in our model quarterly, or even at their own supermarket!

	May-09	May-10	May-11	Jun-12	Jun-13	May-14	May-15	Aug-15	Nov-15	Feb-16	May-16	May-16	Aug-16	Nov-16
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Q1-2016	Q2-2016	Q3-2016	Q4-2016	FY2016	Q1-2017	Q2-2017
Net average selling price, \$/dozen	\$ 1.14	\$ 1.08	\$ 1.10	\$ 1.21	\$ 1.30	\$ 1.36	\$ 1.43	\$ 2.24	\$ 1.97	\$ 1.57	\$ 1.15	\$ 1.74	\$ 0.95	\$ 0.97
Cost of eggs produced, \$/dozen	\$ 1.00	\$ 0.57	\$ 0.62	\$ 0.71	\$ 0.78	\$ 0.74	\$ 0.71	\$ 0.69	\$ 0.69	\$ 0.70	\$ 0.70	\$ 0.69	\$ 0.73	\$ 0.69
Net gross margin, \$/dozen	\$ 0.14	\$ 0.51	\$ 0.48	\$ 0.50	\$ 0.52	\$ 0.62	\$ 0.72	\$ 1.55	\$ 1.28	\$ 0.87	\$ 0.45	\$ 1.04	\$ 0.23	\$ 0.28
EBITDA Margin, %	16.0%	14.7%	11.9%	10.7%	9.5%	12.8%	17.7%	37.9%	32.5%	21.5%	3.2%	27.1%	-16.1%	-10.3%

Chipotle Mexican Grill. CMG US is a \$12 billion market cap quick-service restaurant company. Many will be familiar with the company's health-related issues last year, which have greatly affected comparable restaurant sales growth. Analysts will be watching the coming quarters to see if CMG US can return to positive same-store growth.

	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Mar-16	Jun-16	Sep-16
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015	FY2015	Q1-2016	Q2-2016	Q3-2016
Change in Avg. # of Restaurants, %		13.8%	13.4%	14.1%	13.8%	12.4%	11.8%	11.8%	11.9%	12.4%	12.3%	12.8%	13.0%	12.9%
Change in Sales Per Restaurants, %		6.3%	9.0%	5.5%	3.4%	13.7%	7.7%	2.0%	0.3%	-17.0%	-2.4%	-32.1%	-26.2%	-24.5%
Total Revenue Growth, %		20.9%	23.6%	20.3%	17.7%	27.8%	20.4%	14.1%	12.2%	-6.8%	9.6%	-23.4%	-16.6%	-14.8%
Comparable restaurant sales growth, %					5.6%	16.8%	10.4%	4.3%	2.6%	-14.6%	0.2%	-29.7%	-19.3%	-21.9%
EBITDA Margin, %	19.4%	21.4%	21.2%	22.7%	22.2%	22.9%	23.2%	23.9%	24.3%	14.7%	21.8%	0.6%	10.4%	8.4%

Tableau Software. DATA US, the \$3 billion market cap analytics software provider has generate a ton of cash over the last few years, but the market has punished the stock for slowing growth. Particularly, the license segment has dropped from over 100% annual growth to single-digits last quarter.

	Dec-11	Dec-12	Dec-13	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
	FY2011	FY2012	FY2013	FY2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015	FY2015	Q1-2016	Q2-2016	Q3-2016	Q4-2016
License revenue growth, %		102.4%	77.9%	75.0%	74.3%	60.3%	56.9%	31.3%	51.4%	14.2%	20.3%	6.6%	
Maintenance/services revenue growth, %		110.9%	91.6%	83.0%	75.2%	75.2%	76.8%	67.6%	73.2%	64.6%	54.7%	45.7%	
Total Revenue Growth, %		104.8%	82.0%	77.5%	74.6%	65.3%	63.5%	41.9%	58.4%	31.9%	32.5%	20.6%	
Net Cash, mm	30.2	39.3	252.7	680.6	715.7	729.5	750.2	795.9	795.9	808.0	834.7	864.6	
Net Cash Per Share	\$ 0.77	\$ 0.99	\$ 4.28	\$ 9.16	\$ 9.35	\$ 9.39	\$ 9.63	\$ 10.14	\$ 10.25	\$ 10.22	\$ 11.17	\$ 10.73	
Average Stock Price			\$ 62.52	\$ 72.89	\$ 90.86	\$ 108.06	\$ 103.73	\$ 89.79	\$ 98.16	\$ 58.02	\$ 50.11	\$ 55.05	\$ 46.57

As a reminder, all Analyst clients can nominate companies they are watching for prioritized earnings updates as soon as the companies report results.

IPO REPORT



Our IPO report on Freshii, the Canadian healthy fast food chain, has generated lots of positive feedback with our clients and we wanted to share it with you while it's still timely. As an independent, we were able to provide a model last week while every sellside analyst is still on restriction. Analyst routinely provides a report and model on IPOs as a value-add to our clients that subscribe to our fundamental model equity database. Check out the full [Freshii IPO report here](#).

NEWS



Last week, SumZero, the world's largest community of investment professionals working at hedge funds, mutual funds, and private equity funds, announced the winners of its Top Stocks for 2017 Challenge. Read all about the top 15 hedge fund stock picks for 2017 and contest details [here](#).

QUARTERLY TIPS

Analyst users can nominate the companies they are watching to get prioritized turnaround on model updates during earnings season. Read more about how to get an even faster head start with our new Watch List feature [here](#).

DID YOU KNOW?

John S. Montalbano, Principal, Tower Beach Capital Ltd. and former CEO of RBC Global Asset Management is the latest addition to the Analyst team. John joins V. Paul Lee and Aron Miodownik on the Analyst Board of Directors. Get to know the board [here](#).