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**Research**  
 (646) 780-8880  
[research@tigressfp.com](mailto:research@tigressfp.com)

**Trading**  
 (646) 780-8890  
[trading@tigressfp.com](mailto:trading@tigressfp.com)

**Tigress Financial Partners LLC**

Member of FINRA / MSRB / SIPC  
 410 Park Avenue  
 New York, NY 10022  
 (212) 430-8700  
[www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

**USANA Health Sciences, Inc. (USNA-US)**
**Personal Products**

- We are initiating research coverage with a Buy rating on USNA as the company continues to report strong sales growth trends driven by new product introductions and the ongoing expansion of its distributor base.
- USNA's ongoing new product introductions and growing distributor base continue to drive accelerating Business Performance.
- USNA continues to drive growth in both its distributor and preferred customer base.
- USNA's partnership with Dr. Oz creates a powerful marketing platform.
- China continues to be a major long-term opportunity for USNA.
- USNA continues to benefit from the global pursuit of a healthier lifestyle.
- USNA continues to use its balance sheet and cash flow to drive growth and shareholder returns through ongoing investments in R&D as well as opportunistic share repurchases.

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**Company Note**
**USANA Health Sciences, Inc. (USNA-US)**  
**Personal Products**

Ivan Feinseth  
 Director of Research  
 (646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Research Action:**

Initiation of Coverage

**Rating:** Buy

**Prior Rating:** None

**Price 04/15/2019:** \$84.72

**52 Week High / Low:** \$137.95 / \$75.27

**Key Data: (TTM as of Dec-18)**
**Excess Cash per Share:** \$9.27

**Annual Dividend:** \$0.00

**Dividend Yield:** 0.00%

**Ave. Volume (30 Day):** 0.2M

**Shares Outstanding:** 23.3M

**Float:** 13.4M

**Equity MV:** \$1,976.0M

**Sales TTM:** \$1,189.2M

**Beta:** 0.66

**EBITDAR:** \$221.5M

**NOPAT:** \$137.1M

**Total Invested Capital:** \$532.6M

**Return on Capital:** 33.23%

**Cost of Capital:** 5.48%

**Economic Profit:** \$114.5M

**Market Value Added:** \$1,885.3M

**Current Operations Value:** \$2,501.7M

**Future Growth Value:** (\$83.7)M

- **We are initiating research coverage with a Buy rating on USNA as the company continues to report strong sales growth trends driven by new product introductions and the ongoing expansion of its distributor base.** USNA leverages the direct selling model to create a cost-efficient distribution platform. It has a strong innovation pipeline of new products and improves its differentiated product lines through intensive R&D by its extensive staff of scientists. USNA is benefiting from the global pursuit of a healthier lifestyle and better nutrition, along with the aging of the world's population at an unprecedented rate. The launch of USNA's Anti-Aging Celavive® skincare line further expands its product portfolio. USNA's strong brand equity and quality product offerings continue to be enhanced by its targeted marketing efforts including its sports nutrition presence as an official team sponsor and supplement supplier to over 1,000 world-class athletes, and its sponsorship of and partnership with *The Dr. Oz Show*. USNA also continues to enhance shareholder returns through opportunistic and periodic share repurchases. USNA's direct marketing model drives a high level of Return on Capital which continues to drive increasing Economic Profit and greater shareholder value creation. We believe the recent pullback in the stock is a buying opportunity and significant upside exists from current levels.
- **USNA's ongoing new product introductions and growing distributor base continue to drive accelerating Business Performance.** For the 12 months ending December 2018, Net Sales Revenue increased 13.56% Y/Y from \$1.05 billion to \$1.19 billion. We forecast a further increase of 8.35% to \$1.29 billion over the NTM. Economic Operating Cash Flow (EBITDAR) increased 36.33% Y/Y from \$162.5 million to \$221.50 million over the LTM. We forecast a further increase of 9% to \$241.6 million over the NTM. Net Operating Profit After Tax (NOPAT) increased 42.9% Y/Y from \$96.0 million to \$137.1 million over the LTM. We forecast a further increase of 17.15% to \$160.6 million over the NTM. Return on Capital (ROC) increased from 26.32% to 33.23% over the LTM. We forecast a further increase to 36.69% over the NTM. Economic Profit increased 52.35% Y/Y from \$75.2 million to \$114.5 million over the LTM. We forecast a further increase of 10.4% to \$126.4 million over the NTM. The inherent operating leverage that exists in USNA's direct selling model will continue to drive further increases in Return on Capital, increasing Economic Profit and greater shareholder value creation.

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 410 Park Avenue New York NY, 10022 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

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**USANA Health Sciences, Inc. (USNA-US)****Personal Products**

- **USNA continues to drive growth in both its distributor and preferred customer base.** USNA focuses on growing its active customer base by targeting distributors who market its products, emphasizing entrepreneurial opportunities and supporting them with a generous compensation plan, as well as targeting preferred customers who purchase their products for personal use. USNA continues to build customer loyalty and purchase consistency by offering targeted nutritional and weight management solutions for each customer's specific needs. USNA continues to increase its visibility and brand equity through ongoing sponsorship of athletes and teams, as well as building on its partnership with physician, nutritional expert, and television personality Dr. Mehmet Oz of *The Dr. Oz Show*. USNA emphasizes research and development and uses the latest scientific findings to drive its new product introductions. Its most recent product introduction the Celavive® anti-aging skincare line, is based on USNA's new InCelligence Technology platform that delivers key phytonutrients directly to cells and improves skin health. USNA's Celavive line of skin care products is positioned as a comprehensive skincare regime that provides nutrition and moisturization for various skin types and ethnicities.
- **USNA's partnership with Dr. Oz creates a powerful marketing platform.** USNA's partnership with Dr. Oz leverages its scientific and highly-targeted nutritional product line. Dr. Mehmet Oz is a physician and globally-recognized expert on nutrition and health, and author of a number of medical books emphasizing the importance of good nutrition. USNA is the official nutritional sponsor of the ten-time Emmy Award-winning *The Dr. Oz Show*. The show highlights positive aspects of nutrition and enjoyable paths to health, and also offers preventive medicine and healthcare information. It will now also be officially distributed in China, USNA's largest market, on multiple Chinese digital platforms including iQIYI, Sina Weibo, Sohu Video, Tencent Penguin, and Youku, with Chinese subtitles. The show is also broadcasted to an estimated 35 million viewers weekly in 215 markets around the world. The relationship with Dr. Oz helps drive USNA's brand equity and brand recognition and supports the marketing efforts of its distributor base.

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**USANA Health Sciences, Inc. (USNA-US)****Personal Products**

- **China continues to be a major long-term opportunity for USNA.** Even as more than half of USNA's revenue currently comes from China, the opportunity remains significant as the Chinese culture embraces the underlying spirit of entrepreneurialism and increasing demand for nutritional-based support for a healthier lifestyle. Skincare is also very important in China as the culture is fairly obsessed with skincare and a youthful look, especially amongst Chinese women.
- **USNA continues to benefit from the global pursuit of a healthier lifestyle.** Worldwide trends including increasing health awareness, increasing focus on fitness, increasing healthcare costs, and the growing epidemics of diabetes and obesity along with an aging population continue to drive increasing demand for USNA's products and new growth opportunities for its distributors. Growing nutritional needs around the world including weight management and sports nutrition are driving increasing demand for USNA's protein shakes and meal replacements along with its targeted nutrition and sports fitness products. USNA is also benefiting from the global anti-aging trends through increased demand for its skin and hair care lines as well. In many regions around the world and in the U.S., there continues to be limited access to both healthy food choices and poor diets which continue to drive the need for nutritional supplements as well. USNA's global distributor base not only provides access to its products but provides information and an ongoing support system for its customer base.
- **USNA continues to use its balance sheet and cash flow to drive growth and shareholder returns through ongoing investments in R&D as well as opportunistic share repurchases.** USNA currently has \$221.3 million, \$9.27 per share, in excess cash along with our expected Economic Operating Cash Flow (EBITDAR) generation of \$241.6 million over the NTM, which continues to fund R&D and new product development and stock buy-backs on a periodic basis. USNA has averaged R&D investment of \$6 million per year and investing over \$10 million in 2018. Since 2000, USNA has announced open market purchases of a total of \$882 million in stock and has repurchased a total of \$286 million worth of shares. We believe with the recent pullback in the share price, USNA will start to ramp up its share repurchases.

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**USANA Health Sciences, Inc. (USNA-US)****Personal Products****Investment Thesis**

USANA leverages the direct selling model to create a cost-efficient distribution platform. It has a strong innovation pipeline of new products and improves its differentiated product lines through intensive R&D by leveraging its extensive staff of scientists. USANA is benefiting from the global pursuit of a healthier lifestyle and better nutrition along with the aging of the world's population at an unprecedented rate. USANA's strong brand equity and quality product offerings continue to be enhanced by its targeted marketing efforts including its sports nutrition presence as an official team sponsor and supplement supplier to over 1,000 world-class athletes, and its sponsorship of and partnership with *The Dr. Oz Show*. USANA also continues to enhance shareholder returns through opportunistic and periodic share repurchases. USANA's direct marketing model drives a high level of Return on Capital which continues to drive increasing Economic Profit and greater shareholder value creation.

**Company Overview**

**USANA Health Sciences, Inc. (USNA-US)** develops and manufactures nutritional supplements, personal care, and weight-management products and markets them to consumers through the direct sales process using a network of independent agents. USANA focuses on providing personalized nutrition and skincare product lines. USANA also creates business opportunities for its independent agents who sell and distribute its products to customers in their networks. USANA is the 20<sup>th</sup> largest direct selling company in the world with operations in 24 countries.

USANA's product lines include Essentials Nutritionals consisting of vitamin and mineral supplements providing a basis of total nutrition for various age groups, and Optimizers Nutritionals consisting of targeted supplements that support cardiovascular health, skeletal and structural health, and digestive health. Food Nutritionals include low-glycemic meal replacement and weight-management protein shakes, snack bars, and other related products to provide optimal macro-nutrition. Celavive® & Sensé personal care products support healthy skin and hair by providing topical moisturization, nourishment, and protection.

USANA sells its products directly to distributors who sell to members of their network, and preferred customers who purchase products for their own use both in the U.S. and globally. Greater China is USANA's largest market representing over 50% of its total sales. USANA also sells to distributors and preferred customers in Australia, Canada, Hong Kong, the United Kingdom, and New Zealand.

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**USANA Health Sciences, Inc. (USNA-US)**
**Personal Products**

USANA manufactures all of its own products primarily at its main facility in Salt Lake City Utah.

**USANA operates and reports revenue by four Business Segments:**

**Nutritionals:** (83% of revenue) includes vitamins and nutritional supplements, antioxidants and probiotics.

**Foods:** (9% of revenue) includes meal replacement shakes, nutrition bars, and energy drinks.

**Celavive:** (5% of revenue) skincare products targeted at unique beauty needs.

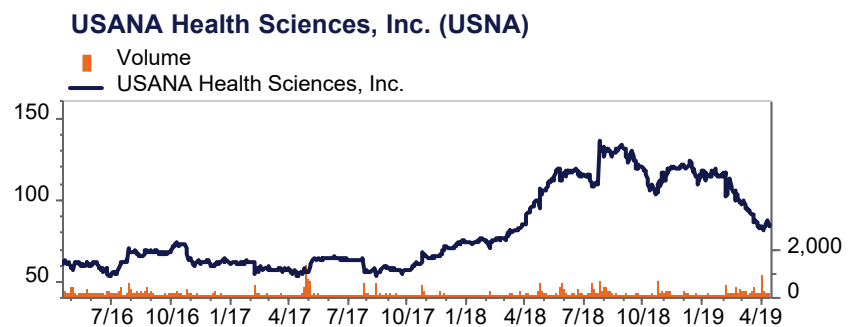
**Sensé:** (3% of revenue) hair care and body care products.

**USANA reports revenue by four Geographic Segments:** Greater China (52% of revenue); Americas & Europe (23% of revenue); Southeast Asia Pacific (20% of revenue); and North Asia (6% of revenue).

**M&A History/Highlights**

**USANA will opportunistically expand its product portfolio and customer base through strategic and complementary acquisitions.**

In August 2010, USANA acquired China-based direct selling company BabyCare Ltd., a manufacturer and distributor of infant nutritional products.

**Price Chart**


Source: FactSet Prices

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**USANA Health Sciences, Inc. (USNA-US)**
**Personal Products**
**Financial Data**

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	12/28/2013	01/03/2015	01/02/2016	12/31/2016	12/30/2017	12/29/2018	12/31/2019		Average	Average	Trend
<b>Net Sales Revenue</b>	\$718.2	\$790.5	\$918.5	\$1,015.3	\$1,047.3	\$1,189.2	\$1,288.5		\$992.2	\$1,083.9	\$1,238.9
Sales Growth	10.71%	10.07%	16.20%	10.54%	3.15%	13.56%	8.35%		10.70%	9.08%	10.95%
Sales Growth Trend	11.01%	10.32%	13.74%	12.80%	6.10%	9.39%	10.43%		10.47%	9.43%	9.91%
<b>Economic Operating Cash Flow (EBITDAR)</b>	\$136.2	\$136.9	\$164.0	\$173.5	\$162.5	\$221.5	\$241.6		\$171.7	\$185.8	\$231.6
EBITDAR Margin	18.97%	17.32%	17.86%	17.09%	15.51%	18.63%	18.75%		17.28%	17.08%	18.69%
EBITDAR Growth	19.22%	0.50%	19.78%	5.80%	-6.37%	36.33%	9.07%		11.21%	11.92%	22.70%
<b>Net Operating Profit Before Tax (NOPBT)</b>	\$117.7	\$117.2	\$143.5	\$149.9	\$135.4	\$193.5	\$210.4		\$147.9	\$159.6	\$202.0
NOPBT Margin	16.39%	14.83%	15.63%	14.76%	12.93%	16.27%	16.33%		14.89%	14.66%	16.30%
NOPBT Growth	19.11%	-0.44%	22.45%	4.43%	-9.64%	42.90%	8.71%		11.94%	12.56%	25.81%
<b>Cash Operating Income Tax</b>	\$34.3	\$34.2	\$41.8	\$41.7	\$39.5	\$56.4	\$49.8		\$42.7	\$45.9	\$53.1
Economic Tax Effective Rate	29.15%	29.15%	29.15%	27.80%	29.15%	29.15%	23.65%		28.88%	28.70%	26.40%
<b>Net Operating Profit After Tax (NOPAT)</b>	\$83.4	\$83.0	\$101.7	\$108.2	\$96.0	\$137.1	\$160.6		\$105.2	\$113.8	\$148.9
NOPAT Margin	11.61%	10.51%	11.07%	10.66%	9.16%	11.53%	12.47%		10.59%	10.45%	12.00%
NOPAT Growth	19.11%	-0.44%	22.45%	6.43%	-11.34%	42.90%	17.15%		12.00%	12.66%	30.02%
<b>Cash &amp; Equivalents</b>	\$149.3	\$114.3	\$146.3	\$178.7	\$250.2	\$280.8	\$310.1		\$194.1	\$236.5	\$295.4
<b>Total Assets</b>	\$368.5	\$350.6	\$423.2	\$470.6	\$519.3	\$554.5	\$612.3		\$463.6	\$514.8	\$583.4
<b>Non - Interest Bearing Liabilities (NIBLs)</b>	\$88.5	\$67.8	\$76.3	\$66.7	\$84.7	\$62.9	\$69.5		\$71.7	\$71.4	\$66.2
<b>Net Assets</b>	\$280.0	\$282.8	\$346.9	\$403.9	\$434.6	\$491.6	\$542.8		\$392.0	\$443.4	\$517.2
Economic Asset Adjustments	\$5.0	(\$0.5)	(\$10.6)	\$10.7	\$30.0	\$41.1	\$45.4		\$14.1	\$27.3	\$43.2
<b>Net Operating Assets</b>	\$285.0	\$282.3	\$336.3	\$414.7	\$464.6	\$532.6	\$588.2		\$406.1	\$470.6	\$560.4
<b>Debt &amp; Debt Equivalents</b>	\$16.8	\$21.5	\$28.3	\$19.0	\$21.8	\$23.1	\$25.5		\$22.8	\$21.3	\$24.3
<b>Equity &amp; Equivalents</b>	\$260.5	\$230.2	\$280.9	\$325.3	\$363.2	\$391.1	\$431.9		\$318.1	\$359.9	\$411.5
<b>Total Capital - Financing Sources</b>	\$277.3	\$251.7	\$309.2	\$344.3	\$385.1	\$414.3	\$457.5		\$340.9	\$381.2	\$435.9
Capital Adjustments	(\$11.7)	(\$22.0)	(\$39.0)	(\$8.2)	\$8.1	\$18.0	\$19.8		(\$8.6)	\$5.9	\$18.9
<b>Net Capital Financing Sources</b>	\$265.6	\$229.7	\$270.2	\$336.0	\$393.2	\$432.2	\$477.3		\$332.3	\$387.1	\$454.8
<b>Net Working Capital</b>	\$37.1	\$59.7	\$78.3	\$93.0	\$75.6	\$125.7	\$138.8		\$86.4	\$98.1	\$132.2
Cost of Net Working Capital	\$2.0	\$2.4	\$3.3	\$4.5	\$4.8	\$5.5	\$6.7		\$4.1	\$5.0	\$5.8
% of Revenue	0.28%	0.31%	0.36%	0.45%	0.46%	0.46%	0.47%		0.41%	0.46%	0.47%
<b>Operational Capital</b>	\$110.3	\$137.5	\$161.6	\$206.1	\$196.1	\$238.4	\$263.2		\$187.9	\$213.5	\$250.8
Cost of Operational Capital	\$6.3	\$6.2	\$7.1	\$9.7	\$11.5	\$11.9	\$13.1		\$9.3	\$11.0	\$12.5
% of Revenue	0.88%	0.79%	0.77%	0.96%	1.10%	1.00%	1.02%		0.92%	1.02%	1.01%
<b>Productive Capital</b>	\$170.9	\$196.4	\$217.3	\$257.2	\$248.7	\$287.0	\$316.9		\$241.3	\$264.3	\$302.0
Cost of Productive Capital	\$9.7	\$9.3	\$9.8	\$12.6	\$14.4	\$14.7	\$16.2		\$12.1	\$13.9	\$15.4
% of Revenue	1.35%	1.17%	1.07%	1.24%	1.38%	1.23%	1.26%		1.22%	1.28%	1.25%
<b>Total Operating Capital</b>	\$171.7	\$207.5	\$235.9	\$286.8	\$266.7	\$311.3	\$343.8		\$261.7	\$288.3	\$327.6
Cost of Total Operating Capital	\$9.8	\$9.6	\$10.5	\$13.8	\$15.8	\$15.8	\$17.5		\$13.1	\$15.2	\$16.7
% of Revenue	1.36%	1.21%	1.14%	1.36%	1.51%	1.33%	1.36%		1.31%	1.40%	1.34%
<b>Non - Operating Capital</b>	\$113.4	\$74.8	\$100.4	\$127.9	\$197.8	\$221.3	\$244.4		\$144.4	\$182.3	\$232.9
Cost of Non - Operating Capital	\$4.3	\$4.7	\$4.2	\$6.0	\$9.3	\$11.5	\$12.7		\$7.1	\$8.9	\$12.1
% of Revenue	0.60%	0.60%	0.45%	0.60%	0.89%	0.97%	0.98%		0.70%	0.82%	0.98%
<b>Total Capital</b>	\$285.0	\$282.3	\$336.3	\$414.7	\$464.6	\$532.6	\$588.2		\$406.1	\$470.6	\$560.4
Cost of Total Capital	\$14.1	\$14.3	\$14.7	\$19.9	\$25.1	\$27.3	\$30.2		\$20.3	\$24.1	\$28.8
% of Revenue	1.96%	1.81%	1.60%	1.96%	2.40%	2.30%	2.34%		2.01%	2.22%	2.32%
<b>Cost of Capital (WACC)</b>	5.67%	5.04%	4.74%	5.30%	5.71%	5.48%	5.48%		5.25%	5.49%	5.48%
<b>Capital Structure</b>											
<b>Debt &amp; Debt Equivalents</b>	\$16.8	\$21.5	\$28.3	\$19.0	\$21.8	\$23.1	\$25.5		\$22.8	\$21.3	\$24.3
Debt & Debt Equivalents % of Market Value	1.53%	1.68%	1.71%	1.26%	1.21%	0.83%	0.83%		1.26%	1.05%	0.83%
<b>Preferred Equity</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
<b>Market Value of Common Equity</b>	\$1,078.1	\$1,259.5	\$1,631.4	\$1,492.5	\$1,776.7	\$2,756.4	\$3,043.9		\$1,783.3	\$2,008.5	\$2,900.1
Common Equity % of Market Value	98.47%	98.32%	98.29%	98.74%	98.79%	99.17%	99.17%		98.74%	98.95%	99.17%
<b>Total Economic Market Value (MV)</b>	\$1,094.9	\$1,281.0	\$1,659.7	\$1,511.5	\$1,798.5	\$2,779.5	\$3,069.4		\$1,806.0	\$2,029.8	\$2,924.5
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		100.00%	100.00%	100.00%
<b>Excess Cash</b>	\$113.4	\$74.8	\$100.4	\$127.9	\$197.8	\$221.3	\$244.4		\$144.4	\$182.3	\$232.9
<b>Economic Enterprise Value</b>	\$981.5	\$1,206.2	\$1,559.3	\$1,383.6	\$1,600.7	\$2,558.2	\$2,825.1		\$1,661.6	\$1,847.5	\$2,691.6
<b>Average Capital</b>	\$229.9	\$247.6	\$250.0	\$303.1	\$364.6	\$412.7	\$454.8		\$315.6	\$360.1	\$433.7
Capital Δ	\$71.3	(\$35.9)	\$40.5	\$65.8	\$57.2	\$39.1	\$45.1		\$33.3	\$54.0	\$42.1

Source: Company Data, Financial statements and Tigress Research

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USANA Health Sciences, Inc. (USNA-US)

Personal Products

Financial Analysis

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	12/28/2013	01/03/2015	01/02/2016	12/31/2016	12/30/2017	12/29/2018	12/31/2019	Average	Average	Trend	
Return on Market Value (NOPAT / MV)	7.62%	6.48%	6.13%	7.16%	5.34%	4.93%	5.45%	6.01%	5.81%	5.19%	
Return on Enterprise Value (NOPAT / EV)	8.50%	6.89%	6.52%	7.82%	5.99%	5.36%	5.92%	6.52%	6.39%	5.64%	
Return on Capital (NOPAT / Average Capital)	36.28%	33.54%	40.68%	35.70%	26.32%	33.23%	36.69%	33.89%	31.75%	34.96%	
Cost of Capital (WACC)	5.67%	5.04%	4.74%	5.30%	5.71%	5.48%	5.48%	5.25%	5.49%	5.48%	
Economic Return Spread	30.61%	28.50%	35.94%	30.41%	20.61%	27.74%	30.64%	28.64%	26.26%	29.19%	
Capital Charge	\$13.0	\$12.5	\$11.8	\$16.1	\$20.8	\$22.6	\$25.0	\$16.8	\$19.8	\$23.8	
Economic Profit (EP)	\$70.4	\$70.6	\$89.8	\$92.2	\$75.2	\$114.5	\$126.4	\$88.4	\$93.9	\$120.5	
Economic Profit Improvement (EPI)	\$9.3	\$0.2	\$19.3	\$2.3	(\$17.0)	\$39.3	\$11.9	\$8.8	\$8.2	\$25.6	
EP Growth	15.25%	0.27%	27.33%	2.60%	-18.47%	52.35%	10.43%	12.82%	12.16%	31.39%	
Economic Profit Margin on Sales	9.80%	8.93%	9.78%	9.08%	7.18%	9.63%	9.81%	8.92%	8.63%	9.72%	
Economic Profit Per Share	\$2.57	\$2.67	\$3.53	\$3.81	\$3.09	\$4.75	\$5.25	\$3.57	\$3.88	\$5.00	
GAAP Earnings Per Share	\$2.89	\$2.91	\$3.72	\$4.14	\$2.56	\$5.23	\$5.57	\$3.71	\$3.98	\$5.40	
Excess Cash Per Share	\$4.09	\$3.02	\$3.96	\$5.24	\$8.24	\$9.27	\$10.23	\$5.94	\$7.58	\$9.75	
<b>Performance Drivers</b>											
Sales Growth	10.71%	10.07%	16.20%	10.54%	3.15%	13.56%	8.35%	10.70%	9.08%	10.95%	
Sales Growth Trend (ROC Sales Growth)	11.01%	10.32%	13.74%	12.80%	6.10%	9.39%	10.43%	10.47%	9.43%	9.91%	
EBITDAR Margin	18.97%	17.32%	17.86%	17.09%	15.51%	18.63%	17.28%	17.28%	17.08%	18.69%	
EBITDAR Growth	19.22%	0.50%	19.78%	5.80%	-6.37%	36.33%	9.07%	11.21%	11.92%	22.70%	
NOPBT Margin	16.39%	14.83%	15.63%	14.76%	12.93%	16.27%	16.33%	14.89%	14.66%	16.30%	
NOPBT Growth	19.11%	-0.44%	22.45%	4.43%	-9.64%	42.90%	8.71%	11.94%	12.56%	25.81%	
NOPAT Margin	11.61%	10.51%	11.07%	10.66%	9.16%	11.53%	12.47%	10.59%	10.45%	12.00%	
NOPAT Growth	19.11%	-0.44%	22.45%	6.43%	-11.34%	42.90%	17.15%	12.00%	12.66%	30.02%	
Economic Profit Margin on Sales (EP / Sales)	9.80%	8.93%	9.78%	9.08%	7.18%	9.63%	9.81%	8.92%	8.63%	9.72%	
Economic Profit Growth	15.25%	0.27%	27.33%	2.60%	-18.47%	52.35%	10.43%	12.82%	12.16%	31.39%	
Economic Return Spread (ROC-WACC)	30.61%	28.50%	35.94%	30.41%	20.61%	27.74%	31.21%	28.64%	26.26%	29.48%	
Economic Return Ratio (ROC / WACC)	639.52%	665.06%	858.26%	674.28%	461.26%	606.16%	669.39%	653.00%	580.57%	637.78%	
Economic Profit Momentum (ΔEP/Capital)	3.51%	0.08%	7.14%	0.69%	-4.33%	9.10%	2.50%	2.54%	1.82%	5.80%	
Economic Profit Momentum Margin (ΔEP/Sales)	1.30%	0.02%	2.10%	0.23%	-1.63%	3.31%	0.93%	0.81%	0.64%	2.12%	
Capital Growth	36.73%	-13.51%	17.65%	24.35%	17.01%	9.94%	10.43%	11.09%	17.10%	10.18%	
Capital Turns	2.70X	3.44X	3.40X	3.02X	2.66X	2.75X	2.70X	3.06X	2.81X	2.73X	
EVC Acceleration Margin	1.44%	0.03%	2.44%	0.25%	-1.68%	3.76%	1.00%	0.69%	0.83%	2.37%	
EVC Acceleration Spread	4.99%	0.08%	7.79%	0.93%	-5.62%	10.79%	2.89%	1.94%	2.60%	7.12%	
<b>Risk Factors</b>											
Free Cash Flow (NOPAT - Δ Capital)	\$12.1	\$118.9	\$61.2	\$42.4	\$38.8	\$98.1	\$115.6	\$71.9	\$59.8	\$106.8	
Free Cash Flow Rate (FCF / Capital)	4.55%	51.77%	22.63%	12.63%	9.87%	22.69%	24.21%	23.92%	15.06%	23.45%	
Free Cash Flow Yield (FCF / MV)	1.10%	9.28%	3.68%	2.81%	2.16%	3.53%	3.76%	4.29%	2.83%	3.65%	
Total Debt / Total Capital	6.31%	9.38%	10.48%	5.65%	5.55%	5.35%	5.35%	7.28%	5.52%	5.35%	
Total Debt / EBITDAR	12.30%	15.73%	17.28%	10.93%	13.44%	10.44%	10.58%	13.56%	11.61%	10.51%	
Excess Cash	\$113.4	\$74.8	\$100.4	\$127.9	\$197.8	\$221.3	\$0.0	\$144.4	\$182.3	\$110.7	
Financial Leverage ((Total Debt - Excess Cash) / Pension Leverage (Net Pension Liability / MV))	-8.82%	-4.16%	-4.34%	-7.21%	-9.79%	-7.13%	0.83%	-6.52%	-8.04%	-3.15%	
Equity Risk Index (S&P 500 = 1.00)	0.68	0.68	0.67	0.67	0.64	0.64	0.64	0.66	0.65	0.64	
Stock Price Volatility	5.93	6.15	5.93	4.95	3.73	3.82	3.82	4.92	4.17	3.82	
Sales Index (NL Sales)	6.58	6.67	6.82	6.92	6.95	7.08	7.16	6.89	6.99	7.12	
Market Value Index (NL Market Value)	7.00	7.16	7.41	7.32	7.49	7.93	8.03	7.46	7.58	7.98	
Size Index (NL Sales: MV)	6.79	6.91	7.12	7.12	7.22	7.51	7.60	7.18	7.28	7.55	
Beta	0.52	0.52	0.51	0.51	0.46	0.46	0.46	0.49	0.47	0.46	
TFP Adjusted Beta	0.68	0.68	0.67	0.67	0.64	0.64	0.64	0.66	0.65	0.64	
Stock Price Volatility	5.93	6.15	5.93	4.95	3.73	3.82	3.82	4.92	4.17	3.82	
<b>Valuation Measures</b>											
Total Economic Market Value (MV)	\$1,094.9	\$1,281.0	\$1,659.7	\$1,511.5	\$1,798.5	\$2,779.5	\$3,069.4	\$1,806.0	\$2,029.8	\$2,924.5	
Economic Enterprise Value	\$981.5	\$1,206.2	\$1,559.3	\$1,383.6	\$1,600.7	\$2,558.2	\$2,825.1	\$1,661.6	\$1,847.5	\$2,691.6	
Equity Market Value	\$1,078.1	\$1,259.5	\$1,631.4	\$1,492.5	\$1,776.7	\$2,756.4	\$3,043.9	\$1,783.3	\$2,008.5	\$2,900.1	
Total Capital	\$285.0	\$282.3	\$336.3	\$414.7	\$464.6	\$532.6	\$588.2	\$406.1	\$470.6	\$560.4	
Market Value Created MVC (MV - Capital)	\$809.9	\$998.7	\$1,323.4	\$1,096.8	\$1,333.9	\$2,246.9	\$2,481.2	\$1,399.9	\$1,559.2	\$2,364.1	
MVC Margin (MVC / Sales)	112.77%	126.34%	144.09%	108.03%	127.37%	188.93%	192.57%	141.10%	143.85%	190.82%	
MVC Spread (MVC / Capital)	284.14%	353.70%	393.55%	264.50%	287.13%	421.83%	421.83%	344.73%	331.30%	421.83%	
Current EVC Value (EP / WACC)	\$1,240.3	\$1,399.2	\$1,895.3	\$1,740.8	\$1,317.1	\$2,089.0	\$2,306.9	\$1,683.7	\$1,709.9	\$2,197.9	
Current Operations Value COV	\$1,470.2	\$1,646.8	\$2,145.3	\$2,043.9	\$1,681.7	\$2,501.7	\$2,761.7	\$1,999.3	\$2,070.0	\$2,631.7	
Current Operations Value Per Share	\$53.68	\$62.28	\$84.26	\$84.51	\$69.07	\$103.78	\$110.87	\$80.27	\$85.49	\$107.39	
Future Growth Value (MVC - EVA Value)	(\$375.3)	(\$365.8)	(\$485.6)	(\$532.4)	\$116.8	\$277.8	\$307.8	(\$193.3)	(\$40.2)	\$292.8	
Future Growth Value Reliance (FGV / MV)	-34.28%	-28.56%	-29.26%	-35.23%	6.49%	10.00%	10.03%	-10.70%	-1.98%	10.01%	
Share Price	\$43.60	\$51.14	\$63.88	\$61.20	\$57.70	\$120.55	\$120.55	\$70.89	\$79.82	\$120.55	
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Total Shareholder Return (TTM)	87.65%	17.29%	24.90%	-4.19%	-5.72%	108.93%	0.00%	-41.19%	12.59%	51.03%	
MV to IC Ratio	3.84X	4.54X	4.94X	3.65X	3.87X	5.22X	5.22X	4.45X	4.31X	5.22X	
EV / EBITDAR Multiple	7.20X	8.81X	9.51X	7.97X	9.85X	11.55X	11.69X	9.68X	9.94X	11.62X	
EV / NOPBT Multiple	8.34X	10.29X	10.86X	9.23X	11.82X	13.22X	13.43X	11.23X	11.57X	13.33X	
EV / NOPAT Multiple	11.77X	14.52X	15.33X	12.78X	16.68X	18.66X	17.59X	15.79X	16.24X	18.08X	
EV / EP Multiple	13.95X	17.09X	17.36X	15.01X	21.30X	22.34X	22.34X	18.79X	19.67X	22.34X	
Future Growth Value (% of MV)	-34.28%	-28.56%	-29.26%	-35.23%	6.49%	10.00%	10.03%	-10.70%	-1.98%	10.01%	
Current Operations Value (% of MV)	134.28%	128.56%	129.26%	135.23%	93.51%	90.00%	89.97%	110.70%	101.98%	89.99%	
Market Value (COV + FGV %)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Basic Shares Outstanding	27.4	26.4	25.5	24.2	24.3	24.1	24.9	24.9	24.2	24.5	

Source: Company Data, Financial statements and Tigress Research

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Research: (646) 780-8880 research@tigressfp.com

410 Park Avenue New York NY, 10022 (212) 430-8700 www.tigressfinancialpartners.com

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**Tigress Research Methodology Overview**

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

**Business Performance:** Measuring economic profitability, growth and operating efficiency.

**Risk:** Measuring business sustainability, volatility, strength and consistency.

**Valuation:** Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

*For more information on our research methodology, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

**Glossary of Key Terms and Measures**

**Excess Cash per Share:** Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

**EBITDAR:** Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

**NOPAT:** Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.

**Total Invested Capital:** Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.

**Return on Capital:** Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

**Cost of Capital:** Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.

**Economic Profit:** Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

**Current Operations Value:** Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.

**Future Growth Value:** Future Growth Value is the portion of market value based on un-earned Economic Profit

*For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

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### Contacts

**Ivan Feinseth**  
Director of Research  
(646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Aaron Ju**  
Research Analyst  
(646) 780-8887 Direct  
[aaronju@tigressfp.com](mailto:aaronju@tigressfp.com)

**Steven Pikowski**  
Operations / Sales & Trading  
(646) 780-8894 Direct  
[spikowski@tigressfp.com](mailto:spikowski@tigressfp.com)

**Barney Greengrass**  
Capital Markets / Sales & Trading  
(646) 780-8914 Direct  
[bgreengrass@tigressfp.com](mailto:bgreengrass@tigressfp.com)

**Ernest Williams**  
Capital Markets / Sales & Trading  
(646) 780-8886 Direct  
[ewilliams@tigressfp.com](mailto:ewilliams@tigressfp.com)

**Jeanine Cerligione**  
Capital Markets / Sales & Trading  
(646) 780-8902 Direct  
[jcerligione@tigressfp.com](mailto:jcerligione@tigressfp.com)

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Rating:	Meaning:	Rating Distribution (04/15/2019)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
<b>Strong Buy:</b>	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	14%	1	15%	
<b>Buy:</b>	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	52	44%	5	70%	
<b>Neutral:</b>	Expect little or no outperformance opportunity over the next 12 months.	44	38%	1	15%	
<b>Underperform:</b>	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	5	4%	0	0%	
<b>Sell:</b>	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
<b>Not Rated</b>	No Current Research Rating	NA	NA	65	NA	
		<b>Total</b>	<b>117</b>	<b>100%</b>	<b>72</b>	<b>100%</b>

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Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)

410 Park Avenue New York NY, 10022 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

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**410 Park Avenue New York NY, 10022 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)**

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Tigress Financial Partners is a specialized financial services firm providing expertise and services in investment banking, investment research, asset management, corporate advisory, and trade execution services.

Tigress Financial Partners provides its services to corporate entities, institutional investors, high-net worth individual investors, public and private pensions, federal, state and municipal governments.

Tigress Financial Partners LLC is a registered broker dealer and registered investment advisor with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB) and a member of the Securities Investor Protection Corporation (SIPC).

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**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

**410 Park Avenue New York NY, 10022 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)**

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