

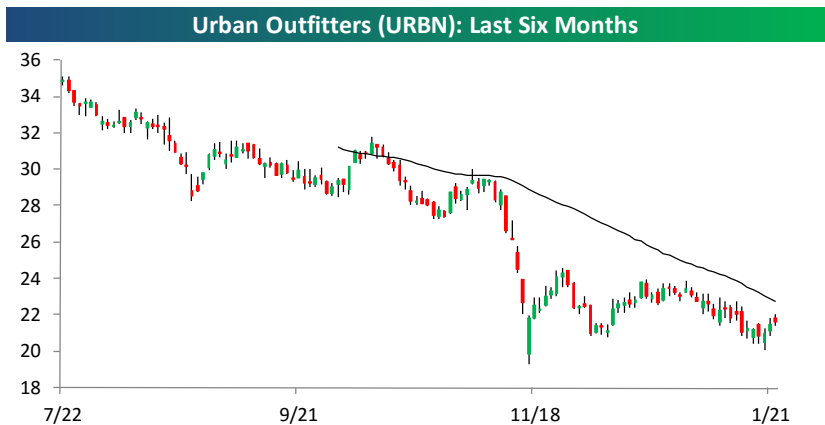


WWPED (What Would Private Equity Do)?

The universe of beaten down names is practically all-inclusive at this point, and you can bet private equity investors and activists are scouring the carnage for new opportunities and re-visiting names they may have passed on 6 months ago. In an attempt to identify some likely targets, we conducted a screen for names that would make attractive investments for private investors. While private equity firms and activist hedge funds can have widely divergent strategies, they often look for some key characteristics: underperforming companies and significant free cash flow potential.

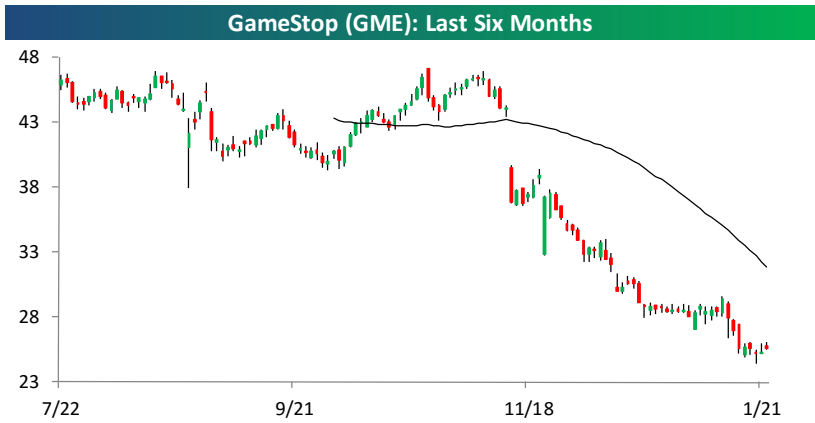
In a nod to that approach, we looked at the Russell 1,000 and sorted it by a Total Enterprise Value to EBITDA-Less-Capex multiple (TEV / (EBITDA-Capex)). We limited the screen to companies with a Total Enterprise Value (TEV) of less than \$5 billion to reflect the newly found discipline against mega deals in private equity. We further eliminated companies in the Financials sector and Oil & Gas industry (because the cash flow metrics are less relevant for those companies). We kept Energy Services in the screen, however, because unlike producers, services companies are often quite attractive to private equity. On page three, we have included a list of 39 companies that are currently trading at 10x or less on a TEV / (EBITDA-Capex) basis. As a rule of thumb, less than 10x EBITDA-Capex is an attractive acquisition price as it is a proxy for a 10% unlevered free cash flow yield. We also wanted to highlight three names in particular that stood out to us:

Urban Outfitters (URBN): At \$21.58, the stock is down over 54% from its 52-week high of \$47.25 reached in March 2015 when it reported strong earnings. It's been all down-hill from there with weaker results in subsequent quarters and some bizarre management moves, including the purchase of a pizza chain. The stock's 10 year low was \$14.13 during the depths of the financial crisis. Although the founder/CEO reportedly owns over 20% of the stock (including family members), this company seems ripe for a shake-up and perhaps a fresh perspective.





GameStop (GME): At \$25.48, GameStop screens extremely cheap at 4.5x EBITDA less capex. The trading multiple isn't all that surprising when you consider the extremely negative views on the company's business model. Many people view GameStop as being on a similar path to Blockbuster: a business that may not need to exist. The reason we highlight this name is because our colleagues at Bespoke Market Intelligence have been covering consumer trends in GME for several quarters. While we're sympathetic to the view that GameStop faces challenges in a digital world, so far our survey data indicates that the company has a significant role to play even as digital games gain share. We wonder if a private equity company might take that bet.



GNC Holdings (GNC): At \$26.87, GNC is 48% off its 52 week high of \$51.69 and approaching its all-time low of \$16.75, which coincidentally was its 2011 IPO price. Thus our interest: GNC has been a popular target of private equity for decades. The company was owned by Apollo from 2003 to 2007. It was then sold to Ares Management and Ontario Teacher's Pension Fund, which owned it prior to the 2011 IPO. Prior to Apollo, GNC had been previously owned at various times by TH Lee and a strategic owner, Numico. Its closest competitor, Vitamin Shoppe, has also been a private equity target, most recently being owned by Carlyle. Point is: private equity loves the vitamin and supplement business. The business can be high margin, with steady growth, and targets extremely attractive demographics: health conscious millennials and supplement crazy baby boomers.





Bespoke Private Equity Screen

Ticker	Name	Industry	Price	Percent off 52-Week High	TEV / (EBITDA-Capex)
GPRO	GoPro	Household Durables	10.86	-83.4	3.7
GME	GameStop	Specialty Retail	25.48	-46.7	4.5
FOSL	Fossil Group	Textiles, Apparel & Luxury Gds	30.77	-70.2	4.7
FLR	Fluor	Construction & Engineering	42.60	-31.6	4.7
NTAP	NetApp	Technology Hardware	21.43	-46.3	4.7
MRVL	Marvell Technology	Semiconductors	8.20	-51.2	4.8
BRCD	Brocade Communications	Communications Equipment	7.76	-40.1	4.9
DDS	Dillard's	Multiline Retail	67.66	-53.1	5.3
NUS	Nu Skin Enterprises	Personal Products	31.95	-49.2	6.0
DRQ	Dril-Quip	Energy Equipment & Services	54.59	-33.2	6.1
ITT	ITT	Machinery	30.78	-29.9	6.3
WCC	WESCO International	Trading Companies	36.42	-51.1	6.4
UTHR	United Therapeutics	Biotechnology	130.11	-31.6	6.5
GRMN	Garmin	Household Durables	33.80	-40.9	6.6
HNT	Health Net	Health Care Providers & Svcs	66.49	-13.2	6.7
KING	King Digital	Software	17.93	-0.1	6.8
URBN	Urban Outfitters	Specialty Retail	21.58	-54.3	6.9
MSGN	MSG Networks	Media	18.05	-28.8	7.4
OII	Oceaneering International	Energy Equipment & Services	33.56	-43.7	7.6
AAN	Aaron's	Specialty Retail	23.12	-43.3	7.6
FSLR	First Solar	Semiconductors	66.68	-7.5	7.7
CR	Crane	Machinery	44.27	-37.2	7.9
TEX	Terex	Machinery	15.46	-47.3	7.9
THO	Thor Industries	Automobiles	50.57	-21.8	8.2
GNTX	Gentex	Auto Components	13.64	-27.4	8.3
TGI	Triumph Group	Aerospace & Defense	31.26	-55.8	8.3
GNC	GNC Holdings	Specialty Retail	26.87	-48.0	8.4
STRZA	Starz	Media	30.76	-34.0	8.5
UFS	Domtar	Paper & Forest Products	33.01	-31.6	8.7
DSW	DSW	Specialty Retail	22.86	-42.2	9.1
LSTR	Landstar System	Road & Rail	57.60	-21.7	9.2
OSK	Oshkosh	Machinery	33.42	-40.0	9.2
CFX	Colfax	Machinery	20.10	-62.5	9.3
JEC	Jacobs Engineering	Construction & Engineering	37.18	-22.9	9.4
AVP	Avon Products	Personal Products	2.59	-72.6	9.4
VC	Visteon	Auto Components	102.06	-16.1	9.5
TUP	Tupperware Brands	Household Durables	50.00	-31.4	9.7
IM	Ingram Micro	Electronic Equip.	27.33	-14.8	10.0
MSM	MSC Industrial Direct	Trading Companies	59.80	-23.4	10.0