FIN450: Applied Portfolio Management
24-Sept-2007 Class Summary

Individual company overviews:

Inergy

-EPS have increased due to a one-time gain

-EPS has decreased quarter over quarter

-management is expected to meet earnings expectations

Valero

-Refines crude oil and retails

-1 year target estimate $77

-EPS were highest ever last quarter

-No refineries were shut down because of storms

-core business is refining

-spreads in price are low

-Competitive advantage- process sour crude

Ryan Air

-Price $35-40

-Sued Air Lingus

-Low cost low frills airline

-Hold

-Involved in legal issues

-plan to cut costs 10% over next couple of years

-Expanded airports in London and Dublin

-Generate revenues from advertising and ticket sales

Tortoise holdings

-The only mutual funds we have in the portfolio

-They are closed end funds

Presentations:

Elron Electronic Industries

-Price – 12.15

-Sell Recommendation

-overvalued by 23%

-represents .05% of portfolio

Holding company based out of Israel

-significant holdings in 20 companies

-cash flows rely on many assumptions

-Management provides financial backing to companies

Risks:

-Equity price risks

-Exchange rate risk

P/E valuation gives price of $9.18

Anheuser Busch

-HOLD

-domestic beer sales show low single digit annual growth

-market share expected to decrease

Business Divisions:

-Domestic Beer

-International Beer Operations

-Packaging

-Entertainment

Core business growth assumptions: 4% growth for next 2 years and 2-3% thereafter

OSI Systems

Vertically integrated designer and manufacturer of electronic systems involved in security, healthcare, and optoelectronics.

-Revenues up 22%

-Record backlog of $209M

-Significant stock decline after light revenue guidance from manager

-Recently acquired Del Mar Reynolds

-spinoff of Weapons simulation segment discussed by management

DCF analysis-

-EBIT margin is very small 1-2%

-Target price $17.01

-SELL recommendation

<u>DIAGEO</u>

-increasing growth in the international market

-Europe is not buying much

-Weak dollar is hurting bottom line performance

-EBITDA multiple of 13x used and shows DEO is undervalued with an intrinsic value of $94.90

-Relative valuation gave 9x multiple and says DEO is overvalued by 33%

-DCF gave undervaluation of 13%

<u>Interactive Brokers</u>

-Involved in market making and electronic brokerage

-IPO and bought by APM on May 4th 2007

.77% of portfolio

-competitive advantage superior software development

-Operating margins of 40%

-Introduction to Penny Pricing will contribute a 25% increase in revenues from 2007-2009

-P/E multiple valuation says is less than 5% underpriced

-HOLD recommended

Beacon Roofing Supply, Inc

-Current price: $11.19

-Market Cap 495M

-Undervalued by 25%

-future market looks pleasing

-Hold position and adjust options recommended

-Sales growth 16% expected

-Intrinsic value per share %14.43