

Medifast, Inc.

NYSE: MED



Top line still not taking shape, reiterate Neutral rating and decrease 2015 estimates.

Medifast engages in the production, distribution, and sale of weight loss and weight loss management products.

Our Price Target Implies 8% Total Downside to the Current Price:

We believe consensus expectations will decline to our lower-on-the-Street estimate of \$1.87 for 2015. As growth in TSFL accelerates less than the market expects, we believe the stock will be given a lower multiple which is key to our \$27.86 one-year price target, derived from 14.9x (the sector valuation relative to the S&P of 95%, times the 2015 S&P multiple of 15.7x) our forecast of \$1.87 EPS.

Key Forward Looking Takeaways

1) TSFL struggles with new coach recruitment due to the difficulty of signing up new coaches (red tape) and the need for new infrastructure. Increased focus on updating infrastructure and new products may buck this trend.

2) Med Direct continues to decline (-30% YoY) due to a combination of competitive pressures, high advertising costs, and struggling new customer acquisition.

3) Management continues to focus on shareholder value with robust share repurchases and aggressive cost cutting (SG&A by 30 bps in 3Q14).

We are reducing our 4Q14 estimates slightly to \$0.52 EPS on revenue of \$73M as TSFL's will likely continue to struggle up until the 4Q14, when there will be easier comps. In addition, the new products may reverse TSFL's revenue trend. We revise downward our 2015 EPS estimate to \$1.87 (in line with consensus) from \$1.89, which is 6% YoY earnings growth vs. our 2014 estimates. The EPS growth is driven by \$323M revenue (in line with consensus and 2% YoY growth over our 2014 estimates) with net margins relatively flat at 7.3%. See below for 2015 estimates and a chart on how we derive our multiple.



Rating	Neutral
Risk Rating	Moderate
Price (Nov 10, 2014)	\$29.97
12-month Price Target	\$27.86
Implied dividend yield	N/A
Projected total return	-6%

Shares outstanding (M)	12.1
Market capitalization (M)	\$361.4
Long term debt (MRQ)	\$0.5
Cash (MRQ)	\$55.6
Enterprise value	\$303.9
2014 P/E	15.7x
2015 P/E	14.9x
2015 estimate	\$1.87
Average daily volume (3 m)	220,000
Float as % of shares out.	63.1%
Short interest as % of Float	26%
Insider ownership	8%
Institutional ownership	85%
Tangible book value p/s	\$6.82
Cash/share	\$4.60

Revenue (M)				
	2012	2013	2014E	2015E
Q1	\$88.9	\$96.0	\$86.5A	\$91.0
Q2	\$93.6	\$97.1	\$80.9A	\$86.9
Q3	\$91.0	\$86.5	\$74.0A	\$70.4
Q4	\$83.2	\$77.3	\$73.4	\$75.2
FY	\$356.7	\$356.9	\$318.1	\$323.6

EPS Adj. (\$)				
	2012	2013	2014E	2015E
Q1	\$0.29	\$0.43	\$0.45A	\$0.37
Q2	\$0.20	\$0.51	\$0.43A	\$0.53
Q3	\$0.53	\$0.41	\$0.36A	\$0.42
Q4	\$0.38	\$0.51	\$0.52	\$0.55
FY	\$1.67	\$1.74	\$1.77	\$1.87

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Key 3Q14 Takeaways:

Direct selling industry faced difficult 3Q14 revenue comps, resulting in declining YoY revenue.

- In 3Q14, Direct selling companies such as HLF, NUS, USNA faced difficult prior year comparison, with YoY revenue growth of +19%, +76%, +5%, respectively. With that in mind, the revenue growth YoY decelerated with HLF, NUS, USNA growing +4%, -31%, +11%, respectively. Nu Skin's. Nu Skin's results were the outlier due to problems beginning in January when NUS was forced to suspend recruitment in China.

In 3Q14, Take Shape for Life's revenue (TSFL) decreased 13% YoY (vs. -5% from peers) due to a decline in health coaches and sponsoring.

- TSFL, the core business, was weak and concerns remain whether the business is facing structural issues or increased competition from smaller competitors.
- Coaches have expressed that TSFL's systems are more difficult relative to other direct selling companies, and management mentioned the need for new infrastructure.
- Medifast struggled to add new coaches with sponsoring; however, the new incremental healthy active lifestyle product offerings should improve the TSFL channel in the back half of 2014, specifically 4Q14. In addition the "BeSlim Club" program may entice more customers while increasing customer length of stay.

Medifast Direct revenues were down 29% YoY; main causes were headwinds from competitors and lack of effective advertising spend

- Medifast Direct faces increased pressure from competitors who invested more in advertising while successfully acquiring new customers. Medifast announced on the call that it will be hiring a marketing agency to improve the near term advertising campaign.

Four franchises that were started in 2014 were closed

- Four franchises that opened in a new region did not do well and were closed in the 3Q14. Management stated that franchisees did not advertise effectively. The closures were concerning as there are a lot of areas for MED to expand MWCC centers. However, if unable to be successful in new regions; this could hurt the growth potential of the franchise business.

What catalysts may occur (near-term catalysts toward the top)?

- 1) New products in 4Q14 drive YoY growth in TSFL
- 2) Sale of remaining Corporate Centers to a large partner
- 3) Acquisition of a business or a joint partnership which adds to distribution of MED products through a different channel
- 4) Announce an expansion into a new country (Pacific Americas)

Where we may be wrong:

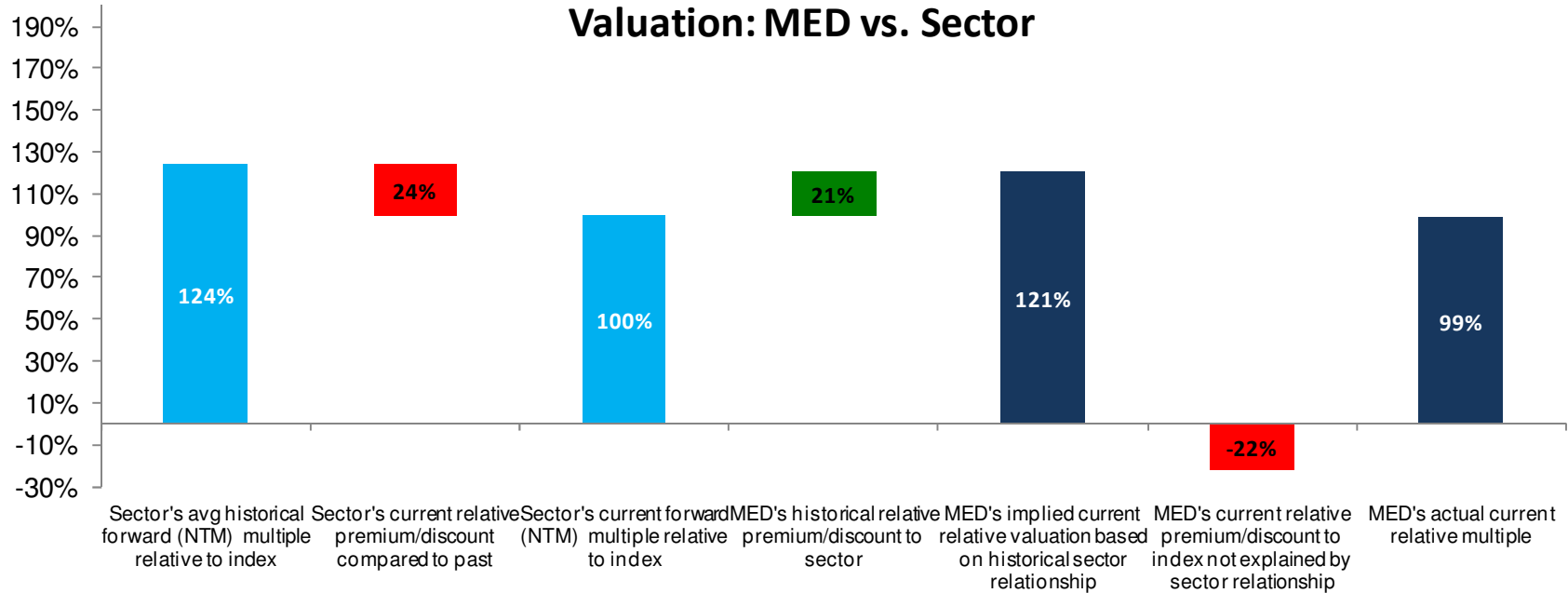
- 1) TSFL rebounds with accelerating growth
- 2) Medifast Direct has strong recovery with help from a successful new marketing campaign.
- 3) International expansion occurs in 2015
- 4) Medifast sells all corporate centers without having to close any centers with a loss.

Appendix:

Appendix A: Valuation

Healthy Active Lifestyle Sector				
Name of the Company	Ticker	Average 10 year NTM multiple relative to		Current NTM forward multiple
		S&P 500		
Weight Watchers International, Inc.	WTW		1.09	1.08
Nutrisystem, Inc.	NTRI		2.72	2.48
USANA Health Sciences Inc.	USNA		1.00	1.00
Herbalife Ltd.	HLF		0.93	0.41
Nature's Sunshine Products Inc.	NATR		1.02	0.89
Vitamin Shoppe, Inc.	VSI		1.67	1.17
USANA Health Sciences Inc.	USNA		1.00	1.00
Nature's Sunshine Products Inc.	NATR		1.02	0.89
GNC Holdings Inc.	GNC		1.12	0.87
Life Time Fitness, Inc.	LTM		1.35	1.04
Lifevantage Corporation	LFVN		0.92	0.48
Nu Skin Enterprises Inc.	NUS		1.06	0.65
S&P 500 Multiple				15.8x
Sector Median				0.95
Medifast Inc.				14.9x

Valuation: MED vs. Sector



Appendix B: Income Statement

INCOME STATEMENT	1Q12A	2Q12A	3Q12A	4Q12A	1Q13A	2Q13A	3Q13A	4Q13A	1Q14A	2Q14A	3Q14A	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	2010	2011	2012	2013	2014E	2015E
	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Revenue	88.9	93.6	91.0	83.2	96.0	97.1	86.5	77.3	86.5	80.9	74.0	73.4	91.0	86.9	70.4	75.2	257.6	298.2	356.7	356.9	314.8	323.6
COGS (Total)	22.2	23.4	22.6	20.4	23.6	24.1	21.6	19.6	22.6	20.5	19.1	18.5	23.4	22.3	18.1	19.5	65.1	73.7	88.7	89.0	80.7	83.3
Gross Profit	66.8	70.1	68.3	62.8	72.4	72.9	64.9	57.7	63.9	60.4	54.9	54.9	67.6	64.6	52.3	55.7	192.5	224.5	268.0	267.8	234.1	240.3
General and Administrative	58.2	62.7	56.4	56.2	61.2	59.7	54.8	47.2	52.9	52.9	49.0	47.5	58.8	53.0	43.2	43.9	155.0	188.8	233.6	222.9	202.3	198.9
EBITDA	8.5	7.4	11.9	6.6	11.2	13.2	10.0	10.5	11.0	7.4	5.9	7.4	8.9	11.6	9.1	11.8	37.5	35.7	34.5	45.0	31.8	41.4
EBITDA Modified (Mgmt.)	8.5	7.4	11.9	6.6	11.2	13.2	10.0	10.5	11.0	7.4	5.9	7.4	8.9	11.6	9.1	11.8	37.5	35.7	34.5	45.0	31.8	41.4
EBITDA Adj. (Ours)	8.7	8.3	11.9	6.7	11.3	13.5	10.6	10.2	11.3	8.7	6.8	7.6	9.0	11.8	9.3	11.9	37.6	36.0	35.7	45.6	34.4	42.0
Depreciation & Amortization	2.4	2.8	3.0	3.0	2.6	2.6	2.7	3.5	2.3	0.0	0.0	1.5	2.1	2.0	1.6	1.7	5.9	8.3	11.2	11.4	3.8	7.4
EBIT	6.1	4.6	8.9	3.6	8.6	10.6	7.3	7.0	8.7	7.4	5.9	5.9	6.8	9.6	7.5	10.0	31.6	27.4	23.3	33.6	28.0	34.0
Non-oper expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain (loss) on asset sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Income	(0.2)	(0.9)	(0.1)	(0.0)	(0.1)	(0.2)	(0.5)	0.3	(0.3)	(1.3)	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.3)	(1.2)	0.0	(2.6)	(0.6)
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	5.9	3.7	8.9	3.6	8.4	10.4	6.8	7.3	8.4	6.1	5.0	5.8	6.6	9.5	7.4	9.9	31.6	27.1	22.1	33.6	25.3	33.4
Provision for taxes	2.3	2.7	1.8	1.8	2.8	3.8	2.2	1.4	3.0	3.0	2.0	1.9	2.3	3.3	2.6	3.4	12.1	9.1	8.6	10.2	9.9	11.6
Net Income	3.6	1.0	7.1	1.8	5.7	6.6	4.6	5.9	5.3	3.2	3.0	3.8	4.3	6.2	4.8	6.5	19.5	17.9	13.5	23.4	15.4	21.8
Net Income Adj.	4.0	6.5	7.2	5.2	5.9	7.1	5.7	5.3	6.0	5.8	6.2	6.1	4.6	6.5	5.1	6.8	19.6	18.5	22.9	24.0	24.0	23.0
WACSO	13.7	13.7	13.7	13.8	13.8	13.9	13.9	13.5	13.2	13.1	12.5	12.5	12.4	12.3	12.1	12.0	14.1	14.0	13.7	13.7	12.8	12.2
Diluted	13.8	13.8	13.8	13.8	13.9	14.0	13.9	13.6	13.2	13.1	12.6	12.6	12.5	12.4	12.2	12.1	14.6	14.2	13.8	13.8	12.9	12.3
WACSO (Adj.)	13.7	13.7	13.7	13.8	13.8	13.9	13.9	13.5	13.2	13.1	13.2	12.5	12.4	12.3	12.1	12.0	14.1	14.0	13.7	13.7	13.0	12.2
EPS Basic	\$0.29	\$0.20	\$0.53	\$0.14	\$0.43	\$0.51	\$0.41	\$0.39	\$0.45	\$0.44	\$0.39	\$0.33	\$0.37	\$0.53	\$0.42	\$0.56	\$1.39	\$1.33	\$1.16	\$1.75	\$1.62	\$1.88
EPS Diluted	\$0.29	\$0.20	\$0.52	\$0.13	\$0.43	\$0.51	\$0.41	\$0.39	\$0.45	\$0.44	\$0.39	\$0.33	\$0.37	\$0.53	\$0.42	\$0.56	\$1.35	\$1.31	\$1.15	\$1.73	\$1.61	\$1.87
EPS Adj - Basic	\$0.29	\$0.47	\$0.53	\$0.38	\$0.43	\$0.51	\$0.41	\$0.39	\$0.46	\$0.44	\$0.47	\$0.49	\$0.37	\$0.53	\$0.42	\$0.56	\$1.39	\$1.33	\$1.16	\$1.75	\$1.86	\$1.89
EPS Adj - Diluted	\$0.29	\$0.47	\$0.52	\$0.37	\$0.43	\$0.51	\$0.41	\$0.39	\$0.45	\$0.44	\$0.49	\$0.49	\$0.37	\$0.53	\$0.42	\$0.56	\$1.34	\$1.30	\$1.65	\$1.73	\$1.87	\$1.87

INCOME STATEMENT	1Q12A	2Q12A	3Q12A	4Q12A	1Q13A	2Q13A	3Q13A	4Q13A	1Q14A	2Q14A	3Q14A	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	2010	2011	2012	2013	2014E	2015E
	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
TSFL Metrics																						
Health Coaches (End Period)	10,200	10,200	10,833	10,200	11,300	11,800	11,700	10,500	12,204	10,800	11,050	11,000	12,300	10,900	10,950	12,100	8,500	10,150	10,200	11,500	11,025	11,525
Health Coaches (Mid period)	9,900	10,200	10,517	10,517	10,750	11,550	11,750	11,100	11,352	11,502	10,925	11,025	11,650	11,600	10,925	11,525	8,500	9,325	10,175	10,850	11,263	11,275
Health Coaches Growth YOY	2.0%	-1.0%	5.2%	6.3%	10.8%	15.7%	8.0%	2.9%	8.0%	-8.5%	-5.6%	4.8%	0.8%	0.9%	-0.9%	10.0%	63.6%	21.6%	3.6%	9.4%	-0.4%	0.9%
Avg Revenue per health coach per month	\$1,650	\$1,683	\$1,634	\$1,571	\$1,720	\$1,690	\$1,630	\$1,477	\$1,792	\$1,566	\$1,504	\$1,700	\$1,900	\$1,700	\$1,700	\$1,750	\$1,750	\$1,593	\$1,642	\$1,660	\$1,633	\$1,725
Health Coach Revenue Growth YOY	3.1%	4.2%	3.1%	8.2%	4.2%	0.4%	-0.2%	-6.0%	4.2%	-7.3%	-7.7%	15.1%	6.0%	8.6%	13.0%	2.9%	4.5%	-8.6%	-7.3%	0.1%	-1.6%	7.3%
Avg Revenue per health coach per quarter	\$4,950	\$5,049	\$4,902	\$4,713	\$5,160	\$5,070	\$4,890	\$4,431	\$5,377	\$4,698	\$4,512	\$5,100	\$5,700	\$5,100	\$5,100	\$5,250	\$20,475	\$18,756	\$19,614	\$19,551	\$19,687	\$21,150
TSFL Revenue (\$M)	\$53.0	\$56.0	\$55.6	\$51.8	\$59.4	\$61.5	\$56.2	\$51.7	\$65.6	\$50.7	\$49.9	\$56.1	\$70.1	\$55.6	\$55.8	\$63.5	\$165.6	\$185.8	\$216.3	\$228.8	\$222.3	\$245.1
																		12.16%	16.43%	5.78%	-2.84%	10.24%
Med Direct Metrics																						
Marketing	\$7.9	\$8.0	\$6.6	\$8.6	\$10.0	\$8.0	\$4.0	\$1.9	\$6.8	\$5.0	\$4.4	\$4.0	\$8.0	\$7.0	\$2.0	\$2.0	\$23.0	\$27.0	\$31.0	\$23.9	\$20.2	\$19.0
Marketing Multiple	2.9x	2.8x	3.2x	2.1x	2.3x	2.7x	4.3x	7.4x	1.5x	3.1x	3.1x	2.5x	1.6x	3.1x	2.8x	2.6x	2.8x	2.8x	2.9x	3.5x	2.8x	2.7x
Med Direct Revenue (\$M)	\$22.6	\$22.5	\$21.2	\$18.1	\$22.9	\$21.5	\$17.1	\$13.9	\$10.2	\$15.3	\$13.3	\$10.0	\$12.8	\$21.7	\$5.6	\$5.2	\$64.2	\$73.5	\$84.4	\$75.4	\$48.8	\$45.3
																		14.50%	14.80%	-10.64%	-35.34%	-7.09%
MWCC Metrics (Est.)																						
Number of Clinics	75	88	88	87	86	85	83	75	75	51	51	51	5	5	5	5	31	53	88	84	51	5
Clinic Growth (YOY)	\$0.88	\$0.91	\$0.47	\$0.24	\$0.15	(\$0.03)	-5.7%	-13.8%	-12.8%	-40.0%	-38.6%	-32.0%	-93.3%	-90.2%	-90.2%	-90.2%	31.0%	69.1%	67.1%	-4.5%	-35.3%	-90.2%
Revenue per clinic	\$151,480	\$158,539	\$217,095	\$53,955	\$127,243	\$126,831	\$256,172	\$63,667	\$108,157	\$120,489	\$90,000	\$64,000	\$108,157	\$120,489	\$100,000	\$60,000	\$471,569	\$479,759	\$486,087	\$509,000	\$506,750	\$533,040
Revenue per clinic growth	\$0.21	\$0.19	\$0.09	\$0.09	(\$0.16)	(\$0.20)	\$0.18	\$0.18	(\$0.15)	(\$0.05)	(\$0.65)	\$0.01	\$0.00	\$0.00	\$0.11	(\$0.06)	\$0.27	\$0.06	\$0.14	\$0.01	(\$0.10)	\$0.00
Revenue (Corporate Clinics \$M)	\$11.36	\$13.95	\$19.10	\$4.69	\$10.94	\$10.78	\$21.26	\$4.78	\$8.11	\$6.14	\$4.59	\$3.26	\$0.54	\$0.60	\$0.50	\$0.30	\$14.49	\$26.54	\$49.11	\$47.76	\$22.11	\$1.94
Average Revenue per franchise	\$159,054	\$166,465	\$227,949	\$56,653	\$133,605	\$133,172	\$268,990	\$66,850	\$137,613	\$153,148	\$153,148	\$70,193	\$120,000	\$127,000	\$108,000	\$75,000	\$495,147	\$503,746	\$510,391	\$534,450	\$532,087	\$559,692
Revenue per franchise growth	45.5%	33.3%	23.1%	16.7%	12.5%	12.5%	12.5%	2.9%	3.0%	15.0%	-43.1%	5.0%	-12.8%	-17.1%	-29.5%	6.8%	0.0%	1.7%	1.3%	4.7%	-0.4%	5.2%
Franchise Increase	2	0	0	3	1	0	0	0	2	35	(4)	0	24	4	4	4	3	9	5	1	33	36
Number of Franchises	32	32	32	35	36	36	36	36	38	73	69	69	93	97	101	105	20	25	32	36	69	99
Revenue (Franchise \$M)	\$2.1	\$2.2	\$3.0	\$0.8	\$2.0	\$2.0	\$4.0	\$1.0	\$2.1	\$4.6	\$4.3	\$2.0	\$4.6	\$5.0	\$4.5	\$3.2	\$4.0	\$5.4	\$8.1	\$8.9	\$13.0	\$17.3
Extra	(\$2.8)	(\$3.8)	(\$10.6)	\$5.3	(\$1.7)	(\$1.0)	(\$14.2)	\$4.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.1)	(\$1.7)	(\$11.9)	(\$12.9)	\$0.0	\$0.0
MWCC Revenue (\$M)	\$10.7	\$12.4	\$11.5	\$10.8	\$11.2	\$11.7	\$11.0	\$9.8	\$10.2	\$10.7	\$8.9	\$5.2	\$5.1	\$5.6	\$5.0	\$3.5	\$17.4	\$30.3	\$45.3	\$43.7	\$35.1	\$19.2
% of Total Revenue (Physicians)	3.0%	3.2%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.3%	3.7%	4.1%	2.7%	3.3%	4.6%	5.7%	4.0%	4.0%	3.0%	3.1%	2.5%	3.2%	4.3%
Physicians Revenue (\$M)	\$2.69	\$3.00	\$2.73	\$2.46	\$2.41	\$2.42	\$2.16	\$1.93	\$2.00	\$3.00	\$3.00	\$2.00	\$3.00	\$4.00	\$4.00	\$3.00	\$10.29	\$8.99	\$10.89	\$8.93	\$10.00	\$14.00
Retail Segment Revenue	\$75.6	\$78.2	\$76.8	\$70.0	\$82.4	\$82.9	\$73.3	\$65.6	\$75.8	\$66.0	\$63.1	\$66.1	\$82.9	\$77.3	\$61.4	\$68.7	\$229.9	\$259.2	\$300.5	\$304.2	\$271.1	\$290.4
Wholesale Segment Revenue	\$13.4	\$15.4	\$14.2	\$13.3	\$13.6	\$14.2	\$13.2	\$11.7	\$12.2	\$13.7	\$11.9	\$7.2	\$8.1	\$9.6	\$9.0	\$6.5	\$27.7	\$39.0	\$56.2	\$52.6	\$45.1	\$33.2
Revenue	\$88.9	\$93.6	\$91.0	\$83.2	\$96.0	\$97.1	\$86.5	\$77.3	\$86.5	\$80.9	\$74.0	\$73.4	\$91.0	\$86.9	\$70.4	\$75.2	\$257.6	\$298.2	\$356.7	\$356.9	\$314.8	\$323.6

Appendix C: Variance Analysis

INCOME STATEMENT	Common Size			Reported (2Q13 vs. 2Q14)					MP Estimates				Consensus			
	3Q12A Sep-12	3Q13A Sep-13	3Q14A Sep-14	3Q13A Sep-13	3Q14A Sep-14	Variance Absolute	Variance Percent	% change Y/Y	3Q14E Sep-13	3Q14A Sep-14	Variance Absolute	Variance Percent	3Q14E Sep-14	3Q14A Sep-14	Variance Absolute	Variance Percent
Revenue	100.0%	100.0%	100.0%	86.5	74.0	(12.5)	(17%)	(14%)	74.1	74.0	(0.1)	(0%)	76.1	74.0	(2.1)	(3%)
COGS (Total)	25.8%	24.9%	24.6%	21.6	19.1	(2.6)	(13%)	(12%)	18.9	19.1	0.1	1%	19.5	19.1	(0.5)	(2%)
Gross Profit	74.2%	75.1%	75.4%	64.9	54.9	(9.9)	(18%)	(15%)	55.1	54.9	(0.2)	(0%)	56.5	54.9	(1.6)	(3%)
General and Administrative	62.0%	63.4%	61.0%	54.8	49.0	(5.8)	(12%)	(11%)	46.9	49.0	2.1	4%	47.5	49.0	1.5	3%
EBITDA	12.2%	11.7%	14.4%	10.0	5.9	(4.1)	(69%)		8.3	5.9	(2.3)	(39%)	8.8	5.9	(2.9)	(49%)
EBITDA Modified (Mgmt.)	11.6%	13.1%	8.0%	10.0	5.9				8.3	5.9			8.8	5.9	(2.9)	(49%)
EBITDA Adj. (Ours)	11.7%	13.1%	8.0%	10.6	6.8	(3.7)	(54%)	(35%)	8.3	6.8	(1.4)	(21%)	8.8	6.8	(2.0)	(29%)
Depreciation & Amortization	3.3%	3.1%	4.5%	2.7	0.0				1.5	0.0			2.1	0.0		
EBIT	8.9%	8.6%	9.9%	7.3	5.9	(1.4)	(24%)	(19%)	6.8	5.9	(0.8)	(14%)	6.9	5.9	(1.0)	(16%)
Non-oper expenses	0.0%	0.0%	0.0%	0.0	0.0				0.0	0.0			0.0	0.0		
Gain (loss) on asset sales	0.0%	0.0%	0.0%	0.0	0.0				0.0	0.0			0.0	0.0		
Interest Income	-0.1%	-0.6%	0.4%	(0.5)	(0.9)	(0.4)	42%	71%	(0.2)	(0.9)	(0.8)	83%	0.0	(0.9)	(0.9)	100%
Interest expense	0.0%	0.0%	0.0%	0.0	0.0	0.0	NA	NA	0.0	0.0	0.0	NA	0.2	0.0	(0.2)	NA
EBT	8.9%	9.2%	9.5%	6.8	5.0				6.6	5.0			6.7	5.0		
Provision for taxes	1.9%	2.5%	1.9%	2.2	2.0	(\$0.22)	(11%)	(10%)	2.3	2.0	(\$0.32)	(16%)	2.3	2.0	(\$0.29)	(15%)
Equity earnings in affiliates	0.0%	0.0%	0.0%	0.0	0.0	\$0.00	NA	NA	0.0	0.0	\$0.00	NA	0.0	0.0	\$0.00	NA
Minority interest in earnings	0.0%	0.0%	0.0%	0.0	0.0	\$0.00	NA	NA	0.0	0.0	\$0.00	NA	0.0	0.0	\$0.00	NA
Net Income	7.0%	6.7%	7.7%	4.6	3.0	(\$1.57)	(52%)	(34%)	4.3	3.0	(\$1.27)	(42%)	4.4	3.0	(\$1.38)	(45%)
Net Income Adj.	0.0%	0.0%	0.0%	4.6	6.2				4.6	6.2			0.0	6.2		
WACSO				13.9	12.5				12.9	12.5			12.4	12.5		
Diluted				13.9	12.6				13.2	12.6			12.8	12.6		
WACSO (Adj.)				13.9	13.2				12.9	13.2			12.4	13.2		
EPS Basic				\$0.41	\$0.39				\$0.36	\$0.39			\$0.36	\$0.39		
EPS Diluted				\$0.41	\$0.39				\$0.35	\$0.39			\$0.35	\$0.39		
EPS Adj - Basic				\$0.41	\$0.47				\$0.36	\$0.47			\$0.43	\$0.47		
				\$0.41	\$0.49				\$0.36	\$0.49			\$0.45	\$0.49		
Margin Analysis																
Gross Margin				75.0%	74.2%	-77 bps			74.4%	74.2%	-22 bps		74.3%	74.2%	-8 bps	
EBITDA Margin				11.6%	8.0%	-358 bps			11.1%	8.0%	-312 bps		11.6%	8.0%	-358 bps	
EBITDA Mgmt Margin				11.6%	8.0%	-358 bps			11.1%	8.0%	-312 bps		11.6%	8.0%	-358 bps	
EBITDA Adj. Ours Margin (inc. share of)				12.2%	9.3%	-297 bps			11.1%	9.3%	-190 bps		11.6%	9.3%	-236 bps	
EBIT Margin				8.5%	8.0%	-47 bps			9.2%	8.0%	-112 bps		9.1%	8.0%	-105 bps	
Net Margin				5.3%	4.1%	-122 bps			5.8%	4.1%	-171 bps		5.8%	4.1%	-171 bps	
Net Adj. margin				5.3%	8.3%	298 bps			6.2%	8.3%	209 bps		0.0%	8.3%	831 bps	

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Rating	Rating Description	Number of Companies Covered	Midtown Partners & Co. LLC Rating Distribution Percentage	Investment Banking Clients	Percent Banking Clients
Strong Buy	We expect these shares to increase in value by at least 20% over the next 12 months.	7	44%	0	0%
Buy	We expect these shares to increase in value by at least 10% over the next 12 months	2	12%	0	0%
Neutral	We expect these shares to remain within a range +/- 10% within the next 12 months	7	44%	0	0%
Sell	We expect these shares to decrease in value by at least 10% over the next 12 months				
Not Rated	The ratings for the subject company have been temporarily suspended by Midtown Partners & Co. LLC				

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Moderate	Financial results of companies with a "Moderate" risk rating have a moderate level of predictability and / or their share prices are subject to moderate volatility as measured by Beta.
High	Financial results of companies with a "High" risk rating have a low level of predictability and / or their share prices are subject to high volatility as measured by Beta.
Speculative	Financial results of companies with a "Speculative" risk rating have a very low level of predictability and / or their share prices are subject to high volatility as measured by Beta. Investments in these shares carry very high risk.

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