Company Recommendations

Grace Albers, Yuliya Abukhovich, and Chris Antjas

Agenda

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Sector Overview

Market Cap: 4.82T

Performance to Date: 10.33%

1. Sector has a high yield relative to SP500

2. Conducive economic environment for growth

Stocks in the Portfolio

- 1. General Motors (GM)
- 2. Amazon (AMZN)
- 3. Service Corp International (SCI)

Recommendation Overview

General Motors: BUY

Amazon: HOLD

Service Corp International: BUY







Sector Recommendation

Current Market Weight: 12.27%

Current SIM Weight: 12.16%

Recommendation: 12.68%

Stock Recommendation

Company	Ticker	Current Basis	Proposed Basis	Current Price	Target Price	Upside/Downside	Recommendation
General Motors	GM	4.72	5.02	\$36.43	\$42.72	17.26%	BUY
Amazon	AMZN	5.16	5.16	\$1002.54	\$1050.00	2.70%	HOLD
Service Corp International	SCI	2.28	2.50	\$32.15	\$35.56	10.60%	BUY
Total		12.16	12.68	+52 BPS			

General Motors

Business Analysis

Summary

General Motors is an automobile company that designs, manufactures, and markets vehicles. The company is segmented into North America, Europe, International Operations, South America, and Financial Operations. Some of their popular brands are Chevrolet, Buick, and Cadillac

Current Price: \$36.43
Target Price: \$42.72
Recommendation: Buy

Drivers

- → Consumer Confidence
- → Oil Prices
- → Interest Rates

Risks on the horizon?

- → Economic position
- → Federal Reserve

General Motors

Financial Analysis

Why is the stock price so low?

→ Management's priorities and noise-trader sentiment

Discounted Cash Flow Model

→ Predicts strong earnings in years to come

Return on Equity

→ As of first quarter, 23.02%

GM's ROE % is ranked higher than 85% of the 1242 Companies in the Global Auto Manufacturers industry.

(Industry Median: 9.10 vs. GM: 23.01)

General Motors

Relative Valuation

Severely undervalued

- → Low P/E, market pessimism
- → Low P/S, attractive to investors
- → Low P/B relative to peers

GM's undervaluation is a bit taboo given their strong financials.

Their low price is not a result of poor performance, but a change in management priorities

Ticker	P/E TTM	P/S TTM	P/B	P/CF TTM	EV/ EBITDA TTM
Average	5.95	1.57	3.40	5.19	23.52
GM	4.91	0.29	1.07	5.32	2
Peers					
Ford	7.59	0.28	1.41	3.67	2.57
Fiat	5.35	0.13	0.92	6.58	2.18
Tesla		5.56	10.22		87.31

GM Final Rating: BUY

Protective Put Strategy

- → Long GM
- → Hold a put option on the stock

Business Analysis

Summary: Amazon.com, Inc. is an online retailer. The company provides services for four primary customers: sellers, consumers, enterprises, and content creators. Amazon operates through three different segments: North America, International, and Amazon Web Service (AWS). The company was founded by Jeffrey P. Bezos (current CEO of Amazon.com) in July 1994 and is headquartered in Seattle, WA.

Current Price: \$1002.54
Target Price: \$1050.00
Recommendation: Hold



Drivers:

- growing economy;
- consumer confidence,
- consumer income

Risks:

- deterioration of macro environment;
- declines in consumer confidence;
- limited innovations in electronic product cycle;
- increase in interest rates;
- increase in competition

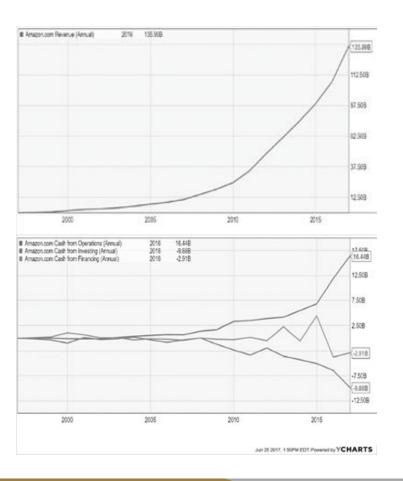
Financial Analysis

Operating Income

Sector	Consumer Discretionary
Industry	E-commerce
Price Target	\$1050.00
Price as of 6/25/2017	\$1002.54
Potential Upside	2.70%
Dividend	-

Market Data	(\$ in US)
Market Cap Shares Outstanding 52 Week Price Range Beta	477.98 Mln. 508 Mln. 691.36– 1002.54 1.473
Financial Data	(FY2016)
Revenue (USD) Revenue Growth	135,987 Mln. 30%

4.,186 Mln.



Ratio Analysis

- High performance
- Relatively low risk
- Good financial health
- Small Debt to Equity ratio
- Low operating margins
- Low EBITDA

	AMZN	HD	BBY	SPGI
Stock Price Performance				
1 Year to Date Price Returns (Daily)	33.86%	12.85%	29.32%	36.41%
Risk Metrics				
Beta (5Y)	1.473	1.099	1.475	1.5
Profitability				
Gross Profit Margin (Quarterly)	37.17%	34.14%	23.71%	71.71%
EBITDA Margin (TTM)	9.13%	16.44%	6.26%	63.85%
Operating Margin (TTM)	2.89%	14.31%	4.51%	60.70%
Liquidity and Solvency				
Current Ratio (Quarterly)	1.055	1.21	1.492	1.484
Debt to Equity Ratio (Quarterly)	0.3548	5.789	0.2994	4.518
Tangible Common Equity Ratio (Quarterly)	23.14%	4.36%	32.51%	-86.37%

Relative Valuation

DCF Valuation:

• Price: \$1030.06

Relative Valuation:

• Price: \$897.77 - \$ 1526.55

Final Target: **\$1050.00**

Ticker	P/E TTM	P/S TTM	P/B	P/CF TTM	EV/ EBITDA TTM
Average	59.25	3.64	9.80	26.98	33.00
AMZN	177.32	3.15	20.48	26.37	33.00
BABA	59.25	14.30	7.76	27.59	27.37
JD	N/A	1.38	10.99	36.35	100.87
EBAY	22.59	4.13	3.12	13.56	13.15

	High	Low	Median	Current
P/E	2169.6726	31.3971	314.7346	177.3187
P/B	43.2652	7.0343	15.1113	17.8668
P/S	3.1486	0.9881	2.1784	3.1486
P/EBITDA	50.8353	16.0795	36.8566	34.9442

Absolute Valuation	Current Multiple	Target Multiple	Target/ Current	Target Price
P/E	177.3187	270	152.27%	1,526.55
P/B	17.8668	16	89.55%	897.77
P/S	3.1486	3	95.28%	955.22
P/EBITDA	34.9442	36	103.02%	1,032.82

Amazon Final Rating: HOLD

Service Corporation International

Business Analysis

Summary:

Service Corporation International is North America's largest provider of deathcare products and services. Service Corp International employs 24,000 employees and operates over 2,000 cemeteries and funeral homes. They estimate their market share in North America to be 16%.

Current Price: \$32.15 Target Price: \$35.56

Recommendation: Buy

Drivers:

- Death Rate
- Economic Health

Risks:

 Increasing death benefits through life insurance/annuity contracts may not cover future increases in the cost of service.

Service Corporation

International

 The uncertain financial environment of third-party insurance companies that fund preneed service contracts

Service Corporation International

Financial Analysis

Overview:

Current Price: \$32.15 Target Price: 35.56 Upside: 10.60%

Dividend/Dividend Yield: 0.51/1.87%

Market Cap: 6.02B

Shares Outstanding: 187.99B

52 Week Price Range: \$24.90-\$33.2

Beta: 1.01

Revenue: 3.03B

Revenue Growth: 3.27%

Operating Income: \$326M



Service Corporation International

Valuation

Summary:

DCF Target Price: \$29.28

Multiple Target Price:

\$35.04-\$40.83

Equally Weighted Target Price:

\$35.56

Absolute Valuation	Current Multiple	Target Multiple	Target/Current	Target Price
P/E	22.41	28.52	1.27	\$40.83
P/B	5.06	5.52	1.09	\$35.04
P/S	1.99	2.30	1.15	\$36.97
P/EBITDA	7.86	8.73	1.11	\$35.68

Valuation Method	Weight	Target Price	Weighted Target
			Price
DCF	0.2	\$29.28	\$5.86
P/E	0.2	\$40.83	\$8.17
P/B	0.2	\$35.04	\$7.01
P/S	0.2	\$36.97	\$7.39
P/EBITDA	0.2	\$35.68	\$7.13
Total/Target Price	1.0		\$35.56

Service Corp Final Rating: BUY

Current Basis: 2.28%

Proposed Basis: 2.50%

Change: 22 BPS

Conclusion

- Overweight sector by 52 BPS: 12.16%-12.68%
- Buy 30 BPS of General Motors: 4.72%-5.02%
- Hold position with Amazon: 5.16%
- Buy 22 BPS of Service Corp International: 2.28%-2.50%

Questions

What questions do you have?

General Motors (GM)											
Grace Albers			Te	erminal Disco	unt Rate =	12.0%					
6/8/17				Terminal FCF	Growth =	2.0%					
	'	Histor	ic Data			Forev	ward Forecas	ts			
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	172,203	178,230	184,468	188,158	191,921	195,759	199,675	203,668	207,741	211,896	216,134
% Growth		3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating Income	9,879	10,225	10,583	10,794	11,010	11,230	11,455	11,684	11,918	12,156	12,399
Operating Margin	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Interest	592	613	635	648	661	674	687	701	715	729	744
Interest % of Sales	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Taxes	2,500	2,588	2,678	2,732	2,786	2,842	2,899	2,957	3,016	3,076	3,138
Tax Rate	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%
Net Income	9,757	10,098	10,452	8,711	8,885	9,062	9,244	9,429	9,617	9,809	10,006
% Growth		3.5%	3.5%	-16.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Add Depreciation/Amort	14,051	14,332	14,618	14,911	15,209	15,513	15,823	16,140	16,463	16,792	17,128
% of Sales	8.2%	8.0%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%		7.9%
Plus/(minus) Changes WC	(2,193)	2,720	2,141	2,184	2,228	2,273	2,318	2,364	2,412	2,460	2,509
% of Sales	-1.3%	1.5%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%		1.2%
Subtract Cap Ex	12,857	13,115	13,377	13,644	13,917	14,196	14,480	14,769	15,064	15,366	15,673
Capex % of sales	7.5%	7.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Free Cash Flow	8,757	14,035	13,835	12,161	12,404	12,653	12,906	13,164	13,427	13,696	13,969
% Growth		60.3%	-1.4%	-12.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
NPV of Cash Flows	74,632	62%									
NPV of terminal value	45,877	38%							Tern	ninal Value	142,488
Projected Equity Value	120,509	100%									
Free Cash Flow Yield	16.54%								Free	Cash Yield	9.80%
Current P/E	5.4	5.2	5.1						Te	rminal P/E	14.2
Projected P/E	12.4	11.9	11.5								
Current EV/EBITDA	2.5	2.5	2.4						Terminal E	V/EBITDA	5.1
Projected EV/EBITDA	5.4	5.2	5.1								
Shares Outstanding	1,549.0										
Current Price	\$ 34.18										
Implied equity value/share	\$ 77.80										
Upside/(Downside) to DCF											
Debt	10,825										
Cash	3,191										
Cash/share	2.06									1	

Amazon (AMZN)

Current Price

Implied equity value/share

Upside/(Downside) to DCF

1,002.54

1,030.06 2.7%

\$

Analyst: Yuliya Abukhovich Date: 6/25/17 Terminal Discount Rate = Terminal FCF Growth = 10.0% 5.5%

Year	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue	166,150	203,133	249,737	304,679	371,708	449,767	544,218	653,061	777,143	901,486	951,067
% Growth		22.3%	22.9%	22.0%	22.0%	21.0%	21.0%	20.0%	19.0%	16.0%	5.5%
Operating Income	6,812	9,141	11,488	14,015	17,099	20,689	25,034	30,041	35,749	41,468	43,749
Operating Margin	4.1%	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Interest	(598)	(711)	(899)	(1,097)	(1,338)	(1,619)	(1,959)	(2,351)	(2,798)	(3,245)	(3,424)
Interest % of Sales	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Other Income (Expense)	498	914	1,498	1,828	2,230	2,699	3,265	3,918	4,663	5,409	5,706
% of Sales	0.3%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Taxes	2,457	3,421	4,425	4,729	5,770	6,982	8,448	10,137	12,063	13,993	14,763
Tax Rate	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%
Other Income	(83)	(122)	(150)	(183)	(223)	(270)	(327)	(392)	(466)	(541)	(571)
%of Sales	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Net Income	4,172	5,801	7,512	9,834	11,998	14,517	17,566	21,079	25,084	29,098	30,698
% Growth	50	39.1%	29.5%	30.9%	22.0%	21.0%	21.0%	20.0%	19.0%	16.0%	5.5%
Add Depreciation/Amort	9,969	12,391	15,359	18,738	22,860	27,661	33,469	40,163	47,794	55,441	58,491
% of Sales	6.0%	6.1%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Plus/(minus) Changes WC	639	962	(367)	(447)	(546)	(661)	(799)	(959)	(1,141)	(1,324)	(1,397)
% of Sales	0.4%	0.5%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Subtract Cap Ex	(8,141)	(10, 157)	(12,737)	(15,539)	(18,957)	(22,938)	(27,755)	(33,306)	(39,634)	(45,976)	(48,504)
Capex % of sales	-4.9%	-5.0%	-5.1%	-5.1%	-5,1%	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%
Free Cash Flow	5,361	7,074	10,501	13,481	16,447	19,900	24,079	28,895	34,385	39,887	42,081
% Growth		31.9%	48.5%	28.4%	22.0%	21.0%	21.0%	20.0%	19.0%	16.0%	5.5%
NPV of Cash Flows	126,429	25%									
NPV of terminal value	380,362	75%							Ter	minal Value	986,562
Projected Equity Value	506,791	100%									
Free Cash Flow Yield	1.09%								Free	Cash Yield	4.27%
Current P/E	118.2	85.0	65.7						т	erminal P/E	32.1
Projected P/E	121.5	87.4	67.5								
Current EV/EBITDA	28.7	22.4	17.9						Terminal	EV/EBITDA	9.5
Projected EV/EBITDA	29.5	23.0	18.4								
Shares Outstanding	492.0										

Analyst: Chris Antjas Terminal Discount Rate = 9.20% Date: 6/7/2017 Terminal FCF Growth = 4.8%

Year		2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue		3,130,404	3,227,895	3,309,453	3.491.473	3,676,521	3,867,700	4,064,953	4,272,265	4,485,878	4,705,686	4,931,559
% Growth		3.60.00	3.1%	2.5%	5.5%	5.3%	5.2%	5.1%	5.1%	5.0%	4.9%	4.8%
Operating Income		559,321	582,329	596,959	629,792	663,171	697,656	733,236	770,631	809,163	848,812	889,555
Operating Margin		17.9%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Interest		(156,520)	(156,553)	(153,228)	(161,655)	(170,223)	(179,075)	(188,207)	(197,806)	(207,696)	(217,873)	(228,331)
Interest % of Sales		-5.0%	-4.9%	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%
Taxes		(148,644)	(162,873)	(163,437)	175,551	184,855	194,468	204,386	214,809	225,550	236,602	247,959
Tax Rate		37.9%	38.8%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
Net Income		243,906	256,903	272,795	292,585	308,092	324,113	340,643	358,016	375,917	394,336	413,265
% Growth			5.3%	6.2%	7.3%	5.3%	5.2%	5.1%	5.1%	5.0%	4.9%	4.8%
Add Depreciation/Amort		147,129	149,452	162,163	171,082	187,503	201,120	211,378	226,430	246,723	268,224	281,099
% of Sales		4.7%	4.6%	4.9%	4.9%	5.1%	5.2%	5.2%	5.3%	5.5%	5.7%	5.7%
Plus/(minus) Changes WC		35,111	(16,452)	(22,892)	(24,151)	(25,431)	(26,754)	(28,118)	(29,552)	(31,030)	(32,550)	(34,113)
% of Sales		1.1%	-0.5%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Subtract Cap Ex		(219,128)	(200, 129)	(198,567)	(209,488)	(220,591)	(224,327)	(235,767)	(247,791)	(251,209)	(263,518)	(276,167
Capex % of sales		-7.0%	-6.2%	-6.0%	-6.0%	-6.0%	-5.8%	-5.8%	-5.8%	-5.6%	-5.6%	-5.6%
Free Cash Flow	\$	207,018.45	189,773.15 \$	213,498.54	\$ 230,027.99 \$	249,572.52 \$	274,153.39 \$	288,135.21 \$	307,102.37 \$	340,401.00	\$ 366,492.02	\$ 384,083.64
% Growth			-8.3%	12.5%	7.7%	8.5%	9.8%	5.1%	6.6%	10.8%	7.7%	4.8%
NPV of Cash Flows		1,710,946	31%									
NPV of terminal value		3,794,094	69%							2	Terminal Value	9,148,174
Projected Equity Value		5,505,039	100%									
Free Cash Flow Yield		3.43%							Free Cash Yield		4.20%	
Current P/E		24.8	23.5	22.2							Terminal P/E	22.1
Projected P/E		22.6	21.4	20.2								
Current EV/EBITDA		8.7	8.4	8.1						Termi	nal EV/EBITDA	7.9
Projected EV/EBITDA		8.0	7.7	7.4								
Shares Outstanding		187,990.0										
Current Price	\$	32.15										
Implied equity value/share	\$	29.28										
Upside/(Downside) to DCF	N. S. C.	-8.9%										

 Debt
 330,700

 Cash
 194,986

 Cash/share
 1.04