



Company Recommendations

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Agenda

- Sector Overview
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- General Motors
- Amazon
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- Questions

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

The Amazon logo consists of the word "amazon" in a bold, lowercase, sans-serif font. A curved orange arrow starts under the letter "a" and points to the letter "z", representing a smile.

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%



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
- 

Amazon

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

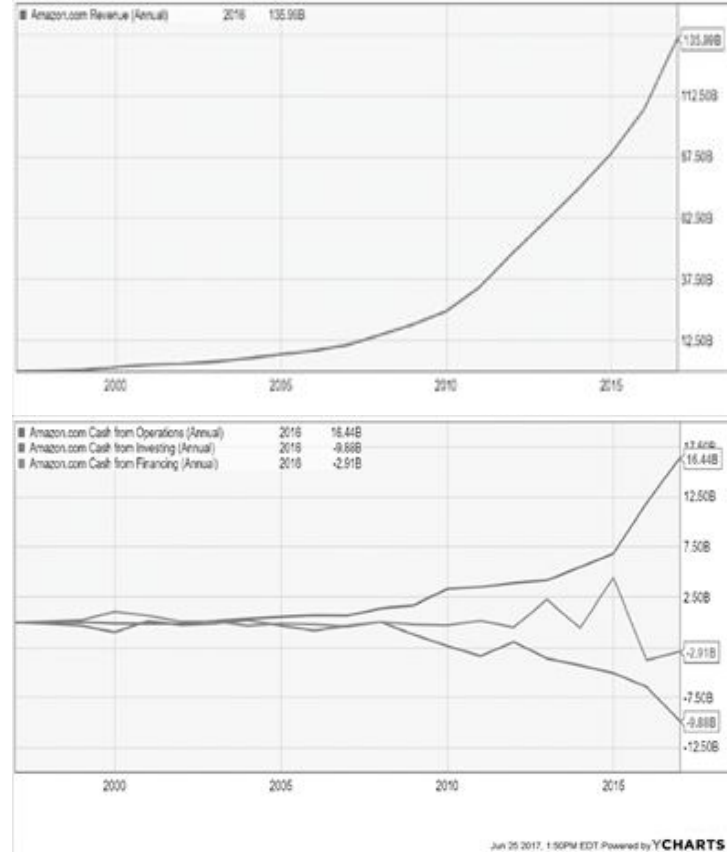
Risks:

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

Amazon

Financial Analysis

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	477.98 Mln.
Shares Outstanding	508 Mln.
52 Week Price Range	691.36– 1002.54
Beta	1.473
Financial Data (FY2016)	
Revenue (USD)	135,987 Mln.
Revenue Growth	30%
Operating Income	4.,186 Mln.



Amazon

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

Amazon

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.
- 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?

