

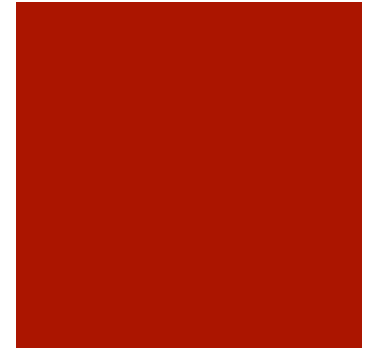


Industrials Stock Pitch

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Agenda

- Sector Overview
- Current Industrial Holdings in the SIM Portfolio
- Eaton Corp. (ETN) Analysis
- Fluor Corp. (FLR) Analysis
- Precision Castparts Corp. (PCP) Analysis
- Summary of Recommendations



Sector Overview

S&P 500 vs SIM Portfolio Weight

Sector	S&P 500 Weight	SIM Weight	+/-
Consumer Discretionary	12.66%	8.42%	-4.24%
Consumer Staples	9.76%	9.08%	-0.68%
Energy	8.07%	7.26%	-0.81%
Financials	16.28%	19.32%	3.04%
Health Care	14.79%	15.27%	0.48%
Industrials	10.31%	8.05%	-2.26%
Information Technology	19.59%	22.70%	3.11%
Materials	3.17%	2.58%	-0.59%
Telecommunication Services	2.32%	2.90%	0.58%
Utilities	3.05%	0.00%	-3.05%
Cash	0.00%	1.53%	1.53%
Dividend Receivables	0.00%	0.09%	0.09%
	100.00%	97.19%	-2.81%

Sector Overview

Valuation Metrics and TTR



	P/E	P/B	P/S	P/CF
Industrials	19.23	3.47	1.47	12.33
S&P 500	19.07	2.78	1.81	11.77

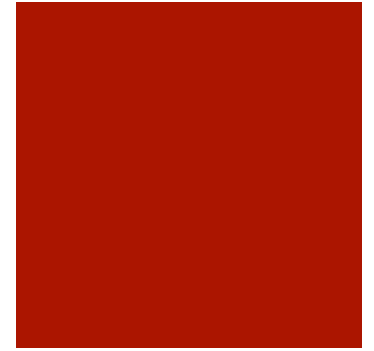
	MTD	YTD	1 year	3 year	5 year
Industrials	1.50%	0.08%	10.89%	15.77%	11.76%
S&P 500	1.19%	1.63%	15.24%	15.15%	11.81%

Current Industrial Holdings in the SIM Portfolio



Stock	Current Weight	Recommended Weight	Potential Upside/Downside	Recommendation
Fluor Corp	227 bps	377 bps	16.88%	BUY
Precision Castparts Corp	375 bps	375 bps	-6.80%	HOLD
Eaton Corp	202 bps	202 bps	11.45%	HOLD

Fluor Corporation (FLR)



- **Recommendation: BUY**
- **52-Week Price Range: \$51.80-\$79.93**
- **Current Price(April 14): \$59.02**
- **Target Price: \$68.98**
- **Upside Potential: 16.88%**

Fluor Corporation (FLR)



- **Segments:**

- **Oil & Gas**
- **Industrial & Infrastructure**
- **Government**
- **Global Services (Staffing)**
- **Power**

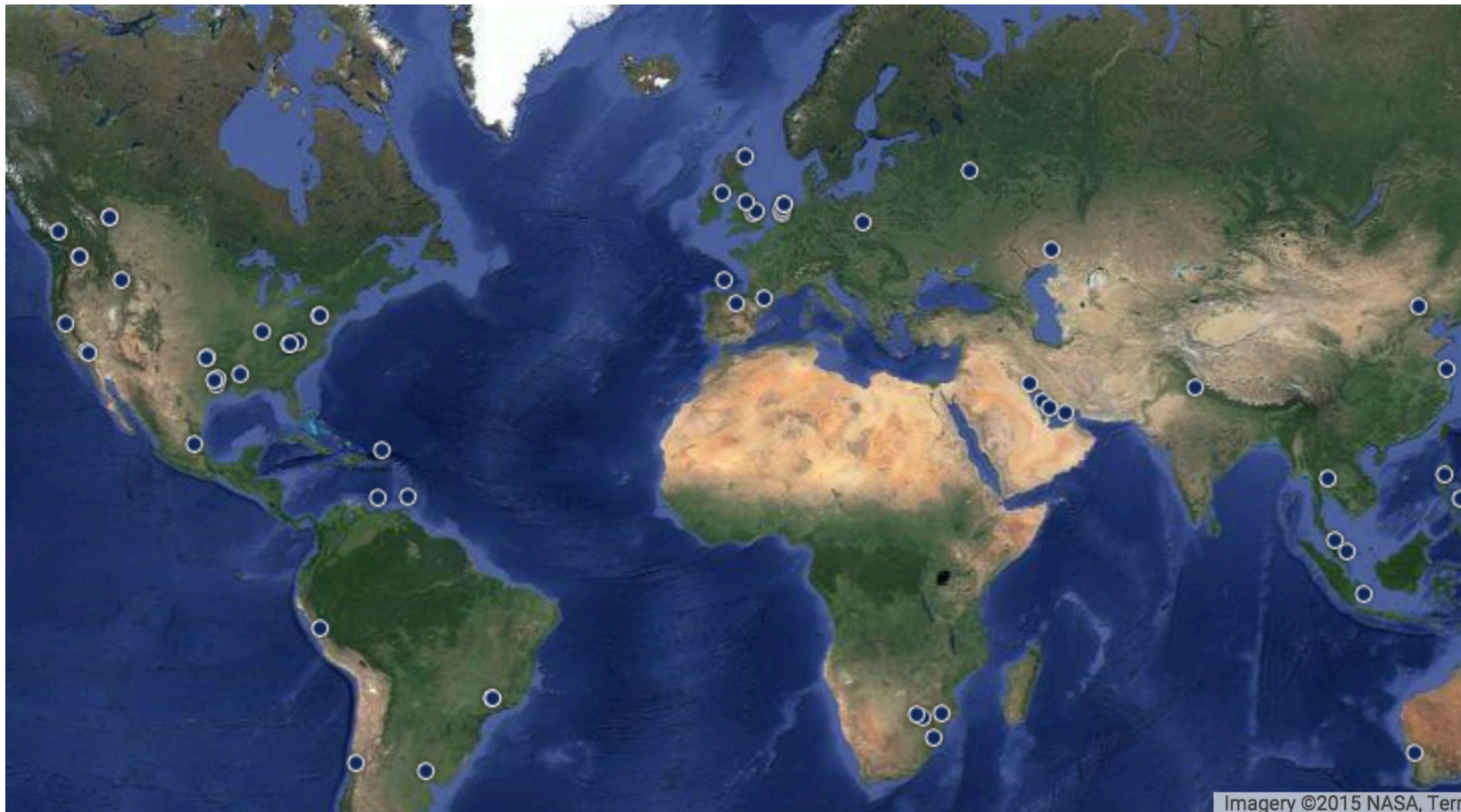
Fluor Corporation (FLR)



- **Advantages:**

- **Global Platform**
- **Market Diversity**
- **Expertise**

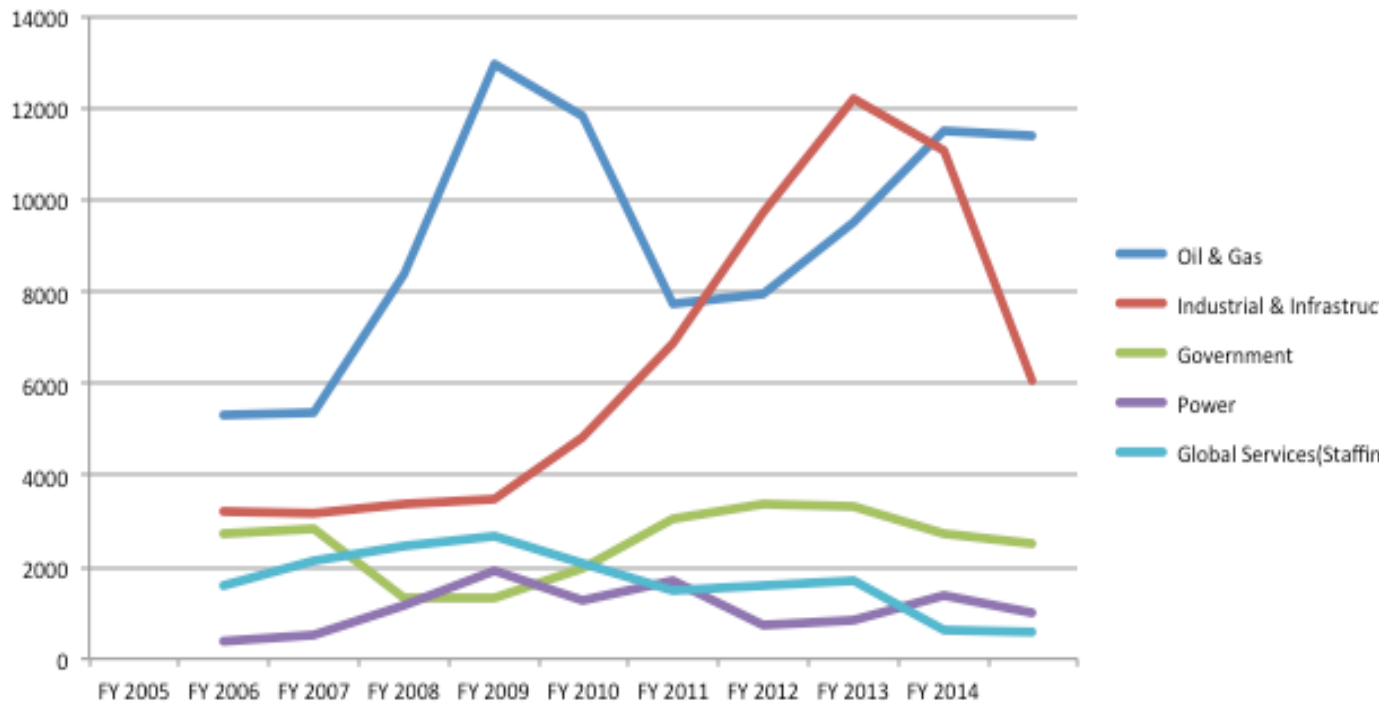
Global Platform



Market Diversity

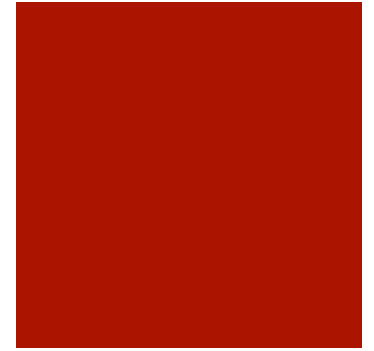


Revenue By Segments



Expertise

- **Notable Projects:**
 - **Manhattan Project**
 - **Rebuilding after Iraq War**
 - **Recovering from Hurricane Katrina**
 - **Trans-Alaska Pipeline System**



Price Range for Relative Valuation:
\$47.07 - \$65.20



Relative Valuation

Ratio	High	Median	Low
P/E	20.37	17.74	13.64
P/S	1.45	0.81	0.41
P/B	4.63	2.56	1.96
EV/EBITDA	10.95	10.12	5.28

FLR's Price by Multiple	High	Median	Low
P/E	65.20	56.79	43.66
P/S	195.6	109.90	55.31
P/B	93.51	51.79	39.59
EV/EBITDA	97.62	90.18	47.07

Price Range for Absolute Valuation:
\$49.21-\$70.21

Absolute Valuation

Ratio	High	Median	Low
P/E	27.68	16.24	11.53
P/B	4.15	3.20	2.44
Price/CF	41.32	26.18	11.81
EV/EBITDA	15.27	7.88	4.28

FLR's Price by Multiple	High	Median	Low
P/E	88.60	51.98	36.92
P/B	83.82	64.56	49.21
Price/CF	51.77	32.80	14.80
EV/EBITDA	136.13	70.21	38.16

Sensitivity Analysis from DCF Model

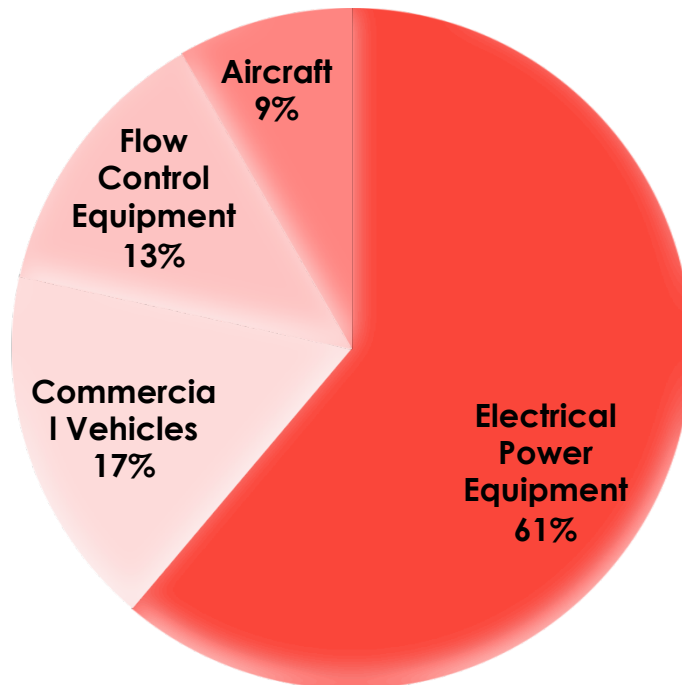


		Terminal Growth Rate										
		3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	
Discount Rate	\$ 68.98											
	8.50%	\$ 79.77	\$ 82.99	\$ 86.58	\$ 90.62	\$ 95.21	\$ 100.44	\$ 106.48	\$ 113.53	\$ 121.87	\$ 131.86	
	8.75%	\$ 75.49	\$ 78.32	\$ 81.47	\$ 84.99	\$ 88.95	\$ 93.44	\$ 98.57	\$ 104.49	\$ 111.39	\$ 119.56	
	9.00%	\$ 71.62	\$ 74.13	\$ 76.91	\$ 79.99	\$ 83.44	\$ 87.32	\$ 91.72	\$ 96.74	\$ 102.54	\$ 109.30	
	9.25%	\$ 68.10	\$ 70.34	\$ 72.80	\$ 75.52	\$ 78.54	\$ 81.92	\$ 85.72	\$ 90.03	\$ 94.95	\$ 100.63	
	9.50%	\$ 64.90	\$ 66.90	\$ 69.09	\$ 71.50	\$ 74.17	\$ 77.13	\$ 80.43	\$ 84.16	\$ 88.38	\$ 93.20	
	9.75%	\$ 61.96	\$ 63.76	\$ 65.72	\$ 67.87	\$ 70.23	\$ 72.84	\$ 75.74	\$ 78.98	\$ 82.63	\$ 86.76	
	10.00%	\$ 59.26	\$ 60.88	\$ 62.64	\$ 64.57	\$ 66.67	\$ 68.98	\$ 71.54	\$ 74.38	\$ 77.56	\$ 81.13	
	10.25%	\$ 56.78	\$ 58.24	\$ 59.83	\$ 61.55	\$ 63.44	\$ 65.50	\$ 67.76	\$ 70.27	\$ 73.05	\$ 76.17	
	10.50%	\$ 54.48	\$ 55.81	\$ 57.24	\$ 58.80	\$ 60.49	\$ 62.33	\$ 64.35	\$ 66.57	\$ 69.03	\$ 71.76	
	10.75%	\$ 52.34	\$ 53.55	\$ 54.86	\$ 56.26	\$ 57.79	\$ 59.44	\$ 61.25	\$ 63.23	\$ 65.41	\$ 67.81	
	11.00%	\$ 50.36	\$ 51.46	\$ 52.65	\$ 53.93	\$ 55.30	\$ 56.80	\$ 58.42	\$ 60.19	\$ 62.13	\$ 64.26	
	11.25%	\$ 48.51	\$ 49.52	\$ 50.60	\$ 51.76	\$ 53.01	\$ 54.37	\$ 55.83	\$ 57.42	\$ 59.15	\$ 61.05	
11.50%	\$ 46.79	\$ 47.71	\$ 48.70	\$ 49.76	\$ 50.90	\$ 52.12	\$ 53.45	\$ 54.88	\$ 56.44	\$ 58.14		
11.75%	\$ 45.17	\$ 46.02	\$ 46.92	\$ 47.89	\$ 48.93	\$ 50.05	\$ 51.25	\$ 52.55	\$ 53.95	\$ 55.48		
12.00%	\$ 43.65	\$ 44.43	\$ 45.27	\$ 46.16	\$ 47.11	\$ 48.12	\$ 49.22	\$ 50.39	\$ 51.67	\$ 53.04		

Eaton Corporation (ETN)



- Business Description
- Company Revenue Breakdown



Eaton Corporation (ETN)



- **Recommendation: HOLD**
- **Current Price(April 14): \$68.66**
- **Target Price: \$76.52 (Bloomberg)**
- **Upside Potential: 11.96%**
- **Other Sources:**
 - Morningstar: \$45.5 – \$87.75
 - Bloomberg Analyst votes: Buy/Hold/Sell: 14/12/0

Eaton Corporation (ETN)



- **Risks:**

- R&D

- Raw Material Price

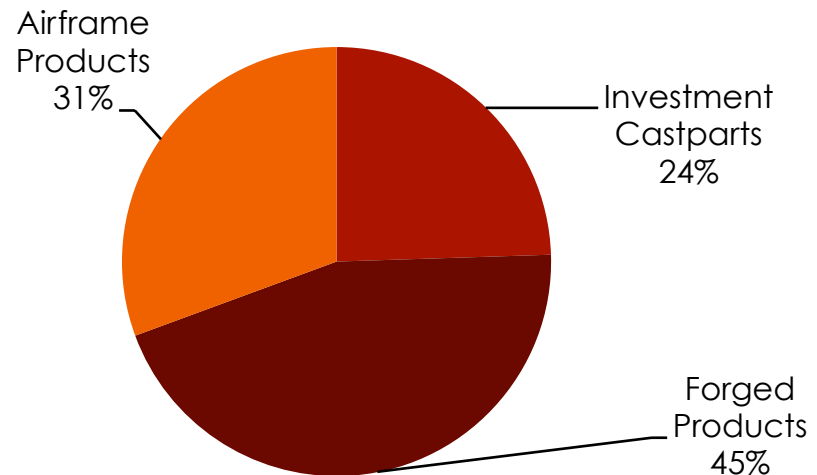
- Others

Precision Castparts (PCP)



- Worldwide industrial manufacturing firm
- Produces complex metal castings, fasteners, and other parts to build commercial and military aircraft
- Business segments
 - Investment Cast Products
 - Forged Products
 - Airframe Products

2014 Sales



Precision Castparts (PCP)



Apr 14, 2014 - Apr 14, 2015 ●PCP



Precision Castparts (PCP)



■ Key Financial Metrics:

- 2014 Revenue: \$9.62B
- 2014 Earnings: \$1.78B
- Market Cap: \$30.62B
- Debt/Assets: 35.1%

■ Relative Valuation:

- P/E – 15.38
- P/Sales – 2.98
- P/B – 2.55

Market Averages:

- P/E – 19.1
- P/Sales – 1.8
- P/B – 2.88

Precision Castparts (PCP)



- **Stock Drivers and recent news:**
 - Acquisition of TIMET – Titanium Metals Corporation
 - Commodity Prices
 - Demand for aircraft castparts
- **Risks:**
 - Narrow customer base
 - Availability of raw materials
 - Strong international sales – 20%

Precision Castparts (PCP)

■ DCF Valuation

Shares Outstanding **144.0**

Current Price **\$ 215.97**

Implied equity value/share **\$ 201.33**

Upside/(Downside) to DCF **-6.8%**

Debt **3,569**

Cash **361**

Cash/share **2.51**

Precision Castparts		Terminal Growth Rate				
Sensitivity Analysis		2.00%	2.50%	3.00%	3.50%	4.00%
WACC	9.00%	245.90	256.74	269.38	284.32	302.25
	10.00%	214.26	221.83	230.48	240.46	252.10
	11.00%	189.71	195.18	201.33	208.31	216.29
	12.00%	170.12	174.18	178.70	183.75	189.42
	13.00%	154.13	157.22	160.61	164.37	168.53

HOLD

Recommendations to SIM Portfolio Holdings



Stock	Current Price	Target Price	Potential Upside/Downside	Current Weight	Recommended Weight	Recommendation
Fluor Corp	59.02	68.98	16.88%	227 bps	377 bps	BUY
Precision Castparts Corp	215.97	201.33	-6.80%	375 bps	375 bps	HOLD
Eaton Corp	68.66	76.52	11.45%	202 bps	202 bps	HOLD

SIM Portfolio Industrials' holding increases from 805 bps to 955 bps