



INDUSTRIALS: COMPANY PRESENTATION

Student Investment Management: Summer 2016

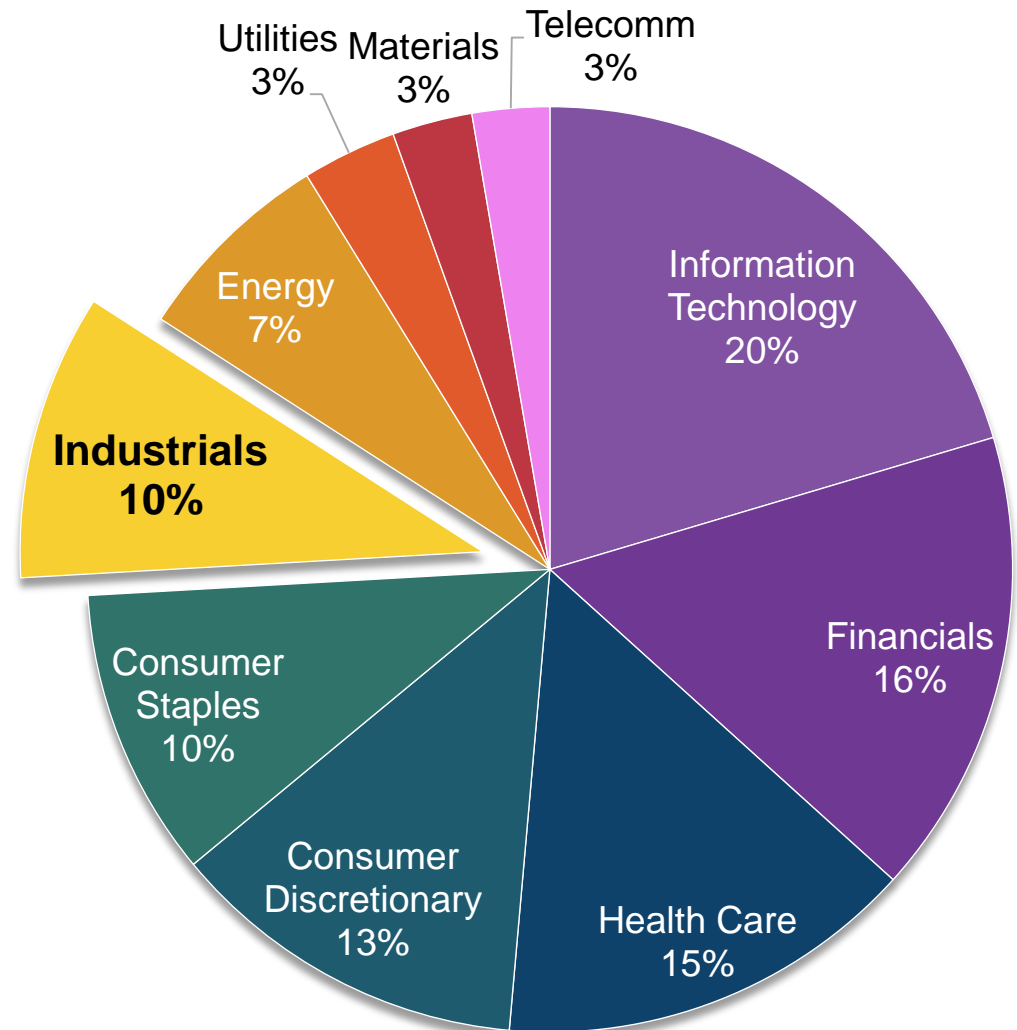
Ryan Hagness and Nikola Popovich

Agenda

- Review and Overview
- Companies
- Recommendations

S&P 500 Sectors

- Industrials 10.18% of S&P 500
- Industrials 10.85% of SIM
- Overweight 0.67 BPS
- Recommend reducing weight to **10.20%**



Overview

	CURRENT BASIS	PROPOSED BASIS	CURRENT PRICE	TARGET PRICE	UPSIDE (DOWNSIDE)	RECOMMENDATION
Eaton	4.61%	-150 BPS	\$63.87	\$66.04	7.1%	Sell
Hertz	2.27%	+50 BPS	\$50.13	\$62.55	16.9%	Buy
Honeywell	3.97%	+35 BPS	\$119.05	\$132.37	13.2%	Buy

Total	10.85%	10.20%
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- Global power management company with headquarters in Dublin, Ireland
 - Electrical products/service
 - Vehicle
 - Hydraulics
 - Aerospace

Current Price: \$63.87

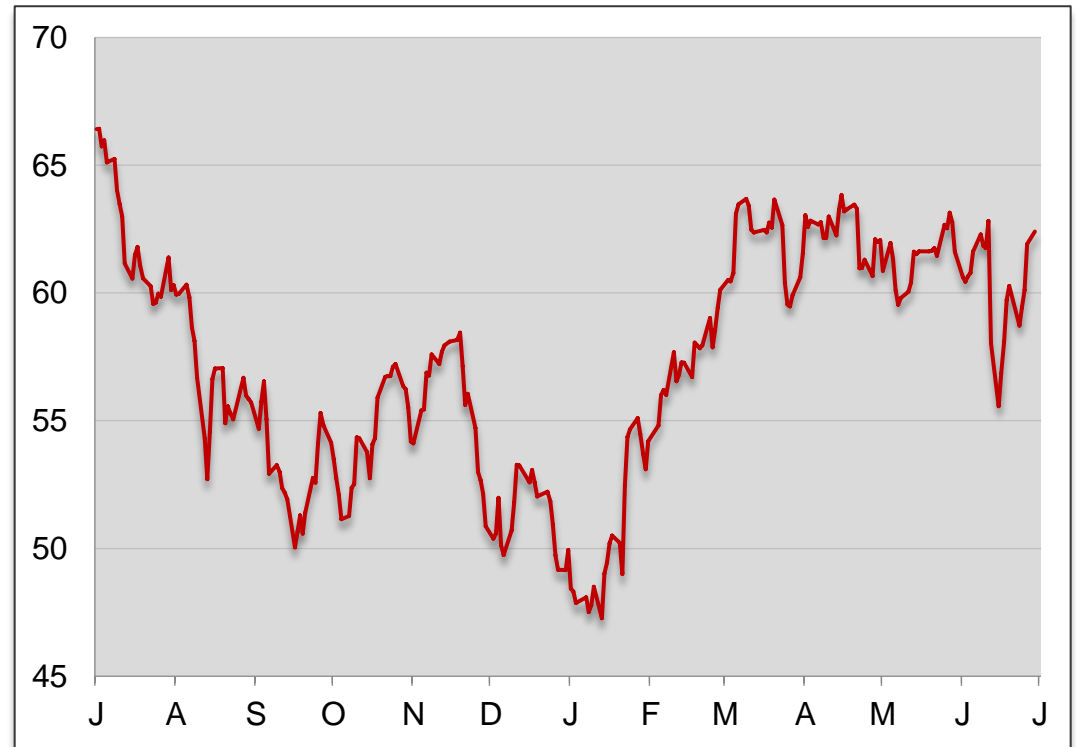
Target Price: \$66.04

Upside: 7.1%

Recommendation: SELL



- Current Price: \$63.87
- Target Price: \$66.04
- Market Cap: \$28.3B
- Shares Outstanding: 467.0M
- Dividend and Yield: 3.7%
- Beta: 1.45
- 52 Week Range: \$46.19-66.61
- Revenue: \$20.8B
- EPS (TTM): 4.12
- P/E (TTM): 15.13
- Analyst Target Price Range: \$54-77 (\$65)



Key Drivers

- Overall manufacturing and agricultural production levels in the U.S. and abroad
- Capital expenditures/investments
- Overall market performance

Key Risks

- Oil volatility
- Global scope (45% of sales)
- Governmental changes to tax structure

ETN	High	Low	Median	Current
P/E	29.0	5.5	13.9	15.1
P/B	3.2	0.9	2.0	1.9
P/S	1.6	0.4	1.1	1.4
P/EBITDA	14.5	3.2	8.7	11.3

Industrials Sector	High	Low	Median	Current
P/E	20.0	7.3	17.2	17.2
P/B	3.8	1.4	2.8	3.8
P/S	1.7	0.6	1.4	1.6
P/EBITDA	10.1	3.8	8.7	9.4

- World's largest car rental company headquartered in Estero, Florida
 - Automobiles
 - Transportation services
 - Equipment rentals

Current Price: \$50.13

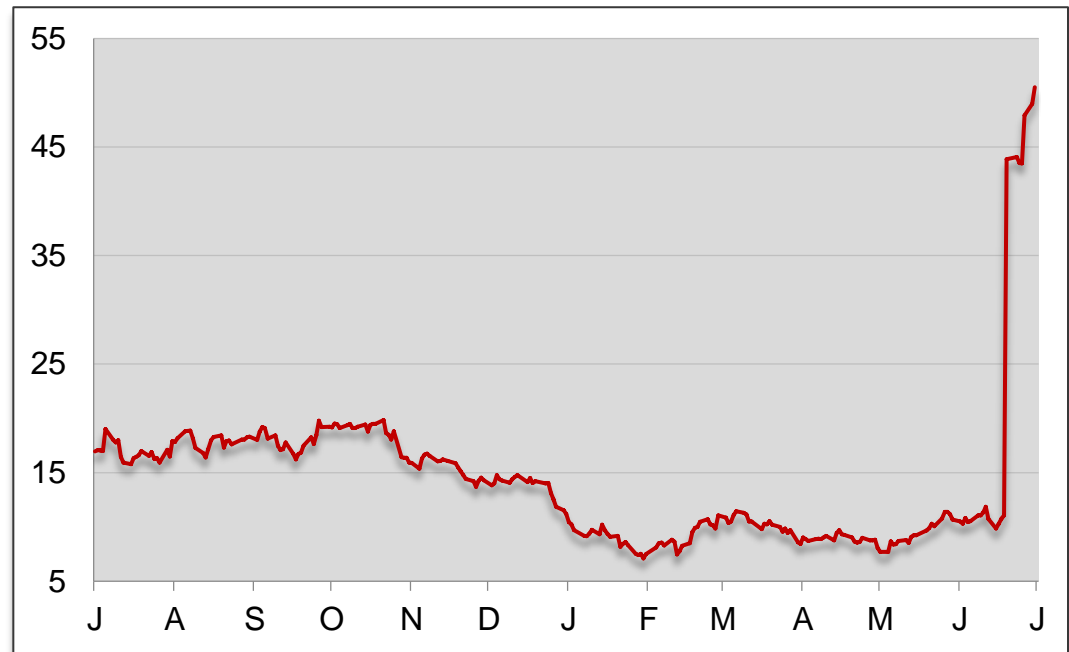
Target Price: \$62.55

Upside: 16.9%

Recommendation: BUY



- Current Price: \$50.13
- Target Price: \$62.55
- Market Cap: \$21.27B
- Shares Outstanding: 424.38M
- Beta: 2.25
- 52 Week Range: \$6.95-51.58
- Revenue: \$10.5B
- EPS (TTM): 9.78
- P/E (TTM): 5.13
- Analyst Target Price Range: \$13-76 (\$56)



Key Drivers

- Split of the company into two different sectors
- Improved managerial staff
- Strong name brand

Key Risks

- Past accounting errors
- Rising competitors like Uber and Lyft
- Trailing total returns have been mostly negative

HTZ	High	Low	Median	Current
P/E	454.2	4.1	21.4	9.8
P/B	29.5	3.16	15.0	8.4
P/S	1.07	0.2	0.7	0.7
P/EBITDA	3.1	0.3	1.9	1.0

Industrials Sector	High	Low	Median	Current
P/E	20.0	7.3	17.2	17.2
P/B	3.8	1.4	2.8	3.8
P/S	1.7	0.6	1.4	1.6
P/EBITDA	10.1	3.8	8.7	9.4

- U.S. conglomerate that produces commercial and consumer products
 - Aerospace
 - Automation and Control Systems
 - Performance Materials and Technologies

Current Price: \$119.05

Target Price: \$132.37

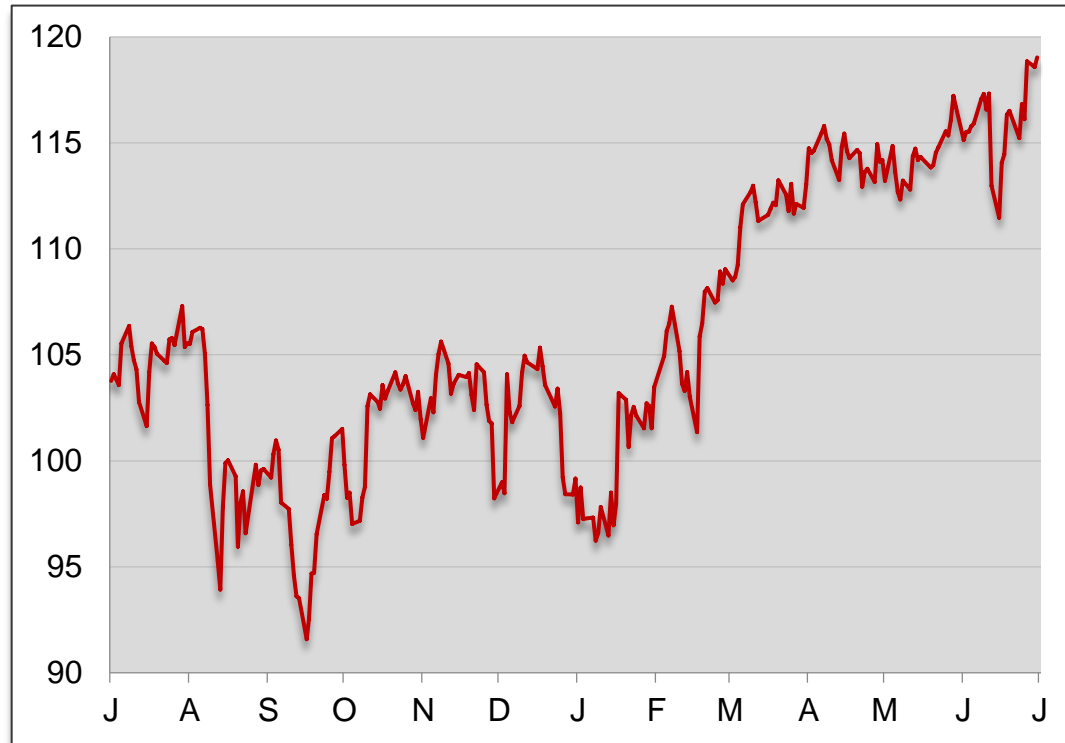
Upside: 13.2%

Recommendation: Buy



Honeywell

- Current Price: \$119.05
- Target Price: \$132.37
- Market Cap: \$90.73B
- Shares Outstanding: 762.12M
- Dividend and Yield: 2.01%
- Beta: 0.92
- 52 Week Range: \$87.00-119.80
- Revenue: \$38.89B
- EPS (TTM): 6.16
- P/E (TTM): 19.32
- Analyst Target Price Range: \$114-135 (\$125.35)



Key Drivers

- Government appropriations for defense and space programs
- Residential and commercial construction

Key Risks

- International operations (over 50% of sales)
- Oil price volatility

HON	High	Low	Median	Current
P/E	26.9	6.0	17.2	18.0
P/B	6.2	1.1	3.8	5.0
P/S	2.4	0.3	1.2	2.4
P/EBITDA	34.5	3.0	9.7	11.1

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Recommendations



THE OHIO STATE UNIVERSITY

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The background is a solid red color with a repeating pattern of dark red floral motifs. Each motif consists of a central stem with several leaves and a small, round flower-like element. The pattern is dense and covers the entire red area.

Questions

