

# CIF Sector Update Report (Spring 2015)

Sector: Industrials

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Presentation Date: 4/20/15

Review Period: Start: 1/12/15 End: 4/14/15

## Section (A) Sector Performance Review

(A-1) Sector Performance Relative to SP500

*"Sector Performance Review Spreadsheet"*

### Cougar Investment Fund Sector Performance Review Spreadsheet Template

Please download and save this template to your own storage device  
You only need to input values to cells highlighted in "yellow"  
The rest of the spreadsheet is calculated automatically  
Please read "Sector Update Guidelines" document carefully

Sector	IND
Review Period	
Start Date	1/12/15
End Date	4/14/15

	Ticker	Recommend	CIF	Current	Beg.	Stop-loss	Target	Capital	Shares	Current	Perf. Vs.	Perf. Vs.
		Date	Y/N	Price	Price	Price	Price	Gain	Held	Value	ETF	SP500
S&P 500	\$INX			2095.84	2044.81			2.50%				
Sector ETF	XLI			\$56.50	\$55.42			1.95%	4610	\$260,465.00		-0.55%
Current Holdings												
Danaher	DHR	3/4/15	N	\$85.48	\$85.53	N	N	-0.06%	0	\$0.00	-2.01%	-2.55%
FedEx	FDX	4/1/15	N	171.5	172.66	N	N	-0.67%	0	\$0.00	-2.62%	-3.17%

### **Price chart of both sector ETF and SP500 for the review period**



**How did the sector perform relative to the broad market (SP500) during the review period?**

**What might have caused the out-/under-performance of the sector in relation to the broad market? You should weigh in macro, sector/industry, and company-specific factors that might have contributed to sector's out-/under-performance.**

During the review period the sector has just slightly underperformed the market. Throughout the review period the Industrial sector outperformed the market until March 20<sup>th</sup>. This could be contributed to many things including a strong US dollar and low oil prices. The strong US dollar has reduced exports for many international companies. Also, the low oil prices have caused oil production in the US to decline. In addition, there was a decrease in industrial output for March and the first quarterly decrease since the recession.

**What are some of the noteworthy news/events from the sector during the review period?**

**These news/events can be either specific to the company or relevant to the industry/sector.**

The sector has seen some recent volatility due to the strong US dollar and oil prices as mentioned above. In the stock chart we can see the sector is very correlated with the S&P 500. We see the price drop towards the end of March but rebound in early April. This is likely due to GE's recent performance on their announcement to sell GE capital. GE is the largest company in the industrial sector at 10.29%.

## (A-2) Big Sector Movers

Identify two largest sector gainers and two largest sector losers (exclude stocks recommended in this class) of the recent 3 month. Copy/paste 3 month price chart with the four stocks *here*.

### Largest Gainers

The ADT Corp (ADT) (24.07%)

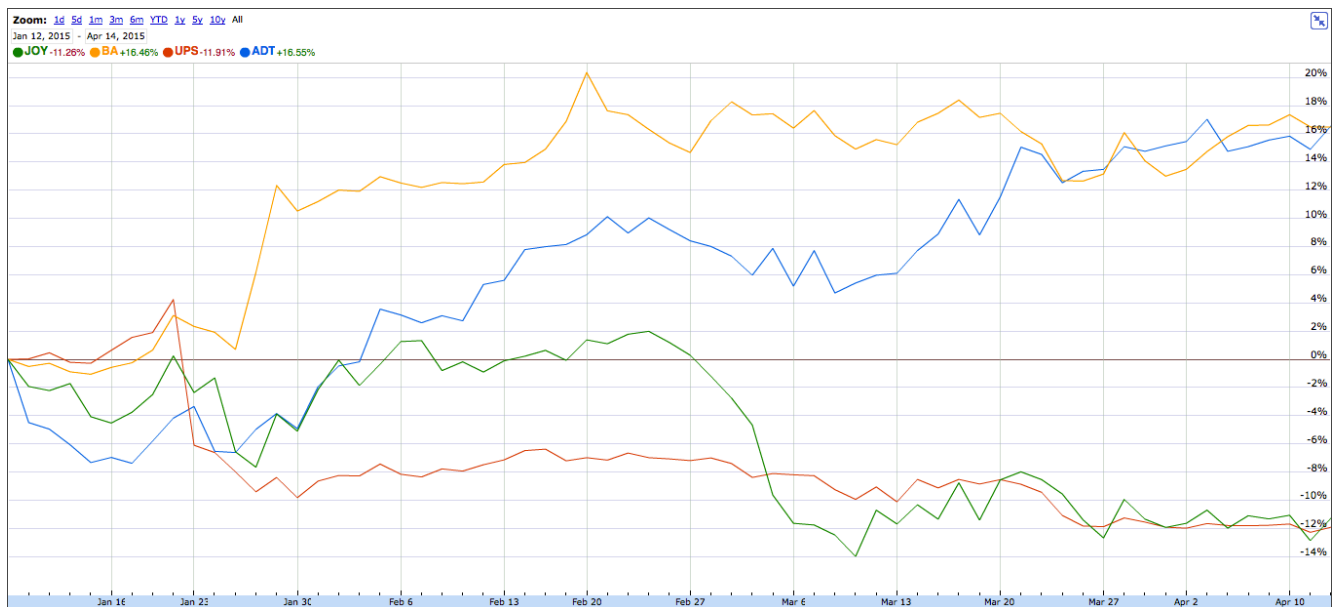
Boeing Co (BA) (17.51%)

### Largest Losers

United Parcel Service (UPS) (-12.82%)

Joy Global Inc (JOY) (-9.72%)

### 3-Month Price Chart



**What might have contributed to big price moves in the period examined (recent 3 month) of each of the named big gainers/losers?**

### Gainers

The ADT Corp saw big gains in the last 3 months of around 20%. This could be due to the release of its new wearable emergency response system in February. It is also based on strong quarterly results after a disappointing fourth quarter in 2014.

Boeing Co saw gains of around 17% in the last 3 months. This is partially due to a 3.6 billion dollar order they received for their Dreamliner plane at the end of February. We can see in the stock chart that a large increase was recorded soon after this. Also a strong cycle for the aerospace industry lately and it is expected to continue for several more years.

## Losers

United Parcel Service closed down 9.9% on January 20<sup>th</sup> on low 4<sup>th</sup> quarter earnings. They revised their adjusted EPS down 0.22 dollars on that day and the stock reacted accordingly. Since then they have been trading slightly down.

Joy Global Inc. has seen large decreases in 2015. These decreases have continued from 2014 where the stock lost a majority of its value. In the recent 3 months we can see the price of the stock drop off leading up to earnings announcement. After the negative earnings surprise in early March the stock dropped off even further.

## (A-3) Two Largest Stocks in the Sector

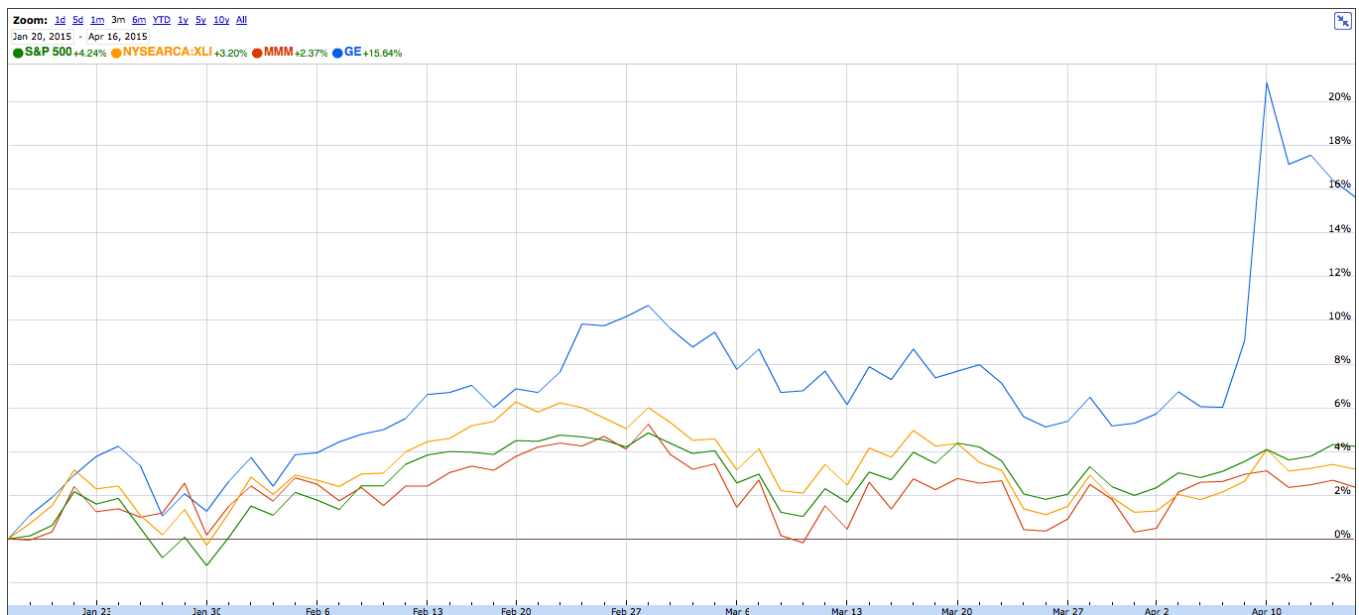
Identify two stocks with the largest weight (exclude stocks recommended in this class) in the sector ETF. Copy/paste 3 month price chart with the two stocks, sector ETF and SP500 *here*.

### Two Largest

General Electric @ 10.29%

3M @ 5.38%

### 3-Month Price Chart



**Highlight noteworthy news, announcements, or events relevant to the two stocks that took place in recent 3 months.**

GE recently announced that it would be selling GE capital. This is the banking portion of the business and has been lackluster for GE's performance. As shown above, the stock price increased sharply following the news. GE should be able to focus more on what they do best and less on the banking industry. Also, GE plans to be completely out of this business by 2018, which may be difficult to do.

3M saw their stock price increase slightly in February following a dividend declaration and a stock repurchase program. In early March the stock decreased to what it was in late January, but I was unable to find company specific factors related to this. Looking at the above graph we can see the entire market slump during this time.

**(A-4) Technical Indicators of the Sector ETF ("Moving Average" and "Relative Strength Index" from <https://www.google.com/finance?tab=we>)**

**Short-term moving average and relative strength index indicators**

Follow instructions in the guidelines to generate price chart. Copy/Paste to the report



## Long-term moving average and relative strength index indicators

Follow instructions in the guidelines to generate price chart. Copy/Paste to the report



**Any golden or death cross on either set of moving average chart? Any “oversold” or “overbought” signal from RSI? Do these technical indicators signal bullish or bearish sentiment on the sector?**

In the short term there was recently a death cross and has not showed signs of rebounding. The long term last had a golden cross in the beginning of 2012 and has shown some pressure for the 10 day SMA to remain above the 50 day SMA.

The RSI shows a possible overbought signal for both the short term and the long term as they approach 70. This is even truer for the long term, which is currently at 62.07.

The golden cross on the long term moving average indicates a bullish signal. However, the death cross in the short term and the high RSI both indicate a bearish signal to the industrial sector. Overall it seems the bearish signals outweigh the bullish ones for the technical indicators.

### (A-5) Short-term (up to Three Months) Outlook of the Sector

**What is your short-term (up to three months) outlook of the sector? Provide arguments in support of your view.**

For the short term we believe the Industrial sector will underperform the market. First of all we see a death cross in the short term of our technical analysis. This is a bearish sign and the RSI is also bearish in the 50-60 range. Our outlook is also due to the decrease in the industrial output for March and uncertainty in oil prices. If oil prices continue to decrease or stay the same we will see a further decrease in oil production. All of this will cause a negative impact on the industrial sector in the short term. Once these prices stabilize we could see increased production in the sector.

## Section (B) Updates on Stocks recommended

### Stock #1: Danaher Corporation. (NYSE: DHR)

Date Recommended: 03/04/2015

Date Re-evaluated: 04/20/2015

#### (B-1) Company Updates and Stock Performance

##### Company Update

Review period: 01/12/2015 – 04/14/2015

01/27/2015	Earnings announcement: Q4 & full year 2014	Danaher reported earnings for the fourth quarter and full year 2014. Earnings (on a diluted basis) and revenues for the Q4 2014 were \$0.92 per share and \$5.4 billion, respectively. For the full year 2014, earnings were \$3.63 per share and revenues were \$19.9 billion. Compared to 2013, the company net earnings for the full year 2014 increased by 7.6% and annual revenues increased by 3.5%. The company Q4 bottom-line earnings were in line with the estimates and Q4 revenues missed the estimates.
02/25/2015	Increased quarterly dividends	The Board of Directors of the company approved a regular quarterly dividend of \$0.135 per share, which was 35% increase compared to the previous quarter. The dividends will be paid on April 24, 2015.
03/07/2015	Analyst coverage	Morningstar changed growth rate for Danaher Corp. from 45 to 30 on March 7, 2014
03/25/2015	Ex-dividends	Danaher began trading ex-dividends on March 25, 2015. Shareholders who purchased Danaher stocks prior to this date can expect cash dividend of \$0.135 per share on April 24, 2015.
(04/23/2015)	Earnings announcement: Q1 2015	Danaher Corporation announced that its quarterly earnings conference call for the first quarter 2015 would be on Thursday, April 23, 2015.

(05/28/2015)	Sale of communication business	<p><b>NetScout Systems Inc. (NTCT), a provider of network, application performance management solutions, agreed to acquire communications business segment of Danaher on October 13, 2014. NetScout is to acquire three business lines from Danaher: Tektronix, which specializes in test, measurement and monitoring; Fluke Networks, which focuses on network management; and Arbor Networks, which is aimed at network security specializes in denial-of-service attack mitigation.</b></p> <p><b>The companies decided not to close the deal until the end of May 2015 due to the Department of Justice’s ongoing antitrust investigation on the deal. The value of the transaction is at \$2.6 billion and Danaher shareholders will receive approximately 62.5 million shares of NetScout common stock under the term of the transaction</b></p>
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### Relative Performance & 3-Month Stock Price Chart



During the review period, Danaher underperformed the Industrials sector ETF by 2.01% and S&P500 by 2.62%. Industrials sector in general also underperformed S&P500 by 0.55% during the same period.

The 3-month stock chart above shows Danaher stock movement relative to S&P500 and the Industrials sector between Jan 20, 2015 and April 17, 2015. During this period, Danaher outperformed S&P500 and underperformed the Industrials sector for the most of the time.



The company stock price declined right after its most recent earnings report on Jan 17 2015 because the company's top line revenue missed the estimates.

Since late February, the gap between the S&P500 and Danaher's stock performance widened as the company's growth has slowed down. Since the beginning of April, S&P500 also outperformed the company stock. Underperformance of Danaher seems to be largely due to the strong dollar. For the Q4 2014, Danaher's revenues missed the estimates and bottom-line earnings met the estimates. In its most recent quarterly earnings report, the company expected that the strengthening of the U.S. dollar would reduce 2015 earnings by approximately \$0.10 per share. The management's strategy put emphasis on reinvesting cash flows to make earnings-enhancing mergers and acquisitions. The management anticipated that this strategy will offset the negative impact of strong dollar by \$0.05 per share.

Danaher entered into an agreement with NetScout to combine the majority of its Test & Measurement segment's communications business. We expect that the impact of this 2.6 billion-dollar deal will be positive on the company stock.

## **(B-2) Valuations, Estimates and Recommendations**

### **Valuations**

#### **Original Analysis (03/04/2015):**

<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
P/E (TTM)	24.04	22.44	25.15
P/S (TTM)	3.09	22.44	25.15
P/B (MRQ)	2.63	2.59	2.36
P/CF (TTM)	17.40	20.16	13.80

**Forward P/E from original report from EBO valuation model: 18.59**

#### **Re-evaluation Analysis**

<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
P/E (TTM)	23.59	25.40	29.13
P/S (TTM)	3.04	5.80	3.02
P/B (MRQ)	2.58	3.26	2.57
P/CF (TTM)	17.11	22.88	16.03

**Forward P/E (fiscal year end Dec 31, 2016) from Yahoo Finance: 18.06**

**Comment on the changes. How is current forward P/E differs from current P/E (TTM)?**

P/E, P/S, P/B, and P/CF of the company decreased between the original analysis in March and the re-evaluation analysis, while all the ratios of industry and sector increased. Even though the differences are small, decrease in P/E ratio may suggest that currently market expects less growth in Danaher compared to the date of original analysis. Current P/E ratio of the company is smaller than the industry's.

Current forward P/E ratio is at 18.06, which is lower than the P/E ratio of 23.59. This tells us that the company earnings are expected to grow in the future.

### **Consensus Estimates**

#### **Original Analysis (MM/DD/YY)**

#### ***"Consensus Estimates Analysis" Table (Module E3)***

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-15	17	4,846.52	5,059.90	4,734.60	4,907.18
Quarter Ending Jun-15	16	5,166.65	5,410.10	5,046.30	5,260.35
Year Ending Dec-15	20	20,810.10	21,578.90	20,262.90	21,247.60
Year Ending Dec-16	17	21,883.80	23,164.00	20,956.50	22,410.80
<b>Earnings (per share)</b>					
Quarter Ending Mar-15	18	0.94	0.98	0.92	0.91
Quarter Ending Jun-15	16	1.09	1.13	1.05	1.05
Year Ending Dec-15	19	4.34	4.44	3.88	4.18
Year Ending Dec-16	17	4.74	4.93	4.43	4.50
LT Growth Rate (%)	1	9.40	9.40	9.40	12.50

## Re-Evaluation Analysis

### CONSENSUS ESTIMATES ANALYSIS

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Jun-15	15	5,138.45	5,410.10	4,980.61	5,260.35
Quarter Ending Sep-15	15	5,065.40	5,304.30	4,856.50	5,152.54
Year Ending Dec-15	19	20,693.40	21,578.90	20,206.30	21,250.90
Year Ending Dec-16	17	21,699.50	22,573.90	20,905.50	22,423.20
<b>Earnings (per share)</b>					
Quarter Ending Jun-15	14	1.08	1.12	1.05	1.05
Quarter Ending Sep-15	14	1.09	1.14	1.05	1.04
Year Ending Dec-15	19	4.33	4.46	4.23	4.18
Year Ending Dec-16	17	4.73	4.90	4.57	4.50
LT Growth Rate (%)	1	9.00	9.00	9.00	12.50

### Comment on the changes.

There are noticeable downward trend in consensus estimates on sales. Only exception to this is the consensus estimates for the Q1 2015 sales, which increased from \$4,845.52 million to \$5,138.45 million. We believe this is largely due to the fact that the company will be closing the sale of its communication business to NetScout at the end of May 2015. Consensus estimates on earnings show similar patterns, as there is noticeable downward trend in estimates for FR1 (Year ending Dec 2015) and FR2 (Year ending Dec 16). Long-term growth rate for Danaher also declined slightly from 9.40% to 9.00%.

Again, we believe that the downward trend in the consensus estimates for revenues, bottom-line earnings, and long-term growth rate stems from strengthening of dollars and its expected negative impact on the company's future earnings.

## Estimate Revision Analysis

### Original Analysis (03/04/2015)

#### ***“Estimates Revision Summary” Table (Module E4)***

##### ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Mar-15	0	0	3	8
Quarter Ending Jun-15	0	0	3	6
Year Ending Dec-15	0	0	7	13
Year Ending Dec-16	0	0	7	7
<b>Earnings</b>				
Quarter Ending Mar-15	0	0	0	8
Quarter Ending Jun-15	0	0	2	6
Year Ending Dec-15	0	0	1	12
Year Ending Dec-16	0	0	2	8

## Re-Evaluation Analysis

### ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Jun-15	0	2	0	5
Quarter Ending Sep-15	0	2	0	5
Year Ending Dec-15	1	3	1	9
Year Ending Dec-16	1	4	1	10
<b>Earnings</b>				
Quarter Ending Jun-15	0	1	0	6
Quarter Ending Sep-15	0	1	0	6
Year Ending Dec-15	1	3	2	9
Year Ending Dec-16	1	2	2	7

### Comment on the changes.

Comparing “Last 4 Weeks” columns from original analysis and re-evaluation analysis, there are noticeably less number of upward revisions on both revenues and earnings while there are still fair number of downward revisions on both revenues and earnings today.

“Last Week” columns tells us the similar story as there are noticeable increase in the number of downward revisions and decrease in the number of upward revisions for both revenues and bottom-line earnings.

This is in line with our prior analysis that recently analysts are losing confidence in Danaher’s future earnings capacity largely due to macroeconomic headwinds.

## Analysts' Recommendations

### Original Analysis (03/04/2015)

#### *"Analyst Recommendations and Revisions" Table (Module F1)*

##### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	11	10	10
(2) OUTPERFORM	6	6	7	7
(3) HOLD	3	3	2	2
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.60	1.60	1.58	1.58

## Re-Evaluation Analysis

##### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	10	11	11	10
(2) OUTPERFORM	6	6	6	6
(3) HOLD	4	4	4	3
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0

No Opinion	0	0	0	0
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Mean Rating	1.70	1.67	1.67	1.63
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### Comment on the changes

There is a small increase in mean rating, which indicates that the company stock is turning slightly bearish. Comparing current recommendations to one month ago, it seems that one analyst who recommended “BUY” one month ago stopped following the stock.

## (B-3) Technical Indicators (Module I4 from stock research report)

### Short-term technical indicators

#### 10- & 50-day moving average (MA) technical analysis chart with relative strength index (RSI)



Over the last five months or so, the company’s stock price stayed above 10-day and 50-day moving average lines for the most of the time. However, since the original analysis on March 4, the company has been struggling to keep their stock price above the SMA lines.

Since the original analysis, there was only one death-cross on April 1, indicating that the stock is turning bearish.

The RSI graph shows that Danaher is often overbought or oversold. Since the original analysis of the company stock, there were three “oversold” signals and one “overbought” signal. The company stocks were oversold on the most recent death cross and “overbought” on April 16, 2015.

### Long-term technical indicators

#### **50- & 200-day moving average (MA) technical analysis chart with relative strength index (RSI)**



There are no noticeable changes from the original long-term technical chart.

A death-cross happened on March 2009 and a golden-cross followed it on June 2010, which was near the company’s 2:1 stock split. Danaher have been staying above the both 50-day and 200-day moving average lines over the last three years, keeping bullish positions.

According RSI, Danaher stocks are often overbought than oversold, which can be indicative of an overvalued and inflated stock price.



**Stock #2: FedEx Corporation (FDX)****Date Recommended: 04/01/2015****Date Re-evaluated: 04/20/2015****(B-1) Company Updates and Stock Performance****Company Update****Review period: 01/12/2015 – 04/14/2015**

<b>01/30/2015</b>	<b>Acquisition: GENCO</b>	<b>FedEx completed acquisition of GENCO Distribution system Inc., one of the largest third party logistics providers. GENCO will operate as a subsidiary of FedEx and its financials will be added to FedEx Ground business segment. GENCO has annual revenue of \$1.6 billion.</b>
<b>03/18/2015</b>	<b>Earnings announcement: Q3 2015</b>	<b>FedEx reported Q3 2015 earnings of \$2.01 per diluted share, beating the earnings estimates. Revenues reported were \$11.7 billion, a 4% increase from the previous year, missing the estimates.</b>
<b>04/07/2015</b>	<b>Acquisition: TNT</b>	<b>FedEx announced that it would purchase a Dutch delivery company, TNT Express for \$4.8 billion in cash. According to the announcement, the transaction is with high level of certainty. Despite the slow growth in EU, strong dollar made the deal more attractive to FedEx. The company expects that the acquisition of TNT will improve its presence in EU domestic deliveries through strengthening of its global delivery cost advantages. UPS had attempted to acquire TNT two years ago but was unsuccessful.</b>

## Relative Performance & 3- Month Stock Price Chart



FedEx underperformed the Industrials sector ETF by 2.62% and S&P500 by 3.17%.

Stock price chart above shows that the company has been underperforming both S&P500 and the Industrials sector ETF over the past three months. The company's announcement on closing of acquisition of GENCO on Jan 30 drove the stock price up steadily till the mid February. After the company's most recent earnings release on March 18, FedEx stock declined from \$174 to \$165 by March 27. We believe that this was due to the fact that the actual revenue reported was disappointing compared to the estimated figure. Overall the stock chart shows that despite the favorable economic condition, the company has been struggling to maintain its growth rate.

Stock price did not react to the company's announcement on its TNT acquisition by much. The stock price rose from \$173.70 to \$174.50 after the announcement. However, considering that the acquisition has not been completed yet, we believe that the acquisition will have greater impact on the company's performance and stock price movements in the near future once it is closed. UPS, one of the biggest competitors of FedEx failed to acquire TNT two years ago as the European Commission forbade the bid. Experts seem to expect the European Commission to approve the acquisition this time because the same anti-competition concerns do not exist with FedEx. Currently, this multi-billion dollar deal greatly contributed to performance of European exchange market.

## **(B-2) Valuations, Estimates and Recommendations**

### **Valuations**

#### **Original Analysis (03/04/2015)**

<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
P/E (TTM)	18.88	23.20	25.12
P/S (TTM)	0.99	0.65	2.69
P/B (MRQ)	3.27	2.11	2.48
P/CF (TTM)	9.10	11.13	14.29

**Forward P/E from original report from EBO valuation model: 15.61**

#### **Re-evaluation Analysis**

<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
P/E (TTM)	19.45	23.69	29.13
P/S (TTM)	1.02	0.66	3.02
P/B (MRQ)	3.37	2.10	2.57
P/CF (TTM)	9.37	11.33	16.03

**Forward P/E (fiscal year end May 31, 2016) from Yahoo Finance: 15.63**

#### **Comment on the changes; comment also how current forward P/E differs from current P/E**

P/E, P/S, P/B and P/CF for the company increased between the original analysis and the re-evaluation analysis. Especially P/E ratio rose from 18.88 to 19.45, possibly indicating that market is expecting higher earnings growth for FedEx in the future.

Current forward P/E ratio also grew from 15.51 to 15.63, but is still lower than the P/E ratio of 19.63. This tells us that the company earnings are expected to grow in the future.

## Consensus Estimates

### Original Analysis (MM/DD/YY)

#### ***“Consensus Estimates Analysis” Table (Module E3)***

CONSENSUS ESTIMATES ANALYSIS	# of Estimates	Mean	High	Low	Ago
<b>SALES (in millions)</b>					
Quarter Ending May-15	18	12,320.40	12,837.00	12,038.20	12,344.40
Quarter Ending Aug-15	13	12,440.50	12,750.10	11,954.90	12,012.20
Year Ending May-15	23	47,665.50	48,175.30	47,376.80	47,559.70
Year Ending May-16	26	50,634.00	52,045.10	49,313.00	50,254.70
<b>Earnings (per share)</b>					
Quarter Ending May-15	22	2.68	2.81	2.55	2.82
Quarter Ending Aug-15	16	2.66	2.97	2.41	2.40
Year Ending May-15	25	8.94	9.06	8.80	8.82
Year Ending May-16	30	10.86	11.63	10.10	10.70
LT Growth Rate (%)	5	17.14	23.51	11.00	15.88

## **Re-Evaluation Analysis**

### **CONSENSUS ESTIMATES ANALYSIS**

	<b># of Estimates</b>	<b>Mean</b>	<b>High</b>	<b>Low</b>	<b>1 Year Ago</b>
<b>SALES (in millions)</b>					
Quarter Ending May-15	18	12,325.40	12,837.00	12,038.20	12,401.00
Quarter Ending Aug-15	13	12,440.50	12,750.10	11,954.90	12,012.20
Year Ending May-15	24	47,667.00	48,175.30	47,376.80	47,620.70
Year Ending May-16	26	50,637.80	52,045.10	49,313.00	50,254.70
<b>Earnings (per share)</b>					
Quarter Ending May-15	24	2.68	2.81	2.55	2.84
Quarter Ending Aug-15	16	2.66	2.97	2.41	2.40
Year Ending May-15	29	8.94	9.06	8.80	8.86
Year Ending May-16	30	10.83	11.60	10.10	10.71
LT Growth Rate (%)	6	16.45	23.51	11.00	16.05

### **Comment on the changes**

Changes in consensus estimates are minimal for both sales and bottom-line earnings. Overall, there are slight upward trend in sales estimates. There were no changes in consensus estimates for bottom-line earnings except for FR2 (Year ending May 2016), where the mean estimate reduces from 10.86 to 10.83. Long-term growth rate of the company decreased from 17.14% to 16.45%, which contradicts with our analysis on forward P/E ratio from above.

## Estimate Revision Analysis

### Original Analysis (03/04/2015)

#### *“Estimates Revision Summary” Table (Module E4)*

##### ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending May-15	0	0	9	9
Quarter Ending Aug-15	0	0	7	2
Year Ending May-15	0	0	9	14
Year Ending May-16	0	0	14	10
<b>Earnings</b>				
Quarter Ending May-15	0	0	1	21
Quarter Ending Aug-15	0	0	8	4
Year Ending May-15	0	1	3	20
Year Ending May-16	0	1	7	16

## Re-Evaluation Analysis

### ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending May-15	1	0	10	8
Quarter Ending Aug-15	0	0	7	2
Year Ending May-15	1	0	9	14
Year Ending May-16	0	2	13	11
<b>Earnings</b>				
Quarter Ending May-15	0	0	0	22
Quarter Ending Aug-15	1	0	7	5
Year Ending May-15	0	0	6	18
Year Ending May-16	1	1	7	17

### Comment on the changes

Looking at the most recent week from the re-evaluation analysis, there were four upward revisions total, two for revenue and the other two for earnings. There were also three downward revisions, all for FR2 (Year Ending May 2016) revenue and earnings. Compared to “Last Week” column from the original analysis, it seems that there have been more revisions recently. This could be a result of market speculations on the TNT acquisition. Upward revisions are probably based on the expected increase in the company revenue from the expanded Europe operations in the future. On the other hand, the downward revisions are most likely to focus on possible negative impacts of the deal such as slow EU growth and increase expenses from integration effort.

## Analysts' Recommendations

### Original Analysis (03/04/2015)

#### *"Analyst Recommendations and Revisions" Table (Module F1)*

##### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	12	12	11
(2) OUTPERFORM	5	4	4	4
(3) HOLD	12	13	13	14
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.00	2.03	2.03	2.10

## Re-Evaluation Analysis

##### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	12	12	12
(2) OUTPERFORM	5	5	4	4
(3) HOLD	12	12	13	13
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0



No Opinion	0	0	0	0
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Mean Rating	2.00	2.00	2.03	2.03
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### Comment on the changes

There were minimal changes in analyst recommendations between the original analysis and the re-evaluation analysis. Only noticeable change is from two month ago when an analyst changed recommendation from “HOLD” to “OUTPERFORM”. There is also no change in mean rating.

We believe that minimal changes in analyst recommendations were a good sign because this indicates that analysts are still confident in the company despite of all the ups and downs in the company’s stock price movement over the few months.

## (B-3) Technical Indicators (Module I4 from stock research report)

### Short-term technical indicators

#### 10- & 50-day moving average (MA) technical analysis chart with relative strength index (RSI)



There is not much change since the original analysis. Over the last year, FedEx's stock price inconsistently moved above and below the SMA lines. The company's most recent death-cross happened on March 11, 2015. It looks like there will be a golden-cross soon, indicating that the company stock is turning bullish.

According to RSI, FedEx is frequently "oversold" or "overbought", especially around golden crosses and death crosses. Most recently, the company RSI indicated the stock was "oversold" around April 6 and jumped to the "overbought" on April 9. We suspect that the TNT acquisition resulted in the inflated stock price.

### Long-term technical indicators

#### 50- & 200-day moving average (MA) technical analysis chart with relative strength index (RSI)



Again, there is no noticeable difference in long-term technical chart between the original analysis and the re-evaluation analysis. The company witnessed a golden cross at the end of 2010 and has not seen a death cross yet. With the gap between 50-day moving average line and 200-day moving average line gradually widening, we do not believe that the company will see a death cross in the near future.

## Section (C) Update Stock Recommendations

### (C-1) Update on Stock(s) CIF Did Not Buy

**Based on your sector update research, would you have recommended a “*buy*” or a “*do not buy*” on the stock? Provide justifications to support your recommendation for each stock CIF did not buy. Repeat if more than one stock**

FedEx was recommended to the class on April 1, 2015 at a price of 164.59. At the end of the review period it was trading at 171.50. We would have stuck with the recommendation of a buy looking back because of this large rebound. Also, the acquisition of TNT helped contribute to the gain in price and may cause future gains for FedEx. If we would have bought this stock we may recommend a sell currently because of the gain that has been made and some bearish technical indicators for the stock.

Danaher was recommended to the class on March 3, 2015 at a price of 87.47. At the end of the review period the stock was trading at 85.48. This is slightly down from when it was recommended. We would recommend a do not buy for Danaher at the time of the recommendation. This is due to weak performance over the review period and since the recommendation date. The stock has decreased in price and recent technical indicators are bearish. Also, analysts are becoming bearish on the stock with the mean rating increasing slightly and more down revisions for FY1 and FY2 on both earnings and revenues.

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