Holy Cross
Student Investment Fund

New York City Alumni Presentation
April 24th 2019

Overview

Mission Statement

The Holy Cross Student Investment Fund seeks to supplement the liberal arts education and help students develop skills relevant to the financial services industry. Members will gain experience and knowledge in the fields of asset valuation, equity research, and portfolio management to develop the skills necessary to be successful in the business and financial services world.

Objectives

- Provide students with a meaningful experiential learning opportunity.
- Develop analytic skills, critical thinking, and market knowledge.
- Prepare students to successfully transition into opportunities within the financial services industry.

Structure

CEO/CIO/COO

Portfolio Manager	Portfolio Manager
Analyst	Analyst
Analyst	Analyst
Analyst	Analyst

A Year in Review

NYC Presentation

May 2018

Alumni Visit: Paul Bernard '90

May 2018

Training Revamp, 50% Club Growth

September 2018

Alumni Visit: Tom Joyce '93

November 2018

First Place UMass Pitch Competition

March 2019

NYC Presentation

March 2019

HCSIF Leadership Transition

May 2019

Interest: Application Process and Current Demographics

Application Process

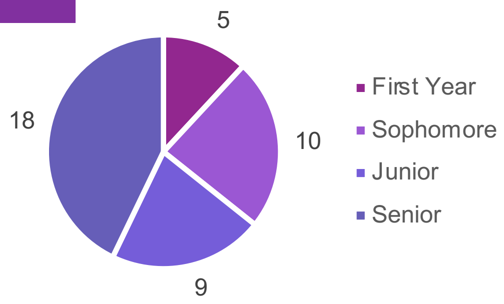
Applications open the Fall and Spring of each academic year. The process entails a resume review, application of interest, and interview to understand prospective member's level of commitment and interest.

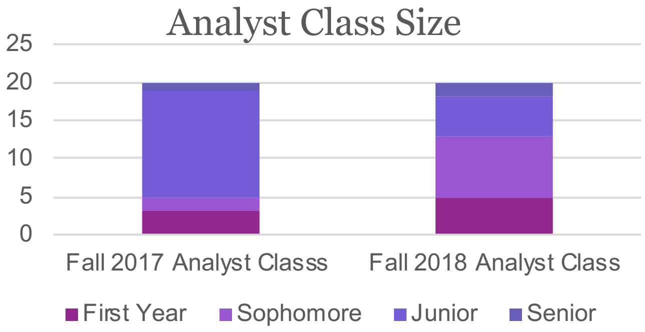
Application Breakdown

	Fall 2017	Spring 2018	Fall 2018	Spring 2019
Number of Applications	60	2	42	3
First Year	3	0	10	0
Sophomore	27	0	21	2
Junior	26	2	8	1
Senior	4	0	3	0
Average Accepted GPA	3.54	3.6	3.4	3.62
Most Common Major	Economics	Economics	Economics	Economics
Others to include	Math	Philosophy	Biology	Spanish

Current Demographics

The Fund currently represents a vast cross-section of campus life. Including members of varsity athletics, admissions, OME, Student Government, and Residence Life.





Junior Analyst Program Curriculum

Phase 1: Foundational

Concepts
- Accounting Fundamentals
- Valuation Introduction
- Introductory texts – ex. *Most Important Thing, Intelligent Investor*
- Bloomberg Market Concepts

Resources
- Wall Street Prep Modules (accounting 101, valuation overview)
- Bloomberg Markets Concepts
- Investing texts– ex. *Most Important Thing, Intelligent Investor, Margin of Safety*

Phase 2: Intermediate Valuation, Security Analysis

Concepts
- Valuation: DCF, Comps, Precedent Transaction Analysis

Resources
- Wall Street Prep Modules (valuation)
- *Investment Banking,* Rosenbaum and Pearl
- Bloomberg Terminal
- Morning Star Research
- Excel Models

BMC
Bloomberg Market Concepts

Wall Street Prep

Industrials-PM: Jack Boyd

Company	Ticker	Market Cap	Analyst
Nucor	NUE	$17.37B	Steve Raniero
Cleveland Cliffs	CLF	$2.38B	Steve Raniero
Oneok	OKE	$28.86B	Steve Raniero
Kaiser Aluminum	KALU	$1.70B	Hannah Callaghan
Conocophillips	COP	$75.78B	Hannah Callaghan
Lockheed Martin	LMT	$89.16B	Jack Mucci
Raytheon Co	RTN	$51.14B	Jack McCabe
L3 Technologies	LLL	$16.92B	Jack McCabe
General Dynamics	GD	$51.12B	Grayson Bautz
Boeing	BA	$211.78B	Michael Morigi
United Tech Corporation	UTX	$118.06B	Michael Morigi
Ford	F	$37.79B	Andrew Corwin
General Motors	GM	$56.12B	Andrew Corwin
United Parcel Service	UPS	$79.15B	Colin Boylan
United Rentals	URI	$10.65B	LJ Foley

TMT- PM: Liam Busconi

Company	Ticker	Market Cap	Analyst
Alphabet	GOOGL	$87.70B	Valerie Fallen
AT&T	T	$233.40B	Valerie Fallen
Facebook	FB	$523.46B	Beth O’Brien
Netflix	NFLX	$166.42B	Beth O’Brien
Intel	INTC	$263.71B	Matt Reuter
Dell	DELL	$45.86B	Matt Reuter
AMD	AMD	$30.16B	Jack Sandor
Texas Instruments	TXN	$108.35B	Jack Sandor
Dassault	DASTY	$39.90B	Sean Severson
Microsoft	MSFT	$955.84B	Sean Severson
The Trade Desk	TTD	$9.28B	Sean Severson
Oracle	ORCL	$187.97B	Ethan Hensley
Intuit	INTU	$68.30B	Ethan Hensley
Adobe	ADBE	$135.06B	Sean Kelly
Salesforce	CRM	$124.27B	Sean Kelly

TMT Cont.

Company	Ticker	Market Cap	Analyst
Amazon	AMZN	$945.39B	Emmet Dalton
Alibaba	BABA	$485.90B	Emmet Dalton
Ebay	EBAY	$32.04B	Kevin Herlihy
Overstock	OSTK	$451.53M	Kevin Herlihy

Consumers- PM: Jack McConnville

Company	Ticker	Market Cap	Analyst
TJX Companies	TJX	$67.01B	Hayden Ivatts
Dollar Tree	DLTR	$26.04B	Hayden Ivatts
United Natural Foods	UNFI	$616.45M	Hayden Ivatts
Constellation Brands	STZ	$39.15B	Liz Timmons
Chipotle	CMG	$19.42B	Leif Johnson
Ford	F	$37.53B	Kyle Copeland
Wyndham Worldwide	WYND	$4.08B	Griffin Tiedy
Anheuser Busch	BUD	$151.21B	Ned Saliba

Career Development

Deloitte.
Northwestern Mutual®
DISCOVERY CAPITAL
BROWN BROTHERS HARRIMAN
PARTNERS CAPITAL
BARCLAYS
SPRINGTIDE PARTNERS
Blackstone
Point72
Jefferies
BLUEPRINT CAPITAL ADVISORS
Fidelity INVESTMENTS®
Bloomberg
S&P Global
LUMA
COLLEGE OF THE Holy Cross CELEBRATING 175 YEARS
Goldman Sachs
Putnam INVESTMENTS
CRESCENT
HUNT
FIRST REPUBLIC It's a privilege to serve you®
citigroup

Q&A

CVS Health®

Holy Cross Student Investment Fund

Jack Boyd, Hannah Callaghan, John McConville, Hayden Ivatts.

Thesis

CVS - $52.43

RATING - BUY

CVS Health offers a significant value investment opportunity. Speculation over the recent merger with Aetna as well as fears over market regulation offer CVS at a immense discount. Alone CVS health offers value in comparison to its industry competitors, evident through its comparatively low multiples. CVS also outshines its competition in same store sales growth, and revenue growth, indicative of a healthy and growing business. Its ratios additionally do not take into account the value added from the recent merger with Aetna, which shows potential for profitable synergys in years to come.

Target Price 1 Year: $112.28

Company Overview

CVS Health®

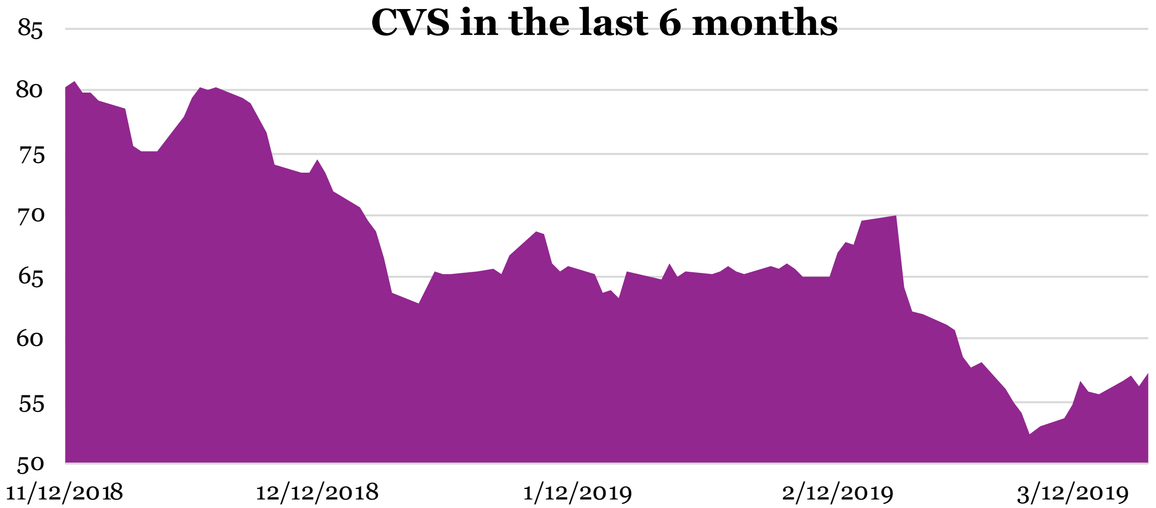
Px

$52.43

Mkt Cap
$68.08B

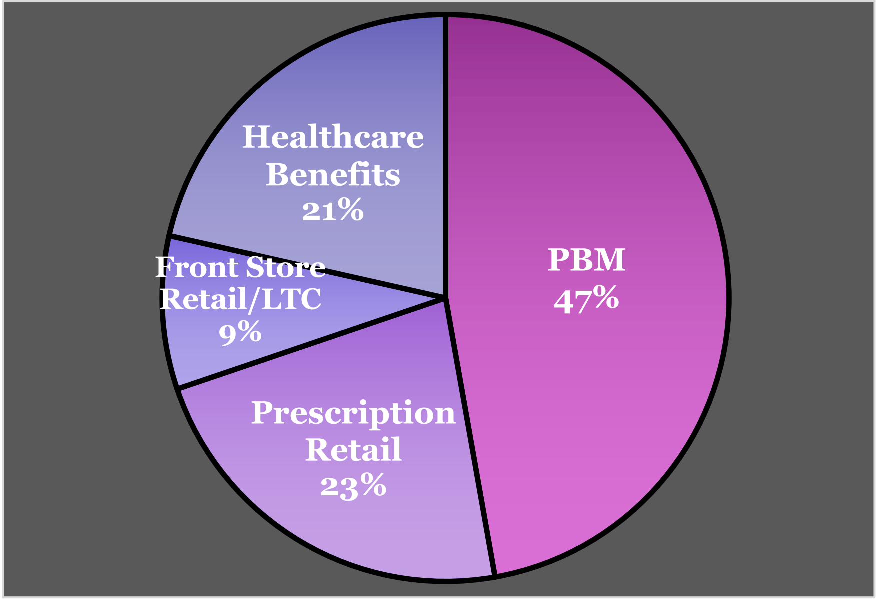
EPS

5.75



	PE	PB	P/S	P/CF	SSS
CVS	9.12	1.24	.3	8.56	6%
Industry avg	9.57	1.64	.37	9.11	3.66%

Business Overview



Revenue Breakdown

Front store retail:

Sells basic goods such as food and personal health products in a convenience store like setting. This segment is an increasingly small focus of their business.

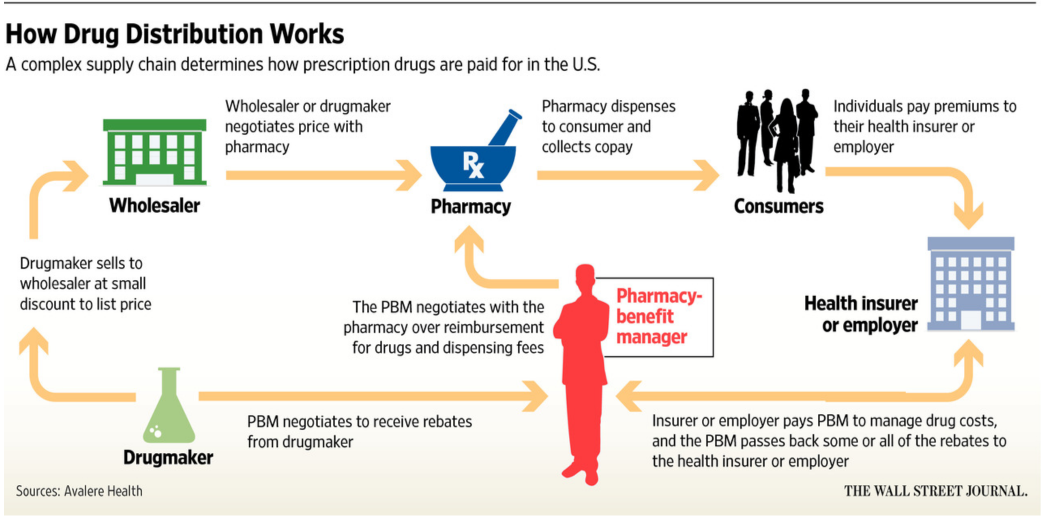
Prescription retail:

Sells prescription medication to customers. Either paid by insurer or directly by customer. Involved in complex pharmaceutical supply chain. CVS's most profitable segment.

PBM (Pharmacy Benefit Management):

Provides claims processing services to pharmacies, insurers, unions, employer insurance plans, and government benefit programs. Negotiates drug prices with manufacturers for its clients.

Economic Moat



PBM's (Pharmacy Benefit Management) make money off:

1. Rebates: The PBM negotiates with manufacturers to get better discounts, or rebates, for their customers and generate a spread. Pharma companies give them better rebates in return for promoting or covering their product.

2. Administration fees: Various fees included in contracts with plan sponsors that PBM's pocket.

3. Pharmacy Spread: Network Pharmacies and sponsors have different contracts with PBM's. Neither knows what the other is paying for a given drug, sponsors are usually charged more then Pharmacies. PBM pockets the spread between the two prices.

- ❑ The Aetna merger will only strengthen CVS's economic moat by giving it to control 3 aspects of the supply chain.
- ❑ This will allow them to incentivize customers and suppliers with streamlined costs.
- ❑ Competitors will be forced to match their prices and new players will be unable to enter the supply chain.

PBM revenue example for $300 drug

1. Retail Network Spread: $3.00
2. Retained Rebate: $9.00
3. Retained Administrative Fee: $6.00

Synergy Breakdown

CVS Health

CVS – Aetna Revenue Model

aetna

Pharmacy Services Segment (PBM role) - "CareMark"

Retail/LTC Segment- "CVS Pharmacy," "Front-store Sales," "OmniCare"

Health Services Segment – "MinuteClinic" and "Coram"

Insurance Company subsidiary- "SilverScripts"

Synergies

Health Care Segment

Group Insurance Segment

Large Case Pensions Segment

Consolidation

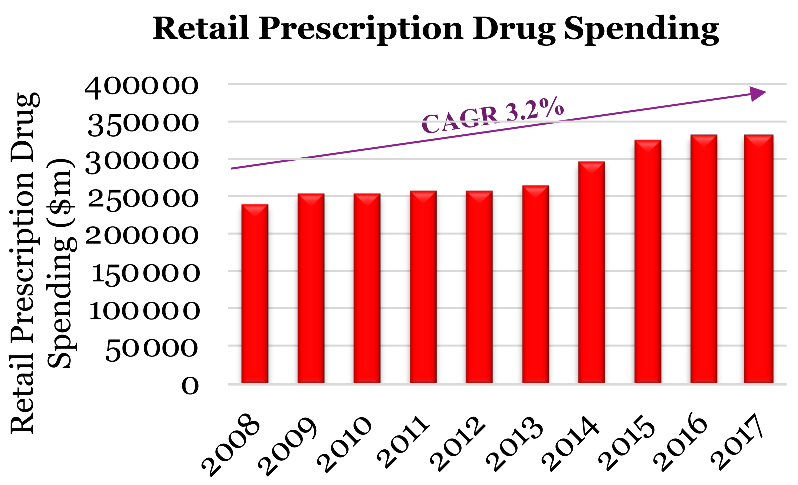
Consolidated into Aetna membership to prevent horizontal and anti-competitive

Synergies:

- Increased pricing power and leverage in the PBM and retail pharmacy business
- Vertically integrated revenue model that eliminates exposure to profit-driven pricing
- Leverage of consumer health service and prescription data

Industry Overview

- The Healthcare Industry is becoming more vertically integrated and consolidated through M&As to stay competitive.
- The top 15 pharmacies accounted for more than three-quarters of total dispensing revenues from retail, mail, long-term care, and specialty pharmacies in 2018.

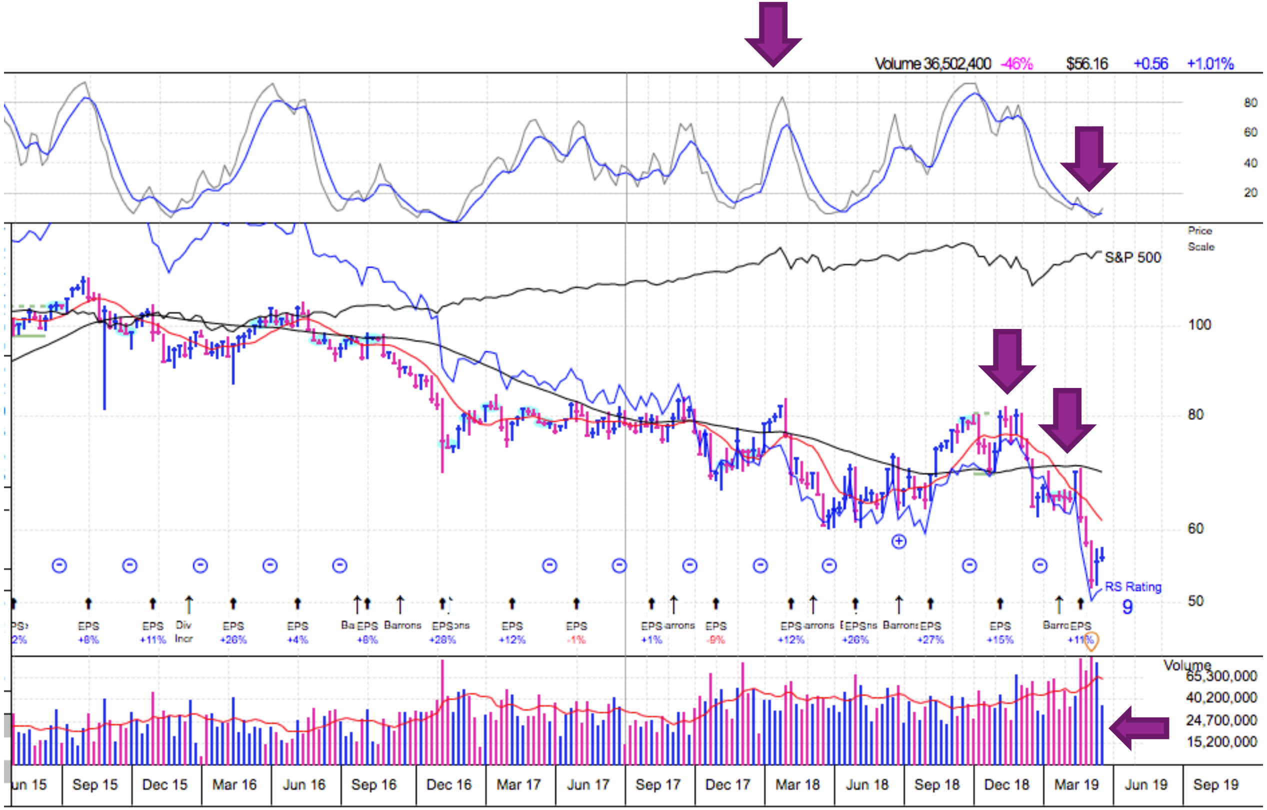


Company	Performance	Firm Strategy
CVS Health	Mkt Cap: 68.08B EV/EBITDA: 10.38 P/E: 9.12	- Expansion with health hubs - Aetna merger
Walgreens Boots Alliance	Mkt Cap: 49.463B EV/EBITDA: 9.83 P/E: 10.31	- Partnership with LabCorp; plan to open 600 patient service centers at Walgreens stores over the next 4 years - Relationship with Prime Therapeutics
Cigna	Mkt Cap: 56.24B EV/EBITDA: 16.99 P/E: 10.82	- Purchased Express Scripts: Expanded Consumer Choice, Patient-Provider Alignment, Personalized Value
UnitedHealth Group	Mkt Cap: 216.26B EV/EBITDA: 11.69 P/E: 17.63	- One of the largest client bases - United Healthcare & Optum (mail order pharmacy; operates health savings accounts; a payment processor for health-care providers.) - In 2017, insurance made up 81% of revenue
Anthem BlueCross	Mkt Cap: 62.77B EV/EBITDA: 8.29 P/E: 16.34	- Diverse customer base (local group, national accounts, Medicaid, Bluecard, Medicare, FEP, Individual)

Perception

Street-
- ❑ Amazon-Effect
- ❑ Regulation
- ❑ Consumer Unfamiliarity
- ❑ Relatively high leverage
- ❑ Consolidation phase

Variant-
- ❑ Indications of overselling
- ❑ Irregular volatility
- ❑ Stochastic indicator



Valuation

Perpetuity Growth Method	
Current Price (USD)	57.36
Consensus Price Target	77.08
DCF Estimated Value per Share (USD)	**112.28**
DCF Estimated Upside	**96%**

		Perpetuity Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
	6.6%	118.70	134.60	153.96	178.04	208.82
Discount	7.1%	102.40	115.45	131.06	150.06	173.70
Rate	7.6%	88.60	99.47	**112.28**	127.60	146.25
(WACC)	8.1%	76.77	85.93	96.60	109.18	124.21
	8.6%	66.51	74.33	83.32	93.80	106.14
		1.0%	1.5%	2.0%	2.5%	3.0%
	6.6%	107%	135%	168%	210%	264%
	7.1%	79%	101%	129%	162%	203%
	7.6%	54%	73%	**96%**	122%	155%
	8.1%	34%	50%	68%	90%	117%
	8.6%	16%	30%	45%	64%	85%

EBITDA Multiple Method	
Current Price (USD)	57.36
Consensus Price Target	77.08
DCF Estimated Value per Share (USD)	**89.27**
DCF Estimated Upside	**56%**

		Terminal EBITDA Multiple				
		8.8x	10.3x	11.8x	13.3x	14.8x
	6.6%	62.78	79.44	96.11	112.77	129.44
Discount	7.1%	60.08	76.36	92.64	108.92	125.20
Rate	7.6%	57.46	73.36	**89.27**	105.17	121.08
(WACC)	8.1%	54.90	70.44	85.98	101.52	117.06
	8.6%	52.41	67.60	82.78	97.97	113.15
		8.8x	10.3x	11.8x	13.3x	14.8x
	6.6%	9%	39%	68%	97%	126%
	7.1%	5%	33%	62%	90%	118%
	7.6%	0%	28%	**56%**	83%	111%
	8.1%	-4%	23%	50%	77%	104%
	8.6%	-9%	18%	44%	71%	97%

Inputs

- ❑ Effective Tax Rate 26%; WACC 7.6%, 2% perp.
- ❑ Top and Bottom Line Growth from synergies
- ❑ CAPEX of 2.6 Billion for 19; 1% of Rev after.
- ❑ De-Leveraging Scenario built in
- ❑ Dividend Payments→ Constant.

Outputs

- ❑ 96% upside
- ❑ Leverage Ratio decrease to 3.0x figure (increased equity value)
- ❑ Value Creation Top and Bottom Line growth.
- ❑ Revenue Reduction 2022 due to proposed DHHS rule.

Valuation

In Millions of USD	Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E	Trend
Revenue (Estimate Comparable)	126,761	139,367	153,290	177,526	184,786	194,579	251,307	261,575	270,689	265,275	270,580	275,992	
% YoY Growth		0%	10%	16%	4%	5%	29%	4%	3%	-2%	2%	2%	
EBITDA	9,835	10,724	11,929	13,081	12,674	13,509	17,358	18,213	19,276	18,890	19,750	20,145	
% Margin	8%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	
Free Cash Flow		6,031	7,331	8,914	5,889	20,978	10,386	8,799	6,043	13,123	15,598	13,850	
% Margin		4%	5%	5%	3%	11%	4%	3%	2%	5%	6%	5%	

In Millions of USD		Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E	Year 5
Revenue (Estimate Comparable)		126,761	139,367	153,290	177,526	184,786	194,579	251,307	261,575	270,689	265,275	270,580	275,992	
Revenue (Adjusted)		126,761	139,367	153,290	177,526	184,786	194,579							
% YoY Growth	Edit Row			10%	16%	4%	5%	29%	4%	3%	-2%	2%	2%	
(-) Cost of Revenue		102,978	114,000	126,762	148,669	156,258	163,041	202,933	211,993	216,557	212,226	220,794	225,210	
(-) Cost of Revenue (GAAP)		102,978	114,000	126,762	148,669	156,258	163,041							
% of Revenue		81%	82%	83%	84%	85%	84%	81%	81%	80%	80%	82%	82%	
(=) Gross Profit		23,783	25,367	26,528	28,857	28,528	31,538	48,374	49,582	54,132	53,049	49,787	50,783	
% Margin	Edit Row	19%	18%	17%	16%	15%	16%	19%	19%	20%	20%	18%	18%	
(-) Operating Expenses/Income		15,818	16,574	16,691	18,251	18,333	20,747	34,266	34,800	38,446	37,677	33,625	34,298	
% of Revenue	Edit Row	12%	12%	11%	10%	10%	11%	14%	13%	14%	14%	12%	12%	
% YoY Growth			5%	1%	9%	0%	13%	65%	2%	10%	-2%	-11%	2%	
(=) Operating Income		7,965	8,793	9,837	10,606	10,195	10,791	14,109	14,782	15,686	15,372	16,162	16,485	
% Margin		6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	
(-) Tax on Operating Income		2,905	3,236	3,513	3,329	3,304	2,132	4,986	5,100	5,268	5,120	5,263	5,582	
% Tax Rate	Edit Row	39%	40%	39%	35%	37%	26%	35%	35%	34%	33%	33%	34%	
(=) NOPAT		5,060	5,557	6,324	7,277	6,891	8,659	9,123	9,681	10,418	10,253	10,899	10,903	
% Margin		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	
(+) Depreciation & Amortization		1,870	1,931	2,092	2,475	2,479	2,718	3,249	3,431	3,590	3,518	3,588	3,660	
% of Revenue	Edit Row	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
% YoY Growth			3%	8%	18%	0%	10%	20%	6%	5%	-2%	2%	2%	
(-) Capital Expenditure		1,984	2,136	2,367	2,224	1,918	2,037	2,526	2,603	2,840	2,866	2,757	2,840	
% of Revenue	Edit Row	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
% YoY Growth			8%	11%	-6%	-14%	6%	24%	3%	9%	1%	-4%	3%	

Perpetuity Growth Method - Value per Share	
Free Cash Flow at Year 5	15,215
WACC	7.6%
Perpetuity Growth Rate	2.0%
Perpetuity Value at End of Year 5	277,123
Present Value of Perpetuity (@ 7.6% WACC)	192,137
(+) Present Value of Free Cash Flows (@ 7.6% WACC)	44,845
(=) Current Enterprise Value	**236,982**
Short Term Debt	1,985
(+) Long Term Debt	95,626
(-) Cash and Marketable Securities	6,581
(-) Current Net Debt	91,030
(-) Current Preferred and Minority Interest	318
(=) Equity Value	145,634
Shares outstanding	1,297
Estimated Value per Share (USD)	**112.28**
Current Price (USD)	57.36
Estimated Upside	**96%**

Risks

DHHS Rule Proposals

Increased CAPEX Due to Renovations

Rise of Competitors in E-Commerce Distribution

Potential Rate Increases

No Realization of Synergies

UMASS- Isenberg Stock Pitch Competition Winner

The Competition

The Holy Cross Student Investment Fund participated in its first ever Stock Pitch Competition this year at University of Massachusetts Isenberg. HCSIF sent Jack Boyd ‘21, Jack McConville ‘20, Hannah Callaghan ‘20, and Hayden Ivatts ‘21 to represent Holy Cross presenting a long/short investment thesis on a stock listed on the NYSE. HCSIF presented a buy on CVS and placed first among teams represented by Harvard, MIT, Yale, Columbia, Georgetown, and NYU.

Take-aways

The ability to tell a narrative within the numbers presented gave us a distinct advantage over our peers. Another team also pitched a buy on CVS.

We noticed a significant array of valuation techniques used by our peers. As such, we seek to expand the breadth of valuation concepts used in our analysis.

Concerted focus on the balance sheet and debt paydown schedule were pivotal in proper valuation. Along with concise summary of the PBM business of CVS.

Future Goals

University of Michigan Pitch Competition

↓

CQA Portfolio Management Competition

↓

Cornell and Isenberg Pitch Competitions


How Drug Distribution Works
Wholesaler
Pharmacy
Consumers
Health insurer or employer
Drugmaker
PBM's (Pharmacy Benefit Management) make money off:
1. Rebates: The PBM negotiates with manufacturers to get better discounts, or rebates, for their customers and generate a spread. Pharma companies give them better rebates in return for promoting or covering their product.
2. Administration fees: Various fees included in contracts with plan sponsors that PBM's pocket.
3. Pharmacy Spread: Network Pharmacies and sponsors have different contracts with PBM's. Neither knows what the other is paying for a given drug, sponsors are usually charged more then Pharmacies. PBM pockets the spread between the two prices.
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PBM revenue example for $300 drug
1. Retail Network Spread: $3.00
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Industry Overview
Competitors
Perception
Q&A


ISENBERG
SCHOOL OF MANAGEMENT
UMassAmherst
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PAY TO THE ORDER OF
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1st Place Stock Pitch
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United Rentals (URI)

LJ Foley, Colin Boylan, Jack Mucci, Elizabeth Timmons, Leif Johnson

Recommendation

Thesis

The stock of URI has been hit hard by worries of an economic slowdown. In reality, the company is much better equipped to handle the later stages of a market cycle than in the past. URI will be driven in the future by sustaining strong free cash flow. This gives URI the ability to continually buyback shares in preparation for a potential revenue slowdown.

Current Price: $138.38

Base Case
$188
+36%

Bull Case
$298
+115%

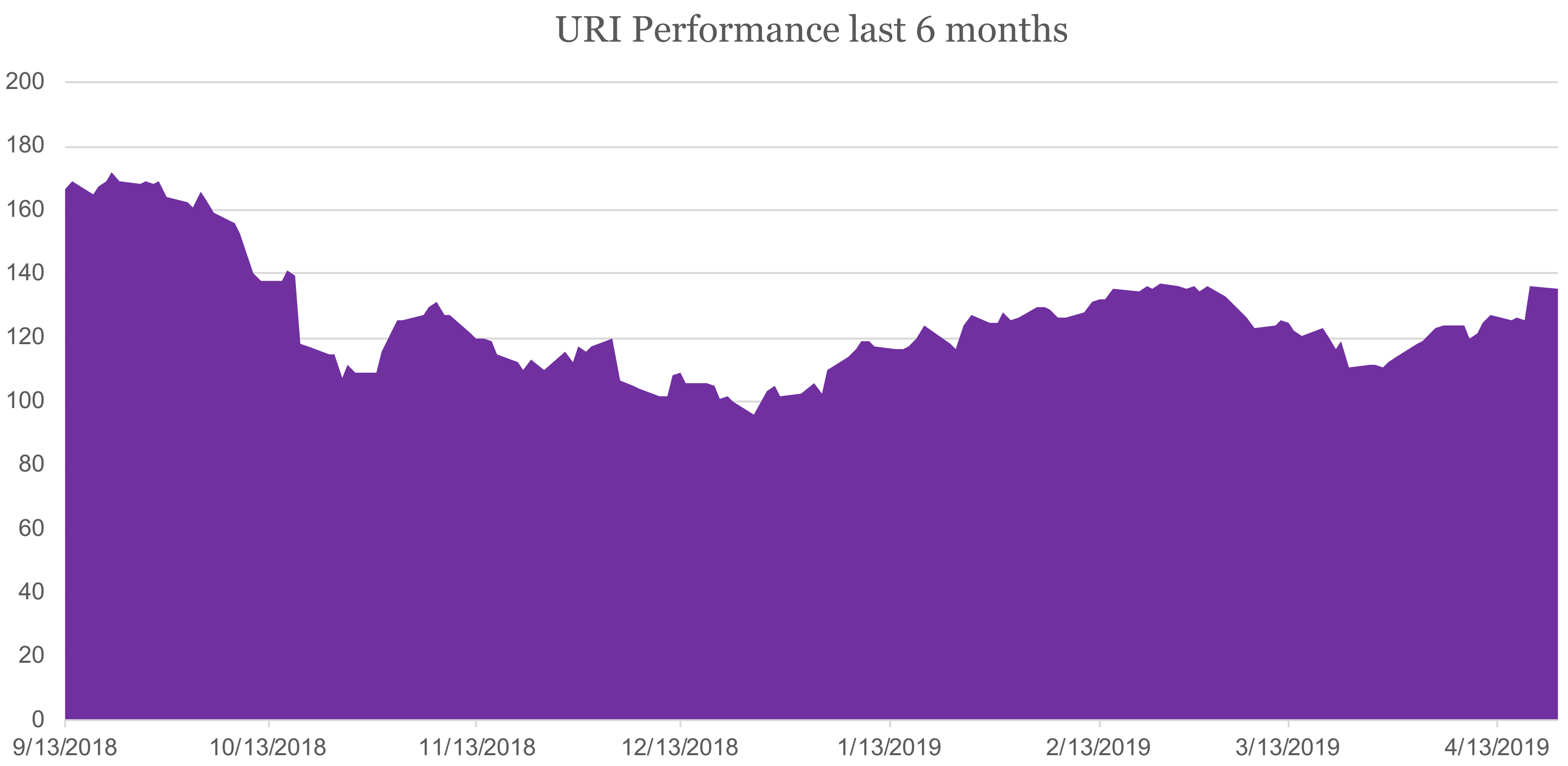
Key Thesis Drivers

An improving balance between URI's two business segments with an emphasis on growing the specialty business.

Continued strong cash flow that allows URI capital flexibility to pay back debt, further invest in the business, or buy back shares.

URI's ability to adjust their business model to produce cash flow during an economic slowdown.

Company Overview: Equity Performance



Company Overview

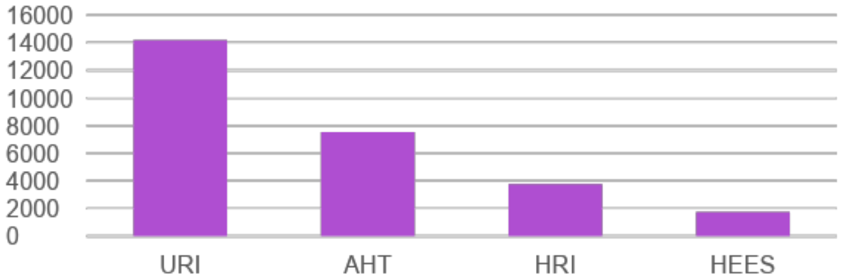
URI Summary

United Rentals is the #1 equipment rental company in North America. United Rentals stores and maintains industrial and construction equipment to be rented out by customers. The company's goal is to use their size to develop strategic advantages over their competitors and eventually consolidate the fragmented industry through organic growth and strategic M&A.

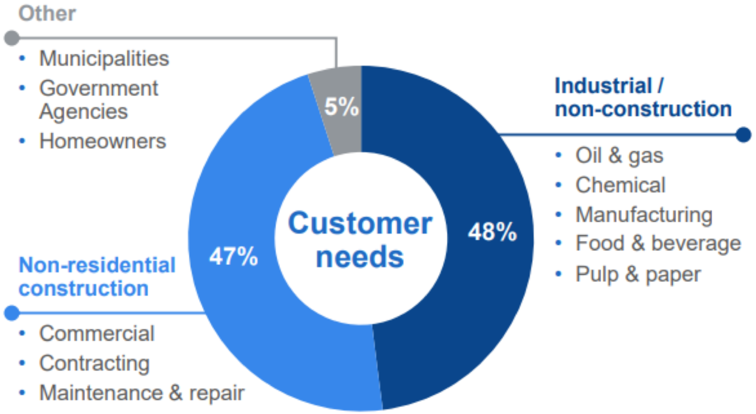
Financial Ratios

Market Capitalization: $10.88 Billion
Total Debt: $11.6 Billion
Enterprise Value: $22.44 Billion
Revenue: $8.04 Billion
EV/Revenue: 2.79x
Trailing P/E: 9.64
EV/EBITDA: 5.97x

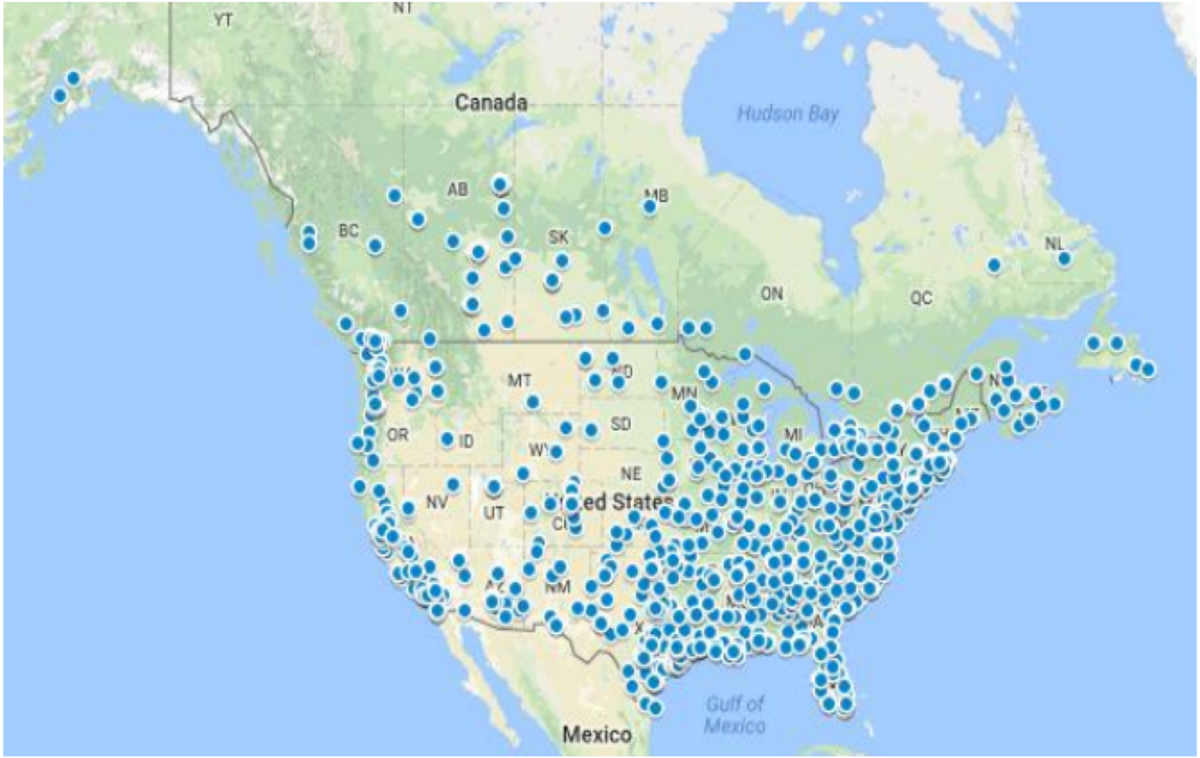
URI Has The Largest Fleet in The Industry



Customer Mix*



Company Overview: Branch Locations



Total branch count: 1,197[1]

- General Rentals: 874 locations
- Specialty: 323 locations[2]

Largest U.S. states by number of locations[1]

- Texas: 168
- California: 109
- Florida: 62
- Louisiana: 50
- Georgia: 42

Company Overview: Breakdown of Business Segments

General Rentals

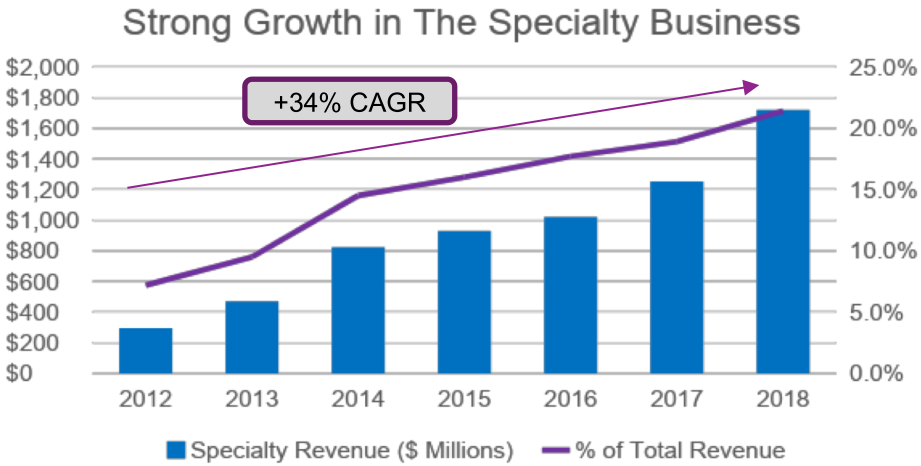
- The General Rentals segment makes up the majority of revenue for URI.
- This segment is more cyclical with lower margins. Gross Margin was 41% in 2018.
- General Rentals has been a declining part of overall revenue since the financial Crisis.
- The Segment has decreased from 93.4% of overall revenue, to 78.6% in 2018.

General Rentals Financials

- Revenue- $6.55 Billion
- Revenue Growth- 18%
- Revenue 5 year CAGR-6%
- % of Overall Revenue- 78.6%
- Gross Margin- 41%
- Revenue Share (2013)-92.7%

Trench, Pump, and Power

- Trench, Pump, and Power is the smaller of the two business segments for URI.
- TTP is more of a specialty business that has higher gross margins at 48% and is better insulated from the economy.
- Since the financial crisis, URI has been focused on growing this segment to improve their financial profile.



Industry Overview

Advantages of Renting Equipment vs. Owning Equipment

Conservation of Capital

Risk Management

Save on the Cost of Storing Equipment

Eliminates the Need for Maintenance of Equipment

Access to Equipment for Any Job

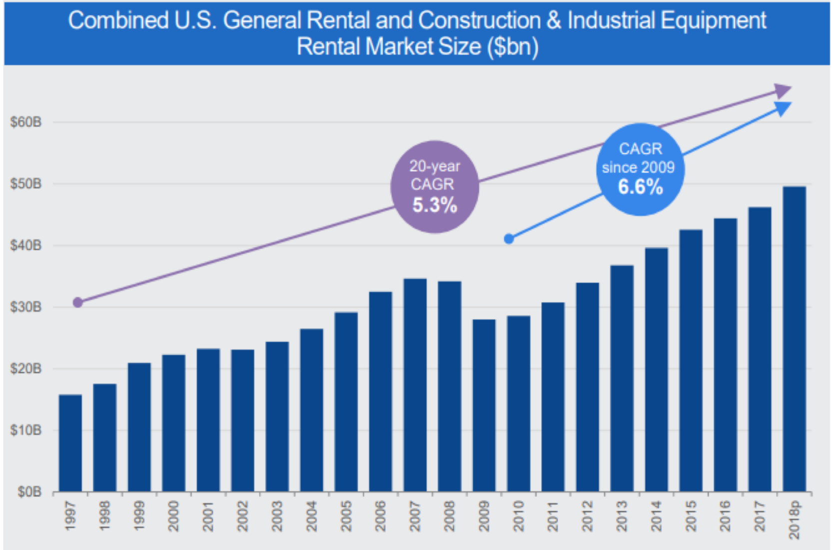
Manage Inventory

Reduced Downtime

Equipment Tracking

24/7 Customer Care

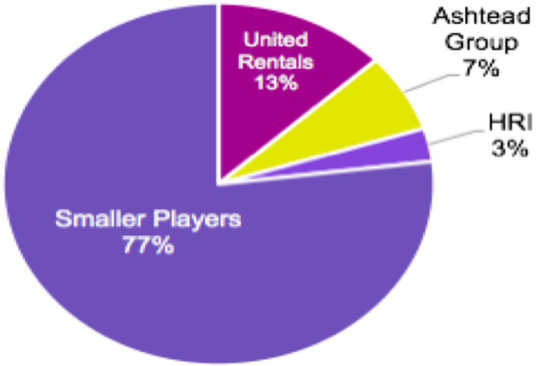
Equipment Rental Industry Growth



- The equipment rental market has grown at a CAGR of 5.3% over the last twenty years.
- Growth has accelerated to 6.6% since the financial crisis.

Current Market & Opportunities for Growth

Market Share Breakdown



Opportunity to Pursue Accretive M&A

6 major acquisitions since 2012
Total Value: $10 Billion

Strong FCF creation allows future bolt-on acquisitions

Digital Commerce revenues +45% in 2018

31,000 new Customers gained via digital commerce in 2018

Continued Growth of The Specialty Business

- Higher growth, margins vs. core business.
- Specialty business: rev. growth catalyst.
- Continued growth = better overall margins.
- Better insulated vs. macro-cyclical trends.

Emphasis on Technology

Customer Growth 2018

TC CUSTOMERS	
Revenue	$1.8 billion
Total Accounts	9,380
REVENUE GROWTH	
TC Customers	+39%
Same Customers	+18%

User Adoption 2018

"Calls for Pick Up" via TC and Digital Solutions	+32% YoY
Reservations Placed Digitally via TC	+30% YoY

Competitive Advantages

	URI	HRI	HEES	AHT (London)
Market Cap (M)	$10,660	$1,326	$1,051	$10,188
Com. Shares (M)	78.6	28.6	35.8	469.5
Share Price	$136.00	$46.26	$29.47	$113.86
Trailing P/E	9.64	16.48	12.01	8.63
EV/EBITDA	5.97x	5.30x	10.79x	6.55x
Leverage Ratio	2.90x	3.32x	2.77x	1.62x
2019 Proj. Free Cash Flow (M)	$1,400	$(289.9)	$(204)	$100.4
Total Debt (M)	$11,747	$2,160	$1,115	$3,741

Key Advantages

- Large and Diverse Fleet
- Technology Systems
- Significant Purchasing Power
- National Account Program
- Operational Efficiencies
- Geographic Diversification

Street Perception

- Currently the market perceives United Rentals' performance to be closely tied to the economic cycle.
- As a result, URI stock of United Rentals struggled during the second half of 2018 when the health of the economy came into question.
- Going forward, the market will want to see economic strength to have faith in United Rentals.
- The market is also concerned with the ability of United Rentals to manage their significant debt load.
- The market has priced in concern over URI's capital flexibility. This would include a decrease in share buybacks that have defined URI over the past several years.

Wall Street Ratings

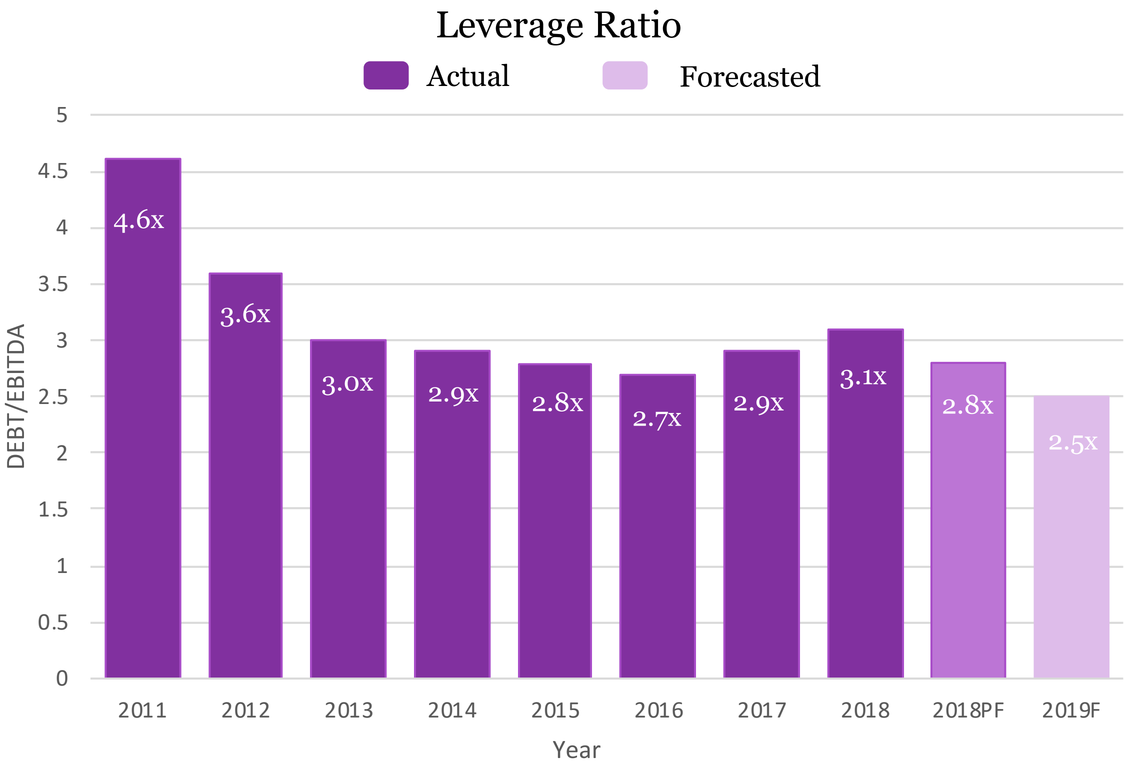
- Buys- 14
- Holds- 6
- Sells- 1
- Consensus Price Target: $160

Price History

- 52 week high-$185.74
- 52 week low-$94.28
- 1 year change: -12%

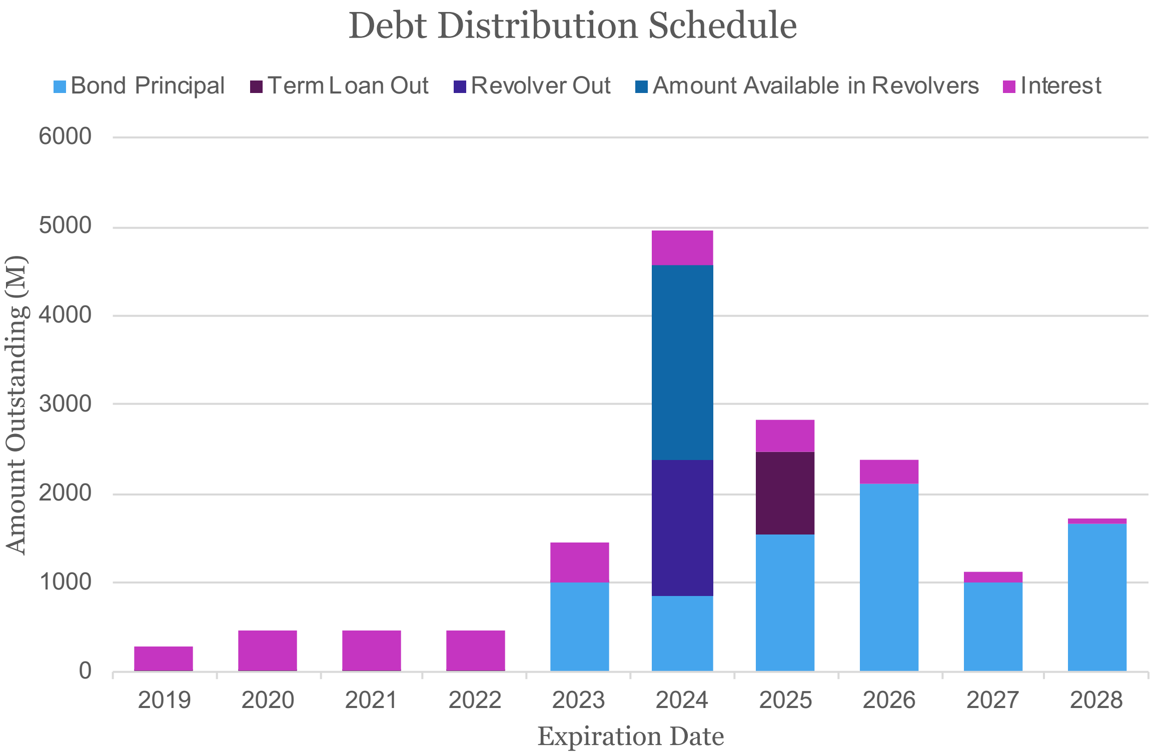
Variant Perception: Debt

- URI carries a significant amount of debt on its balance sheet. However, the company has proven its ability to manage debt in the past.
- This debt is a result of recent acquisitions that are essential to the companies business plan.
- Over time these acquisitions will prove accretive and continually produce strong profitability which will help URI handle their debt.



Variant Perception: Debt

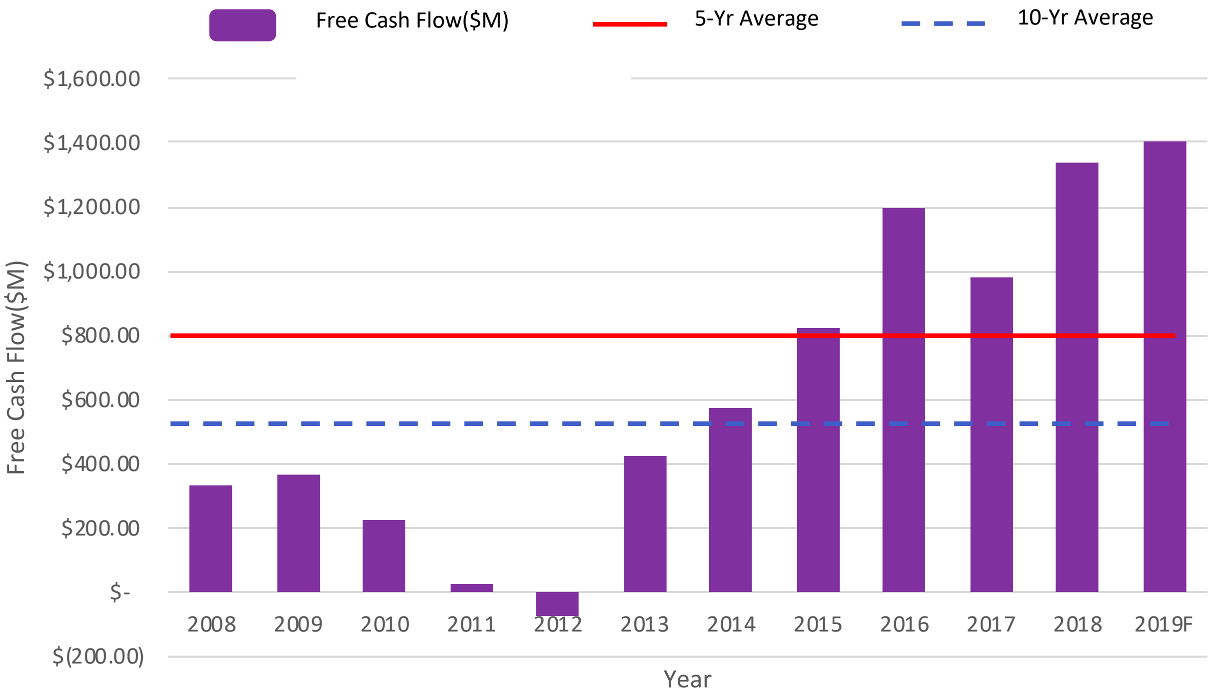
- URI's does not have to start paying off debt until 2023, this gives them several years of cash flow to handle their payments.
- 70% of their debt is fixed, as opposed to 30% which is floating ratio.
- Having several years before maturity ensures that URI should not be hampered by their debt load going forward.



Variant Perception: Capital Allocation

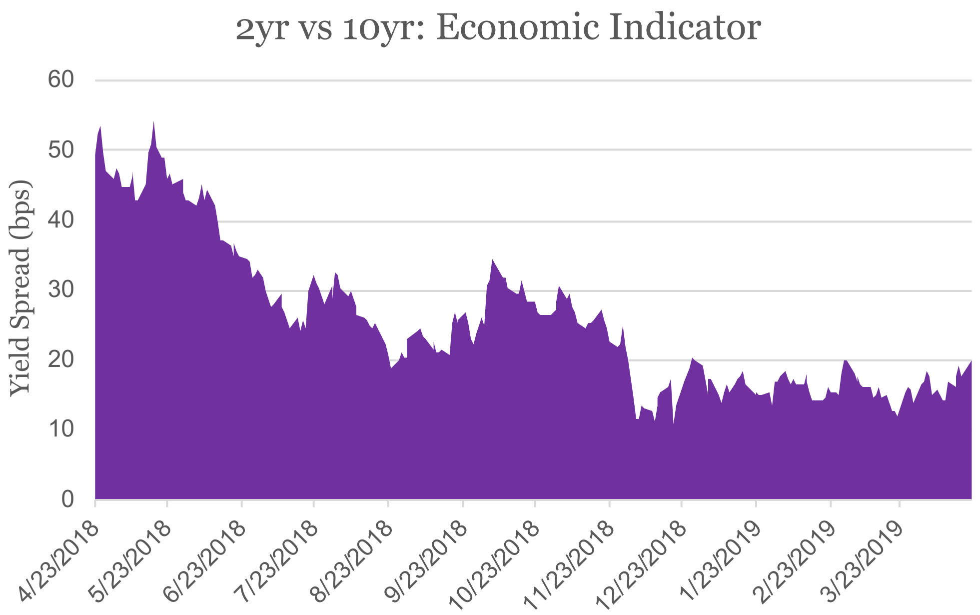
- URI will continue to commit to share buybacks and returning cash to shareholders in the future.

- With the goal of integrating two recent and large acquisitions will be focused on buying back shares and paying off debt.



Variant Perception: Cyclicality

- URI is the best managed company in a highly cyclical industry.
- In an economic downturn URI has the opportunity to cut their capital expenditure numbers in order to increase Free cash flow.
- The increasingly balanced mix between their two business segments should put URI in a better position to succeed in a tougher economic environment.
- During this positive economic cycle, the company has demonstrated highly consistent margins.



Valuation: Base Case

Perpetuity Growth Method	
Current Price (USD)	$136.60
Consensus Price Target	$164.94
DCF Estimated Value per Share (USD)	**$188.88**
DCF Estimated Upside	**38%**

		Perpetuity Growth				
		2.5%	3.0%	3.5%	4.0%	4.5%
	8.2%	200.96	229.49	264.08	306.92	361.32
Discount	8.7%	171.37	194.86	222.86	256.82	298.87
Rate	9.2%	146.20	165.82	**188.88**	216.38	249.72
(WACC)	9.7%	124.55	141.13	160.40	183.04	210.04
	10.2%	105.71	119.89	136.17	155.09	177.33
		2.5%	3.0%	3.5%	4.0%	4.5%
	8.2%	47%	68%	93%	125%	165%
	8.7%	25%	43%	63%	88%	119%
	9.2%	7%	21%	**38%**	58%	83%
	9.7%	-9%	3%	17%	34%	54%
	10.2%	-23%	-12%	0%	14%	30%

EBITDA Multiple Method	
Current Price (USD)	$136.60
Consensus Price Target	$164.94
DCF Estimated Value per Share (USD)	**$175.51**
DCF Estimated Upside	**28%**

		Terminal EBITDA Multiple				
		2.5x	4.0x	5.5x	7.0x	8.5x
	8.2%	41.84	115.77	189.70	263.64	337.57
Discount	8.7%	38.02	110.27	182.51	254.76	327.01
Rate	9.2%	34.29	104.90	**175.51**	246.12	316.73
(WACC)	9.7%	30.66	99.68	168.69	237.71	306.72
	10.2%	27.12	94.58	162.05	229.51	296.97
		2.5x	4.0x	5.5x	7.0x	8.5x
	8.2%	-69%	-15%	39%	93%	147%
	8.7%	-72%	-19%	34%	87%	139%
	9.2%	-75%	-23%	**28%**	80%	132%
	9.7%	-78%	-27%	23%	74%	125%
	10.2%	-80%	-31%	19%	68%	117%

Inputs

- Discount Rate adjusted to 9.2%.
- Revenue Reduction in 2020, accounts for cyclicality risk.
- ABS issuance, and ST, LT Debt considered.
- Changed CAPEX to 24% (historical avg.)

Outputs

- 38% projected upside via Perpetuity Growth.
- 28% upside EV/EBITDA Multiple Method.
- Leverage ratio Goal of 2.5x figure achieved.
- Interest expense payments paid out of Operating Exp.

Valuation: Bull Case

Perpetuity Growth Method	
Current Price (USD)	$136.60
Consensus Price Target	$164.94
DCF Estimated Value per Share (USD)	**$298.23**
DCF Estimated Upside	**118%**

		Perpetuity Growth				
		3.0%	3.5%	4.0%	4.5%	5.0%
	7.8%	328.85	378.30	440.76	522.15	632.61
Discount	8.3%	281.03	320.41	368.96	430.27	510.17
Rate	8.8%	241.50	273.50	**312.17**	359.82	420.02
(WACC)	9.3%	208.29	234.72	266.14	304.10	350.89
	9.8%	180.00	202.13	228.09	258.94	296.21
		3.0%	3.5%	4.0%	4.5%	5.0%
	7.8%	141%	177%	223%	282%	363%
	8.3%	106%	135%	170%	215%	273%
	8.8%	77%	100%	**129%**	163%	207%
	9.3%	52%	72%	95%	123%	157%
	9.8%	32%	48%	67%	90%	117%

EBITDA Multiple Method	
Current Price (USD)	$136.60
Consensus Price Target	$164.94
DCF Estimated Value per Share (USD)	**$194.13**
DCF Estimated Upside	**42%**

		Terminal EBITDA Multiple				
		3.0x	4.5x	6.0x	7.5x	9.0x
	7.8%	73.15	148.46	223.78	299.09	374.40
Discount	8.3%	68.63	142.22	215.82	289.41	363.00
Rate	8.8%	64.23	136.15	**208.07**	279.98	351.90
(WACC)	9.3%	59.95	130.23	200.52	270.80	341.09
	9.8%	55.77	124.47	193.17	261.87	330.57
		3.0x	4.5x	6.0x	7.5x	9.0x
	7.8%	-46%	9%	64%	119%	174%
	8.3%	-50%	4%	58%	112%	166%
	8.8%	-53%	0%	**52%**	105%	158%
	9.3%	-56%	-5%	47%	98%	150%
	9.8%	-59%	-9%	41%	92%	142%

Inputs

- Integrated Debt Pay-down in years 23/24,↑ equity value
- 4% Perp Growth, implied from Vector table of WACC and YR 5 FCF growth (9%). Discount Rate: 8.8%, continued issuance of ABS.
- 6.0x Exit Multiple → Target implied.

Outputs

- 118% upside via Perpetuity Growth Method.
- 42% upside via EBITDA Multiple Method
- Successful Repurchase of 830 Million worth of Shares.
- Leverage Ratio declines to 1.0x figure.

Risks

High Debt Load

- Need strong growth to service debt
- ↑ future rates = ↑ cost of debt
- High debt constraints future M&A

Competitive Marketplace

- Rental market: very fragmented
- URI: largest with 13% share
- URI lacks pricing power: 2018 +2.6% YoY rental prices ~ inflation

Operation in a Cyclical Industry

- Industry: construction is cyclical
- ↓ US GDP % = ↓ URI rev. growth
- 2020+: risk for recession increases

Failure to Integrate New Businesses

- M&A: vital to URI's strategy
- Lack of synergies, overpaying for M&A could harm operating results
- Goodwill: ~27% of FY18 assets

Conclusion

We believe United Rentals is a buy because of the company's top position in the equipment rental industry, as well as it's significant diverse geographic locations. URI's key drivers in the market, including it's strong free cash flow and improved balance between the two business segments will allow them to continue to see great performance, even in a potential recession coming. Lastly, URI's continued focus on share buy backs is one way they continue to draw investor interest and prove their cash flow strength.

A Look Ahead: 2019-2020 Planning, Continuity, and Investment

New Leadership

Jack Boyd '21
Chief Operating Officer
Major: Economics & History
Involvement: Rugby
Hometown: Chicago, IL

Jack McConville '20
Chief Executive Officer
Major: Philosophy & Political Science
Involvement: Rugby
Hometown: Madison, CT

Margaret Burd '20
Chief Investment Officer
Major: Economics & History
Involvement: WIB
Hometown: Morristown, NJ

2019/2020 Plan

Firm Mode of Outreach

- Women in Business
- Distribution List/ mailing slip
- Advisory board (professor/alum advisors)
- Co-Curricular Extravaganza
- 2019 Fall Class Target: 20 Students
- 75% to 1st & 2nd yr. 25% to 3rd & 4th

Internal Development

- Building out Diverse and Complex Financial Models
- Increased Focus on Credit and Fixed Income
- Increased Stock Pitch Competition's
- Semester Newsletter Updates

A Special Thanks

Emmett Daly '82

John Mullman '82

Prof. David Chu

Cassie Gevry

Q&A

Appendix

In Millions of USD	Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E	Trend
Revenue (Estimate Comparable)	552	850	1,032	683	968	1,588	2,259	3,040	4,079	5,498	7,059	9,890	
% YoY Growth		0%	21%	-34%	42%	64%	42%	35%	34%	35%	28%	40%	
EBITDA	(92)	(132)	(146)	(85)	(17)	40	415	655	1,031	1,397	2,781	3,896	
% Margin	-17%	-15%	-14%	-12%	-2%	2%	18%	22%	25%	25%	39%	39%	
Free Cash Flow		(198)	(94)	(124)	(72)	(53)	329	564	830	1,154	2,501	3,671	
% Margin		-23%	-9%	-18%	-7%	-3%	15%	19%	20%	21%	35%	37%	

In Millions of USD		Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E	Year 5
Revenue (Estimate Comparable)		552	850	1,032	683	968	1,588	2,259	3,040	4,079	5,498	7,059	9,890	
Revenue (Adjusted)		552	850	1,267	1,709	2,214	3,298							
% YoY Growth	Edit Row			21%	-34%	42%	64%	42%	35%	34%	35%	28%	40%	
(-) Cost of Revenue		424	624	897	1,133	1,375	1,994	1,314	1,708	1,368	1,818	1,271	1,780	
(-) Cost of Revenue (GAAP)		424	624	897	1,133	1,375	1,994							
% of Revenue		77%	73%	87%	166%	142%	126%	58%	56%	34%	33%	18%	18%	
(=) Gross Profit		129	226	370	576	839	1,304	945	1,332	2,712	3,680	5,789	8,109	
% Margin	Edit Row	23%	27%	36%	84%	87%	82%	42%	44%	66%	67%	82%	82%	
(-) Operating Expenses/Income		229	376	544	699	893	1,325	912	1,154	2,275	3,033	3,894	5,456	
% of Revenue	Edit Row	41%	44%	53%	102%	92%	83%	40%	38%	56%	55%	55%	55%	
% YoY Growth			65%	44%	28%	28%	48%	-31%	27%	97%	33%	28%	40%	
(=) Operating Income		(100)	(150)	(174)	(123)	(54)	(21)	33	178	437	647	1,894	2,654	
% Margin		-18%	-18%	-17%	-18%	-6%	-1%	1%	6%	11%	12%	27%	27%	
(-) Tax on Operating Income		2	1	4	2	0	(2)	-	-	-	-	-	-	
% Tax Rate	Edit Row													
(=) NOPAT		(102)	(152)	(178)	(124)	(54)	(20)	33	178	437	647	1,894	2,654	
% Margin		-18%	-18%	-17%	-18%	-6%	-1%	1%	6%	11%	12%	27%	27%	
(+) Depreciation & Amortization		8	19	28	38	37	61	383	477	594	750	887	1,243	
% of Revenue	Edit Row	1%	2%	3%	6%	4%	4%	17%	16%	15%	14%	13%	13%	
% YoY Growth			125%	49%	37%	-1%	64%	528%	25%	25%	26%	18%	40%	
(-) Capital Expenditure		48	29	37	25	26	61	77	102	146	171	213	153	
% of Revenue	Edit Row	9%	3%	4%	4%	3%	4%	3%	3%	4%	3%	3%	2%	
% YoY Growth			-40%	30%	-32%	3%	135%	26%	32%	43%	17%	25%	-28%	
(-) Changes in Net Working Capital			36	(93)	12	29	32	9	(11)	56	71	67	73	
% of Revenue	Edit Row		4%	-9%	2%	3%	2%	0%	0%	1%	1%	1%	1%	
(+) Changes in Net Long Term Deferred Tax Liabilities			(0)	0	0	(0)	(1)	- 0	0	0	- 0	- 1	- 0	
% of Revenue	Edit Row		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
(+) Other User Estimated Non-Cash Adjustments								-	-	-	-	-	-	
% of Revenue	Edit Row							0%	0%	0%	0%	0%	0%	
(=) Free Cash Flow			(198)	(94)	(124)	(72)	(53)	329	564	830	1,154	2,501	3,671	2,632
% Margin	Edit Row		-23%	-9%	-18%	-7%	-3%	15%	19%	20%	21%	35%	37%	
% YoY Growth				-52%	31%	-41%	-27%	-726%	71%	47%	39%	117%	47%	
% of the Free Cash Flow to be discounted								69%	100%	100%	100%	100%	31%	
Period for Discount Factor (Mid-Year Convention)								0.35	1.19	2.19	3.19	4.19	4.85	
Discount Factor @ 13.9% WACC								0.96	0.86	0.75	0.66	0.58	0.53	
Present Value of Free Cash Flow (5 Years)								218	483	624	762	1,449	599	
EBITDA		(92)	(132)	(146)	(85)	(17)	40	415	655	1,031	1,397	2,781	3,896	3,124
% Margin	Edit Row	-17%	-15%	-14%	-12%	-2%	2%	18%	22%	25%	25%	39%	39%	
% YoY Growth			44%	11%	-42%	-80%	-336%	948%	58%	57%	35%	99%	40%	

Appendix: M&A Record

With 20 years of execution experience for 275+ transactions, team has successfully integrated assets in different environments and across the spectrum from bolt-ons to transformational

RSC (2012)

- **Size: $4.2B** transaction value (cash and stock)
- **Type:** 'Grow-the-core' gen rent acquisition
- **Rationale:** Positions URI as **leader in North American rental industry**
- **Value: Potential for $200M cost savings** from branch consolidation and overhead rationalization
  - **Exceeded initial cost savings estimates -** Raised target to $230M - $250M

National Pump (2014)

- **Size: $780M** transaction value (cash)
- **Type: Specialty adjacency** in the pump rental sector
- **Rationale:** Expand offerings in **higher margin / return assets**
- **Value:** Delivered on **growth thesis** by capitalizing on **cross-selling opportunity**
  - Secured foothold in energy-related end markets
  - Strongly diversified into core construction and industrial markets

NES (2017)

- **Size: $965M** transaction value (cash)
- **Type:** 'Grow-the-core' gen rent acquisition
- **Rationale:** Strengthened aerial capabilities and added two-way cross-selling opportunities
- **Value: Potential for $40M cost savings** and $35M of revenue cross-sell opportunity
  - Integration **complete**
  - Delivered on **cost synergy target**

Neff Rentals (2017)

- **Size: $1.3B** transaction value (cash)
- **Type:** 'Grow-the-core' gen rent acquisition
- **Rationale:** Introduced new dirt capabilities and expertise in infrastructure; provided two-way cross-selling opportunities
- **Value: Potential for $35M cost savings** and $15M of revenue cross-sell opportunity
  - Integration **largely complete**
  - On track to deliver on **cost synergy target**

BakerCorp (2018)

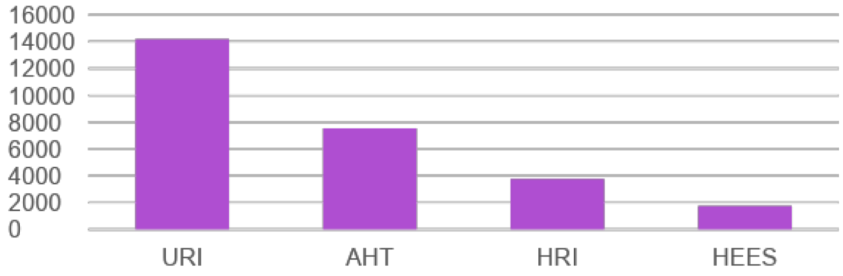
- **Size: $720M** transaction value (cash)
- **Type: Specialty adjacency** in the fluid control sector
- **Rationale:** Expand offerings in **higher return and lower volatility assets**
- **Value: Potential for $19M cost savings** and $60M of cross-sell revenue opportunity
  - First phase of integration **largely complete**

BlueLine (2018)

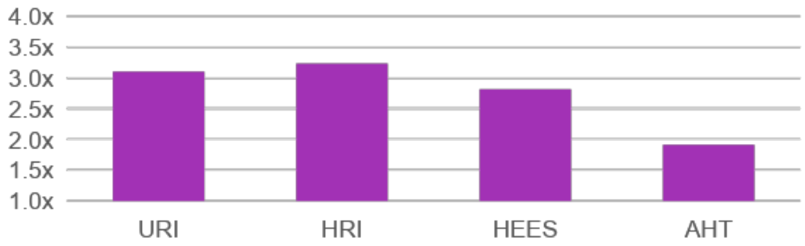
- **Size: $2.1B** transaction value (cash)
- **Type:** 'Grow-the-core' gen rent acquisition
- **Rationale:** Bolstered URI's position as a **leader in the North American rental industry** while also adding to presence with **local and mid-sized customer segment**
- **Value: Potential for $45M cost savings** and $35M of cross-sell revenue opportunity
  - First phase of integration should be complete by early 2019

Competitive Advantages

URI Has The Largest Fleet in The Industry



URI's Leverage Ratio Compares Favorably



URI has Industry Leading EBITDA Margins