

Special Situations Service

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*Each review in the Company Updates section is a follow-up to an original recommendation and is not necessarily sufficient by itself to form the basis for an investment decision. A subscriber interested in purchasing any of the securities currently rated "Hold, Buy" or "Especially Recommended," who does not have available Value Line's original recommendation of the security, should feel free to request from us a copy of the original recommendation so that he or she will have more information on which to base a decision.

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Value Line®

Economic View

Things are changing in Washington. First, Joseph R. Biden, Jr. has become President of the United States, after a bitter election and a tense aftermath. Then, there is the shift in Congress, where the Democrats hold a slim edge in the House of Representatives, and following victories in the Georgia runoffs, narrow control of the Senate.

Let's look at what this all means for the financial markets. In the short run, control of Congress by the Democratic Party may lead to more generous fiscal stimulus proposals, including larger payments to families struggling because of COVID-19 and its consequent impact on employment and income. Longer term, it might lead to tighter regulations and selectively higher corporate and individual tax rates. The strength in the stock market so far in 2021 suggests that investors are now focusing on the potential for stronger economic growth evolving from greater fiscal support.

Meanwhile, after a likely slowing in economic growth in the just-ended quarter, we could see a further chipping away at the expansion in the current period. True, the recent pickup in manufacturing activity and gains in the nonmanufacturing

sector are encouraging. But the employment picture is sobering, with jobless filings rising and job totals declining in December for the first time since April. The downturn was especially severe in the troubled restaurant industry. For now, a double-dip recession appears unlikely, but not out of the question.

All the while, worries about COVID-19 persist, with daily death counts surpassing 4,000 recently and the distribution of vaccines still frustratingly slow. That dour combination remains a possible headwind for a frothy stock market.

At this time, optimism about the economy later this year and concerns about high price-earnings ratios may be dueling views going forward. Such crosscurrents are indicative of the potential for further volatility in the stock market in 2021.

Conclusion: Clearly, the easy money in this long bull market has been made. That said, should the mass distribution of vaccines now proceed more rapidly and the economy respond to new stimulus measures, investors may still see further gains. On that possibility, we would retain a good weighting in companies with positive earnings prospects. ▀

Portfolio Updates

Small-cap stocks recently got a boost after Georgia Democrats won the election runoff to win control of Senate. There is likely to be increased stimulus spending to a good portion of the U.S. population, as well as some kind of infrastructure legislation. Trade tensions are also set to probably ease. While there may be concerns about tax hikes and regulations, Democrats hold very

slim margins in both the House and Senate. Moderate Democrats are unlikely to vote for some of the more transformative proposed policies that were suggested during the campaign. For example, massive tax hikes ought to be difficult to push in the midst of a worldwide pandemic. The policies of Federal Reserve and central banks across

(cont. on page 3)

Stocks currently being followed by The Special Situations Service. Prices quoted are those at the close of the market, January 8th, 2021.

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AGGRESSIVE STOCK PORTFOLIO

Stocks with above-average growth potential										
Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Target Price	Estimated Yield Next 12 Months	Originally Recommended		% Gain	Suggested Stop/Loss
							Price	Date		
Dec-20	8x8, Inc.	EGHT	Hold	35.55	42	Nil	14.74	Jun-20	141.2	25
Oct-20	AppFolio	APPF	Hold	173.23	200	Nil	61.24	Jan-19	182.9	125
Nov-20	Blackbaud	BLKB	Esp. Rec.	62.24	110	Nil	57.53	Jul-20	8.2	45
Jan-21	BlackLine	BL	Hold*	129.69	170	Nil	50.88	Jun-19	154.9	95
Oct-20	BrightView Holdings	BV	Esp. Rec.	15.66	27	Nil	13.20	Oct-20	18.6	11
Dec-20	Cara Therapeutics	CARA	Esp. Rec.	16.00	45	Nil	21.81	Jul-19	-26.6	13
Dec-20	Etsy	ETSY	Hold	175.65	210	Nil	41.23	Dec-19	326.0	120
Jan-21	LendingTree	TREE	Buy	307.51*	400	Nil	200.53	Apr-20	32.1	240
Oct-20	LGI Homes	LGIH	Hold	97.33	150	Nil	62.28	Jun-18	56.3	95
Nov-20	Limelight Newtworks	LLNW	Esp. Rec.	4.35	8	Nil	3.93	Nov-20	10.7	3
Dec-20	Medpace Hldgs.	MEDP	Hold	141.76	175	Nil	30.83	Aug-17	359.8	105
Jan-21	Proofpoint	PFPT	Hold	136.83	170	Nil	89.28	Nov-18	53.3	95
Jan-21	Redfin Corp.	RDFN	Sell*	76.51	84	Nil	16.62	Oct-18	360.3	50
Jan-21	RealPage	RP	Hold*	86.46	110	Nil	41.85	Sep-17	106.6	85
Jan-21	Repligen	RGEN	Hold	208.36	245	Nil	91.00	Mar-20	129.0	155
Dec-20	Ruth's Hospitality	RUTH	Esp. Rec.	17.41	31	Nil	16.28	Dec-20	6.9	12
Nov-20	TravelCenters of Amer.	TA	Buy	30.95	50	Nil	21.40	Sep-20	44.6	25
Nov-20	Upwork	UPWK	Buy	38.01	50	Nil	13.91	May-20	173.3	27
Jan-21	XBiotech	XBIT	Esp. Rec.	17.49	34	Nil	15.04	Aug-20	16.3	14

*As of January 13, 2021.

CONSERVATIVE STOCK PORTFOLIO

Stocks for investors seeking growth and/or income										
Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Target Price	Estimated Yield Next 12 Months	Originally Recommended		% Gain	Suggested Stop/Loss
							Price	Date		
Nov-20	Acushnet Holdings	GOLF	Hold	41.97	50	1.5%	28.12	May-20	49.3	32
Sep-20	Addus HomeCare	ADUS	Esp. Rec.	121.67	180	Nil	99.56	Feb-20	22.2	90
Jan-21	Cogent Commun.	CCOI	Esp. Rec.	59.36	110	4.9%	63.94	Sep-20	-7.2	48
Nov-20	CSW Industrials	CSWI	Hold	122.07	140	0.4%	55.42	Mar-19	120.3	90
Jan-21	Ennis	EBF	Buy	18.13	30	5.0%	20.55	Aug-18	-11.8	14
Nov-20	Euronet Worldwide	EEFT	Hold	147.55	180	Nil	55.19	Nov-14	167.3	105
Nov-20	ExlService Holdings	EXLS	Hold	87.39	110	Nil	53.00	Jun-17	64.9	64
Jan-21	Exponent	EXPO	Hold	92.83	115	0.8%	57.80	Jun-19	60.6	70
Jan-21	Fabrinet	FN	Buy*	83.64	125	Nil	64.33	Jul-20	30.0	60
Oct-20	Green Dot	GDOT	Hold	59.63	70	Nil	29.82	Aug-19	100.0	45
Jan-21	Landstar System	LSTR	Hold	144.41	180	0.6%	67.07	Sep-16	115.3	110
Dec-20	Limoneira Comp.	LMNR	Esp. Rec.	17.29	32	1.7%	15.45	Dec-20	11.9	12
Nov-20	Patrick Industries	PATK	Esp. Rec.	69.27	105	1.6%	54.73	Nov-20	26.6	55
Oct-20	Perficient	PRFT	Esp. Rec.	48.77	80	Nil	45.10	Oct-20	8.1	35
Jan-21	Sportsman's Ware.	SPWH	Hold*	17.54	35	Nil	16.76	Aug-20	4.7	17
Dec-20	Trupanion	TRUP	Hold	116.00	150	Nil	31.48	Nov-19	268.5	90
Oct-20	Vectrus	VEC	Esp. Rec.	51.25	90	Nil	43.65	Apr-20	17.4	40
Dec-20	WNS Holdings	WNS	Buy	70.68	100	Nil	52.52	Jun-20	34.6	53

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Portfolio Updates

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the globe are likely to have a more meaningful impact on the stock market, in our view. That said, accommodative fiscal and monetary policies should be beneficial to the markets over the near term. Valuations are looking rich across a number of metrics. The Buffet Indicator (Wilshire 5000 to GDP ratio) is now at new all-time high, with the ratio about 25% above where the market was in 2000. The IPO, SPAC, and M&A markets are also quite strong. Yet, it is difficult to predict the timing of large drawdowns, and the current rally may well last for the next few years. We have sold a couple of stocks over the last several months that we believe became disconnected from their fundamental values. We do see some risk to the Software-as-a-Service (SaaS) space, as many are trading at extremely steep valuations. There are still certain beaten-down areas that are likely to get more attention, namely in hospitality, travel, leisure, and entertainment. All told, we suggest that investors prudently raise stop-loss targets and lock in profits when necessary.

We are lowering our recommendation of **BlackLine** from a Buy to a Hold, based on valuation. We recently provided an update on the SaaS provider last month after the company reported better-than-expected top- and bottom-line results. International expansion should remain a key component in BlackLine's growth strategy, as management continues to aggressively promote its cloud-based accounting software across Europe and Asia. Product innovation will also be a prime focus. We are highly encouraged with current pipeline opportunities and the recent performance of BlackLine's Modern Accounting Playbook (MAP) offering, which appears to be resonating nicely with mid-market CFOs. The recent acquisition of Rimilia, a provider of accounts receivable automation solutions, represents another potential driver that should help to expand the company's strategic footprint. However, the equity is now trading at an enterprise value of about 19 times our 2021 sales estimate. There is some upside, but not enough to warrant a Buy recommendation, in our view. We upped our stop-loss target from \$85 to \$95 a share. **Hold**.

Fabrinet has been on a nice run since our September review. The stock has rallied following the release of better-than-expected fiscal first-quarter results, with sales and earnings slightly ahead of our expectations and consensus figures. Fiscal second-quarter guidance was also more optimistic than previously anticipated. Growth in the Telecom business has

RANK CHANGES

Company	Ticker	Prev. Rank	Curr. Rank
BlackLine	BL	Buy	Hold
Fabrinet	FN	<i>Esp. Rec.</i>	Buy
RealPage	RP	Buy	Hold
Redfin Corp.	RDFN	Hold	Sell
Sportsman's Warehouse	SPWH	<i>Esp. Rec.</i>	Hold

RECENT DIVIDENDS

Company	Amount Per Sh.	Record Date	Payable Date
Ennis	\$0.225	1/7/2021	2/4/2021
Limoneira Comp.	\$0.075	12/28/2020	1/15/2020

STOP/LOSS

Company	Ticker	Recent Price	Prev. Stop/Loss	New Stop/Loss
8x8, Inc.	EGHT	35.55	21	25
Acushnet	GOLF	41.97	29	32
Addus HomeCare	ADUS	121.67	75	90
BlackLine	BL	129.69	85	95
BrightView Holdings	BV	15.66	10	11
CSW Industrials	CSWI	122.07	75	90
Etsy	ETSY	174.65	110	120
Euronet Worldwide	EEFT	147.55	95	105
Exponent	EXPO	92.83	65	70
Fabrinet	FN	83.64	54	60
Landstar System	LSTR	144.41	100	110
Limoneira Comp.	LMNR	17.29	10	12
Patrick Industries	PATK	69.27	45	55
Perficient	PRFT	48.77	35	35
Proofpoint	PFPT	136.83	85	95
RealPage	RP	86.46	50	85
Repligen	RGEN	208.36	130	155
Ruth's Hospitality	RUTH	17.41	10	12
Sportsman's Ware.	SPWH	17.54	11	17
Trupanion	TRUP	116.00	75	90
Upwork	UPWK	38.01	24	27
Vectrus	VEC	51.25	36	40
WNS Holdings	WNS	70.68	50	53

been more robust, thanks to faster data rates. The automotive-related unit has also benefited from new programs and a recovery in its traditional business. Over the long haul, we think greater investments in 5G, fiber, and data centers ought to fuel growth. There will also be opportunities in the industrial and automotive spaces. The company commands higher gross margins than its peers and has limited debt on the balance sheet. Capital appreciation is above average over the 3- to 5-year investment horizon. However, the recent

rally has discounted some of the gains over this time frame. Thus, we have lowered our recommendation from Especially Recommended to a Buy. Our stop-loss target goes from \$54 to \$60 a share. **Buy.**

Proofpoint's stock has moved higher since our November review. We suspect that the market anticipates likely greater spending on cybersecurity following the hack of state, local, and the federal governments through a breach in SolarWinds IT management software. The hackers were able to compromise an e-mail system used by the Treasury Department. The Biden Administration has called for changes, and we would imagine more funding would be allocated for cybersecurity initiatives. Proofpoint's software is mostly tailored to protecting individual e-mail users rather than to build out infrastructure. We believe there may be an opportunity to win some business, as just over 90% of all security breaches come from e-mail attacks. In addition, the company continues to generate strong free cash flow margins and is taking share from competitors. We have upped our long-term price target to \$180, based on five times our new revenue target of \$2.1 billion. Still, capital appreciation potential is just about average over the 3- to 5-year investment horizon. Thus, we maintained our recommendation of a Hold. We increased our stop-loss target from \$85 to \$95 a share. **Hold.**

RealPage has agreed to be purchased for \$88.75 a share in cash by a private equity firm. The price represents a 31% premium as of RP's last closing price before the deal was announced. The total transaction value is just over \$10 billion. The company also got a 45-day go-shop period, but with a multiple of just under 30 times RealPage's 2021 consensus EBITDA estimate we see another offer as unlikely. The transaction is expected to close in the second quarter of this year. We will await to the end of the go-shop period in the rare chance that there is another offer. Our recommendation moves from a Buy to Hold. **Hold.**

We are selling our stake in **Redfin**. The stock has been on roll since late March, as the pandemic and civil unrest drove customers to the suburbs. Rising home prices, due to supply constraints and healthy demand, along with low interest rates, are likely to continue to support the housing market. An aging millennial population was already in the midst of moving out of urban areas. Meanwhile, consumers are getting more comfortable purchasing big-ticket items online. We don't foresee that much more upside for these shares over the

long haul. We recently upped our price target and believe there is more downside at these levels than long-term capital appreciation potential. The stock is trading about in line with its peer Zillow, but at a healthy premium when compared to historical multiples. All told, the risk versus the reward doesn't seem particularly compelling. **Sell.**

Shares of **Repligen** have been on a strong run since entrance into our aggressive portfolio. The COVID-19 virus has supported growth, with just over 50% of revenue gains in the third quarter coming from COVID-19-related business. Indeed, third-quarter revenues and earnings came in well ahead of analyst estimates. Recently, the company announced an equity offering priced at \$181 a share for a total of just over \$270 million. Given the value provided by Repligen's products, which are essential in the manufacture of biologic drugs for clinical trials, it should continue to see some pandemic-related tailwinds in the near term. We recently upped our price target to \$245 a share, based on 75 times our \$3.25-a-share estimate. We do expect to see healthy top-line growth over the decade, but the stock is trading at close to 24 times our 2021 estimated sales forecast. This is a significant premium to its peer group and RGEN's 5-year average. Thus, we are not opposed to taking profits in this name. The momentum may well continue for this equity over the short term, however. We maintained our Hold and upped our stop-loss target to \$155 a share. **Hold.**

Sportsman's Warehouse has also agreed to be acquired for \$18.00 a share in cash by privately-held Great American Outdoor Group. Great American Outdoor owns and operates Bass Pro Shops, Cabela's, and White River Marine Group. The deal would consolidate the industry and expand Sportman's product offerings in its stores. Shares were up close to 40% on the day of the announcement. We believe the premium paid was actually a good deal for Great American Outdoor. The transaction price is just about 9 times Sportman's fiscal 2021 consensus earnings estimate. We would have expected a higher multiple. With the recent election of two Democrats in Georgia, we suspect that gun and ammo sales may well remain strong over the next couple of years. Sportsman's Warehouse generates about half of its revenue from this space. The merger is expected to close in the second half of 2021, but remains subject to shareholder and regulatory approvals. Buy-and-hold investors may want to remain in the stock just in case stockholders push for a larger premium. We lowered our rank from Especially Recommended to a Hold. **Hold. ▣**

FOR AGGRESSIVE INVESTORS

Forterra, Inc.

RECENT PRICE: \$18.51

TRADED: NDQ-FRTA

CURRENT DIVIDEND YIELD: Nil

2023-25 PROJECTED VALUATION

REVENUES: \$2.3 billion

EARNINGS PER SHARE: \$2.70

THREE-TO FIVE-YEAR PRICE TARGET: \$32

COMPANY WEBSITE: WWW.FORTERRABPCOM

Business Overview

Forterra manufactures pipe and precast products in the United States and Eastern Canada for a variety of water-related infrastructure applications, including water transmission, distribution and drainage. The company provides infrastructure components for a spectrum of construction projects across residential, non-residential, and infrastructure markets. Its suite of end-to-end products covers “the First Mile to the Last Mile” of the water infrastructure grid, ranging from large diameter pipe that transports water to and from treatment centers and manages drainage along major transportation corridors, to smaller diameter pipe that delivers potable water to, and removes wastewater from, end users in residential and commercial setting. Forterra currently operates 77 manufacturing facilities. It serves construction contractors, developers, utility companies and contractors, municipalities, and waterworks distributors. The company was founded in 1899 and is headquartered in Irving, Texas.

Operating Segments

Drainage Pipe & Products (55% of the top line): Forterra is the largest producer of concrete drainage pipe and precast products by sales volume in the U.S. and Eastern Canada. It operates 59 manufacturing facilities across multiple states and one Canadian province. These offerings are sold in residential, non-residential and infrastructure markets, and are primarily used for storm water applications, such as storm drains for roads and highways and housing developments. Drainage pipe is also used for sanitary sewers, low-pressure sewer force mains, tunneled systems, treatment plant piping and utility tunnels. This segment generated

\$662.4 million in revenues through the first nine months of 2020, representing a 3% decline versus the comparable year-ago period.

Water Pipe & Products (45% of the top line): Forterra is the largest producer of ductile iron pipe (DIP) by sales volume in the U.S., and it makes concrete pressure pipe in Eastern Canada. It operates 18 active manufacturing facilities, with swing capacity available to support increased production levels as appropriate to satisfy demand. Utilizing the U.S. Pipe and Forterra Pressure Pipe Canada brands, it manufactures a number of products used for the transmission of potable water and wastewater in pipe diameters ranging from three to 144 inches. This segment generated \$552.2 million in revenues through the first nine months of 2020, representing a 15% increase versus the comparable year-ago period.

Competition

Forterra’s largest competitors on the Drainage side include Rinker Materials (a division of the QUIKRETE Companies) and Oldcastle Infrastructure (a unit of CRH plc). It also competes with many regional and local manufacturers. Additionally, its products compete with high density polyethylene, or HDPE, and polypropylene pipe products.

The company’s two largest competitors in DIP manufacturing are McWane, Inc. and American Cast Iron Pipe Company. Its DIP products also compete with polyvinyl chloride, or PVC, and HDPE pipe and, when pricing achieves certain levels, it may also compete with foreign manufacturers. Its national network of fabrication products competes with regional and local providers of those products and services.

Within Canada, Forterra’s concrete pressure pipe products compete with DECAST (formerly Munro Concrete Products, Ltd.) and several other American and Canadian competitors. Its concrete-lined pressure pipe also competes with pressure pipe made from other materials such as fiberglass, HDPE and PVC.

Growth Strategy

Forterra’s organic growth strategy focuses on leveraging its operations, customer service and product innovation

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New Recommendations

FORTERRA, INC. NDAQ--FRTA

RECENT PRICE **18.55** TRAILING P/E RATIO **38.6** RELATIVE P/E RATIO **1.96** DIV'D YLD **Nil** VALUE LINE

RANKS

PERFORMANCE **3** Average

Technical **3** Average

SAFETY **5** Lowest

BETA 2.05 (1.00 = Market)

LEGENDS

— 12 Mos Mov Avg

... Rel Price Strength

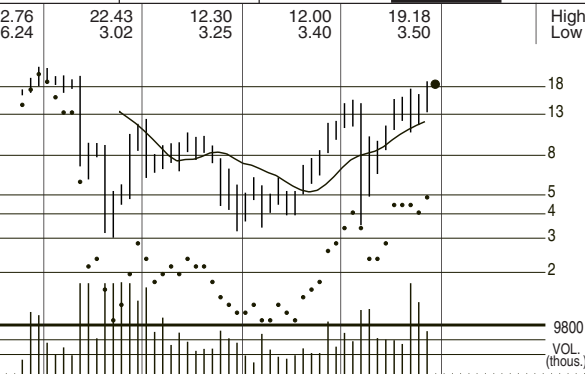
Shaded area indicates recession

Financial Strength C+

Price Stability 5

Price Growth Persistence NMF

Earnings Predictability NMF



© VALUE LINE PUBLISHING LLC	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021/2022
REVENUES PER SH	--	--	--	--	21.34	24.61	23.05	23.63	--	
"CASH FLOW" PER SH	--	--	--	--	1.39	1.77	1.26	1.51	--	
EARNINGS PER SH	--	--	--	--	d.23	d.03	d.38	d.11	.64 ^{A,B}	1.22 ^C /NA
DIV'DS DECL'D PER SH	--	--	--	--	--	--	--	--	--	
CAP'L SPENDING PER SH	--	--	--	--	.85	.82	.79	.83	--	
BOOK VALUE PER SH	--	--	--	--	2.08	2.06	1.69	1.87	--	
COMMON SHS OUTST'G (MILL)	--	--	--	--	63.92	64.23	64.21	64.74	--	
AVG ANN'L P/E RATIO	--	--	--	--	--	--	--	--	29.0	15.2/NA
RELATIVE P/E RATIO	--	--	--	--	--	--	--	--	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	--	--	--	--	
REVENUES (\$MILL)	--	--	--	--	1364.0	1580.4	1479.7	1529.8	--	<i>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</i>
OPERATING MARGIN	--	--	--	--	12.0%	7.2%	9.5%	11.8%	--	
DEPRECIATION (\$MILL)	--	--	--	--	99.9	115.7	105.4	105.2	--	
NET PROFIT (\$MILL)	--	--	--	--	d11.1	d2.1	d24.4	d7.3	--	
INCOME TAX RATE	--	--	--	--	--	--	--	--	--	
NET PROFIT MARGIN	--	--	--	--	NMF	NMF	NMF	NMF	--	
WORKING CAP'L (\$MILL)	--	--	--	--	285.1	336.4	322.0	272.5	--	
LONG-TERM DEBT (\$MILL)	--	--	--	--	1089.3	1185.4	1311.0	1223.2	--	
SHR. EQUITY (\$MILL)	--	--	--	--	132.9	132.5	108.2	121.0	--	
RETURN ON TOTAL CAP'L	--	--	--	--	4.2%	2.1%	1.0%	3.0%	--	
RETURN ON SHR. EQUITY	--	--	--	--	NMF	NMF	NMF	NMF	--	
RETAINED TO COM EQ	--	--	--	--	NMF	NMF	NMF	NMF	--	
ALL DIV'DS TO NET PROF	--	--	--	--	--	--	--	--	--	

^ANo. of analysts changing earn. est. in last 30 days: 0 up, 0 down, consensus 5-year earnings growth not available. ^BBased upon 3 analysts' estimates. ^CBased upon 3 analysts' estimates.

ANNUAL RATES					ASSETS (\$mill.)		
of change (per share)	5 Yrs.	1 Yr.			2018	2019	9/30/20
Sales	--	2.5%			35.8	34.8	32.8
"Cash Flow"	--	20.0%			198.5	205.8	276.8
Earnings	--	--			285.0	238.5	219.3
Dividends	--	--			24.8	19.9	13.3
Book Value	--	11.0%			544.1	499.0	542.2
Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year	LIABILITIES (\$mill.)	
	1Q	2Q	3Q	4Q			
12/31/18	289.9	416.1	434.5	339.2	1479.7	Property, Plant & Equip, at cost	649.1
12/31/19	291.9	410.2	464.5	363.2	1529.8	Accum Depreciation	156.9
12/31/20	330.9	426.2	457.6			Net Property	492.2
12/31/21						Other	757.0
						Total Assets	1793.3
							1740.1
							1718.7
Fiscal Year	EARNINGS PER SHARE				Full Year	LONG-TERM DEBT AND EQUITY as of 9/30/20	
	1Q	2Q	3Q	4Q			
12/31/17	d.34	d.18	d.18	.67	d.03	Total Debt \$1102.2 mill.	Due in 5 Yrs. NA
12/31/18	d.31	.11	.09	d.27	d.38	LT Debt \$1089.7 mill.	
12/31/19	d.38	.05	.34	d.12	d.11	Including Cap. Leases NA	
12/31/20	d.22	.40	.42	.02		Leases, Uncapitalized Annual rentals NA	(87% of Cap'l)
12/31/21	d.05	.40				Pension Liability \$3.0 mill. in '19 vs. \$3.3 mill. in '18	
Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year	Pfd Stock None	
	1Q	2Q	3Q	4Q		Pfd Div'd Paid None	
2017	--	--	--	--	--	Common Stock 65,673,000 shares	
2018	--	--	--	--	--	(13% of Cap'l)	
2019	--	--	--	--	--		
2020	--	--	--	--	--		
INSTITUTIONAL DECISIONS							
	1Q'20	2Q'20	3Q'20				
to Buy	43	47	99				
to Sell	67	52	44				
Hld's(000)	62186	63096	61729				

INDUSTRY: Building Materials

BUSINESS: Forterra, Inc. manufactures pipe and precast products in the US and eastern Canada for a variety of water-related infrastructure applications, including water transmission, distribution, and drainage. The company provides infrastructure components for a spectrum of construction projects across residential, non-residential, and infrastructure markets. Its suite of end-to-end products covers "the First Mile to the Last Mile" of the water infrastructure grid, ranging from large diameter pipe that transports water to and from treatment centers and manages drainage along major transportation corridors, to smaller diameter pipe that delivers potable water to, and removes wastewater from, end users in residential and commercial setting. Forterra operates 77 manufacturing facilities. It serves construction contractors, developers, utility companies and contractors. In September 2020, Forterra announced the pricing of secondary offering of 10,000,000 shares. Has 4578 employees. C.E.O.: Karl H. Watson Address: 511 East John Carpenter Freeway, 6th Floor., Irving, TX 75062. Tel.: (469) 458-7973. Internet: www.forterrabp.com.

L. Y.

December 11, 2020

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 11/30/2020

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
40.00%	110.32%	66.97%	88.52%	--

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New Recommendations

(cont. from page 5)

capabilities, as well as its breadth and scale, to sell products to existing customers, increase penetration and project wins and to gain market share. Operationally, the company continues to focus on efficiency and productivity improvements to reduce costs and drive unit margin improvements. Management also periodically evaluates business and acquisition opportunities to complement organic growth and/or to enhance its scale, geographic footprint and product portfolio. That said, Forterra has not been very active on the M&A front over these past few years and the current focus appears to be geared primarily toward organic growth.

Recent Results

Forterra reported third-quarter earnings of \$0.42 a share on revenues of \$457.6 million, versus \$0.34 a share on \$464.5 million in the comparable year-ago period. While the bottom line held up pretty well, due to a combination of expense-control initiatives and lower interest costs, the top-line comp dipped into the red, as softness in Drainage (-8.6% year over year) more than offset gains in Water (+9.4%) and higher pricing across the business. On a positive note, the company did see strong improvement in the gross margin, which expanded 562 points to 17.7%, and operating margin, which increased 470 basis points, to 14.9%. Adjusted EBITDA also rose nearly 24% year over year, to \$99 million.

Drainage shipment volumes sank 16% during the third quarter, which management chalked up to less favorable weather conditions compared to last year and the early-stage impact of its value before volume commercial strategy. In total, precipitation rose 11% across Forterra's geographic footprint, and in some areas the increases were much higher, such as Texas and Florida where it was up 43% and 56%, respectively. As for the drag created by the commercial strategy, the company indicated that the first stage in the process can often lead to some short-term relative market share declines, and should be less meaningful in the coming quarters.

Looking at Q4 (results due out in late February), Forterra expects that pricing momentum in both businesses will continue. It also anticipates the decline in Drainage volume will be less than what it experienced in Q3 and that Water volume should remain relatively stable. On the cost side, scrap prices increased a bit in the latter months of 2020,

which management warned could create some added pressure on bottom-line performance. Altogether, it estimates full-year 2020 net income to be \$30 million-\$40 million (versus a net loss of \$7.3 million in 2019) and adjusted EBITDA to be \$265 million-\$280 million (\$203.9 million in 2019).

Forterra didn't provide specific guidance for 2021, but we believe the company is poised to build on the profit improvement it saw last year. A recovery in Drainage volume trends will be key, as will continued momentum in pricing. The company should benefit from easing pressures on the COVID front as well, given that several previously delayed projects are slated to come back online this year. We are also optimistic that the incoming Democratic administration will provide increased opportunity for infrastructure projects as well, though these might take a little longer to materialize.

Our Take

In our view, Forterra is a strong candidate to be a breakout performer in the coming years. Key catalysts include geographic expansion, favorable trends in housing development and new home construction, and an improved infrastructure spending outlook under the new U.S. presidential administration. Furthermore, we believe the company's exposure to each of the infrastructure, residential and non-residential end-markets will allow it to benefit from both secular and cyclical growth over the near, intermediate and long terms. At the stock's current valuation, our projections reflect strong capital gains potential out to mid-decade.

That being said, subscribers should be aware of the heightened degree of risk associated with this particular investment. At present, FRTA holds our lowest rank for Safety (5 out of 5) and scores poorly for Price Stability (5 out of 100). The stock also possesses a Beta Coefficient that is well above market, and the company's Financial Strength grade (C++) is subpar. These factors should probably deter investors that are managing conservative portfolios, but for those with a more aggressive mindset, we believe the reward adequately compensates the risk here.

All told, we have set a three- to five-year price target of \$32 a share and recommend the use of a stop/loss at \$12 to mitigate downside risk. The stock trades on the NASDAQ under the symbol FRTA. ■

FOR CONSERVATIVE INVESTORS

Installed Building Prod., Inc.

RECENT PRICE: **\$106.59**
CURRENT DIVIDEND YIELD: **Nil**

TRADED: NYSE-IBP

2023-25 PROJECTED VALUATION

REVENUES: **\$2.65 billion**

EARNINGS PER SHARE: **\$7.50**

THREE-TO FIVE-YEAR PRICE TARGET: **\$190**

COMPANY WEBSITE: WWW.INSTALLEDBUILDINGPRODUCTS.COM

Business Overview

Installed Building Products, Inc. is our newest addition to the Conservative portfolio. It primarily installs insulation, garage doors, rain gutters, shower doors, closet shelving and mirrors. The company offers its portfolio of services through its national network of over 180 branch locations serving 48 states and the District of Columbia. It handles every stage of the installation process, including material procurement, project scheduling and logistics, multi-phase professional installation and quality inspection. IBP serves regional and local homebuilders, construction firms, individual homeowners and repair and remodeling contractors. The company offers a variety of waterproofing options, including, sheet and hot applied waterproofing membranes, and air & vapor systems. By managing all aspects of the installation process, including the purchase and supply of materials, Installed is able to streamline the supply chain, creating value and giving it a competitive advantage.

Business Breakdown

While the company has skin in the commercial game, the residential market is where it is concentrated these days. As of the third quarter, work on new single family homes accounted for 63% of the top line. Commercial construction business made up 18%, followed by new multi-family (12%) and repair and remodeling (7%). Breaking down by type of work provided, Insulation was the clear bread winner representing (64% of overall business. Rounding it out was waterproofing (8%), other (8%), Shower Doors, Shelving and Mirrors (7%) Garage Doors (6%), Rain Gutters and Window Blinds (4% and 3%, respectively.

Industry Climate

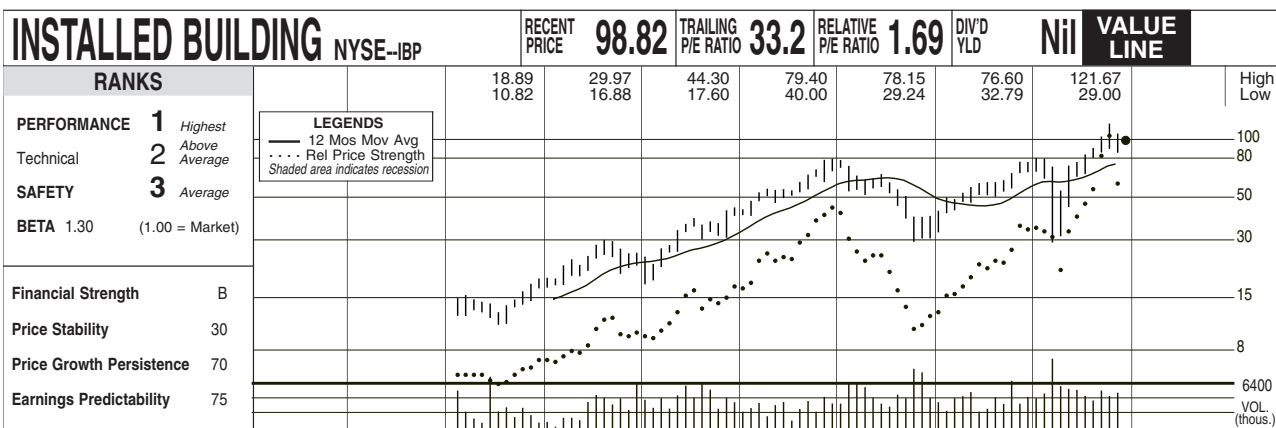
The company is benefiting from healthy industry trends. Building Products has seen an uptick in demand of late, thanks in particular to a strong housing and thriving commercial construction market. While COVID-19 posed some headwinds, both segments have continued to march forward on rising demand. In fact, the COVID-19 pandemic may actually be helping some. And we expect the favorable trends to continue going forward, with historically low interest rates, social distancing, and migration from cities to the suburbs further stoking the residential real estate space as well as home owners' wants to make improvements. During its third-quarter conference call, management cited that according to the U.S Census Bureau, single family starts were up 20% and single family homes under construction were up to the highest level since December 2002. Meantime, although the company's exposure at this time is not too significant, we think that infrastructure projects will pick up under the incoming Administration, further underpinning our optimism for this group.

M&A Activity

The company has been an aggressive player in the acquisition game, inking more than 150 deals since 1999. Management has used such maneuvers to build scale and diversify its business while also enabling it to gain access to newer, faster growing niches. In doing so, Installed has gained significant cross-selling capabilities and become vertically integrated the company into essentially a "one-stop shop". M&A has long been a major part of the company's strategy, and is likely to remain so for the foreseeable future. Indeed, the company has shown no signs of taking its foot off the gas, making another eight bolt-on deals in 2020, thereby adding \$107 million in revenues to the company's top line. And management noted towards the end of the year that the pipeline of potential acquisition targets remained robust. As such, we think that it is highly likely that Installed will remain active on the M&A front and continue to grow its capabilities across geographies and end markets.

(cont. on page 10)

New Recommendations



ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	21.5%	12.5%
"Cash Flow"	33.5%	29.0%
Earnings	31.5%	30.5%
Dividends	--	--
Book Value	19.0%	36.5%

ASSETS (\$mill.)

	2018	2019	9/30/20
Cash Assets	100.5	215.9	268.7
Receivables	214.1	244.5	258.9
Inventory (FIFO)	61.2	74.6	70.2
Other	35.8	47.0	37.7
Current Assets	411.6	582.0	635.5
Property, Plant & Equip, at cost	223.1	264.3	--
Accum Depreciation	133.0	157.9	--
Net Property	90.1	106.4	104.9
Other	333.0	411.1	425.0
Total Assets	834.7	1099.5	1165.4

LIABILITIES (\$mill.)

	2018	2019	9/30/20
Accts Payable	97.0	98.9	86.9
Debt Due	27.5	26.9	26.4
Other	57.2	88.4	108.9
Current Liab	181.7	214.2	222.2

LONG-TERM DEBT AND EQUITY as of 9/30/20

Total Debt \$573.4 mill.	Due in 5 Yrs. NA
LT Debt \$547.0 mill.	
Including Cap. Leases NA	
	(64% of Cap'l)
Leases, Uncapitalized	Annual rentals NA
Pension Liability	None in '19 vs. None in '18
Pfd Stock	None
Pfd Div'd Paid	None
Common Stock	29,801,000 shares (36% of Cap'l)

INDUSTRY: Building Materials

BUSINESS: Installed Building Products, Inc. (IBP) primarily installs insulation, garage doors, rain gutters, shower doors, closet shelving and mirrors. The company offers its portfolio of services through its national network of over 180 branch locations serving 48 states and the District of Columbia. It handles every stage of the installation process, including material procurement, project scheduling and logistics, multi-phase professional installation and quality inspection. IBP serves regional and local homebuilders, construction firms, individual homeowners and repair and remodeling contractors. The company offers a variety of waterproofing options, including, sheet and hot applied waterproofing membranes, and air & vapor systems. In October 2020, IBP acquired Insulation Contractors/Magellan Insulation and Norkote, Inc. In November 2020, the company announced the acquisition of WeatherSeal Insulation Co., LLC. Has 8500 employees. Chairman, C.E.O. & President: Jeffrey W. Edwards Address: 495 South High Street Suite 50, Columbus, OH 43215. Tel.: (614) 221-3399. Internet: www.installdbuildingproducts.com. L.Y.

December 11, 2020

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 11/30/2020

	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
	13.82%	53.73%	37.82%	28.25%	294.33%

^ANo. of analysts changing earn. est. in last 30 days: 1 up, 2 down, consensus 5-year earnings growth not available. ^BBased upon 5 analysts' estimates. ^CBased upon 4 analysts' estimates.

INSTITUTIONAL DECISIONS

	1Q'20	2Q'20	3Q'20
to Buy	90	96	98
to Sell	118	93	95
Hld's(000)	20394	19986	21169

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New Recommendations

(cont. from page 8)

Finances

Given that M&A is such a big part of the company's plans, it is no surprise that the balance sheet is a bit more leveraged than we would typical like to see from a member of our Conservative portfolio. To wit, Installed ended the September quarter with approximately \$544 million in long-term debt obligations. Therefore, long-term debt to total capitalization stood at 64%. We are not concerned, however, as the company also had roughly \$269 million on the books and generates fairly healthy free cash flow. Management is likely to continue to tap debt markets, especially given the current low interest rate environment, but it is important to remember that the acquisitions being funded by these moves is bolstering future cash flow generation. The company's rich M&A history and the fact that the deals on bolt-on in nature, leads us to believe that integration issues are unlikely and that the purchases will be accretive quite earlier on.

Recent Performance

The company has been performing extremely well of late. It has reported earnings beats in each of the last four quarters, on solid top-line gains and margin expansion. Most recently, for the September quarter, Installed reported share earnings of \$0.95, 34% better than the year-earlier mark. On an adjusted basis, which will be likely to pick up and use going forward, adjusted EPS came in at \$1.21, a 22% improvement over the previous-year figure. The top line advanced 6.1% in the period, to \$420.9 million, on a 1.7% same-branch basis increase. Better pricing and contributions from acquisitions helped boost the overall result. More specifically, multifamily sales were said to increase 36.6%. Large commercial construction sales were up 2.0% and total commercial sales improved 2.7%. Meantime, management was able to leverage the top-line strength and grow adjusted EBITDA to record levels in the period. As a result, the EBITDA margin expanded by more than 150 basis points.

Looking Ahead

We do not see the momentum here ending here anytime soon. The same industry dynamics that have painted a favorable backdrop of late should continue to support healthy industry trends for the foreseeable future, and Installed is well positioned to benefit. Its M&A-friendly strategy has enabled it to grow the business across borders and not new niches, some of which offer better growth potential. Meantime, vertical integration is helping the cost structure along with broadening its footprint. In this vein,

we believe that Installed will earn \$1.25 a share (adjusted) the December quarter, marking a 36% year-over-year growth. Sales are pegged to grow at a low double-digit rate, to roughly \$450 million, and margins are expected to continue to improve. Our fourth-quarter assumptions put our 2020 top-and bottom-line growth forecasts at about 10% and 30%, respectively. It is important to note that Installed does not provide guidance.

The story should remain very much the same this year. Backlog seemed healthy coming into the December period, and we suspect that the industry backdrop will remain extremely favorable throughout most of the year. All things considered, we see earnings jumping another 30%-plus, to \$5.75 a share, for all of 2021. Our sales estimate is modeling for a 15% jump, to \$1.925 billion.

Looking further out, we see growth rates slowing a bit, but remaining healthy overall. In fact, our 2023-2025 EPS assumption conservatively stands at \$7.50, modeling for annualized advances of about 10%. Our revenue call is for just north \$2.6 billion by mid-decade. And it is important to remember that our projections are likely to prove cautious as Installed has made a habit of making value-added acquisitions and is not expected to stop.

Our Take

Like most others, Installed stock was not immune to the market's COVID-19 swoon in March. However, it has rallied back since and has etched a new high-water mark. And while we obviously would've liked to taken part in this momentum, we think that there is still plenty of room left for the stock to run. Indeed, we think it is easily plausible that Installed will become a \$190-a-share offering by mid-decade, thereby generating returns more than three times that of the Value Line median. The company is already well entrenched in the building products and services space, and is expected to only become more so in time, based on the acquisition-friendly ways we expect moving forward. Installed's streamlined approach should resonate with customers and help management better control costs and further expand margins in the years ahead. In the interim, these shares are ranked 2 (Above Average) for Performance and are pegged to outpace the broader market for the coming six to 12 months.

Investors looking to follow our lead can find the equity trading on the New York Stock Exchange under the IBP ticker symbol. Despite our optimism, we advise shareholders to implement a stop-loss target of \$75 a share to help safeguard against an unforeseen downturn. ▣

FOR CONSERVATIVE INVESTORS

Cogent Communications

(CCOI)

RECOMMENDATION: **Especially Recommended**

RECENT PRICE: **\$59.36**

ESTIMATED DIVIDEND YIELD: **4.9%**

THREE-TO FIVE-YEAR-PRICE TARGET: **\$110 (+85%)**

ORIGINALLY RECOMMENDED AT: **\$63.94 in September 2020**

PERFORMANCE RECORD: **-7.2%**

RECOMMENDED STOP LOSS: **\$48**

COMPANY WEBSITE: www.cogentco.com



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	128.8	129.3	130.1	132.0	520.2
2019	134.2	134.8	136.9	140.3	546.2
2020	140.9	141.0	143.3	141.8	567
2021	142	148	150	155	595

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	0.15	0.14	0.18	0.16	0.63
2019	0.20	0.15	0.30	0.16	0.81
2020	0.20	0.18	d.11	0.13	0.40
2021	0.20	0.25	0.30	0.30	1.05

Cogent Communications shares drifted about 10% lower in value shortly after we introduced them to our portfolio in September and have settled into the \$60 range in recent months. Investors were clearly unhappy with the company's September-quarter results, but we think that their concerns may be overblown, thereby presenting a buying opportunity.

At first blush, the company greatly disappointed in the third quarter. Indeed, it reported a loss of \$0.11 a share, a far cry from

the \$0.22 consensus estimate and even further off the year-earlier \$0.30 tally. That said, delving deeper into the financials, things from an operational standpoint look better. While the COVID-19 pandemic presented challenges, Cogent was still able to grow the top line 3.9% year over year. Too, it was able to slightly expand the EBITDA margins. In fact, the troubles stem from a single below-the-line item, unrealized foreign exchange losses on 2024 Euro notes. For perspective, Cogent incurred a pre-tax \$17.3 million loss on this investment versus a \$6.6 million gain in the like 2019 period. On an apples-to-apples basis (adjusted for taxes), earnings were down just a few pennies.

The near-term operating environment is likely to remain less than ideal. Although COVID-19 vaccines are being rolled out around the globe, the process is not going as smoothly or quickly as many had hoped in some places. We think that the bulk of the population won't be vaccinated until later this summer or early next fall, thereby continuing to paint an unfavorable backdrop for a return to work for some. Office and multi-tenant residential building use is a key component to Cogent's business so unemployment is a concern. We do not prognosticate on currency trends, but we suspect that earnings trended lower year over year in the December quarter and will continue to do so in the early part of 2021. However, conditions should improve in the second half, paving the way for a sharp EPS improvement for all of 2021. In total, we see EPS roughly doubling, to \$1.05, down \$0.15 from our earlier assumption to reflect near-term pressures.

Our long-term investment thesis here remains little changed. We think that the company is well positioned to for the future, as its reasonably-priced services should resonate with consumers whom are likely to be even more conscious of price going forward. Plus, COVID-19 concerns ought to be all but erased by mid-decade, auguring particularly well for the multi-tenant office buildings space, the company's biggest customer base. Bolt-on acquisitions will help to build out this footprint. In this vein, we think the recent share-price weakness provides a good entry point for would-be investors and are thus maintaining our Especially Recommended designation. Our optimism is partly underpinned by CCOI's income component. The company recently upped its quarterly payout by 14.1%, to \$0.73 a share, equating to a just under 5.0% yield. This marked the 33rd consecutive quarterly hikes. Still, our stop-loss target is \$48. **■**

FOR CONSERVATIVE INVESTORS

Ennis, Inc.

(EBF)

RECOMMENDATION: **Buy**

RECENT PRICE: **\$18.13**

ESTIMATED DIVIDEND YIELD: **5.0%**

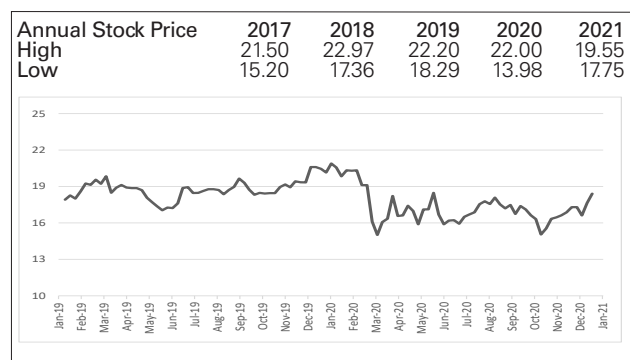
THREE-TO FIVE-YEAR PRICE TARGET: **\$30 (+65%)**

ORIGINALLY RECOMMENDED AT: **\$20.55 in August 2018**

PERFORMANCE RECORD: **-11.8%**

RECOMMENDED STOP LOSS: **\$14**

COMPANY WEBSITE: **www.ennis.com**



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	May Per.	Aug. Per.	Nov. Per.	Feb. Per.	Full Year
2018	93.4	98.6	108.1	1007.0	400.8
2019	108.0	108.8	114.9	106.7	438.4
2020	89.0	86.6	92.4	<i>90.0</i>	<i>358.0</i>
2021	<i>85.0</i>	<i>90.0</i>	<i>120.0</i>	<i>120.0</i>	<i>415.0</i>

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	May Per.	Aug. Per.	Nov. Per.	Feb. Per.	Full Year
2018	0.36	0.37	0.40	0.32	1.45
2019	0.37	0.37	.41	0.33	1.47
2020	0.16	0.25	0.32	<i>0.27</i>	<i>1.00</i>
2021	<i>0.20</i>	<i>0.30</i>	<i>0.40</i>	<i>0.40</i>	<i>1.30</i>

Ennis' situation has not improved much in recent months. Operating conditions remain challenging due to lingering COVID-19 pressures. Indeed, cases of the disease have been surging across the globe again, thereby resulting in the closure of a number of schools and businesses. The effects were visible in the company's November financial results, with earnings slipping a worse-than-anticipated 22%, to \$0.32 a share, on a 20% top-line slide. The consensus earnings estimate was \$0.25 a share. (Fiscal 2020 ends February 28, 2021.)

We've tempered our fiscal 2020 fourth-quarter and earlier fiscal 2021 expectations. The operating backdrop seemed to actually be worsening towards the tail end of the year due to a spike in those infected. While management's ability to cut costs and expand margins in the November period are encouraging, such efforts were not likely to be enough to offset the top-line headwinds we see persisting until the global pandemic shows signs of being under control. Global vaccinations are underway, but we suspect that supply/distribution issues will keep a majority of the population will receive the shots until the summer months, best case scenario. All told, we are now modeling for earnings of about \$0.27 a share in the fiscal 2020 fourth quarter, on revenues of about \$90 million, representing roughly 18% and 16% year-over-year respective declines.

We look for a partial recovery in both revenues and earnings for all of fiscal 2021, nonetheless. While the first half of the year ought to remain difficult, we anticipate that demand will pick up as the year progresses, conditions normalize, and more businesses reopen. Meantime, benefits stemming from the aforementioned cost controls should continue to ramp up, painting a more favorable margin backdrop. In all, we currently are penciling for fiscal 2021 share earnings of \$1.30, on revenues of about \$415 million. This models for advances over expected 2020 totals, but declines from 2019 figures.

Ennis is throwing its hat in the acquisition ring again. It has announced the purchase of Infoseal LLC, a Virginia-based provider of pressure seal and tax form products. No stranger to the M&A game, the bolt-on is in keeping with the company's strategy to build out its footprint via smaller deals. It is expected to be immediately accretive to earnings.

This stock has bounced around a bit in recent months, but is up slightly in value since our September review. Still, we are maintaining our \$30 mid-decade Price Target, suggesting well above-average price appreciation potential over the next three to five years, and our Buy recommendation, anticipating that operating conditions are on the horizon. Our optimism for the stock is partly supported by the yield, which at 5.0%, is far above the Value Line median. Adding it all up, EBF offers wide total-return prospects. Conservative accounts, should be further intrigued by the equity's solid score for Price Stability and its favorable Beta coefficient. Still, we advise employing a \$14-a-share stop-loss target. **■**

FOR CONSERVATIVE INVESTORS

Exponent

(EXPO)

RECOMMENDATION: **Hold**

RECENT PRICE: **\$92.83**

ESTIMATED DIVIDEND YIELD: **.8%**

THREE-TO FIVE-YEAR PRICE TARGET: **\$115 (+24%)**

ORIGINALLY RECOMMENDED AT: **\$57.80 in June 2019**

PERFORMANCE RECORD: **+60.6%**

RECOMMENDED STOP LOSS: **\$70**

COMPANY WEBSITE: www.exponent.com



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	96.5	95.6	95.3	92.1	379.5
2019	99.0	106.5	101.5	110.1	417.1
2020	106.0	92.0	98.7	93.3	390
2021	100	110	120	120	450

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	0.37	0.34	0.32	0.30	1.33
2019	0.42	0.39	0.36	0.36	1.53
2020	0.49	0.31	0.34	0.31	1.45
2021	0.42	0.43	0.45	0.45	1.75

Exponent shares have been on a good run of late. Specifically, they are up almost 25% in value since our last review in September and about 35% following the release of the company's third-quarter results. The momentum is nothing new here, as the stock has appreciated 60% since being added to the mix about a year and a half ago.

This science and engineering consulting firm continued to have some trouble in the September period, but not as much

as most were anticipating. Indeed, although earnings came in at \$0.34 a share, two cents off the below the year-earlier mark, this was a few pennies ahead of the consensus estimate. We had been looking for a \$0.28 tally. Sales slipped 2.8% year over year, compared to our call for an 11.3% decline. COVID-19 remained a headwind, with social-distancing efforts resulting in project delays.

We suspect that the story was very much the same in the December quarter and will remain so in the early stages of 2021. COVID-19 cases really picked up towards the end of 2020 and are showing no signs of letting up at this time. As a result, we think that Exponent will continue to be negatively impacted by more-stringent capital spending from many of its customers. That said, management has noted that it has seen increased demand for its Environmental & Health practices. Still, overall demand trends are expected to remain soft. As such, we are modeling for 10%-15% top- and bottom-line slides in the 2020 fourth quarter. Our \$1.75 2021 EPS forecast calls for a 21% uptick, but this is mostly back-end weighted to reflect an improved operating climate. Next year, we are modeling for a 15% sales increase.

The longer-term picture appears bright. COVID-19 vaccines are currently being distributed and we think that the worst of the pandemic should be in the rearview mirror by the end of this year. Exponent's services should see a nice uptick in 2022, benefiting from the improved backdrop as well as what we believe will be greater need for its products. To wit, demand should remain on the rise as the complexity of products increase, especially in the technology space.

We've bumped up our 2023-2025 Target Price to \$115, but the aforementioned run up in price discounts a fair portion of the gains we envision over that time frame, and EXPO stock thus offers roughly average three- to five-year price appreciation potential. The dividend adds some appeal, especially for conservative-minded accounts, but even still we are maintaining our Hold recommendation, due to valuation. Indeed, while the company has some unique opportunities in hot niches, the equity continues to trade at a premium price-to-earnings multiple when compared to its peers, in our view. New investors would be best served to wait for a possible pullback before committing funds here. Our stop-loss target has been upped to \$70 a share. **▼**

FOR CONSERVATIVE INVESTORS

Landstar System

(LSTR)

RECOMMENDATION: **Hold**

RECENT PRICE: **\$144.41**

ESTIMATED DIVIDEND: : **0.6%**

THREE-TO-FIVE-YEAR PRICE TARGET: **\$180 (+25%)**

ORIGINALLY RECOMMENDED AT: **\$67.07 in September 2016**

PERFORMANCE RECORD: **+115.3%**

RECOMMENDED STOP LOSS: **\$110**

COMPANY WEBSITE: WWW.LANDSTAR.COM



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	1047.9	1182.8	1202.1	1182.4	4615.2
2019	1033.0	1045.0	1011.0	994.9	4084.6
2020	927.5	823.5	1085.5	1253.5	4090
2021	1125	1125	1150	1150	4550

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	1.37	1.51	1.63	1.68	6.19
2019	1.58	1.53	1.35	1.27	6.18
2020	1.04	0.63	1.61	1.77	5.05
2021	1.45	1.45	1.65	1.70	6.25

Landstar System should continue to perform well in the current climate. The company has benefited from stronger e-commerce and consumer durables demand, as well as tight trucking capacity. Landstar is heavily tied to the manufacturing space, with the consumer durables, automotive, and machinery sectors accounting for roughly 50% of its total revenue. The American Trucking Association's Truck Tonnage Index rose roughly 4% in November, reversing course from a decline of 5% in October. Low inventory levels, e-commerce traffic, and housing-related products helped

to offset weakness in the manufacturing and energy sectors. Management believes the momentum could continue, but with the rollout of vaccines consumer spending may well shift to leisure and entertainment avenues. However, trucking capacity ought to be tighter for longer than in previous cycles. The COVID-19 virus hurt the enrollment of new drivers in schools and accelerated the retirement of older drivers. In addition, insurance premiums have skyrocketed across the industry and have effectively taken trucks off the road. Consequently, spot pricing may well remain strong through this year.

Management continues to be optimistic about the near-term outlook. The company recently noted that fourth-quarter revenue per load may well rise in the mid-teen vicinity versus its previous call for a low double-digit gain. Landstar had targeted revenue for the fourth quarter of 2020 of \$1.15 billion-\$1.2 billion. Spot pricing is likely to be favorable, but management noted that customers may well start to shift to contract-based terms. Adjusted earnings may be slightly higher than its bottom-line range of \$1.61-\$1.71 a share. We have increased our full-year targets to \$4.09 billion and \$5.05 a share, respectively, based on better-than-expected third-quarter earnings and slightly more positive pricing and volume commentary.

Landstar's asset-light business model and mostly variable cost structure remain attractive attributes. The company has been able to generate strong free cash flow over the years and deploys a majority of its excess cash on buybacks and special dividends. We suspect that the Biden Administration may well implement additional regulations on truckers, but that remains to be seen. However, easing trade tensions and likely more stimulus spending should be beneficial over the short term. All told, the economy is likely to be on better footing as the virus eases and vaccines roll out to more of the population.

The stock is trading at near all-time highs. The strength in the e-commerce space and recovery in other portions of the economy have fueled optimism for these shares. The company's consistent payout of an annual special dividend also provides some income protection. The balance sheet strength along with the asset-light business model are pluses. The company retains a high mark for Financial Strength (A) and the stock holds our top Safety rank of 1. Thus, this equity continues to hold decent appreciation potential on a risk-adjusted basis over the 2023-2025 investment horizon. That said, taking some gains of the table may be warranted for investors that have been in the stock since our initial recommendation in September of 2016. We raised our stop-loss target by \$10, to \$110 a share. **▼**

FOR AGGRESSIVE INVESTORS

LendingTree

(TREE)

RECOMMENDATION: **Buy**

RECENT PRICE: **\$307.51 (As of January 13, 2021)**

ESTIMATED DIVIDEND YIELD: **Nil**

THREE-TO FIVE-YEAR PRICE TARGET: **\$400 (+30%)**

ORIGINALLY RECOMMENDED AT: **\$200.53 in April 2020**

PERFORMANCE RECORD: **+53.3%**

RECOMMENDED STOP LOSS: **\$240**

COMPANY WEBSITE: **www.lendingtree.com**

Annual Stock Price	2017	2018	2019	2020	2021
High	355.80	404.40	426.73	368.66	318.49
Low	96.20	183.25	211.11	135.70	257.55



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	181.0	184.1	197.1	202.7	764.9
2019	262.4	278.4	310.6	255.2	1106.6
2020	283.1	184.3	220.3	222.3	910.0
2021	250.0	270.0	280.0	300.0	1100.0

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	2.41	3.17	2.05	0.02	7.76
2019	0.04	0.87	1.67	0.10	2.70
2020	1.34	d0.66	d1.90	d.28	d1.50
2021	0.20	0.30	0.50	0.70	1.70

LendingTree stock surged more than 15% in price over this past week after announcing preliminary fourth-quarter results that exceeded company guidance and beat consensus expectations. Specifically, management sees revenues coming in between \$220 million-\$222 million for the December period, up from its previous guide of \$200 million-\$215 million, and ahead of analysts' estimates calling for about \$210 million on average. Its adjusted EBITDA forecast also improved to \$24 million-\$26 million (previously \$13 million-\$18 million), as did the outlook for

variable marketing margin to \$80 million-\$82 million (previously \$72 million-\$78 million). LendingTree is scheduled to release its official fourth-quarter earnings report on February 25th.

It was a highly encouraging announcement and seems to have helped restore confidence after the company's somewhat disappointing third-quarter showing. Investors recall that LendingTree posted sharp declines in both earnings and revenues in the June quarter, as pandemic-related pressures weighed heavily on the credit cards, personal loans, and small business segments, and management cautioned that performance would continue to be challenged in Q4. This resulted in significant downward pressure in the stock's price over the balance of November and into December. A good chunk, but not all, of these losses were recouped in early January on the positive Q4 preliminary data.

Management highlighted that its better-than-expected Q4 results were driven in large part by strength in the Home segment, where revenues grew more than 30% year over year. Mortgage lenders have been building capacity to capitalize on favorable trends in the market, and they appear to be increasingly turning to LendingTree to acquire new borrowers. The Insurance business also continued to perform well (+20% year over year), thanks to ongoing product enhancements and diversification, with a notable contribution from the health and Medicare categories.

As for the Consumer segment, which was most adversely impacted by the pandemic, signs of recovery have started to become more evident. The credit card category in particular has seen sequential growth every month dating back to the lows of May, and revenues in December surged 90% relative to September. Although there still remains a good deal of uncertainty surrounding government stimulus and the staying power of COVID-19, recent spending patterns have been encouraging, as has vaccine news, and we anticipate continued improvement in Consumer going forward. Early-2020 headwinds in the Insurance business have also clearly dissipated, and persistently low borrowing rates should continue to lend support to home mortgage products in 2021.

All told, we remain constructive on TREE stock and see significant upside potential in the coming years. We have maintained our Buy rating with a 3- to 5-year price target of \$400 a share. Our stop/loss is set at \$240 to mitigate downside risk. **■**

FOR AGGRESSIVE INVESTORS

XBiotech

(XBIT)

RECOMMENDATION: **Especially Recommended**

RECENT PRICE: **\$17.49**

ESTIMATED DIVIDEND YIELD: **Nil**

THREE-TO FIVE-YEAR PRICE TARGET: **\$34 (+94%)**

ORIGINALLY RECOMMENDED AT: **\$15.04 in August 2020**

PERFORMANCE RECORD: **+16.3%**

RECOMMENDED STOP LOSS: **\$14**

COMPANY WEBSITE: **www.xbiotech.com**



QUARTERLY REVENUES (\$MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	0.0	0.0	0.0	0.0	0.0
2019	0.0	0.0	0.0	0.0	0.0
2020	12.7	15.9	10.5	15.9	55.0
2021	23.0	26.0	29.0	32.0	110.0

QUARTERLY EARNINGS (PER SHARE)*

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2018	d.12	d.16	d.14	d.17	d.59
2019	d.16	d.16	d.15	2.13	1.66
2020	0.00	d.24	d.09	d.07	d.40
2021	d.07	d.07	d.04	d.02	d.20

XBIT shares have come under some pressure over the past few months, losing about 13% of their value since mid-November. We believe the selloff is likely tied to a series of positive news related to COVID-19 vaccine development, including the Federal Drug Administration's approval of two candidates in December (Pfizer

and Moderna). Both vaccines showed higher-than-expected efficacy rates during clinical trials, which represented great news for the overall market, but not so much for companies developing treatments through the use of antibodies and convalescent plasma. The thought is that, if these efficacy rates hold up, herd immunity in the general public could be reached fairly quickly, hurting demand for therapeutics.

Investors recall that XBiotech has been working in collaboration with BioBridge to develop COVID-19 treatments using convalescent plasma. Indeed, optimism surrounding this program was a key catalyst in the stock's strong run up in August and September. While the vaccine news isn't great for the company, it's certainly nowhere close to a deal breaker. We continue to believe that the market for COVID-19 treatments will be quite substantial in 2021 based on several factors.

First off, the vaccine rollout has not gone very smoothly in the early stages, and many states seem unlikely to achieve initial vaccination targets. The slow start, coupled with growing concern tied to supply and availability, could mean that a lesser amount of people will be vaccinated this year than current projections suggest. Second, with COVID-19 cases continuing to surge across the country, and the death toll rising, we wouldn't be surprised to see some hesitancy when it comes to people visiting the hospital or physicians' office to get the shot. And lastly, it is highly probable that a large chunk of the population just won't attempt to get it. Whether it be because of the unproven track record or their belief system, millions of Americans will almost certainly go unvaccinated in 2021.

In addition to the potential revenue opportunity tied to the COVID-19 program, XBiotech has several other assets in its pipeline that have shown promise. These include multiple product candidates targeting both inflammatory and infectious diseases. Oncology also appears to be a key focus, along with heart disease, arthritis, and inflammatory bowel disease. Furthermore, research conducted last year in Switzerland touted the company's drug candidate antibody as a potential blockbuster therapeutic for stroke-related brain injuries. Our projections continue to show strong upside potential out to 2023-2025. All told, we are maintaining our Especially Recommend rating on XBIT stock with a 3- to 5-year price target of \$34 a share. We have set our stop/loss at \$14 to mitigate downside risk.

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