

g.research

Best Ideas

CP COLLEGIUM
Pharmaceutical

Liberty
(((SiriusXm)))
Group

ACTIVISION | BLIZZARD

BRINKS

SANDY
SPRING
BANK

WADDELL
& REED
Financial Advisors™

ARCOSA

bluebirdbio®
rescues the life™

LOWE'S

Hewlett Packard
Enterprise

CBS

Schlumberger

✓ FERRO

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Livent

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Ferro Corporation (**FOE**)

Basic Materials - *Joseph Catania*

Livent Corporation (**LTHM**)

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Arcosa (**ACA**)

Media - *Brett Harriss*

CBS Corp. (**CBS**)

Media - *John Tinker*

Liberty SiriusXM (**LSXMA**)

Media - *Alec Boccanfuso*

Activision Blizzard (**ATVI**)

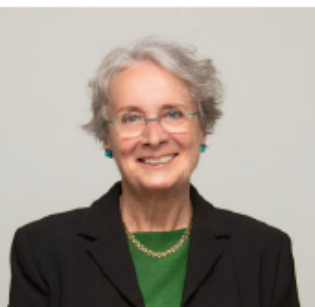
Technology - *Hendi Susanto*

Hewlett Packard Enterprise (**HPE**)

Global Telecommunications - *Evan Miller, CFA*

Iliad (**ILD-FP**)

G.research, LLC attempts to provide timely, value-added insights into companies or industry dynamics for institutional investors. We employ a Private Market Value with a Catalyst methodology, a time tested strategy derived from our intense research driven culture. This unique approach gives us a differentiated perspective from other methodologies which has successfully carried our firm for 42 years.



Basic Materials - Specialty Chemicals

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Rosemarie Morbelli joined the firm in February 2011 as a research analyst responsible for the specialty chemical industry. Ms. Morbelli spent nearly 30 years with Ingalls & Snyder, where she was named "Best on the Street" and the "Best of the Boutique and Regionals" by Institutional Investor. Rosemarie was recognized as a Top Stock Picker in Thompson Reuter's 2014 StarMine Analyst Awards. She is a member of the New York Society of Security Analysts and has served as the President and Treasurer of the Chemical Specialists Group. Rosemarie is a graduate of the University of Grenoble, France with a Bachelor Degree in Natural Sciences.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
AVERY DENNISON	AVY	113.03	9,528	1,885	1,012	1,070	10.7	139
ECOLAB INC	ECL	198.9	57,323	7,062	3,269	3,497	18.4	180
FERRO CORPORATION	FOE	14.97	1,235	813	246	278	7.4	23
FMC CORP	FMC	83.34	10,993	3,029	1,180	1,269	11.0	81
H.B. FULLER CO	FUL	46.96	2,390	2,094	465	481	9.3	57
MINERAL TECHNOLOGIES	MTX	51.81	1,824	846	354	374	7.1	68
POLYONE	POL	30.29	2,357	1,351	420	445	8.3	37
RPM INTERNATIONAL INC	RPM	61.61	8,015	2,329	683	772	13.4	66
SEALED AIR	SEE	43.47	6,729	3,332	924	975	10.3	53
SHERWIN-WILLIAMS	SHW	467.51	43,011	9,737	3,390	3,772	14.0	483

Best Idea 2H 2019:

Ferro Corporation (FOE - \$14.58 - Buy) 2H 2019 Best Idea: Year-to-Date FOE has Not Performed and Lost ~6% of its Value – Negative Macro Factors Are Affecting Industries/Markets Served – Management Missed Guidance Several Times – 2H May be Below Previous Expectations – However, Self Help Actions are Being Taken and a Potential Catalyst May Surface Prior to YE – Maintaining Our EPS Projections of \$1.38, \$1.60, \$1.85, \$2.10, and \$2.35 for 2019, '20, '21, '22, and '23, respectively.

Investment Case

Ferro's performance has been less-than-stellar. However, we believe that management is focusing on the appropriate actions:

- 1) The optimization program, which is more than "just cost cutting"
- 2) The health of the balance sheet, lowering net leverage to "under 3x" by year-end
- 3) FCF conversion of 50-60%; and
- 4) Moving toward its EBITDA margin target of 20%.

While the macro environment is challenging for all the companies in our universe, and the 2H could be weaker than previously anticipated, we believe that the combination of self-help and potential portfolio actions will create a welcome catalyst. We calculate a 2020 PMV of \$23 and maintain FOE as our 2019 Best Idea.

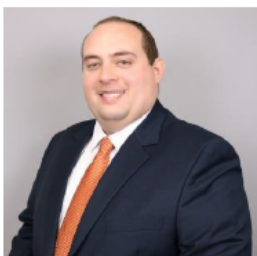
Basic Materials - Specialty Chemicals

Joseph Catania

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Joseph Catania joined the firm in June 2018 as a research analyst covering Specialty Chemicals. He began his career as a Financial Consultant at AXA Advisors in New York, NY and is a patented inventor. Joseph graduated from the University of Pennsylvania with a B.S.E. in Systems Engineering and received an M.B.A. with concentrations in Finance and Accounting from the Gabelli School of Business at Fordham University.



Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
LIVENT CORPORATION	LTHM	6.93	1,012	32	132	185	5.6	16

Best Idea 2H 2019:

Livent Corporation (LTHM - \$6.97 - Buy) 2H 2019 Best Idea: We are reiterating our buy recommendation on LTHM as our best idea for the second half, despite weak YTD performance post spin-off from FMC. After a significant guide down along with Q1 earnings, the stock sold off significantly on fears that lithium pricing will be under pressure for the foreseeable future. We believe that shares have been oversold, and that creates an attractive entry point to achieve growth going into 2020.

Investment Case

We believe that concerns over lithium pricing have caused Livent to be oversold. Livent should be more insulated from pricing pressures faced by other lithium producers over the long term due to the company's focus on lithium hydroxide and the industry trend toward that being the standard battery chemical, even though that trend has been slower to materialize than management expected. As a result, the company has faced short-term margin compression in 2019. As margins return to more normalized levels in late 2019 and early 2020, the stock should benefit. We reiterate our Buy recommendation on LTHM and see this as a good entry point to take advantage of the vehicle electrification trend. Livent is trading at a 57.5% discount to our 2020 PMV of \$16.

Business Services

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Ashish Sinha joined the firm in November 2012 as a Research Analyst focusing on European Equities specifically Business Services. Prior to joining the firm, Mr. Sinha was a research analyst at Morgan Stanley. Ashish holds a Masters in International Business Studies from IIFT, New Delhi and is also a CFA charterholder.

Company	Ticker	Current Price \$/LC	Equity Cap \$/LC	Net Debt \$/LC	EBITDA Current \$/LC	EBITDA Forward \$/LC	EV/EBITDA Forward	PMV \$/LC
THE BRINK'S COMPANY	BCO	86.99	4,341	1,421	610	665	8.7	110
G4S PLC	GFS LN	£1.96	3,028	1,633	596	627	7.4	3
LOOMIS AB	LOOMB SS	283.20	21,297	7,410	4,177	4,379	6.7	440
EDENRED SA	EDEN FP	31.23	7,451	1,359	630	715	12.3	47

Best Idea 2H 2019:

The Brink's Company (BCO - \$88.03 - Buy) 2H 2019 Best Idea: Brink's shares have appreciated ~35% YTD to \$88.03. With the company making good progress on its 2019 plans and the potential for continued high EBITDA CAGR delivery in the medium term on the back operational improvements, synergy delivery from recent acquisitions and the next strategic plan, which is expected to be communicated in 2H 2019, we reiterate our Buy recommendation on the shares as our 2H 2019 Best Idea.

Investment Case

Brink's is making steady progress on its Strategy 1.0 (organic growth and efficiency improvements) and Strategy 1.5 (acquisitions) towards its 2019 financial goals which will allow the company to significantly bridge the performance gap with its peers. With a Strategy 2.0 currently in the works, Brink's offers the potential to continue to deliver a high EBITDA CAGR over the medium term. We calculate 2019E PMV of \$95 per share and recommend Buy.



Consumer Staples (Beverage, Supermarkets & Specialty Retail)

Damian Witkowski

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Damian Witkowski joined the firm in 2007 as a research analyst covering non-alcoholic beverage companies. He began his career at GE Capital evaluating and executing early to mid-stage private equity transactions. Following GE Capital, Damian spent 5 years working for INVESCO Private Capital as a Portfolio Manager co-managing a \$1.5 billion portfolio of private investments. Prior to joining Gabelli & Co., he worked on analyzing and selecting public securities for the Lynch Foundation. Damian graduated with Honors from University of Connecticut with a B.S. degree in Finance.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
NON-ALCOHOLIC BEVERAGES								
COCA-COLA CO	KO	52.06	222,557	32,319	11,448	12,083	19.2	47
KEURIC DR PEPPER INC	KDP	28.73	40,394	15,180	3,216	3,523	15.8	28
PEPSICO INC	PEP	133.21	186,228	27,601	13,287	14,098	15.3	151
FEMSA	FMX	97.74	34,971	-1,534	3,194	3,470	10.8	112
SUPERMARKETS								
INGLES MARKETS	IMKTA	32.39	658	866	245	247	6.2	64
CONVENIENCE & GASOLINE RETAILING								
CASEY'S GENERAL STORES, INC.	CASY	159.87	5,851	1,312	612	653	11.0	161
MURPHY USA INC	MUSA	85.58	2,764	709	407	422	8.2	75
HEALTH & WELLNESS								
GNC HOLDINGS, INC	GNC	1.82	153	1,185	189	192	7.0	2
VITAMIN SHOPPE, INC	VSI	4.14	99	60	62	65	2.5	9

Best Idea 2H 2019:

Ingles Markets (IMKTA - \$31.97 – Buy) **2H 2019 Best Idea:** Following an unprecedented period of benign food inflation (as measured by the Food @Home CPI index; see Exhibit 1 below) the recent trend has shown an upward bias, which we expect to continue in the back-half of 2019. Considering a healthy economic backdrop, we expect Ingles to be able to pass along this inflation to its customers, spurring profit growth in the process.

Investment Case

We view Ingles as an attractive acquisition target considering its ability to stay relevant with its core consumer, a well maintained store base, and high real-estate ownership, including eighteen undeveloped sites. IMKTA shares trade at a 50% discount to our 2020P PMV of \$64 per share, which is based on 7x rent-adjusted 2020P EBITDA and includes our estimate of \$748 million in company-owned real-estate value.

Energy Services

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Simon T. Wong rejoined the firm in 2013 as a research analyst covering energy services. He began his investment career at Gabelli & Company in 1997 as a specialty chemical analyst, and subsequently became a generalist at Olstein Funds (now Olstein Capital Management) and Boyar Asset Management. Simon graduated from UCLA with a B.A. in Economics and received an M.B.A. in Finance from Columbia Business School.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV
APERGY CORPORATION	APY	31.45	2,434	609	305	345	8.8	46
DRIL-QUIP INC	DRQ	45.84	1,659	-415	30	75	16.6	57
FORUM ENERGY TECHNOLOGIES	FET	2.96	325	458	90	135	5.8	12
FRANKS INTERNATIONAL NV	FI	5.90	1,325	-168	45	80	15.0	7
KLX ENERGY SERVICES, INC.	KLXE	19.00	428	139	110	155	3.7	52
NATIONAL OILWELL VARCO, INC	NOV	21.98	8,482	1,213	735	1,010	9.6	38
OCEANENERGY INTL, INC	OII	19.67	1,944	449	180	245	9.8	33
OIL STATES INTERNATIONAL, INC	OIS	16.14	976	302	120	190	6.7	37
PATTERSON-UTI ENERGY, INC	PTEN	11.55	2,405	871	715	795	4.1	23
RPC, INC	RES	6.53	1,405	-113	225	315	4.1	13
SCHLUMBERGER	SLB	40.72	56,316	14,393	6,620	7,545	9.4	55
SUPERIOR ENERGY SERVICES, INC.	SPN	2.94	458	1,132	280	340	5.1	8
TechnipFMC PLC	FTI	25.59	11,518	-1,031	1,545	1,525	7.9	38
WEATHERFORD INTERNATIONAL	WFTIQ	0.05	45	8,218	695	990	8.4	0.09

Best Idea 2H 2019:

Schlumberger Ltd. (SLB - \$38.63 - Buy) 2H 2019 Best Idea: We reaffirm Schlumberger Ltd. as our best idea for 2H'19. Our 2020 PMV for SLB is \$55 per share, increasing to \$74 per share in 2023. Revenue can rebound sharply in oilfield services. For example, the company's North America revenue increased 80% between 2016 and 2018.

Investment Case

We reaffirm Schlumberger Ltd. as our best idea for 2H'19. Our 2020 PMV for SLB is \$55 per share, increasing to \$74 per share in 2023. Revenue can rebound sharply in oilfield services. For example, the company's North America revenue increased 80% between 2016 and 2018. Should the company's international and offshore revenue experienced similar level of recovery over the next five years, our 2023 PMV can potentially reach \$100/share. Every incremental \$2 billion in 2023 revenue would add \$6-8 per share to our PMV.

Financials - Investment Services

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Macrae Sykes joined Gabelli as a research analyst in 2008. He was previously (2010) a #1 ranked financial services analyst, by the Wall Street Journal's, "Best on the Street Analyst Survey," and a runner-up in the annual (2014, 2018) StarMine analyst awards for stock picking. Over several years, Mac has been named an Institutional Investor "Honorable Mention" for brokers, asset managers. He began his business career at Donaldson, Lufkin & Jenrette/CSFB after graduating from Hamilton College with a B.A. in Economics. He received an M.B.A in Finance from Columbia Business School. Mac was also a featured contributor to the 2018 Warren Buffett/Berkshire Hathaway book.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
BLACK ROCK INC	BLK	480.39	74,460	-4,100	5,800	6,600	10.7	592
COHEN & STEERS	CNS	51.91	2,440	-200	160	190	11.8	52
FEDERATED INVESTORS	FII	33.74	3374	50	355	390	9.3	37
INTERACTIVE BROKERAGE, INC	IBKR	52.47	21,723	0	1,400	1,600	13.6	58
JANUS HENDERSON GROUP PLC	JHG	23.09	4,627	662	720	750	7.3	39
LEGG MASON, INC	LM	38.53	3,314	1,500	550	635	8.7	56
T. ROWE PRICE GROUP	TROW	110.11	25,986	-5,200	2,500	2,800	7.4	154
TD AMERITRADE	AMTD	50.67	28,730	-450	3,100	3,500	8.1	64
WADDELL & REED FINANCIAL, INC	WDR	16.70	1,254	-700	175	170	3.3	30
WISDOM TREE	WETF	6.25	1,050	0	70	85	12.4	7

Best Idea 2H 2019:

Waddell & Reed Financial, Inc. (WDR - \$17.11 - Buy) 2H 2019 Best Idea: We estimate \$1.65 of EPS for both '19 and '20. Our 2020 PMV estimate is \$30 per share or 7x EV/EBITDA with cash expected to increase to \$880 million. Even with the current growth outlook, we believe investors are being well compensated at current levels with the ~5.8% current return on dividends and share repurchases.

Investment Case

We estimate \$1.65 of EPS for both '19 and '20. Our 2020 PMV estimate is \$30 per share or 7x EV/EBITDA with cash expected to increase to \$880 million. Even with the current growth outlook, we believe investors are being well compensated at current levels with the ~5.8% current return on dividends and share repurchases. A much fairer valuation is 7x, still below average industry levels and newer takeout comps. We recommend purchase and believe that WDR could surprise in the 2H 19.

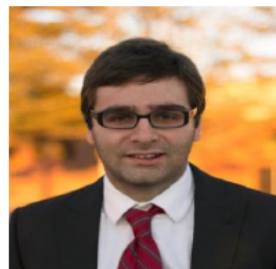
Financials - Community Banks

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Steve Comery joined the firm in 2015 as a research analyst covering the financial services industry. He graduated summa cum laude from Babson College with a B.S. in Business Administration with concentrations in finance and economics.



Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
ATLANTIC CAPITAL BANK	ACBI	17.46	428					27
EAGLE BANCORP INC.	EGBN	55.11	1,901					85
FLUSHING FINANCIAL	FFIC	22.47	634					34
FIRST BANCORP	FBNC	36.02	1,070					50
PEAPACK GLADSTONE FINANCIAL	PGC	28.46	552					41
SANDY SPRING BANCORP	SASR	35.37	1,256					55

Best Idea 2H 2019:

Sandy Spring Bancorp (SASR - \$34.97 - Buy) 2H 2019 Best Idea: We continue to value the shares at 2.2x TBV for a private market value estimate of \$50 per share in 2019, and we recommend Buy given the company's strong growth position, superior historical credit performance, attractive geography, and compelling valuation. At ~1.5x forward TBV and ~11x forward EPS, we see a material trading discount in SASR shares when compared to precedent transaction multiples of ~2.0-2.5x TBV and ~17-29x EPS.

Investment Case

At ~1.5x forward TBV and ~11x forward EPS, we see a material trading discount in SASR shares when compared to precedent transaction multiples of ~2.0-2.5x TBV and ~17-29x EPS: see Exhibit 25 on page 16 of our initiation report. We continue to value the shares at 2.2x TBV for a private market value estimate of \$50 per share in 2019, and we recommend Buy given the company's strong growth position, superior historical credit performance, attractive geography, and compelling valuation.

Healthcare (Animal Health, Biotech & Pharmaceutical)

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Kevin Kedra joined the firm in 2005 as a research analyst covering the healthcare industry. Prior to this, he attended the University of Pennsylvania where he received a B.S.E. in Bioengineering.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
Animal Health								
ELANCO ANIMAL HEALTH INC.	ELAN	33.15	12,120	1,982	755	816	17.3	39
COVETRUS INC	CVET	25.07	2,783	1,127	206	272	14.4	35
HENRY SCHEIN, INC.	HSIC	70.88	10,568	1,194	885	949	12.7	78
PATTERSON COMPANIES, INC.	PDCO	21.30	2,030	654	253	263	10.2	28
PHIBRO ANIMAL HEALTH CORP	PAHC	30.53	1,236	244	117	131	11.3	42
ZOETIS	ZTS	113.08	54,143	4,799	2,520	2,732	21.6	108
Biotech & Pharma								
ACHAOGEN	AKAO	#NT/FND	#VALUE!	#N/A	#N/A	#N/A		#N/A
ALLERGAN PLC	AGN	165.34	54,232	21,764	7,355	7,476	10.2	251
AKORN, INC.	AKRX	4.47	560	648	43	77	15.7	5
COLLEGIUM PHARMACEUTICAL, INC	COLL	11.37	380	-123	-5	14	18.3	28
ENDO PHARMACEUTICAL HLDGS	ENDP	4.12	932	7,216	1,246	1,225	8.8	12
ITERUM THERAPEUTICS PLC	ITRM	6.64	96	-70	-101	-70	-0.4	7
LEXICON PHARMACEUTICALS	LXRX	6.20	657	116	-52	12	64.4	7
MELINTA THERAPEUTICS	MLNT	4.33	48	106	-61	-44	-3.5	4
MOTIF BIO PLC	MTFB	0.62	11	5	-23	-42	-0.4	2
NABRIVA THERAPEUTICS AG	NBRV	2.39	167	-77	-85	-67	-1.3	2
PARATEK PHARMACEUTICALS, INC.	PRTK	3.78	122	-23	-136	-117	-0.9	11
TEVA PHARMACEUTICAL	TEVA	9.19	10,035	26,742	4,658	4,841	8.1	22
TETRAPHASE PHARMACEUTICALS	TTPH	0.44	24	-58	-71	-47	0.7	2

Best Idea 2H 2019:

Collegium Pharmaceutical, Inc. (COLL - \$10.83 - Buy) 2H 2019 Best Idea: We are reiterating COLL as our best idea for the second half of 2019 despite a disappointing first half where shares lost over a third of their value. We believe the stock has been oversold on concerns about opioid litigation and view this weakness as a buying opportunity for investors willing to make a contrarian bet on an opioid company.

Investment Case

We continue to recommend Collegium as our best idea for the second half of 2019. COLL shares appear oversold due to the opioid litigation that has become a headwind for companies across the healthcare landscape. We expect Collegium to be dismissed from these opioid liability lawsuits, and the company could benefit from any disruption to OxyContin as Purdue wrestles with bankruptcy potential ahead of multidistrict litigation (MDL) bellwether trials scheduled for October. COLL trades at 1.8x Xtampza sales for 2020 and at a 56% discount to our 2020 PMV of \$24 per share.



Healthcare (Biotech)

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Jing He joined the firm in 2015 as a research analyst covering the biotechnology industry. Previously, Jing worked at Regeneron Pharmaceuticals for three years, also Sanford Bernstein shortly. She received her M.B.A. in Finance from Columbia Business School, M.A. in Chemistry from Washington University in St. Louis, and B.S. in Chemistry from Peking University.

Company	Ticker	Current Price	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
AMGEN, INC	AMGN	175.28	109,024	3,018	11,218	11,041	10.1	203
BIOMARIN PHARMACEUTICALS	BMRN	82.54	14,775	-345	162	370	39.0	129
BLUEBIRD BIO	BLUE	134.16	7,379	-1,891	-694	-694	-7.9	214
CLOVIS ONCOLOGY INC	CLVS	13.02	690	181	-351	-278	-3.1	38
GILEAD SCIENCE, INC	GILD	66.42	84,619	1,224	11,382	11,274	7.6	91
INCYTE CORPORATION	INCY	80.34	17,201	-1,701	488	742	20.9	110
REGENERON PHARMACEUTICALS	REGN	294.01	32,223	-5,572	3,225	3,536	7.5	501

Best Idea 2H 2019:

bluebird bio (BLUE - \$141.25 - Buy) 2H 2019 Best Idea: We reiterate Buy on BLUE due to its continued progress in both BCMA and GTx. As shares recover from underappreciated EHA data, we believe a catalyst-rich 2H'19 will provide additional upside. The shares are trading at a 22% discount to our 2020 PMV of \$180 per share, supported by peak sales multiple valuation.

Investment Case

We reiterate Buy on BLUE due to its continued progress in both BCMA and GTx. As shares recover from under-appreciated EHA data, we believe a catalyst-rich 2H'19 will provide additional upside. The shares are trading at a 22% discount to our 2020 PMV of \$180 per share, supported by peak sales multiple valuation.



Industrials (Housing)

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Alvaro Lacayo joined the firm in June 2014 as a research analyst covering Housing. He began his business career as a senior sales associate in private wealth management at Morgan Stanley in New York. Alvaro graduated from Tufts University with a major in Economics and International Relations and received an M.B.A from Columbia Business School.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
A.O SMITH CORPORATION	AOS	44.91	7,590	-349	650	705	10.4	59
ARMSTRONG FLOORING INT'L	AFI	9.74	259	-2	45	50	5.2	16
FORTUNE BRANDS HOME & SECURITY	FBHS	56.22	7,978	2,238	940	985	10.5	73
HOME DEPOT, INC.	HD	217.32	240,356	25,294	17,965	19,320	13.7	217
LOWES COMPANIES, INC.	LOW	107.55	85,717	14,342	7,765	8,890	11.2	122
LENNAR CORP	LEN	48.07	15,397	8,590	2,660	2,834	8.5	NR
MASCO CORP.	MAS	38.71	11,381	2,750	1,440	1,535	9.9	53
MOHAWK INDUSTRIES	MHK	151.17	10,990	3,156	1,540	1,645	8.6	191
PGT, INC.	PGTI	16.46	974	322	145	155	8.4	24
TAYLOR MORRISON HOME CORP	TMHC	21.52	2,404	1,905	480	530	8.1	26
TRI-POINTE HOMES	TPH	12.56	1,789	1,264	275	320	9.5	13
JELD-WEN HOLDING INC	JELD	21.33	2,165	1,479	475	525	7.1	32
USG CORP	USG	#NT/FND	#VALUE!	817	541	727		NR
WHIRLPOOL CORP	WHR	145.83	9,406	5,561	2,045	2,180	7.5	183

Best Idea 2H 2019:

Lowe's Companies Inc. (LOW - \$103.66 - Buy) 2H 2019 Best Idea: We are recommending Lowe's as our best idea for the 2H of 2019. Lowe's has been our best idea since December of 2018 given improved leadership, better capital allocation strategy, exit of non-core and underperforming assets and self-help opportunities that should help drive above market growth and improved margins as the company leverages growth and becomes more efficient

Investment Case

With established new leadership and a clear strategy in place, we believe Lowe's may be at an inflection point that could see an improvement in corporate governance, better capital allocation, sustained strength in same store sales and rising profitability. When accounting for revenue growth, improved profitability and share count reduction we see EPS growing to \$6.50 by 2020 up from \$4.39 in 2017, representing earnings CAGR of 10-12% through 2020 (excluding one-time tax benefits). At a 15.1% discount to our 2020P PMV estimate of \$122 per share, we recommend investors Buy shares.



Industrials (Diversified Industrials, Transports, and Metals)

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Justin Bergner rejoined the firm in June 2013 as a research analyst covering Diversified Industrials, Transports, and Metals. He began his investment career at Gabelli & Company in 2005 as a metals and mining analyst, and subsequently spent five years at Axiom International Investors as a senior analyst focused on industrial and healthcare stocks. Before entering the investment profession, Justin worked in management consulting at both Bain & Company and Dean & Company. Justin graduated cum laude from Yale University with a B.A. in Economics & Mathematics and received an M.B.A. in Finance and Accounting from Wharton Business School.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
DIVERSIFIED INDUSTRIALS								
ACTUANT CORPORATION	ATU	22.80	1,400	274	155	160	10.5	29
ARCOSA, INC.	ACA	36.48	1,747	-13	227	255	6.8	51
ENPRO INDUSTRIES INC	NPO	61.96	1,289	342	212	224	7.3	110
GENERAL ELECTRIC CO.	GE	10.31	89,965	21,300	14,950	15,630	8.5	17
KIRBY CORP	KEX	75.26	4,501	1,665	575	670	9.2	109
LEGGETT & PLATT	LEG	38.91	5,230	2,146	740	790	9.3	50
MSC INDUSTRIAL DIRECT	MSM	72.44	3,991	562	490	505	9.0	101
ROCKWELL AUTOMATION	ROK	159.82	18,923	1,329	1,560	1,625	12.7	202
STANLEY BLACK & DECKER, INC.	SWK	146.89	21,725	6,161	2,335	2,480	11.6	160
TIMKEN CO	TKR	48.32	3,672	1,541	760	765	7.1	70
W.W. GRAINGER, INC.	GWW	269.36	14,976	1,819	1,690	1,790	11.0	356
Metals & Other								
ALCOA	AA	22.68	4,207	786	1,930	1,680	6.0	41
TIMKENSTEEL	TMST	7.05	315	219	100	135	4.6	17

Best Idea 2H 2019:

Arcosa (ACA - \$36.68 - Buy) 2H 2019 Best Idea: We continue to recommend Arcosa as our best idea after a solid performance in 1H'19. We believe the recent consolidation in the stock, which might suggest an in-line 2Q print vs prior beats, will be the pause that refreshes the stock. Namely, 2019-2020 are the years to own the barge cycle and before other parts of the business are potentially put to test. The stock has been derisked by sensible capital allocation, with a solid team and an inexpensive 7x 2020 EV/EBITDA valuation.

Investment Case

With multiple investment merits, inexpensive current valuation, repurchases, capital allocation de-risked, and modest short cycle exposure, Arcosa continues to have a strong risk reward into 2H'19. Arcosa is one of two ways to play the improving barge cycle along with Kirby Corp, with ACA having the added benefit of a near monopoly in barge production today. We make no changes to our EBITDA estimates at this time, which are in line with consensus expectations for 2020. We also like the FCF generation of ~\$95mm in 2020 (constrained by the barge ramp/working capital) and \$125mm in 2021. It provides healthy ammunition for repurchases and additional acquisitions in the special materials space.

Media (Entertainment)

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Brett Harriss joined the firm as a research analyst in 2008 covering Media and Entertainment. Previously, he worked as a financial analyst at Jetblue and as an Investment Banker at JPMorgan. Brett received his B.A. at Columbia University in Economics in 2003 and his M.B.A from Columbia Business School in 2008 in Finance and Economics.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
ENTERTAINMENT								
21ST CENTURY FOX	FOXA	36.86	22,890	3,932	2,601	2,754	9.0	57
ALTA BA INC	AABA	69.85	57,137	533				68
AMC NETWORKS	AMCX	56.90	3,243	2,466	991	955	6.2	102
CBS CORP	CBS	53.26	19,973	8,858	3,330	3,720	7.7	94
DISCOVERY COMMUNICATIONS, INC.	DISCA	32.43	22,733	15,598	4,610	4,659	8.0	60
E. W. SCRIPPS	SSP	15.85	1,282	674	144	337	5.8	28
GRUPO TELEVISIA, S.A.B.	TV	9.58	5,537	4,358	2,063	2,108	4.6	22
MADISON SQUARE GARDEN	MSG	288.95	6,848	-1,050	201	227	23.2	385
MADISON SQUARE GARDEN NETWORKS	MSGN	20.97	1,592	985	335	332	7.8	39
MEREDITH CORPORATION	MDP	55.76	2,632	3,057	707	812	6.8	99
NEXSTAR MEDIA GROUP	NXST	109.88	5,164	4,030	879	1,114	8.3	124
TEGNA	TGNA	15.77	3,406	2,764	631	856	7.2	18
TRIBUNE MEDIA	TRCO	46.40	4,079	2,037	613	474	7.2	64
VIACOM	VIA	31.74	12,791	8,473	2,868	3,034	6.7	55
WALT DISNEY CO.	DIS	144.91	256,636	45,000	17,423	18,074	17.0	123

Best Idea 2H 2019:

CBS Corp. (CBS - \$49.74- BUY) Best Idea: We expect a combination of CBS and VIA could be a catalyst for shares.

We believe both the economics and industrial logic are more compelling now than ever. We expect the two companies to reach an agreement to merge at roughly current share prices, with Viacom CEO Bob Bakish managing the combined company.

Investment Case

We expect a combination of CBS and VIA could be a catalyst for shares. We believe both the economics and industrial logic are more compelling now than ever. We expect the two companies to reach an agreement to merge at roughly current share prices, with Viacom CEO Bob Bakish managing the combined company. We expect there could be \$500 million to \$1 billion of merger synergies which would represent 7% to 15% of pro forma EBITDA. CBS has sports, Viacom does not. CBS benefits from a broad array of sports rights that include: The NFL, NCAA, college basketball & football and PGA Tour. Sports rights often make a network must-carry. CBS and Viacom would have better scale to build existing global OTT channels: CBS All Access, Showtime, and Pluto TV.



Media

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John Tinker joined the firm in July 2015 as a research analyst covering digital entertainment, an industry he has been following for over 25 years. Previously, Mr. Tinker had been an analyst at Maxim Group and Montgomery/ Banc of America Securities. John is a graduate of Oxford University with a BA/MA in Politics, Philosophy & Economics.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
ENTERTAINMENT								
BARNES & NOBLE, INC	BKS	6.70	489	194	145	147	4.6	7
ENTERTAINMENT ONE LTD	ETO LN	2.95	1,357	343	177	195	8.7	4
LIBERTY BRAVES GROUP	BATRA	27.97	1,678	387	94	94	19.6	42
LIBERTY MEDIA	FWONA	36.60	8,455	5,514	450	438	31.9	37
LIBERTY SIRIUS XM GROUP	LSXMK	40.01	13,203	963	1,876	2,116	6.9	55
LIVE NATION	LYV	70.26	14,755	2,201	640	625	27.1	51
MANCHESTER UNITED PLC	MANU	18.59	3,086	386	200	177	19.6	26
READING INTERNATIONAL INC	RDI	12.97	298	167	38	46	6.2	28
SIRIUS XM	SIRI	6.09	28,258	7,123	2,116	2,121	17.6	6
SPOTIFY TECHNOLOGY S.A.	SPOT	152.11	28,977	1,806	-10	-196	-167.2	125

Best Idea 2H 2019:

Liberty SiriusXM (LSXMA - \$39.78 – Buy) **2019 Best Idea Update** LSXMA has appreciated 8% YTD to \$39.78.

LSXMA's principal asset is nearly 70% of SiriusXM, which has increased 6% to \$6.07 allowing the underlying discount to shrink marginally to 29% at LSXMA. We estimate that LSXMA has continued upside to \$56 if the discount to the underlying SiriusXM stock shrinks to zero and a PMV of \$78 in 2020 on a mark to model basis if SIRI hits its PMV of \$8.05.

Investment Case

LSXMA is our 2019 Best Idea and has appreciated 8% YTD to \$39.78. LSXMA's principal asset is nearly 70% of SiriusXM, which has increased 6% to \$6.07 allowing the underlying discount to shrink marginally to 29% at LSXMA. We estimate that LSXMA has continued upside to \$56 if the discount to the underlying SiriusXM stock shrinks to zero and a PMV of \$78 in 2020 on a mark to model basis if SIRI hits its PMV of \$8.05.

Media- Interactive Entertainment

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Alec Boccanfuso joined the firm in June 2018 as a research analyst covering interactive entertainment. Alec graduated with honors from New York University with a B.S. in Finance and a minor in applied physics.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
ACTIVISION BLIZZARD	ATVI	47.54	36,321	-2,024	2,292	2,875	11.9	62
TAKE TWO INTERACTIVE	TTWO	116.77	13,160	-2,136	635	719	15.3	130
UBISOFT	UBI FP	73.12	8,189	294	1,183	1,313	6.5	93

Best Idea 2H 2019:

Activision Blizzard (ATVI - \$46.99 - Buy) 2H 2019 Best Idea: ATVI remains our best idea in the interactive entertainment space for the second half of 2019. While the stock has lagged behind industry peers YTD (EA, TTWO & UBI), we remain optimistic that our previously highlighted 2H catalysts will position ATVI for outperformance.

Investment Case

ATVI remains our best idea in the interactive entertainment space for the second half of 2019. While the stock has lagged behind industry peers YTD (EA, TTWO & UBI), we remain optimistic that our previously highlighted 2H catalysts will position ATVI for outperformance. Key upcoming game releases include the World of Warcraft: Classic (August 27) and Call of Duty: Modern Warfare (October 25). Additionally, BlizzCon 2019 (November 1-2) may bring major game announcements from the Blizzard segment. Highly-anticipated game reveals for 2020 could provide a catalyst for late 2019 stock performance. We find ATVI shares attractive at a 27% discount to our 2020 PMV estimate of \$63 per share. We estimate ATVI will generate net bookings of \$7.3B, Adj. EBITDA of \$2.9B and Adj. EPS of \$2.60 in 2020.



Technology

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Hendi Susanto joined the firm in 2007 as the lead technology research analyst. Hendi spent his early career in supply chain management consulting and operations in the technology industry. He has a B.S. summa cum laude in Chemical Engineering from the University of Minnesota, an M.S. in Chemical Engineering from MIT with a minor in Quantitative Finance from MIT Sloan, and an M.B.A. in Finance from the Wharton school.

Company	Ticker	Current Price \$	Equity Cap \$	Net Debt \$	EBITDA Current \$	EBITDA Forward \$	EV/EBITDA Forward	PMV \$
3D								
3D SYSTEMS CORPORATION	DDD	8.78	1,032	-58	46	76	12.7	16
FARO TECHNOLOGIES	FARO	48.61	841	-136	42	71	9.9	70
STRATASYS, INC	SSYS	28.91	1,561	-341	79	91	13.4	37
CYBER SECURITY								
CHECK POINT SOFTWARE	CHKP	118.73	17,691	-4,175	1,024	1,099	12.3	144
FIREEYE INC.	FEYE	15.84	3,216	50	73	106	30.8	19
FORTINET	FTNT	84.03	14,117	-1,852	529	610	20.1	91
PALO ALTO NETWORKS	PANW	216.40	20,342	-2,025	776	963	19.0	240
OLED								
UNIVERSAL DISPLAY CORP	OLED	200.62	9,509	-527	141	207	39.0	144
TECHNOLOGY								
ARISTA NETWORKS	ANET	275.46	21,073	-2,116	970	1,145	16.6	319
CTS CORP	CTS	27.61	908	-51	92	102	8.4	31
HEWLETT PACKARD ENTERPRISE	HPE	14.90	20,055	-1,739	4,984	5,277	3.1	23
MOTOROLA SOLUTIONS	MSI	171.77	28,394	3,618	2,158	2,299	14.3	158
VMWARE, INC.	VMW	169.01	69,463	933	3,795	4,265	16.5	165

Best Idea 2H 2019:

Hewlett Packard Enterprise (HPE - \$14.75 – Buy) Resilient Infrastructure Leader: We are reiterating our Buy recommendation on Hewlett Packard Enterprise, as our best idea for 2H 2019 in Technology. We believe IT market will continue to demonstrate resiliency in spite of macro-economic uncertainties. HPE has been maintaining its cautious optimistic stance

Investment Case

We have a Buy recommendation. HPE possesses market leadership in server and a competitive portfolio in hyper converge and hybrid IT infrastructure. Positive catalysts include sustainable growth, strategic portfolio shift toward higher value products and services, execution on major cost savings, operating margin expansion and a solid capital return strategy.



Global Telecommunications

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Mr. Miller joined Gabelli & Company as a research analyst in 2002 covering the European and EMEA telecommunications industry. Evan is Managing Director of Gabelli's London office. Prior to joining Gabelli, he was the senior European Telecommunications Research Analyst with Lehman Brothers and Credit Suisse in London. Evan's early career was in marketing and strategic planning roles for telecommunications operators on both sides of the Atlantic. Evan received his Bachelor of Arts in Economics from Northwestern University and MBA in Finance from the University of Chicago.

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Best Idea 2H 2019:

Iliad (ILD FP – €92.04 – Buy) ***Down, Not Out:*** We believe that Iliad's French service revenue can return to positive growth in 2H 2019. This will be driven by the combination of fixed ARPU stabilization and capturing of share of the modestly growing broadband base, along with continued mid-single digit mobile growth. Such a result can act as a hard catalyst for a re-rating of Iliad, particularly in view of the market concerns that have led to the sell-off.

Investment Case

We believe that Iliad's French service revenue can return to positive growth in 2H 2019. This will be driven by the combination of fixed ARPU stabilization and capturing of share of the modestly growing broadband base, along with continued mid-single digit mobile growth. Such a result can act as a hard catalyst for a re-rating of Iliad, particularly in view of the market concerns that have led to the sell-off. Iliad shares are trading at a depressed multiple of 5.0x 2019 EBITDA implying a 41% discount to PMV. We reiterate our Buy recommendation with Mr. Market providing an attractive entry point and a significant margin of safety.