

# Investment Club



September 22, 2017

# Upcoming Opportunities



**RESUMES FOR  
FINANCE CAREERS**

Come learn specific strategies for finance!  
Bring your resume!

**SEPTEMBER 27  
OECHSLE 224  
12:15 - 1:15**

Presenters are:  
Todd Wiltshire '86 (Fidelity Capital Markets) and  
John Santos '87 (Brown Brothers Harriman)

**LAFAYETTE**  
CAREER SERVICES

Cosponsored by the  
Investment Club and Women in Business

If you need an accommodation, please contact the Offices of Disability Services at 610-330-5098

## EY at Lafayette

INTERNSHIP & FULLTIME  
RECRUITING

**Advisory Consulting Program (ACP)**

Friday, September 29th, 2017



**12 PM: Investment Club Meeting**

Oechsle Psychology Building - Aud 224

**3 PM: Information Session**

Oechsle Center for Global Education - 216

# Career Fair

- Company: BioSig
  - Innovative medical device company
  - Founder, Ken Londoner, from Lafayette
  - InternShift program!
- When - September 27
- Where - Marquis
- All class years are welcomed

**BioSig Technologies, Inc.**  
Lafayette College Career Fair  
September 27<sup>th</sup>, 2017



BioSig Technologies is an innovative medical device company that is developing a proprietary technology platform aimed at improving the rapidly growing \$4.6 billion electrophysiology marketplace. Led by a proven management team, world-class Board of Directors and Scientific Advisory Board, BioSig Technologies is preparing to commercialize its PURE EP™ System, designed to improve the clinical outcomes of arrhythmia (irregular heartbeat) treatments.

Over the last three years, BioSig has achieved both proof of concept and market demand for its PURE EP™ system due to a number of scientific studies and a 10-year strategic collaboration with the Mayo Clinic in Rochester, MN, the best hospital in the nation according to U.S. News & World report. Other leading centers that BioSig collaborates with include: Texas Cardiac Arrhythmia Institute, UCLA, Mount Sinai, NY, Brigham and Women's Hospital, Boston and UH Case Medical Center in Cleveland.

BioSig's roots go back to Lafayette College: the company's Founder and the Executive Chairman, Kenneth L. Londoner, has graduated from Lafayette College in 1989. Driven by the strong values of giving back, Ken has started the highly successful Lafayette College InternShift program together with a number of other alumni.

## **Why Should You Be Interested in BioSig Technologies?**

The innovative, high-performing, and flexible work environment that BioSig has to offer is a highly rewarding experience for qualified students looking to take their professional and academic careers to the next level. With locations in New York City, Los Angeles, Minneapolis and Geneva, students interning at BioSig will be mentored by senior executives as they work on meaningful projects that leave a significant impact on the company and both future business and product development.

In return for this valuable project work, students will earn a competitive income to help offset living expenses and tuition. Having the opportunity to be a key contributor to this dynamic team will enable students to build upon their communication, critical thinking, and analytical skills, and join a close network of professionals that are passionate, devoted, and altruistic by nature, and originate from diverse educational backgrounds.

Students will also gain valuable insight into the medical device industry and directly observe the critical intersection between science and business, all of which will enable them to better plan for their future careers and/or post-graduate studies.

BioSig maintains close ties with Lafayette College. In 2017, BioSig welcomed two recent Lafayette College graduates as its first Associates.

## **For more information, please contact:**

Alexa Deemer '17, Clinical Associate - [adeemer@biosigtech.com](mailto:adeemer@biosigtech.com)  
Caroline Bitterly '17, Clinical Associate - [cbitterly@biosigtech.com](mailto:cbitterly@biosigtech.com)  
Ken Londoner '89, Chairman and CEO - [klondoner@biosigtech.com](mailto:klondoner@biosigtech.com)  
Natasha Russkina, VP, Bus. Development & Corp. Finance - [nrusskina@biosigtech.com](mailto:nrusskina@biosigtech.com)

# Market Update

# Federal Reserve to begin unwinding portfolio

- Fed will stop reinvesting the coupons on their bond portfolio
- Will raise rates later this year in December
- Currently has a portfolio of about \$4.5 trillion
- Send bond yields higher as prices fell
- Economy is doing well



# Toys “R” Us declares bankruptcy

- Declaring to escape 4.9 Billion dollars in debt from an Acquisition due to Bain Capital, Vornado Realty Trust, and Kohlberg Kravis Roberts
- All 1600 U.S and Canadian stores will stay open
- JP morgan led financiers have committed 3 billion dollars in financing to the Company
- Hasbro and Mattel rely on Toys “R” Us for much of their sales and needs them to stay open in order to maintain revenue



# Equifax

- Recently revealed Equifax has a previous data breach in March
- Claims it was unrelated to the July breach
  - 143 million people's data breached
- Multiple congressional hearings scheduled
- Time to wonder about personal data?





# Retail Industry Shake Up

- Nordstrom will be opening stores without merchandise
- Stores will be much smaller
- Services will be offered in the stores
  - Manicures
  - On-site tailoring
  - Order drinks and beverages in stores





# New accounting rules cause state to be short on budgets

- New accounting rules requires states to recognize all of their health care promises
- This leaves them about \$645 billion short
- States promised retirement benefits to employees and they do not have enough saved



# New iPhone



# Markets

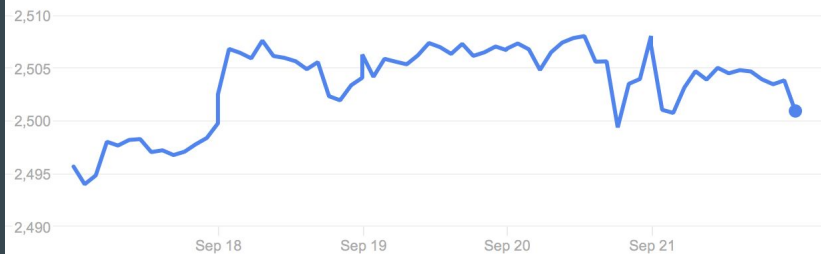
- Dow Jones is up .5% and S&P is up .2%

## S&P 500 Index

INDEXCBOE: .INX - Sep 21, 4:38 PM EDT

**2,500.60** **↑7.64 (0.30%)**

1 day 5 day 1 month 3 month 1 year 5 year max

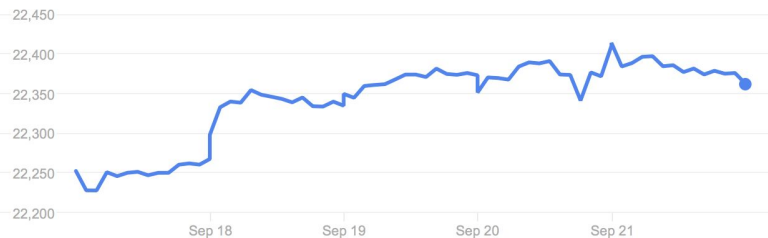


## Dow Jones Industrial Average

INDEXDJX: .DJI - Sep 21, 4:38 PM EDT

**22,359.23** **↓53.36 (0.24%)**

1 day 5 day 1 month 3 month 1 year 5 year max



# Lululemon - Buy Pitch

Buy Lululemon Athletica  
80 shares ~\$60/share



# About

- Lululemon Athletica Inc. is a designer, distributor, and retailer of technical athletic apparel
- apparel assortment includes items such as pants, shorts, tops, and jackets designed for healthy lifestyle and athletic activities such as yoga, running, 'other sweaty pursuits', and athletic wear for female youth
- Headquartered in Vancouver, Canada and has around 11,000 employees

# How the Company Makes \$

- Three main channels
- ~70% of revenues- Sell apparel and other accessories at its 421 retail store locations
- ~20% of revenues- Direct to consumer online website
- ~10% of revenues- Wholesale, warehouse sales, temporary store locations and a few other things



# Growth Strategy

- Goal is to double revenue and more than double earnings by 2020
- Advancing their online store, should account for more than a quarter of total business by 2020
- Expand men's clothing, currently only 12% of their total sales
- Expand internationally, by 2020 international sales should account for 20-25% of business

# Brand Image

- Have continued to maintain strong brand image
- Workshops, running groups, yoga classes held in stores
- Hiring Exercise/nutrition experts to work in stores and talk to customers
- These are not just creative ideas, investing heavily into data science to understand their consumer base

# Issues

- Retail doing poorly, 'amazon effect' shift to online sales
- Make up for this with the innovative store experience and with the sales growth numbers last quarter
- High P/E relative to peers, but maybe this valuation can be justified given the growth it has compared to everyone else in the industry

# A Second Look at Lulu

...

By: Jack Standbridge & Colin Evanko

# No Such Thing as a Sure Thing

- Spring Collection Misfire
  - Lacked depth and color
  - Sent LULU to its lowest levels since December 2015
- Is Menswear that dependable for future growth?
  - Lululemon expects MW to account for more than \$1 billion in annual sales by 2020
  - **Income from operations** has decreased 7% from July 31st 2016 to July 30th 2017

	Quarter Ended			
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
	(In thousands)		(Percentages)	
Company-operated stores	\$ 92,609	\$ 80,277	22.4%	21.0%
Direct to consumer	40,139	32,644	35.5	37.4
Other	6,952	4,636	12.9	10.1
Segmented income from operations	139,700	117,557		
General corporate expense	65,558	43,598		
Restructuring and related costs	5,430	—		
Income from operations	\$ 68,712	\$ 73,959		

*Company-Operated Stores* . Income from operations from our company-operated stores segment increased \$12.3 million , or 15% , to \$92.6 million for the second quarter of fiscal 2017 from \$80.3 million for the second quarter of fiscal 2016 . The increase was primarily the result of increased gross profit of \$23.5 million which was primarily due to increased net revenue from new stores, and higher gross margin. The increase in gross margin was primarily due to a favorable mix of higher margin products, lower product costs, and improved average retail prices. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, including increased store employee costs and operating expenses associated with new stores. Income from operations as a percentage of company-operated stores net revenue increased by 140 basis points primarily due to increased gross margin, partially offset by deleverage of selling, general and administrative expenses.

# Rocky Road Ahead

- Battle against Brick & Mortar
  - LULU's 2017 Q2 Profit fell 9% from the year-ago period to \$48.7 million, or \$0.36/share
  - Amazon & Walmart continue to dominate online retail
- Dismissal of key executives
  - Gina Warren, Executive VP
    - Left for personal reason
    - Led the company's culture and talent departments
  - Scott "Duke" Stump, Executive VP
    - Dismissed because of an inability to envision the future of the brand

# Lulu Lemon CEO

- Laurent Potdevin
- Born in Switzerland
- Recently said, “The future of retail is bright”
  - Reasons for concern, recent trends show that retail is dying
  - Online shopping and the rise of amazon have put companies at risk or out of business completely
  - Most recently, as mentioned in the market update, Toys R Us
- Lulu has opened 40 stores within the past four quarters
  - Inflating retail operations as retail is fading could be dangerous with the rise of amazon
- Do we want to invest in a company that relies so heavily on retail?





# Lululemon, The One and Only?

- Lululemon currently has the market cornered on high end athletic wear
- Lulu has seen enough success that competitors will soon begin entering the “athleisure” market to try and take their own share of the market
- If lululemon is not the one and only, will they see as much growth as they have within the past 10 years?

# Long Island Iced Tea - Sell Pitch

# Long Island Iced Tea Corp At A Glance

- Beverage company based out of Hicksville, NY
- Ready-to-drink non-alcoholic products.
  - Marketed as higher quality ingredients for an affordable price.
- Sold primarily on the East Coast of the U.S. through a network of national and regional chains.
- Market Cap = \$21.30 Million
- Traded on NASDAQ under LTEA

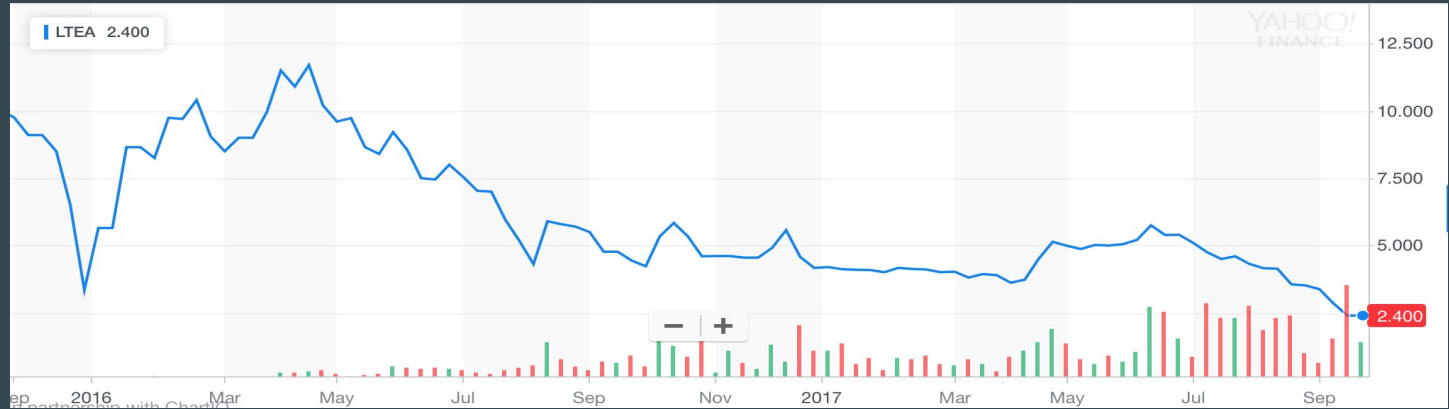


# Our Position

- Currently hold 600 shares of common stock
- Bought a couple years ago
  - \$12.01 / share
  - Total Cost Basis = \$7,208.93
- LTEA stock closed at \$2.40 on September 21st
- Current Market Value = \$1,440
  - Accounts for 0.30% of the portfolio
- Overall Loss = \$5,768.93 (-80..2%)



# Stock Performance



# Key Stock Data & Why We Should Toss The Tea

- EPS = \$-1.95 (12 months prior to June, 2017)
- No dividend in over a year
- <https://investors.longislandicedtea.com/xbrl>

# Interview Question