BEHIND THE NUMBERS
EARNINGS QUALITY & DIVIDEND SUSTAINABILITY RESEARCH

BTN Research

January 24, 2019 | www.btnresearch.com

Jeff Middleswart
jmiddleswart@btnresearch.com

Bill Whiteside, CFA
bwhiteside@btnresearch.com

Contents

Sealed Air (SEE) - Update Before 4Q Earnings

NEUTRAL rating retained based on lowered forecasts for 2018 and potential hype surrounding the new restructuring plan causing forecasts to predict accelerating EPS growth with the stock only 15.5x EPS now. If the stock rallies further, we would be concerned about disappointment in the 2H of 2019.

Initiate an EQ rating of 3- (Minor Concern) based on the company seeing weakening free cash flow, despite some evidence of already stretching working capital. Another round of restructuring immediately after a multi-year plan that will consume considerable cash flow is a red flag for us. There also remains an IRS issue that may disallow a $1.49 billion deduction to settle an asbestos payment made in 2014. (See our August 2018 report for more details there.)

When we looked at Sealed Air (SEE) in August we were concerned that the company had poor volume growth relative to its end markets and the company was relying on price increases to offset higher raw material costs and post growth. Moreover, FX was a considerable headwind and the company preannounced a weaker 3Q18 and reduced guidance. What is surprising about the preannouncement is EPS guidance was cut by 5-10 cents. After that cut in forecast, the company announced on the 3Q18 call that it will gain an extra $10 million in cost savings in 2018 – which is about 6.5 cents per share. Since then, the company has laid out another restructuring plan to cut costs and allow margins to rise.

One of the areas where we gave SEE some credit was although it was wrapping up a significant restructuring and divestment in recent years, the company had not followed up poor results by saying, "we'll just restructure some more and find even greater savings." We can no longer give them credit in that area as a new restructuring program was announced with 3Q results and fleshed out a bit more in December. Our view is that companies can save on costs and improve operations by streamlining, adding more tech investment, combining more manufacturing in the same location, and buying in bulk. However, we are very jaded when a company just keeps announcing more cost savings are easily available. Why weren't those costs identified and cut under the first plan?

What we are left with still is a company growing slower than its end markets, a low dividend yield of 1.7% that is not rising, a debt-load of 4x EBITDA, stretched working capital, FX headwinds, that is not in a position to continue its largest source of EPS growth – repurchasing shares.

Countering that remains a valuation of 15.5x EPS and 10.8x EBITDA. It's simply not that expensive of a stock. We remain concerned on several potential areas of disappointment that should build in 2019, but are unlikely to hurt the stock based on 2018 results reported on February 7:

- Repurchases have provided the bulk of recent EPS gains. That will continue in 4Q18 and will begin to shrink in 2019. While 20% growth will vanish, 5%-8% EPS growth from prior share repurchases is likely to happen in early 2019.

- Lack of volume growth continues to be masked by price increases and acquisitions. Historically, SEE has not been able to take much pricing and management admits it is unlikely to succeed by boosting prices going forward.

- A common red flag for us is the new restructuring plan that comes before the old one is fully complete. The first plan was very large in scope and eventually resulted in selling off a division that was 29% of sales. The results of improved results are scant at this point – revenues are basically flat, cost of goods is up, SG&A was flat until achieving about 100bp of improvement ($44 million) on a backloaded basis and losing half of it to higher COGS.

- Forecasts are being based on a new $250 million restructuring plan that will include half the severance of the first one, focus on boosting tech, automation, new product innovation, and new product rollout – yet spend a mere $10 million on capital spending. We also question SEE's ability to lower its cost of purchasing when it wants to buy more premium-priced products in shorter supply. Rough forecasts for this plan should boost expectations for the stock and put pressure on SEE to deliver in 2019.

- Cash flow is being strained by working capital increases and restructuring costs. The company's forecast is for free cash flow to be only $350 million for 2018. Going forward restructuring costs should increase. Debt is already 4x EBITDA. We have a tough time envisioning the stock repurchasing program continuing at past levels.

Share Repurchases Will Not Drive Growth at Past Rates

	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Repurchases	$126	$96	$312	$545	$452	$305	$0
Price acquired	$40	< $45	$40-$45	$45-$50	$45	$45	n/a
Share Count	158.0	160.6	165.3	175.9	188.9	194.8	195.7
Shr Count prior yr	188.9	194.8	195.7	196.2	196.7	198.4	197.5
EPS Growth from Repo	19.6%	21.3%	18.4%	11.5%	4.1%	1.8%	0.9%

After selling the Diversey unit in 2017, SEE went on a buying spree of its own stock. We did notice that they were heavy buyers of stock about $10 per share above where the stock trades now. The repurchases have driven the share-count down about 20%. And produced EPS growth solely from a lower share-count of essentially 20% for several recent quarters.

At this point, the share count is not falling at anything close to the same rate as 2018 even with a lower stock price. The remaining easy gains for EPS growth will be over after 1Q19. It still appears that SEE can produce 5%-8% growth from previous repurchases. With a P/E of about 15.5, likely a forward P/E of under 14 – against some decent baked in growth of 3%-5% – that's a big reason why we're keeping this a neutral rating. If the stock rises a bit, this share-count growth vanishes more, and the other problems are still present – we may become more bearish.

We do not see the share repurchases accelerating. The company guided to Free Cash Flow of $350 million. The dividend will consume over $100 million. SEE also announced a restructuring program that will cost about $250 million in cash. It is tough to buy $300-$500 million in stock every quarter with that backdrop. Also, debt is over 4x EBITDA.

Volume Growth Remains Weak

We discussed in August that the end markets for SEE are growing much faster than the company. Fresh protein sales are growing 3%-4% and packaging is growing at double digits. Meanwhile, Sealed Air is growing volumes about 1%.

Volumes	3Q18	2Q18	1Q18	2017	2016	2015
Food Care	3.0%	2.0%	2.0%	3.8%	0.9%	1.3%
Product Care	-2.0%	0.3%	3.0%	5.7%	1.4%	-1.9%
Total SEE	1.0%	1.0%	2.0%	4.5%	1.2%	0.3%

They had easy comps already from 2015 and 2016, which helped 2017, but that volume growth was not sustained. North America at 54% of sales is looking even worse and it is a growing economy:

Volumes	3Q18	2Q18	1Q18	2017	2016	2015
North Am.	-1.0%	-2.0%	2.0%	7.2%	3.0%	0.7%

This weakness has been masked by raising prices:

Price/Mix	3Q18	2Q18	1Q18	2017	2016	2015
Food Care	3.0%	3.0%	1.0%	0.0%	0.3%	2.6%
Product Care	4.0%	5.0%	3.0%	0.6%	-1.8%	1.3%
Total SEE	4.0%	4.0%	2.0%	0.2%	-0.4%	2.3%

Especially in North America:

Price/Mix	3Q18	2Q18	1Q18	2017	2016	2015
North Am.	4.0%	5.0%	3.0%	0.6%	-3.8%	0.9%

Our concerns were that the volume growth was subpar and historically the company had been unable to take much pricing. In fact, it noted that about 5% of its sales were rebated to customers. We do not see much reason to expect the pricing gains seen in 2018 to last. The company has essentially agreed with us – citing competition and raising prices as an unsustainable solution. Here are two 3Q18 conference call references to this:

"Global volumes [in Product Care] were down 2% in the quarter with a 7% drop in our utility business. This business accounts for 30% of Product Care sales. Competition across our utility portfolio intensified in North America and the UK, and we experienced a slowdown in China due to tariff uncertainties."

"The issue is raising price on rising costs is not sustainable. We have to take the cost out of those products. What we call as a commodity product is actually the materials that are going into the packaging solution. We have to take that cost down and we have to take significant action on that. Our productivity has not gained, and we need to do work on that."

If the company does not expect to get much pricing going forward and it certainly has tough comps in that area, then how does it grow? On constant currency growth – 3Q18 saw 8.4% growth. However, that ignores -3.4% from FX which is a wildcard and it added in 3.7% from an acquisition. What we're left with is 1% volume growth and 3.7% pricing growth that management admits is unlikely to be sustainable. The end-markets should be tailwinds. We see faster growth from e-commerce and rising consumption of fresh protein. However, we are not seeing this translate into growth at SEE, as it posted another weak quarter for volume.

Another Restructuring to Help by 2021?

SEE had a multi-year restructuring program in place since 2015. As part of that program, the company moved to a new headquarters in North Carolina and consolidated factories in New Jersey, Wisconsin, and South Carolina into North Carolina as well. They laid off 1,950 employees (8.5% of the workforce) as it became a knowledge-based company and would get by with more technology and fewer employees. The restructuring encompassed every division and facility. The cost was estimated at $400 million and another $250 million in capital spending. Eventually, the restructuring involved selling a full division of the company that was 29% of revenues and 22% of EBITDA. There were also divestitures out of the Food Care unit in 2014 and 2015. That sounds like a very extensive restructuring to us.

The net result of the last restructuring was very little cost savings were achieved. We adjusted results for acquisitions and FX where possible and a 1-time $34 million bill for selling the other division in 2017 that was in SG&A. All that work just didn't do much:

	3Qs 18	3Qs 17	2017	2016	2015
Sales	$3,381	$3,234	$4,408	$4,437	$4,410
COGS %	68.2%	67.9%	67.7%	68.7%	67.0%
SG&A %	16.7%	17.8%	17.7%	18.4%	17.6%

Restructuring did not drive sales, which are essentially flat. Cost of goods sold consumes a greater percentage of sales now than before the programs due to higher raw material costs, higher transportation costs, minor volume gains, and operational investments to support growth. SG&A expenses have finally shown some decline in 2018. The company has seen lower incentive pay and restructuring offset with normal wage growth in most of these years.

Let's be kind – after years of restructuring, the company has seen SG&A decline about 100bp, which amounts to about $44 million in improved pretax earnings before higher cost of goods pulled half of that back. That is what the company devoted years and hundreds of millions of dollars to achieve?

Here comes a new three-year plan. It will focus on more innovation in product lines and doing it faster. The company expects to use more technology/automation as well as achieve better purchasing power. It plans to also streamline SG&A further too. This plan is expected to result in annual savings of $215-$235 million. It is expected to cost $225-$255 million in cash. We have several questions with this plan:

- The bulk of the costs are expected to come from severance. In the last restructuring, 1,950 people were forecast to be laid off at a cost of $235-$245 million. The new plan expects this to cost $110-$125 million, basically half as much. We do not see much evidence that the last round of layoffs reduced overall wages that much and SEE has cited rising wages as a reason costs have increased of late. Also, a move toward more automation and technology would seem to eliminate lower wage people.

- The last round of cost savings included $250-255 million in capital spending including $120 million for all the relocations to North Carolina. This new plan that is expecting to boost innovation, innovation speed, automation, and tech only plans to spend $10 million on capital expenditures. Right now, SEE spends about 2% of sales on R&D or $90 million per year. If they ramp that up, it should add to operating costs too.

- Better purchasing – SEE is buying resin and other polyethylene and polypropylene plastic compounds with raw materials being about one-third of Cost of Goods Sold. The prices of those commodities move up and down with commodity prices and SEE is hardly the world's largest buyer. We see little evidence of better buying power from the last restructuring and if anything, SEE wants to do more sales emphasizing recycled plastics. We know from the chemical companies that there are more packaging companies wanting to do the same thing and there are more buyers than suppliers, so the chemical companies tout that as an area that bumps up their margins, not the customers'.

- Streamlining SG&A – SEE has achieved about $44 million per year on a 100bp improvement. More probably can be realized with another huge wave of restructuring. However, the last round took years for it to materialize. And this plan is also back-loaded with $35-$55 million of cost saving expected in 2019 and $180 million more in 2020-2021.

In our view, this has some potential for disappointment in the stock within a few quarters. Just doing some rough math shows how much the company is planning for this restructuring to drive EPS growth:

Assume 2018 EPS of $2.40-$2.45 and 157 million shares

2019's forecast calls for an extra $25 million in savings from the prior restructuring and $35-$55 million more from the new plan. Using a 25% tax rate, the prior restructuring is expected to add 12-cents to EPS or 5% to growth. The next restructuring is expected to add another 17-26 cents or 7-11% to EPS growth. Even, if the company gives back half the cost savings from the new plan in new R&D, training, software upgrades- the market will still expect 10% EPS growth plus another 3% from a lower share count early in the year.

2020's and 2021's forecasts call for another $180 million in cost savings to be achieved or 86-cents per share. Again, if half of that is lost to premium raw materials, more R&D, etc. that's still 43 cents more or 18% higher than 2018. If the market expects the full 86-cents, then SEE really has to deliver in an area it has not shown much success of late.

In all years 2019-21, that is simply EPS growth expected from cost savings. Any growth being forecast from better sales and pricing would boost forecasts higher. If this restructuring is back-loaded or does not produce meaningful results like the larger one that is largely completed, this is where we think SEE could start missing forecasts again.

Working Capital and Cash Flow

With rising costs of resins and other raw materials, SEE is watching working capital start to consume cash flow:

	3Qs 18	3Qs 17	2017
Accts Rec.	-$31.0	-$87.5	-$81.4
Inventory	-$113.2	-$100.5	-$55.4
Acct Pay.	$45.0	$135.2	$154.1
Other	$82.7	-$130.4	$54.6
Total W.C.	-$16.5	-$183.2	$71.9

We adjusted 2017 for the one-time $207 million income tax change with the new tax law. Adding that back, 2017 had free cash flow of $448 million before subtracting $119 million for acquisitions. The company's forecast for free cash flow in 2018 is $350 million, which also includes lower capital spending. Working capital is expected to be a cause for that. In 2016 and 2015, free cash flow came in at $631 million and $798 million.

The company expects to spend $80-$100 million in cash restructuring charges in 2019 – that will negatively impact free cash flow. Then another $110-$120 million in cash charges in 2020-21. Then the dividend consumes other $100 million.

Where is the cash to buy back shares going forward at anything close to 2017 and early 2018 levels? Moreover, the debt is at 4x EBITDA now, and it is rising in 2018. How does that get reduced?

As we warned in the August 2018 report, the company had been using securitization programs to sell receivables. In the first half of 2018, DSOs reached 51 days. In the 3Q, SEE let those securitizations runoff and the total DSOs fell to 39 days. Days Payable remain at an elevated 85 days. That is helping cash flow.

Procter and Gamble (PG) EQ Update- 12/18 Quarter

Current EQ Rating*	Previous EQ Rating
3-	3-

*For an explanation of the *EQ Review Rating* scale, please refer to the end of this report

We are maintaining our earnings quality rating of 3- (Minor Concern).

PG reported adjusted EPS of $1.25, 4 cps ahead of the consensus estimate. While the company raised the high-end of its fiscal 2019 organic revenue growth forecasted range from 2-3% to 2-4%, it left its EPS growth range intact.

While we consider PG's earnings quality to be reasonable, we are keeping our rating in the "Minor Concern" category due to some material benefits to growth that could reverse in upcoming quarters as well as the fact that free cash flow does not cover the buyback.

- **Results continue to benefit from lower advertising spending.** The 10-Q indicates that advertising and marketing fell 130 bps as a percentage of sales. In addition, $82 million in advertising spending in the year-ago quarter was recorded in SG&A expense whereas those amounts are now recorded as a reduction of sales. This indicates that about 50 bps of the reduction in the marketing spending percentage was a result of this accounting change. However, this leaves behind an 80 bps reduction (130 bps-50 bps) in advertising spend as a percentage of sales. Management noted in the call:

  > *"And if I look, for example at our marketing spending as a percentage of sales, because of all the productivity initiatives that I described earlier, that number -- while we have a stronger marketing program than we've ever had with higher reach that we're investing in as we reduce access to frequency, reduce agency and production costs, et cetera, so very strong advertising program, it's not costing us more per, if you will, dollar of revenue gained."*

  We are all for efficiency, but elsewhere management highlights the competitive nature of the industry and the possibility it will have to increase prices to offset rising costs and negative FX. We remain concerned that higher advertising and marketing spending could be a source of disappointment. Also, note that the substantial benefit to headline operating margin percentage from the accounting change will be gone in two quarters.

- **A lower effective tax rate was a material tailwind**. Management has been guiding to a fiscal 2019 effective tax rate of 19-20%. Therefore, we think the reported 17.8% effective rate in the quarter could have added around 2 cps to adjusted earnings versus analysts' models.

- **Tighter working capital continues to boost cash flow as days payable jumped by 3 days over last year.** However, the increase in days payable is slowing. PG has done a remarkable job of minimizing working capital as receivables and inventories have been trending near industry-low levels for some time. However, with payables now well north of 100 days and the growth slowing, this key source of cash flow growth is fizzling out.

- **As we have noted before, PG's free cash flow does not cover the dividend and the buyback. However, the roughly 2% reduction in share count regularly provides a meaningful portion of the EPS growth**. With net debt at about 1.7 times EBITDA and the dividend consuming about 65% of free cash flow, the safety of the dividend is not in question- but the longer-term growth rate certainly is.

- **We do note that earnings growth was penalized by a little more than 2 cps from lower gains from minor asset sales in the year-ago period which were not adjusted out of non-GAAP EPS.** This could be viewed as offsetting the benefit from the lower tax rate in assessing the quality of the earnings beat.

Stanley Black Decker (SWK) EQ Update- 12/18 Quarter

Current EQ Rating*	Previous EQ Rating
4-	4-

*For an explanation of the EQ Review Rating scale, please refer to the end of this report

We maintain our earnings quality rating of 4- (Acceptable) pending release and review of the 10-K.

SWK reported adjusted EPS of $2.11, a penny ahead of the consensus estimate. However, the stock was pummeled over guidance for full year 2019 of $8.45-8.65, well short of Wall Street's $8.80. While we do have some skepticism of the dramatic improvement in the SG&A percentage in the same quarter as a larger restructuring charge, we are maintaining our 4- (Acceptable) rating until we have the 10-K.

- Gross margins adjusted for charges fell by 280 bps which management blamed on higher raw materials costs and unfavorable FX. However, SG&A as a percentage of sales fell by 260 bps which management attributed to cost management. As previously announced, the company took a $102 million restructuring charge in the 12/18 quarter which represented the bulk of the full year $160 million charge. Large charges call into question the quality of near-term profit improvement given the possibility that ongoing expenses have been included in the "one-time" amounts. Management noted that its current restructuring action is largely complete.

- Management indicated it will be in deleveraging mode in 2019 with regards to usage of free cash flow. On a trailing-12 month basis, free cash flow of $769 million was not sufficient to cover the $385 million dividend and the $527 million buyback. The 2018 buyback was focused in the 6/18 and 9/18 quarters which resulted in a more than 2% reduction in the average share count used to calculate adjusted EPS figure in the 12/18 quarter. While the buyback will be pared in 2019, the company still expects an approximate 10 cps tailwind in 2019 from the residual effect of the buybacks.

- Accounts receivable days (DSO) fell by approximately 5 days versus the year-ago quarter after adjustment for factored receivables in last year's period. Keep in mind that SWK ended its receivable factoring program beginning in 2018. DSOs were up two days in the 9/18 quarter, so some of the 12/18 decline in DSO could have been related to the timing of collections. Regardless, the fact that DSOs are trending downward in the quarters following the cancellation of a factoring program implies a disciplined collection approach. We noted in our previous review that the shift in sales to new channels from the Craftsman rollout and the introduction of new products in the superstore channel could have impacted the receivables trends. Still, we wonder if the company has room to negotiate with better payment terms in the future.

- Inventory days (DSIs) rose by over 6 days versus the year-ago fourth quarter. This continues the trends seen in previous quarters which is being driven by the rollout in new Craftsman products as well as new Stanley products in new channels. We are therefore not very concerned that this represents an unexpected increase that will result in future discounting. However, management has noted that inventory will likely remain a drag on earnings in the foreseeable future as it seeks to ensure availability of new products.

Kimberly Clark (KMB) EQ Update-12/18 Quarter

Current EQ Rating*	Previous EQ Rating
4-	4-

*For an explanation of the EQ Review Rating scale, please refer to the end of this report

We maintain our earnings quality rating of 4- (Acceptable) pending release and review of the 10-K.

KMB reported adjusted EPS of $1.60, 5 cps short of the consensus target as results were weighed down by raw materials inflation and currency volatility. We will need the 10-K to complete our review but maintain our earnings quality rating of 4- (Acceptable) for now. We highlight the following developments in the quarter:

- **Inventory days (DSI) were down about a day versus a year ago after adjustment for restructuring charges in COGS.** This continues a trend seen in the last few quarters. In the past, LIFO inventory has risen which as reduced our concern that the company was benefitting from a LIFO liquidation. We will be looking at detail in the K for more insight.

- **Days payable spiked by approximately 8 days** over a year ago after adjustment for restructuring charges in COGS.

- **We have expressed concern with KMB's ongoing restructuring programs in the past.** The company's 2018 restructuring announced in January of 2018 has not increased in scope in the last few quarters. However, the company announced its new KC Strategy 2022 plan on the call. At this point, the plan appears to simply be a set of goals to focus its strategy, but we will be very skeptical should the plan morph into the expansion of restructuring charges.

- **The 9/18 quarter received a significant benefit from a lower than anticipated tax rate while the 12/18 quarter rate of 18.6% was closer to expectations.** The full-year tax rate was 21%, but the company is forecasting a 23-25% rate in 2019 which implies a 3.5% drag on earnings.

Explanation of EQ Rating Scale

6- "Exceptionally Strong"	Indicates uncommonly conservative accounting policies to the point that revenue and earnings are essentially understated relative to the company's peers. Higher possibility of reporting positive earnings surprises
5- "Strong"	Indicates the company has no areas of concern with its reported results and we see very little risk of the company disappointing due to recent results being overstated from aggressive reporting in recent periods.
4- "Acceptable"	Indicates the company may have exhibited a minor "red flag", but the severity of the issue is not yet a concern. Minimal risk of an earnings disappointment resulting from previous earnings or cash flow overstatement
3- "Minor Concern"	Indicates the company has exhibited either a larger number of or more serious warning signs than companies receiving a 4. The likelihood of an immediate earnings or cash flow disappointment is not considered to be high, but the signs mentioned deserve a higher degree of attention in the future.
2- "Weak"	Indicates the company's recent reported results have benefitted materially from aggressive accounting. Follow up work should be performed to determine the nature and extent of the problem. There is a possibility that upcoming results could disappoint as the impact of unsustainable benefits disappears.
1- "Strong Concerns"	Indicates that the company's recent results are significantly overstated and that we view a disappointment in upcoming quarters is highly likely.

In addition to the numerical rating, the EQ Review Rating may also include either a minus or plus sign. A minus sign indicates that our analysis shows the overall earnings quality of the company has worsened since the last review and there is a possibility the numerical rating will fall should the problem continue into the next quarter. Likewise, a positive sign indicates that the overall earnings quality is improving, and the company may see an upgrade in its numerical rating should the trend continue.

Key Points to Understand About the EQ Score

The EQ Review Rating is much more than a blind, quantitative scoring method. While we utilize proprietary adjustments, ratios, and methods developed over decades of earnings quality analysis, the foundation of all of our analysis is reading recent SEC filings, press releases, conference call transcripts and in some cases, conversations with managements.

The EQ Review Rating is not comparable to a traditional buy/sell rating. The Rating is intended to specifically convey the extent to which reported earnings may be over/understated. Fundamental factors such as forecasts for future growth, increasing competition, and valuation are not reflected in the rating. Therefore, a high score does not in itself indicate a company is a buy but rather indicates that recent results are a good indication of the underlying earnings and cash generation capacity of the company. A low score (1-2) will likely result in us performing a more thorough review of fundamental factors to determine if the company warrants a full-blown sell recommendation.

Disclosure

BTN Research is a research publication structured to provide analytical research to the financial community. Behind the Numbers, LLC is not rendering investment advice based on investment portfolios and is not registered as an investment adviser in any jurisdiction. Information included in this report is derived from many sources believed to be reliable (including SEC filings and other public records), but no representation is made that it is accurate or complete, or that errors, if discovered, will be corrected.

The authors of this report have not audited the financial statements of the companies discussed and do not represent that they are serving as independent public accountants with respect to them. They have not audited the statements and therefore do not express an opinion on them. Other CPAs, unaffiliated with Mr. Middleswart, may or may not have audited the financial statements. The authors also have not conducted a thorough "review" of the financial statements as defined by standards established by the AICPA.

This report is not intended, and shall not constitute, and nothing contained herein shall be construed as, an offer to sell or a solicitation of an offer to buy any securities referred to in this report, or a "BUY" or "SELL" recommendation. Rather, this research is intended to identify issues that investors should be aware of for them to assess their own opinion of positive or negative potential.

Behind the Numbers, LLC, its employees, its affiliated entities, and the accounts managed by them may have a position in, and from time-to-time purchase or sell any of the securities mentioned in this report. Initial positions will not be taken by any of the aforementioned parties until after the report is distributed to clients, unless otherwise disclosed. It is possible that a position could be held by Behind the Numbers, LLC, its employees, its affiliated entities, and the accounts managed by them for stocks that are mentioned in an update, or a BTN Thursday Thoughts.