

# THE FPDA MOTION & CONTROL NETWORK

## Fluid Power Survey Results March 2014



# Highlights



## **Background:**

- The February survey had 40 respondents comprised of 33 distributors and 7 manufacturing firms.

## **Highlights:**

- The February FPDA Index produced a reading of 55.8 down from January's reading of 63.5. Momentum moderated the most, albeit still remained positive, in the new orders, sales, and pricing indexes in the month. The broader ISM strengthened from January lows to 53.2 in February.
- Weather remained a drag in February, with sales reported up 1%, slowing from 3% last month and a net 36% of participants indicated sales fell below expectations compared to 11% last month due to bad weather.
- Orders have been running 300-400bp ahead of sales growth in Jan/Feb supporting the 6% growth forecast for 2014 (up from 5-6% prior). Backlog levels improved significantly again in February with 51% of sources reporting higher backlog sequentially vs 49% in January.
- 16 of 17 end market improved sequentially in February driven by the strong order activity. Heavy truck, forestry, and process improved the month sequentially while food & beverage was the only end market not to improve in the month.

## Summary Thoughts



Strength in orders and backlogs, the broad-based improvement in end markets, and a more optimistic full year outlook all support our notion that underlying activity is improving despite the soft / weather impacted growth in January and February. Feedback on March suggests distributors are seeing demand accelerate as some of the weather delayed business appears to be recaptured.

# February FPDA Index

- The February FPDA Index produced a reading of 55.8 down from January's reading of 63.5. Momentum moderated the most, albeit still remained positive, in the new orders, sales, and pricing indexes in the month. The broader ISM strengthened from January lows to 53.2 in February.
- The FPDA Index is similar in construction to the widely followed ISM Purchasing Manager's Index. These are both seasonally adjusted diffusion indexes which measure the month-to-month change in each of the categories listed below. A reading of 50 indicates no change and the further above or below 50 indicates a faster or slower rate of change.

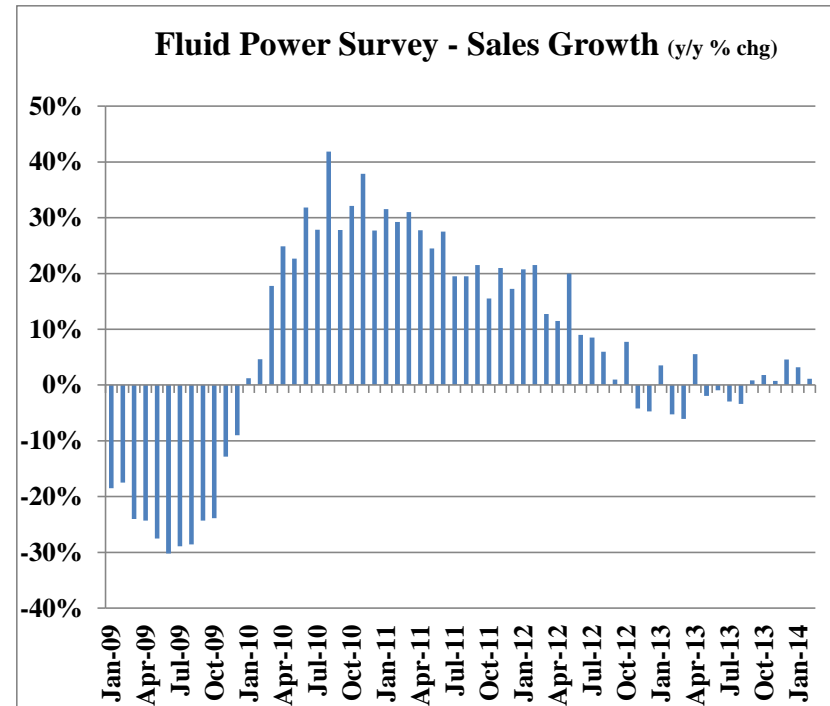
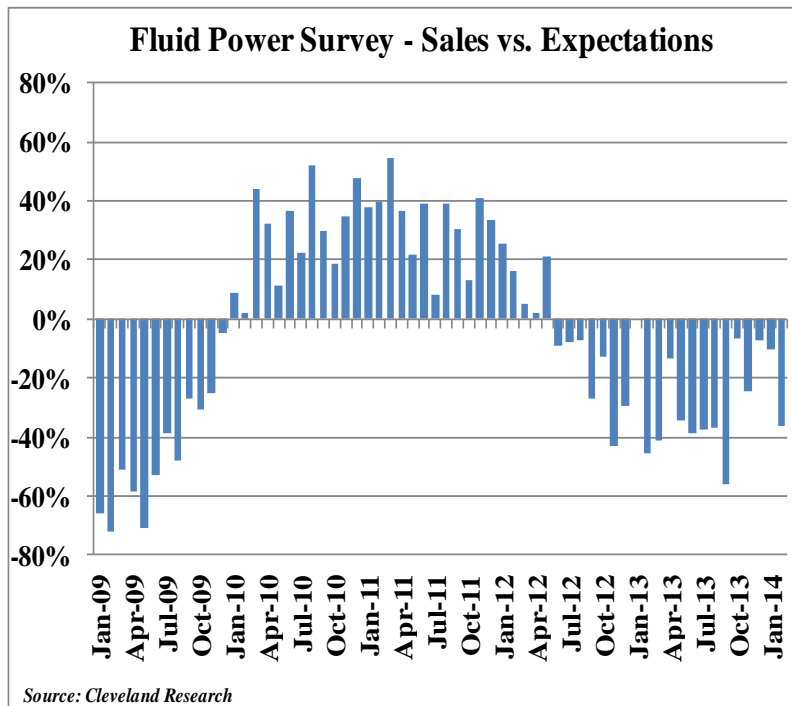
Fluid Power Index

Index	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Direction	Rate of Change	Trend (months)
Sales	83.2	38.9	68.1	66.6	43.1	35.5	55.0	60.9	38.2	77.3	33.0	59.6	70.8	56.4	Growing	Slower	3
Prices	66.5	58.6	52.6	54.9	52.4	54.6	66.1	57.2	58.2	61.6	65.9	63.9	79.8	60.4	Growing	Slower	45
Orders	74.8	32.0	47.9	71.4	37.9	34.2	57.9	56.1	44.1	71.3	37.0	55.0	77.7	50.6	Growing	Slower	3
Backlog	66.7	61.3	37.9	48.4	47.1	38.5	44.9	41.1	41.3	52.2	47.2	53.0	67.6	65.7	Growing	Slower	3
Outlook	52.9	51.6	43.3	46.7	62.1	38.5	43.8	47.7	42.7	52.2	50.0	62.9	63.5	56.6	Growing	Slower	5
Inventory	54.4	50.0	53.1	45.0	40.9	46.2	45.1	47.7	51.2	55.3	39.2	48.6	55.1	55.4	Growing	Faster	2
Supplier Deliveries	54.0	58.3	47.5	51.7	46.8	54.0	53.5	55.5	57.7	58.7	58.7	62.2	51.9	55.9	Slowing	Faster	9
Employment	53.0	55.3	53.3	49.2	51.1	42.5	49.9	53.2	53.5	55.1	54.8	55.3	61.7	60.5	Growing	Slower	7
Accounts Receivable	45.6	40.3	46.7	46.6	50.0	41.0	45.0	43.0	46.5	45.5	47.2	45.6	39.7	46.1	Slowing	Slower	9
<b>Overall FPDA Index</b>	<b>63.9</b>	<b>46.9</b>	<b>54.0</b>	<b>56.8</b>	<b>44.0</b>	<b>42.5</b>	<b>52.3</b>	<b>54.7</b>	<b>49.0</b>	<b>63.6</b>	<b>44.5</b>	<b>56.1</b>	<b>63.5</b>	<b>55.8</b>	<b>Growing</b>	<b>Slower</b>	<b>3</b>
Memo: ISM PMI Index	53.1	54.2	54.2	50.7	49.0	50.9	55.4	55.7	56.2	56.4	57.3	57.0	51.3	53.2	Growing	Faster	9

# February Sales Trends

## Weather Continues to Pressure Demand, Sales up 1% vs 3% Growth in January

Sales continued to fall below plan in February with a net 36% of sources reporting sales came in below expectations compared to a net 11% last month due to bad weather. Sales grew 1% in February, slowing from 3% growth in January; sources indicate supplier deliveries and business closures negatively impacted sales growth in the month.



# Monthly Sales Growth – February 2014

Fluid Power Industry - Monthly Sales Growth																				
Total							Distributors							Manufacturers						
	2009	2010	2011	2012	2013	2014		2009	2010	2011	2012	2013	2014		2009	2010	2011	2012	2013	2014
January	-19%	1%	32%	21%	4%	3%	January	-16%	-6%	28%	26%	1%	3%	January	-21%	9%	35%	17%	7%	3%
February	-18%	5%	29%	22%	-5%	1%	February	-17%	-2%	28%	24%	-6%	3%	February	-18%	11%	31%	19%	-5%	-1%
March	-24%	18%	31%	13%	-6%		March	-22%	12%	33%	16%	-5%		March	-26%	24%	30%	10%	-7%	
April	-24%	25%	28%	12%	6%		April	-22%	17%	27%	10%	6%		April	-27%	32%	29%	13%	5%	
May	-28%	23%	25%	20%	-2%		May	-27%	18%	31%	21%	-3%		May	-28%	28%	18%	19%	-1%	
June	-30%	32%	28%	9%	-1%		June	-29%	25%	27%	10%	-1%		June	-32%	39%	28%	8%	0%	
July	-29%	28%	20%	9%	-3%		July	-29%	23%	23%	13%	-2%		July	-29%	33%	17%	5%	-4%	
August	-29%	42%	20%	6%	-3%		August	-28%	38%	25%	6%	-5%		August	-29%	46%	14%	6%	-2%	
September	-24%	28%	22%	1%	1%		September	-24%	22%	29%	5%	1%		September	-24%	34%	14%	-3%	1%	
October	-24%	32%	17%	8%	2%		October	-25%	22%	20%	13%	1%		October	-22%	42%	14%	3%	2%	
November	-13%	38%	21%	-4%	1%		November	-14%	31%	28%	2%	2%		November	-12%	44%	15%	-10%	-1%	
December	-9%	28%	17%	-5%	5%		December	-14%	21%	24%	4%	4%		December	-4%	28%	5%	-8%	5%	

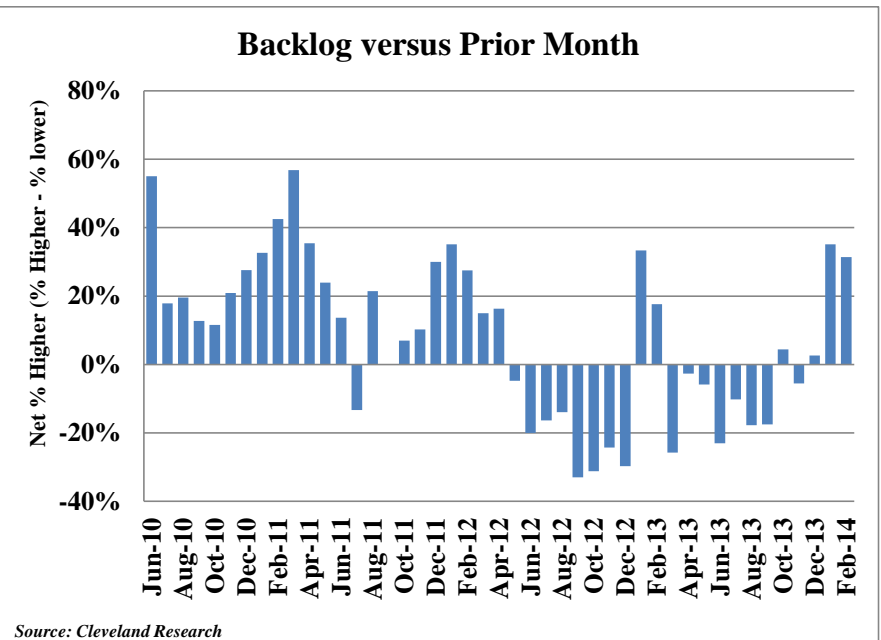
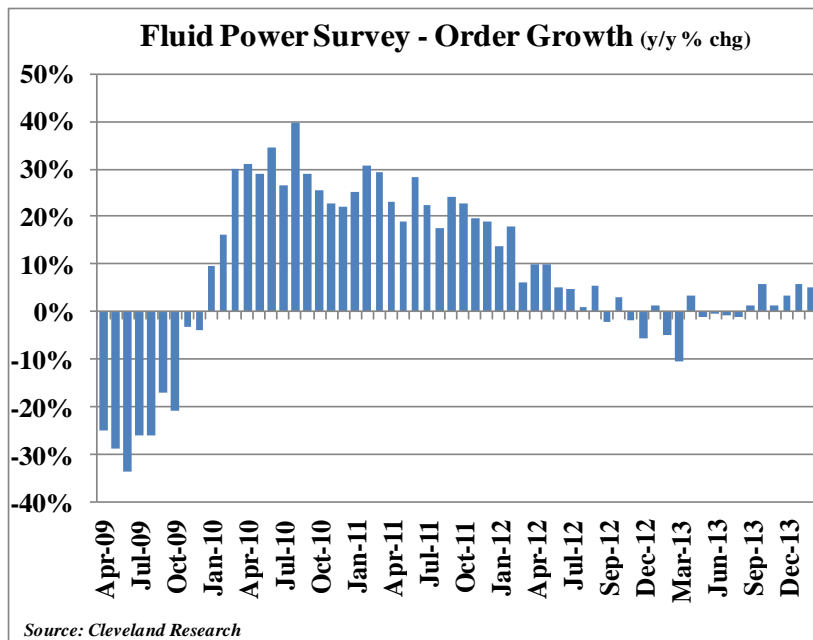
Percent Positive / Negative Growth														
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
Positive Sales Growth	53%	26%	36%	71%	35%	42%	42%	43%	34%	47%	47%	54%	69%	59%
Flat Sales	18%	18%	18%	11%	15%	11%	12%	11%	10%	19%	12%	16%	11%	14%
Negative Sales Growth	29%	56%	45%	18%	50%	47%	46%	46%	56%	34%	41%	30%	20%	27%
Net % (Positive - Negative)	<b>24%</b>	<b>-29%</b>	<b>-9%</b>	<b>52%</b>	<b>-15%</b>	<b>-5%</b>	<b>-4%</b>	<b>-2%</b>	<b>-22%</b>	<b>13%</b>	<b>6%</b>	<b>24%</b>	<b>49%</b>	<b>32%</b>

Results vs. Expectations														
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
Better than expected	32%	11%	15%	16%	11%	13%	12%	9%	12%	28%	11%	25%	18%	11%
In line with expectations	35%	31%	29%	57%	45%	36%	39%	46%	21%	38%	54%	43%	53%	42%
Worse than expected	32%	57%	56%	27%	45%	51%	49%	46%	67%	34%	35%	33%	29%	47%
Net % (Better - Worse)	<b>0%</b>	<b>-46%</b>	<b>-41%</b>	<b>-13%</b>	<b>-34%</b>	<b>-38%</b>	<b>-37%</b>	<b>-37%</b>	<b>-56%</b>	<b>-6%</b>	<b>-24%</b>	<b>-8%</b>	<b>-11%</b>	<b>-36%</b>

# Orders and Backlog Continue to Grow, Supporting 2014 Outlook

## Incoming Orders Running 300-400bp Ahead of Out the Door Sales Growth

Orders were up 5% in February following 6% growth in January, and incoming orders have been running 300-400bp ahead of sales growth in the first two months of the year. The better order trends support growing backlogs, with meaningful improvement in February, growing 3% vs 1% last month, the highest reported growth rate since September-12. More than half (51%) of sources reported a sequential increase in backlogs in the month of February following 49% in January.



# Order and Backlog Growth Trends

Fluid Power Industry - Monthly Order Growth

Total							Distributors							Manufacturers						
	2009	2010	2011	2012	2013	2014		2009	2010	2011	2012	2013	2014		2009	2010	2011	2012	2013	2014
January		9%	25%	14%	1%	6%	January		1%	25%	13%	3%	6%	January		18%	25%	15%	-1%	5%
February		16%	31%	18%	-5%	5%	February		12%	31%	19%	-7%	4%	February		21%	31%	17%	-3%	6%
March		30%	29%	6%	-11%		March		29%	30%	10%	-6%		March		31%	29%	3%	-15%	
April	-25%	31%	23%	10%	3%		April	-25%	30%	29%	8%	5%		April	-25%	32%	18%	12%	2%	
May	-29%	29%	19%	10%	-1%		May	-27%	28%	27%	5%	-2%		May	-31%	30%	12%	15%	0%	
June	-33%	34%	28%	5%	0%		June	-30%	28%	33%	1%	-2%		June	-37%	41%	24%	10%	2%	
July	-26%	27%	23%	5%	-1%		July	-28%	20%	25%	8%	1%		July	-24%	34%	20%	2%	-2%	
August	-26%	40%	18%	5%	-1%		August	-26%	34%	29%	6%	-1%		August	-26%	46%	7%	5%	-1%	
September	-17%	29%	24%	-2%	1%		September	-20%	29%	30%	1%	3%		September	-14%	29%	19%	-5%	0%	
October	-21%	26%	25%	3%	4%		October	-21%	25%	25%	-4%	4%		October	-20%	26%	23%	10%	4%	
November	-3%	23%	20%	-2%	1%		November	-2%	28%	21%	-1%	-1%		November	-4%	17%	19%	-3%	4%	
December	-4%	18%	18%	-6%	3%		December	-10%	27%	21%	5%	5%		December	3%	17%	1%	-11%	1%	

Fluid Power Industry - Monthly Backlog Growth

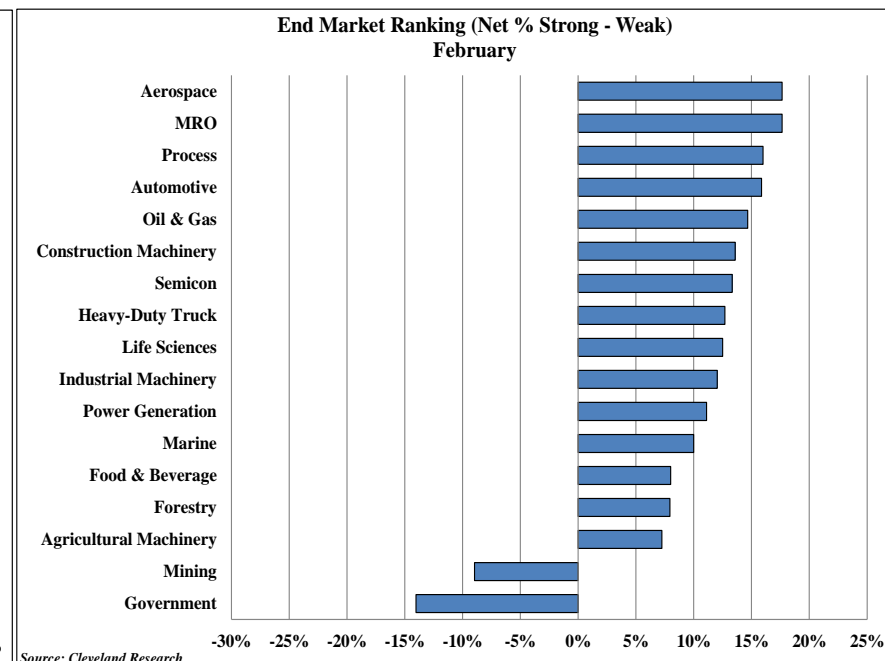
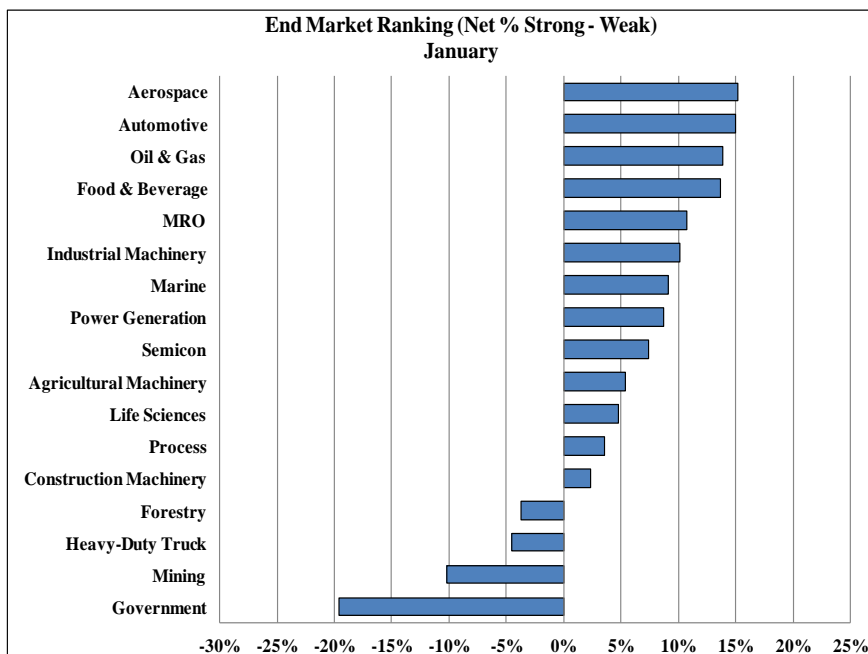
Total						Distributors						Manufacturers					
2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
January		25%	22%	1%	1%	January		22%	30%	0%	1%	January		28%	13%	1%	1%
February		32%	18%	-2%	3%	February		35%	22%	-2%	2%	February		30%	13%	-1%	3%
March		40%	15%	-5%		March		39%	24%	-2%		March		41%	7%	-8%	
April		31%	16%	-6%		April		36%	25%	-6%		April		27%	7%	-6%	
May		25%	10%	-2%		May		37%	11%	-3%		May		14%	10%	0%	
June	24%	29%	8%	-7%		June	29%	32%	11%	-6%		June	20%	25%	6%	-7%	
July	29%	25%	7%	-4%		July	24%	29%	12%	-5%		July	34%	22%	3%	-3%	
August	37%	17%	6%	-3%		August	29%	36%	7%	-5%		August	45%	-1%	6%	-1%	
September	37%	24%	4%	-3%		September	37%	33%	9%	-6%		September	37%	16%	-1%	1%	
October	34%	22%	-1%	1%		October	24%	26%	-4%	1%		October	45%	19%	3%	0%	
November	32%	26%	-3%	0%		November	23%	29%	-3%	-2%		November	41%	23%	-4%	1%	
December	25%	19%	-3%	2%		December	20%	27%	2%	2%		December	30%	1%	-6%	1%	



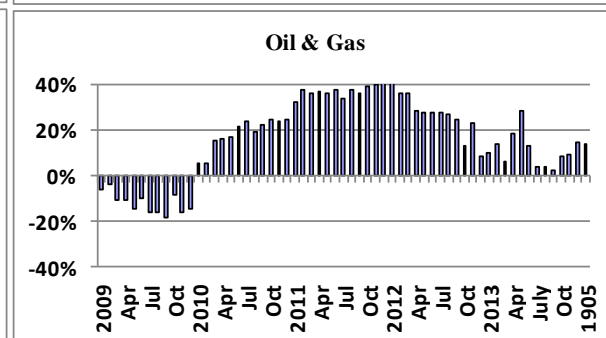
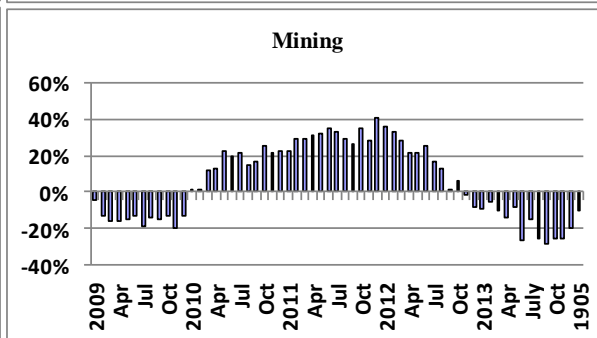
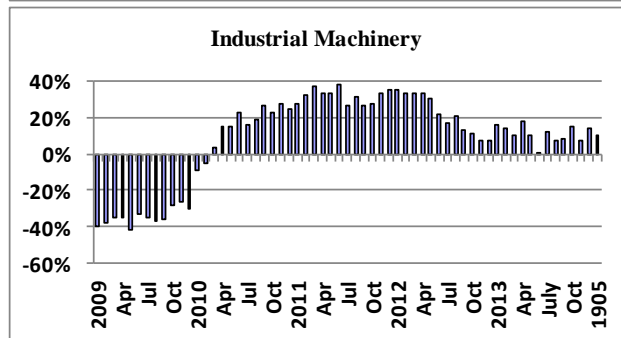
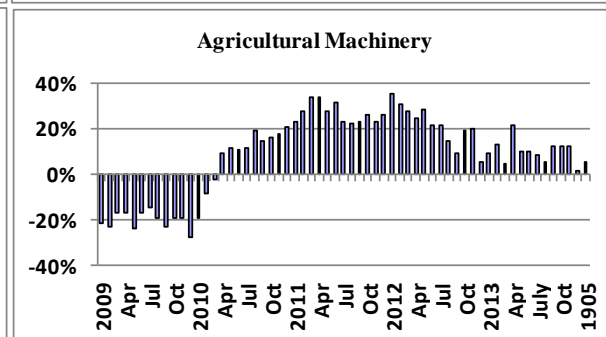
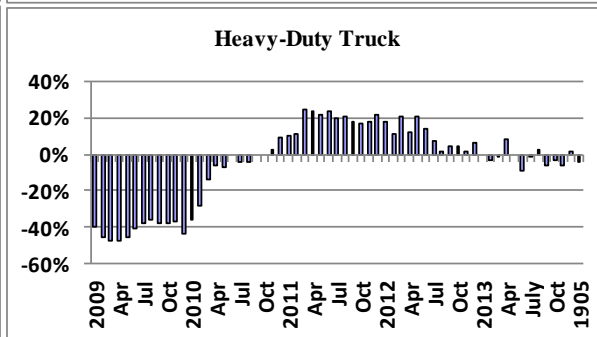
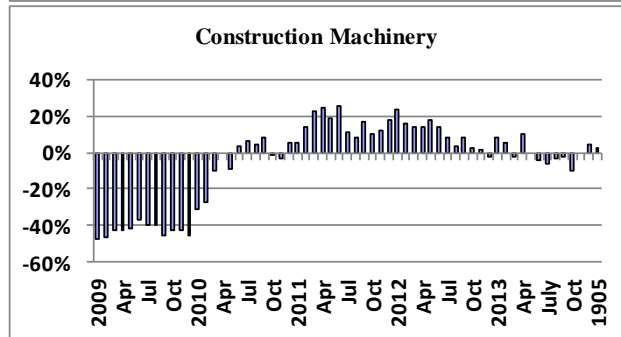
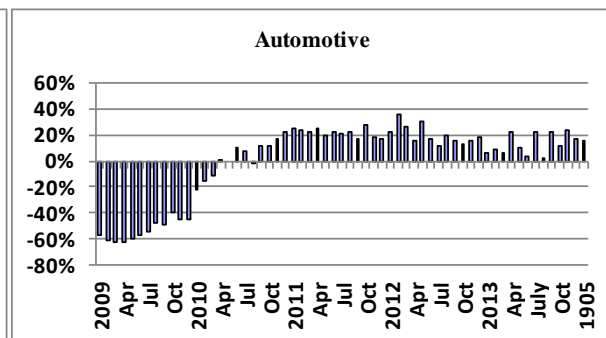
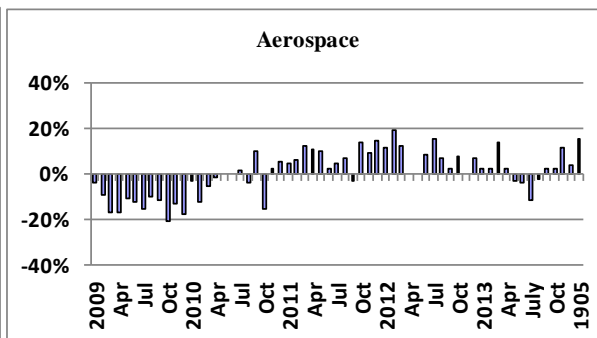
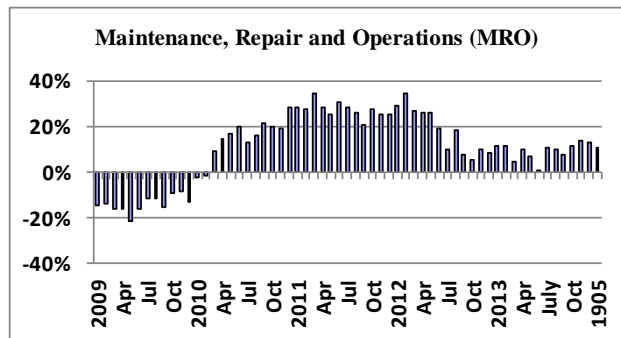
# End Markets Accelerate in February

## Broad End Market Improvement in February

From an end market perspective, all but one end market gained momentum in February from January levels due to strong order trends, and growing backlogs despite weaker than expected sales growth due to poor weather conditions. The most notable progress was seen in heavy duty truck end markets, followed by forestry and process markets. Aerospace remained the strongest reported market in February followed by MRO and process while mining and government continued to be the reported weakest. Food & beverage was the only end market that did not improve sequentially. Interestingly, we are hearing of some improvement in land based O&G markets which had previously been softening in 2H13.

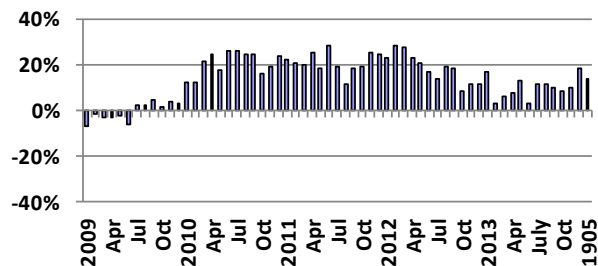


# End Market Trends

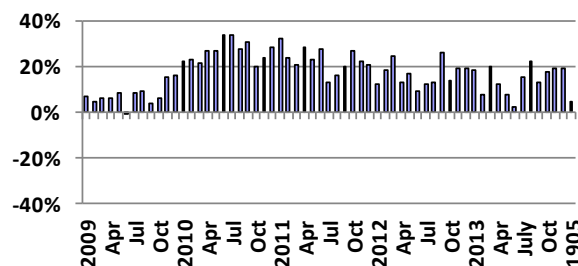


# End Market Trends

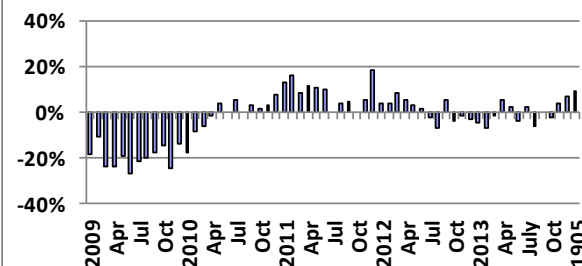
**Food & Beverage**



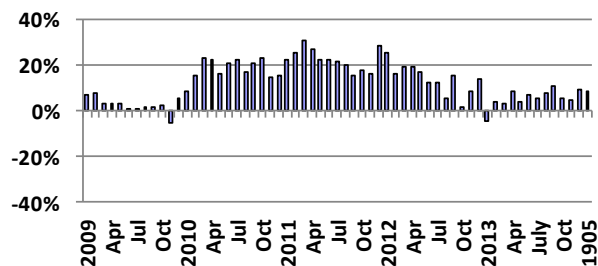
**Life Sciences**



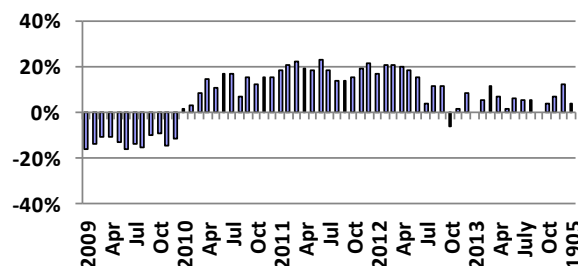
**Marine**



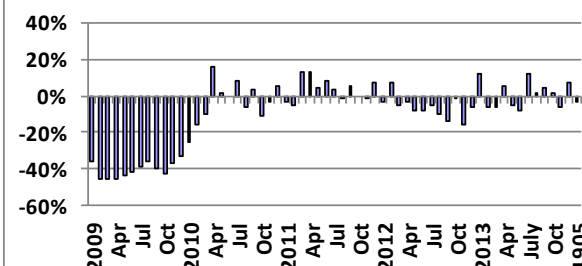
**Power Generation**



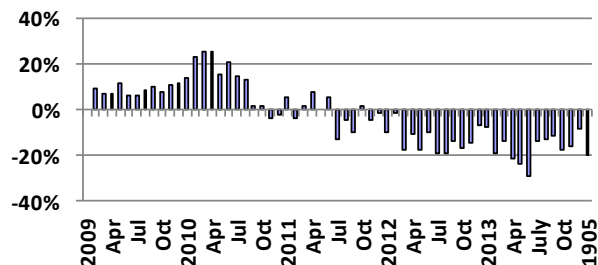
**Process**



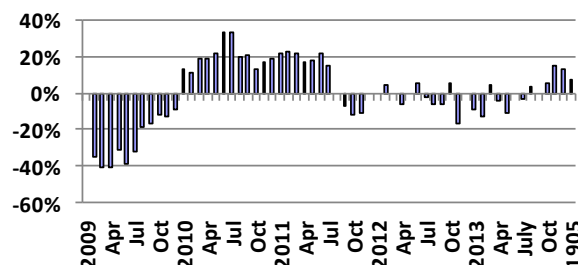
**Forestry**



**Government**

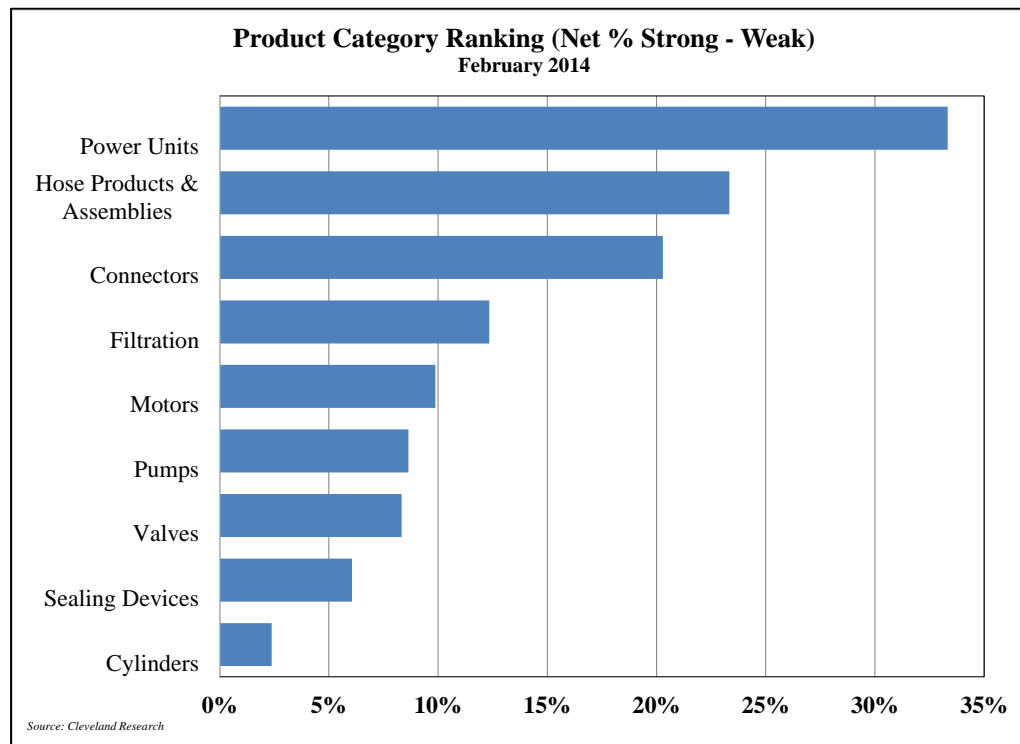


**Semicon**



# Product Category Ranking

For the first time this month, we asked about relative strength of nine product categories. All nine product categories were reported as relatively strong in the month of February. Power units, hose products & assemblies, and connectors were the strongest product categories while pumps, valves, sealing devices and cylinders were reported as the relative weakest product categories.



# 2014 Outlook

## 2014 Outlook Now Looking Up 6%, Slightly Higher than the 5-6% Prior Forecast

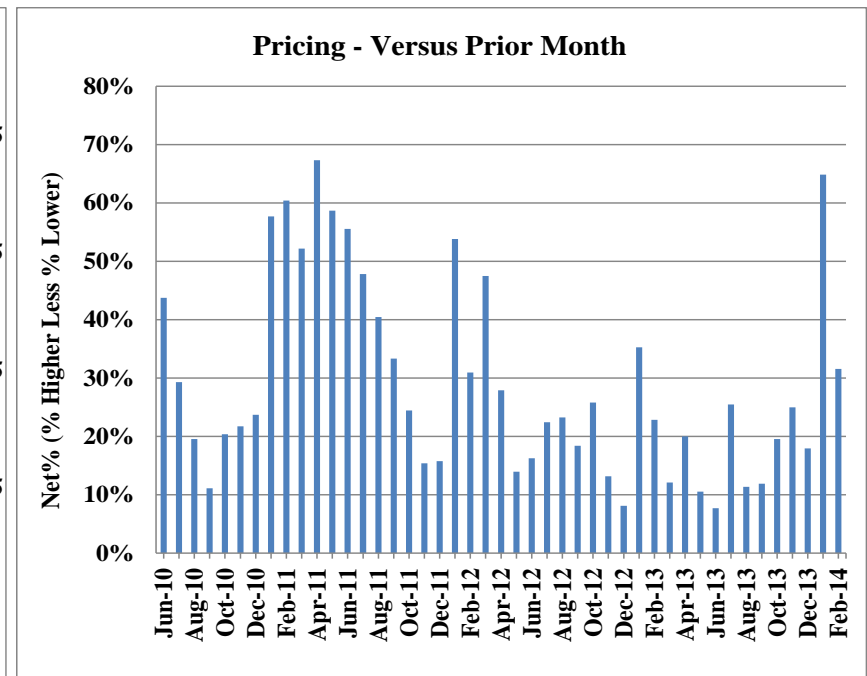
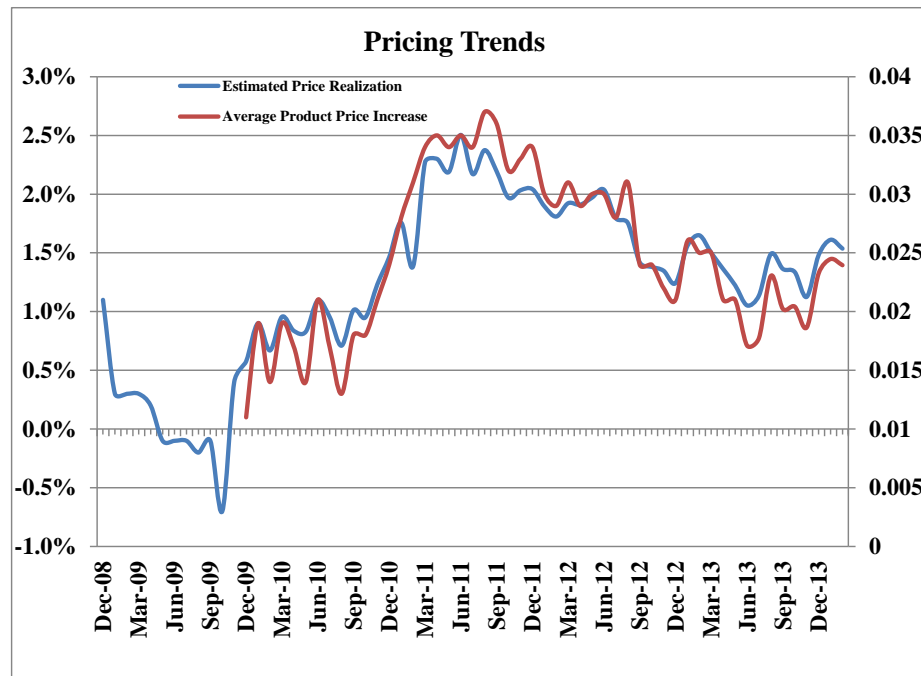
Sources in our fluid power survey appear slightly more optimistic about 2014 vs 30 days ago and are now expecting 6% growth, up from the previous expectations of 5-6% growth and up from flat trends in 2013. Despite challenging weather conditions, our sources are increasingly optimistic driven by the continued strong order activity and growing backlogs. Sources report seeing better activity across a wide range of markets and we are hearing that land based O&G markets are beginning to improve with both MRO and OE activity picking up over the past two months.

Fluid Power Outlook								
	2012	2013	2014 Outlook					
Sales Growth (y/y)	Actual Results	Actual Results	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
Overall	8%	0%	3%	4-5%	4-5%	5-6%	5-6%	6%
Distributors	8%	0%	4%	5%	4-5%	6%	7%	6%
Manufacturers	8%	0%	3%	4%	3%	5%	4%	6%

Source: Cleveland Research

# Price Contribution Trends

- Average product prices increased to 2.4% in February, inline with results in January and up slightly from the 2.3% December. Price realization stayed roughly the same at ~1.5% compared to 1.6% in January.

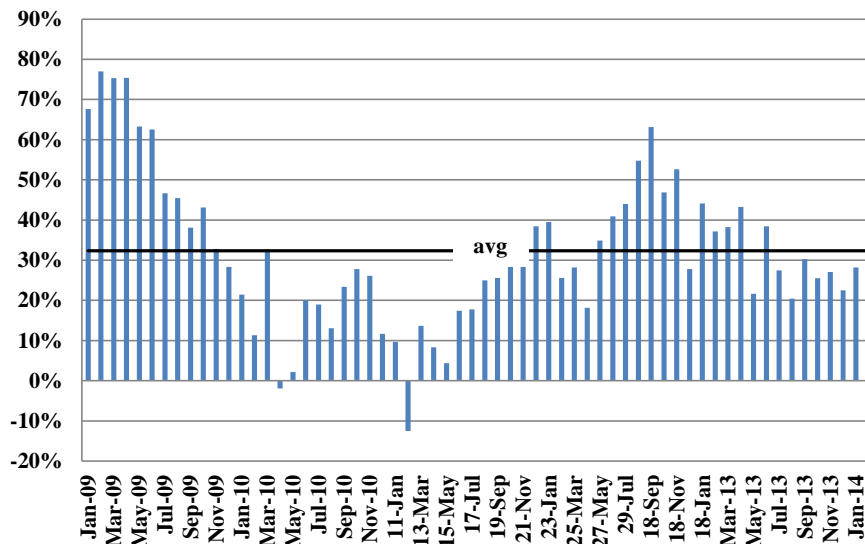


# Inventory Trends

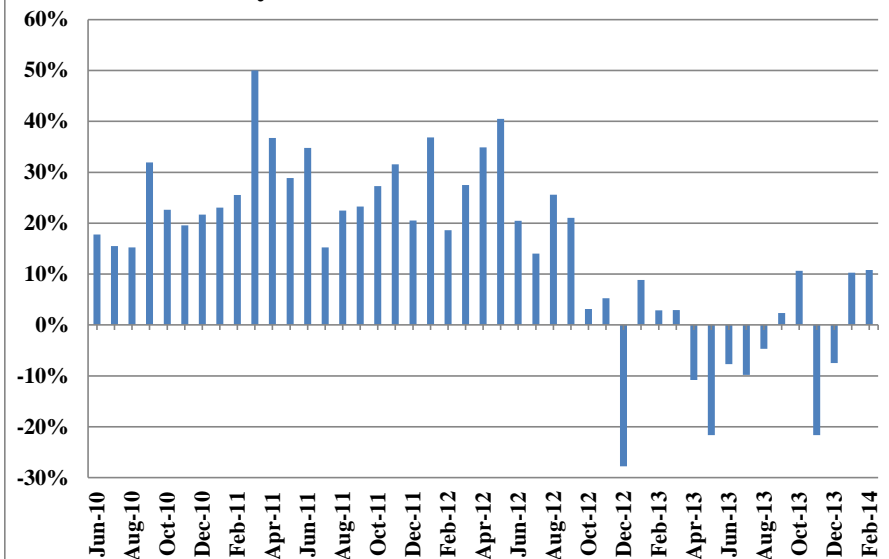
## Inventories Remain Inline with January Trends

February inventory levels remained relatively unchanged with a net 11% of sources reporting higher inventories vs a net 10% in January. Distributors appear comfortable with current levels with a net 26% of sources indicating that inventories were “too high” down marginally from the net 28% last month. Sources indicate inventories are right sized at this time but anticipate bringing levels up slowly as sales volumes improve.

Inventory Levels - Net % "Too High"



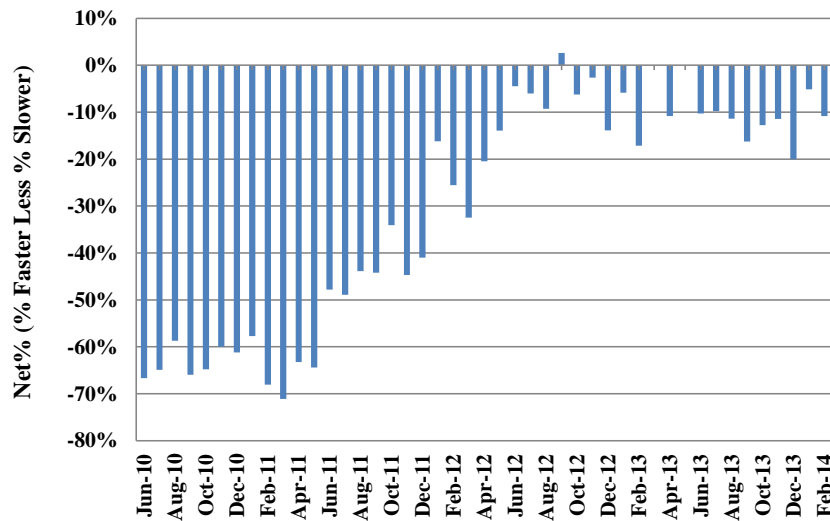
Inventory Levels - Versus Prior Month



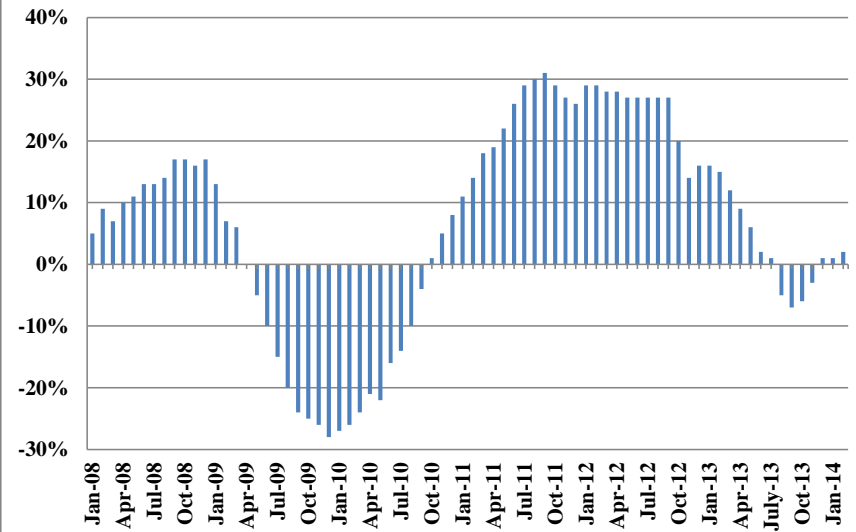
Source: Cleveland Research

# Inventory Levels

## Supplier Deliveries - Versus Prior Month



## Inventory Levels - Versus Last Year

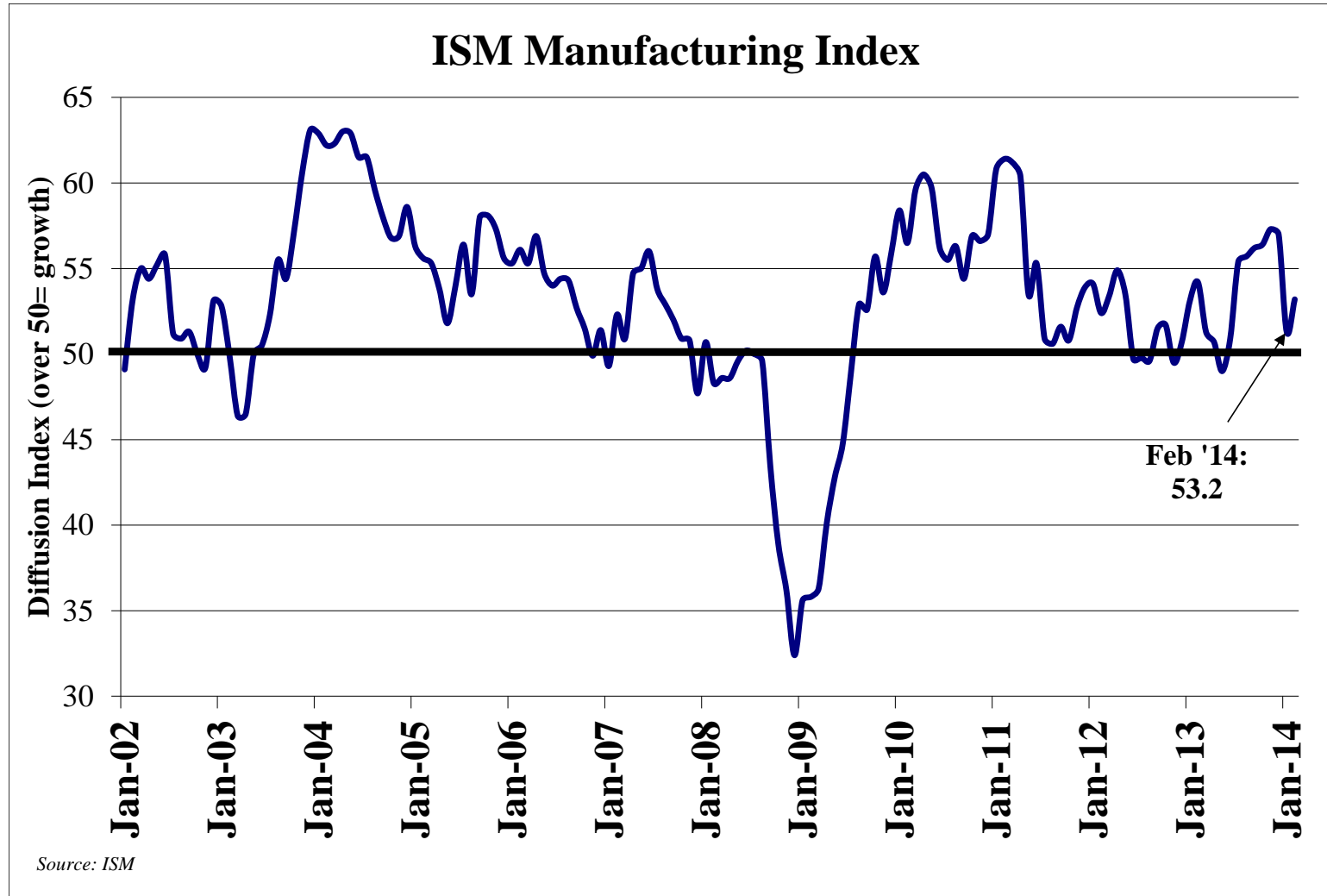




## *Macroeconomic Indicators*

ISM, Industrial Production, Capacity Utilization, Non-Res Construction  
Forecasts, Resi Construction Indicators, Commodity Prices, Heavy Truck &  
Automotive Data

# Feb ISM Ticks Up from January Lows



# Manufacturing End Market Momentum

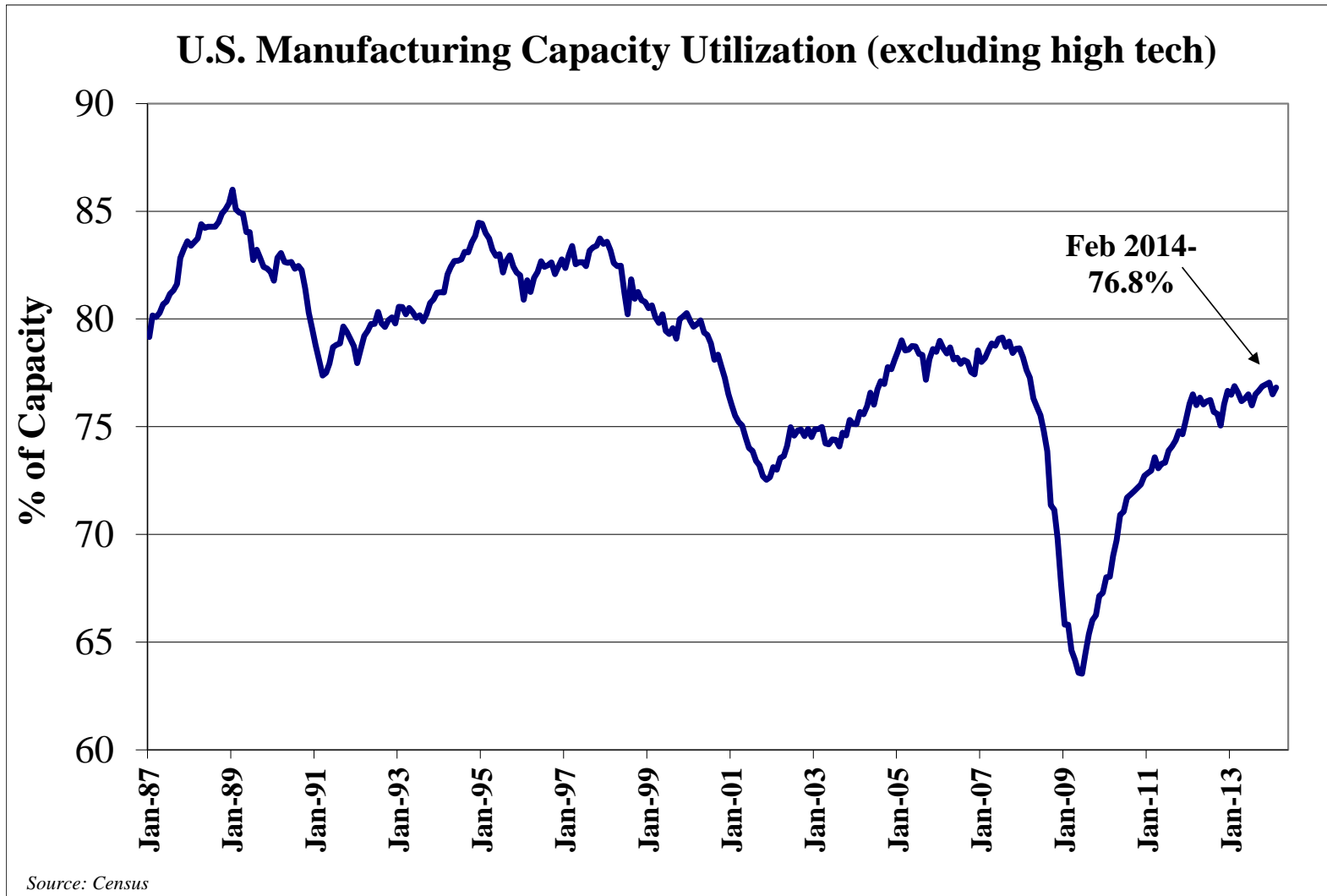
ISM Manufacturing End Market Momentum															
Major End Market	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
Apparel, leather and allied products	↓	↑	↑	↑	↑	↑	↑	↓	↔	↓	↓	↓	↑	↓	↓
Chemical products	↓	↓	↓	↓	↑	↓	↓	↑	↑	↓	↓	↑	↓	↓	↑
Computer and electronic products	↑	↓	↓	↑	↑	↓	↓	↑	↑	↑	↑	↑	↑	↓	↔
Electrical equipment, appliances, components	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓	↑	↑
Fabricated metal products	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Food, beverage and tobacco products	↑	↑	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Furniture and related products	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Machinery	↓	↑	↑	↓	↑	↑	↑	↓	↑	↑	↑	↓	↓	↑	↑
Miscellaneous manufacturing	↓	↑	↑	↑	↔	↓	↔	↓	↓	↓	↓	↑	↑	↓	↓
Nonmetallic mineral products	↓	↓	↑	↑	↔	↑	↑	↑	↑	↓	↑	↑	↓	↓	↑
Paper products	↑	↔	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓	↑
Petroleum and coal products	↑	↑	↑	↓	↔	↔	↑	↔	↔	↑	↑	↑	↔	↓	↓
Plastics and rubber products	↓	↑	↑	↑	↔	↓	↑	↓	↑	↑	↑	↑	↑	↑	↑
Primary metals	↑	↑	↑	↑	↓	↓	↑	↑	↑	↓	↓	↑	↑	↑	↑
Printing, related support activities	↔	↑	↑	↑	↑	↑	↔	↑	↑	↑	↑	↑	↑	↑	↑
Textile mills	↔	↑	↓	↔	↔	↔	↓	↑	↑	↓	↑	↑	↑	↑	↑
Transportation equipment	↓	↑	↑	↑	↑	↓	↓	↑	↑	↑	↑	↑	↑	↑	↑
Wood product	↑	↓	↑	↑	↓	↑	↑	↑	↑	↔	↑	↓	↑	↑	↑
Statistics	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
% Better	39%	72%	83%	78%	56%	56%	67%	72%	83%	61%	78%	83%	72%	61%	78%
Unchanged	11%	6%	0%	6%	28%	11%	11%	6%	11%	6%	0%	0%	6%	0%	6%
% Worse	50%	22%	17%	17%	17%	33%	22%	22%	6%	33%	22%	17%	22%	39%	17%
<b>Net % of Industries Improving</b>	<b>-11%</b>	<b>50%</b>	<b>67%</b>	<b>61%</b>	<b>39%</b>	<b>22%</b>	<b>44%</b>	<b>50%</b>	<b>78%</b>	<b>28%</b>	<b>56%</b>	<b>67%</b>	<b>50%</b>	<b>22%</b>	<b>61%</b>
<b>PMI</b>	<b>50.7</b>	<b>53.1</b>	<b>54.2</b>	<b>51.3</b>	<b>50.7</b>	<b>49.0</b>	<b>50.9</b>	<b>55.4</b>	<b>55.7</b>	<b>56.2</b>	<b>56.4</b>	<b>57.3</b>	<b>57.0</b>	<b>51.3</b>	<b>53.2</b>

Source: Institute for Supply Management

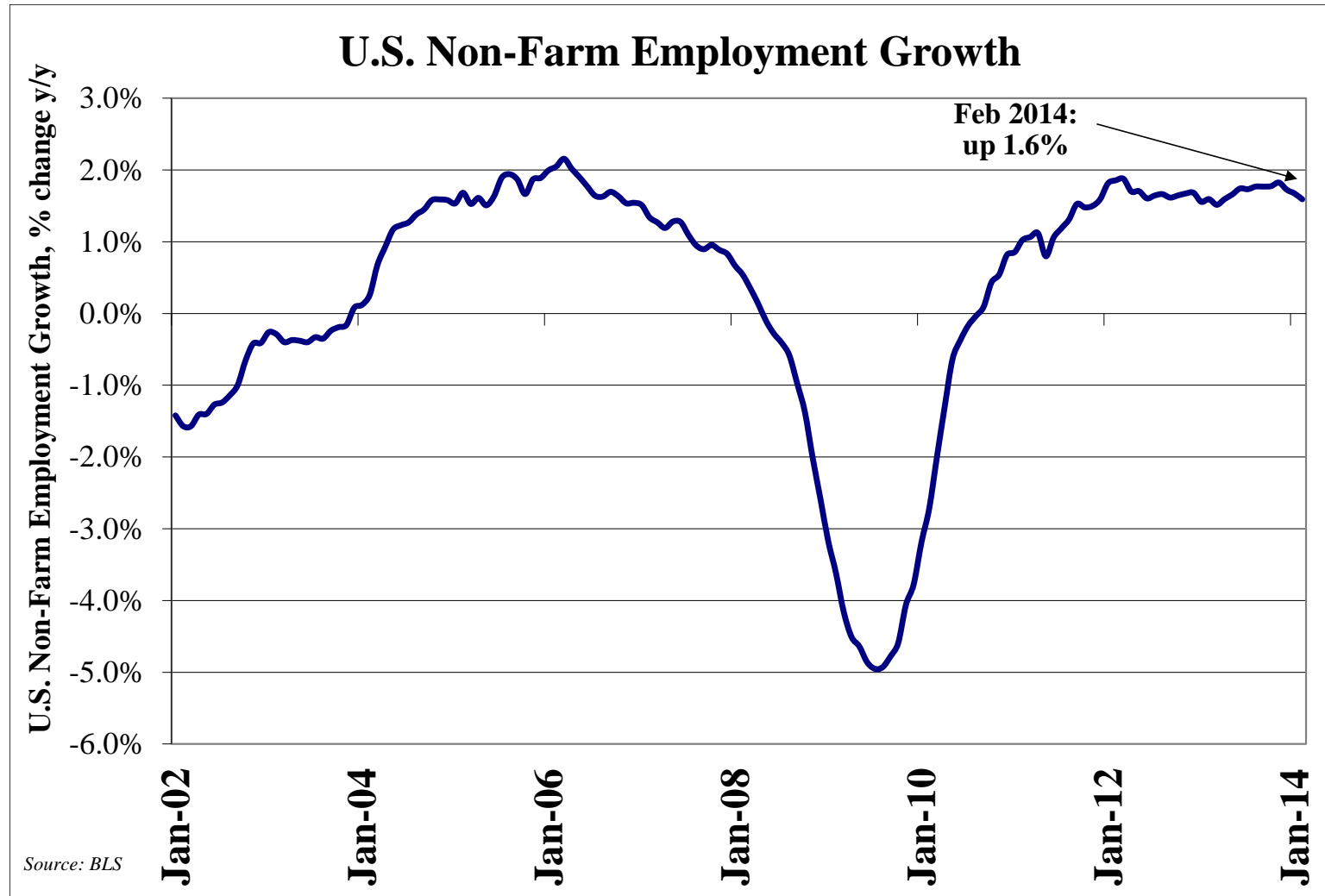
# Manufacturing IP: Up 1.2% in February



# Capacity Utilization: Up to 76.8% in February



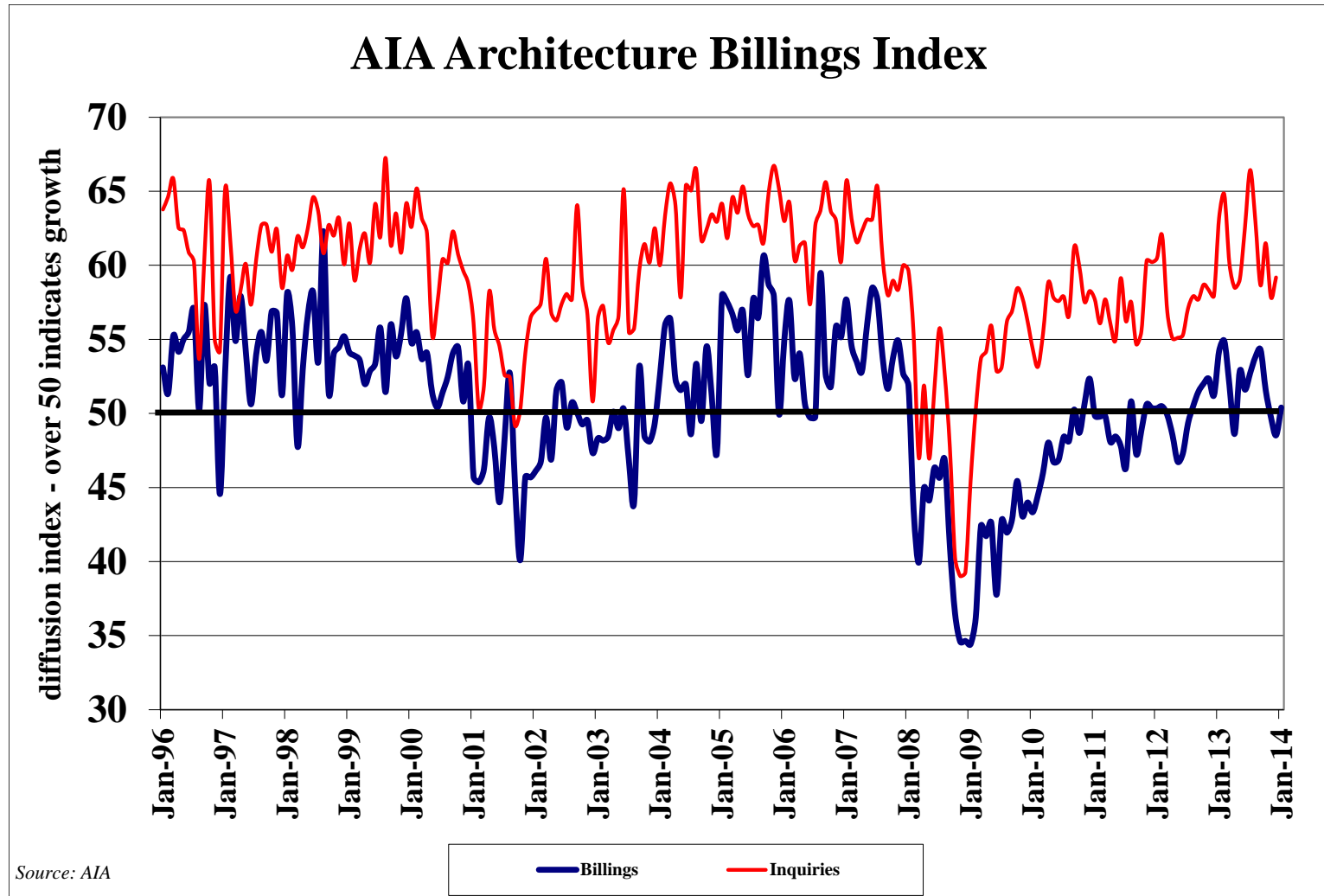
# Non-Farm Employment: Up 1.6% y/y in February



# Manufacturing Employment: Up 0.5% in February



# AIA Billings Index – New Inquiries Tick up in Jan





# McGraw Hill

## Updates Forecast



- McGraw Hill recently increased its 2014 non-residential building starts forecast (in dollars) to up 9% y/y from 8% growth 90-days ago, and the up 12% y/y forecast for non-residential building starts in square footage is unchanged. The most positive revisions are in the religious buildings, office/bank buildings, warehouses, dorms, government buildings, and hospitals categories, while the forecast for hotels/motels and parking garages declined the most from the prior forecast. The current forecast anticipates growth in non-residential building starts will accelerate in 2015 and 2016, to 14% and 16% growth, respectively. The chart on the next page details the current forecast from McGraw Hill.

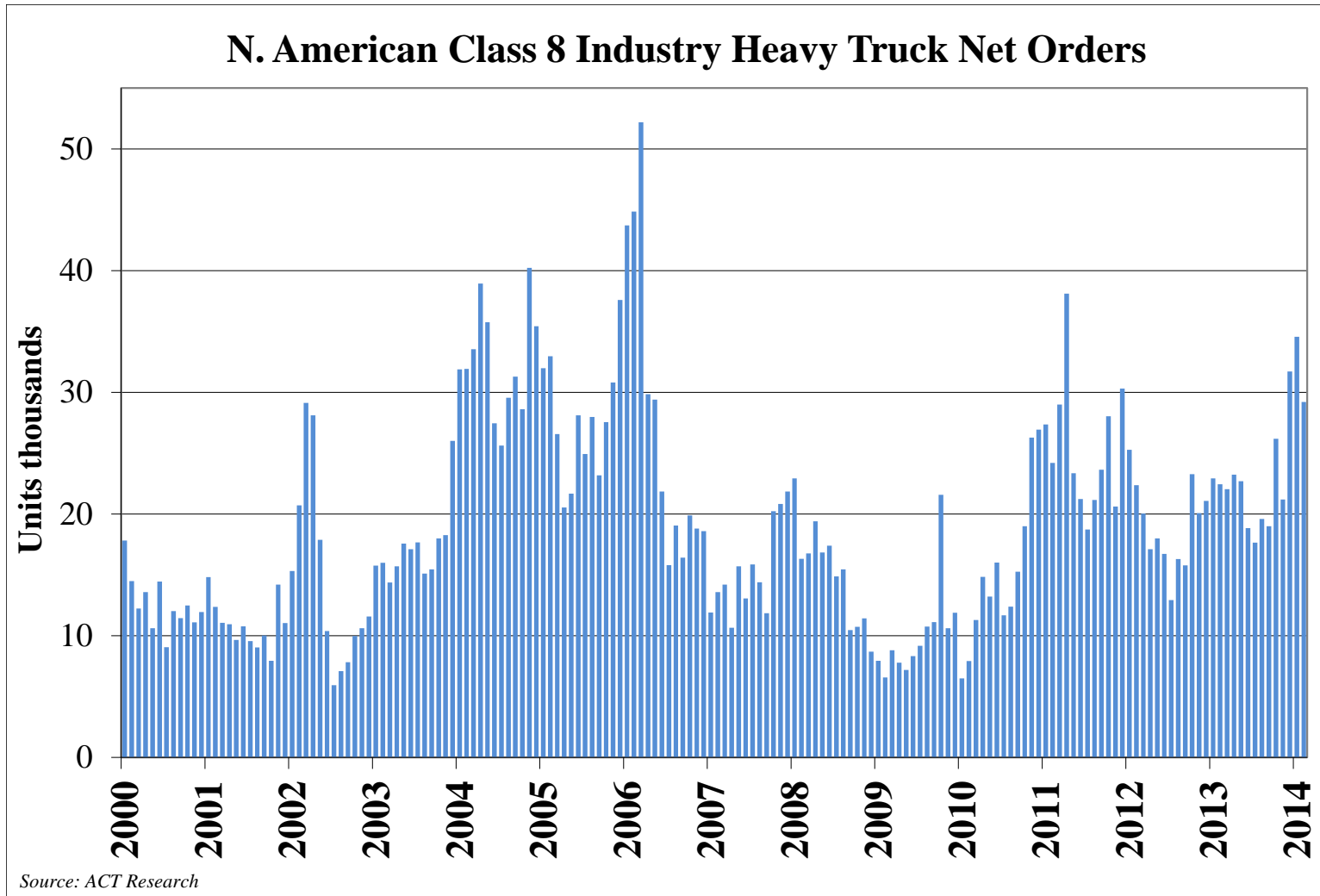
# Non-Res Starts: Forecast

McGraw-Hill Construction Starts History and Forecast										
U.S. Starts Forecast (Value \$mm)	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Amusement, Social and Recreational Bldgs	0%	-14%	-4%	-12%	-17%	28%	6%	18%	24%	1%
Dormitories	16%	-5%	1%	-15%	5%	-7%	3%	8%	8%	9%
Government Service Buildings	7%	15%	-32%	-14%	-9%	-24%	-6%	13%	11%	14%
Hospitals and Other Health Treatment	23%	-33%	16%	-7%	-3%	-4%	4%	14%	17%	10%
Hotels and Motels	-9%	-64%	-28%	58%	25%	31%	11%	21%	12%	-7%
Manufacturing Plants, Warehouses, Labs	44%	10%	-5%	74%	-25%	42%	7%	8%	14%	3%
Miscellaneous Nonresidential Buildings	19%	16%	29%	-29%	-10%	1%	7%	15%	14%	5%
Office and Bank Buildings	-15%	-28%	-18%	-3%	0%	21%	18%	19%	16%	11%
Parking Garages and Automotive Services	-21%	-47%	9%	26%	22%	25%	12%	12%	8%	1%
Religious Buildings	-5%	-7%	-29%	-10%	-10%	-5%	1%	10%	12%	17%
Schools, Libraries, and Labs (nonmfg)	9%	-17%	-3%	-11%	-12%	1%	4%	11%	23%	17%
Stores and Restaurants	-27%	-40%	-5%	3%	15%	6%	15%	21%	17%	4%
Warehouses (excl. manufacturer owned)	-22%	-58%	-16%	23%	27%	33%	27%	12%	8%	-3%
Nonresidential Building Starts (\$mm)	242,186	168,877	162,640	165,654	158,222	174,082	189,473	216,522	251,990	271,614
% change y/y	1%	-30%	-4%	2%	-4%	10%	9%	14%	16%	8%
Nonresidential Building Starts (sqr ft)	1,377	773	678	703	774	845	943	1,076	1,220	1,269
% change y/y	-18%	-44%	-12%	4%	10%	9%	12%	14%	13%	4%
Single Family Housing Starts	1,203	951	978	905	1,146	1,424	1,762	2,248	2,687	2,614
% change y/y	-42%	-21%	3%	-7%	27%	24%	24%	28%	20%	-3%
Nonbuilding Starts (bridges, highways, etc, \$mm)	152,486	144,769	148,329	150,515	162,823	144,800	129,300	135,100	146,900	162,700
% change y/y	9%	-5%	2%	1%	8%	-11%	-11%	4%	9%	11%

Source: MHC (1Q14 fcst)

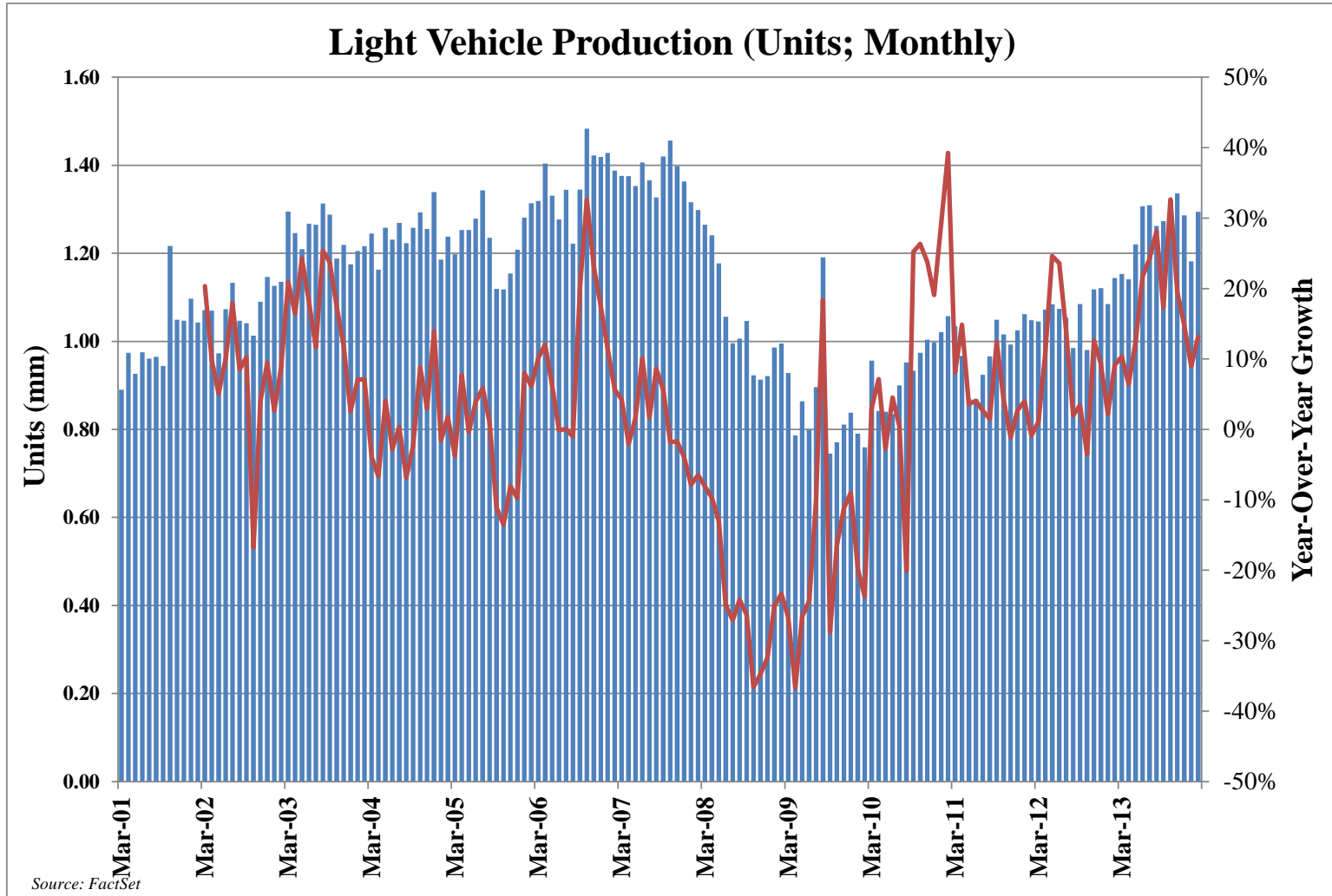
# Heavy Truck Orders

## ~29k Units in February



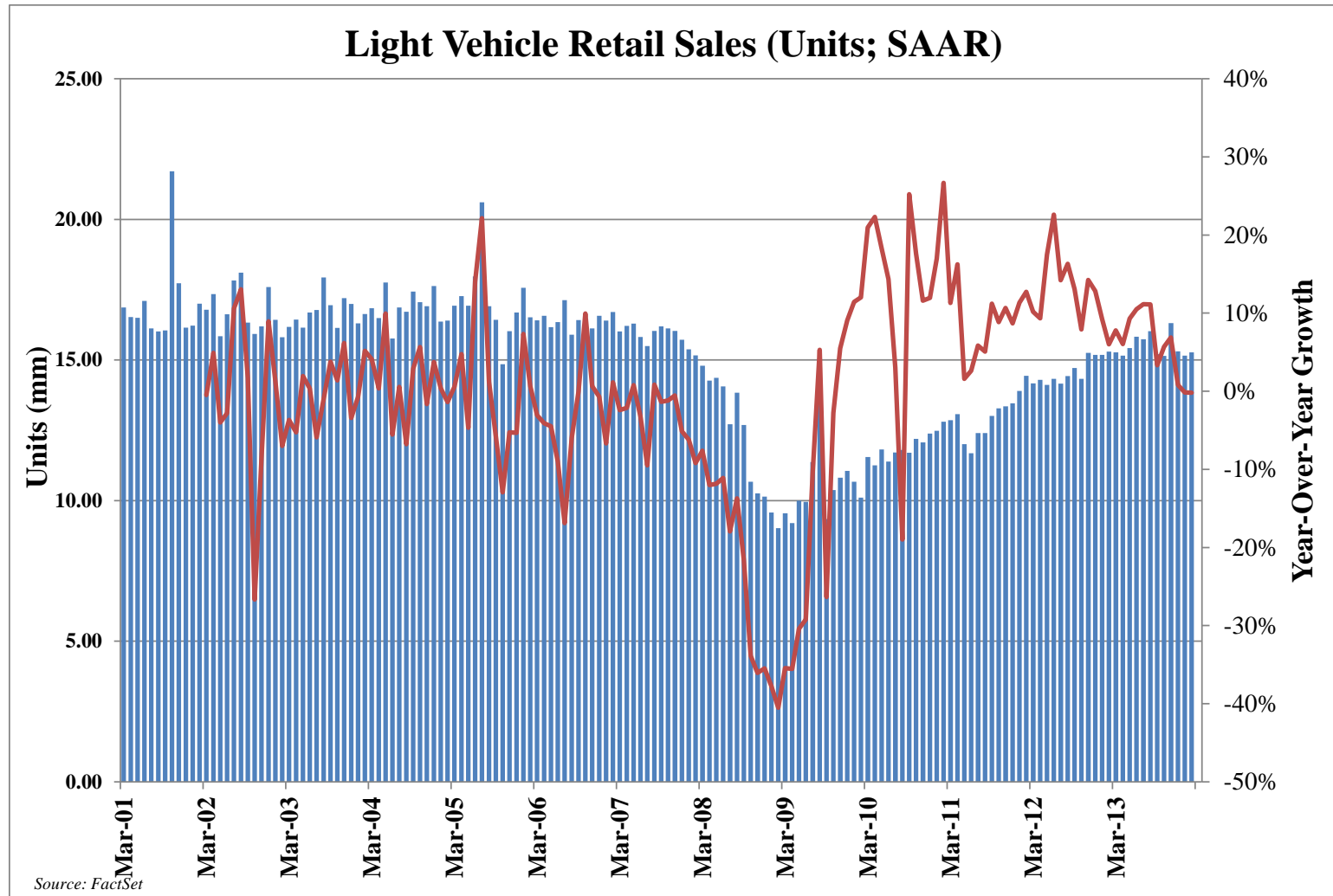
# Light Vehicle Production

## up 13% y/y in Feb



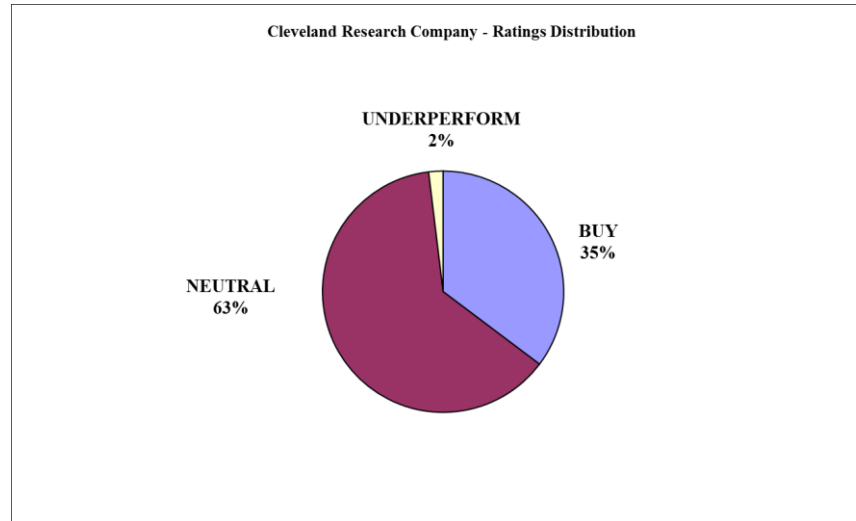
# Light Vehicle Retail Sales

## ~15.3 mm SAAR in February



# Disclosures

Important disclosures can be found at: [www.cleveland-research.com/clients/disclosures](http://www.cleveland-research.com/clients/disclosures)



## Disclosures

**Buy:** The stock's return is expected to exceed the market due to superior fundamentals and positive catalysts.

**Underperform:** The stock's total return is expected to underperform the market due to weak fundamentals and a lack of catalysts.

**Neutral:** The stock is expected to be in line with the market due to full valuation and/or a lack of catalysts.

**Valuation and Risk:** Price targets are established under various valuation methods including P/E, P/S, EV/EBITDA on financial estimates based on forward earnings. Price targets are not established for every stock. The price target's effectiveness may be affected by various outside factors. Risk assessments can be found in the most recent research on these stocks.

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