

RESEARCH UPDATE

Dave Storms, CFA
dave@stonegateinc.com
 214-987-4121

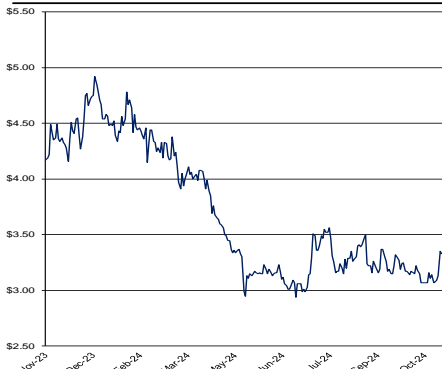
Market Statistics

Price	\$ 3.33
52 week Range	\$2.92 - \$4.98
Daily Vol (3-mo. average)	84,130
Market Cap (\$M):	\$ 162.8
Enterprise Value (\$M):	\$ 229.5
Shares Outstanding: (\$M)	48.9
Float (M)	35.3
Public Ownership	22.6%
Institutional Ownership	61.2%

Financial Summary

Cash (\$)	\$ 9.7
Cash/Share	\$ 0.20
Debt (\$)	\$ 66.2
Equity (\$)	\$ 96.6
Equity/Share	\$ 1.97

FYE: DEC	2023	2024E	2025E
<i>(in \$M)</i>			
Rev	\$ 291.1	\$ 247.4	\$ 249.2
Chng%	2%	-15%	1%
EBITDA	\$ 37.7	\$ 24.7	\$ 30.1
Net Income	\$ 6.2	\$ (0.3)	\$ 4.8
EPS	\$ 0.12	\$ (0.01)	\$ 0.09
EV/Revenue	0.9x	0.9x	0.9x
EV/EBITDA	26.7x	9.3x	7.6x
P/E	nm	nm	35.5x


COMPANY DESCRIPTION

Information Services Group is a fact-based sourcing advisory firm providing technology insights, market intelligence and advisory services. With operations in 21 countries, the Company delivers advisory, benchmarking, and analytical insight to large, multinational corporations and governments in N. America, Europe, and Asia Pacific.

INFORMATION SERVICES GROUP, INC. (NASDAQ: III)
III Reports Third Quarter Results

ISG finalized the sale of its robotic process automation unit to UST in early October. The transaction was valued at \$27.0M in cash, with \$7.0M held in Escrow. III showed a slight decline compared to the same period last year, with revenue falling to \$61.3M from \$71.8 million. Despite this, The Company demonstrated resilience, particularly in the Americas, which reported \$40.0M in revenue. The ISG Tango platform continues to be a significant growth driver, with contract values now exceeding \$5.0B, up 25% sequentially from the second quarter. This increase is expected to boost client activity and drive future growth. Although clients are still delaying new initiatives and extending spending timelines, III remains optimistic about an increase in demand as inflation eases and potential interest rate cuts loom. The Company's strategic growth is underscored by its disciplined capital allocation, including debt reduction, share repurchases, and dividend declarations.

Quarterly Results- III reported revenue, adj EBITDA, and adj EPS of \$61.3M, \$7.1M, and \$0.05, respectively. This compares to our/consensus estimates of \$60.5M/\$60.6M, \$6.8M/\$6.8M, and \$0.06/\$0.06, respectively. Revenues for the third quarter were slightly above our expectations. GPM came in at 40.4%, in line with our estimates. OpEx was moderately lower than we modeled, due to SG&A coming in slightly lower than our model. Adj. EBITDA for the quarter came in higher than our expectations at 7.1M.

Business Metrics -ISG's third-quarter results showed a sequential decline. Recurring revenues were ~\$27.5M in the quarter, declining 9.9% year over year. Recurring revenue over the LTM equaled ~\$122.8M, which is ~48% of LTM revenues. Third quarter utilization reached 77%, down 100 bps, from the record 78% seen in 2Q24 and up 450bps from 3Q23. Looking ahead, ISG projects utilization rates to stabilize in the mid-70s, considering this range to be more sustainable and achievable over time. During the third quarter, the headcount decreased by 80 employees compared to the same period last year and is expected to decrease by another 115 employees following the UST sale.

Improved Product/Service Mix & Demand – In 3Q24, ISG's demand landscape remained strong driven by clients' ongoing focus on digital transformations. Looking forward, ISG expects consistent growth fueled by a diverse product and service portfolio, with significant gains anticipated in early FY25. The Company also expects a gradual uptick in demand as clients continue to invest in AI and digital transformation initiatives. The ISG Tango platform has shown promising early signs of demand improvement, with TCv reaching \$5.0B, up 25% sequentially from the second quarter. We believe this demonstrates a substantial growth and margin enhancement opportunity for ISG.

Full Year Guidance – Following the automation unit sale III has updated its guidance. For the fourth quarter of 2024, the company is projecting revenues between \$57.0M and \$58.0M, and adjusted EBITDA between \$6.0M and \$7.0M. We have made slight adjustments to our model due to this updated guidance.

Valuation - We use both a DCF and EV/EBITDA comp analysis to guide our valuation. Our DCF analysis produces a valuation range of \$5.51 to \$7.25 with a mid-point of \$6.27. Our EV/EBITDA valuation results in a range of \$6.54 to \$7.15 with a mid-point of \$6.84.

Summary**Exhibit 1: Quarterly Results Comparison to Model**

	3Q24 Results		Notes
	Reported	Modeled	
Revenue	61.3	60.5	Revenues slightly above our expectations.
COGS	36.5	36.1	
Gross profit	24.7	24.4	GPM only slightly ahead of our expectations.
GPM	40.4%	40.3%	
SG&A	18.9	21.4	SG&A came in slightly lower than our model, leading to decreased operating expenses.
D&A	1.6	1.6	
Operating exp	20.5	23.0	
EBIT - Adj	3.2	2.9	
OPM	5.1%	4.8%	
EBITDA adjusted	7.1	6.8	Adj. EBITDA on target for our expectations
Margin	11.6%	11.3%	
Net income	1.1	0.1	
EPS	\$ 0.02	\$ 0.00	
Net income - adjusted	2.5	3.1	
EPS - adjusted	\$ 0.05	\$ 0.06	

Source: Company Reports, Stonegate Capital Markets, Inc.

INVESTMENT FACTORS

Information Services Group (III) is a fact-based sourcing advisory firm with operations in 20+ countries. We believe the Company is set to benefit from any increase in IT spending. Additionally, acquisitions have helped the Company widen its product and services offering as well as increase its global reach. Furthermore, emerging concepts like cloud computing will remain a significant work area, which should contribute to future revenues. With strong brand recognition, domain expertise, vendor independence, and proprietary data assets and market intelligence aging back some 30 years, III appears well positioned to capture growth.

Investment Positives

Increased global IT spending to enhance future revenues and profitability – According to Gartner's WW IT spending forecast, 2023 global IT spend is expected to grow 2.4% to \$4.5T. Through 2025, Gartner expects organizations to increase their reliance on outside consultants, driven by a greater urgency and an accelerated pace of change that widens the gap between organizations' digital business goals, and their internal resources and capabilities. Against this backdrop, III is likely to benefit from increased IT spending, consequently leading to higher growth and profitability.

Vendor independence and proprietary data assets act as a competitive advantage – Unlike many of III's competitors, the Company maintains independence and objectivity by not being a service provider. Consequently, clients view III as a trusted advisor with an unbiased approach. Additionally, III possesses unique and proprietary data assets that it has collected over its 30+ years of servicing its clients. The Company uses these data sources to provide clients with in-depth analysis into the cost and service implications of alternate strategies allowing them to compare alternatives and providing fact-based insight to make informed decisions regarding strategic change.

Digital transformation services creating growth opportunities – Rapidly changing technology trends and capabilities are driving companies to adopt new technologies to remain competitive. These trends encompass increasing automation, robotics, and use of cloud technologies. Clients are rapidly deploying cloud technologies over a traditional corporate data center to dramatically increase the flexibility of their IT infrastructure and reduce their costs by delivering both IT infrastructure and software over the Internet as a service. RPA services (robotics process automation), which was acquired from Alsbridge in Dec'16, is experiencing heightened demand from clients. III's Q1F17 ISG Automation index report showed that Companies using RPA, were able to improve business processes 5x to 10x faster, with an average of 37% fewer resources.

Changing economic and business environment – The changing economic and business environment has created opportunities for consulting firms to address the needs of clients. Some of these challenges include tougher competition; consolidation, mergers, acquisitions, and divestitures; growing awareness of business risk; changes in regulation; the rise of the public sector; increasing globalization; and growth of the digital economy. With its competitive advantages of domain expertise, strong brand recognition, vendor independence, proprietary data assets, and global reach, III is well positioned to capitalize on the above opportunities.

Management focused on building business for the long-term – III management remains committed to growing the business for the long-term with a focus on the leveraging existing competitive strengths to continue organic growth; continued global expansion; a broadening of vertical expertise; productizing market data assets; increasing managed services revenues; and continued acquisitions.

Investment Challenges / Risks

Revenue concentration – 33%, 35%, and 37% of 2023, 2022, and 2021 revenues, respectively were generated from 25 of the largest clients. Any termination or significant reduction in engagement from such major clients could adversely affect the company's revenue and profitability.

Debt load – III incurred a significant amount of indebtedness to acquire TPI and added additional debt to acquire Alsbridge in Dec'16. Consequently, the Company shows higher D/E and D/C ratios vs. its peers. As of December 2023, the Company had outstanding debt of \$79.2M. Any negative changes to the global macro-economic environment could negatively affect the Company's revenues and ability to service its debt.

International operations lead to additional risks – III generated ~39% of 2023 revenues from sales outside of the Americas. As such, the Company is exposed to various risks inherent to international business activities. Furthermore, the operations in a geography would be highly dependent on the overall economic environment of the region. Subdued economic conditions in a geography could adversely affect the Company's financial results.

Extended economic slowdown – Any macroeconomic weakness in III major geographic markets could lead to clients deferring their sourcing initiatives. Consequently, III results could be negatively impacted.

Highly fragmented market with intense competition - The business information services, and advisory sector is intensely competitive, highly fragmented, and subject to rapid change. III faces stiff competition from many large and small independent players. Additionally, barriers to entry in the business information services and advisory market are quite limited making it easier for new players to enter the market. These market characteristics could trigger existing players to expand their service portfolio to maintain and gain market share, thereby increasing competition further.

VALUATION SUMMARY

We are using a DCF analysis and EV/EBITDA analysis to help frame valuation.

DCF Analysis

We assume near-term revenue is driven by current industry demand trends. Thereafter, we assume III can maintain a mid-single digit revenue growth rate driven by its digital advisory services and increasing revenue generation from recurring revenue service offerings. With III's focus on digital advisory services and recurring revenues, mix should help drive increasing margins. Additionally, we assume no acquisition growth. Our DCF valuation shows a range of between \$5.51 per share to \$7.25 per share, with a mid-point of \$6.27 per share.

Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	9.0%	\$6.77	\$7.12	\$7.53	\$8.00	\$8.55
	9.5%	\$6.21	\$6.51	\$6.86	\$7.25	\$7.70
	10.0%	\$5.72	\$5.98	\$6.27	\$6.60	\$6.98
	10.5%	\$5.28	\$5.51	\$5.76	\$6.04	\$6.35
	11.0%	\$4.89	\$5.09	\$5.30	\$5.54	\$5.81

Comps Analysis

Based on our forward estimates, III is trading at 0.9x EV/S, 7.6x EV/EBITDA, and a 35.5x P/E versus comps at an average of 2.5x EV/S, 14.6x EV/EBITDA, and a 22.9x P/E.

Comparative Analysis

Information Services Group, Inc. (NASDAQ: III)
(all figures in \$M except per share information)

Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	EV/S (2)			EV/EBITDA (2)			P/E (2)		
						LTM	2024 E	2025 E	LTM	2024 E	2025 E	LTM	2024 E	2025 E
Garner Inc	IT	\$540.75	77.13	\$ 41,710.4	\$ 42,943.1	7.0x	6.9x	6.4x	33.1x	27.9x	25.9x	40.0x	45.4x	41.0x
FTI Consulting Inc	FCN	\$206.23	35.32	\$ 7,284.8	\$ 7,104.1	1.9x	1.9x	1.8x	15.4x	16.9x	15.7x	23.7x	25.3x	23.6x
Huron Consulting Group Inc	HURN	\$127.61	16.34	\$ 2,085.6	\$ 2,554.8	1.8x	1.7x	1.6x	15.4x	13.0x	11.4x	28.2x	20.9x	18.4x
Forrester Research Inc	FORR	\$ 16.44	19.06	\$ 313.3	\$ 282.5	0.6x	0.7x	0.6x	4.8x	6.2x	5.5x	nm	11.3x	9.9x
CRA International Inc	CRAI	\$202.70	6.78	\$ 1,374.2	\$ 1,496.9	2.2x	2.2x	2.1x	19.5x	17.4x	17.1x	32.8x	28.4x	26.7x
Hackett Group Inc	HCKT	\$ 30.65	27.59	\$ 845.6	\$ 848.2	2.8x	2.7x	2.6x	14.5x	13.0x	11.9x	25.1x	19.0x	17.6x
Average						2.7x	2.7x	2.5x	17.1x	15.7x	14.6x	30.0x	25.1x	22.9x
Median						2.1x	2.1x	2.0x	15.4x	15.0x	13.8x	28.2x	23.1x	21.0x
Information Services Group, Inc III		\$ 3.33	48.9	\$ 162.8	\$ 229.5	0.9x	0.9x	0.9x	26.7x	9.3x	7.6x	nm	nm	35.5x

(1) Previous day's closing price

(2) Estimates are from CapitalIQ except for III which are Stonegate estimates

Source: Company reports, CapitalIQ, Stonegate Capital Markets

Using an EV/EBITDA range of 12.5x to 13.5x on our forward adj. EBITDA estimate, which is in-line with historical multiples for III and current comp multiples, results in a valuation range of \$6.54 to \$7.15 with a mid-point of \$6.84.

We also list the following catalysts for the stock in 2024 and beyond:

- Digital advisory services growth.....2024+
- Increasing recurring revenue as a % of sales2024+
- Continued growth of ISG Tango.....2024+
- New acquisition announcements.....2024+

DISCOUNTED CASH FLOW ANALYSIS

Information Services Group, Inc.													
Discounted Cash Flow Model (in \$M, except per share amounts)													
Estimates:	2022	2023	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	Terminal Value
Revenue	286.3	291.1	247.4	249.2	256.7	268.3	284.1	302.5	322.8	346.1	373.0	402.9	
Operating Income	30.4	22.3	10.4	13.7	18.0	25.5	28.4	33.9	42.3	50.2	55.6	61.9	
Less: Taxes (benefit)	7.0	2.6	2.0	2.9	4.9	7.0	7.8	9.3	11.6	13.8	15.3	17.0	
NOPAT	23.5	19.7	8.3	10.8	13.0	18.5	20.6	24.6	30.7	36.4	40.3	44.9	
Plus: D&A	5.4	6.3	6.3	6.4	5.1	4.8	4.5	4.2	3.9	3.5	4.3	4.6	
Plus: Changes in WC	(23.0)	(13.2)	(2.8)	(2.9)	(3.0)	(3.0)	(2.8)	(2.7)	(2.9)	(2.9)	(3.2)	(3.4)	
Less: Capex	(3.4)	(3.4)	(2.2)	(2.2)	(2.3)	(2.4)	(2.6)	(2.7)	(2.9)	(3.1)	(3.4)	(3.6)	
Free Cash Flow	2.5	9.3	9.6	12.1	12.9	17.9	19.7	23.4	28.7	33.8	38.1	42.5	541.8
Discount period - months			3	15	27	39	51	63	75	87	99	111	
Discount period - years			0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	
Discount factor			0.98	0.89	0.81	0.73	0.67	0.61	0.55	0.50	0.46	0.41	
PV of FCF			9	11	10	13	13	14	16	17	17	18	224.4
Growth rate assumptions:													
Revenue		1.7%	-15.0%	0.8%	3.0%	4.5%	5.9%	6.5%	6.7%	7.2%	7.8%	8.0%	
Operating Income		-26.7%	-53.5%	32.1%	31.3%	41.8%	11.5%	19.3%	24.8%	18.7%	10.8%	11.4%	
EBITDA		-20.3%	-41.6%	20.4%	15.0%	31.2%	8.7%	15.7%	21.1%	16.2%	11.6%	11.2%	
Free Cash Flow		277.2%	3.3%	26.2%	6.6%	39.1%	10.1%	18.3%	23.0%	17.6%	12.7%	11.6%	
Margin assumptions:													
Operating Income	10.6%	7.7%	4.2%	5.5%	7.0%	9.5%	10.0%	11.2%	13.1%	14.5%	14.9%	15.4%	
D&A as a % of sales	1.9%	2.2%	2.6%	2.6%	2.0%	1.8%	1.6%	1.4%	1.2%	1.0%	1.2%	1.2%	
EBITDA	12.5%	9.8%	6.7%	8.1%	9.0%	11.3%	11.6%	12.6%	14.3%	15.5%	16.1%	16.5%	
Taxes	22.9%	11.7%	19.5%	21.0%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
Changes in WC	-8.0%	-4.5%	-1.2%	-1.2%	-1.2%	-1.1%	-1.0%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	
Capex as a % of sales	-1.2%	-1.2%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	
Valuation:													
Shares outstanding	48.9												
PV of FCF	138.7												
PV of Terminal Value	224.4												
Enterprise Value	363.1												
less: Net Debt	56.5												
Estimated Total Value:	306.6												
Est Equity Value/share:	\$6.27												
Current Price	\$3.33												
Sensitivity Analysis:													
		Terminal Growth Rates											
		1.0%	1.5%	2.0%	2.5%	3.0%							
Discount Rate	9.0%	\$6.77	\$7.12	\$7.53	\$8.00	\$8.55							
	9.5%	\$6.21	\$6.51	\$6.86	\$7.25	\$7.70							
	10.0%	\$5.72	\$5.98	\$6.27	\$6.60	\$6.98							
	10.5%	\$5.28	\$5.51	\$5.76	\$6.04	\$6.35							
	11.0%	\$4.89	\$5.09	\$5.30	\$5.54	\$5.81							

Source: Company Reports, Stonegate Capital Markets

INCOME STATEMENT

Information Services Group, Inc. (NASDAQ: III) Consolidated Statements of Income (i) Fiscal Year: December																			
	FY 2020	FY 2021	FY 2022	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	FY 2023	Q1 Mar-24	Q2 Jun-24	Q3 Sep-24	Q4 E Dec-24	FY 2024 E	Q1 E Mar-25	Q2 E Jun-25	Q3 E Sep-25	Q4 E Dec-25	FY 2025 E	
Revenues																			
Revenues	\$ 249.1	\$ 277.8	\$ 286.3	\$ 78.5	\$ 74.6	\$ 71.8	\$ 66.2	\$ 291.1	\$ 64.3	\$ 64.3	\$ 61.3	\$ 57.5	\$ 247.4	\$ 59.5	\$ 62.6	\$ 63.9	\$ 63.2	\$ 249.2	
Total revenue	\$ 249.1	\$ 277.8	\$ 286.3	\$ 78.5	\$ 74.6	\$ 71.8	\$ 66.2	\$ 291.1	\$ 64.3	\$ 64.3	\$ 61.3	\$ 57.5	\$ 247.4	\$ 59.5	\$ 62.6	\$ 63.9	\$ 63.2	\$ 249.2	
Operating expenses																			
Direct costs and expenses for advisors	149.9	168.5	169.7	49.2	45.8	43.0	40.9	178.9	41.0	38.9	36.5	34.2	150.7	34.9	36.3	37.1	37.1	145.4	
Selling, general and administrative	83.8	78.8	81.8	20.7	22.3	21.0	27.3	91.3	24.1	20.1	18.9	20.4	83.4	20.5	21.3	21.6	21.5	84.9	
Depreciation and amortization	6.2	5.3	5.4	1.6	1.6	1.5	1.6	6.3	1.5	1.6	1.6	1.6	6.3	1.6	1.6	1.6	1.6	6.4	
Total operating expenses	239.9	252.6	256.8	71.4	69.7	65.6	69.7	276.4	66.6	60.6	57.0	56.1	240.4	57.0	59.2	60.3	60.2	236.7	
Operating income (loss)	9.3	25.3	29.5	7.1	4.9	6.2	(3.5)	14.6	(2.4)	3.7	4.3	1.4	7.0	2.5	3.4	3.6	3.0	12.5	
Operating income (loss) - adjusted (1)	13.3	27.0	30.4	7.3	6.0	7.0	2.0	22.3	0.7	4.4	3.2	2.2	10.4	3.0	3.6	3.8	3.2	13.7	
Other expense (income):																			
Interest income	(0.3)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)	(0.3)	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	
Interest expense	3.6	2.3	3.2	1.7	1.4	1.5	1.5	6.2	1.5	1.6	1.6	1.5	6.2	1.5	1.5	1.4	1.4	5.9	
FX transaction (loss) gain	0.1	(0.0)	(0.2)	0.2	(0.2)	0.0	0.1	0.2	0.0	(0.0)	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
Total other expense (income):	3.4	2.2	2.8	1.8	1.2	1.4	1.4	5.9	1.3	1.3	1.4	1.3	5.3	1.2	1.2	1.2	1.2	4.8	
Pre-tax income (loss)	5.9	23.1	26.7	5.2	3.7	4.8	(4.9)	8.8	(3.6)	2.3	2.9	0.2	1.7	1.2	2.1	2.4	1.9	7.7	
Income tax expense (benefit)	3.1	7.6	7.0	1.7	1.4	1.6	(2.1)	2.6	(0.2)	0.3	1.7	0.2	2.0	0.5	0.8	0.9	0.7	2.9	
Net income (loss)	2.8	15.5	19.7	3.5	2.3	3.2	(2.9)	6.2	(3.4)	2.0	1.1	(0.1)	(0.3)	0.8	1.3	1.5	1.2	4.8	
EPS	\$ 0.06	\$ 0.30	\$ 0.39	\$ 0.07	\$ 0.05	\$ 0.06	\$ (0.06)	\$ 0.12	\$ (0.07)	\$ 0.04	\$ 0.02	\$ (0.00)	\$ (0.01)	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.02	\$ 0.09	
Net income (loss) - adjusted (2)	14.1	23.1	26.9	6.0	5.3	5.7	3.1	20.1	0.7	3.8	2.5	2.6	9.6	3.7	3.9	4.1	3.7	15.3	
EPS (loss) - adjusted (2)	\$ 0.29	\$ 0.45	\$ 0.53	\$ 0.12	\$ 0.11	\$ 0.11	\$ 0.06	\$ 0.40	\$ 0.01	\$ 0.08	\$ 0.05	\$ 0.05	\$ 0.19	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.30	
Weighted avg. shares	49.4	51.8	50.4	50.3	50.3	50.3	49.8	50.2	48.5	49.6	50.2	50.3	49.6	50.6	50.8	51.1	51.3	50.9	
EBITDA (1)	19.4	32.3	35.8	8.9	7.5	8.5	3.5	28.5	2.2	6.0	4.7	3.8	16.7	4.6	5.2	5.4	4.8	20.1	
EBITDA - adjusted (3)	28.3	38.8	43.3	11.0	10.1	10.6	5.9	37.7	4.4	7.1	7.1	6.1	24.7	7.1	7.7	7.9	7.3	30.1	

(1) Excludes 1x items
 (2) III calculated results w hich excludes 1x items, stock comp and amortization expense
 (3) Adjusted EBITDA excludes 1x items and stock compensation

Margin Analysis																		
Gross margin	39.8%	39.4%	40.7%	37.4%	38.6%	40.0%	38.3%	38.5%	36.1%	39.5%	40.4%	40.6%	39.1%	41.3%	42.0%	41.9%	41.4%	41.6%
Operating margin	3.7%	9.1%	10.3%	9.0%	6.5%	8.7%	-5.3%	5.0%	-3.7%	5.7%	7.0%	2.5%	2.8%	4.2%	5.4%	5.6%	4.8%	5.0%
Operating margin - adjusted	5.3%	9.7%	10.6%	9.4%	8.0%	9.8%	3.0%	7.7%	1.0%	6.8%	5.1%	3.8%	4.2%	5.0%	5.8%	6.0%	5.1%	5.5%
EBITDA margin	7.8%	11.6%	12.5%	11.4%	10.1%	11.9%	5.3%	9.8%	3.4%	9.3%	7.8%	6.5%	6.7%	7.7%	8.4%	8.5%	7.7%	8.1%
EBITDA margin - adjusted	11.4%	14.0%	15.1%	14.0%	13.6%	14.8%	8.9%	12.9%	6.9%	11.1%	11.6%	10.5%	10.0%	11.9%	12.3%	12.4%	11.6%	12.1%
Net income margin	1.1%	5.6%	6.9%	4.4%	3.1%	4.5%	-4.3%	2.1%	-5.3%	3.2%	1.9%	-0.1%	-0.1%	1.3%	2.1%	2.4%	1.8%	1.9%
Net income margin - adjusted	5.7%	8.3%	9.4%	7.7%	7.1%	7.9%	4.7%	6.9%	1.1%	5.9%	4.0%	4.6%	3.9%	6.1%	6.2%	6.3%	5.9%	6.2%
Tax rate	53.1%	32.8%	26.1%	32.9%	37.1%	33.2%	41.9%	29.8%	6.4%	12.0%	60.2%	150.0%	116.2%	37.5%	37.5%	37.5%	37.5%	37.5%

Growth Rate Analysis Y/Y																		
Total revenue	-6.3%	11.5%	3.0%	8.2%	5.5%	4.3%	-10.8%	1.7%	-18.1%	-13.9%	-14.6%	-13.1%	-15.0%	-7.4%	-2.7%	4.3%	9.8%	0.8%
Operating income	-30.6%	172.6%	16.7%	-8.8%	-32.0%	-16.2%	-149.1%	-50.4%	-133.6%	-24.9%	-31.0%	140.2%	-52.2%	204.7%	-7.6%	-16.4%	114.6%	78.6%
Operating income - adjusted	-12.9%	103.9%	12.6%	-6.5%	-20.5%	-5.9%	-74.2%	-26.7%	-91.0%	-26.6%	-55.1%	10.4%	-53.5%	351.8%	-17.3%	21.9%	49.5%	32.1%
EBITDA	-11.3%	66.3%	10.7%	-2.2%	-14.4%	-2.3%	-61.3%	-20.3%	-75.8%	-20.3%	-44.4%	6.7%	-41.6%	111.6%	-13.0%	14.6%	28.4%	20.4%
EBITDA - adjusted	-10.1%	37.0%	11.5%	3.2%	-5.5%	-0.8%	-46.9%	-12.9%	-59.8%	-29.9%	-33.5%	2.7%	-34.5%	60.4%	8.6%	12.2%	21.0%	21.9%
Net income	-17.6%	463.9%	27.0%	-29.2%	-52.9%	-42.4%	-167.0%	-68.8%	-197.1%	-12.6%	-64.1%	97.3%	-104.6%	122.8%	-34.8%	31.9%	1602.6%	1804.1%
EPS	-19.6%	437.8%	30.4%	-27.7%	-52.5%	-42.9%	-166.9%	-68.6%	-200.7%	-11.3%	-64.1%	-97.3%	-104.6%	-121.8%	-36.4%	29.6%	#####	-1760.5%
Net income - adjusted	1.1%	64.2%	16.3%	-5.8%	-22.4%	-20.9%	-52.7%	-25.4%	-88.0%	-28.5%	-56.5%	-14.4%	-52.1%	408.7%	3.2%	63.6%	41.4%	59.5%
EPS - adjusted	-1.4%	56.6%	19.4%	-3.8%	-21.7%	-21.5%	-52.7%	-25.0%	-87.6%	-27.4%	-56.4%	-15.2%	-51.6%	387.9%	0.7%	60.7%	38.6%	55.5%
Share count	2.6%	4.9%	-2.6%	-2.0%	-0.8%	0.8%	0.1%	-0.5%	-3.6%	-1.5%	-0.2%	0.9%	-1.1%	4.3%	2.5%	1.8%	2.0%	2.6%

Source: Company Reports, Stonegate Capital Markets estimates

IMPORTANT DISCLOSURES AND DISCLAIMER

- (a) The research analyst and/or a member of the analyst's household do not have a financial interest in the debt or equity securities of the subject company.
- (b) The research analyst responsible for the preparation of this report has not received compensation that is based upon Stonegate's investment banking revenues.
- (c) Stonegate or any affiliate have not managed or co-managed a public offering of securities for the subject company in the last twelve months, received investment banking compensation from the subject company in the last 12 months, nor expects or receive or intends or seek compensation for investment banking services from the subject company in the next three months.
- (d) Stonegate's equity affiliate, Stonegate Capital Partners, "SCP" has a contractual agreement with the subject company to provide research services, investor relations support, and investor outreach. SCP receives a monthly retainer for these non-investment banking services.
- (e) Stonegate or its affiliates do not beneficially own 1% or more of any class of common equity securities of the subject company.
- (f) Stonegate does not make a market in the subject company.
- (g) The research analyst has not received any compensation from the subject company in the previous 12 months.
- (h) Stonegate, the research analyst, or associated person of Stonegate with the ability to influence the content of the research report knows or has reason to know of any material conflicts of interest at the time of publication or distribution of the research report.
- (i) No employee of Stonegate has a position as an officer or director of the subject company.

Ratings - Stonegate does not provide ratings for the covered companies.

Distribution of Ratings - Stonegate does not provide ratings for covered companies.

Price Chart - Stonegate does not have, nor has previously had, a rating for its covered companies.

Price Targets - Stonegate does not provide price targets for its covered companies. However, Stonegate does provide valuation analysis.

Regulation Analyst Certification:

I, Dave Storms, CFA, hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

For Additional Information Contact:

Stonegate Capital Markets, Inc.

Dave Storms, CFA

Dave@stonegateinc.com

214-987-4121

Please note that this report was originally prepared and issued by Stonegate for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of Stonegate should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. The information contained herein is based on sources which we believe to be reliable but is not necessarily complete and its accuracy cannot be guaranteed. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of Stonegate Capital Markets and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein. The firm and/or its employees and/or its individual shareholders and/or members of their families and/or its managed funds may have positions or warrants in the securities mentioned and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the firm from time to time in the open market or otherwise. While we endeavor to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. All opinions are subject to change without notice, and we do not undertake to advise you of any such changes. Reproduction or redistribution of this report without the expressed written consent of Stonegate Capital Markets is prohibited. Additional information on any securities mentioned is available on request.