AutoWeb, Inc. (NasdaqCM: AUTO)

April 13, 2018

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GLOBAL
VALUE RESEARCH COMPANY
A Division Of Global Value Investment Corp

RATING: BUY **PRICE TARGET: $16.00**

OPERATING LOSS, MANAGEMENT CHANGES SPOOK MARKET

This report should be read in conjunction with GVRC's initiation report, dated 11/8/2017 and AutoWeb, Inc.'s regulatory filings with the U.S. Securities and Exchange Commission.

Summary of Recent Developments

AutoWeb, Inc. ("AutoWeb") delivered operating results for the quarter ended December 31, 2017 that were grossly out of line with market expectations, leading to a drastic one-day decline in the price of its common stock from $6.78 to $3.96, followed by a continued selloff over the following weeks to a low of $2.88. Significantly increased spending on key search terms by AutoWeb's competitors hampered revenue and compressed margins in its lead generation business, which was only partially offset by continued growth in its advertising businesses. Furthermore, both CEO Jeff Coats and CFO Kim Boren announced their departures from the company in early March 2018, which followed COO Bill Ferriolo's unexpected departure from the company in mid-February 2018.

2017 was a challenging year for AutoWeb. Early in the year, the company began observing a general decrease in the quality of its acquired internet traffic, and by mid-year had experienced significant margin compression as a result. After halting certain campaigns in the second quarter due to poor conversion rates, the company worked to identify specific traffic issues and began the process of reoptimizing its algorithms in order to correct for these. On the FQ3 2017 investor conference call, Mr. Coats commented, "each subsequent month, we're seeing improvements to margin and conversion rates as our systems continuously relearn and build upon the previous month's bid optimization processes." While this particular issue was largely resolved by the end of 2017, concurrently, AutoWeb's competitors, for reasons unknown, began bidding aggressively for certain keywords and traffic parameters, again driving up the cost of AutoWeb's acquired traffic. This second issue proved more detrimental than the first, and resulted in lower revenue and compressed margins at a time when markets generally expected trends in the opposite direction. Finally, during the company's annual test for the impairment of goodwill, it recognized an impairment of $37.7 million.

While recent issues are discouraging, and AutoWeb's stock price has reacted understandably, the company was able to scale its operations to partially offset decreased revenue and is currently implementing new

Stock Information

Current Price:	$3.46
52-Week Range:	$2.88-$14.30
Avg Daily Volume:	121,913
Dividend Yield:	-
Shares Out (MM):	13.1
Float %:	67.0%
Market Cap (MM):	$45.3
Total Debt (MM):	$9.0
Cash (MM):	$25.2
Enterprise Value (MM):	$29.1

Financial Metrics

TTM Revenue (MM):	$142.1
TTM EBIT (Adj., MM):	($0.9)
EV/EBIT:	-
Tangible BV/Share:	$2.52
P/TBV:	1.4x

Company Description

AutoWeb, Inc. operates as an automotive marketing services company in the United States, providing high-quality consumer leads, internet advertising and associated marketing services to automotive dealers and manufacturers throughout the United States. The company's products include new and used vehicle lead generation programs, which allow consumers to submit requests for pricing and availability of specific vehicle makes and models in a geographic area; and online advertising programs including impression-based and click-through ads. Its network of websites offers consumers robust and original tools to aid them in making informed car-buying decisions. AutoWeb also offers several dealer-facing products to facilitate interaction with customers and manage company-provided leads throughout the sales process. The company was formerly known as Autobytel Inc. and changed its name to AutoWeb, Inc. in October 2017. AutoWeb, Inc. was founded in 1995 and is headquartered in Irvine, California.

PLEASE SEE ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ON PAGE 9.

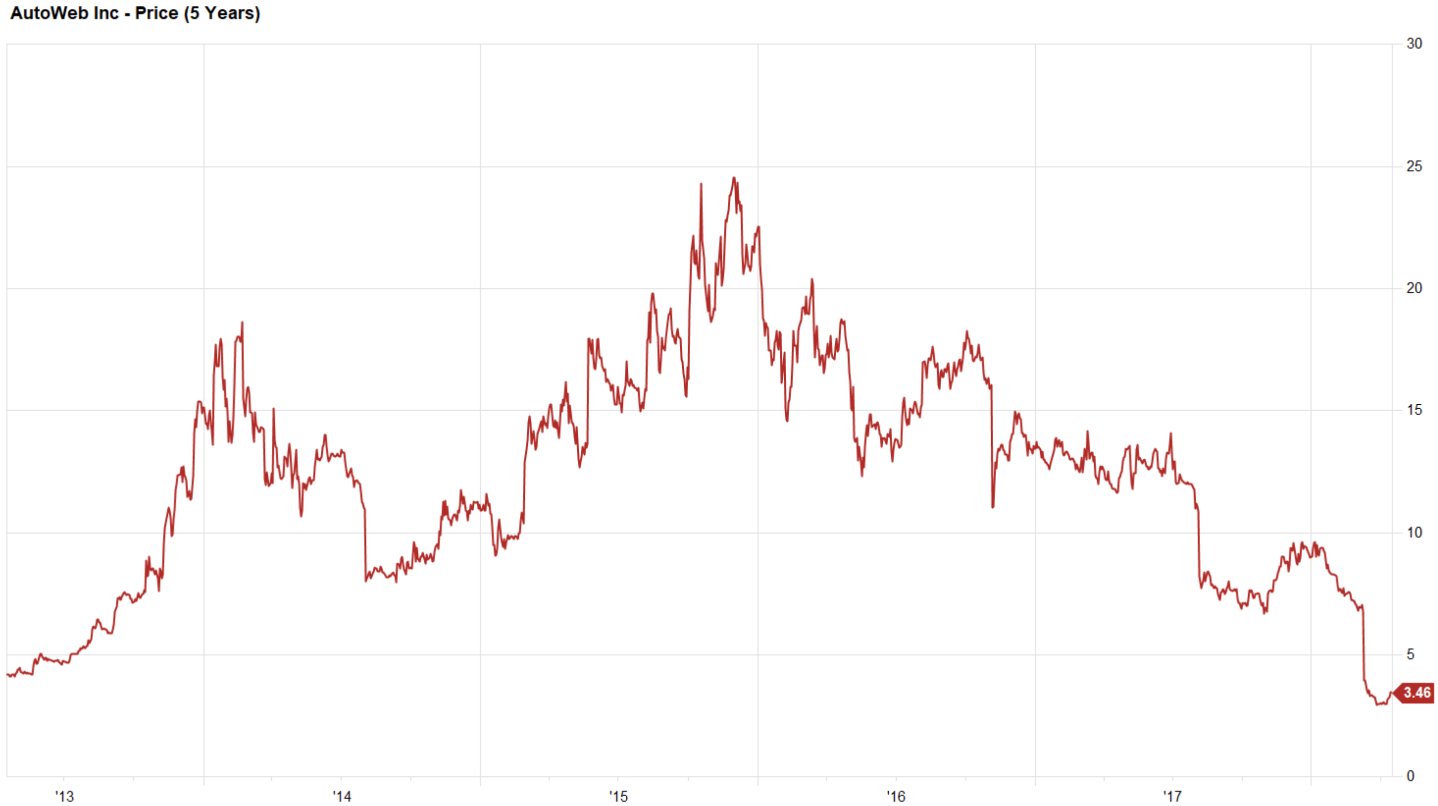

Figure 1: five-year performance chart. Source: FactSet; data as of 4/13/2018.

technology that it believes will lower its cost of traffic acquisition substantially. AutoWeb assesses its competitors' levels of spending on keywords as unsustainable, and while such cycles have been observed in the past, historical trends are not always predictive, especially in an evolving market. Encouragingly, the advertising and clicks businesses continue to grow at a brisk pace. Global Value Research Company (GVRC) believes that the setbacks recently experienced by AutoWeb are temporary, and while it cannot forecast when these pressures will subside, or postulate that similar issues will not arise in the future, little has changed from a fundamental standpoint. AutoWeb continues to present a compelling investment opportunity considering its historical valuations, especially at its current stock price. GVRC therefore reiterates its buy rating and target price of $16.00.

Financial Assessment

Balance Sheet

For the three months ended December 31, 2017 (FQ4 2017), AutoWeb's current assets declined 28.2% (from $73.8 million to $53.0 million) and total assets declined 44.9% (from $168.7 million to $92.9 million) relative to FQ3 2017. The decline in current assets was attributable almost entirely to cash, as the company reported a net change in cash of -$20.0 million for in FQ4 2017. The decline in total assets included a net change in goodwill and intangible assets of -$28.9 million and a change in the value of the company's deferred tax assets of -$25.2 million. The net change in goodwill and intangible assets stemmed from an impairment of goodwill of $37.7 million (goodwill is now $5.1 million), partially offset by an increase in intangibles related to licenses of $9.9 million. Tangible assets were $58.7 million as of FQ4 2017, which compares to tangible assets of $105.6 million as of FQ3 2017.

AutoWeb retired $10.1 million in debt during FQ4 2017, bringing its outstanding debt to $9.0 million, comprised of an $8.0 million balance on the company's revolving credit facility and a $1.0 million convertible note payable (convertible to 61,200 shares of common stock at $16.34 per share). FQ4 2017 current liabilities were $16.8 million and total liabilities were $25.8 million. The current ratio is 3.16, and working capital needs are easily met with the company's cash balance.

The company's FQ4 2017 operating loss, non-cash goodwill impairment, revaluation of the deferred tax assets and retirement of debt constitute significant changes to the company's balance sheet, although these have little impact on ongoing operations. While book value (BV) declined from $129.8 million to $67.2 million from FQ3 2107 to FQ4 2017, tangible book value (TBV) declined to a lesser degree, from $66.7 million to $32.9 million. Because AutoWeb is not a capital-intensive business, these changes, while notable, are not overly-concerning.

During FQ4 2017, AutoWeb entered into a licensing agreement with DealerX Partners, LLC ("DealerX"), a provider of data-driven marketing products for dealerships and manufacturers. The DealerX platform provides technology for enhancing AutoWeb's target onling advertising and traffic acquisition efforts, which GVRC believes may lower AutoWeb's traffic acquisition costs, perhaps substantially. AutoWeb paid $8.0 million upon the execution of this licensing agreement, with additional equity incentives should AutoWeb's market cap surpass $225 million during the initial five-year support period.

Income Statement

For the three months ended December 31, 2017 (FQ4 2017), AutoWeb generated $33.3 million in revenue (-17.5% year/year): $23.9 million from lead generation (-25.3% year/year) and $9.2 million from advertising (+14.0% year/year). Around the beginning of 2017, AutoWeb began to notice a marked decrease in the quality of its acquired traffic. Several months passed before the root cause of this issue was identified, which was a change in the search algorithms used by online search providers to categorize and direct online traffic. This issue was remedied over the next two quarters, and the absence of its discussion on recent management calls, as well as previous comments made by Mr. Coats, suggest it has passed. Such algorithmic changes are to be expected periodically, although this instance was particularly disruptive.

Beginning in late 2017 and continuing into 2018, AutoWeb observed a conspicuous increase in the bidding activity of its competitors for certain keywords, dramatically increasing the cost of acquired traffic. Instead of trying to achieve a consistent revenue level while cost of revenue increased, therefore depressing margin, the company decided to balance gross margin and revenue. While both decreased, neither decreased to the extent they might have had the other been the sole driver of traffic acquisition activity. This dynamic is largely responsible for disappointing results in the leads business. On the FQ4 2017 investor conference call, Mr. Coats stated, "demand for leads and clicks from our customers remains strong. However, we were unable to fully meet this demand due to higher traffic acquisition costs." AutoWeb chose to defend its gross margin instead of meet demand by purchasing traffic at inflated prices. While GVRC agrees with this strategy in theory, the disintermediation of AutoWeb by its competitors in the lead generation field may become a concern if traffic acquisition costs remain elevated for a prolonged period of time. The company believes that aggressive spending by its competitors is unsustainable, although the possibility of persistently irrational spending behavior cannot be dismissed.

Although not a separate reportable operating segment, AutoWeb's advertising business carries different economic characteristics than its lead business, and advertising revenue is reported as a separate line item. Advertising revenue has grown steadily; 2014, 2015, 2016 and 2017 advertising revenue was $4.2 million, $10.5 million, $24.5 million and $34.1 million, respectively. The company intends to capture a larger share of the $9.1 billion automotive digital advertising market, a strategy which necessitates a presence in video, media and banner display advertising as well as search and pay-per-click advertising. AutoWeb has increased its capabilities in both areas, and continues to grow its advertising revenue aggressively. While AutoWeb's position as the premier provider of internet-sourced leads will continue to serve as its core business in the short-term, the large scope of the advertising market, coupled with AutoWeb's deep understanding of the online behavior of in-market car buyers that harkens back to the earliest days of the internet, bode well for continued robust growth of the advertising business.

Cost of revenue remained fairly steady throughout 2017, and in FQ4 2017 was $25.2 million. GVRC expects this number to be only loosely correlated to revenue, as AutoWeb's advertising business, which has different margin characteristics than its leads business, continues to grow in relation to the leads business. Furthermore, new technology, particularly that provided by the licensing agreement with DealerX, and a continued effort to drive more traffic to websites organically (search engine optimization, or SEO, the practice of optimizing keywords in website content to drive traffic to a website) versus inorganically (search engine marketing, or SEM, the practice of bidding on keywords on search engines to drive traffic to a website), will impact margins positively. Gross margin has historically been in the mid- to upper-30% range; in FQ4 2017, it was 24.4%. This follows a slide in gross margin through 2017, but GVRC expects this trend to reverse as traffic acquisition issues are remedied, traffic costs subside and advertising revenue grows.

Operating expenses in FQ4 2017 were $49.1 million, which included a $37.7 million impairment of goodwill. Excluding this impairment, operating expenses were $11.4 million, roughly commensurate with operating expenses throughout 2017. The company decreased headcount during the year, from 254 on March 6, 2017 to 228 on March 12, 2018. 2017 total operating expenses were $44.6 million, compared to $51.2 million in 2016. GVRC believes, and management has indicated, that AutoWeb's operation is very scalable; GVRC expects continued cost discipline.

Net income in FQ4 2017 was -$65.8 million, which included a $24.9 million provision for income tax. In the past five years, AutoWeb has only reported a negative net income twice; FQ4 2017 dwarfs the last reported quarterly negative net income of -$0.7 million in FQ1 2016.

Cash Flow

For the three months ended December 31, 2017 (FQ4 2017), AutoWeb generated cash from operations of -$1.2 million, largely as a consequence of poor operating results. Over the past five years, the company has only reported negative cash from operations in three quarterly periods, while generating aggregate cash from operations of $53.9 million. FQ4 2017 cash from investing was -$8.2 million, attributable to an $8.0 million purchase of intangible assets (DealerX) and minimal capital expenditures. Cash from financing was -$10.5 million, of which -$10.1 million was debt repaid, -$0.7 was repurchase of common stock and $0.3 million was issuance of common stock.

Potential Dilution

For the thee months ended December 31, 2017 (FQ4 2017), AutoWeb reported weighted average basic shares outstanding of 12.6 million and weighted average diluted shares outstanding of 12.6 million. There were 13.1 million shares outstanding as of the balance sheet date of March 12, 2018. Concerningly, there are several million potentially dilutive shares reserved for further issuance, including 2.7 million stock options outstanding, 0.6 million shares authorized for future grants under the company's stock-based incentive plan and 1.6 million shares reserved for the exercise of warrants. Many of these instruments have exercise prices well above the current stock price, and many are subject to vesting conditions requiring the common stock to trade at prices several times greater than the current common stock price. GVRC believes that most of the potential dilution will occur above GVRC's target price of $16.00. However, AutoWeb recently granted options to acquire 1.0 million shares as an inducement for newly-appoint CEO Jared Rowe to join the company (see Management Assessment section below); these options have an exercise price equal to $3.26 per share.

After the company's FQ4 2017 earnings announcement, the price of the common stock dropped from around $7.00 to around $4.00, and has since traded in the $3.00-$4.00 range. The company is currently authorized to repurchase approximately $2.3 million of its common stock, or approximately 5% of the common stock outstanding at the current price. Given AutoWeb's comfortable cash position, GVRC would strongly encourage the company to aggressively repurchase stock at current levels, which would be enormously accretive to current shareholders.

Management Assessment

On February 15, 2018, Bill Ferriolo resigned as Chief Operating Officer of AutoWeb, effective March 1, 2018. On March 2, 2018, Kim Boren notified the company's Board of Directors that she was resigning her position as Chief Financial Officer, effective April 12, 2018. On March 8, 2018, Jeff Coats announced his decision to step down from his position as Chief Executive Officer once the Board of Directors named a successor. Mr. Coats will also vacate his directorship

Three executives resignations in a short time period has obviously caused consternation in the market. GVRC suspects that many investors questioned the existence of a larger and more serious root problem, as it did internally. Conversations with Mr. Coats, Ms. Boren and Michael Fuchs, the chairman of the Board of Directors, suggested that the resignations of Mr. Coats and Ms. Boren were in fact for personal reasons. Each agreed to flexible separation terms, with Mr. Coats continuing to serve as CEO until a permanent replacement is selected, and Ms. Boren entering into a consulting agreement with the company for one year following her departure. The conditions surrounding Mr. Ferriolo's departure are less clear, although Mr. Fuchs did not assess Mr. Ferriolo's departure as detrimental to the company's ongoing operations. While these executive departures are understood by GVRC as seemingly benign, the resulting uncertainty caused an understandable reaction in the company's stock price.

Concurrent with Ms. Boren's resignation, Wesley Ozima was named interim CFO. Mr. Ozima has been with AutoWeb since 2004, serving in various financial and accounting roles. Prior to his employment with the company, he accumulated 15 years of public accounting experience. GVRC's preliminary conversation with Mr. Ozima suggests his qualifications and experience are well-suited for his position.

On April 12, 2018, AutoWeb announced the appointment of Jared Rowe as CEO, effective immediately. Mr. Rowe served as the Manager of Strategic Business Development at AutoWeb (then Autobytel) from 1998 to 2000. Other notable positions include Executive Vice President at FordDirect (a current customer of AutoWeb) from 2000 to 2010, Vice President of Product Management at AutoTrader.com from 2010 to 2012, President at Kelly Blue Book from 2012 to 2014, President of the Media Solutions Group at Cox Automotive Inc. from 2015 to 2016, CEO at YP from 2016 to 2017 and Senior Operating Executive at Cerberus Capital Management from 2017 until his recent appointment at AutoWeb. Notably, Mr. Rowe's tenure at YP culminated in its sale to Dex Media, Inc., suggesting that his leadership alone may be a catalyst for change. Without having spoken with Mr. Rowe, GVRC initially assesses his credentials as excellent, both from an operational and managerial standpoint.

AutoWeb's largest shareholder is Auto Holdings Ltd., which represents the holdings of Matias de Tezanos and José Vargas, founders of the predecessor company to AutoWeb's advertising business. While both have stepped away from operational roles at the company, each serves on the Board of Directors. The company's second largest stockholder is Piton Capital Partners LLC, which first reported its position on a Form 13G filed on March 15, 2018. Lyon Street Capital, LLC, which had previously held 3.08% of the common stock, liquidated its position between its August 2017 and November 2017 13F filings.

Shareholders (from recent 13D, 13F, 13G or proxy filings)	
Auto Holdings Ltd.	22.54%
Piton Capital Partners LLC	5.27%
Signia Capital Management LLC	3.92%
The Vanguard Group, Inc.	3.21%
Ariel Investments LLC	3.11%
Thomson, Horstman & Bryant, Inc.	2.37%
Adirondack Research & Management, Inc.	2.33%
Renaissance Technologies LLC	2.23%
Foresters Investment Management Co., Inc.	2.22%
Dimensional Fund Advisors LP	2.17%
Top 10 Holders	**49.37%**

In 2010, AutoWeb put in place a tax benefit preservation plan with the intention of discouraging significant ownership change in the interest of preserving substantial net operating loss carryovers (NOLs) at both the state and federal level pursuant to Internal Revenue Code Section 382. In the case of any person or group acquiring more than 4.9% of the company's outstanding common stock, the plan provides for the issuance of equity purchase rights to all existing shareholders other than the acquiring person or group. Although the company claims that the purpose of this plan is to protect their NOLs, GVRC views it as a poison pill meant to discourage significant outside influence through equity ownership. Piton Capital Partners LLC was granted an exception to the company's tax benefit preservation plan.

Furthermore, AutoWeb conducts staggered elections of members of the Board of Directors. GVRC views this as a poor corporate governance practice that discourages shareholder activism and shield directors from accountability for poor operating results.

Competitive Positioning Update

The market for automotive digital advertising and lead generation is large and untapped. AutoWeb competes in several digital automotive market channels, drawing on a long history of online lead generation and traffic optimization. As consumer preferences evolve, targeted internet advertising should consume a larger share of overall advertising budgets.

AutoWeb competes against several significant and larger established competitors, including TrueCar, Inc., CarGurus, Inc. and Cars.com Inc. Although each company operates in a slightly different manner and delivers a slightly different product, all three court in-market car buyers and offer comparative tools to shoppers. Large internet traffic providers or general marketing platforms may also offer services or functionality that directly compete with AutoWeb's advertising business, although the amount of knowledge possessed by AutoWeb about the preferences and tendencies of in-market vehicle buyers gives them a distinct advantage over these competitors. Many large competitors have sizable budgets with which to purchase internet traffic to support conversion efforts; such large budgets have recently been heavily employed, to the detriment of AutoWeb's earnings.

While third-party-provided leads have been the standard in the automotive industry for years, AutoWeb has occasionally observed emerging business trends or marketing practices that may directly compete with the company's lead generation or advertising businesses. Although the company believes that their services are extremely valuable and effective means of reaching targeted consumer audiences, advertising and marketing budgets may be diverted to test new approaches.

AutoWeb's customers include several well-capitalized national and international manufacturers that may be able to perform similar advertising services in-house. However, to the extent that AutoWeb is able to direct internet traffic consisting of qualified in-market car buyers to its website network, lead and advertising sales to manufacturers and dealers should continue.

AutoWeb's suppliers include many large internet search engines. Because these vendors can and do changes the parameters of traffic routing algorithms, companies such as AutoWeb can experience significant operational setbacks with little or no advanced warning.

Valuation Analysis

Note: Global Value Research Company does not premise valuation on financial modeling of future results. Each company analyzed is treated as unique and its value is appraised based on its circumstances and those of the industry and macroeconomic environment in which it operates. Various metrics are used based on a company's characteristics and historical pricing.

AutoWeb's common stock has historically been valued at a multiple to trailing earnings before interest and taxes (TTM EBIT) between 20x and 40x, although for brief periods over the past five years has traded slightly outside of this range (FQ4 2013 EV/EBIT was 53.7x, FQ3 2017 EV/EBIT was 18.1x, FQ4 2017 EV/EBIT was not measurable). GVRC believes that this multiple has been predicated on expectations of growth and is commensurate with multiples commanded by many other expanding technology companies. EV/EBIT is an appropriate valuation metric due to the limited assets and minimal ongoing capital expenditures required to run the business, as well as its economic characteristics and history of operating profitably.

The recent decline in revenue and negative EBIT in FQ4 2017 are historically atypical. The overlap of two separate and independent traffic issues during the later part of 2017 proved materially detrimental to earnings, but GVRC believes such issues are transient. The continuing refinement of the optimization of purchased internet traffic is inherent to the business, and GVRC expects this to be an ongoing challenge, albeit not as significant as in 2017. While GVRC refrains from predicting the short-term spending patterns of AutoWeb's competitors, it believes that in the long-term, rationality will return to the traffic acquisition market. At such a time, AutoWeb's revenue should recover to a level commensurate with historical growth in the leads business and maturing growth in the advertising business.

AutoWeb has a *raison d'etre* because it provides best-in-class automotive marketing services and innovative product offerings. The company has provided leads for in-market vehicle buyers since its inception in 1995 and has customer relationships with over 24,000 car dealerships and nearly every major automotive manufacturer. Advertising services should continue to prove valuable to customers, considering evolving consumer behaviors and AutoWeb's history of efficiently identifying qualified audiences.

The automotive advertising and marketing industry has a *raison d'etre* as long as consumer purchase vehicles. Although cyclical, the US vehicle market should continue to grow with the population. Additionally, consumers are increasingly turning to digital means to shop for goods and services. These trends should accrue favorably to AutoWeb over the long-term.

AutoWeb's economic margin of safety is in its historic ability to generate positive cash from operations, coupled with low capital expenditure requirements. While cash from operations was negative in FQ4 2017, there is little reason to believe that the company will not experience a recovery in revenue or be able to scale its operations to match a prolonged revenue slump. Historically, AutoWeb has shown consistent profitability.

To arrive at a target price of $16.00, a recovery of revenue to a level of $38.5 million per quarter is assumed, with no meaningful increase in cost of revenue or operating expenses - a reasonable scenario considering past performance and the temporary nature of the company's current issues. Cost of revenue of $25.5 produces a gross margin of roughly 33.8%, a reasonable assumption given historical measurements coupled with the implementation of new technology, particularly that licensed through the DealerX transaction (GVRC believes this relationship could have a meaningful impact on cost of revenue). Operating expenses of about $11.0 million per quarter produce an EBIT of about $2.0 million per quarter, or $8.0 million annually. Minimal capital expenditures required for both maintenance and growth infer a richer valuation. Applying the target EV/EBIT multiple of 24x produces an EV of $192 million, or a market cap of about $208 after adjusting for net cash of roughly $16 million. Using a diluted share count of about 13.1 million shares, this gives a target price of about $16.00 per share.

Risks, Catalysts and Expectations

Since GVRC's initiation report, turnover in senior management has caused concern in the market. Risks to AutoWeb's future operating performance include the following:

- Mr. Coats, Mr. Boren and Mr. Ferriolo undoubtedly possessed a deep knowledge of AutoWeb's operations and the competitive environment. The failure of their replacements to provide an equivalent level of expertise may erode the company's competitive position.
- Key traffic vendors may modify algorithms again without notice. Although AutoWeb has shown its ability to recover, future traffic disruptions may be more detrimental.
- Increased competition has driven a decrease in revenue and an increase in cost of revenue. This trend is expected to subside as rationality governs long-term spending, but spending levels may remain elevated for a prolonged period of time.
- The dynamic of the automotive advertising industry continues to shift, as is expected in a technology-oriented industry. Such seismic changes have occurred since AutoWeb's 1995 founding, and the company has adapted.

The recent appointment of a qualified CEO should reassure the market about recent changes in the company's executives, but Mr. Rowe inherits a difficult situation and will have to demonstrate to investors that his leadership will translate into a return to profitability. The continued evolution of the technology employed by AutoWeb to optimize traffic, particularly that gained through its licensing agreement with DealerX, should help drive down the cost of traffic acquisition. Ultimately, AutoWeb is a sensible acquisition target for a larger, well-capitalized company interested in the intellectual property and know-how developed by AutoWeb and its long-standing customer relationships.

GVRC expects a gradual realization by market participants that the current discounting of AutoWeb's common stock assumes a dire outlook rather than the eventual passing of what GVRC sees as temporary setbacks. As revenue grows with the dissipation of traffic acquisition issues and the market becomes comfortable with AutoWeb's new leadership, processes that may take several quarters to materialize in full, expect shares to trade in their historic EV/EBIT range of 20x to 40x.

In conclusion, GVRC places a buy recommendation when it believes shares can be purchased at a 50% or greater discount from appraised value. AutoWeb's shares currently at a 78% discount to GVRC's target price of $16.00 per share. GVRC recognizes the market's short-term concerns, but believes that the long-term economic characteristics of the business remain intact, and current mispricing offers an attractive entry point for opportunistic, long-term investors. GVRC remains vigilant of indications of a fundamental deterioration in AutoWeb's operations, but is cautiously optimistic about the company's long-term prospects.

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Global Value Research Company is the investment research division of Global Value Investment Corp, a research and advisory firm serving individual and institutional clients. Founded in 2007 in Milwaukee, Wisconsin, the firm currently operates additional offices in Boston, Massachusetts, Charleston, South Carolina and Hyderabad, India. Global Value Research Company espouses the value investing principles pioneered by Ben Graham and David Dodd, providing comprehensive fundamental analysis of publicly traded companies around the world. Our research process focuses on diligently examining company financial statements, understanding competitive positioning, assessing industry and macroeconomic trends and speaking with company senior management on an ongoing basis. Further information about Global Value Research Company's services can be obtained by contacting the firm directly.

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Buy: Security is currently trading at a discount to appraised value such that we expect it to produce an annualized return of 15% or greater over a hypothetical five-year holding period based on our view of the company and industry fundamentals, catalysts, risks and valuation.

Hold: Security is currently trading at a discount to appraised value such that we expect it to produce an annualized return of less than 15% over a hypothetical five-year holding period, or a company is trading a modest premium to appraised value and we expect minimal risk of capital impairment with moderate possibility of further appreciation based on our view of the company and industry fundamentals, catalysts, risks and valuation.

Sell: Security is currently trading near, at or above appraised value and we do not expect significant appreciation, or the risks of holding the security outweigh the possibility of further appreciation based on our view of the company and industry fundamentals, catalysts, risks and valuation.

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