

## Providing Higher Quality Fundamental Analysis

Tiburon Research Group (TRG) is an independent equity research boutique specializing in the retail/consumer industry. Founded in 2002 by industry veterans, we provide value-added contrarian views to institutional investors heavily focused on the retail industry.

We analyze 40+ North American retailers with a majority of our research efforts focused on 12-15 most probable EPS divergence opportunities. Typically, these opportunities arise when our 3-12 month earnings outlook materially differs from consensus EPS estimates.

Tiburon Research has re-defined the traditional equity research model in the retail/consumer sector:

- **Industry Expertise** – Our industry expertise provides a unique perspective and an ability to challenge managerial spin.
- **Unrivaled Combination of Skill Sets** – Our research methodology is built on two distinct areas of expertise:
  - **Comprehensive Earnings Analytics.** Our rigorous, proprietary analysis of sales/earnings quality enables us to more effectively forecast forward earnings. The depth of work that we provide our clients is unmatched by our peers.
  - **Daily Store-Level Primary Research.** We're in malls 5-6 days per week and we methodically track store-level promotional activity so that we can better understand year-over-year top-line and merchandise margin trends.
- **Absolute Independence** – Our independence is a critical component of our research. Without ties to investment banking, trading, or company management teams, we are free to publish 'truly' unbiased research and avoid a regurgitation of managerial spin.



## Comprehensive Yet Flexible Coverage List

We analyze 40+ North American retailers (see list below) with a deeper level of analysis at a given time on the 12-15 most probable EPS divergence opportunities. Typically, these opportunities arise when our 3-12 month EPS outlook materially differs from the consensus.

### SPECIALTY APPAREL

American Eagle (AEO)  
Abercrombie & Fitch (ANF)  
Ann Taylor (ANN)  
Aeropostale (ARO)  
The Buckle (BKE)  
Chico's (CHS)  
The Gap (GPS)  
Gymboree (ex-GYMB)  
J Crew Group (ex-JCG)  
Lululemon Athletica (LULU)  
Children's Place (PLCE)  
Urban Outfitters (URBN)  
Zumiez (ZUMZ)

### SPECIALTY HARDLINES

Bed Bath & Beyond (BBBY)  
Best Buy (BBY)  
Home Depot (HD)  
Hibbett Sports (HIBB)  
Lowe's (LOW)  
Pier 1 (PIR)  
Williams-Sonoma (WSM)

### DEPARTMENT / DISCOUNT

Dollar Tree (DLTR)  
Family Dollar (FDO)  
J.C. Penney (JCP)  
Nordstrom (JWN)  
Kohl's (KSS)  
Macy's (M)  
Ross Stores (ROST)  
Target (TGT)  
Wal-Mart (WMT)

### RESTAURANTS

Chipotle Mexican Grill (CMG)  
Darden (DRI)  
McDonald's (MCD)  
Panera Bread (PNRA)  
Starbucks (SBUX)  
Yum Brands (YUM)

### INTERNET / OTHER

Amazon.com (AMZN)  
Coach (COH)  
Crocs (CROX)  
Deckers (DECK)  
Collective Brands (PSS)  
Under Armour (UA)  
VF Corp (VFC)

## Services Offered

### Premium Package (Includes Both Tiers Below)

#### **Tier I – Earnings Analytics & Store-Level Primary Research**

##### **Earnings Analytics**

*TRG performs a deep level of due diligence on 40+ retail/consumer companies that consistently yields a contrarian view of EPS performance over the next 3-12 months.*

*Earnings Preview Notes – Published for 20-30 retailers each quarter. Highlights where and why we see a material divergence between consensus EPS estimates and our forecast over the next 3-12 months. Includes a comprehensive set of earnings analytics (aka, Data Packet).*

*Flash Notes – Additional timely research notes that are generally focused on an early analysis of earnings releases, changes to an earnings model, or a management meeting.*

*Earnings Models & Company Data Packets – Available by request or can be downloaded at your convenience.*

##### **Store-Level Primary Research**

*TRG has shopped stores for 8+ years and maintains a comprehensive database of weekly promotional activity at 25+ retailers.*

*Weekly Shopping Cart – Each week, we focus on 8-12 retailers and report on our store visits. Our purely observational research leverages our extensive 8-year database with detailed notes related to merchandising trends and store-level promotional activity.*

*Monthly Shopping Cart Focus – Each month, we focus on 1 specific retailer and provide a more comprehensive overview of that particular retailer's performance.*

#### **Tier II – TRG Top 10 & Weekly Snapshot**

*Each week, we update our TRG Top 10 Model Portfolio, our forward EPS estimates versus consensus (40+ retailers), and 1-2 pages of brief notes that focus on contrarian idea generation and/or industry commentary.*

*In addition, we publish our full inventory of Earnings Models (80+) in PDF format.*

## Comprehensive Earnings Analytics

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Our forensic accounting yields a much sharper understanding of a company's earnings quality and subsequent earnings power. We don't simply plug-in numbers to match management's EPS guidance. Rather, we diligently seek to understand all components of the Income Statement to more accurately forecast EPS.

When a significant disconnect between forward earnings power and investor sentiment for a particular company is identified, we provide our clients with a comprehensive assessment of the investment opportunity. This early, value-added analysis allows investors to either profit from the opportunity or act to mitigate portfolio risk.



**Rob Wilson**, Founder & President, heads the firm and the quantitative research efforts for TRG. He has a CPA background coupled with 3 years of strategic planning and corporate treasury experience at Restoration Hardware (RSTO) and Gymboree (GYMB). He previously worked at Bank of America and Wachovia where he specialized in the valuation and accounting of primarily fixed-income and currency derivatives. Prior to beginning his career in corporate finance he served 4 years as a US Navy Cryptologist. He graduated with Honors and Phi Beta Kappa from The University of North Carolina at Chapel Hill with a Bachelor of Science in Business Administration and a Master of Accounting.

## Daily Store-Level Primary Research

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On the qualitative side, we are in shopping malls every day, not just once a week or month. This consistency allows us to identify top-line and merchandising margin inflection points and/or operational issues. We generally identify these inflection points well ahead of our peers and prior to disclosure by management.

In addition, many times investors need an unbiased industry expert to assist them in navigating the maze of merchandising 'spin' from retail management teams and determining what is actually happening on the front lines. We assist investors in that role and help our clients to better understand a retailer's merchandising strategy and operational acumen/flaws.



**Leah Vermulen**, Senior Vice President, heads our store-level primary research and has an extensive background in store operations, merchandising and fashion. Leah's professional experience prior to TRG included 6 years of store management at retailers Nordstrom (JWN) and Anthropologie (URBN). Leah is the primary contributor to TRG's weekly publication called *The Shopping Cart*. Leah has a Bachelor of Science in Business Administration and Art History from Wright State University in Dayton, OH.

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## A Letter From Our Founder

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Let's face it, the traditional Wall Street equity research business model is flawed. Today, the buy-side investment community views sell-side equity research analysts as investor relations professionals that regurgitate company messaging versus providers of insightful, value-added due diligence on the companies they follow.

This is where we step in. We utilize our industry expertise and a comprehensive due diligence process to provide a proprietary 3-12 month view on a retailer's earnings expectations. By taking a deep dive into the fundamentals, we can deliver our clients unbiased analysis that is contrarian and free of managerial spin.

We encourage you to contact us and learn more about our unique approach to analyzing the retail/consumer sector and why we have become a trusted resource for some of the largest institutional investors in the world.

Sincerely,

Rob Wilson  
Founder & President

A handwritten signature in blue ink that reads "Rob C. Wilson". The signature is fluid and cursive, written in a professional style.