Merrell Brothers, LLC Research Note on Chicago Bridge & Iron

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Investment Managers Brennan Merrell & Ryan Merrell

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Chicago Bridge & Iron, N.V. (NYSE: CBI)
A Discounted Niche Engineering Firm and Acquisition Target

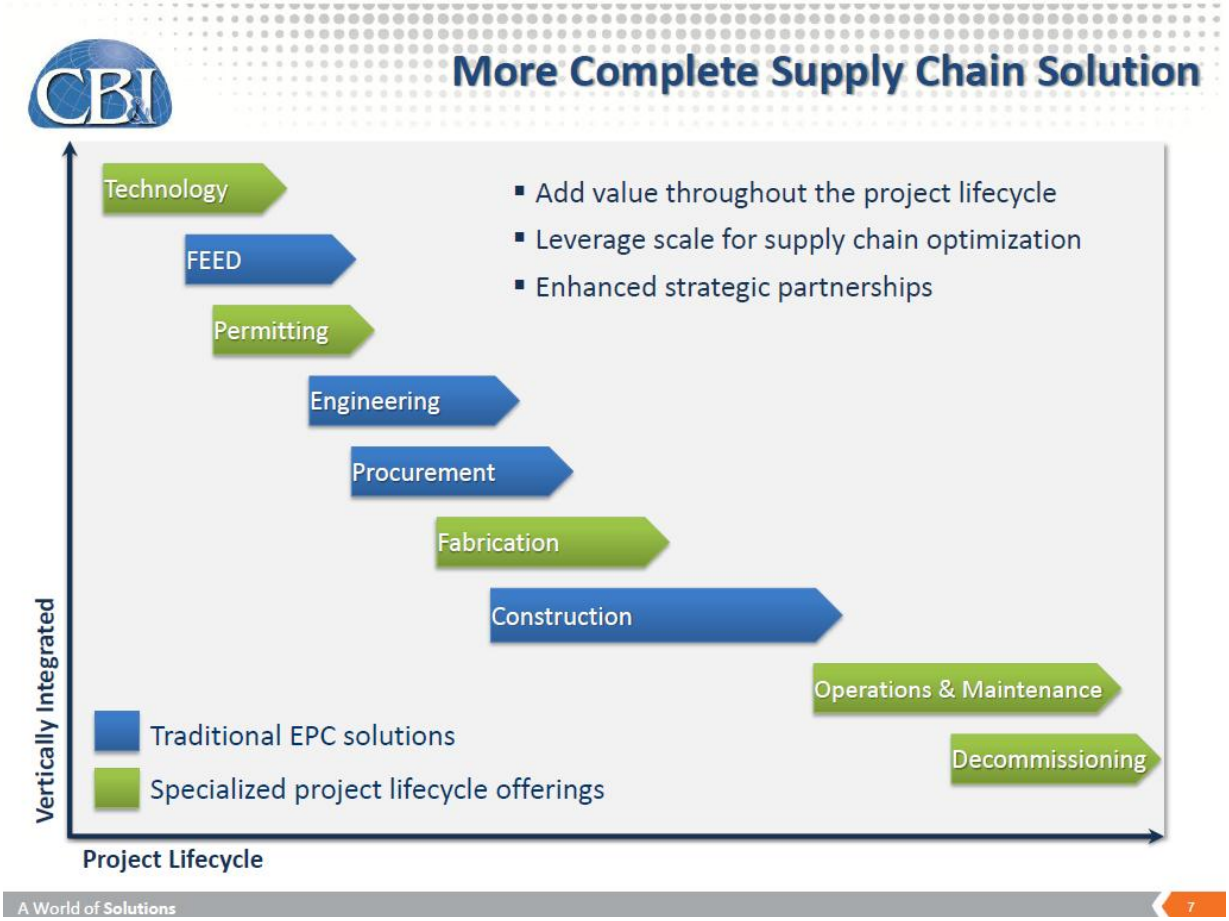
We believe Chicago Bridge & Iron Company, N.V. (CB&I) (NYSE:CBI) is an attractive buyout target and could be acquired within the next 12 months, possibly from Berkshire Hathaway (NYSE:BRK/A). Chicago Bridge & Iron is trading at a trailing twelve month price to earnings (P/E) multiple of 7.63 and the company has a market capitalization of $4.47 billion. CB&I is trading at a 66.8% discount to its peer group. Shares are currently trading at a three and a half year low because of the weak oil market and the 2013 acquisition of the Shaw Group. However, we believe CB&I will prevail because of their global footprint, high barriers to entry, robust backlog of projects, engineering and manufacturing scale, capable management team, deep list of customers, joint ventures, and strong margins. CB&I is a complete global energy infrastructure focused company that provides conceptual design, engineering, procurement, fabrication, modularization, maintenance, program management, technology, and environmental solutions. CB&I can design, engineer, fabricate, and construct anything from oil refiners, Liquefied Natural Gas (LNG) plants, nuclear power plants, fossil fuel power plants, renewable energy, pipelines, to oil platforms. The Merrell Brothers Investment Management team believes investors buying shares today will be rewarded in the future. Even if an acquisition of CB&I does not materialize in the near term, we still believe the shares are significantly undervalued and we advise that you acquire this discounted business. We rate CB&I as a buy for the long term investor and shares should be acquired near the closing price $41.31 (12/19/2014).

CB&I can deliver a seamless supply chain solution to their customers

We believe CB&I controls a competitive advantage because they offer clients the entire solution. CB&I is a rare one stop shop in the engineering field in that they can take an idea, create a conceptual design, permit it, engineer it, fabricate it, construct it, maintain it, and even decommission it. CB&I can bundle their services together to create a seamless product compared to their competitors who usually offer a limited selection of those services. The competitors usually have to team up with other engineering or fabrication firms to complete a project which usually adds an extra layer of complication. The company designs, engineers, and

builds everything from offshore oil platforms, LNG tanks, LNG liquefaction terminals, LNG regasification terminals, pipelines, oil refiners, nuclear power plants, fossil fuel power plants, renewable electric gathering plants, nuclear modules, containment vessels, oil & gas storage tanks, water towers, oil and gas pressure vessels, coal gasification plants, and gas processing plants. CB&I's energy focused clients include Chevron (NYSE:CVX), ChevronPhillips, ConocoPhillips (NYSE:COP), Royal Dutch Shell (NYSE:RDS-A/B), Dow (NYSE:DOW), ExxonMobil (NYSE:XOM), Occidental (NYSE:OXY), ADNOC (Abu Dhabi national energy), CNOOC (Chinese national energy), Pemex (Mexico national energy), Rosneft (Russian national energy), Flint Hills, Sunoco, Suncor (NYSE:SU), Kinder Morgan (NYSE:KMI), BHP (NYSE:BHP), Alcoa (NYSE:AA), and Westlake Petrochemicals (NYSE:WLK) among others. Their government solutions division provides services the U.S. Department of Energy, U.S. Department of Defense, U.S. Environmental Protection Agency, U.S. Federal Emergency Management Agency, and other U.S. state and local governments.

Exhibit 1: CB&I is a one stop shop as it does it all for their customers



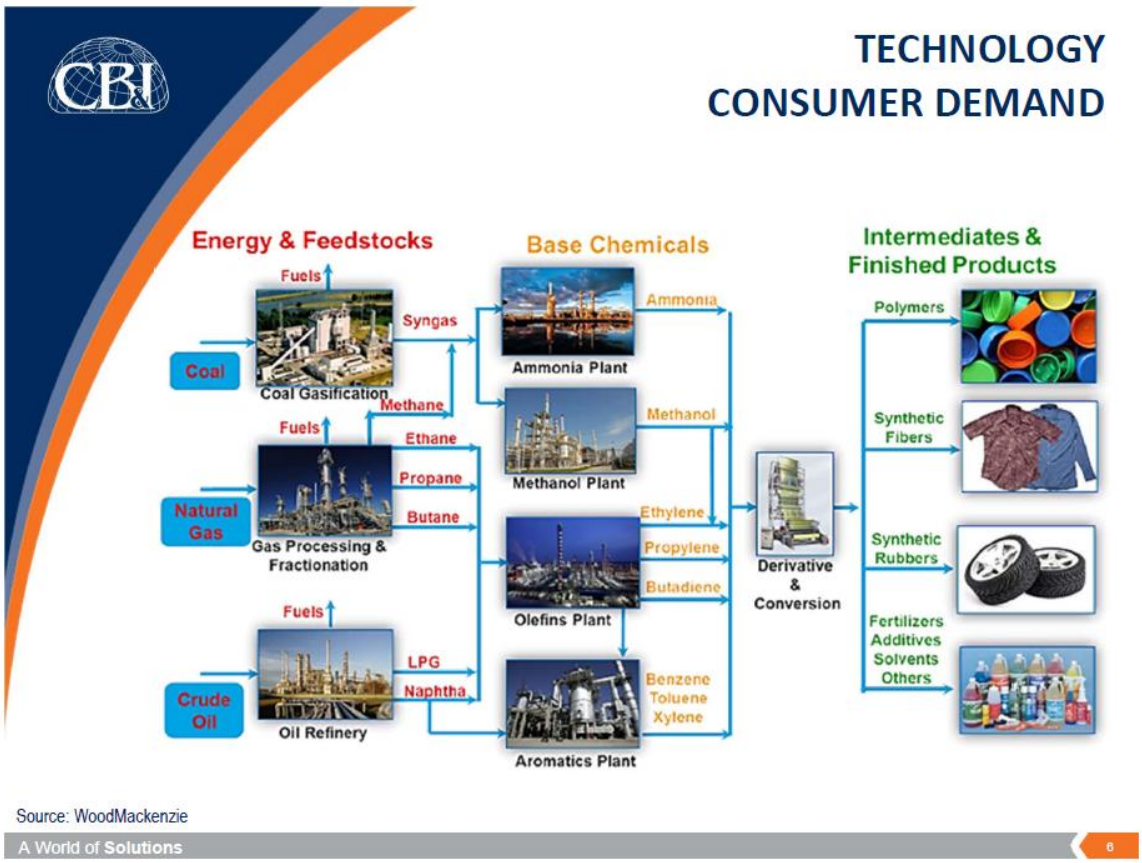
Source: CB&I Investor Day, November 2014, slide 7

CB&I's specialized technologies produce best in class margins

CB&I utilizes numerous patent protected specialized technologies that are used in their projects gives them another competitive advantage. The technology division of CB&I produces impressive operating margins of 25% to 30%, the highest out of the four CB&I divisions. During the past nine months, the technology division produced 5% of the total revenue but produced 18.45% of the income from operations. The crown jewel in their technology division is derived from their Lummus Global acquisition. CB&I acquired Lummus Global from ABB for $950 million during 2007. At the closing of the deal, Lummus employed 3,000 worldwide, had 70 proprietary technologies, owned more than 1,000 patents, and had a leading market share of the ethylene and olefins technologies. CB&I formed a 50/50 joint venture with Chevron (NYSE: CVX) called the Chevron-Lummus Global (CLG) that offers ISOCRACKING hydrocracking technology, residual hydroprocessing, and lubes processing. The technology efficiently refines heavy/sour crude into high quality marketable products such as lube oil basestocks and middle distillates. The process also removes sulfur upstream from motor fuel to balance refinery gasoline and diesel demands. Additionally, the hydrocracked vacuum gas oil is ideal for the ethylene production. An optimized Chevron-Lummus Global system significantly reduces plant investment and operating cost compared to competing technology. Currently, over 100 CLG ISOCRACKING units have been produced since 1962 and they have a total capacity of over 2.5 million barrels per stream day. The technology still maintains a leading market share compared to other hydrocracking technologies.

Over the years, CB&I has completed a number of smaller bolt on acquisitions that complements their technology portfolio. In 2009, CB&I acquired Mars modularized Pressure Swing Adsorption (PSA) technology. The PSA is used in hydrogen management to recapture hydrogen and noble gases produced in waste streams from a variety of industries including petrochemical, oil & gas, and metals. During 2011, CB&I acquired the other 50% interest in Catalytic Distillation Technologies (CDTECH) that it did own form Royal Dutch Shell (NYSE: RDS-A). CDTECH creates and licenses advanced refining processes based on its proprietary technology. In 2012, CB&I acquired E-Gas, a solids gasification technology company from Phillips 66 (NYSE: PSX). E-Gas technology converts coal or petroleum coke into syngas, which can be used for power generation or it can be converted to substitute for natural gas, hydrogen, and downstream methanol related chemicals. CB&I signed an exclusive licensing agreement with BP (NYSE:BP) to use their Paraxylene Technology which bolsters CB&I's technology offerings. CBI's technology division is well positioned to capitalize on their market because they own over 2,000 patents, 75 plus commercialized licensed technologies, and a state of the art research and development center.

Exhibit 2: Overview of CB&I's technology consumer demand



Source: CB&I Investor Day, December 2013, slide 6

Operating margins of CB&I

CB&I's four divisions all work in unison by complementing each other and support their operating margins and revenue. The Engineering, Construction, and Maintenance division generated $6.63 billion or 69% of CB&I's revenue and over 54% of the operating income over the past three quarters. Maintenance has the ability to expand in the future as they complete more projects. Currently, CB&I helps maintain 40 of the 100 nuclear power plants in the United States. The second largest division is Fabrication Services which generated $1.9 billion in revenue and 23% of the income from operations. The Environmental Solutions division produced $625.7 million and 4.09% of the total operating income during the past three reported quarters. Finally, the most profitable is the Technology division as discussed above, which generates smaller revenues but significantly higher operating margins. All CB&I's divisions

play an integral part servicing clients by offering them a seamless supply chain solution, which provides the client with a one stop shop for their needs. CB&I is unique in that they can help design, permit, remediate, fabricate components, build pipelines, construct projects, use their best in class patent technology, and then maintain the project after completion. In addition, they can design, engineer, and create the majority of energy infrastructure required by society, including nuclear power, fossil fueled power, LNG, refinery, renewable energy, pipelines, and oil platforms.

Exhibit 3: CB&I's divisions and their margins

Source: CB&I Investor Day, November 2014, slide 6

Joint ventures on MEGA projects

CB&I has numerous joint ventures on especially large multibillion dollar projects including the $4.5 billion Gorgon LNG project in Barrow Island, Australia. CB&I controls 65% of the project while Kentz owns the remaining 35%. The Gorgon project includes structural, mechanical, piping, electrical, and instrumental work on the gas processing, compression, and three LNG trains. CB&I teamed up with Clough on the Papua New Guinea LNG project that is valued at $2 billion. CB&I owns 65% of the venture and Clough controls 35%. The LNG project includes the creation of a gas conditioning plant, wellheads, piping, and other infrastructure. CB&I (70% interest) teamed up with AREVA (30% interest) for the $5 billion dollar nuclear power project in Aiken, South Carolina. At the Aiken project, CB&I and AREVA are designing, licensing, and constructing a mixed oxide fuel fabrication facility. CB&I has teamed up with Zachry Industrial

to build Freeport LNG a pair of liquefaction units (trains) that are worth $2.5 billion each. Finally, CB&I is working with Chiyoda International on a $6 billion LNG facility in Hackberry, LA for Qatar Petroleum and ExxonMobil. CB&I is optimistic that more JV work is coming down the line including nuclear plants.

In addition, CB&I owns a 10% interest in NET Power LLC with various other parties including Exelon Generation (NYSE:EXC) and Toshiba. NET Power goal is to create new fossil fuel based power generation technology with little to no carbon dioxide emissions. During October 2014, NET Power completed the first ever zero air emission with full carbon dioxide recapture without the use of expensive carbon recapture equipment in a 50MWt demonstration plant. Commercial scale NET Power plants will be complete during the next few years.

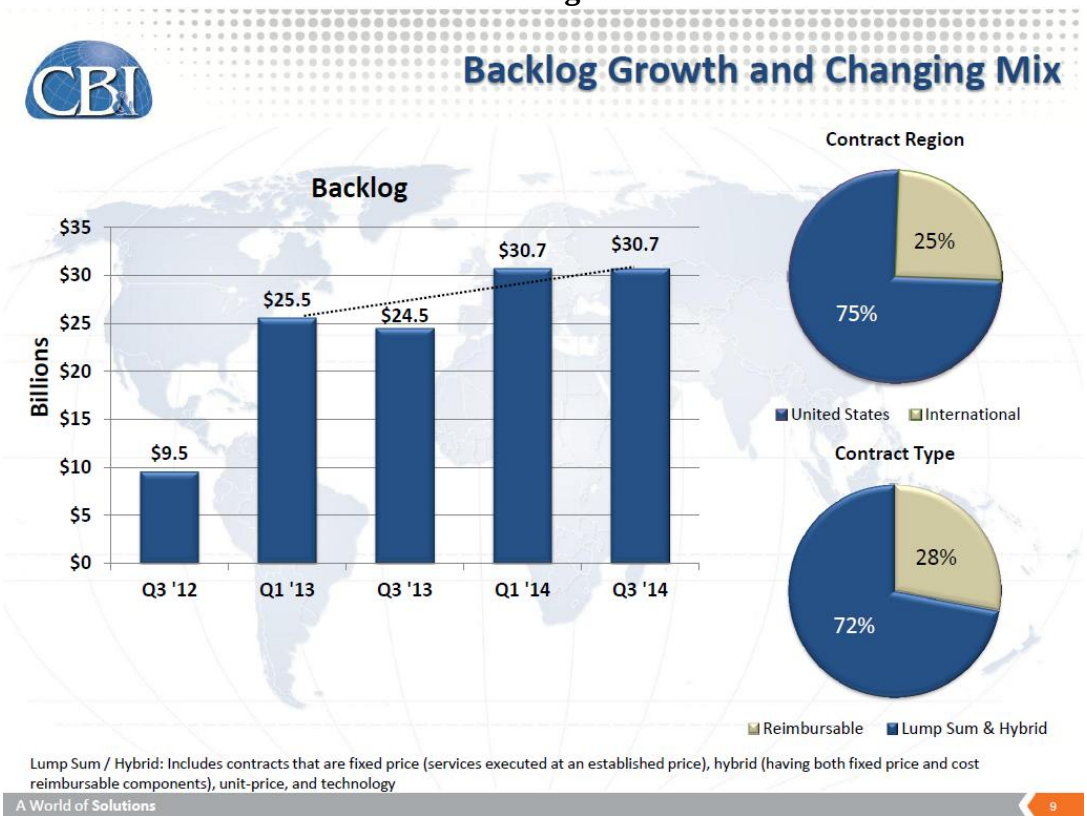
Exhibit 4: CB&I can complete a large breath and scale of energy infrastructure projects

Source: CB&I Investor Day, November 2014, slide 8

Attractive backlog of work a catalyst for growth

CB&I earned $12.604 billion in revenues over the past trailing twelve months and they currently have a total backlog of $30.7 billion with 75% of the work based in the United States. CB&I works on engineering and manufacturing projects that can take several years to complete. CB&I is well positioned to benefit from global spending on new capacity energy projects including the oil and gas and power plants specifically from North America, Mexico, East Africa, and China. The backlog has increased by 20% since the Shaw group transaction closed in 2013. Contracts range from the tens of millions to the multi billions of dollars. Over the past few years, CBI has been awarded multiple contracts each month and we believe this trend will continue in the future. During the most recent quarter, CB&I reported robust demand across the board. This includes storage and fabrication awards in the Middle East. Asia reported contracts for refining, technology, and storage, and gas processing. China generated orders for technology, engineering for polypropylene, and gasification units. North America received front end engineering and design for LNG terminals and further development of major oil, gas, and petrochemical projects. Europe picked up an on-purpose propylene order. For 2015, CBI expects the backlog to continue to grow and then stabilize beyond that.

Exhibit 5: CB&I has an attractive backlog of work orders

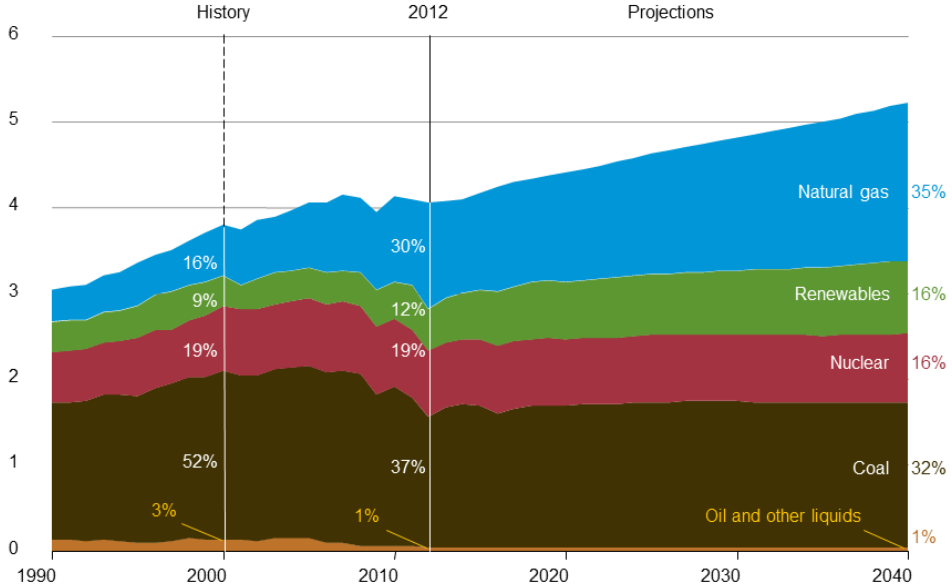


Source: CB&I Investor Day, November 2014, slide 9

Shaw Group acquisition

CB&I acquired the Shaw Group in 2013 for $3.4 billion, which was funded by the $1.1 billion cash on hand from both companies and they used $1.9 billion in debt, plus $488.8 million in CB&I equity. Prior to the deal, CB&I generated 80% of their $9.5 billion backlog from outside the United States and 95% from energy infrastructure. Shaw provided a $17 billion backlog of work and the company generated $6 billion in revenues during FY 2012, 88% derived from the United States. Fifty-two percent (52%) of Shaw's backlog was derived from high, 10%, margin power projects which included gas, coal, nuclear, and retrofit. Shaw's environmental & infrastructure generated 24% of the backlog from mostly low risk government and general infrastructure projects. Plant services represented 19% of Shaw's backlog, which included 22 low risk and reimbursable contracts. The remaining 5% of Shaw's backlog was from the high margin fabrication and manufacturing division. CB&I projected significant growth in future global power plants, from both new demand and replacement of older plants. The Shaw acquisition doubled CB&I's employee count by providing 25,000 energy infrastructure focused employees including 3,000 engineers. CB&I has the ability to transfer their skilled employees between projects that require additional labor resources. The U.S. Energy Information Administration (EIA) believes the U.S. will have to grow its power generation capabilities by over 30% between today and 2040. The chart below shows the shift of fuels during the next 25 years. The EIA predicts that natural gas fueled power plants and renewable generating facilities will have significant growth at the expense of nuclear and coal. We believe CB&I will have a significant amount of work because they can build power plants with all four types of fuel.

Exhibit 6: Electricity generation by fuel, 1990-2040

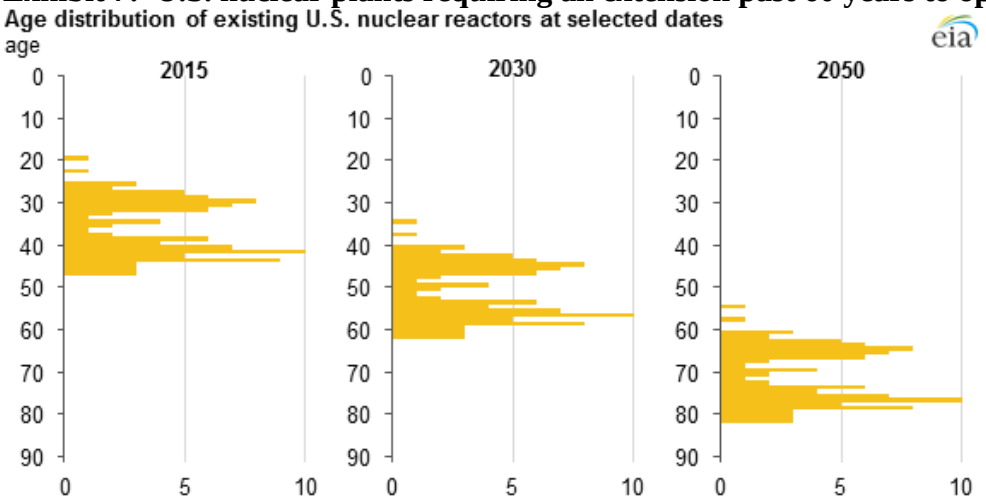


Source: EIA, U.S. Power Plants (http://www.eia.gov/forecasts/aeo/er/early_elecgen.cfm)

Criticism of the Shaw Group acquisition

CB&I reached for the Shaw Group paying a significant premium for the company. CB&I paid a 72% premium from the day before close for Shaw or 7 times Shaw's fiscal 2012 adjusted EBITA. While the trailing 12 month P/E was nearly 16, Shaw did report volatile earnings and revenues over the past decade. The Shaw deal was announced after the Fukushima nuclear disaster in Japan, which caused many to question nuclear power. Select leaders called for a reduction in nuclear power and a conversion to natural gas or coal. We believe the Fukushima disaster has challenged many unannounced nuclear projects and could sway their opinion toward natural gas fueled plants or renewable generation. We believe CB&I overpaid for the deal but they gained significant backlog, doubled their skilled workers, added the new power plant division and government work, and increased their engineering and construction scale. Currently, the decline in CB&I's market capitalization has effectively eliminated all of the Shaw value. We believe the Shaw business is worth something and has significant potential with the projected need for more global power plants. A December 8, 2014 report from the U.S. Energy Information Administration stated that nearly all of the U.S. nuclear power plants will have their U.S. nuclear plant regulatory operational license expire at some time before 2050. The majority of U.S. nuclear power plants were built before 1990 and given a 40 year operating permit, plus a subsequent license renewal for an additional 20 years. This means that a nuclear plant must be taken offline before it reaches the useful life of 60 years. However, the regulators might approve an additional 20 year lease if the plant undergoes significant upgrading and is properly maintained. CB&I's power division will surely receive a significant amount of business from retrofitting the ageing nuclear power plants even if nuclear is out of favor.

Exhibit 7: U.S. nuclear plants requiring an extension past 60 years to operate beyond 2050

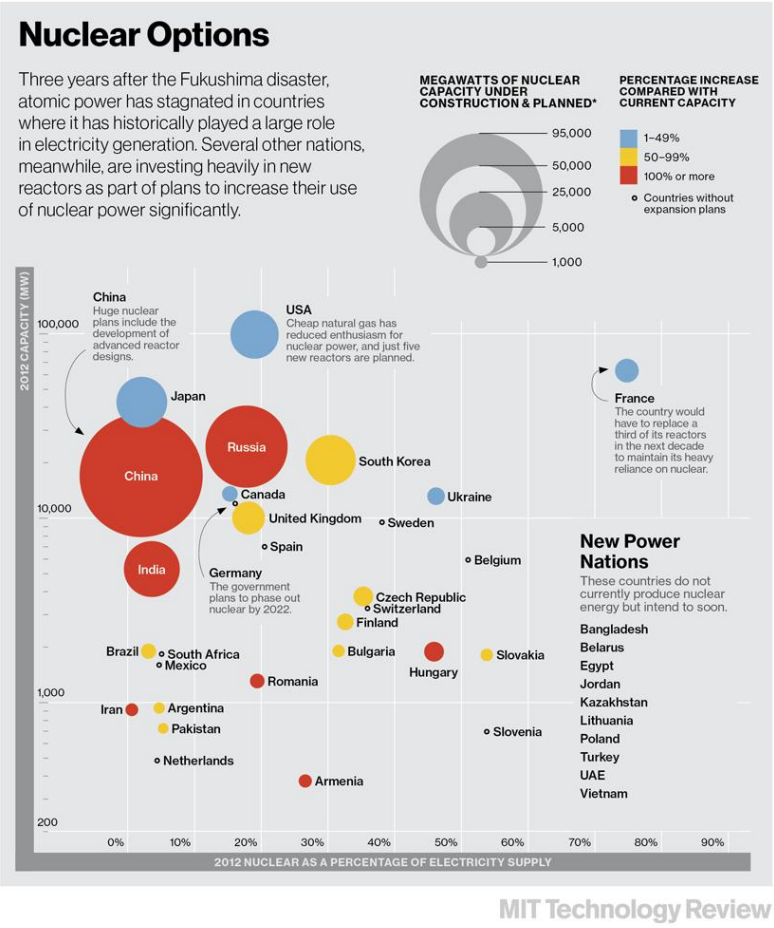


Source: U.S. Energy Information Administration, based on U.S. Nuclear Regulatory Commission
Note: Graph does not include planned nuclear additions but does include scheduled retirements.
http://www.eia.gov/todayinenergy/detail.cfm?id=19091

Future international power plant growth can be a catalyst for CB&I

Shaw generated the majority of its revenues and backlog from U.S. based customers. We believe CB&I should seek engineering, fabrication, construction, and maintenance contracts for international power plant businesses. Due to increased demand, international power companies are projected to aggressively build and retrofit power plants, especially in China, Russia, and India. From the chart below, you can visualize the rapid growth and the megawatt needs of each country. France needs to find a solution to upgrade nearly one third of their ageing nuclear power plants within the next decade. The Germans are moving away from nuclear power but they must replace the power with other means. China is considering expanding their nuclear power plants and CB&I is actively looking for Chinese joint ventures. The international power market is a natural fit for CB&I, which can be a huge revenue and profit driver for the company. Prior to the Shaw deal, CB&I earned the majority of their revenues from international markets.

Exhibit 8: Huge opportunity for CB&I in China, Russia, & India



Source: MIT Technology Review

Threat of entry

Competition in the general engineering, fabrication, and construction industry is normally fierce. However, the threat of entry into CB&I's niche engineering, fabrication, and construction business from new competitors is low. CB&I maintains the technology, engineers, customer base, raw materials, fabricators, machinery, and construction workers which allows CB&I to maintain a competitive advantage. CB&I attracts MEGA projects that can last multi-years and cost billions of dollars. The barriers to enter CB&I's business is high due to CB&I's large set of skilled labor & engineers, technology, large scale fabrication, global footprint, 125 years of experience, and multiyear commitments to name a few.

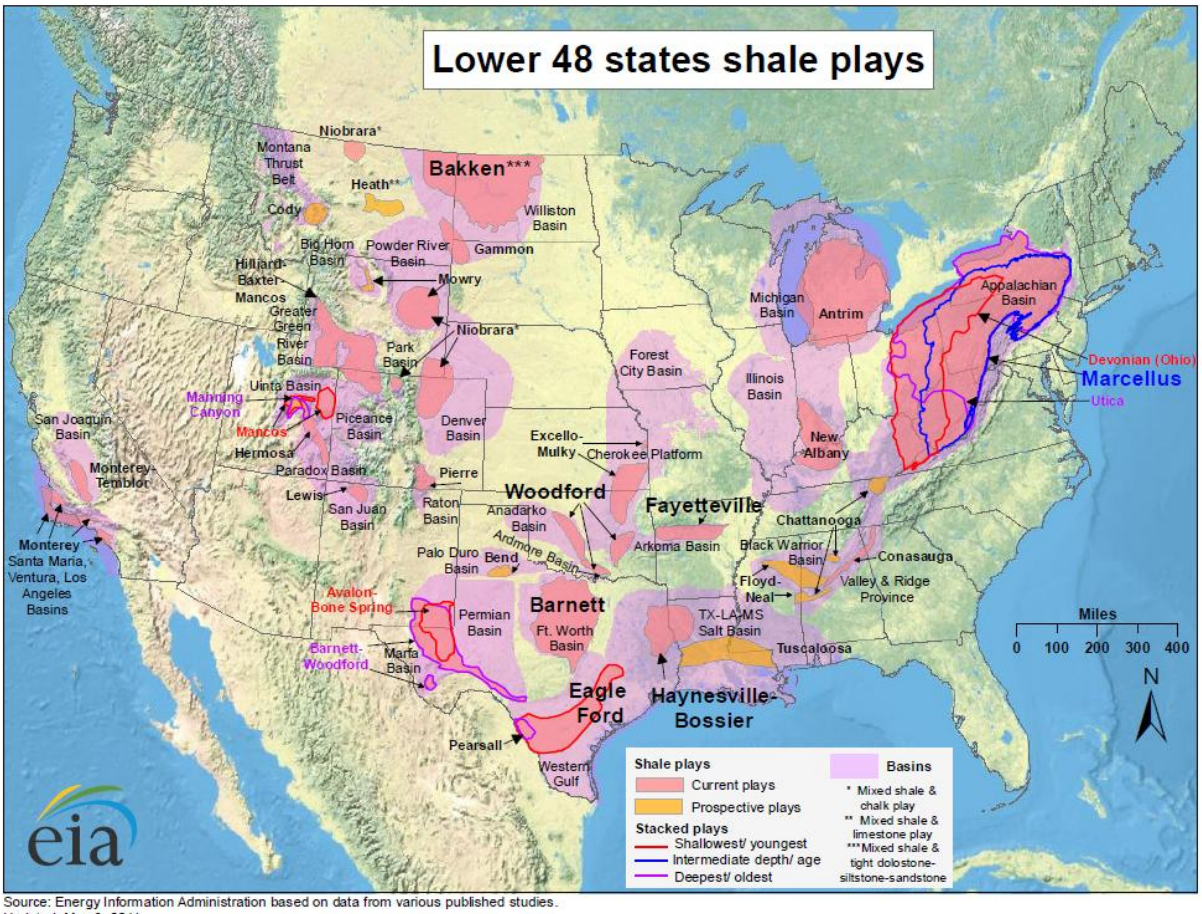
Energy market selloff and its impact on projects & capital expenditures

Energy markets have pulled back to a five year low which has caused the entire energy sector to go into a freefall. We believe this selloff has provided investors with an opportunity to build a position in CB&I. CB&I customers are planning their capital expenditures years out if not decades. We believe energy firms have fully examined the impact and feasibility of the project with low energy prices. We doubt that a customer would cancel a project that is currently being constructed. On a large percentage of deals, CB&I requires a significant down payment of up to half of the contract or early milestone completion awards. Many major oil companies base their project's breakeven point as if oil was trading at $40 dollars a barrel. We believe the well capitalized energy companies will survive a weak energy market and the undercapitalized firms will either close up shop or get acquired. We believe the majority of CB&I's clients are well capitalized firms and will easily maintain their capital projects. We believe the current selloff in the energy markets is a short term hurtle and one investors should be capitalizing on. One has to wonder if there is a conspiracy between the U.S. and Saudi Arabia versus Russia and Venezuela. The oil prices have completely crippled the Russian and Venezuelan economy but we will save that for another research note.

Drill baby drill, U.S. natural gas reserves and production

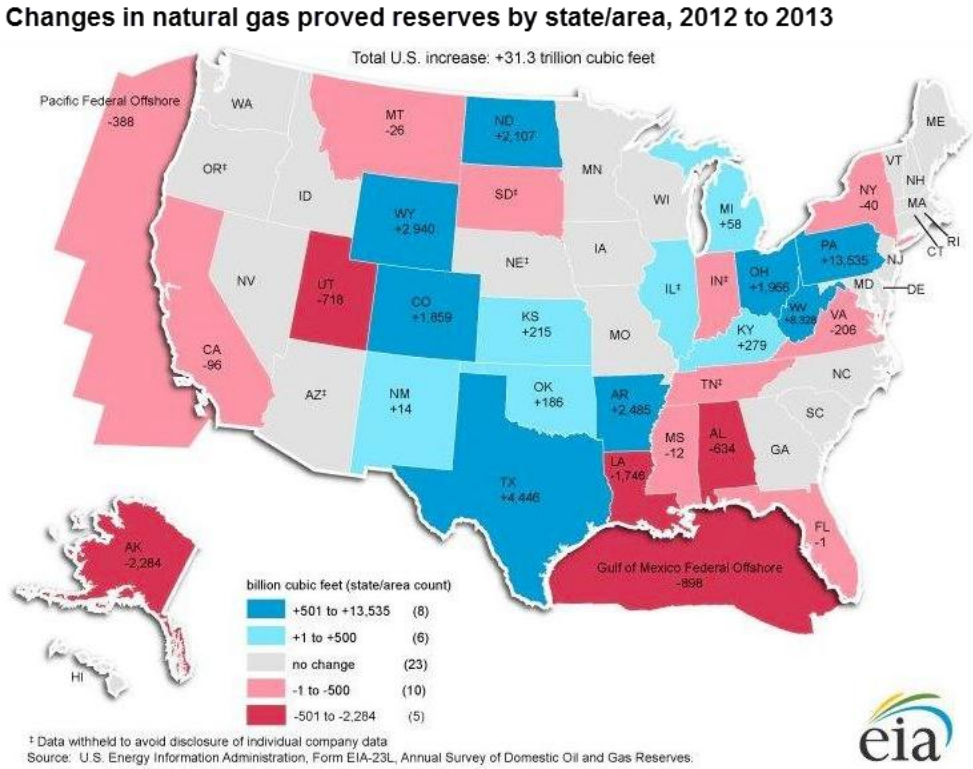
We believe that U.S. shale plays will continue to expand and produce for decades to come. The United States consumed 26 trillion cubic feet of natural gas last year and has estimated reserves of 353 trillion cubic feet, a number that has significantly increased over the past decade. Some believe the North America has over a 100 year supply of natural gas. We believe the proven reserves of natural gas will continue to climb as we discover new shale formations. Even with low energy prices, we believe exploration and production (E&P) companies will continue to produce because they need cash and some leases require them to have activity on the leased land, if not they might forfeit their mineral rights back to the mineral owner. We believe the well capitalized E&P firms will buy the undercapitalized asset rich competitors when the energy markets turn bearish.

Exhibit 9: Enormous shale oil/gas plays in the U.S.



Source: Energy Information Administration based on data from various published studies.
Updated: May 9, 2011

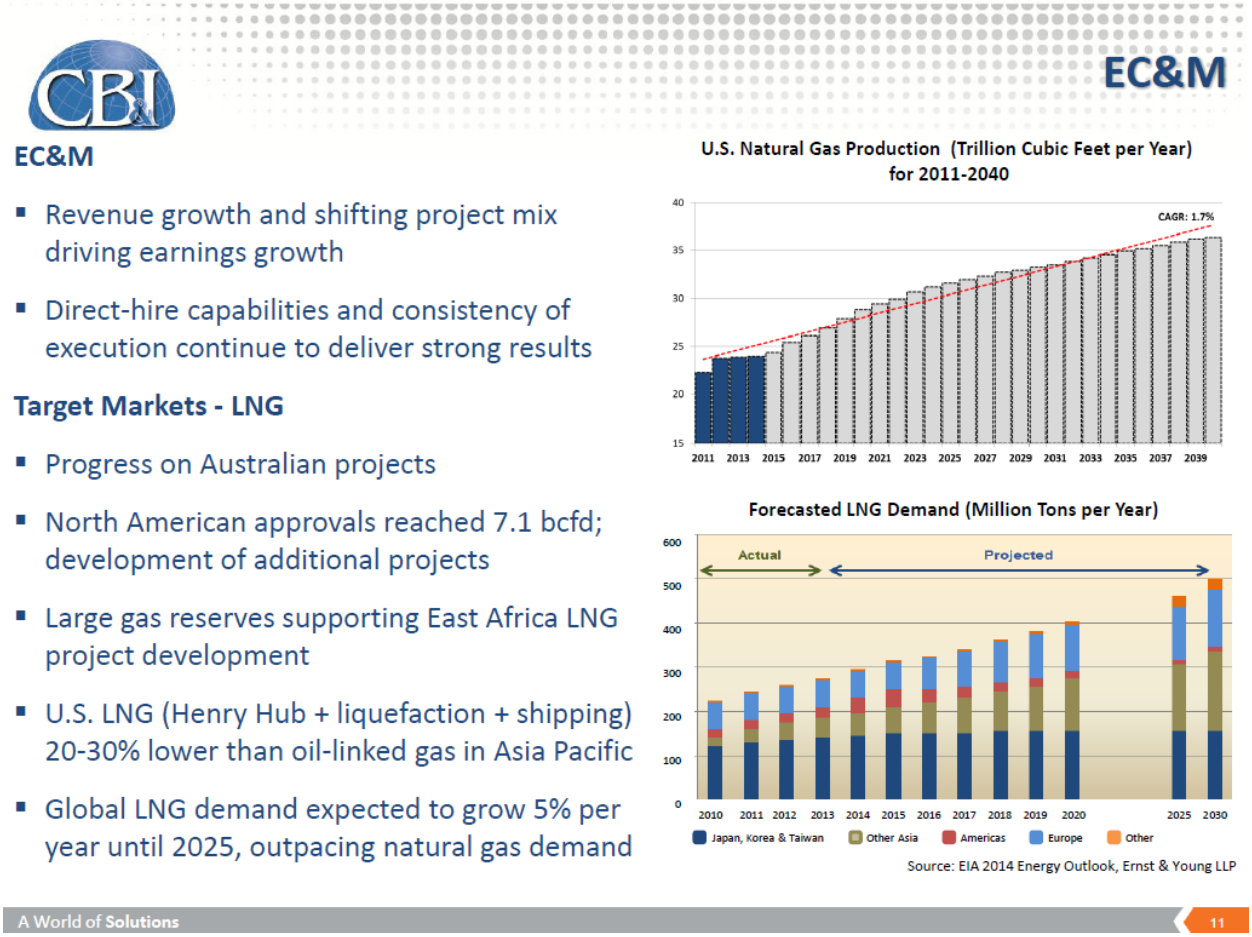
Exhibit 10: Expanding U.S. proved reserves from 2012 to 2013



Strong global LNG demand

The large reserve of U.S. natural gas will positively impact CB&I in several ways. It increases the efficiency and demand for gas powered power plants, storage tanks, and LNG terminals. However, the high supply of gas coupled with lower gas prices most likely will reduce the demand for nuclear power plants. We believe LNG terminals will need to be built in order to balance the global natural gas market. Over the past year, the European natural gas prices have traded from $9-$11, the Japanese priced gas from $13-$17, while the prices in North America have traded between $3-$5. The price of natural gas is impacted by supply, demand, weather, storage, imports, and transportation rates. CB&I forecasts global LNG demand to grow 5% per year until 2025. They also believe the LNG trade is growing three times faster than the overall gas production, which should support demand and increase the natural gas price. CB&I is building two of the six LNG terminals in the U.S. and two terminals internationally.

Exhibit 11: Engineering, Construction, & Maintenance (EC&M); Plus LNG

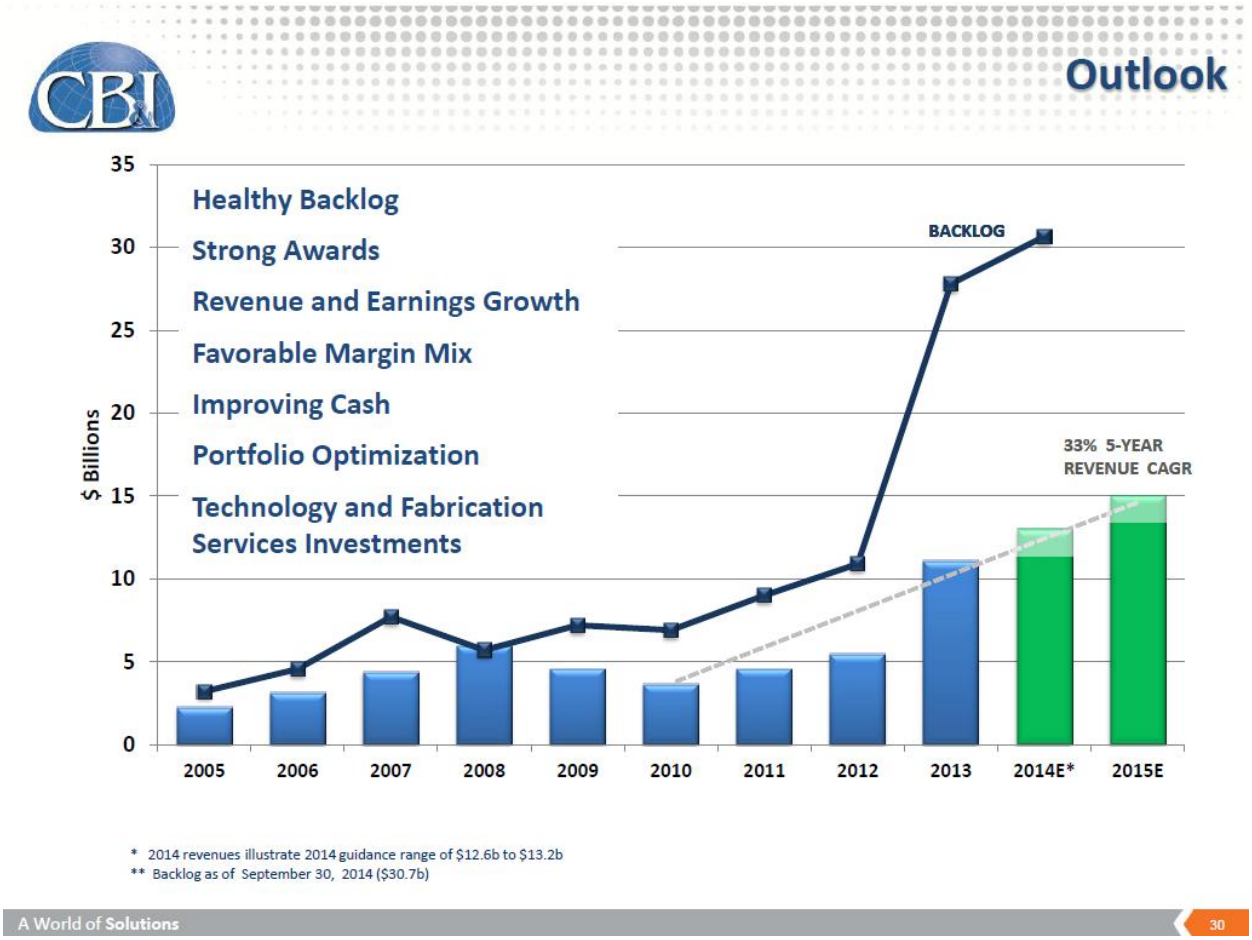


Source: CB&I Investor Day, November 2014, slide 11

Outlook: significant growth ahead for CB&I

During the November 2014 investor day, the CB&I president stated his five year goal included revenues at $20 billion, reducing the debt to $500 million, have CB&I's stock trading at a price to earnings (P/E) multiple in the high teens, and their margins at 9% plus. Currently CBI has revenues of $12.6 billion, net debt of $1.86 billion, a stock P/E multiple of 7.63, and margins of 7.3%. The Merrell Brothers Investment Management team fully believes CB&I can achieve these goals within the next five years.

Exhibit 12: Outlook of CB&I



Source: CB&I Investor Day, November 2014, slide 30

CB&I significantly discounted to their peer group

CB&I is trading at a 66.8% discount to its peer group. Publicly traded Flour (NYSE:FLR) has a market capitalization of $9.3 billion and a trailing 12 month (TTM) P/E of 20.86, KBR Inc (NYSE:KBR) is valued at $2.38 billion and has a TTM P/E of 31.06. Jacobs Engineering Group Inc (NYSE:JEC) is valued at $5.51 billion and has a TTM P/E of 17.04. During the first quarter of 2014, UK based Amec acquired Foster Wheeler for $3.2 billion during, which represented a multiple of 33.33 P/E of Fosters 2013 earnings. The peer group of CB&I is richly valued compared to CB&I's TTM P/E of 7.63 and market cap of $4.47 billion. Other peers of CB&I include privately held firms Zachery and Bechtel, which ranked 4th on the Forbes 2013 Largest Companies by Revenue based in the United States with $39.4 billion in revenue during 2013. Using the CB&I's peer group average P/E of 25.6 with the recent Foster Wheeler acquisition. Using CB&I's trailing 12 month EPS, the peer group implies CB&I's shares should trade at

$138. Excluding Foster Wheeler, the peer group P/E multiple drops down to 23 implying a CB&I price of 125. We believe CB&I will eventually trade in line with their peer group or at least have a P/E multiple in the high teens implying a value of CB&I between $86-$102.

Exhibit 13: Peer group valuation chart

CB&I Peer Group	Market Cap	P/E (TTM)	Revenue (TTM)	EPS (TTM)	Op Margin (TTM)
	Billion $		Billion $		
Flour (NYSE:FLR)	9.36	20.95	22.40	2.86	5.30%
KBR Inc (NYSE:KBR)	2.40	31.10	6.80	0.53	2.60%
Jacobs Engineering (NYSE:JEC)	5.60	17.00	12.70	2.48	4.20%
Foster Wheeler (FLWT), at buyout 2014	3.20	33.33	3.30	0.9	5.40%
Average	5.14	25.60	11.30	1.6925	4.38%
Average sans Foster Wheeler		23.02			
CB&I	4.47	7.63	12.60	5.41	7.30%
Average Peer Group P/E times CB&I EPS (TTM)					
Peer Group		$ 138			
Peer Group P/E sans FLWT		$ 125			

Source: Morningstar & company data

CB&I gets acquired during 2015, Berkshire the potential buyer

We believe CB&I is a hidden gem because of its engineering capabilities, manufacturing scale, multiyear backlog, skilled workforce, strong revenue & earnings growth, technologies, maintenance contracts, and strong leadership. For these reasons, we believe the stock is too cheap to remain a public company and could be acquired during 2015. The Merrell Brothers Investment Management team believes Berkshire Hathaway (NYSE:BRK-A) is an ideal acquirer of CB&I. Currently, BRK owns 12.55% of CBI which was likely purchased by either of Buffett's deputy investment managers, Ted Weschler and/or Todd Combs. Berkshire started acquiring shares of CB&I in 2013 and have added to its position when prices fell in the past. Additionally, Buffett looks for high quality growing businesses that are trading at a discount, have a durable competitive advantage, and have strong and capable management. We believe CB&I meets all of these requirements. Additionally, acquiring CB&I would cost around $5.6 to $7 billion dollars, an easy acquisition for BRK, which has plenty of cash. We believe CB&I would fit well into Berkshire's Industrial and end-user products or building products division. Berkshire owns natural gas pipelines, electrical transmission company Northern Powergrid, and three leading utilities including PacifiCorp, MidAmerican Energy Company, and NV Energy which could all use CB&I's services. Although Buffett is normally skeptical about doing deals with synergistic justifications, we believe that there could be obvious synergies by placing CB&I within the Berkshire portfolio of businesses. Currently, Berkshire owned Marmon produces the oil rail cars for Berkshire owned railroad, BNSF. If Berkshire doesn't acquire CB&I, then other candidates include privately held Bechtel or international player Mitsubishi Heavy Industries could jump at this opportunity.

Attractive valuation and financials

CB&I is dirt cheap as it is currently trading at a 7.63 P/E (TTM) and has a market capitalization of $4.47 billion (12/19/2014 closing price). Shares have performed poorly over the three and a half years down over 50% since the start of 2014. CB&I has earned impressive ROE of 18.09% over the past ten years, gross & operating margins of 9.94% & 5.51% over the past ten years, annual revenue growth of 26.4% over the past ten years, and grown EPS by eight times over the past ten years. Over the past ten years, CB&I has generated $1.66 billion in free cash flow (FCF). Due to the Shaw deal, FCF has turned negative since they closed the acquisition. Management stated that they see their cash flow returning to normal levels in the near future and have projected $100 million in cash flow during FY2015 and higher cash flow in the future. The FCF dipped after the Shaw deal, however CB&I management believes that cash flow will eventually approximate net earnings. We believe the growth will continue in the long run and margins will improve. The trailing 12 months have been CB&I's best year recording record revenue of $12.6 billion and earnings per share (EPS) of $5.41. CB&I has an active share buyback of up to 10% of shares outstanding and a dividend yield of 0.70% or $0.28 per year. We believe CB&I is a great buy even if CB&I does not receive a buyout offer. We value CB&I at $75.74 to $108.20, based on a 14 and 20 multiple of their trailing 12 month earnings.

Exhibit 14: Ten year financial snapshot of CB&I

Year	2004-12	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	TTM
Revenue USD Mil	1,897	2,258	3,125	4,363	5,945	4,557	3,642	4,551	5,485	11,095	12,604
Gross Margin %	10.7	6.6	9	8.2	3.9	11.5	13.5	12.5	12.7	10.8	11.2
Operating Income USD Mil	102	50	146	206	35	314	303	355	456	685	919
Operating Margin %	5.4	2.2	4.7	4.7	0.6	6.9	8.3	7.8	8.3	6.2	7.3
Net Income USD Mil	66	16	117	166	-21	174	205	255	302	454	590
Earnings Per Share USD	0.67	0.16	1.19	1.71	-0.22	1.79	2.04	2.55	3.07	4.23	5.41
Book Value Per Share USD	4.88	4.95	5.58	7.52	5.83	8.72	10.62	12.07	14.12	21.81	24.9
Free Cash Flow USD Mil	115	128	396	358	-98	200	264	372	130	-203	-378
Return on Equity %	15.36	3.35	22.8	26.1	-3.3	24.38	21.21	22.84	23.7	24.47	24.3
SG&A, Margins % of Sales	5.19	4.74	4.28	3.52	3.62	4.5	5.09	4.52	4.16	3.42	3.24

Source: Morningstar & company data

About the Merrell Brothers, LLC

The Merrell Brothers, LLC is a Jacksonville, FL based Independent Registered Investment Advisor that offers long-term investment management in securities. Our investment objective is to create a portfolio of undervalued securities that contain high quality companies for our clients that achieves meaningful long-term growth. The Merrell Brothers follows several of Warren Buffett, Charlie Munger (Buffett's right hand man), and Benjamin Graham's (the father of value investing) core investment principals. These potentially include finding investments that maintain a corporate moat or a durable competitive advantage, high return on equity ("ROE"),

minimal or no debt, high cash and cash equivalent balances, low capital expenditures, and high free cash flows. We also like to invest in stocks that pay dividends that we will reinvest in new companies. Review our website at www.merrellinvestments.com or call the office at 904-222-8881to gain more information about our firm.

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