

# Precision Castparts Corp.

**S&P Capital IQ Recommendation**

**STRONG BUY** ★★★★★

S&P Capital IQ Equity Analyst **Jim Corridore**

**Price**

\$230.20 (as of Dec 12, 2014 4:00 PM ET)

**12-Mo. Target Price**

\$320.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

**UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION**

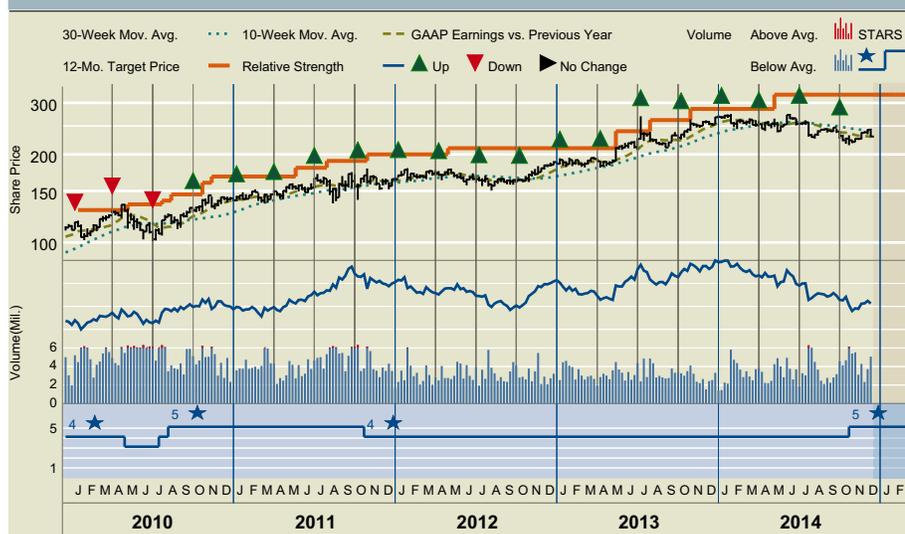
**GICS Sector** Industrials  
**Sub-Industry** Aerospace & Defense

**Summary** This company is a provider of complex cast and forged metal components used primarily in the manufacture of jet engines and industrial gas turbines, and in the oil and gas, chemicals and automotive industries.

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$275.09–215.09</b>	S&P Oper. EPS 2015E	<b>14.00</b>	Market Capitalization(B)	<b>\$32.811</b>	Beta	<b>0.96</b>
Trailing 12-Month EPS	<b>\$12.81</b>	S&P Oper. EPS 2016E	<b>16.05</b>	Yield (%)	<b>0.05</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>18</b>
Trailing 12-Month P/E	<b>18.0</b>	P/E on S&P Oper. EPS 2015E	<b>16.4</b>	Dividend Rate/Share	<b>\$0.12</b>	S&P Quality Ranking	<b>B</b>
\$10K Invested 5 Yrs Ago	<b>\$20,632</b>	Common Shares Outstg. (M)	<b>142.5</b>	Institutional Ownership (%)	<b>92</b>		

**Price Performance**



**Analyst's Risk Assessment**

**LOW**    **MEDIUM**    **HIGH**

Precision Castparts operates in a cyclical and capital-intensive industry and is subject to swings in commodity prices. However, due to its large market share in most markets, we believe the company has significant pricing power for its products. We also consider its financial condition to be solid, including a relatively low debt level.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2015	2,528	2,522	--	--	--
2014	2,367	2,362	2,357	2,530	9,616
2013	1,966	1,930	2,043	2,439	8,378
2012	1,675	1,785	1,806	1,949	7,215
2011	1,447	1,508	1,590	1,675	6,220
2010	1,376	1,298	1,372	1,441	5,487

**Earnings Per Share (\$)**

	2015	2014	2013	2012	2011	2010
3.32	3.24	E3.53	E3.80	E14.00		
2.88	2.90	2.95	3.27	12.01		
2.35	2.28	2.32	2.82	9.76		
1.97	2.04	2.13	2.31	8.45		
1.65	1.70	1.80	1.87	7.01		
1.70	1.54	1.61	1.66	6.50		

Fiscal year ended Mar. 31. Next earnings report expected: Late January. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.030	Feb 13	Mar 5	Mar 7	Mar 31 '14
0.030	May 23	Jun 4	Jun 6	Jun 30 '14
0.030	Aug 12	Sep 3	Sep 5	Sep 29 '14
0.030	Nov 12	Dec 3	Dec 5	Dec 29 '14

Dividends have been paid since 1978. Source: Company reports.

**Past performance is not an indication of future performance and should not be relied upon as such.**

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Analysis prepared by Equity Analyst **Jim Corridore** on Oct 23, 2014 02:13 PM, when the stock traded at **\$224.85**.

**Highlights**

- After a 15% increase in FY 14 (Mar.), we see 9% growth in FY 15 driven by continued improvement in demand for commercial aerospace products in support of increasing build rates on the B787 and B737 and rising aftermarket demand as well as recovering demand for seamless extruded pipe for power plant and oil & gas drilling applications. However, we still expect to see some headwinds from slowing new industrial gas turbine (IGT) builds and lower metal pricing and pass-through sales.
- We estimate EBITDA margin improvement in FY 15, to 32.4% from 30.8% in FY 14. We expect margins to benefit from PCP's constant focus on efficiency as well as from lower metal pricing and zero margin pass-through sales and continued Timet integration benefits. Management noted that at Forged Products the Timet acquisition integration continues to move forward ahead of plan.
- We estimate EPS of \$14.00 in FY 15, up 16.6% from operating EPS of \$12.01 in FY 14, and comparing favorably to \$9.76 in FY 13. For FY 16 we see EPS of \$16.05.

**Investment Rationale/Risk**

- We see PCP as a best of breed story with top notch management, strong focus on execution and cash flow and a notable track record of highly value creative acquisitions. While we see some near-term organic growth challenges, we see global economic growth driving solid demand for PCP's aerospace and energy products. Combined with the production ramp on new, high content aircraft like the B787 and A350 over the next several years, strong operating leverage inherent in the business, management's perpetual focus on cost control, proven ability to gain market share and substantial synergy opportunities from the Timet deal, we believe PCP is on track to hit its \$15.50-\$16.50 EPS goal for FY 16. We also like PCP's strong balance sheet and cash flow generation.
- Risks to our recommendation and target price include weakening aerospace demand, B787 delays, rising pension costs, operating inefficiencies, and acquisition integration issues.
- Our \$320 12-month target price is 19.9X our FY 16 EPS estimate, toward the higher end of the company's ten year historic P/E range.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# Precision Castparts Corp.



## Business Summary October 23, 2014

**CORPORATE OVERVIEW.** Precision Castparts, a manufacturer of jet engine and industrial gas turbine (IGT) engine components, conducts business through three operating units. The aerospace market accounted for 68% of FY 14 (Mar.) sales, power generation for 18%, and general industrial and automotive for the remaining 14%. General Electric accounted for 13% of FY 14 sales. Although no other customer accounted for more than 10% of sales, the Pratt & Whitney division of United Technologies, Rolls-Royce, Boeing and Airbus are all key customers.

PCP's Investment Cast Products segment (26% and 31% of FY 14 revenues and segment operating earnings, respectively) includes Aerospace Structural Castings, Aerospace Airfoil Castings, IGT Castings, and Internal Alloy-Making Capability. These operations manufacture investment castings for aircraft engines, IGTs and airframes. PCP also makes metal castings for medical prostheses, unmanned aerial vehicles, satellites, and armament systems (such as howitzers). Investment casting involves a technical, multi-step process that uses ceramic molds in the manufacture of metal components with more complex shapes, closer tolerances and finer surface finishes than parts manufactured using other casting methods. PCP is the world's largest maker of jet engine structural castings used to strengthen sections of a jet engine, and makes castings for every jet engine program in production or under development. It is also the leading supplier of investment castings for IGTs used in power generation. The company emphasizes low-cost, high-quality products and timely delivery. The Internal Alloy group principally provides metal alloys to the company's investment casting operations, as well as to other companies with investment casting or other foundry operations.

The Forged Products segment (44%, 39%) is a large maker of forged components for the aerospace and power generation markets. Forged Products segment aerospace and IGT sales are primarily derived from the same large engine customers served by the Investment Cast segment, with additional aerospace sales to manufacturers of landing gear and airframes. In addition, Forged Products manufactures high-performance nickel and titanium-based alloys used to produce forged components for aerospace and non-aerospace markets, which includes products for oil and gas, chemical processing and pollution control applications.

Forging involves heating high-temperature nickel alloys, titanium or steel and then shaping them through pressing or extrusion, using hydraulic and mechanical presses. Forged Products also produces extruded seamless metal pipe, used in the power generation and oil and gas industries. PCP is also the market leader in providing nickel superalloy and titanium revert management services; that is, the melting down and reuse of metal chips, casting gates, bar ends, forging flash, and other byproducts of the forging, casting and fastener manufacturing process. Improved revert management has been one major driver of PCP's increased operating margins in recent years.

The Airframe Products segment (30% and 30%) manufactures highly engineered fasteners, fastener systems and precision components, primarily for critical aerospace applications. A large part of Airframe Products sales come from the same aerospace customer base served by PCP's other two segments. The balance of this segment's sales is derived from construction, automotive, heavy truck and general industrial markets. The fastener product line includes a variety of bolts, sleeve bolts, nuts, nut plates, latches, expandable diameter fasteners, quick release pins, hydraulic fittings, bushings, inserts, collars, and other precision components. The group's Aerostructures facilities manufacture complex components and structural assemblies, including three- to five- axis prismatic and long- bed machined aluminum and titanium components, complex sheet metal fabrications, and composite and metal- bonded components. Product applications include all wing and fuselage structural parts; engine pylon-related assemblies, engine lock-plates and bracketry; complete passenger and exit doors; major flap support and actuation structures; spars, skins, and bulkheads; swaged control rods, cables, and actuation and flight control assemblies; and complex latches, quick release BALL-LOK pins, and specialized fasteners.

**IMPACT OF MAJOR DEVELOPMENTS.** On January 7, 2013, PCP completed the \$2.9 billion acquisition of Titanium Metals Corp. (Timet), which is included as part of the Forged Products Group. Timet, the largest titanium manufacturer in the U.S., offers a full range of titanium products, including ingot and slab, forging billet and mill forms. Timet operates seven primary melting or mill facilities in Henderson, Nevada; Toronto, Ohio; Morgantown, Pennsylvania; Vallejo, California; Witton, England; Waunarlwydd, Wales; and Savoie, France, and employs approximately 2,750 people.

**FINANCIAL TRENDS.** Looking at PCP's five-year historical earnings and equity growth performance, sales rose at a compound annual growth rate (CAGR) of 11.9%, while operating income rose at a CAGR of 11.1%, and earnings per share at 13.0%.

## Corporate Information

### Investor Contact

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### Website

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## Officers

### Chrmn & CEO

M. Donegan

### Treas

S.C. Blackmore

### EVP, CFO & Chief

Acctg Officer

S.R. Hagel

### SVP, Secy & General

Counsel

R.A. Beyer

## Board Members

M. Donegan

L. L. Lyles

V. E. Oechsle

R. L. Wambold

D. R. Graber

D. J. Murphy, Jr.

U. R. Schmidt

T. A. Wicks

## Domicile

Oregon

## Founded

1949

## Employees

29,000

## Stockholders

848

# Precision Castparts Corp.

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	5+	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

<b>Fair Value Calculation</b>	<b>\$280.10</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that PCP is Undervalued by \$49.90 or 21.7%.
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<b>Investability Quotient Percentile</b>	<b>98</b>
	LOWEST = 1 HIGHEST = 100
	PCP scored higher than 98% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	<b>LOW</b>	AVERAGE	HIGH
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<b>Technical Evaluation</b>	<b>BULLISH</b>	Since November, 2014, the technical indicators for PCP have been BULLISH.
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<b>Insider Activity</b>	<b>UNFAVORABLE</b>	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.standardandpoors.com/stockreportguide](http://www.standardandpoors.com/stockreportguide)

## Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	3.51	4.72	3.82	3.81
Price/EBITDA	11.38	16.55	13.88	14.23
Price/Pretax Income	12.97	18.55	15.10	15.70
P/E Ratio	19.17	27.59	22.41	23.46
Avg. Diluted Shares Outstg (M)	146.6	146.7	145.6	143.9

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	14.78	15.68	9.36	11.34
Net Income	22.91	19.91	12.59	20.90

## Ratio Analysis (Annual Avg.)

Net Margin (%)	18.30	17.48	17.11	15.13
% LT Debt to Capitalization	23.82	17.57	11.91	11.45
Return on Equity (%)	16.63	16.09	NA	NA

## Company Financials Fiscal Year Ended Mar. 31

Per Share Data (\$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	9.11	5.79	24.91	26.56	18.13	16.42	12.28	5.37	3.56	1.51
Cash Flow	14.00	11.23	9.62	8.16	7.60	8.37	7.81	5.27	3.30	2.53
Earnings	12.01	9.76	8.45	7.01	6.50	7.38	6.89	4.45	2.57	1.80
S&P Capital IQ Core Earnings	NA	9.80	8.21	6.96	6.49	6.95	6.87	4.47	2.51	1.79
Dividends	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.06	0.06
Payout Ratio	1%	1%	1%	1%	2%	2%	2%	2%	2%	3%
Calendar Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Prices:High	271.99	189.58	178.98	145.40	115.60	142.94	160.73	80.90	53.91	34.19
Prices:Low	180.06	150.53	136.00	100.99	47.71	47.08	77.51	48.80	31.15	20.68
P/E Ratio:High	23	19	21	22	18	19	23	18	21	19
P/E Ratio:Low	15	15	16	16	7	6	11	11	12	11

## Income Statement Analysis (Million \$)

Revenue	9,616	8,378	7,215	6,220	5,487	6,828	6,852	5,361	3,546	2,919
Operating Income	2,965	2,387	1,987	1,666	1,576	1,739	1,639	1,086	656	517
Depreciation	293	215	170	164	155	139	128	113	99.2	97.0
Interest Expense	76.0	38.1	12.8	13.5	16.2	18.1	81.0	52.2	41.4	56.6
Pretax Income	2,602	2,130	1,827	1,510	1,411	1,578	1,463	918	513	360
Effective Tax Rate	32.1%	32.7%	32.5%	33.1%	34.4%	34.2%	33.9%	33.2%	31.6%	33.7%
Net Income	1,760	1,432	1,231	1,011	924	1,038	966	615	349	240
S&P Capital IQ Core Earnings	NA	1,438	1,196	1,003	924	978	963	618	341	237

## Balance Sheet & Other Financial Data (Million \$)

Cash	361	280	699	1,159	112	554	221	150	59.9	154
Current Assets	5,507	5,080	3,786	3,651	2,522	2,785	2,372	2,037	1,234	1,213
Total Assets	18,586	16,896	10,559	8,956	7,661	6,721	6,050	5,259	3,751	3,625
Current Liabilities	1,608	1,712	1,071	942	894	1,061	1,205	1,658	768	780
Long Term Debt	3,569	3,603	208	222	235	251	335	319	600	799
Common Equity	11,386	9,783	8,361	7,162	5,889	4,860	4,045	2,836	2,244	1,780
Total Capital	14,984	13,612	8,573	7,404	6,142	5,222	4,400	3,182	2,844	2,579
Capital Expenditures	355	321	192	120	170	205	226	222	99.2	61.7
Cash Flow	2,053	1,647	1,400	1,175	1,080	1,177	1,094	727	448	337
Current Ratio	3.4	3.0	3.5	3.9	2.8	2.6	2.0	1.2	1.6	1.6
% Long Term Debt of Capitalization	23.8	26.5	2.4	3.0	Nil	4.8	7.6	10.0	21.1	31.0
% Net Income of Revenue	18.3	17.1	17.1	16.3	16.9	15.2	14.1	11.5	9.8	8.2
% Return on Assets	9.9	10.4	12.6	NA	NA	16.3	17.1	13.6	9.5	6.5
% Return on Equity	16.6	15.8	15.9	NA	NA	23.3	28.1	24.7	17.0	13.7

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Precision Castparts Corp.



## Sub-Industry Outlook

We are positive on commercial aerospace and neutral on defense for the next 12 months. We are positive on the combined group as a single ranking must be given to both industries. We continue to see improving commercial air traffic, driven by recovering global economic trends, as driving strong commercial aerospace results.

Trade association IATA estimates global passenger air traffic grew 5.3% for 2012 and 5.2% for 2013 and sees growth of 5.8% in 2014. We see continued solid demand for new commercial jets, fueled by growth in the developing markets and a need to replace aging, less fuel-efficient aircraft in developed markets. We see commercial aerospace shares selling at reasonable valuations.

IATA estimates global airlines earned \$6.1 billion net profit in 2012 and \$12.9 billion for 2013 and sees growth to \$18.7 billion in 2014. Combined Boeing and Airbus orders and deliveries set new records in 2013 and backlogs continue to grow, now containing some eight years of production. Both companies have announced continued production increases over the next several years and new model introduction. In 2014, we expect the growth trend in the high-end of the business jet market to continue, and see a turnaround in the lagging middle and lower ends of the market commencing, stimulated by the improving economy and new product introductions. We see commercial aftermarket growth continuing to improve over the next couple of quarters.

Conventional military equipment is aging, and we see need for replacement/repair as troops withdraw from Afghanistan. While large sums of money from both base and supplementary defense budgets are still benefiting contractors, shrinking war time funding and rising U.S. fiscal belt-tightening is

pressuring defense spending. The recently forged bipartisan congressional budget agreement offsets some \$22 billion of the \$52 billion of mandated FY 14 defense sequestration cuts, as well as \$9 billion of FY 15 cuts, resulting in base defense budget spending levels around flat with FY 13 for the next several years. FY 14 procurement and R&D accounts are set to fall some \$14 billion from FY 13 levels. While the FY 15 Dept. of Defense budget submission incorporating sequestration cuts should improve overall contractor visibility and could spark a return of M&A activity, it also means specific program cuts will need to be digested.

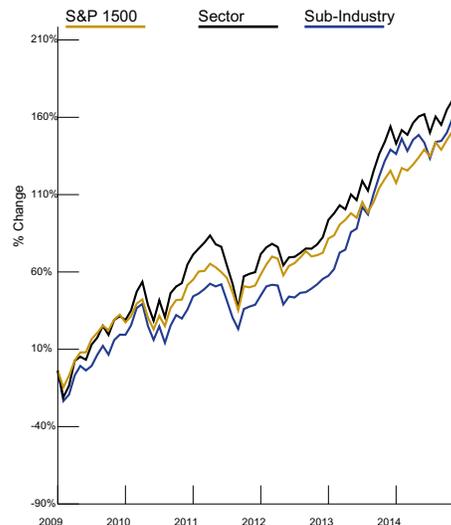
Year to date through September 12, the S&P Aerospace & Defense Index rose 2.7%, vs. a 2.3% rise for the S&P Industrials Index and a 7.0% rise for the S&P 1500 Composite Index. The sub-industry index rose 52.5% in 2013, vs. 38.4% for Industrials and 30.1% for the S&P 1500.

--Jim Corridore

## Industry Performance

**GICS Sector: Industrials**  
**Sub-Industry: Aerospace & Defense**

Based on S&P 1500 Indexes  
Five-Year market price performance through Dec 13, 2014



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

## Sub-Industry : Aerospace & Defense Peer Group\*: Aerospace/Defense - Parts

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Precision Castparts</b>	<b>PCP</b>	<b>32,811</b>	<b>230.20</b>	<b>275.09/215.09</b>	<b>0.96</b>	<b>0.1</b>	<b>18</b>	<b>280.10</b>	<b>B</b>	<b>98</b>	<b>18.3</b>	<b>23.8</b>
HEICO Corp	HEI	1,405	52.46	65.04/46.03	0.78	0.2	30	49.20	A	94	10.2	32.3
HEICO Corp 'A'	HEI.A	1,712	43.22	48.90/37.11	0.82	0.3	28	NA	A	94	8.1	12.6
Hexcel Corp	HXL	3,792	39.75	46.46/36.85	1.07	Nil	19	47.00	B	91	11.2	20.1
SIFCO Indus	SIF	159	29.43	37.00/24.35	0.95	0.7	32	NA	B	84	4.7	9.7
Triumph Group	TGI	3,339	64.03	79.90/59.53	1.16	0.2	12	86.10	B	41	5.5	39.1

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**Precision Castparts Corp.****S&P Capital IQ Analyst Research Notes and other Company News****October 27, 2014**

01:56 pm ET ... S&P CAPITAL IQ UPS VIEW ON SHARES OF PRECISION CASTPARTS TO STRONG BUY FROM BUY (PCP 224.65\*\*\*\*): We keep our FY 15 (Mar.) EPS estimate at \$14.00 and trim our FY 16 estimate to \$16.05 from \$16.11. We keep our 12-month target price at \$320, 19.9X our '15 estimate, below the company's 5 year average of about 21X. With the shares off about 18% from their 52-week high and trading at about 14X our '15 estimate, we find the valuation attractive. We expect PCP to continue to see long term demand for airframe, forged and cast products related to strong aerospace demand and a recovery in industrial demand. PCP fiscal Q2 EPS of \$3.24 vs. \$2.90 missed our \$3.43 estimate. /J. Corridore

**July 24, 2014**

10:13 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 239.68\*\*\*\*): We cut our FY 15 (Mar.) estimate by \$0.15 to \$14.00, but lift our FY 16 estimate by \$0.11 to \$16.11. We keep our 12-month target price at \$320, about 20X our FY 16 estimate in line with PCP's long term average P/E. PCP fiscal Q1 EPS of \$3.32 vs. \$2.88 misses our \$3.37 estimate. Revenues were a bit lighter than expected, on slow sales of products for use in turbines and military equipment, offset by strength in aerospace. We expect aerospace growth to continue to drive revenue and profit growth at PCP and expect improving turbine growth as we move through FY 15. /J. Corridore

**May 15, 2014**

07:11 am ET ... PRECISION CASTPARTS CORP. (PCP 248.93) UNCHANGED, BANK OF AMERICA MAINTAINS BUY ON PRECISION CASTPARTS CORPORATION, RAISES PO TO \$... Bank of America maintains Precision Castparts Corporation (NYSE:PCP) with a Buy and raises the price target from \$280.00 to \$300.00. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved.Acquire Media

**May 15, 2014**

10:35 am ET ... PRECISION CASTPARTS CORP. (PCP 245.46) DOWN 3.47, UPDATE: BANK OF AMERICA REITERATES ON PRECISION CASTPARTS ON UNCHANGED EPS ESTIM... In a report published Thursday, Bank of America analyst RonaldJ. Epstein reiterated a Buy rating on Precision Castparts (NYSE: PCP), and raised the price target from \$280.00 to \$300.00. In the report, Bank of America noted, "We continue to forecast revenue to grow at 10% CAGR and EPS to grow at 14% CAGR (FY14A-FY19E). Our estimates factor in operating margin expansion to 31.2% by FY19E from 27.8% in FY14A and a 3% CAGR decline in diluted share count. As we do not incorporate earnings growth from future possible acquisitions, from FY15-FY18 we are modeling ag...Acquire Media

**May 8, 2014**

08:52 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 255.0\*\*\*\*): We keep our FY 15 (Mar.) and FY 16 EPS estimates at \$14.15 and \$16.00. We raise our 12-month target price to \$320 from \$286, pushing our valuation out a year to base it on FY 16 and valuing the stock at 20X FY 16 EPS. This is toward the higher end of PCP's ten-year historic range and a premium to peers, warranted by our positive view of commercial aerospace and PCP's ability to gain margin leverage on incremental revenues. We think the integration of TIMET is on track and see commercial aerospace growth and oil and gas improvement as likely to benefit EPS growth. /J. Corridore

**May 8, 2014**

08:52 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 255.0\*\*\*\*): We keep our FY 15 (Mar.) and FY 16 EPS estimates at \$14.15 and \$16.00. We raise our 12-month target price to \$320 from \$286, pushing our valuation out a year to base it on FY 16 and valuing the stock at 20X FY 16 EPS. This is toward the higher end of PCP's ten-year historic range and a premium to peers, warranted by our positive view of commercial aerospace and PCP's ability to gain margin leverage on incremental revenues. We think the integration of TIMET is on track and see commercial aerospace growth and oil and gas improvement as likely to benefit EPS growth. /J. Corridore

**January 23, 2014**

01:11 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 259.83\*\*\*\*): We keep our \$286 target price. While the FY 15 production ramp remains intact, we are making more conservative assumptions. We lower our FY14 (Mar) EPS estimate \$0.21 to \$12.28 and FY 15's

by \$0.15 to \$14.15. The TIMET integration is progressing ahead of plan and PCP upped its 24-36 month synergy goal to \$150M-\$200M from \$80M-\$100M. We are confident in its ability to attain its FY 16 EPS goal of \$15.50-\$16.50. Dec-Q EPS of \$2.95, vs. \$2.31, were \$0.10 below our estimate, primarily due to late in the quarter customer schedule shifts that have mostly been already made up. /Eric Hugel

**October 24, 2013**

UP 0.00 to 246.16... PCP posts \$2.90 vs. \$2.27 Q2 EPS from cont. ops on 23% sales rise. Capital IQ consensus forecast was \$2.83.

**October 24, 2013**

03:14 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 255.94\*\*\*\*): We raise our target price by \$24 to \$286 based on our outlook, historical valuation analysis and rising market multiples. We lift our FY 14 (Mar) EPS estimate \$0.08 to \$12.28 and FY 15's by \$0.15 to \$14.30. Sep-Q EPS results of \$2.90, vs. \$2.27, beat our \$2.82 estimate. Both sales and operating margins grew nicely in the quarter from last year, exceeding our expectations. The TIMET integration seems to be progressing well, and we believe will drive incremental upside going forward. We remain confident in PCP's ability to achieve its FY 16 EPS goal of \$15.50-\$16.50. /Eric Hugel

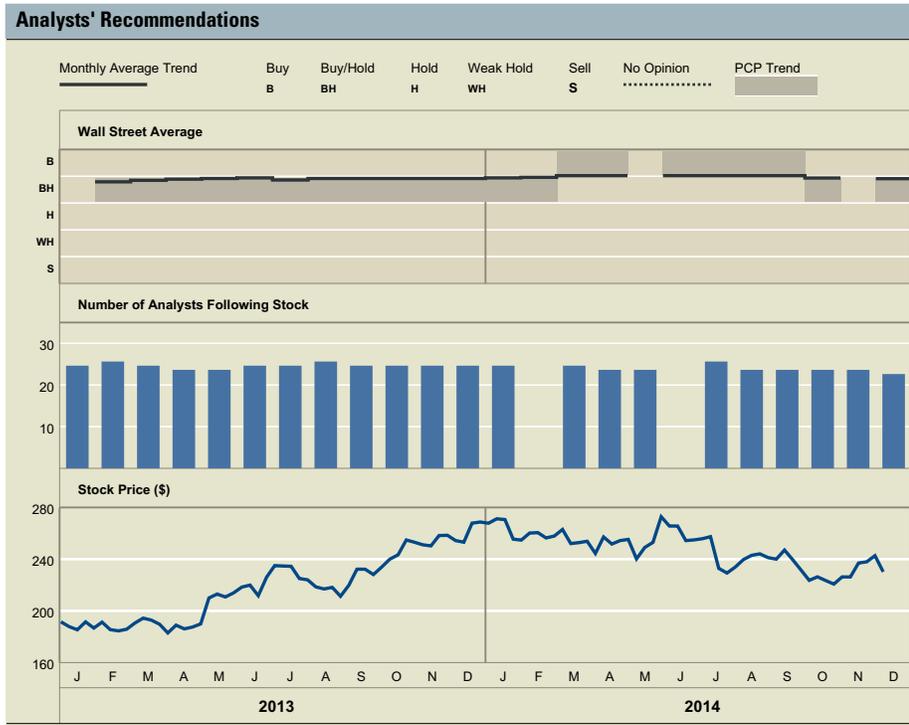
**August 15, 2013**

10:03 am ET ... S&P REITERATES BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 218.01\*\*\*\*): We keep our \$262 target price and our FY 14 (Mar) EPS estimate of \$12.20 and FY 15 forecast of \$14.15. We view PCP's \$750M share buyback program expansion, in addition to the remaining \$400M, as shareholder friendly. We view PCP as attractive at current levels. While near-term organic sales growth will likely remain challenged, we think that the on-going TIMET integration, management's perpetual cost control focus, proven ability to take market share and a track record of highly shareholder friendly deployment of PCP's strong free cash flow will drive EPS upside going forward. /Eric Hugel

**July 25, 2013**

04:14 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF PRECISION CASTPARTS (PCP 230.76\*\*\*\*): We lift our target price by \$22, to \$262, on our outlook, historical valuation analysis and rising market multiples. We cut our FY 14 (Mar.) EPS estimate \$0.05 to \$12.20 and keep FY 15's at \$14.15. Jun-Q EPS of \$2.88, vs. \$2.35, was above our \$2.87 estimate but below the \$2.90 Capital IQ consensus. Sales of \$2.37B rose 20% vs. last year but were down 1% organically after a 3% impact from lower metal pricing. The TIMET integration is moving ahead and we believe will drive incremental upside going forward. Management remained confident in its FY 16 EPS guidance of \$15.50-\$16.50. /Eric Hugel

# Precision Castparts Corp.



### Wall Street Consensus Opinion

**BUY/HOLD**

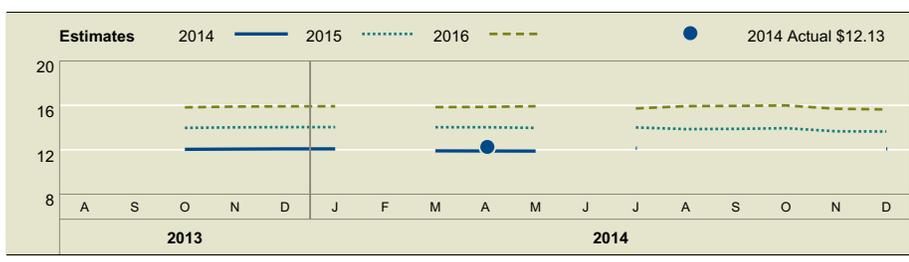
### Companies Offering Coverage

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- BofA Merrill Lynch
- Buckingham Research Group Inc.
- CRT Capital Group LLC
- Canaccord Genuity
- Citigroup Inc
- Cleveland Research Company
- Cowen and Company, LLC
- Credit Suisse
- D.A. Davidson & Co.
- Deutsche Bank
- Goldman Sachs
- JP Morgan
- Jefferies LLC
- KeyBanc Capital Markets Inc.
- Morningstar Inc.
- RBC Capital Markets
- Sterne Agee & Leach Inc.
- Stifel, Nicolaus & Co., Inc.
- Topeka Capital Markets Inc.
- UBS Investment Bank
- Wells Fargo Securities, LLC

Of the total 22 companies following PCP, 22 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	13	59	14	15
Buy/Hold	5	23	5	5
Hold	4	18	4	3
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>22</b>	<b>100</b>	<b>23</b>	<b>23</b>

### Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	15.71	16.16	15.04	22	14.7
2015	13.70	14.00	13.50	22	16.8
<b>2016 vs. 2015</b>	<b>▲ 15%</b>	<b>▲ 15%</b>	<b>▲ 11%</b>	<b>0%</b>	<b>▼ -13%</b>
Q3'16	3.93	4.02	3.84	5	58.6
Q3'15	3.42	3.54	3.30	21	67.3
<b>Q3'16 vs. Q3'15</b>	<b>▲ 15%</b>	<b>▲ 14%</b>	<b>▲ 16%</b>	<b>▼ -76%</b>	<b>▼ -13%</b>

### Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that PCP will earn US\$ 13.70. For the 2nd quarter of fiscal year 2015, PCP announced earnings per share of US\$ 3.23, representing 24% of the total annual estimate. For fiscal year 2016, analysts estimate that PCP's earnings per share will grow by 15% to US\$ 15.71.

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

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## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

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### Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★★☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of September 30, 2014

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Buy	37.0%	25.7%	32.9%	34.7%
Hold	51.8%	57.3%	45.3%	52.1%
Sell	11.2%	17.0%	21.8%	13.2%
Total	100%	100%	100%	100%

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