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Special Situations Service

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*Each review in the Company Updates section is a follow-up to an original recommendation and is not necessarily sufficient by itself to form the basis for an investment decision. A subscriber interested in purchasing any of the securities currently rated "Hold, Buy" or "Especially Recommended," who does not have available Value Line's original recommendation of the security, should feel free to request from us a copy of the original recommendation so that he or she will have more information on which to base a decision.

Value Line®

The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings
18.5

The Median of Estimated **DIVIDEND YIELDS** (next 12 months) of all dividend paying stocks
1.8%

The Median Estimated **THREE-TO-FIVE YEAR PRICE APPRECIATION POTENTIAL** of all 1700 stocks in the VL Universe
35%

Top Ten Performers Since Last Issue

COMPANY	TICKER	BUY PRICE	CURRENT PRICE	% GAIN 30-DAY
Big 5 Sporting Goods	BGFV	25.41	27.85	21.1%
Repligen	RGEN	91.00	295.03	17.7%
Perficient	PRFT	45.10	118.51	17.7%
BellRing Brands	BRBR	29.51	33.18	12.4%
Fabrinet	FN	64.33	103.49	10.8%
ChannelAdvisor Corp.	ECOM	23.16	26.82	9.7%
TravelCenters of Amer.	TA	21.40	42.02	9.1%
Medpace Hldgs	MEDP	30.83	191.71	7.8%
OptimizeRx Corp.	OPRX	49.35	68.85	6.7%
Vectrus	VEC	43.65	48.28	5.2%

Portfolio Updates

The Russell 2000 Index has traded just about flat since our August review, but it has been an eventful ride. The Russell was melting up just before Labor Day on low volume. However, the index sold off from that point. Volatility, as measured by RVX, has also perked up and is now in the high 20s. We believe this is an important item to watch for subscribers. General rule of thumb is that anything over 30 usually brings a lot of pain. Economic data has been mixed of late, as supply-chain constraints weigh on the global economy. PMIs in Europe and the United States have decelerated and China's data hasn't looked great. What's more, some countries continue to implement strict measures to clamp down on COVID-19 variants. On the political front, debt ceiling drama and a $3.5 trillion Democratic bill in Congress could create some headline risks. Meanwhile, commodity prices continue to inflate. Natural gas, uranium, cocoa, and

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Value Line

The Special Situations Service

Stocks currently being followed by The Special Situations Service. Prices quoted are those at the close of the market, September 10th, 2021.

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AGGRESSIVE STOCK PORTFOLIO

Stocks with above-average growth potential

Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Target Price	Estimated Yield Next 12 Months	Originally Recommended Price	Originally Recommended Date	% Gain	Suggested Stop/Loss
Sept-21	8x8, Inc.	EGHT	Sell*	23.88	42	Nil	14.74	Jun-20	62.0	25
Sept-21	AdaptHealth	AHCO	Esp. Rec.	23.78	60	Nil	27.21	Jun-21	-12.6	20
Aug-21	BellRing Brands	BRBR	Esp. Rec.	33.18	60	Nil	29.51	Aug-21	12.4	23
June-21	Blackbaud	BLKB	Buy	67.11	115	Nil	57.53	Jul-20	16.7	55
June-21	BrightView Holdings	BV	Esp. Rec.	15.68	28	Nil	13.20	Oct-20	18.8	14
July-21	Construction Partners	ROAD	Esp. Rec.	33.60	62	Nil	28.71	Mar-21	17.0	24
Sept-21	eHealth	EHTH	Sell*	37.70	110	Nil	57.36	Jul-21	-34.3	42
Aug-21	Health Catalyst	HCAT	Esp. Rec.	55.96	98	Nil	51.88	Feb-21	7.9	39
July-21	LGI Homes	LGIH	Buy	153.05	230	Nil	62.28	Jun-18	145.7	125
Sept-21	Medpace Hldgs.	MEDP	Hold	191.71	210	Nil	30.83	Aug-17	521.8	145
Aug-21	OptimizeRx Corp.	OPRX	Esp. Rec.	68.85	110	Nil	49.35	Apr-21	39.5	50
Sept-21	Repligen	RGEN	Hold	295.03	340	Nil	91.00	Mar-20	224.2	250
Sept-21	Ruth's Hospitality	RUTH	Esp. Rec.*	19.84	39	Nil	16.28	Dec-20	21.9	16.5
Aug-21	TravelCenters of Amer.	TA	Esp. Rec.	42.02	65	Nil	21.40	Sep-20	96.4	31
Aug-21	Upwork	UPWK	Esp. Rec.	45.17	105	Nil	13.91	May-20	224.7	40
Aug-21	Vuzix Corp.	VUZI	Esp. Rec.	11.77	34	Nil	15.66	May-21	-24.8	11
July-21	XBiotech	XBIT	Esp. Rec.	15.70	34	Nil	15.04	Aug-20	4.4	14

CONSERVATIVE STOCK PORTFOLIO

Stocks for investors seeking growth and/or income

Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Target Price	Estimated Yield Next 12 Months	Originally Recommended Price	Originally Recommended Date	% Gain	Suggested Stop/Loss
Aug-21	Acushnet Holdings	GOLF	Hold	50.77	70	1.3%	28.12	May-20	80.5	40
Sept-21	American Equity Invst.	AEL	Esp. Rec.	29.94	52	1.1%	31.21	Apr-21	-4.1	23
Sept-21	Big 5 Sporting Goods	BGFV	Esp. Rec.	27.85	45	3.6%	25.41	Jun-21	9.6	18
Sept-21	ChannelAdvisor Corp.	ECOM	Esp. Rec.	26.82	45	Nil	23.16	May-21	15.8	20
Sept-21	Cogent Commun.	CCOI	Buy	71.95	110	4.5%	63.94	Sep-20	12.5	55
June-21	CSW Industrials	CSWI	Buy	129.50	185	0.5%	55.42	Mar-19	133.7	105
May-21	Ennis	EBF	Buy	18.73	30	5.3%	20.55	Aug-18	-8.9	18
July-21	Euronet Worldwide	EEFT	Buy	128.43	220	Nil	55.19	Nov-14	132.7	115
July-21	ExlService Holdings	EXLS	Hold	121.88	145	Nil	53.00	Jun-17	130.0	90
Aug-21	Exponent	EXPO	Hold	114.72	135	0.7%	57.80	Jun-19	98.5	90
Sept-21	Fabrinet	FN	Hold*	103.49	140	Nil	64.33	Jul-20	60.9	80
Aug-21	Inovalon Holdings	INOV	Esp. Rec.	40.45	60	Nil	26.92	Feb-21	50.3	30
Sept-21	Installed Bldg. Prod.	IBP	Esp. Rec.	121.78	190	1.0%	106.59	Jan-21	14.3	88
Aug-21	Landstar System	LSTR	Hold	161.60	210	0.6%	67.07	Sep-16	140.9	130
July-21	Limoneira Comp.	LMNR	Esp. Rec.	15.60	31	2.1%	15.45	Dec-20	1.0	14
July-21	Patrick Industries	PATK	Buy	79.30	130	1.4%	54.73	Nov-20	44.9	68
Sept-21	Perficient	PRFT	Sell*	118.51	135	Nil	45.10	Oct-20	162.8	100
Aug-21	PGT Innovations	PGTI	Esp. Rec.	20.42	50	Nil	22.53	Aug-21	-9.4	16
July-21	SP Plus	SP	Esp. Rec.	31.20	65	Nil	29.80	Jul-21	4.7	22
June-21	Vectrus	VEC	Esp. Rec.	48.28	90	Nil	43.65	Apr-20	10.6	40
July-21	WNS Holdings	WNS	Buy	81.13	115	Nil	52.52	Jun-20	54.5	60

(cont. from page 1)

crude oil all continue to move higher. The CRB Index is up just over 45% year over year. The August CPI print came in slightly lower than expected, but didn't really suggest inflation was transitory, in our view. Over a two-year basis, August CPI accelerated versus the 2019 figure. Owner's equivalent rent, which is about a third of the CPI, is also set to rise with a rent moratorium ending and the housing market strong. All told, at the present moment, the investment environment looks to be more stagflationary. Small caps traditionally do not perform well in such a climate, as investors turn to large-cap higher-quality names and sell less liquid securities. Energy, industrials, and technology sectors should do well in this type of environment. According to CFTC weekly data, the Russell 2000 remains the most shorted index in the United States. That said, there are still data points that give us optimism. Retail inventories are at all-time lows, employment ought to pick up once the stimulus checks run out, capital spending is set to recover, the Fed will remain accommodative, and more federal spending (infrastructure) is expected. Ultimately, it may be a bumpy ride for the small-cap space for the rest of the year and subscribers may not want to have too much exposure. For subscribers that are worried about volatility and potential losses, we think some may want to trim some of their winners/losers or hedge exposure by buying ETFs that short the Russell 2000. Our suggested stop-loss targets also offer a degree of risk management.

8x8 has been sold. The equity has dropped below our suggested stop-loss target. The unified communications-as-a-service provider posted better-than-expected results and raised annual sales guidance. However, the stock has stubbornly remained below our suggested stop-loss target of $25 a share. We still like the turnaround story here. The new CEO also recently purchased $1 million worth of shares. From a valuation perspective, 8x8 is trading at a wide discount from its top peer RingCentral. 8x8 is trading at roughly five times 2022 consensus sales estimates versus about 13 times for RingCentral. Both companies have seen their shares drop, as the investment community likely appears to be expecting a return to the office for the labor force. We have decided to lock in our gains. **Sell**.

We are selling our stake in **eHealth,** as the stock is now trading below our suggested stop-loss target**.** The equity has just continued to drop and remains a show-me story. While this was one of our most recent picks, we warned subscribers last month to keep this one on a tight leash, given the company-specific factors and the underlying market fundamentals. The equity sold off following its June-period earnings report, despite posting results ahead of Wall Street expectations. The company guided lowered sales for its Medicare business. Despite the short time in our portfolio, we view it is just best to cut our losses. **Sell**.

We are lowering our recommendation to a Hold for **Fabrinet.** We did bump up our long-term price target slightly to $140 a share, based on 20 times our new 3- to 5-year bottom-line target of $7.00 a share. The company posted solid fiscal fourth-quarter results that eclipsed both our revenue and earnings estimates. The auto and telecom sectors drove a majority of the roughly 25% year-over-year top-line gain. Supply-chain constraints hurt business to an extent, but margins were better than expected, thanks to improved operating leverage. Fiscal first-quarter guidance also came in 6% higher than the consensus figure. As a reminder, this

RANK CHANGES

Company	Ticker	Prev. Rank	Curr. Rank
8x8, Inc.	EGHT	*Buy*	*Sell*
eHealth	EHTH	*Buy*	*Sell*
Fabrinet	FN	*Buy*	*Hold*
Perficient	PRFT	*Hold*	*Sell*
Ruth's Hospitality	RUTH	*Buy*	*Esp. Rec.*

RECENT DIVIDENDS

Company	Amount Per Sh.	Record Date	Payable Date
Acushnet Holdings	$0.170	9/3/2021	9/17/2021
Exponent	$0.200	9/10/2021	9/24/2021
Patrick Industries	$0.280	8/30/2021	9/13/2021

STOP/LOSS

Company	Ticker	Recent Price	Prev. Stop/ Loss	New Stop/ Loss
ChannelAdvisor Corp.	ECOM	26.82	18	20
Construction Partners	ROAD	33.60	22	24
Fabrinet	FN	103.49	70	80
Medpace Hldgs.	MEDP	191.71	130	145
OptimizeRx Corp.	OPRX	68.85	40	50
Perficient	PRFT	118.51	80	100
Repligen	RGEN	295.03	200	250
Ruth's Hospitality	RUTH	19.84	20	16.5
TravelCenters of Amer.	TA	42.02	28	31

guidance is inclusive of continued supply-chain constraints. We still like its position serving niche markets within the specialty contract manufacturing space. Fabrinet also holds over $500 million in cash. We upped our suggested stop-loss target from $70 to $80 a share. **Hold**.

Medpace continues to operate in a favorable environment. New awards rose over 50% from the previous year, as COVID-19 restrictions ease and customers get back to business. What's more, COVID-19 work represented only 2% of new orders, which suggest the biotech space is back to spending on other items, like clinical trials and drug studies. The company is likely to see cost pressures in the second half of the year, as it ramps up hiring and capacity. Revenues should rise close to 20% this year and next, however. With COVID-19 restrictions easing and more patients willing to enroll in clinical trials and make site visits, the pipeline of work ought to be robust. Medpace generates some of the highest margins in the business and retains a debt-free balance sheet. That said, we don't think any new positions should be initiated. We continue to hold the stock, as we like the fundamentals and its factor exposure (Healthcare and Mid-cap) over the near term. **Hold.**

Perficient shares rose another 18% since our August review and are up just over 40% over the last 60 days. The digital consultant recently reported another solid quarterly showing, beating revenue and EBITDA expectations. The company also upped its organic sales growth guidance to the mid-teens, which had been in the mid-to-high-single-digit range. In late August, it announced a small deal for a software development and commerce solutions provider in Latin America, which should add about $10 million in annual sales. The company has another acquisition in the pipeline, as well. We had recently updated our Price Target to $135 over the 3- to 5-year investment horizon, on relatively aggressively assumptions. Consequently, we don't believe the risk-reward profile is favorable over the long haul. This stock could certainly continue to build momentum, given the perception of the relatively safety of its revenue stream and M&A potential. The equity has rallied nicely on strong volumes. While we recommend selling, we think investors should be mindful of when they purchased this stock. For those that invested last October, it is probably worthwhile to hold on for at least another month or so to reduce the taxes paid. **Sell.**

Repligen shares remain on a tear after a strong second quarter and optimism that COVID-19 work will persist longer than previously expected. COVID-19 revenues are expected to represent just under 30% at the midpoint of its total sales guidance of $635 million. This figure represents just over a 70% gain from the previous year. With the expectation of booster shots being administered, the COVID-19 growth runway may now extend into 2023. In addition, the company's nonCOVID-19 businesses have also seen an acceleration in growth, despite the pandemic. June-period organic sales rose nearly 35% year over year, which was ahead of expectations. The bioprocessing industry remains a hot area at the moment. The company continues to ramp up capacity, which should weigh on second-half margins, but EBIT profitability should still rise 300-400 basis points to around 30% from the previous year. We just upped our 3- to 5-year price target to $345 a share, based on 65 times our new adjusted share-net target of $5.25. We feel more comfortable with the Repligen's nonCOVID-19 businesses, given the acceleration in growth. We don't see anything wrong with taking some money off the table, however. **Hold**

The story remains largely positive for **Ruth's Hospitality**, despite some near-term concerns. The company beat our top- and bottom-line estimates in the June period and management guided stronger long-term margin improvement. Better-than-expected same-store sales helped drive the share-net outperformance. The company now expects to see labor cost savings of between 250-300 basis points versus its previous call of 100-150 basis points. Still, there are some near-term headwinds in this business. The COVID-19 delta variant may delay the return to the office or business travel. Foot traffic continues to be softer in areas like New York City and Boston. In addition, cost inflation for beef and labor are likely to crimp margins in the back half of the year. Meanwhile, we would expect to see some buyback activity and the resumption of the dividend over the next 12 months. We increased our 3- to 5-year price target to $39 a share, based on 17 times our new earnings estimate of $2.25 a share. We assume mid-teens annual bottom-line growth over the next several years. Ultimately, we believe Ruth's Hospitality is well positioned to benefit from the closure of small mom-and-pop competitors, as well as other restaurant chains, and an eventual return to normal. Thus, we lowered our suggested stop-loss target to $16.50 a share. We upgraded our recommendation to Especially Recommended from Buy, based on strong upside we foresee over the 3- to 5-year investment horizon. **Especially Recommended.** V

FOR AGGRESSIVE INVESTORS

Schrodinger, Inc.

RECENT PRICE: **$60.97***
TRADED: **NDQ-SDGR**
CURRENT DIVIDEND YIELD: **Nil**
*as of close 9/15/21

2024-26 PROJECTED VALUATION

REVENUES: **$450 million**
EARNINGS PER SHARE: **$2.50**
THREE-TO FIVE-YEAR PRICE TARGET: **$140**
COMPANY WEBSITE: **www.schrodinger.com**

Business Overview

This week we are adding Schrodinger, Inc. to the Aggressive portfolio. The company provides physics-based software platform that enables discovery of novel molecules for drug development and materials applications. The company operates through two business segments, Software and Drug Discovery. The first (Software) is focused on selling its software for drug discovery in the life sciences industry, as well as to customers in materials science industries. It is the main line of business at this time, accounting for approximately 80% of overall revenues as of last count. The Drug Discovery segment focuses on building a portfolio of preclinical and clinical programs, internally and through collaborations. Despite the current business mix, Drug Discovery has been becoming a slightly bigger focus throughout the years.

The company has been attempting to change the way drugs are discovered. Its physics-based approach and differentiated software solutions are aimed at enabling the discovery of novel molecules for drug development and material applications more rapidly, at lower cost, and what management believes a higher likelihood of success versus traditional methods. It licenses its software biopharmaceutical and industrial companies, government laboratories, and academic institutions across the globe. Schrodinger is a leader in the field of physics-based computational drug discovery, and should remain so, in our opinion, thanks to ongoing investment into the business, as well as strong barriers to entry for newcomers. It has years of experience that cannot be easily or quickly duplicated. Its unique business model also adds some takeover appeal, in our opinion.

Schrodinger also looking to leverage its proprietary software and capabilities across a diverse portfolio of drug discovery programs. However, it is not going at it alone in many cases. On point, the company has strategic collaborations with Thermo Fisher Scientific to extend the use of cryo-EM in connection within silico compound screening to accelerate drug discovery; and Bristol Myers Squibb Company to discover, develop, and commercialize therapeutics in multiple disease areas to name a few. Recently, Schrödinger expanded its collaboration with Google Cloud to further increase the speed and capacity of its physics-based computational platform for drug discovery and materials science. More recently, in August, it was at it again, inking a collaboration deal with Zai Lab Limited focused on a novel DNA response program in oncology. At the start of this year, Schrodinger was collaborating on more than 25 drug discovery programs. These partnerships help to reduce the costs of doing business as well as the overall risks associated with drug discovery. Too, such relationships generate revenue, in the form of upfront, royalty, and milestone payments.

Customers

Traditionally, the process of bringing a drug to the market is long, tedious, and capital-intensive. Failure rates have been fairly high, too. Thus, Schrodinger's offerings are likely to be welcomed by many in a multitude of niches within the healthcare space. In this vein, the company's client list is diverse, choc-filled with names of most of the biggest players as well as those just getting started. The 10 largest customers accounted for 29% of the top line at the beginning of this year, but not a single one represented more than 5% of revenues. In 2020, all of the top-20 pharmaceutical companies licensed Schrodinger's solutions, and they have been clients for an average of over 15 years. All told, the total number of customers stood at 1,463, up 16% from the year-earlier tally. Meantime, management said that it making continuous in roads with biopharmaceuticals, especially on a larger scale.

Shareholders

While there has been some concern regarding the sale of stock by a major shareholder, investor powerhouse and first

(cont. on page 7)

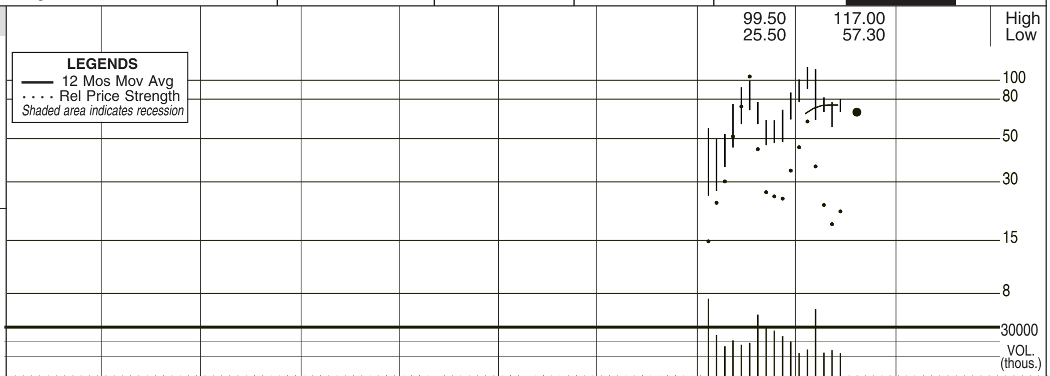
SCHRODINGER, INC. NYSE--SDGR

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
68.56	NMF	NMF	Nil	VALUE LINE

RANKS

PERFORMANCE	—	Short History
Technical	—	Short History
SAFETY	—	Short History
BETA NMF		(1.00 = Market)

Financial Strength	NMF
Price Stability	NMF
Price Growth Persistence	NMF
Earnings Predictability	NMF



© VALUE LINE PUBLISHING LLC	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/2023
REVENUES PER SH	--	--	--	--	--	--	--	1.55	--	
"CASH FLOW" PER SH	--	--	--	--	--	--	--	d.30	--	
EARNINGS PER SH	--	--	--	--	--	--	--	d.41	***d.83*** [A,B]	***d.80*** [C]***/NA***
DIV'DS DECL'D PER SH	--	--	--	--	--	--	--	--	--	
CAP'L SPENDING PER SH	--	--	--	--	--	--	--	.04	--	
BOOK VALUE PER SH	--	--	--	--	--	--	--	8.93	--	
COMMON SHS OUTST'G (MILL)	--	--	--	--	--	--	--	69.88	--	
AVG ANN'L P/E RATIO	--	--	--	--	--	--	--	--	***NMF***	***NMF/NA***
RELATIVE P/E RATIO	--	--	--	--	--	--	--	--	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	--	--	--	--	
REVENUES ($MILL)	--	--	--	--	--	--	85.5	108.1	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	--	--	--	--	--	--	NMF	NMF	--	
DEPRECIATION ($MILL)	--	--	--	--	--	--	3.6	3.7	--	
NET PROFIT ($MILL)	--	--	--	--	--	--	d24.6	d24.5	--	
INCOME TAX RATE	--	--	--	--	--	--	--	--	--	
NET PROFIT MARGIN	--	--	--	--	--	--	NMF	NMF	--	
WORKING CAP'L ($MILL)	--	--	--	--	--	--	73.5	609.8	--	
LONG-TERM DEBT ($MILL)	--	--	--	--	--	--	--	--	--	
SHR. EQUITY ($MILL)	--	--	--	--	--	--	98.2	624.0	--	
RETURN ON TOTAL CAP'L	--	--	--	--	--	--	NMF	NMF	--	
RETURN ON SHR. EQUITY	--	--	--	--	--	--	NMF	NMF	--	
RETAINED TO COM EQ	--	--	--	--	--	--	--	NMF	--	
ALL DIV'DS TO NET PROF	--	--	--	--	--	--	--	--	--	

[A]*No. of analysts changing earn. est. in last 19 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B]*Based upon 3 analysts' estimates.* [C]*Based upon 3 analysts' estimates.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	--	--
"Cash Flow"	--	--
Earnings	--	--
Dividends	--	--
Book Value	--	--

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/19	20.7	19.0	20.0	25.8	85.5
12/31/20	26.2	23.1	25.8	33.0	108.1
12/31/21	32.1				
12/31/22					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/18	--	--	--	--	--
12/31/19	--	--	--	--	--
12/31/20	d.34	d.05	.05	d.19	d.41
12/31/21	--	***d.32***	***d.23***	***d.20***	
12/31/22					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2018	--	--	--	--	--
2019	--	--	--	--	--
2020	--	--	--	--	--
2021	--	--			

INSTITUTIONAL DECISIONS

	3Q'20	4Q'20	1Q'21
to Buy	117	155	118
to Sell	55	57	98
Hld's(000)	28674	36845	35503

ASSETS ($mill.)	2019	2020	3/31/21
Cash Assets	86.3	643.2	648.5
Receivables	18.7	31.4	11.3
Inventory	.0	.0	.0
Other	13.5	8.4	15.4
Current Assets	118.5	683.0	675.2
Property, Plant & Equip, at cost	16.8	18.9	- -
Accum Depreciation	10.5	13.8	- -
Net Property	6.3	5.1	4.8
Other	30.5	58.2	64.2
Total Assets	155.3	746.3	744.2
LIABILITIES ($mill.)			
Accts Payable	3.5	8.4	7.2
Debt Due	.0	.0	.0
Other	41.5	64.8	60.4
Current Liab	45.0	73.2	67.6

LONG-TERM DEBT AND EQUITY as of 3/31/21

Total Debt None **Due in 5 Yrs.** None
LT Debt None
Including Cap. Leases None
Leases, Uncapitalized Annual rentals NA

Pension Liability None in '20 vs. None in '19

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 70,465,000 shares (100% of Cap'l)

INDUSTRY: IT Services

BUSINESS: Schrodinger, Inc. provides physics-based software platform that enables discovery of novel molecules for drug development and materials applications. The company's Software segment is focused on selling its software for drug discovery in the life sciences industry, as well as to customers in materials science industries. The Drug Discovery segment focuses on building a portfolio of preclinical and clinical programs, internally and through collaborations. Schrodinger has strategic collaborations with Thermo Fisher Scientific to extend the use of cryo-EM in connection within silico compound screening to accelerate drug discovery; and Bristol Myers Squibb Company to discover, develop, and commercialize therapeutics in multiple disease areas. Recently, Schrödinger expanded its collaboration with Google Cloud to further increase the speed and capacity of its physics-based computational platform for drug discovery and materials science. Has 445 employees. C.E.O. & President: Ramy Farid Address: 120 West 45th Street, 17th Floor, New York, NY 10036. Tel.: (212) 295-5800. Internet: www.schrodinger.com.

J.V.

July 30, 2021

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 6/30/2021

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-0.89%	-4.51%	-17.43%	--	--

(cont. from page 5)

investor David E Shaw, we think that this is largely reflected in the equity's current share price. Meantime, we like that Schrodinger is still a top holding in the Bill & Melinda Gates Foundation portfolio. The billionaire's involvement here helps support our optimism about Schrodinger's ability to streamline the discovery process, given their track record in the software space and recent involvement on the drug development front.

Balance Sheet

The balance sheet appears to be in relatively healthy standing. Cash on hand stood at nearly $120 million as of the end of June and the company was debt free. We think this affords management the flexibility to further grow both the software and drug discovery businesses going forward. The ongoing success we envision in the former, along with collaborative-related revenue, should help fund endeavors in the latter.

Recent Performance

Results have been mixed to this point. While the company continues to gain traction on the top line, it has yet to be able to turn a profit. We are not overly surprised, as this is a tough business to break into, with a long-line of costs associated with the development of the company's proprietary software. For the June quarter, Schrodinger posted revenue of $29.8 million, up 29% over the year-earlier tally, on a 15% uptick in software products and services sales and a 160% jump in drug discovery sales, thanks to milestone payments. Costs increased at a higher clip than revenues, though, and the company lost $0.49 a share in the three-month period, nearly 10 times worse than the previous-year deficit.

Looking Ahead

The story is likely to remain very much the same in the months ahead. While we see the top line continuing to gain steam, the cost side of the ledger will probably erase this growth. Management said that it expects full-year revenue to come in between $124 million and $142 million, modeling for a 23% advance, at the midpoint. Software revenue is pegged to range between $102 million and $110 million, with drug discovery revenue to be between $22 million and $32 million, illustrating momentum at both businesses. However, leadership noted that R&D investment will be higher than last year, so we think more red ink is in the cards for the second half of the year as well most of 2022. That said, we believe that the company is poised to break into positive territory by the end of next year/early 2023, thanks to the ongoing penetration with its software business and possible success with its drug discovery endeavors. Tempering costs of doing business ought to be a boon, too, as the business matures. In this vein, we tentatively are looking for Schrodinger to earn roughly $2.50 a share by mid-decade, on sales of $450 million.

Our Take

These shares plunged, losing nearly half their value in early March, and have yet to regain their footing. Investors seemed to be disappointed by the release of the company's fourth-quarter 2020 financial results and accompanying guidance. However, we think the selloff was overdone and that the stock offers well-above-average long-term price recovery potential. In fact, we currently see this stock as a $140-a-share offering by mid-decade, suggesting a 130% gain over that timeframe. While we suspect that the company will be operating in the black by that time, we are using a 30-times-revenues-per-share multiple to generate our Target Price, as Wall Street is likely to continue to view sales as the key metric here. The stock should garner a fair amount of attention based on the benefits its offering provide in curbing costs and the longevity involved in the traditional drug discovery process. Note that our assumptions would almost certainly prove conservative if Schrodinger is successful in its own search to commercialize a therapy.

Interested parties can find this stock trading on the NASDAQ under the SDGR ticker symbol. We advise shareholders to implement a $40-a-share stop-loss target to help limit downside risk. Despite all our optimism, these shares are not without risk and should only be considered by risk-tolerant parties. They only began trading in March 2020, leaving them with a limited track record. As a result, the equity is currently unranked across all our proprietary risk metrics, which very likely will be a deterrent for those managing more conservative portfolios. Too, involvement in the drug discovery business is risky on any level and success may not come to fruition.

Nevertheless, the risk/reward profile here is favorable, in our view, especially at the current price tag. We think patient accounts would do well to initiate a position here. V

FOR CONSERVATIVE INVESTORS

Pure Cycle Corporation

RECENT PRICE: **$13.72** TRADED: **NDQ-PCYO**
CURRENT DIVIDEND YIELD: **Nil**

2024-26 PROJECTED VALUATION

REVENUES: **$80 million**
EARNINGS PER SHARE: **$1.00**
THREE-TO FIVE-YEAR PRICE TARGET: **$23**
COMPANY WEBSITE: **www.purecyclewater.com**

Business Overview

Pure Cycle Corporation is a diversified land and water resource development company. It designs, constructs, operates and maintains water and wastewater systems in the Denver metropolitan area and Colorado Front Range in the United States, serving domestic, commercial, and industrial customers. It also develops the land it owns into master planned communities, to which it provides water and wastewater services as well as operates long-term build-to-rent properties. The company's primary asset, Sky Ranch, is located along the I-70 corridor in one of the most active development areas in Denver. Pure Cycle was founded in 1976 and is headquartered in Watkins, Colorado.

Water and Wastewater Resource Development Segment

Water and Wastewater Resource Development is Pure Cycle's bread and butter business, accounting for about 82% of total revenue in the fiscal third quarter (period ended May 31st). In this segment, Pure Cycle owns or controls the infrastructure required to withdraw, treat, store and deliver water, such as water rights, wells, diversion structures, pipelines, reservoirs, and treatment facilities. It provides wholesale water and wastewater services to local governmental entities for fees that in turn supplies the residential and commercial customers in their communities. The company's largest customer is the Rangeview District, where it maintains an exclusive 24,000-acre service area in southeast Denver. The Rangeview District services Sky Ranch and other customers on the Lowry Range. It also operates and maintains the Ebert 86 District's water system servicing Wild Pointe, a subdivision located in Elizabeth, Colorado.

Taking a look at the portfolio, management estimates that through its sustainable ground and surface water rights it currently has the capacity to serve around 60,000 connections. Denver metropolitan land development requires developers to have water service as a condition for zoning, so this offers a significant competitive advantage for the company. One of the primary revenue generators for Pure Cycle are one-time connection fees, also referred to as tap fees. They currently charge about $32,000 per connection, which if you multiply by its 60,000 connection capacity comes out to $2 billion in potential top-line revenue, and it's roughly a 50% margin business. The company uses half the money to build all the brick and mortar that delivers the infrastructure to its customers, who in turn deliver water and wastewater services to their customers on a monthly basis. This business generates about $1,500 per connection a year at another roughly 50% margin. At present, the company is only serving about 1,000 connections, so there is clearly ample room for growth here.

Land Development Segment

Land Development operations comprised roughly 18% of total revenue in the fiscal third quarter. This business was essentially established in 2010 when Pure Cycle purchased 930 acres of land known as Sky Ranch. The company acquired this asset with the intention of selling lots to national homebuilders in order to add value to its core water and wastewater operations by adding purchasers of the properties as water customers. In June 2017, agreements were reached to start the initial phase consisting of just over 500 residential lots, the majority of which have been built and sold. The second phase kicked off in December 2020 and is platted for 900 lots to be completed over a three-year span.

(cont. on page 10)

PURE CYCLE CORP NDQ--PCYO

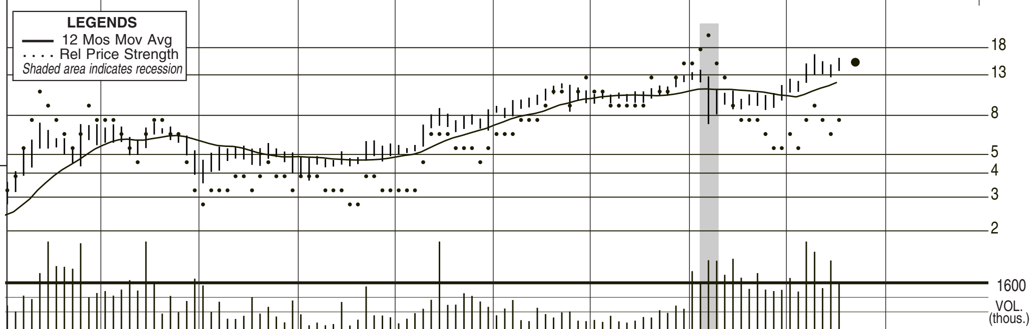
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
15.13	18.5	1.03	Nil	VALUE LINE

	2013	2014	2015	2016	2017	2018	2019	2020	2021	
High	7.32	7.37	5.73	5.93	8.73	11.74	12.88	13.83	16.63	High
Low	2.75	3.92	3.54	3.65	5.00	7.75	9.20	7.20	10.50	Low

RANKS

PERFORMANCE	3	Average
Technical	3	Average
SAFETY	3	Average
BETA .95		(1.00 = Market)

Financial Strength	B+
Price Stability	60
Price Growth Persistence	60
Earnings Predictability	35



© VALUE LINE PUBLISHING LLC	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/2023
SALES PER SH	.08	.13	.10	.02	.05	.29	.86	1.08	--	
"CASH FLOW" PER SH	d.16	d.08	d.35	d.03	d.06	.04	.24	.34	--	
EARNINGS PER SH	d.17	d.09	d.36	d.06	d.07	.02	.20	.28	*NA*	*NA/NA*
DIV'DS DECL'D PER SH	--	--	--	--	--	--	--	--	--	
CAP'L SPENDING PER SH	.02	.16	.09	.07	.00	.24	.61	.02	--	
BOOK VALUE PER SH	1.55	3.77	2.90	2.89	2.82	2.90	3.13	3.42	--	
COMMON SHS OUTST'G (MILL)	24.04	24.04	24.05	23.75	23.75	23.76	23.76	23.86	--	
AVG ANN'L P/E RATIO	--	--	--	--	--	NMF	51.1	38.9	*NA*	*NA/NA*
RELATIVE P/E RATIO	--	--	--	--	--	NMF	2.97	2.27	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	--	--	--	--	
SALES ($MILL)	1.9	3.1	2.3	.5	1.2	7.0	20.4	25.9	--	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
OPERATING MARGIN	NMF	NMF	NMF	NMF	NMF	8.6%	21.5%	18.0%	--	
DEPRECIATION ($MILL)	.3	.2	.3	.4	.7	.9	1.3	1.7	--	
NET PROFIT ($MILL)	d4.2	d2.1	d8.8	d1.2	d1.7	.4	4.8	6.8	--	
INCOME TAX RATE	--	--	--	--	--	--	--	24.3%	--	
NET PROFIT MARGIN	NMF	NMF	NMF	NMF	NMF	6.0%	23.6%	26.1%	--	
WORKING CAP'L ($MILL)	4.5	1.2	38.1	28.6	26.2	25.8	15.2	19.8	--	
LONG-TERM DEBT ($MILL)	3.2	4.0	1.1	1.1	--	--	--	--	--	
SHR. EQUITY ($MILL)	37.8	91.0	70.1	69.0	67.5	69.5	74.7	82.0	--	
RETURN ON TOTAL CAP'L	NMF	NMF	NMF	NMF	NMF	.6%	6.4%	8.2%	--	
RETURN ON SHR. EQUITY	NMF	NMF	NMF	NMF	NMF	.6%	6.4%	8.2%	--	
RETAINED TO COM EQ	NMF	NMF	NMF	NMF	NMF	NMF	5.9%	7.7%	--	
ALL DIV'DS TO NET PROF	--	--	--	--	--	--	--	--	--	

Note: No analyst estimates available.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	49.0%	26.5%
"Cash Flow"	--	41.5%
Earnings	--	40.0%
Dividends	--	--
Book Value	3.0%	9.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
08/31/19	3.1	2.6	5.2	9.5	20.4
08/31/20	10.5	3.5	1.9	10.0	25.9
08/31/21	4.9	4.7	2.7		
08/31/22					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
08/31/18	--	--	--	.02	.02
08/31/19	.02	--	.05	.13	.20
08/31/20	.24	.01	--	.03	.28
08/31/21	.04	.72	.03		
08/31/22					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2018	--	--	--	--	--
2019	--	--	--	--	--
2020	--	--	--	--	--
2021	--	--			

INSTITUTIONAL DECISIONS

	3Q'20	4Q'20	1Q'21
to Buy	35	39	44
to Sell	39	37	35
Hld's(000)	20242	16165	15329

ASSETS ($mill.)	2019	2020	5/31/21
Cash Assets	9.7	21.8	19.8
Receivables	1.1	1.1	1.9
Inventory	11.6	.5	.6
Other	1.1	2.6	.6
Current Assets	23.5	26.0	22.9
Property, Plant & Equip, at cost	5.1	4.9	- -
Accum Depreciation	.0	.0	- -
Net Property	5.1	4.9	5.6
Other	55.1	58.9	80.6
Total Assets	83.7	89.8	109.1
LIABILITIES ($mill.)			
Accts Payable	.2	.2	.2
Debt Due	.0	.0	.0
Other	8.1	6.0	6.2
Current Liab	8.3	6.2	6.4

LONG-TERM DEBT AND EQUITY as of 5/31/21

Total Debt None **Due in 5 Yrs.** None
LT Debt None
Including Cap. Leases None
Leases, Uncapitalized Annual rentals NA

Pension Liability None in '20 vs. None in '19

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 23,910,000 shares (100% of Cap'l)

INDUSTRY: Environmental

BUSINESS: Pure Cycle Corporation designs, constructs, operates, and maintains water and wastewater systems in the Denver. The company's services include water production, storage, treatment, bulk transmission to retail distribution systems, wastewater collection and treatment, irrigation water treatment and transmission, construction management, billing and collection, and emergency response services. It owns water assets in the Denver, Colorado metropolitan area and southern Colorado. It offers its services to wholesale customers, including local government entities that provide water and wastewater services to their customers. The company leases its farms to local area farmers on cash and crop share lease basis. The company was founded in 1976 and is based in Watkins, Colorado. Has 31 employees. President & C.F.O.: Mark W. Harding Address: 34501 E. Quincy Avenue Building 34, Watkins, CO 80137. Tel.: (303) 292-3456. Internet: www.purecyclewater.com.

A.A.

August 20, 2021

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 7/31/2021

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
1.24%	44.89%	71.21%	42.49%	236.09%

(cont. from page 8)

Pure Cycle broke ground on Phase 2 in February, with plans to deliver the aforementioned 900 lots in subsequent phases. On the fiscal Q3 conference call (July 6th), management indicated that all the dirt work was done on the first quadrant (about 230 lots) and utility crews were working on the water and storm water systems with expectations for delivery to homebuilders later this year. In total, the 900 lots are estimated to generate roughly $73 million in revenue for the company.

At present, management estimates that its roughly 930 acres at Sky Ranch can accommodate about 3,400 residential lots. These are expected to consist of a full range of single-family detached homes as well as other paired products like duplexes, higher density multifamily homes, and townhouses, so it should have broad-based appeal across all sorts of customers with varying budgets. The entry-level home buyer remains the primary focus however, and Sky Ranch has quickly become one of the fastest growing affordable master plan communities in the Denver market. Given its convenient location along the interstate, this also opens it up for other potential development opportunities. Management recently indicated that it can accommodate about 2 million square feet of retail, commercial, and/or industrial space at the location.

Build-To-Rent Segment

This is Pure Cycle's newest foray and seems to be geared toward taking advantage of Denver's burgeoning housing market. In this business, the company has started working with experienced homebuilders to construct houses, which it will own and maintain. In our view, the BTR model is ideal for the company's appreciated land and water assets, and should allow it to build an accretive high margin recurring revenue product while maintaining a liquid balance sheet by using inexpensive capital. Housing demand in the Denver area continues to outpace supply, and as a result of increasing costs and the need for large down payments, the single-family rental market is growing exponentially. We view this as a solid complement to Pure Cycle's existing business. In addition to receiving rental income from a growing housing market, it should also benefit from asset appreciation, positive cash flows, and increased customers for its water and wastewater services.

Robust Housing Market

When Pure Cycle first got started on the Sky Ranch project, single-family homes were going for around $350,000 a pop. The average price has since ballooned closer to $500,000, driven by a combination of factors including historically low interest rates and greater home buying participation from the massive millennial demographic. Housing markets are highly competitive across the country, but Denver has been a clear standout and has shown little to no signs of slowing down. The fact is that supply in this area has not even come close to meeting this surge in demand, and home prices seem poised to trend even higher in the coming years. Needless to say this augurs well for Pure Cycle and the growth trajectory within its Land Development business and its newly-established Build-to-Rent segment.

Our Take

Pure Cycle has strung together several positive quarterly performances (fiscal Q3 revenues +44% year over year) and appears well positioned to maintain momentum over the balance of 2021 and beyond. The U.S. housing market is on fire, Colorado is among the most highly sought-after states for Millennials, entry level homes (like offered at Sky Ranch) appear to be their most desired product, and the company's commencement of commercial land development in 2022 is liable to be a meaningful long-term catalyst. Altogether, the setup seems largely positive, and with the equity pulling back a bit over these past few weeks, investors have been presented with what we believe to be a favorable entry point. Based on our current projections, PCYO shares offer wide price appreciation potential over the pull to 2024-2026. We have set a three- to five-year price target of $23 a share and recommend the use of a stop/loss at $10 to mitigate downside risk. The stock trades on the NASDAQ under the symbol PCYO. V

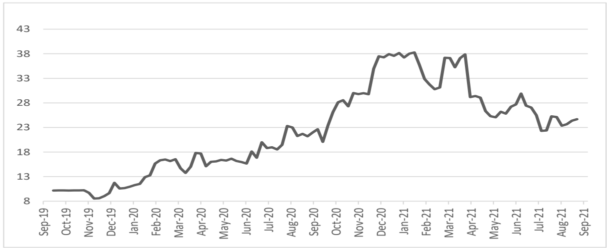
FOR AGGRESSIVE INVESTORS

AdaptHealth

(AHCO)

RECOMMENDATION: Especially Recommended
RECENT PRICE: $23.78
ESTIMATED DIVIDEND YIELD: Nil
THREE-TO FIVE-YEAR-PRICE TARGET: $60 (+152%)
ORIGINALLY RECOMMENDED AT: $27.21 in June 2021
PERFORMANCE RECORD: -12.6%
RECOMMENDED STOP LOSS: $20
COMPANY WEBSITE: www.adapthealth.com

Annual Stock Price	2017	2018	2019	2020	2021
High	—	—	12.77	39.76	41.58
Low	—	—	7.82	10.30	21.00



QUARTERLY REVENUES ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	119.5	124.2	136.4	149.5	529.6
2020	191.5	232.1	284.4	348.4	1056.4
2021	482.1	617.0	*660.0*	*690.9*	*2450*
2022	*700.0*	*720.0*	*730.0*	*750.0*	*2900*

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	0.00	0.00	0.00	d.10	d.66
2020	0.00	0.07	d.04	d1.26	d1.23
2021	d.08	0.12	*0.32*	*0.34*	*0.70*
2022	*0.35*	*0.37*	*0.38*	*0.40*	*1.50*

AdaptHealth reported second-quarter earnings of $0.12 a share on revenues of $617.0 million, versus $0.08 on $232.1 million in the comparable year-ago period. The strong improvement was fueled in large part by the company's transformative acquisition of AeroCare earlier this year (completed on February 1st) and the realization of integration synergies. Organic growth of 10.1% provided further support to comparisons, owing mostly to new starts in its diabetes product line and continued strengthening in the sleep business.

On the Q2 conference call (August 5th), management indicated that it had made significant progress towards its AeroCare synergy plan, including consolidating 88 locations and implementing its digital logistics and RCM platforms. With these activities now substantially complete, the company reiterated its synergy target of $50 million annually and $30 million in 2021. It is worth noting that the June-period results represented new records with respect to revenues and adjusted EBITDA, which CEO Steve Griggs attributed to its integration efforts and the success of the combined AdaptHealth/AeroCare sales team.

It would appear that AdaptHealth intends to remain aggressive on the M&A front going forward. After completing four acquisitions during the second quarter, including deals for Spiro Health Services and Healthy Living Medical Supplies, the company has already finalized another six acquisitions in Q3, expanding its home medical equipment (HME) operations in Kentucky, Ohio, West Virginia, New Jersey, New York, South Carolina, and Florida. To date, AdaptHealth has acquired over $300 million of annualized revenue in 2021, incremental to AeroCare. Management views M&A as a key component in its long-term growth strategy.

The company upped its guidance last month to reflect these acquisitions and overall improvement in broader industry trends. It is now targeting total revenue in a range of $2.38 billion to $2.48 billion in 2021 (previously $2.22 billion to $2.39 billion) and adjusted EBITDA of $555 million to $580 million (previously $525 million to $565 million). At the midpoints, the guidance implies year-over-year growth of 129% and 176%, respectively.

AHCO shares have struggled to gain traction since entering our aggressive portfolio in June. In fact, our investment was nearly stopped out last month before the company's solid Q2 report helped to restore sentiment (stock surged as much as 20% on the day of the release). In our view, the company-specific headwinds that plagued AdaptHealth earlier in the year, along with those tied to the broader HME industry, should continue to dissipate over the balance of 2021 and beyond. We believe the long-term growth story remains very much intact and our analysis suggests meaningful upside potential at current price levels. All told, we are maintaining our Especially Recommended rating on AHCO stock with a 3- to 5-year Price Target of $60 a share. We have set our stop/loss at $20 to mitigate downside risk. V

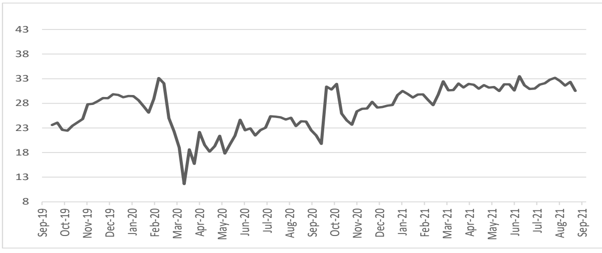
FOR CONSERVATIVE INVESTORS

American Equity Invst.

(AEL)

RECOMMENDATION: Especially Recommended
RECENT PRICE: $29.94
ESTIMATED DIVIDEND YIELD: 1.1%
THREE-TO FIVE-YEAR PRICE TARGET: $52 (+74%)
ORIGINALLY RECOMMENDED AT: $31.21 in April 2021
PERFORMANCE RECORD: -4.1%
RECOMMENDED STOP LOSS: $23
COMPANY WEBSITE: www.american-equity.com

Annual Stock Price	2017	2018	2019	2020	2021
High	32.50	38.60	33.60	34.30	33.80
Low	21.70	25.30	20.20	9.10	26.20



QUARTERLY INCOME ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	1001.2	711.4	639.2	1105.6	3457.4
2020	d301.3	945.8	821.0	1039.8	2505.3
2021	966.8	1078.6	*950.0*	*1004.6*	*4000*
2022	*1000*	*1100*	*1000*	*1100*	*4200*

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	d.33	0.20	0.41	2.40	2.68
2020	2.56	d2.76	7.17	d.07	6.90
2021	2.82	d.69	*0.76*	*0.96*	*3.85*
2022	*1.05*	*1.15*	*1.15*	*1.15*	*4.50*

American Equity Investment Life Holding Company reported second-quarter adjusted earnings of $0.98 a share on revenues of $1.08 billion, versus $1.01 on $919.9 million in the comparable year-ago period. While results continued to be negatively affected by excess cash in the portfolio, reflecting management's ongoing repositioning efforts, the impact was somewhat mitigated by strong index credits in the quarter. This boosted operating earnings through both a lower than expected increase in reserves for guaranteed lifetime income benefits and lower than modeled amortization of deferred acquisition in deferred sales inducement costs. Altogether, the June-period results appeared to be well received on Wall Street with AEL shares rising about 5%-6% in the days following the release (August 5th).

The strong bid for assets, combined with low treasury yields, continues to present a challenging environment for AEL. That said, management indicated that it is finding good opportunities and is using the strong bid to continue to reduce exposure to higher risk positions in structured assets, in select sub sectors that have the potential for future deterioration. During the second quarter, there were minimal credit losses and the performance of AEL's commercial loan portfolio remained strong with no new delinquencies or forbearances granted.

Management previously announced that 2021 is a transition year for repositioning a significant portion of the balance sheet, and hence a reset year for AEL. This repositioning will likely continue to result in some choppiness in near-term financial results, though we do expect increased normalization over the balance of 2021 and into 2022. On the Q2 conference call, the company highlighted that is executing well on its strategy to add $1 billion to $2 billion in privately sourced assets this year, with a goal to ultimately achieve an allocation of 30% of the portfolio. Year-to-date, the company has allocated about $800 million of privately-sourced assets, including residential mortgage loans, single-family rental homes, commercial mortgage and agriculture loans, and middle market loans.

Preliminary estimates indicate that AEL has increased its share in the fixed index annuity (FIA) market in each of the last three quarters. At American Equity Life, FIA sales have been fueled in part by the new competitive indices that the company introduced to AssetShield back in February. At Eagle Life, FIA sales have grown thanks to new relationships, product launches, and an increase in its employee wholesaler force.

At current price levels, we remain constructive on AEL stock. Key catalysts include favorable demographic and economic trends, further expansion and penetration into new markets, benefits from recent business development deals, and a revamped business strategy that we believe should help to deliver meaningful bottom-line improvement over the long term. All told, we are maintaining our Especially Recommended rating with a 3- to 5-year Price Target of $52 a share. We have set our stop/loss at $23 to mitigate downside risk. V

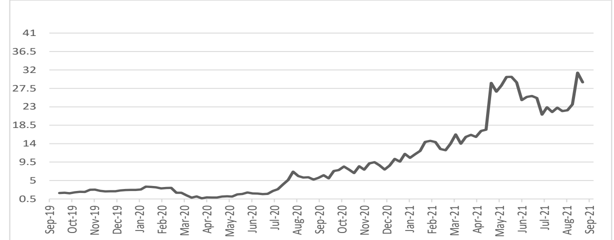
FOR CONSERVATIVE INVESTORS

Big 5 Sporting Goods

(BGFV)

RECOMMENDATION: Especially Recommended
RECENT PRICE: $27.85
ESTIMATED DIVIDEND YIELD: 3.6%
THREE-TO FIVE-YEAR PRICE TARGET: $45 (+62%)
ORIGINALLY RECOMMENDED AT: $25.41 on June of 2021
PERFORMANCE RECORD: +9.6%
RECOMMENDED STOP LOSS: $18
COMPANY WEBSITE: www.big5sportinggoods.com

Annual Stock Price	2017	2018	2019	2020	2021
High	17.50	9.75	4.78	12.20	37.75
Low	6.00	2.25	1.70	0.70	9.90



QUARTERLY REVENUES ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	245.3	241.0	266.2	244.0	996.5
2020	217.7	227.9	305.0	290.6	1041.2
2021	272.9	326.0	*325*	*276.1*	*1200*
2022	*260*	*300*	*310*	*290*	*1160*

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	0.06	Nil	0.30	0.02	0.40
2020	d.22	0.52	1.31	0.95	2.58
2021	0.96	1.63	*1.20*	*0.46*	*4.25*
2022	*0.60*	*1.20*	*1.00*	*0.55*	*3.45*

Big 5 Sporting Goods continues to report strong results. Same-stores rose over 20% year over year in the second quarter. Gross margins also increased 720 basis points from last June, but more importantly were ahead of our estimate. Revenues were better than our $300-million call and earnings more than surpassed our $1.10-a-share target. A return to team sports and stronger apparel sales, as well as benefits from a favorable product mix shift and lower promotional activities, supported the beat. Management had forecasted the bottom line to range between $1.05 and $1.25 for the June period. Obviously, comps were easier due to the impact of business lockdowns and social-distancing measures implemented last year. Inventory and supply-chain constraints continue to be common themes. Inventory levels for most products are still at low levels, which is consistent with the rest of the industry.

The near-term outlook may well continue to be healthy. While over the long haul the demand environment ought to normalize, the lack of inventory and greater participation in outdoor activities should push more volume into 2022. The sporting goods retailer has been a beneficiary of stimulus checks. While there are likely to be fewer checks, the child tax credit could provide a boost to sales to a degree. Management intends to open 5 new stores to bring the total to 435, which is about half of Dick's Sporting Goods. As a reminder, the company has a majority of its stores in the western part of the country, with just about half of its locations in California. Management expects third-quarter earnings to range between $0.95 and $1.15 a share, which was more than we expected. We have lifted our 2021 share-net target by $0.75, to $4.25.

Big 5 has roughly $120 million in cash on hand and no debt. The company earlier this year paid a special dividend of $1.00 a share, and just raised the quarterly dividend 40%. We would prefer special dividends and stock buybacks. The equity is trading at roughly 7 times our earnings estimate for next year. Ultimately, we believe the balance sheet puts the company in a better position than most retailers who benefited from a surge in demand from the COVID-19 pandemic.

The short squeeze seemed to be in full effect in early September. Social media postings on Big 5 accelerated, as fear of missing out took hold. The most recent reading showed that 44% of shares outstanding are short the stock. We certainly understand the bear case, which is that the pandemic represented a once in a lifetime surge in demand for sporting goods and earnings have peaked. However, while there ought to be some deceleration, the consumer base has only broadened. The strong balance sheet gives it flexibility and with so many shares short it could put pressure on those positions with a large share-buyback plan. Investors need to be mindful of the sharp rises or drops in the stock price, as the technicals can play a bigger role in this equity. We would take the opportunity to sell some shares on any large unexplained price advances. All told, we maintain our Especially Recommended rank. V

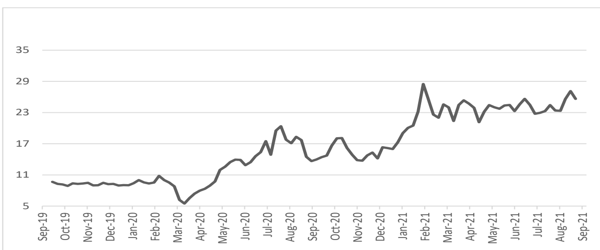
FOR CONSERVATIVE INVESTORS

ChannelAdvisor Corp.

(ECOM)

RECOMMENDATION: Especially Recommended
RECENT PRICE: $26.82
ESTIMATED DIVIDEND: : Nil
THREE-TO-FIVE-YEAR PRICE TARGET: $45 (+68%)
ORIGINALLY RE COMMENDED AT: $23.16 in May 2021
PERFORMANCE RECORD: +15.8%
RECOMMENDED STOP LOSS: $20
COMPANY WEBSITE: www.channeladvisor.com

Annual Stock Price	2017	2018	2019	2020	2021
High	15.15	15.63	13.83	22.32	28.94
Low	8.30	8.45	8.01	4.40	15.20



QUARTERLY REVENUES ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	31.6	31.9	31.7	34.8	130.0
2020	32.0	37.5	35.3	40.3	145.1
2021	39.2	41.5	*41.3*	*43.0*	*165*
2022	*45.0*	*45.0*	*45.0*	*45.0*	*180*

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	d.08	d.05	0.06	0.19	0.12
2020	0.07	0.24	0.12	0.20	0.63
2021	0.18	0.15	*0.10*	*0.17*	*0.60*
2022	*0.20*	*0.25*	*0.15*	*0.20*	*0.80*

ChannelAdvisor turned in largely as expected second-quarter financial results. The top line grew to $41.5 million, a quarterly record for the company, and nearly 11% over the year-earlier mark. Subscription brand revenue growth increased 25% and brand revenue improved 39%. The ongoing digital transformation of industries continued to present a strong tailwind for the company's e-commerce solutions. That said, the success did not translate to the bottom line. Indeed, adjusted earnings per share fell $0.07, to $0.26, on cost pressures. The adjusted EBITDA margin plunged a worse-than-anticipated 950 basis points from the prior-year figure, on increased across-the-board expenses.

We are leaving our full-year 2021 adjusted share-net estimate intact at $0.85. This models for a 13% year-over-year decline. The story is likely to remain similar in the second half of the year, though improve slightly on the earnings front. The top line should continue to grow at a double-digit clip, benefiting from favorable demand trends. However, we suspect that the cost side of the ledger will remain a problem, resulting in quarterly adjusted EPS declines in both the third and fourth quarters. For the full year, leadership expects revenues to come in between $41.3 million and $41.7 million and an adjusted EBITDA margin just south of 17.0%, at the midpoint.

Our 2022 earnings estimate has been tempered a bit. Our decision is mainly centered around the notion of higher-than-originally-anticipated operating costs in the early months. Nonetheless, we assume cost improvement as the year progresses and see adjusted EPS tallying $1.10, down a dime from our earlier assumption, but still representing a 29% advance over our 2021 call. ChannelAdvisor's offerings should continue to resonate with company's looking to better connect with customers and improve efficiency in doing so. Given the favorable demand environment we envision, we believe that a near-double digit top-line advance is in the cards even against tough previous-year comparisons. Customer retention has remained solid and management has done a good job on the adding new accounts and taking up new partnerships with some of the biggest and most influential entities. In the same vein, we are leaving our mid-decade adjusted EPS forecast intact, at $1.70, based on further market penetration.

These shares are up 15%-plus in value since our inaugural report in May. That said, they still offer above-average three- to five-year price appreciation potential according to our proprietary modeling system. We think that ChannelAdvisor is well positioned in a lucrative niche that should continue to benefit from healthy demand trends for the foreseeable future. Meantime, the cost structure ought to improve considerably as the business matures and growth-related expenses subside. All told, we peg ECOM to be a $45-a-share offering three to five years out. The company's healthy finances further underpin our optimism, supporting the likelihood of M&A activity or other shareholder-friendly endeavors. Nonetheless, we urge shareholders to implement a $20-a-share stop-loss target. V

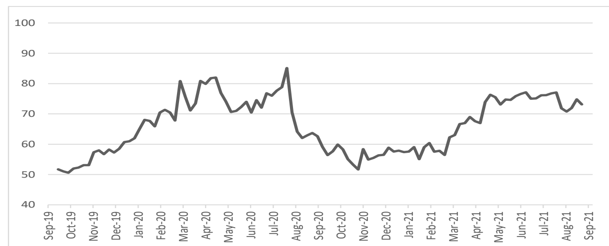
FOR CONSERVATIVE INVESTORS

Cogent Communications

(CCOI)

RECOMMENDATION: Buy
RECENT PRICE: $71.95
ESTIMATED DIVIDEND YIELD: 4.5%
THREE-TO FIVE-YEAR PRICE TARGET: $110 (+53%)
ORIGINALLY RECOMMENDED AT: $63.94 in September 2020
PERFORMANCE RECORD: +12.5%
RECOMMENDED STOP LOSS: $55
COMPANY WEBSITE: www.cogentco.com

Annual Stock Price	2017	2018	2019	2020	2021
High	54.85	57.65	66.66	92.96	80.00
Low	37.85	35.75	43.96	53.20	56.38



QUARTERLY REVENUES ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	134.2	134.8	136.9	140.3	546.2
2020	140.9	141.0	143.3	143.9	569.1
2021	146.8	147.9	*150.3*	*155*	*595*
2022	*155*	*155*	*160*	*160*	*630*

QUARTERLY EARNINGS (PER SHARE)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	0.20	0.15	0.30	0.16	0.81
2020	0.20	0.18	d.11	d.14	0.13
2021	0.41	d.05	*0.23*	*0.26*	*0.85*
2022	*0.28*	*0.25*	*0.30*	*0.32*	*1.15*

Shares of Cogent Communications have remained relatively range bound and are up just about 5% since our April review. They rallied on news of the launch of notes offering, but gave back some ground following the release of the company's second-quarter financial results.

Management continued to take advantage of the low interest rate environment. It announced the release of $500 million in senior secured notes due 2026. The proceeds are to be used to pay down the remaining $329.1 million in senior secured notes due in 2022, with the remainder likely to be used for general purposes and/or to make dividend (including special) payments. The move ultimately further leveraged the balance sheet, but only marginally and at a lower rate. Meantime, the decision should help the company with growth efforts as well as its shareholder-friendly ways. For note, the September-quarter dividend payout was upped $0.025, to $0.805 per share.

June-quarter results require some explanation. Revenues came in at $147.9 million, in line with our estimate, but just 4.9% above the year-earlier mark, as the COVID-19 pandemic continued to be an obstacle, especially for the corporate unit, resulting in disruptions on both the supply and demand side of the equation. From an earnings perspective, Cogent lost $0.05 per share, well below the $0.21 Wall Street consensus share-gain estimate. However, management did a fairly good job on the cost side of the ledger, actually increasing the EBITDA margin by nearly a full percentage point, and the bottom-line loss was largely owed to below-the-line items.

We look for the company to get back on track in the second-half of the year. Management took a somewhat cautious tone with regards to the COVID pandemic, specifically the uncertainty surrounding new variants such as the Delta virus. However, tepid corporate demand should be offset by ongoing strength owed to work-from-home business. We also see continued improvement on the cost side of the ledger, as management is better situated to offset cost inflation. We've tempered our full-year 2021 share-net estimate to $0.85, to reflect the second-quarter miss, but are modeling for EPS of about $0.50 in the back half of the year, easily in front of the $0.25 share loss seen in the second part of 2020.

Earnings growth should approximate $1.15 next year, marking a 35% year-over-year uptick. Cogent ought to continue to make inroads with its offerings, but a more-normalized operating environment is responsible for a good portion of our optimism on this front. Also, we continue to model for considerable margin improvement. Greater share-repurchase activity is a possibility, given the company's healthy free cash flow generation. The stock remains a Buy. It still offers above-average total return potential out to 2023-2025, with the income component likely to add appeal to more-conservative types. Our stop-loss target stands at $55 a share.

FOR CONSERVATIVE INVESTORS

Installed Building Products

(IBP)

RECOMMENDATION: **Especially Recommended**

RECENT PRICE: **$121.78**

ESTIMATED DIVIDEND YIELD: **1.0%**

THREE-TO FIVE-YEAR PRICE TARGET: **$190 (+49%)**

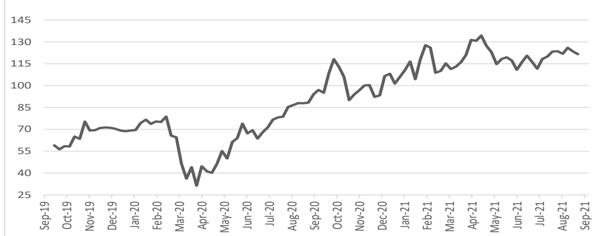
ORIGINALLY RECOMMENDED AT: **$106.59 in March 2021**

PERFORMANCE RECORD: **+14.3%**

RECOMMENDED STOP LOSS: **$88**

COMPANY WEBSITE: **www.installedbuildingproducts.com**

Annual Stock Price	2017	2018	2019	2020	2021
High	79.40	78.15	76.60	121.67	140.51
Low	40.00	29.24	32.79	29.00	99.40



QUARTERLY REVENUES ($MILL.)

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	342.2	371.8	396.4	401.2	1511.6
2020	397.3	393.9	420.5	441.5	1653.2
2021	437.1	*472.9*	*500*	*515*	*1930*
2022	*475*	*525*	*550*	*575*	*2125*

QUARTERLY EARNINGS (PER SHARE)*

Fiscal Year	Mar. Per.	Jun. Per.	Sep. Per.	Dec. Per.	Full Year
2019	0.30	0.63	0.71	0.64	2.28
2020	0.52	0.86	0.95	0.94	3.27
2021	0.58	*1.05*	*1.20*	*1.42*	*4.25*
2022	*0.75*	*1.25*	*1.40*	*1.70*	*5.10*

Installed Building Products performed better than expected in the second quarter. Indeed, revenues increased 23.9% year over year, to $488.1 million, about $15 million ahead of our estimate and was up 11.7% sequentially. End market demand continued to strengthen despite what management characterized as supply chain and materials challenges. Contributions from acquisitions helped, while same-branch sales increased 13.1% over the year-earlier tally. Residential comps jumped 16.2%, but ongoing COVID-19 headwinds caused comps at the commercial construction segment to slip 5.3%. That said, this figure improved significantly versus the March period of this year, increasing 14.5%. Adjusted earnings, meantime, came in at $1.59 more than a dime ahead of the consensus estimate. The adjusted EBITDA margin held steady year to year. A lower than expected tax rate, thanks to benefits associated with stock-price changes, chipped in.

We are leaving our full-year 2021 EPS call intact at $4.25. We suspect that top-line growth will remain healthy, approximating 20% in the second half, with strong demand trends being bolstered by acquisitions (see below for more color). Growth endeavors may well keep margins in check and we look for the effective tax rate to normalize, but we still look for healthy share-net gains in the back half of the year.

Next year should produce a 20%-25% bottom-line gain. The company has remained aggressive on the acquisition front, and the additions ought to help fuel a double-digit top-line improvement. It has inked two new deals since our last review and announced another. First, it purchased General Ceilings & Partitions, Inc. as well as Reliable Glass & Mirror in June. Combined, the two generate about $14.1 million in annual revenue. More recently, Installed announced the acquisition of Five Star Building Products, which has about $25 million in annual revenues. With these moves, Installed has added $100 million in annual revenues to the fold this year alone. Given the activity, we envision margins remaining relatively stable, though vertical integration should be a boon.

Shares of Installed Building Products gave back some gains shortly after the second-quarter financial release and are down about 10% in value since our May report. While investor sentiment has subsided a bit, we remain bullish on the stock's three- to five-year growth prospects. The company remains in good financial health and should continue to use the M&A market to broaden its footprint in the home products installation business. Management did not provide guidance, but the recently initiated dividend leads us to believe that it remains upbeat about the company's outlook. V