

EARNINGS BUSTERS

A SABRIENT PORTFOLIO

October 30, 2014

PORTFOLIO REVIEW

This morning MPC delivered a strong earnings beat, but it missed on revenue. The stock was up nearly 4% on the news. MPC is one of the best positioned refiners to withstand volatility and a potential further decrease in the price of oil. However, we don't see the same exciting earnings growth prospects as we do in other companies at the top of our rankings. We're keeping a close eye on it for possible reentry.

Boise Cascade Company (BCC) is one stock that has rapidly ascended our rankings due to upward analyst revisions to earnings estimates and strong revenue and cash flow growth, all for an attractive valuation. Boise hit a 52-week, again today, after beating earnings estimates on October 23. The strong Q3 result more than doubled eps year-over-year growth, as sales were up 12%, driven by a 26% increase in wood products. Operating income increased 84% year-over-year and the operating margin expanded from 3.5% to 5.7%. It also has ROE more than double its industry average.

The recovering housing market indicates that the company should be able to sustain its revenue trend. Its strong liquidity and low debt further solidify our favorable outlook on Boise, looking forward four quarters. Temporary downside risks: seasonality could dampen demand in the coming quarter and BCC has shown considerable momentum strength since its earnings beat.

SELL

MARATHON PETROLEUM CORPORATION (MPC)

BUY:

BOISE CASCADE COMPANY (BCC)

Market Cap: Small

Sector: Basic Materials

Industry: Forestry Wood Products

Earnings Quality Rank (out of 5): 5

Dividend Yield: N/A

P/E Ratio (ttm): 22

Forward P/E Ratio (Next 12 months): 13

Projected Earnings Growth Next 4 Quarters: 76%

Earnings Growth Rate – Per Year for Next 5 Years: 18%

Price When Picked: \$35.38 (closing price on 10-30-14). Enter at Friday's open, 10-31-

BUSINESS SUMMARY

Boise Cascade manufactures engineered wood products, plywood, lumber, and particleboard and distributes a broad line of building materials, including wood products manufactured by the company's wood products division. It manufactures and distributes these products and materials in the United States and Canada. The company was founded in 2004 and is headquartered in Boise, Idaho. Boise Cascade Company is a subsidiary of Boise Cascade Holdings, L.L.C.

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Editor's Note: The *Sabrient Earnings Busters* newsletter is written by Walter Gault, Analyst at Sabrient. Walter also assists in the selection of stocks and maintenance of the portfolio. He can be reached at walter@sabrient.com.

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