

G₂ R₁ O₁ W₄ T₁ H₄

Blue Line Capital

Growth, Inflation & Corporations
Producer Prices, Retail Sales & Trends In
Corporate America

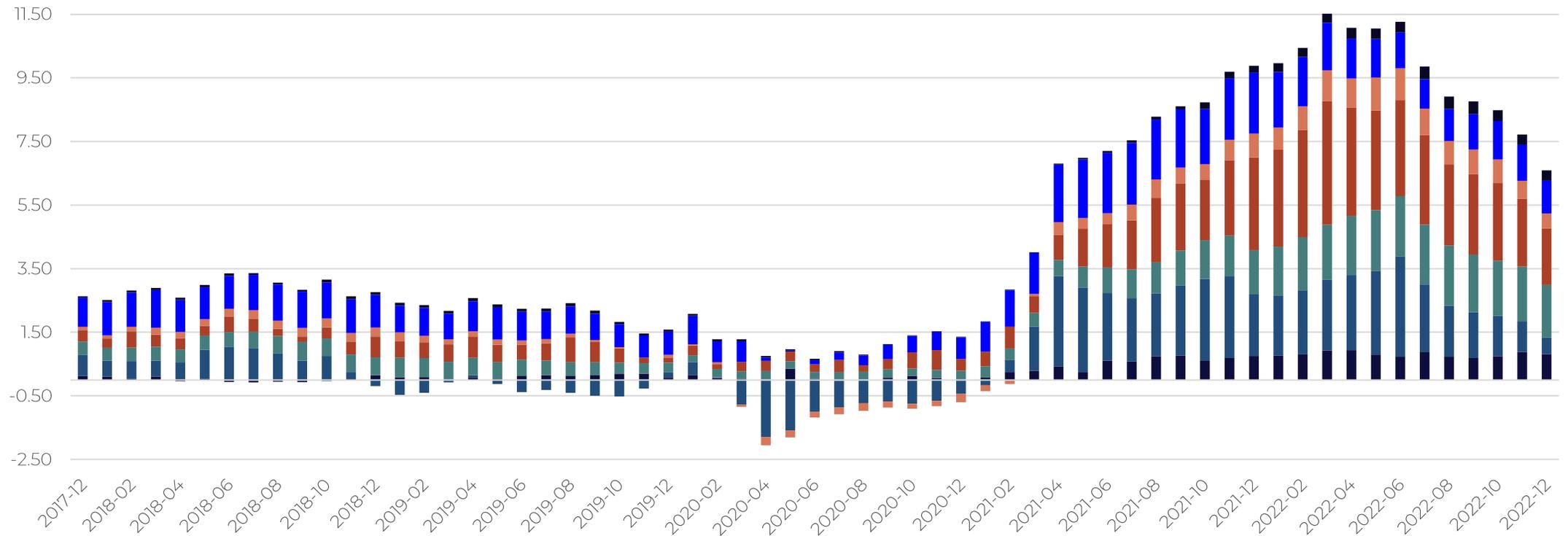
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Inflation & Growth

PPI, Retail Sales, Manufacturing

PPI Headline Composition

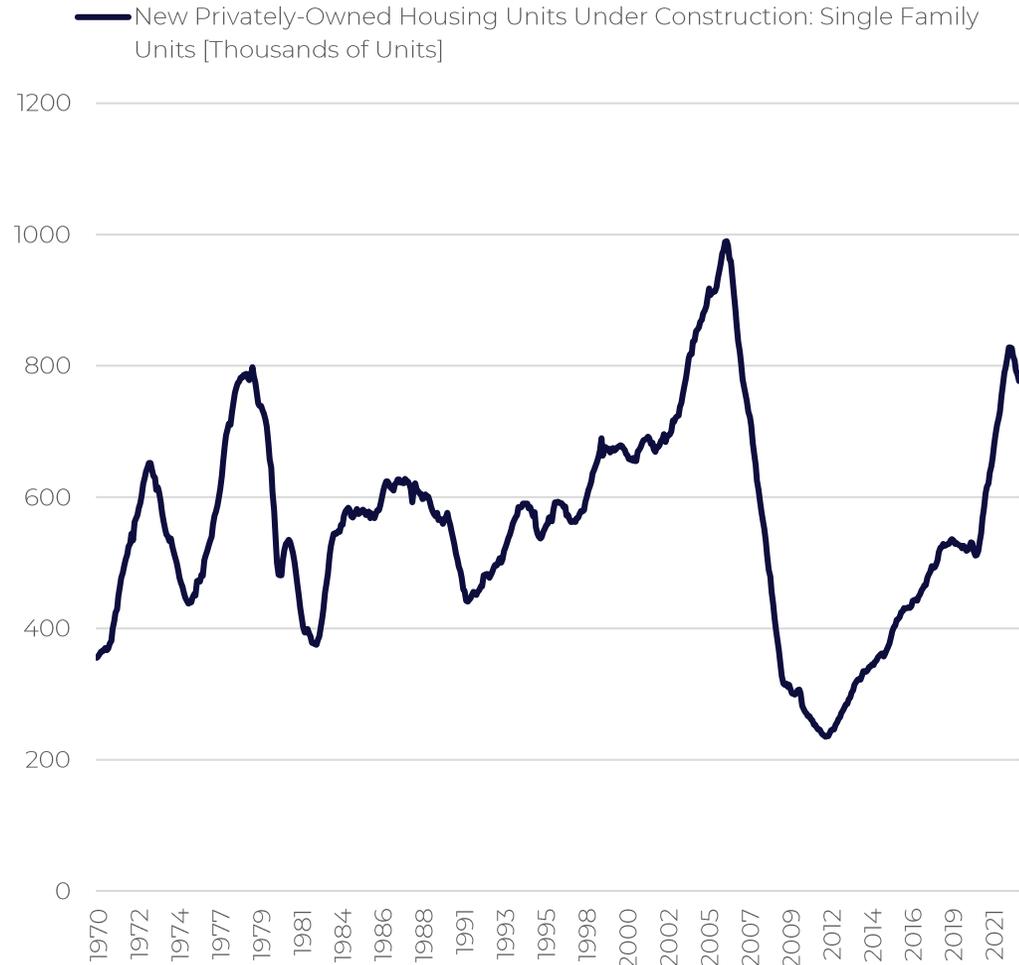
- Final demand foods
- Final demand energy
- Final demand goods less foods and energy
- Final demand trade services
- Final demand transportation and warehousing services
- Final demand services less trade, transportation, and warehousing
- Final demand construction



Sources: BLS, FRED, Blue Line Capital, Blue Line Futures

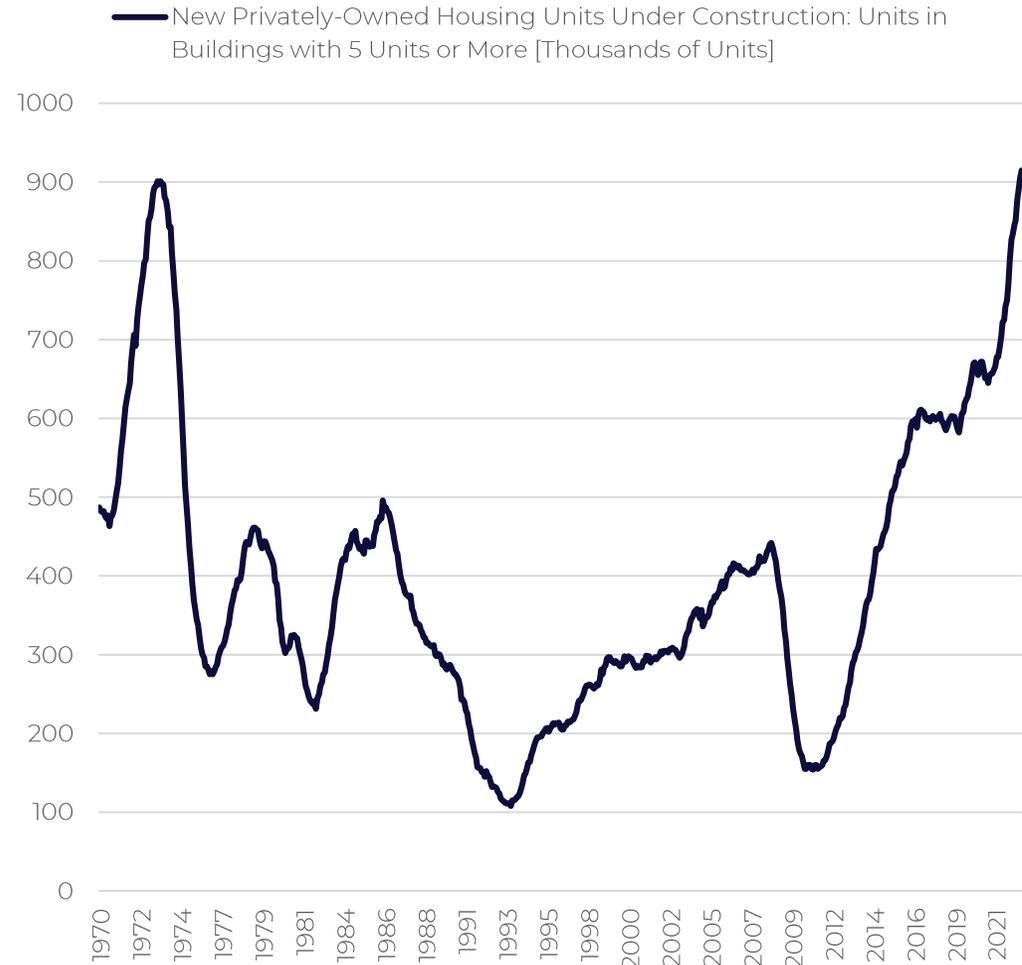
Supply Is Adjusting In Areas Of Sticky Inflation

Privately-Owned Housing Units Construction



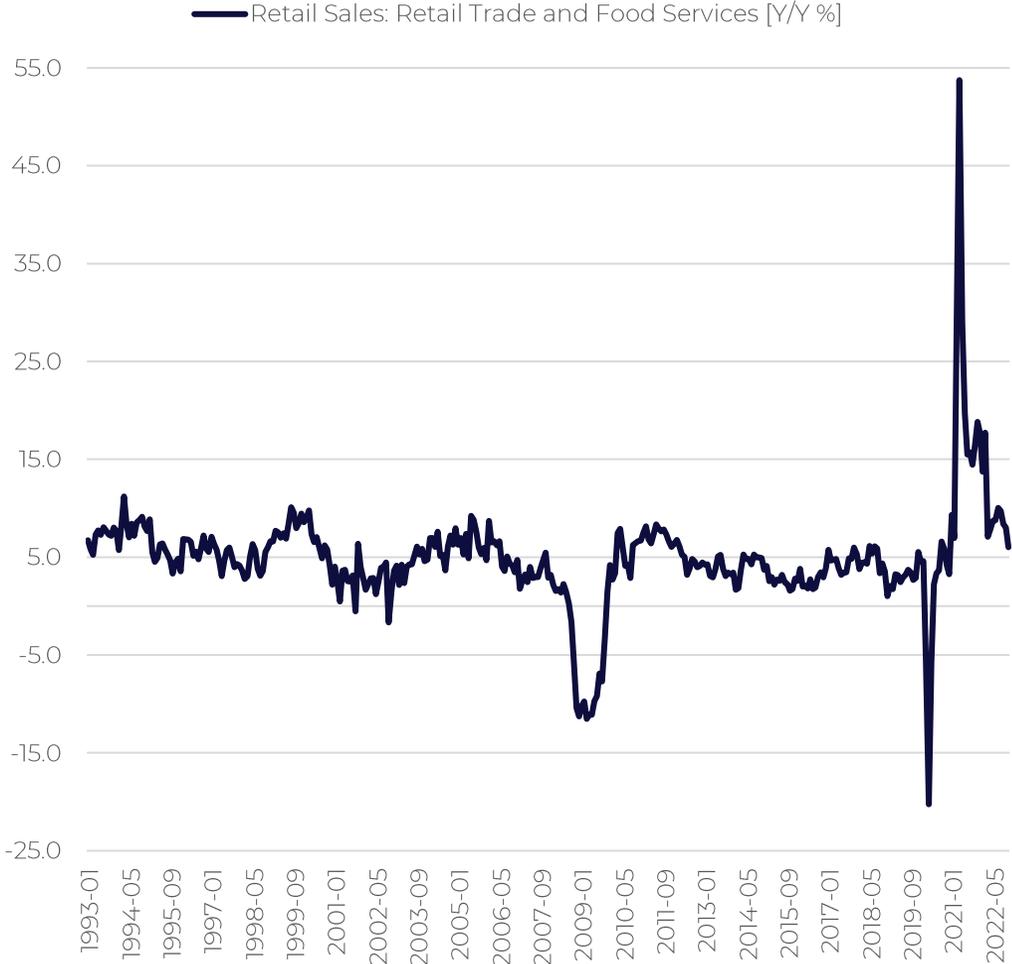
Sources: FRED, Blue Line Capital, Blue Line Futures

Multi-Family Units Construction At All-Time Highs



Retail Sales (Data & Corporate Commentary)

Retail Sales Y/Y %



Sources: FRED, LVMH IR, Macy's IR, TSMC IR, Blue Line Capital, Blue Line Futures

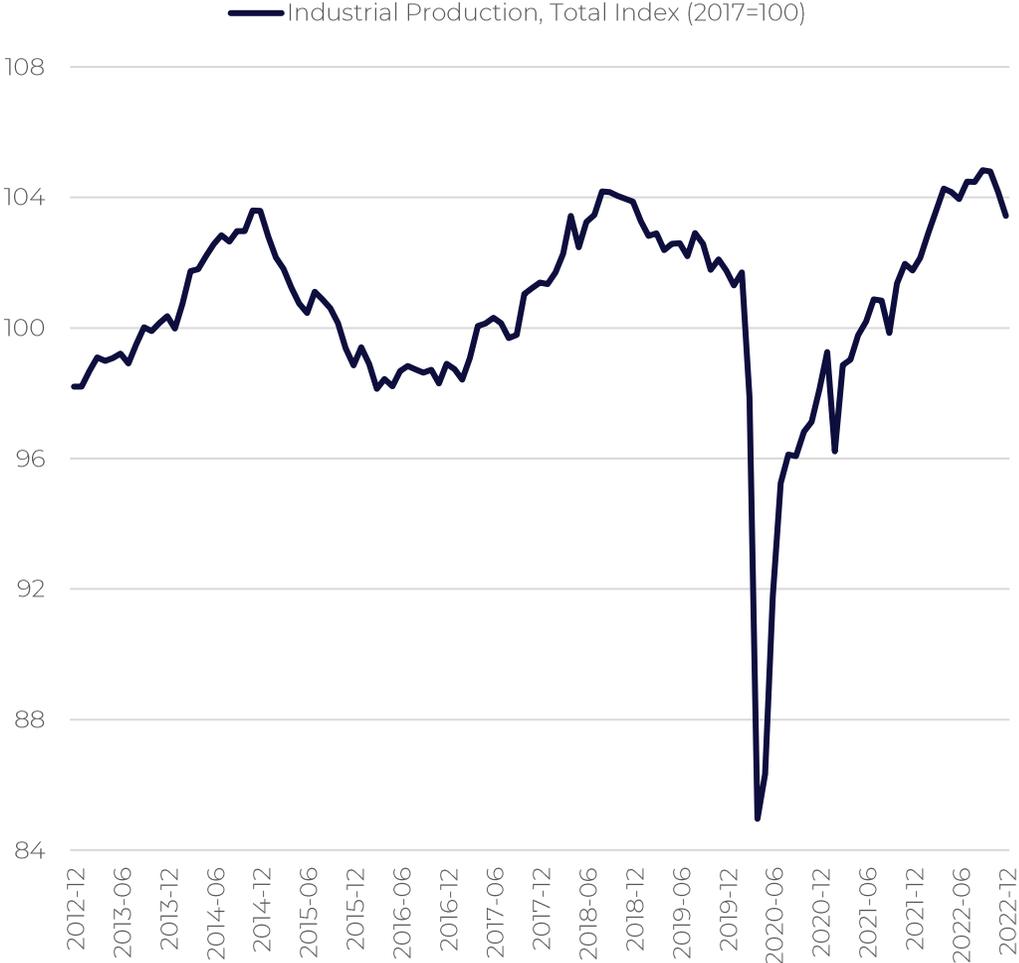
Nominal Retail Sales Level



- *On the divorce between fundamentals and luxurynomics, the only thing I would say is that luxury is not a proxy for the general economy. We end up selling to affluent people and they have a behavior of their own, which is not necessarily totally aligned with economics or GDPs ups and downs. – LVMH, Q3 2022*
- *As we look at our credit card data, there are some indicators that continue to trend in a direction which is payment rates are deteriorating, debt balances higher. – Macy's at ICR Conf., Jan 9 2023*
- *We continue to observe softness in the consumer end market. – TSMC, Q3 2023*

Industrial Production Decline

Industrial Production Index Slowing But Elevated Still



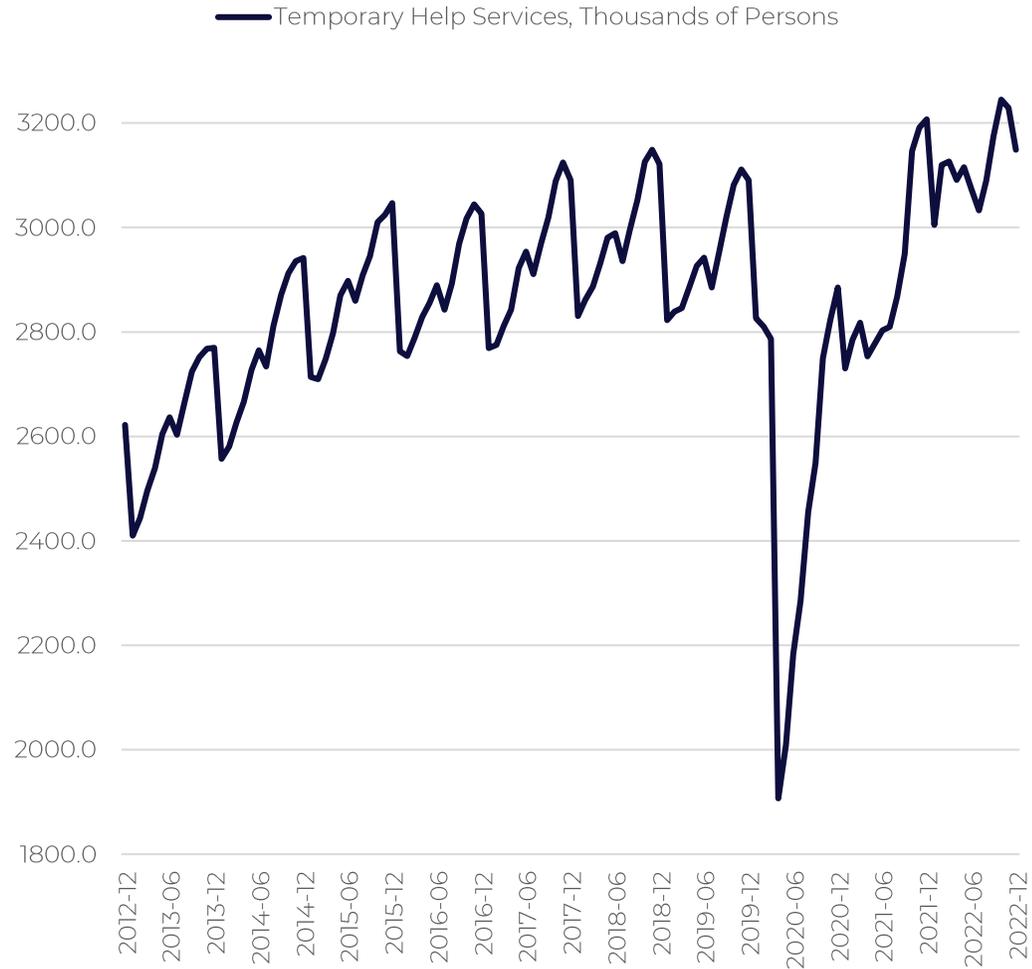
Industrial Production Year-Over-Year Deterioration



Sources: FRED, Blue Line Capital, Blue Line Futures

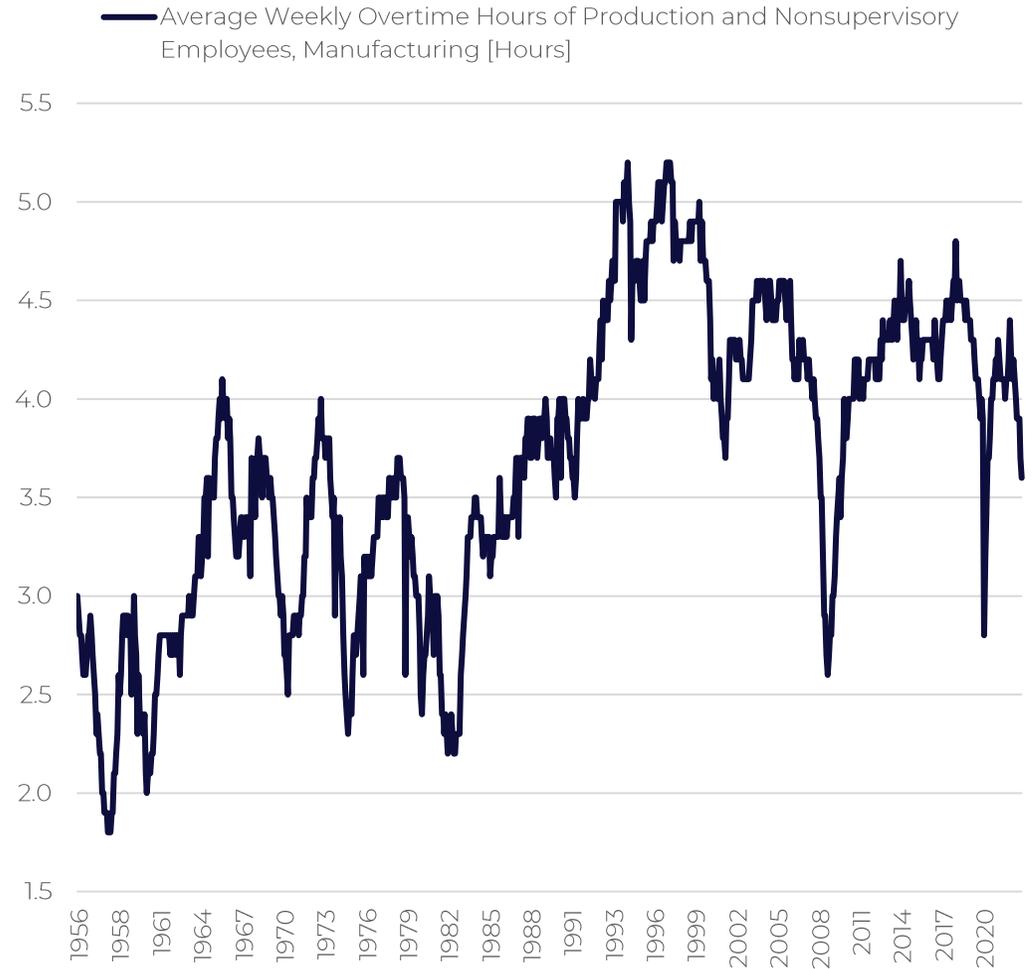
Early Indications Of Employment Decline?

Temporary Help Services Declining From Elevated Levels



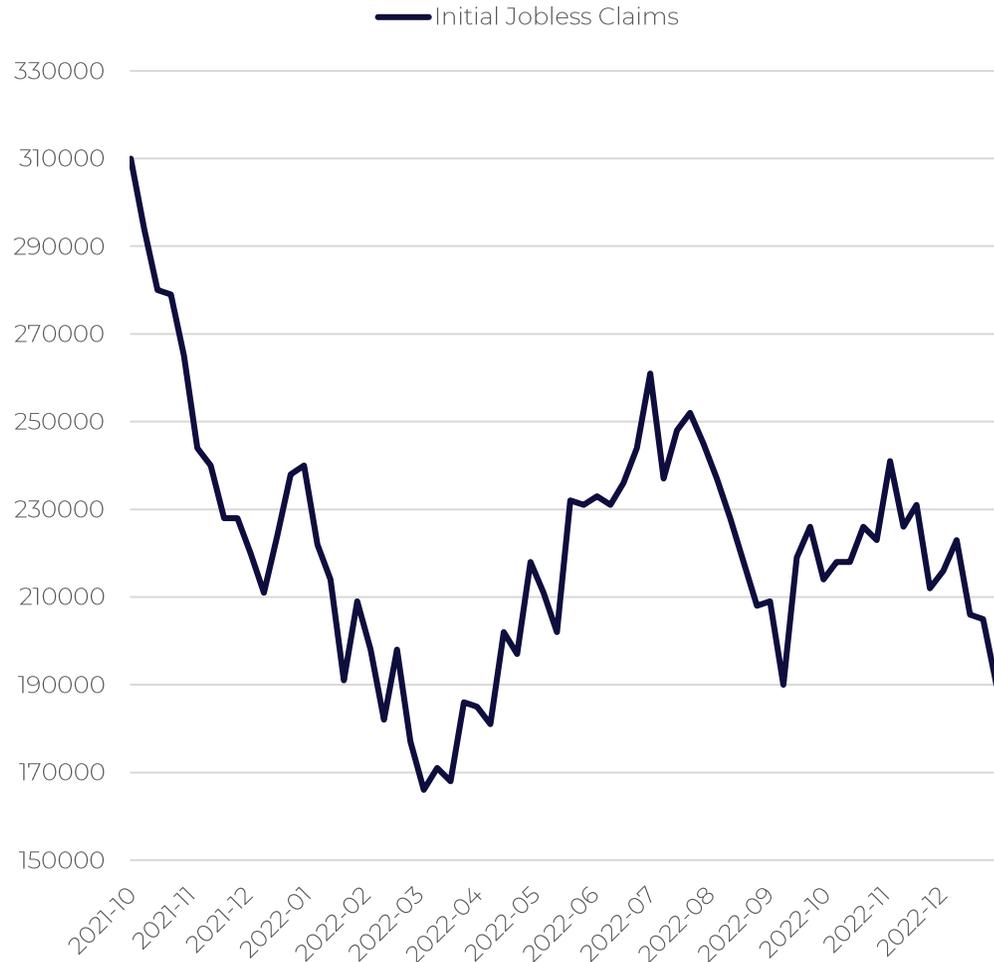
Sources: FRED, Blue Line Capital, Blue Line Futures

Manufacturing Deteriorates As Reflected By Overtime Hours

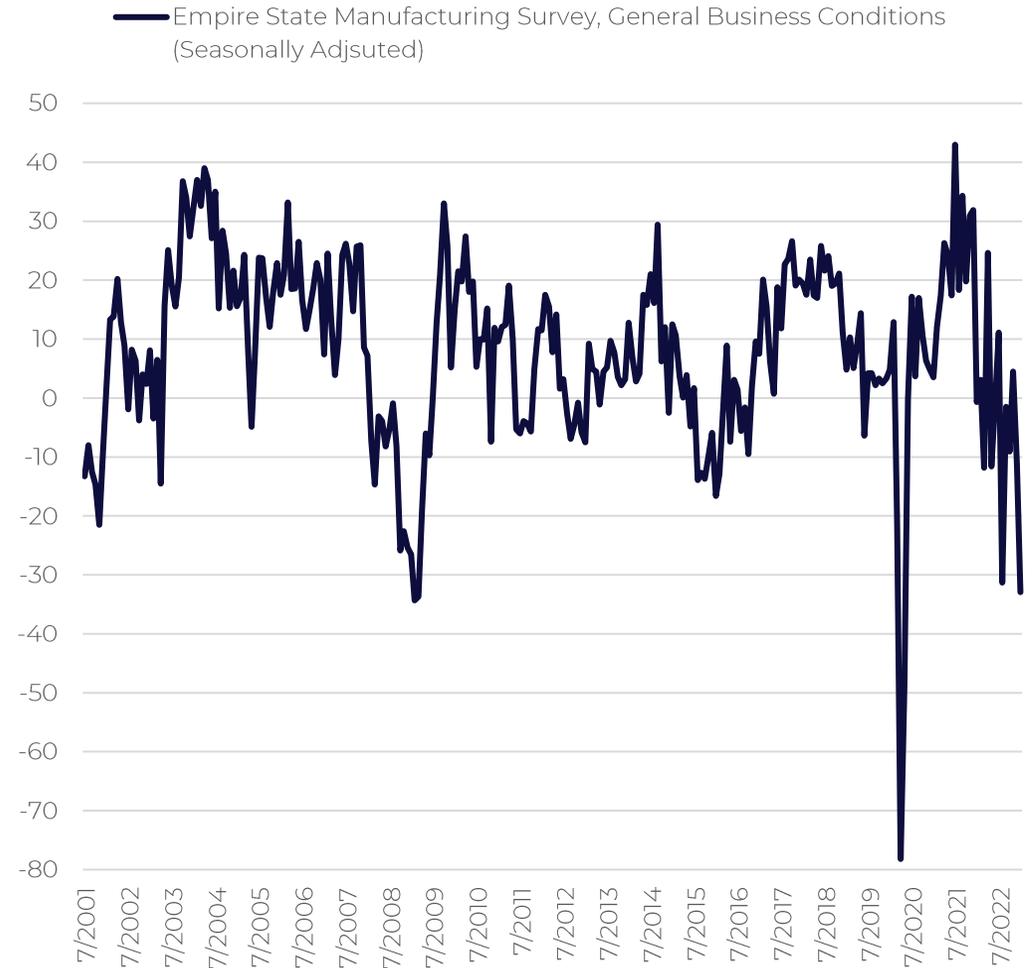


Employment Strength Despite Business Conditions Slowdown

Temporary Help Services Declining From Elevated Levels



Manufacturing Deteriorates As Reflected By Overtime Hours



Sources: FRED, NY Fed, Blue Line Capital, Blue Line Futures

A graphic of the word "GROWTH" where each letter is contained within a dark purple rectangular block. The blocks are arranged in a slightly ascending staircase pattern from left to right. Each letter has a small subscript number: G₂, R₁, O₁, W₄, T₁, H₄.

Earnings Data & Corporate Trends

Thermo Fisher, CSX, Cheniere Energy

G₂ R₁ O₁ W₄ T₁ H₄

Thermo Fisher

Lifescience Trends & Healthcare

Thermo Fisher Earnings Highlights & Stock Performance

Management Commentary From Q3 2022 Earnings Call

- **Margins:** The company's adjusted gross margin in the quarter came in at 41.7%, 970bps lower than Q3 last year. After factoring in the decision we took to accrue the additional colleague compensation that I mentioned earlier, both adjusted operating margin and adjusted gross margin came in as we had anticipated in our prior guidance.
- **On Wages In PPD (Clinical Research):** The way inflation works in that business is it gets passed through in the normal course pricing in the contract or that you could have a quarter or something lag.
- **Covid-19 Testing:** Turning to Covid-19 testing revenue. We now expect \$2.8bn of testing revenue for the year, which includes the assumption of an endemic run rate level of \$100 per quarter in Q4.
- **Geographic:** The organic growth rates by region are skewed by the Covid-19 testing revenues in the current and prior year. In Q3, North America grew in the low single digits. Europe declined 10%. Asia Pacific grew in the low single digits with China growing high single digits, and rest of world declined high single digits.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	26.65	5.39	26.61	22.6	NA
TTM	33.05	5.24	45.93	20.83	5.29

*Levered FCF

Sources: Thermo Fisher IR, TIKR, Blue Line Capital

Quarterly Data



Thermo Fisher Expectations & Returns

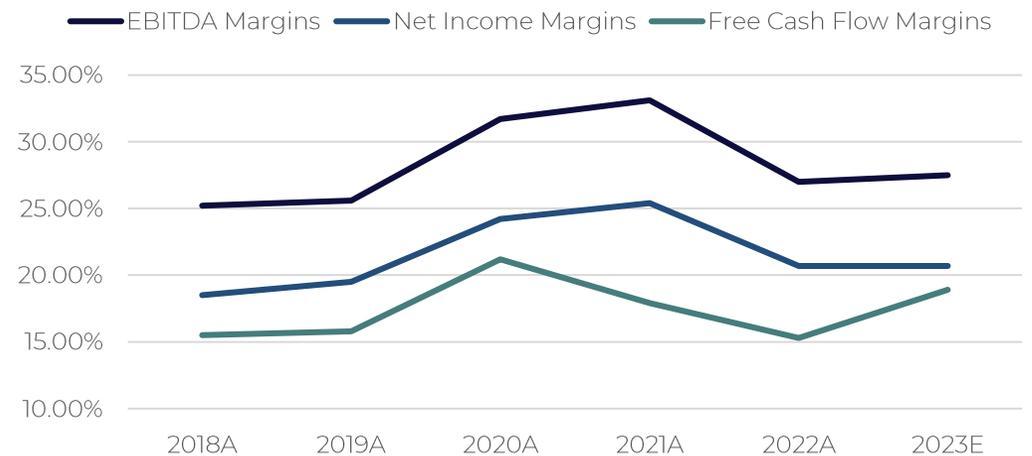
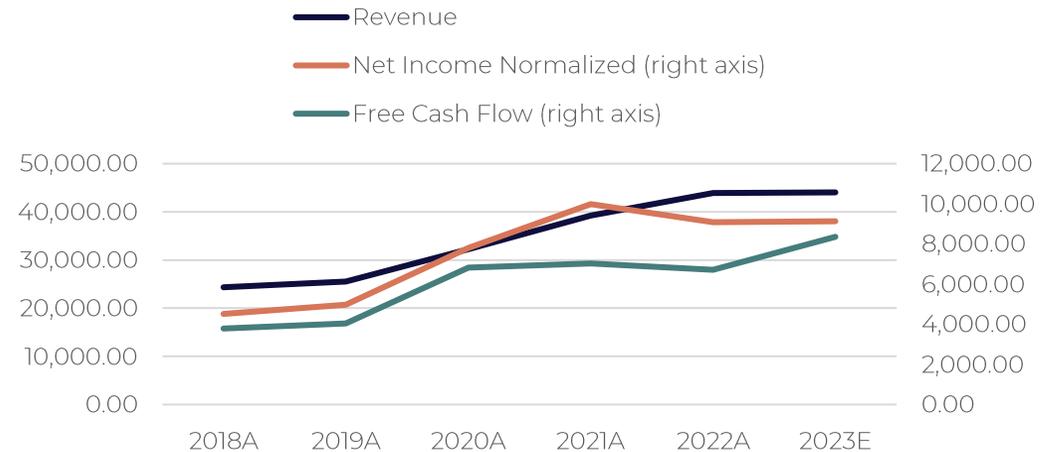
Return Ratios Compared To 2019

Ratios across the board have continued to improve as Thermo Fisher manifests its leadership position in life sciences.

		LTM	2019
Return Ratios	RoA	7.00%	4.60%
	RoC	12.10%	8.30%
	RoE	17.10%	12.90%
Margins	Gross Profit Margin	44.50%	44.40%
	EBITDA Margin	28.10%	25.30%
	Net Income Margin	15.90%	14.50%
	Levered Free Cash Flow Margin	11.40%	12.70%
Asset Turnover	Asset Turnover	0.49	0.44
	Fixed Asset Turnover	5.63	5.31
	Receivables Turnover	5.78	5.35
	Inventory Turnover	4.61	4.46
Solvency	Total Debt/Equity	0.00%	0.00%
	Total Debt/Capital	66.70%	62.40%
	EBITDA/Interest Expense	14.9	6.19
	(EBITDA/Capex)/Interest Expense	20.64	9.93

Sources: Thermo Fisher IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Thermo Fisher Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Thermo Fisher (TMO)	22.6	26.65	17%	2%	12%
Danaher Corp (DHR)	21.38	27.44	11%	-1%	8%
Agilent Technologies (A)	22.58	27.40	19%	24%	31%
Abbott Laboratories (ABT)	20.8	27.54	17%	3%	-5%
Illumina (ILMN)	46.57	96.85	-6%	3%	-32%
Becton Dickinson & Company (BDX)	17.15	21.41	13%	5%	-1%
Waters Corp (WAT)	20.05	26.93	17%	-5%	14%
Median	21.38	27.40	17%	3%	8%
Mean	24.45	36.32	12%	4%	4%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Thermo Fisher.

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CSX

Collecting Fees On Transportation Activity

CSX Earnings Highlights & Stock Performance

Management Commentary From Q3 2022 Earnings Call

- **Rail is a transportation solution:** Rail is a low-cost freight solution. Rail is a freight solution with low emissions. Manufacturing investment in the Untied States is accelerating.
- **Volume Trends:** Overall volumes were up 2% as modest volume growth in merchandise and intermodal more than offset a minor decline in coal. We saw strength in the automotive market, where revenues rose 31% on 13% higher volume. Semiconductor challenges continue to ease and we see significant finished vehicle inventory that needs to move. Ag and food was also a bright spot as improving cycle times, as well as stronger demand for grain, wheat and ethanol resulted in revenue growth of 25% on 10% higher volume in the quarter. Coal revenue increased 36% on 2% lower volume as pricing continues to benefit from strong export benchmarks. Trucking revenue increased 26%, mainly due to strong core pricing and higher fuel recovery.
- **On Renewable Transport:** Last month, a key emerging domestic lithium supplier for the EV and battery markets announced the construction of a \$600 million reining and manufacturing facility on a CSX serve site in Tennessee.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	17.03	4.67	17.47	11.54	NA
TTM	17.04	4.71	24.08	11.58	5.31

*Levered FCF

Sources: CSX IR, TIKR, Blue Line Capital

Quarterly Data



CSX Expectations & Returns

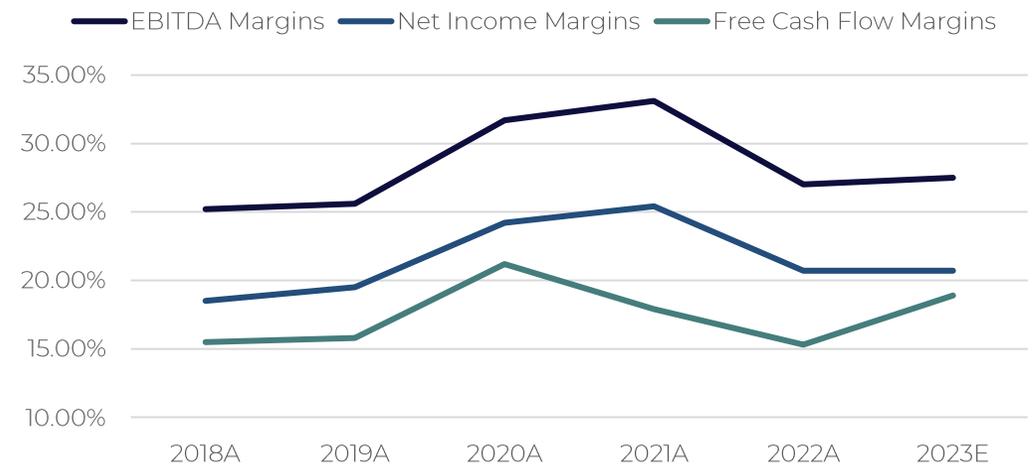
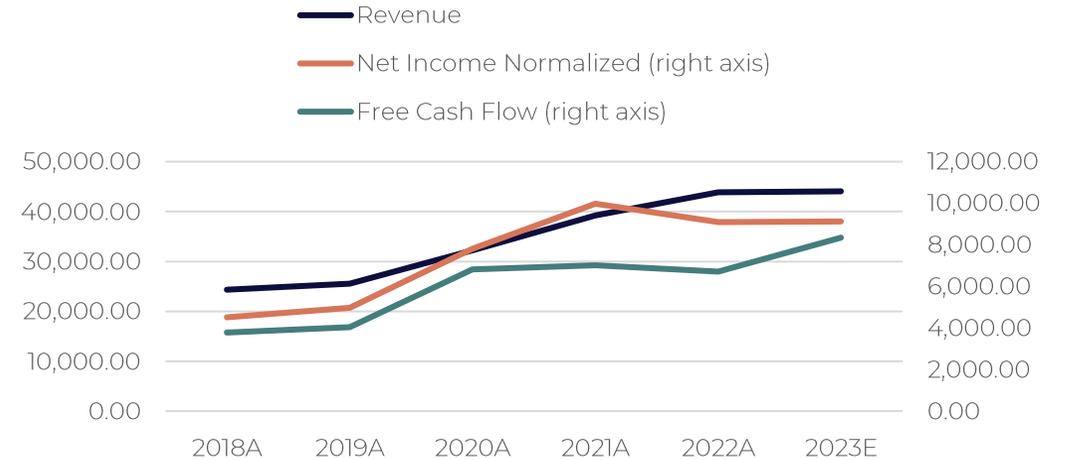
Return Ratios Compared To 2019

Return ratios have remained stable or increased, profit margins have remained stable, and solvency remains healthy.

		LTM	2019
Return Ratios	RoA	8.80%	8.10%
	RoC	15.10%	11.70%
	RoE	31.30%	27.30%
Margins	Gross Profit Margin	50.00%	52.20%
	EBITDA Margin	50.00%	52.20%
	Net Income Margin	28.10%	27.90%
	Levered Free Cash Flow Margin	19.60%	20.40%
Asset Turnover	Asset Turnover	0.34	0.31
	Fixed Asset Turnover	0.43	0.37
	Receivables Turnover	12.16	11.96
	Inventory Turnover	18.34	21.79
Solvency	Total Debt/Equity	140.10%	141.50%
	Total Debt/Capital	46.80%	47.10%
	EBITDA/Interest Expense	10.06	8.56
	(EBITDA/Capex)/Interest Expense	7.28	6.32

Sources: CSX IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



CSX Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
CSX (CSX)	11.41	16.76	17%	3%	-6%
Union Pacific (UNP)	13.07	17.88	10%	-4%	-10%
Canadian Pacific (CP)	17.57	22.70	11%	4%	8%
J.B. Hunt Transportation Services (JBHT)	10.3	20	12%	7%	8%
Canadian National Railway Company (CNR)	13.87	20.82	9%	5%	0%
Norfolk Southern Corporation (NSC)	12.26	18.26	22%	3%	0%
Old Dominion Freight Line (ODFL)	16.97	27.69	21%	15%	16%
Median	13.07	20.00	12%	4%	0%
Mean	13.64	20.59	15%	5%	2%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in CSX.

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Cheniere Energy

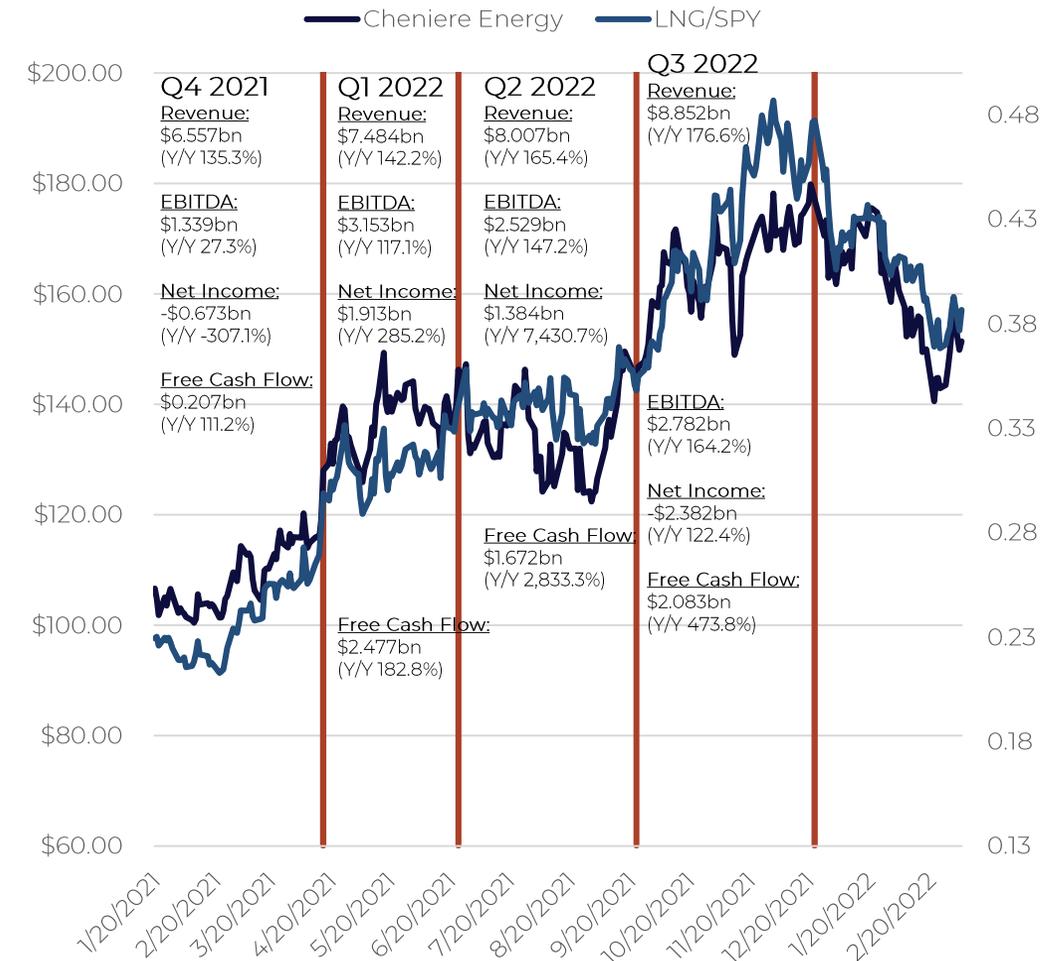
The U.S. Gas Exporter

Cheniere Energy Earnings Highlights & Stock Performance

Management Commentary From Q3 2022 Earnings Call

- **Volume By Geography:** During the third quarter, we produced and exported 156 cargoes of LNG from our facilities. Of that, approximately 70% of that volume landed in Europe. By comparison, during the third quarter of last year, less than 30% of the volume produced by Cheniere landed in Europe.
- **Capacity Growth:** We estimate current capacity growth rates to be near 2%, a level not seen since 2012 when the market was also out of balance and prices clearly signaled the need for new LNG capacity.
- **Replacing Russian Gas:** LNG imports from the U.S. have been the primary resource to offset the removal of over 50bcm of Russian gas imports from the European market this year
- **Asia Demand:** LNG imports declined by 14.5 million tons YTD with nearly 5 million tons of the decline realized in the third quarter. 90% of this decline is attributable to China as a result of reduced industrial sector demand and weak gas burn, which could remain a trend throughout this winter. In China, industrial gas demand decreased by 3bcm in Q3, representing a 8.7% drop Y/Y.

Quarterly Data



	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	6.23	1.27	7.64	6.54	NA
TTM	-9.88	1.15	-45.75	-88.61	-6.06

*Levered FCF

Sources: Cheniere Energy IR, TIKR, Blue Line Capital

Cheniere Energy Expectations & Returns

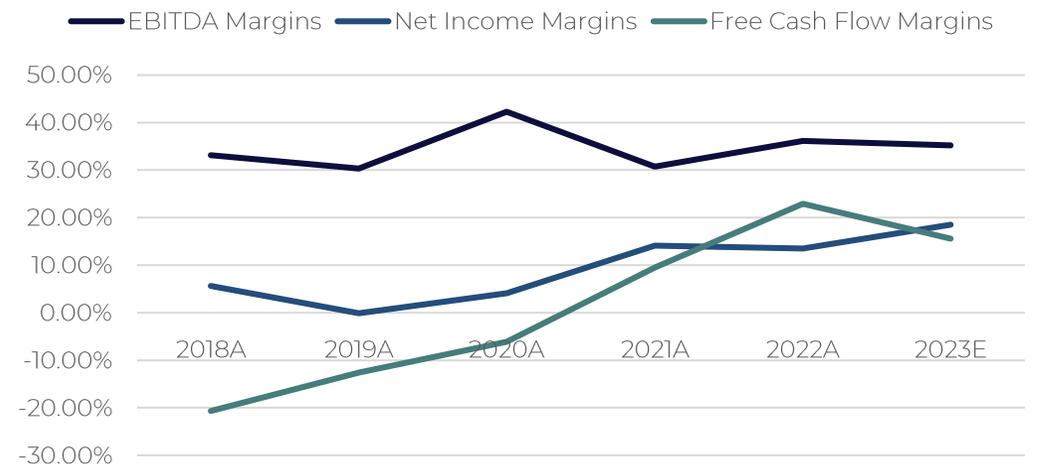
Return Ratios Compared To 2019

As the company invests in new export projects, returns ratios have declined, but are expected to be a temporary phenomenon.

		LTM	2019
Return Ratios	RoA	-2.70%	4.40%
	RoC	-7.20%	7.00%
	RoE	231.10%	56.50%
Margins	Gross Profit Margin	4.10%	31.80%
	EBITDA Margin	-2.30%	34.40%
	Net Income Margin	-11.80%	7.10%
	Levered Free Cash Flow Margin	-2.50%	6.70%
Asset Turnover	Asset Turnover	0.74	0.26
	Fixed Asset Turnover	0.98	0.32
	Receivables Turnover	0.45	0.55
	Inventory Turnover	38.94	19.88
Solvency	Total Debt/Equity	-689.90%	1287.40%
	Total Debt/Capital	117.00%	92.80%
	EBITDA/Interest Expense	-0.18	2.32
	(EBITDA/Capex)/Interest Expense	-1.28	0.36

Sources: Cheniere Energy IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Cheniere Energy Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Cheniere Energy (LNG)	6.54	6.23	-14%	8%	12%
Range Resources (RRC)	3.93	5.41	-2%	-20%	-14%
EOG Resources (EOG)	5.13	9.05	-5%	22%	15%
EQT (EQT)	2.99	5.19	-11%	-25%	-14%
Energy Transfer (ET)	7.72	9.4	3%	18%	11%
Kinder Morgan (KMI)	9.98	17.27	5%	2%	0%
Hess Corporation (HES)	8.59	19.86	11%	42%	49%
Median	6.54	9.05	-2%	8%	11%
Mean	6.41	10.34	-2%	7%	8%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Cheniere Energy.

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