

G₂ R₁ O₁ W₄ T₁ H₄

Blue Line Capital

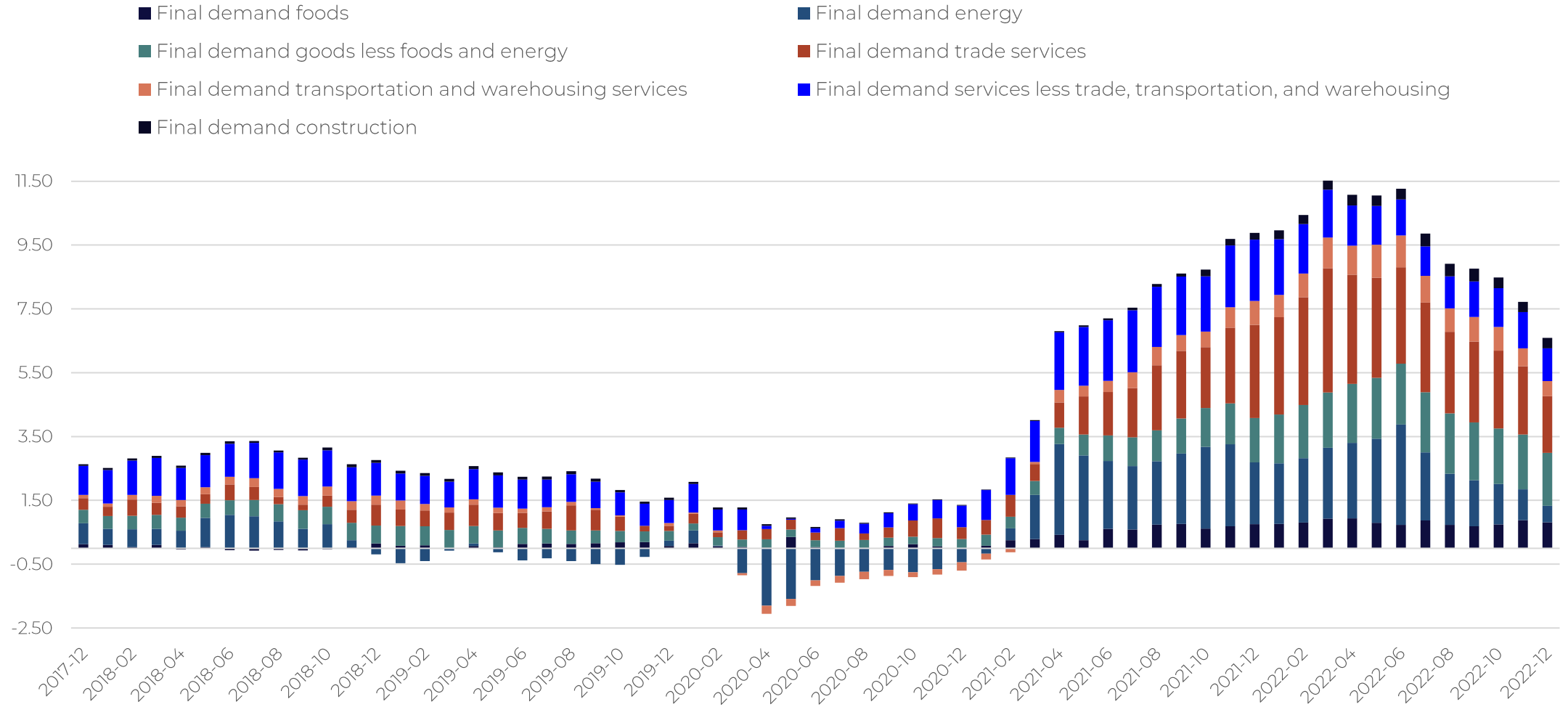
Growth, Inflation & Corporations
Producer Prices, Retail Sales & Trends In
Corporate America

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Inflation & Growth

PPI, Retail Sales, Manufacturing

PPI Headline Composition

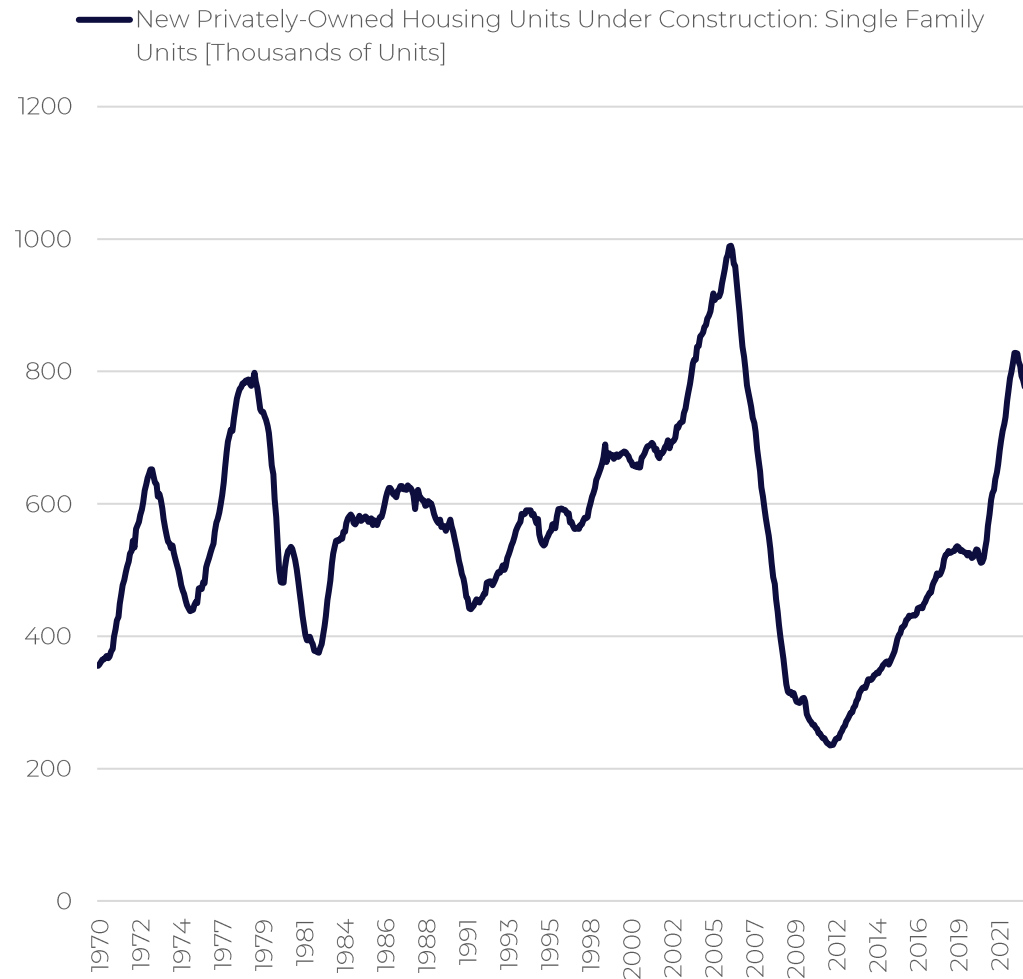


Sources: BLS, FRED, Blue Line Capital, Blue Line Futures

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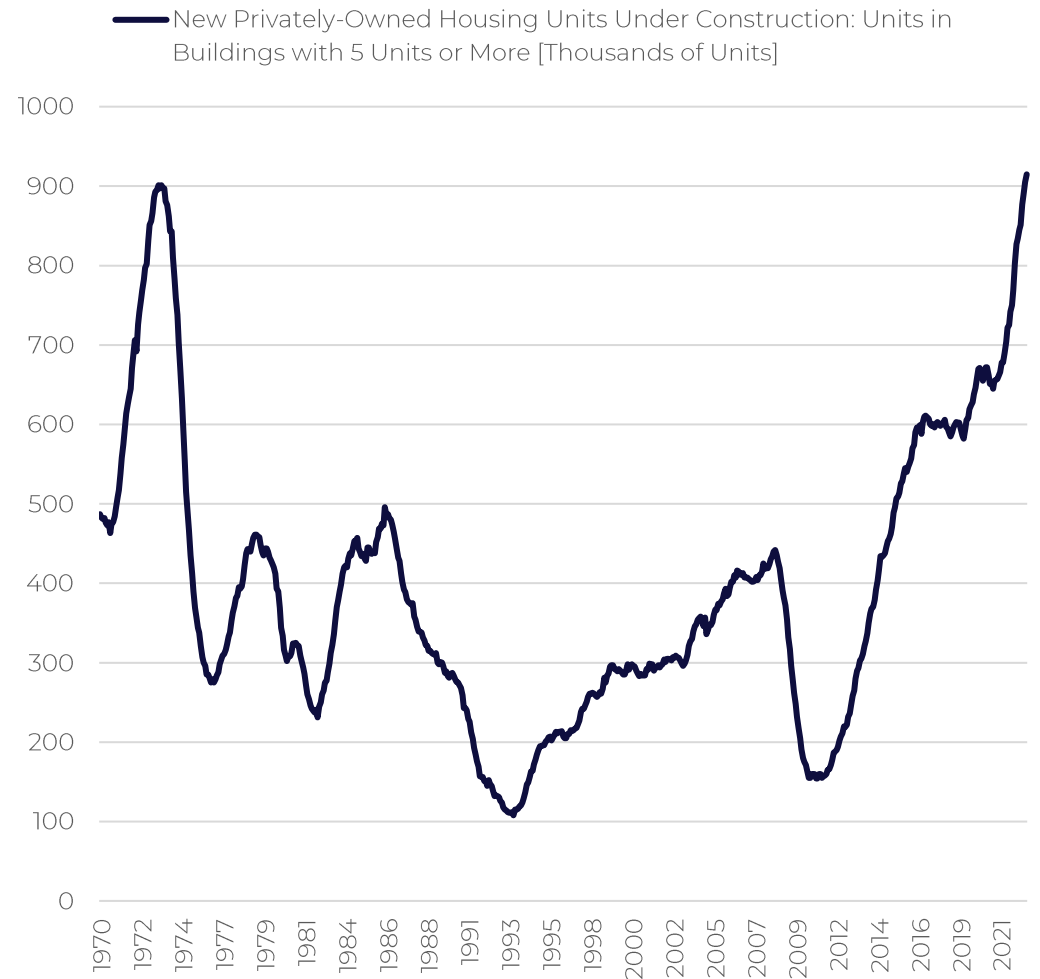
Supply Is Adjusting In Areas Of Sticky Inflation

Privately-Owned Housing Units Construction



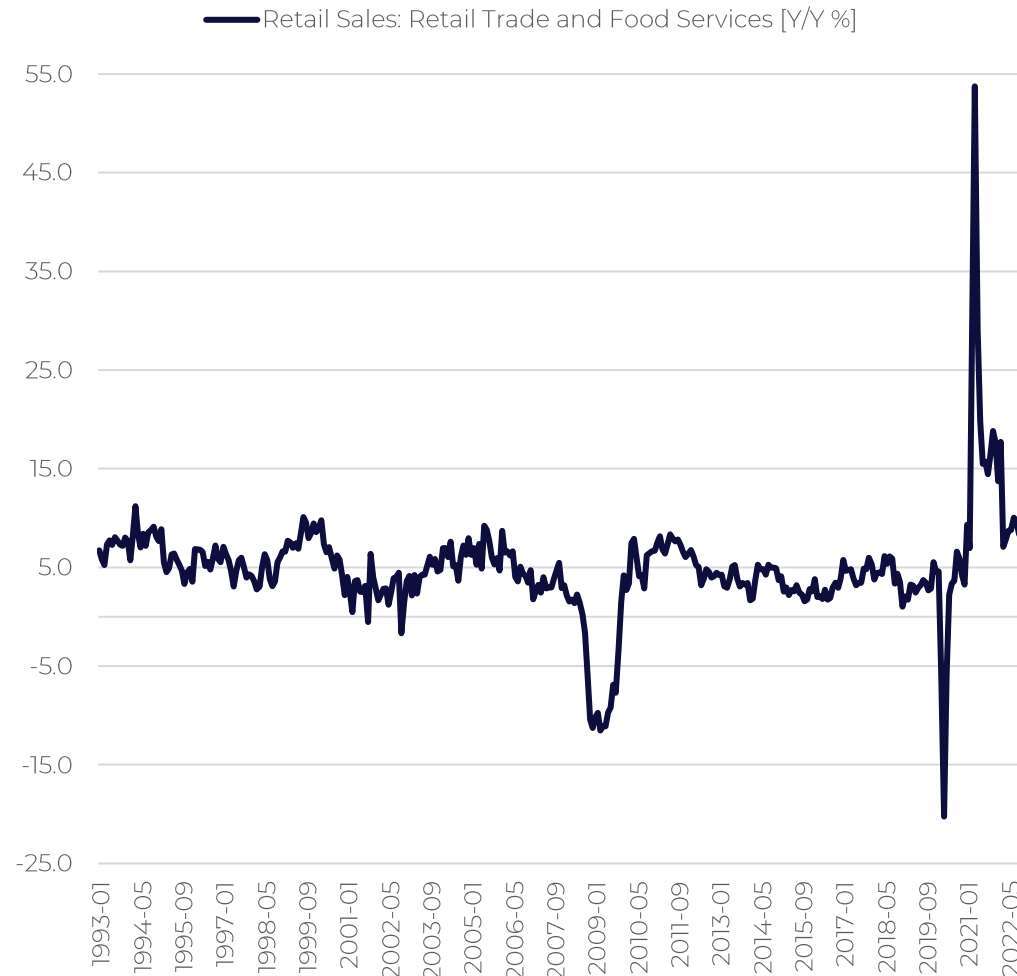
Sources: FRED, Blue Line Capital, Blue Line Futures

Multi-Family Units Construction At All-Time Highs



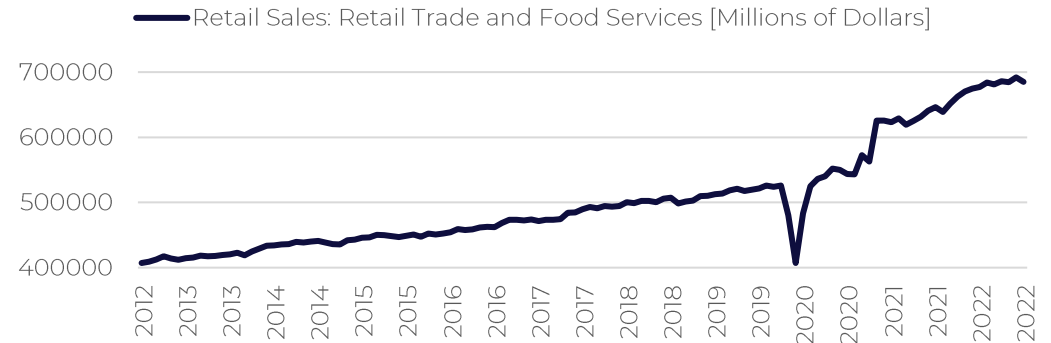
Retail Sales (Data & Corporate Commentary)

Retail Sales Y/Y %



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

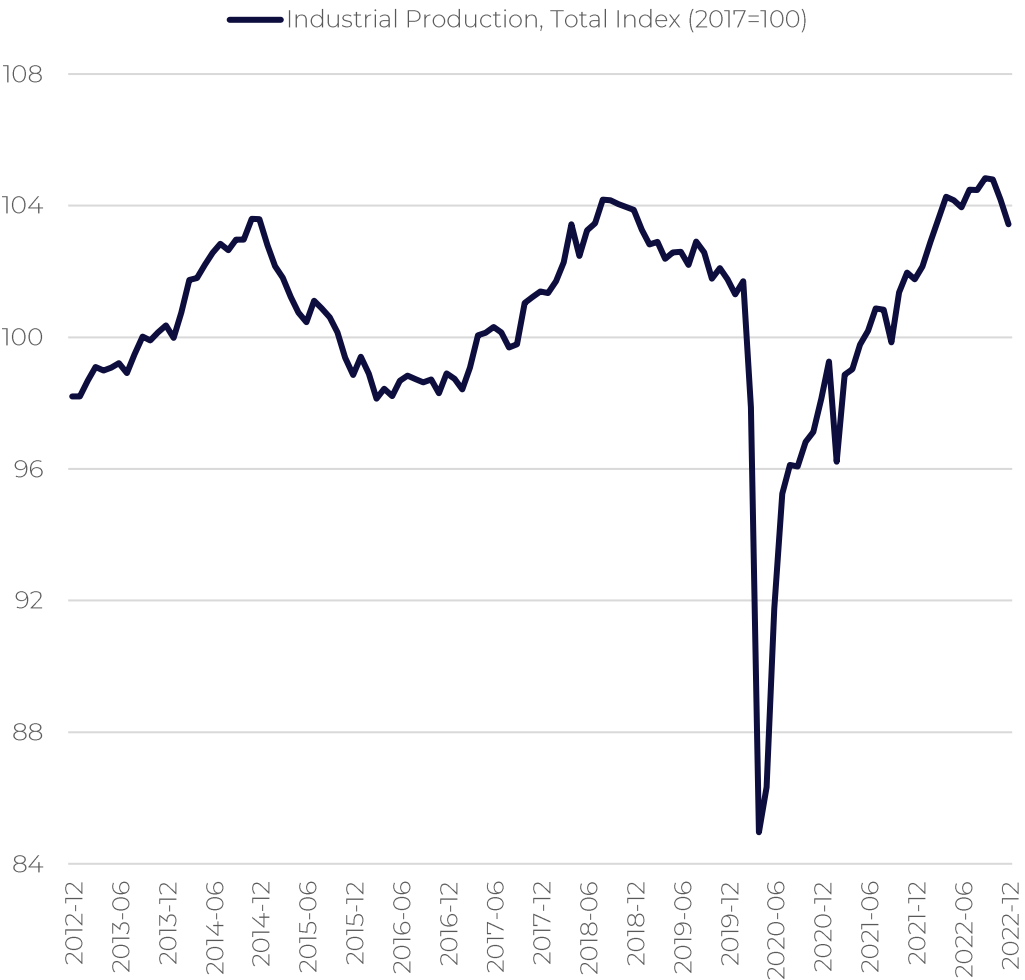
Nominal Retail Sales Level



- *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*

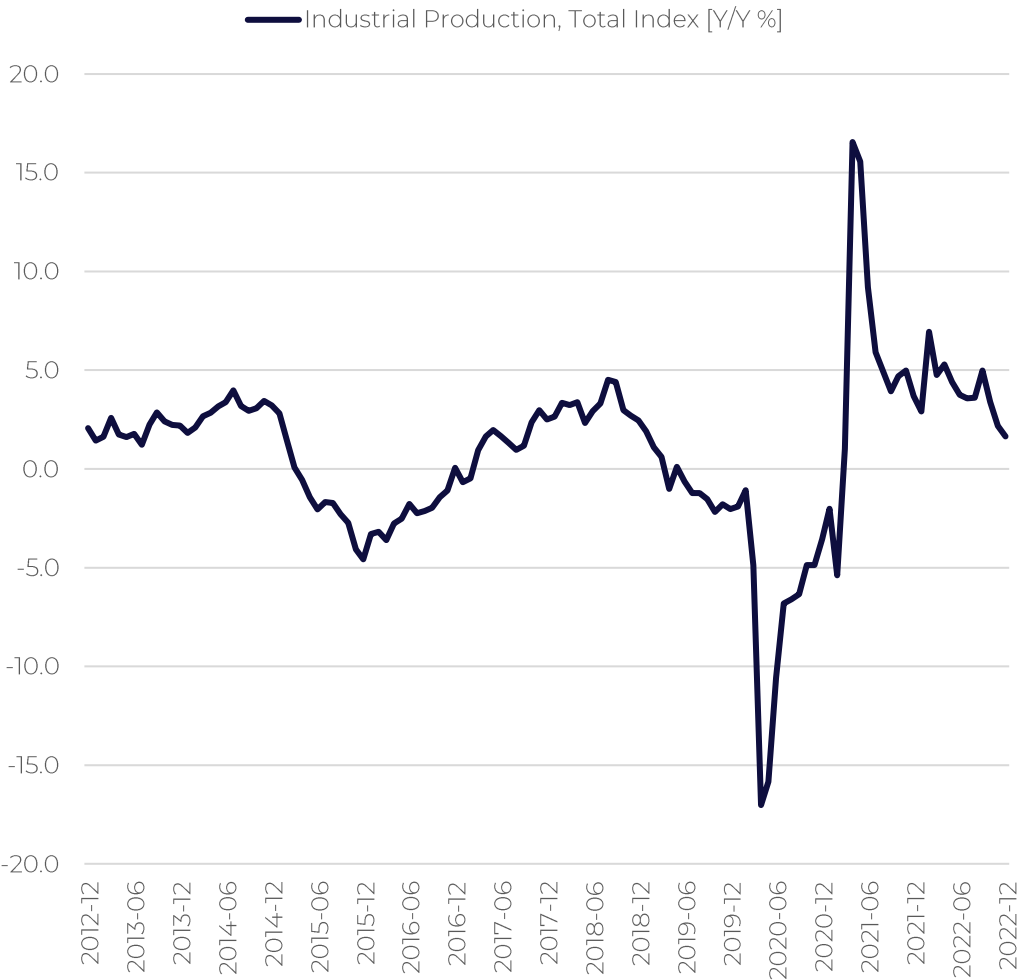
Industrial Production Decline

Industrial Production Index Slowing But Elevated Still



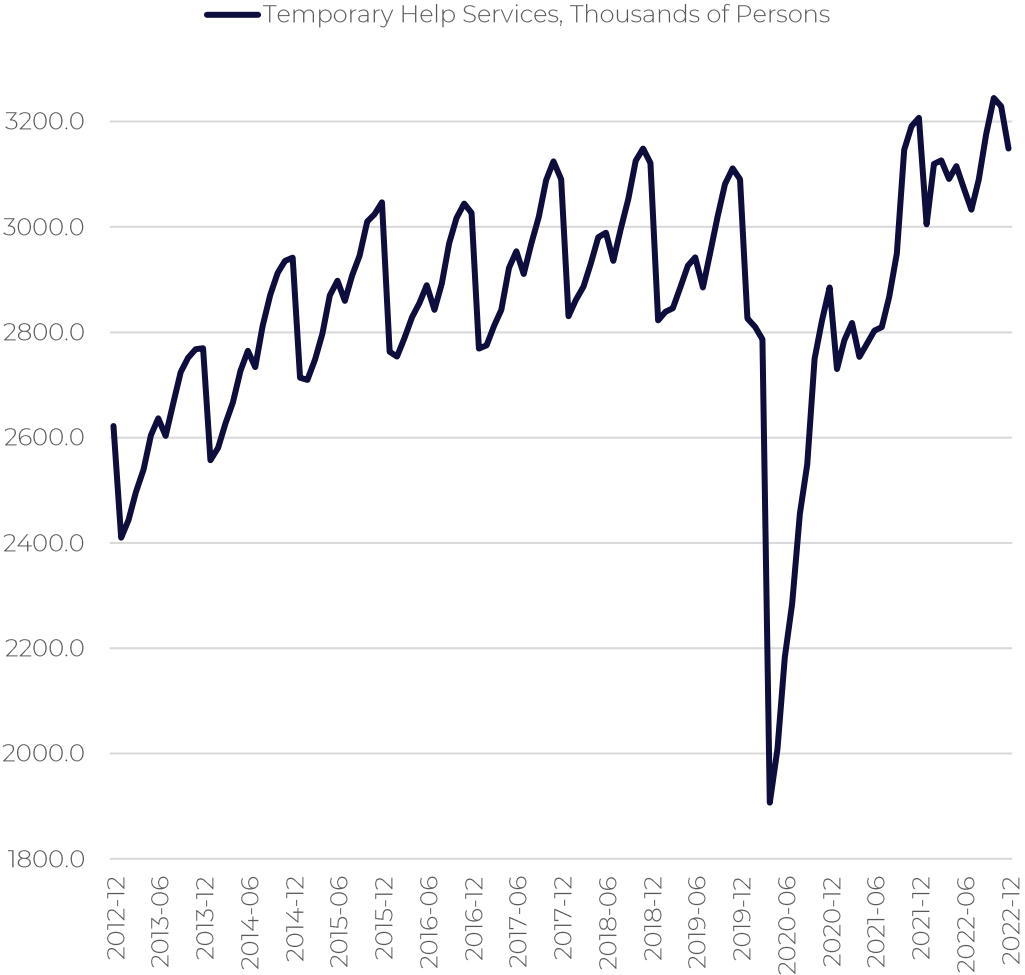
Sources: FRED, Blue Line Capital, Blue Line Futures

Industrial Production Year-Over-Year Deterioration



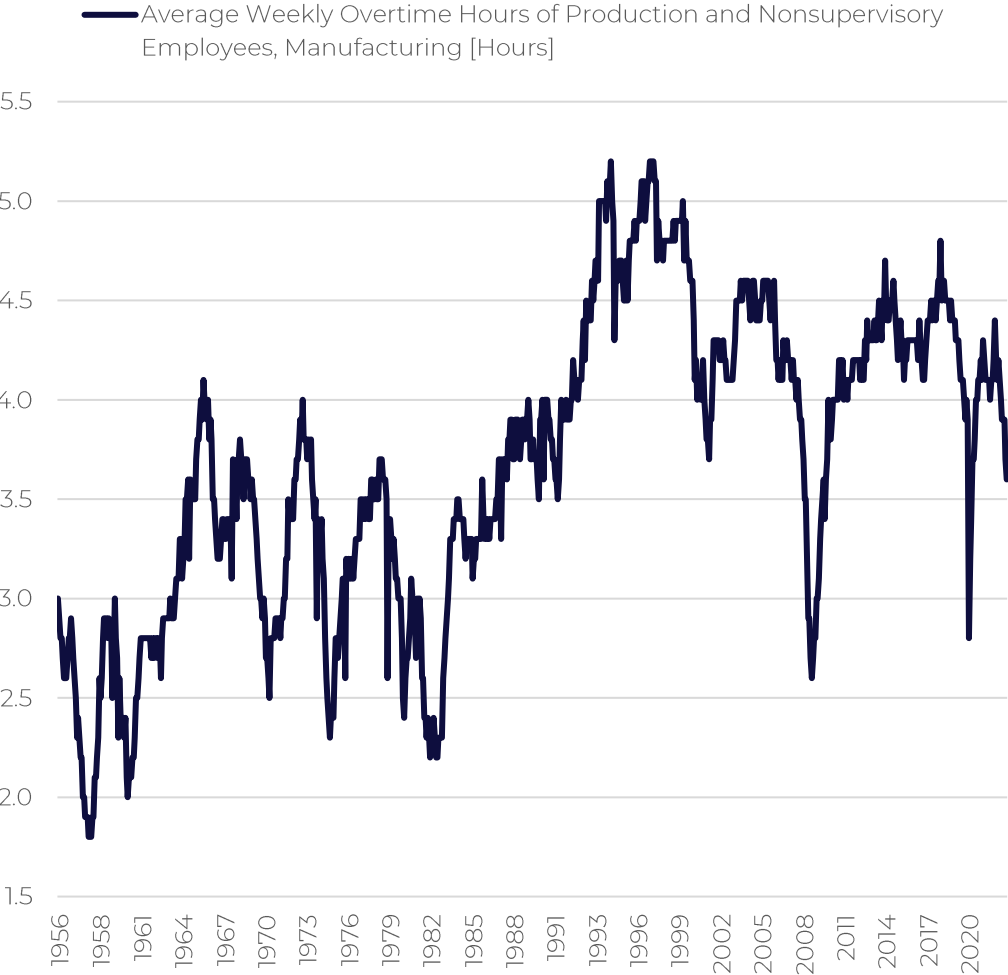
Early Indications Of Employment Decline?

Temporary Help Services Declining From Elevated Levels



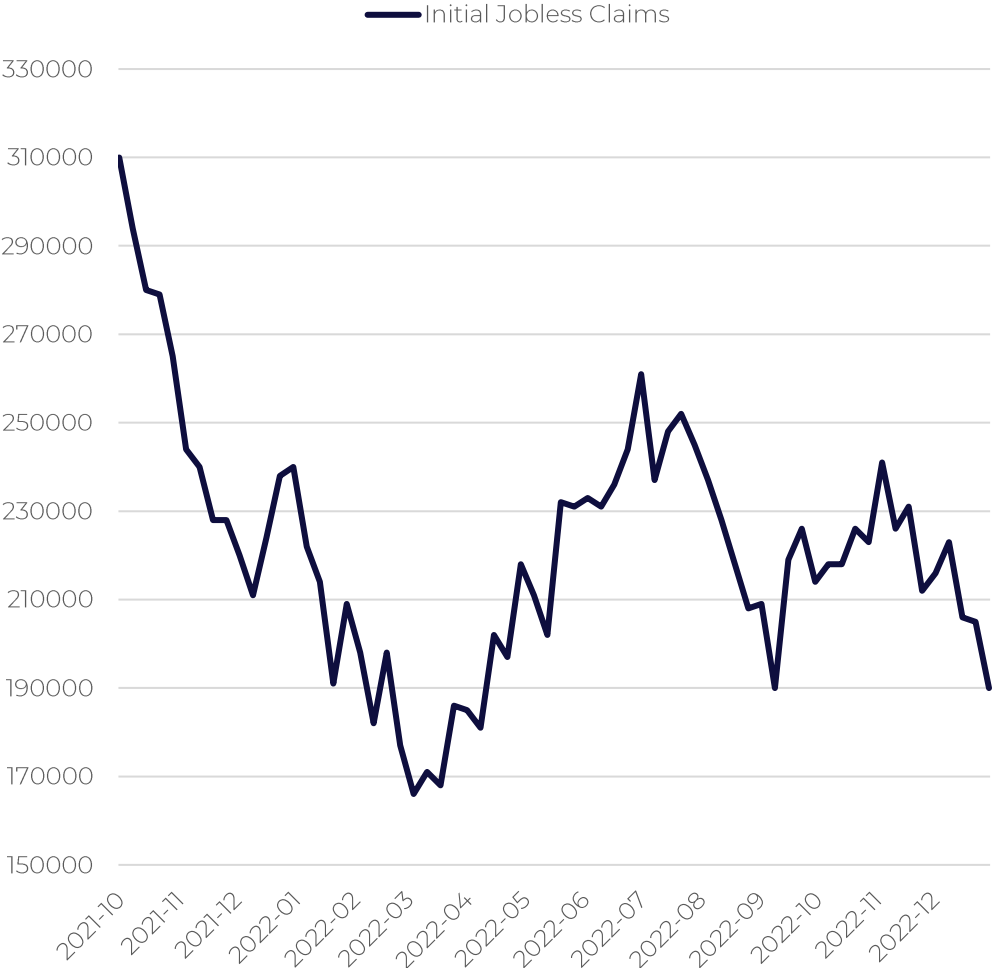
Sources: FRED, Blue Line Capital, Blue Line Futures

Manufacturing Deteriorates As Reflected By Overtime Hours



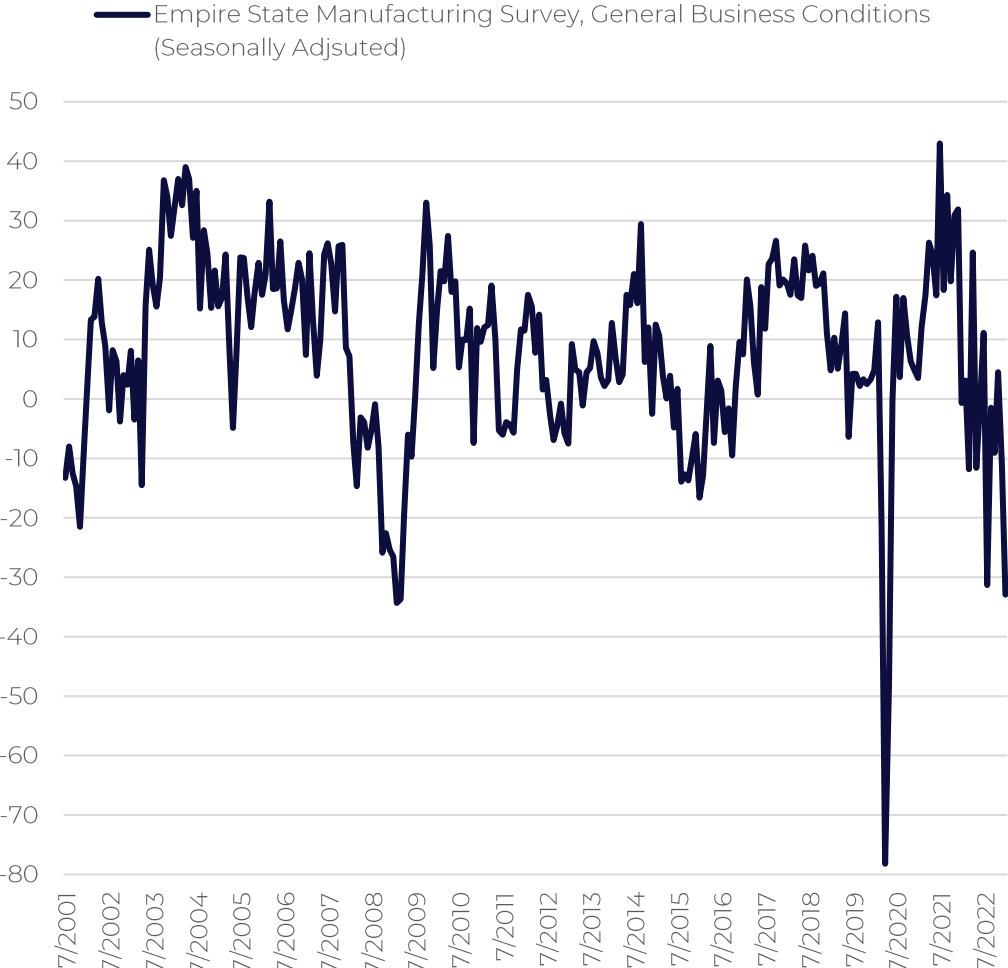
Employment Strength Despite Business Conditions Slowdown

Temporary Help Services Declining From Elevated Levels



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

Manufacturing Deteriorates As Reflected By Overtime Hours



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Earnings Data & Corporate Trends

Thermo Fisher, CSX, Cheniere Energy

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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

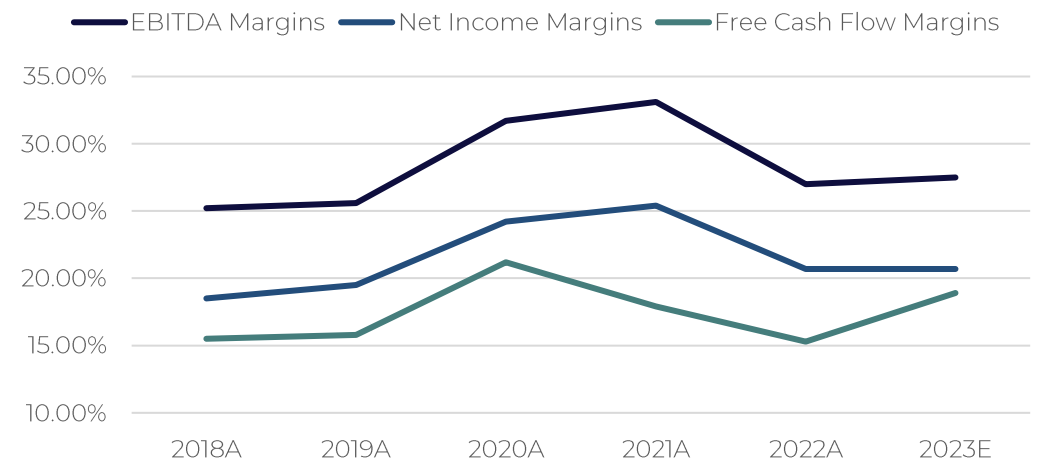
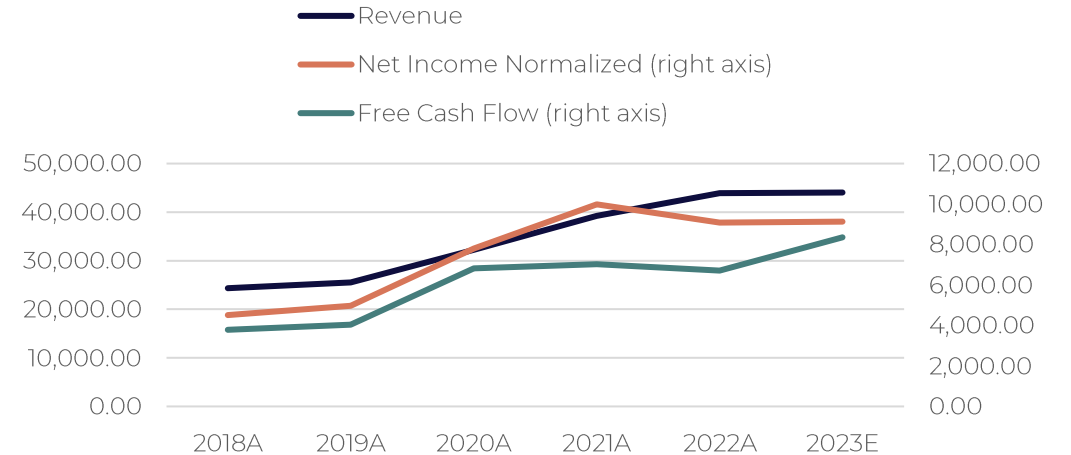
Return Ratios Compared To 2019

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

1/22/2023

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

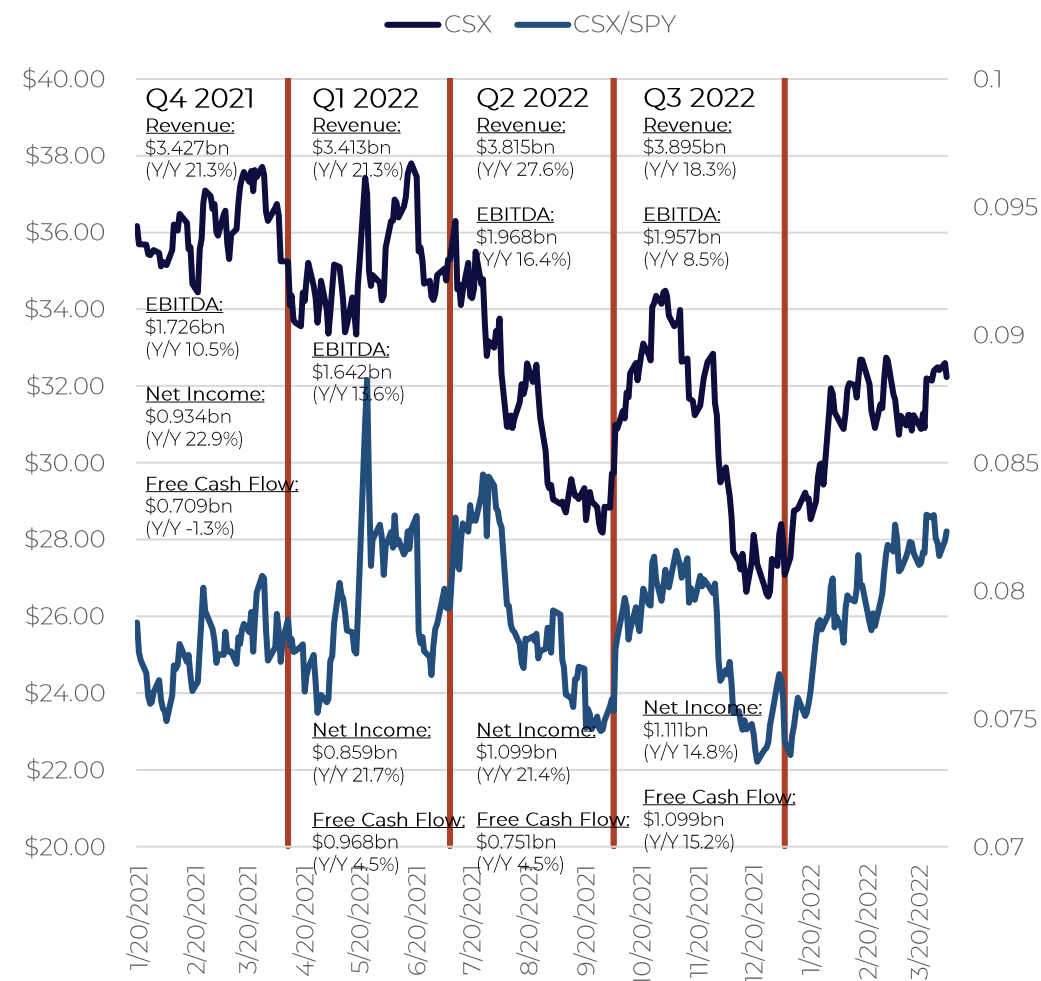
Management Commentary From Q3 2022 Earnings Call

- **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

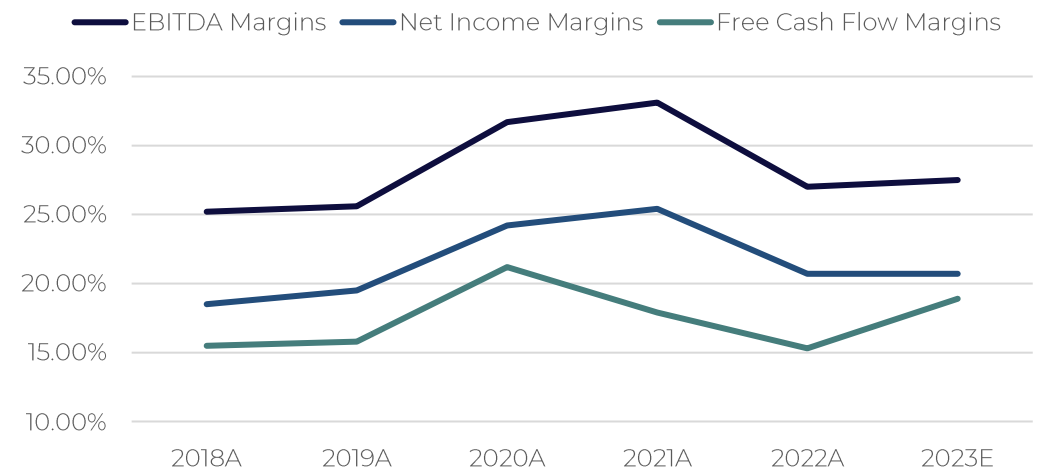
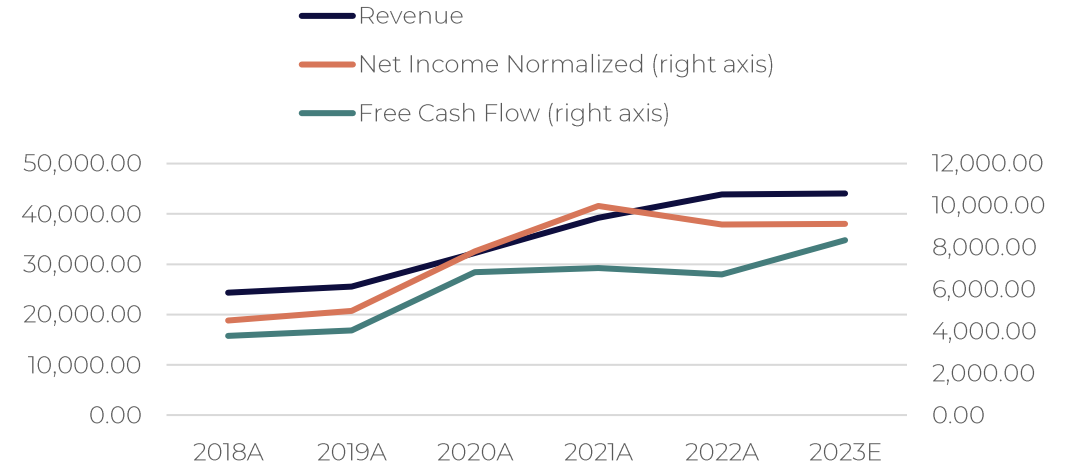
Return Ratios Compared To 2019

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

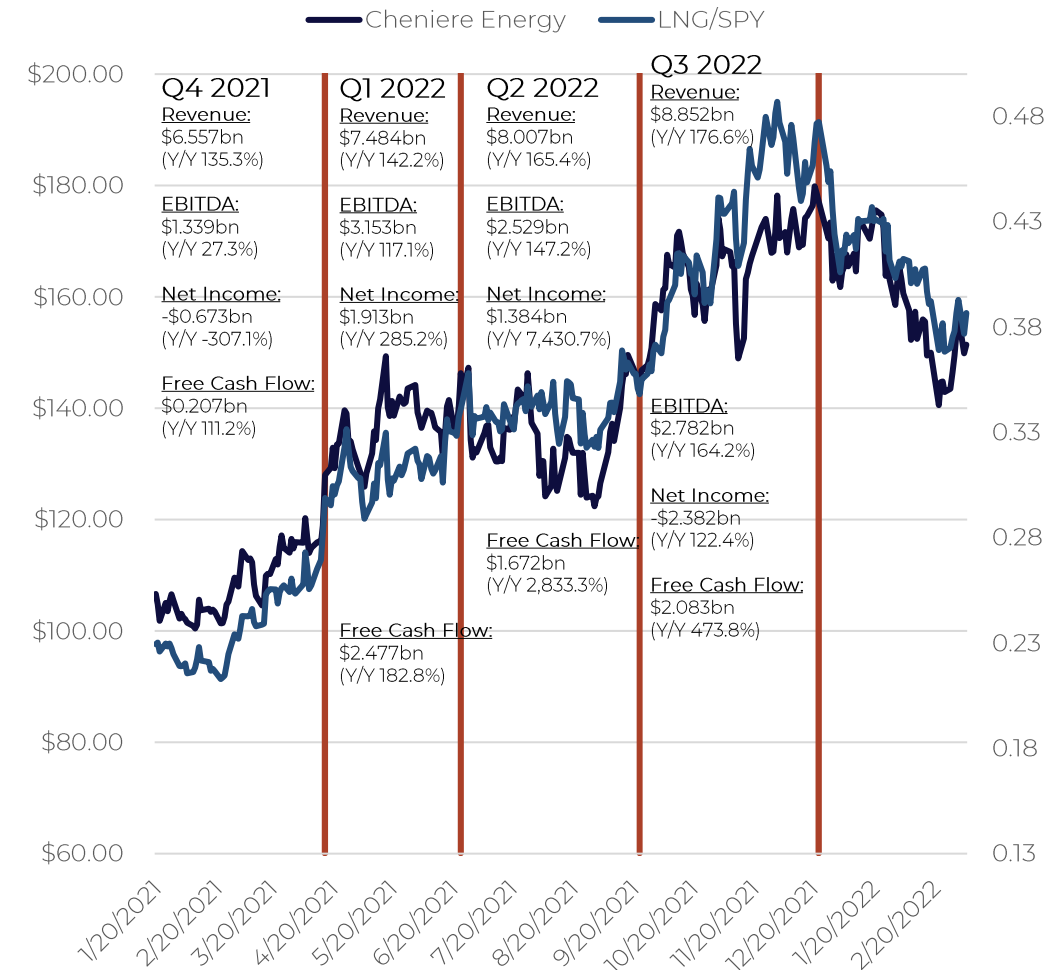
- **Volume By Geography:** During the third quarter, we produced and exported 156 cargoes of LNG from our facilities. Of that, approximately 70% of that volume landed in Europe. By comparison, during the third quarter of last year, less than 30% of the volume produced by Cheniere landed in Europe.
- **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.

	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

Quarterly Data



Cheniere Energy Expectations & Returns

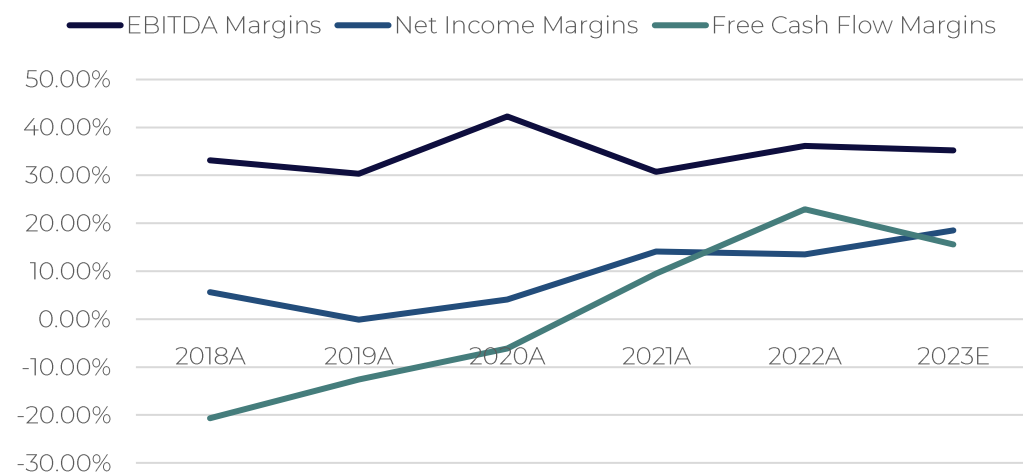
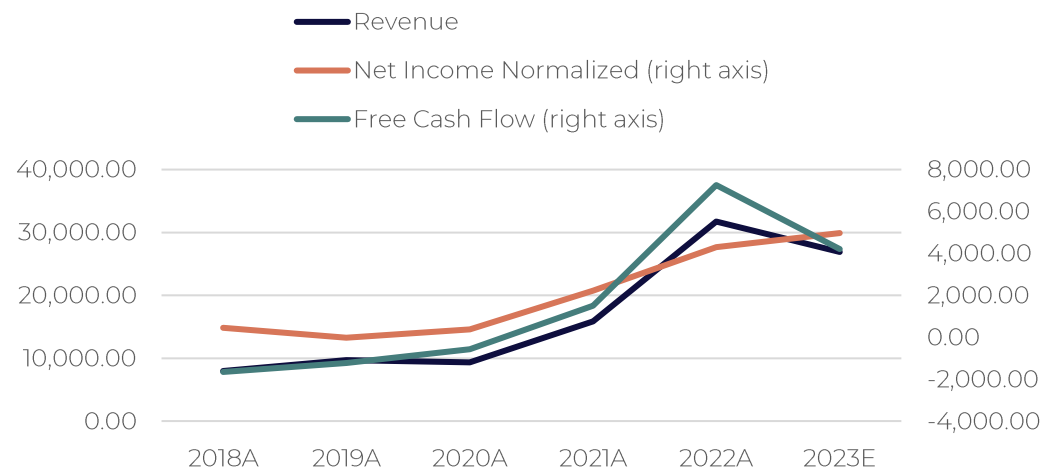
Return Ratios Compared To 2019

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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