



Value Line®

PRODUCT GUIDE

THE VALUE LINE
M&A Service

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The Value Line M&A Service

Welcome to *The Value Line M&A Service*. We intend this guide to make it easier for you to understand the product, and to use it to earn worthwhile investment gains.

OVERVIEW

Over the past 90 years, the average annualized total return (capital gains plus dividends) for the S&P 500 Index has been 9.8%. On the trading day immediately following an acquisition announcement, the publicly traded company getting purchased often achieves a stock price increase of more than 20% (sometimes far higher). Thus, shareholders of these corporations typically outperform, by a wide margin, the expected broader market annual return in just a fraction of the time. The goal of *The Value Line M&A Service* is to recommend companies with a chance to be purchased.

Published monthly, *The Value Line M&A Service* is designed for investors who are interested in mergers & acquisitions. The objective of the service is to identify companies that possess characteristics, such as a successful product lineup, market position or important technology, that would interest larger corporations or private equity firms. Oftentimes, big businesses struggle to increase annual revenues and profits organically (in other words, based on their existing lineup of products or services), and buying other companies is key to their growth strategies. In addition, rather than invest heavily in research & development without any guarantees, it is frequently easier, cheaper, and less risky for companies to purchase smaller entities that already possess the technology or products desired.

PRODUCT FEATURES

Each month, subscribers to *The Value Line M&A Service* will receive a comprehensive report that includes a detailed discussion of the broader economy and stock

market. This content will include our thoughts on interest rates liquidity, debt levels, strengths of balance sheets, corporate earnings expectations, and many other factors that directly influence the M&A market.

The reports will also include concise information and analysis on recently announced acquisitions, as well as deals that were freshly completed. Each one of these research note-style commentaries will contain investment advice that comes directly from Value Line's Research Department, which consists of approximately 70 analysts, data experts, quantitative specialists, and economists. For example, perhaps a small capitalization software company is in the process of being acquired by a larger rival. We will offer our thoughts on the specific parameters of the proposed deal, and provide our investment recommendation, which will vary from "sell your shares now", to "hold onto them and take ownership in the new, larger entity". Every deal is different, and not all of them will benefit shareholders in the short or long run. Thus, subscribers get the benefit of our expertise so that they can make confident decisions. In addition, some subscribers will find themselves improving in their abilities to spot patterns in the M&A market and to make investment decisions.

The main feature of the *M&A Service* consists of a detailed, multipage highlight on a stock that Value Line thinks is a good acquisition candidate. This in-depth write-up will include:

- Acquisition Thesis — Our rationale for choosing the specific stock, and our reasons for believing that it is an acquisition candidate. We will also speculate on which corporations may be interested in purchasing our highlighted company.
- Company Overview — information about the business's history, operations, industry, competition, etc.

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- Recent Results — analysis of the company’s latest annual and quarterly financial results.
 - Estimates & Projections — our outlook for the company’s top and bottom lines over the next several quarters and years.
 - The Stock’s Performance and Future Prospects — a discussion in regard to the recent price action of the underlying issue, as well as our view of its trajectory and investor suitability.

IMPORTANT ADDITIONAL DETAILS

Finding worthwhile acquisition candidates is a difficult task. Far more challenging, however, is highlighting one such company and then, shortly thereafter, having a larger entity actually announce its intention to purchase it at a material premium to the current stock price. Realistically, we aren’t going to be “right” as often as wrong. However, when choosing our candidates, we will be very selective. Not only are our picks good M&A material but, in our view, would also make fine holdings in their own right. Thus, we expect that subscribers who follow our recommendations will achieve worthwhile investment returns, with the added possibility of hitting some home runs should related acquisitions come about. On that note, every month, we will provide updates to prior recommendations, and include our thoughts in regard to whether they still merit inclusion in an M&A-focused portfolio.

GETTING STARTED

A common question we receive from new subscribers is: “how do I get started?” The *M&A Service* will recommend one stock per month, and provide regular updates on

prior candidates. Over time, perhaps, a couple of dozen stocks are included in the service, and we don’t suggest there’s a need to buy them all on day one. There is no right answer here, but we generally recommend one of the following strategies, either of which will enable subscribers to effectively build and maintain a portfolio of M&A candidates. First, however, the investor needs to consider his/her own risk profile. More conservative investors, for instance, may find some of the stocks too risky. Or, some investors may not want to purchase shares in a company that operates in an unfamiliar industry.

The first method of building a portfolio from the *M&A Service* is to focus only on the newest recommendations. Thus, subscribers simply purchase one or more of the most recent monthly recommendations and, going forward, consider taking a position in all new highlighted stocks. Another method, which does require a more-active trading strategy, is to review all of our original reports and regular updates, and purchase all stocks that we continue to recommend. In either case, before making any trades, we strongly encourage subscribers to review the service’s monthly reports and follow-up analysis.

PRODUCT ACCESS

The Value Line M&A Service is available via print and online at our password-protected website, which can be accessed from our homepage www.valueline.com. Print customers receive the monthly reports by first-class mail, and enjoy free online access to the *M&A Service* as well. You should have received login credentials at the time of subscribing. If you do not have this information, or need help in any way, please call **1-800-VALUELINE** (1-800-825-8354).

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