

November 27, 2013

THIRD ANNUAL THANKSGIVING TREATS & TURKEYS

Buys and Sells for Your Portfolios

Introduction

Welcome to the 3rd Annual Goldman Small Cap Research Thanksgiving Treats & Turkeys Report. This year, even though we are on a diet, we give you 3 stocks to buy and 3 stocks to sell. And instead of just small cap stocks, this year our picks come in all shapes and sizes. With the holiday season starting later in the calendar year, retailers have stepped up their game and so we elected to highlight consumer stocks this year. All charts are courtesy of www.Stockta.com. Have a Happy Thanksgiving and profitable trading!

BUYS

Joe's Jeans, Inc. (NASDAQ – JOEZ - \$1.18, Range: \$2.04, \$0.88)

Joe's Jeans, Inc. (NASDAQ – JOEZ) designs, produces and sells apparel and apparel-related products to the retail and premium markets under the Joe's® brand and related trademarks. The company recently announced the acquisition of Hudson Clothing Holdings, Inc., a leading global designer and marketer of women's and men's premium branded denim apparel, which now operates as a wholly owned subsidiary of Joe's Jeans. JOEZ sells its denim products in over 1200 retail stores across the U.S. and abroad.



For the third quarter of 2013, JOEZ released solid results with revenue of around \$30M, led by an increase of 14% via its retail segment. The company operated profitably and recorded positive EPS when excluding a one-time charge related to the Hudson Clothing acquisition. Including the charge, JOEZ recorded break-even results. The company is expected to generate around \$130 million in sales for the current fiscal year with sales projected by Wall Street to leap to the \$210 million mark next year. The increase in sales is related to the Hudson deal and while the company works through the integration process, only limited profits of \$0.02 are forecast for fiscal 2014. We should note that at current levels the stock trades at a paltry .35x 2014 projected sales and has no long term debt on its balance sheet.

In our view, the stock can trade more than double this valuation, which would take to the \$2.40 level, or roughly 20% higher than the current 52-week high. We believe that the typical catalysts associated with micro cap stocks at year-end will be in play for JOEZ.

Lifetime Brands, Inc. (NASDAQ – LCUT - \$14.56, Range: \$16.35 - \$9.34)

Lifetime Brands Inc. designs, sources, and sells branded kitchenware, tabletop, and other products used in the home primarily in the United States. It offers kitchenware products, including kitchen tools and gadgets, cutlery, cutting boards, bakeware, cookware, and novelty housewares; and tabletop products, such as dinnerware, flatware, and glassware. The company also provides home solutions that comprise products, such as food storage, pantryware, spices, and home décor products. In addition, it manufactures sterling silver products. The company owns or licenses various brands, including Farberware, KitchenAid, Mikasa, Pfaltzgraff, Kamenstein, Cuisinart, Elements, Melannco, Wallace Silversmiths, Misto, Fred, V&A, and Royal Botanic Gardens Kew. Lifetime Brands Inc. serves mass merchants, specialty stores, national chains, department stores, warehouse clubs, supermarkets, off-price retailers, and Internet retailers, as well as direct consumers through its Pfaltzgraff, Mikasa, Lifetime Sterling, and Housewares Deals Internet Websites.



Everyone is familiar with these brands and while major dollars may not be spent this holiday season on the home, new housewares purchases are always popular. From the valuation perspective, the stock is cheap. It trades around .3 x FY13 sales of around \$500M and 12x this year's EPS. Moreover, with solid EPS growth expected next year, the FY14 EPS P/E is only 10x. The float is small and institutions own roughly half of it. In our view, LCUT is an easy 20-25% grower.

Lifetime Fitness, Inc. (NYSE – LTM - \$49.00, Range: \$56.94 - \$39.10)

Lifetime Fitness (NYSE – LTM) is a solid stock and company that is an early, heads-up play on the upcoming New Year's Resolutions we Americans will make, related to fitness and diet. Lifetime Fitness operates hundreds of high-end fitness centers in major metro areas all over the country and has grown primarily organically, but has also made acquisitions in key markets. The stock's technical analysis looks very bullish in the short and intermediate Daily Moving average. Additionally, with above average growth in top line revenue expected for 2014 at 9%, the forward 12-month P/E of 16 compared to trailing 12-month P/E of 17 indicates LTM is still a value. The stock has already begun an accumulation run from the \$45 level. Last year the stock seasonal 'pop' was 15%. We think this is possible again.



SELLS

Pacific Sunwear, Inc. (NASDAQ – PSUN - \$3.00, Range: \$4.59 - \$1.36)

Pacific Sunwear (NASDAQ – PSUN) sells a combination of branded and proprietary casual apparel, accessories, and footwear designed for teens and young adults. The company primarily operates mall-based chain of retail stores under the brand names of Pacific Sunwear and PacSun; and an e-commerce Website at pacsun.com, which sells PacSun merchandise online, as well as provides content and community for its target customers. As of May 22, 2013, it operated 638 stores. A former 30-30 pick that had a huge run, PSUN looks dead in the water at best right now. While the company has been reducing its quarterly and annual losses, this season isn't likely to be its best and the stock seem as if it is going to drift to the \$2.00 level before picking back up again. The stock is below its 200 day moving average and is about to retreat below the 50-day average, which is a negative near term signal as well.



Rocky Brands, Inc. (NASDAQ – RCKY - \$15.58, Range: \$19.97 - \$12.56)

Rocky Brands, Inc.,(NASDAQ – RCKY) together with its subsidiaries, designs, manufactures, and markets footwear and apparel under the Rocky, Georgia Boot, Durango, Lehigh, Mossy Oak, and Michelin brand names. It offers footwear, apparel, and accessory items to hunting, fishing, camping, or hiking enthusiasts; footwear and apparel to industrial and construction workers, and workers in the hospitality industry; footwear products to law enforcement, security, and military personnel; postal employees; farmers; and ranchers.



The company distributes its products through a range of distribution channels comprising sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores, and other specialty retailers in the United States and Canada.

As noted in the most recent quarterly financials, the company is in a very challenging period and short term prospects are not in its favor. The stock trades below all of its moving averages and we see it potentially testing its 52-week low before bouncing.

TearLab Corporation (NASDAQ – TEAR - \$9.37, Range: \$15.18- \$3.71)

Don't tear up, but TearLab Corporation (NASDAQ – TEAR) may have had its run. TearLab Corporation operates as an ophthalmic device company. It engages in developing and commercializing TearLab Osmolarity System, a proprietary in vitro diagnostic tear testing platform that measures tear film osmolarity for the diagnosis of dry eye disease. We featured the stock earlier in the year in the *Market Monitor* at \$5.92 on March 1. The stock peaked at \$14.73 in late July and has been trending down since with a gradual sell-off. TEAR is still up nearly 60% since our pick so there are profits to be had, but the negative accumulation coupled with very bearish signals in the Daily Moving Average are strong reasons to sell. Additionally, there were some preliminary legal inquiries initiated by two law firms into the Company in early August. While the niche market and proprietary technology TearLab make it attractive as a long term prospect, the Company may have issues monetizing its innovations in the near term. We say take the profit and possibly buy back at \$6.



COLLEGE FOOTBALL

The Egg Bowl – Ole Miss (-3) @ Mississippi State (Thursday)

This is an underrated SEC rivalry game that has taken a backseat to Auburn-Alabama for obvious reasons. The in-state vitriol is just as intense. The MSU Bulldogs need a win to become bowl eligible and I think they get it, thus cover the three points
MSU 20 Ole Miss 17

“The Game” – Ohio State (-14.5) @ Michigan (Saturday)

If anything has been proven over the years in this one, never count out the home underdog that has “no chance”. In a way these types of upsets have defined the rivalry as one side spoils the dreams of the other. I think Michigan covers the spread with some Buckeye turnovers, but OSU prevails in the end.

Ohio State 31 Michigan 21

Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.



LIFEAPPS DIGITAL MEDIA (OTC:QB LFAP)

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