

# Mossberg's Investor Digest

## Best Idea Profile:

## Calamos Asset Management Inc. (NASDAQ:CLMS)

### DESCRIPTION:

Calamos Asset Management is headquartered outside Chicago, with offices in London and New York, and has 360 employees, including 60 investment professionals. It is a diversified investment firm that offers investment strategies in more than 50 countries to clients that include major corporations, pension funds, endowments, foundations, offices and individuals. It is considered to be an early pioneer in the use of convertible debt to manage risk. Its investment products include separately managed portfolios, mutual funds, closed-end funds, and private funds. Calamos invests in public equity, fixed income and alternative investment markets across the globe. Its investment mix by strategy is 38% equity, 24% low volatility equity, 11% enhanced fixed income and approximately 8% in each of convertible, alternative and total return investments. The mix by product category is 57% open-end funds, 20% closed-end funds, 16% institutional and 7% managed. Calamos is approximately 22% public and 78% owned by the Calamos family. The Company was founded in 1977 and went public in 2004.

### KEY INVESTMENT CONSIDERATIONS:

**Flow of Money into Equity** – The industry outlook looks promising: Investors are increasingly investing in equity. According to a report from Lipper, mutual fund investors were net purchasers of fund assets for the eleventh straight month in May, primarily in stock and mixed-asset funds.

**Buying Shares** – The Company has been buying back stock. This is not a short-term commitment of money, but has been an extensive program of buying shares of the stock, indicating continued confidence in improved performance.

**History of Growing Dividend**– For twelve months ended in March, the payout ratio was 63% and the dividend yield for the trailing twelve months was 3.7%. The quarterly dividend has increased each year since 2009, with current dividend yield of more than 4.5%. This dividend is supported by generous free cash flow.

**Strong Liquidity** – Cash and investments total more than \$500 million. Management is confident that this level of liquidity supports its ongoing business operations, allows it to provide seed capital for new funds, provides conservative levels of capital for the Company's regulated subsidiaries and encourages investment in the growth of the firm.

**Calamos Investment Managers Are Optimistic** – Calamos published its *July 2013 Global Economic Review and Outlook* and concluded the following:

- Less Fed intervention will prove to be a long-term positive for the economy and markets.
- Markets will be volatile and rotational during this mid-cycle phase of the U.S. economic cycle.
- China is facing growing pains that could stoke macro uncertainties, but they have weathered ups and

### Calamos Asset Management Inc. (NASDAQ:CLMS) Investment Data (as of 07/28/13)

<b>Recent Price</b>	<b>\$10.75</b>
52-Week Range	\$9.24 - \$12.26
Fiscal Year End	Dec
Dividend	\$0.50
Yield	4.7%
Shares Outstanding	20 M
Average Trading Volume (3 mos)	184 K
Market Capitalization	\$1B
Cash	\$486MM
Long-term Debt	\$92 M
Enterprise Value (EV)	\$606 M
Book Value	\$9.87
TTM Revenue	\$312 M
P/ Revenue	0.7x
TTM EPS	\$0.70
P/ EPS	15.3x
TTM EBITDA	\$124 M
EV/ EBITDA	4.9x

downs before.

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- Historically, equity markets have rallied coming out of sideways-moving markets characterized by rising long-term bond yields (as in 1994).
- Equities remain attractive, particularly growth equities. Equity P/Es have typically been highest when long-term interest rates are in the 4-6% range, and the global economy is expanding.
- Income-oriented investors should approach government bonds with caution; high-yield debt, convertibles and dividend growth stocks may be more compelling.

## VALUATION:

Stock performance since its initial trade at \$18 per share in 2004 has been bad at times and dismal in others. It rose above \$40 in April 2006 and has mostly been in decline since, reaching its all-time low in late 2008.