Precision Castparts Corp. (PCP, Buy, PT $295.00)

Model Summary

	FY2012A	FY2013A	FY2014E	FY2015E	FY2016E
Revenue ($MM)	$7,230	$8,382	$9,647	$10,752	$11,510
YoY Change	16.2%	15.9%	15.1%	11.4%	7.0%
EBITDA ($MM)	$1,984	$2,377	$2,963	$3,399	$3,621
YoY Change	19.0%	19.8%	24.7%	14.7%	6.5%
Margin	27.4%	28.4%	30.7%	31.6%	31.5%
EPS	$ 8.44	$ 9.76	$ 11.94	$ 13.79	$ 14.79
YoY Change	20.1%	15.7%	22.3%	15.5%	7.3%

Sources: Company reports and CRT Capital Group LLC estimates.

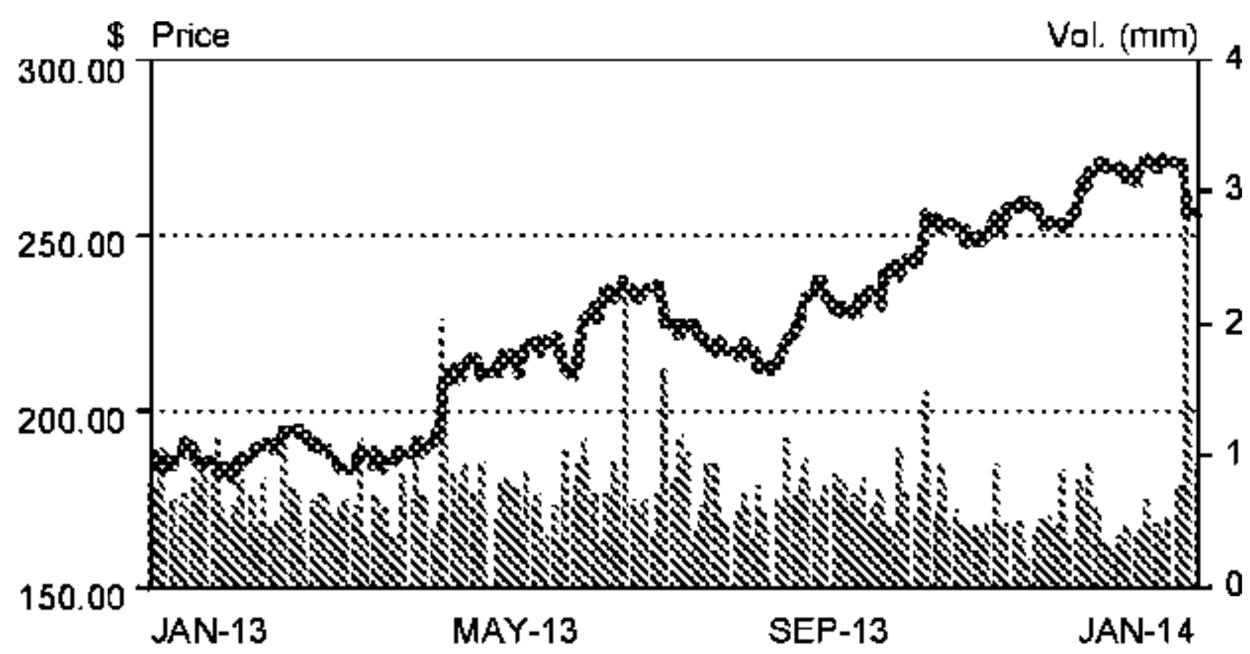
Valuation Methodology

We are raising our price target on Buy-rated Precision Castparts Corp. to $295 from $265. Our new price target assumes that the stock trades at 12.8x '16 EBITDA and 20x '16 estimated EPS. Currently, PCP is trading at 21.5x '14 projections. Our prior price target assumed lower estimates and a P/E valuation of a 19x. Over the past few months, PCP has been re-rated by investors as a result of successful Boeing and Airbus product launches and the ramp up in production.

Valuation Summary

	FY2015E	FY2016E
TEV/EBITDA	11.9 x	11.2 x
P/E	18.6 x	17.3 x

Sources: CRT Capital Group LLC estimates, Thomson Reuters



Rating Rationale

Precision Castparts is Buy-rated with a $295 PT, and is our favorite Large Cap Cyclical growth Aerospace Pick. Key points include:

PCP Ship Set Revenue Is Impressive On Key Programs. As one of the top two suppliers of rotating grade titanium, investment castings, and fasteners, PCP's shipset revenue for the 787 is $10 million and $5 million for the 777.

Key Investment Highlights:

1) Rising margins, accelerating organic growth, and management's proven track record of generating shareholder value through mergers and acquisitions supports premium multiples, in our view.

2) Earnings power of $14.50 to $15.50 per share by '16 may be conservative if future acquisitions are made or capital is deployed to shareholders through buybacks, not unreasonable assumptions to make, in our view.

3) PCP has been on an unprecedented acquisition program in recent years with PCP's aerospace portfolio now stretching from Tier 2 to Tier 4 components.

4) Management is focused on capitalizing on the efficiency of vertical integration, with the Timet acquisition a key future earnings driver.

5) PCP is expected to gain share on new air frame and engine development programs over the coming years by leveraging existing businesses and through acquisitions.

Risk Summary

Delays to the production ramp up of the 787, fastener shipment delays and supply chain bottlenecks.