



LAZARD (LAZ)

CYCLICAL COMPANY MODELED AS SECULAR

January 2016



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PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

LAZARD: INTRO – ADVISORY & AUM

Name:		Lazard Limited
Ticker:		LAZ
Market Cap \$MM	\$	4,890
TMM Revenues \$MM	\$	2,428
Pretax Margin		27%
Advisory % of Revenues		51%
Asset Management % of Revenues		49%
Advisory Pretax Margin		30%
Asset Management Pretax Margin		46%
AUM \$MM	\$	182,000
Dividend Yield		3.7%
Short Interest as a % of Float		0.8%
Insider Ownership		10.0%
Cash balance \$MM	\$	860
Long Term Debt \$MM	\$	998

U.S. Advisory Revenues Trailing Twelve Months

<u>Rank</u>	<u>Advisor</u>	<u>Rev \$MM</u>
1	Goldman Sachs	\$ 3,283
2	JP Morgan	\$ 1,945
3	Morgan Stanley	\$ 1,939
4	Bank of America	\$ 1,315
5	Lazard	\$ 1,119
6	Citigroup	\$ 1,062
7	Evercore ISI	\$ 779
8	Greenhill	\$ 262

Leading Asset Managers in \$BB of AUM

<u>Rank</u>	<u>Manager</u>	<u>AUM in \$BB</u>
1	BlackRock	\$ 3,844
2	Vanguard	\$ 2,577
3	State Street	\$ 2,023
4	Fidelity	\$ 1,595
6	JP Morgan	\$ 1,266
8	PIMCO	\$ 1,162
9	Goldman Sachs	\$ 846
65	Lazard	\$ 182

WE FLAGGED DOWNSIDE LAST YEAR



HEDGEYE FINANCIALS

02/12/15 07:12 AM EST

LAZ - AS GOOD AS IT GETS - MODELED FOR SECULAR NOT CYCLICAL GROWTH

Takeaway: *Lazard is priced for perfection, but we see \$3 in earnings vs. the current expectation for \$4. Complacency has created a lot of risk.*

Quick Summary:

- 1) Rising VIX and sinking EM are a recipe for disaster for Lazard.
- 2) The strong US dollar is weighing on their asset management business.
- 3) Cost cutting initiatives are now in the rear view mirror, but the Street is modeling further efficiency improvement.
- 4) Tax rate dynamics are a material headwind going forward.
- 5) The Street assumes strong growth from here, despite 2014 being a record year.
- 6) Sentiment (aka Expectations) is unbelievably high on Lazard.

AND SHARES ARE NOW ROLLING OVER



THESIS: CYCLICAL COMPANY MODELED AS SECULAR

1

NEGATIVE COMP FOR '16

2015 was the banner year for M&A but the market is changing. **Private equity participation** has risen to levels consistent with the end of the cycle and **a rise in corporate credit costs** is enough to bring activity off of the highs. A 100 bps increase in funding costs should reduce M&A by 20%.

2

DON'T WAIT FOR RESTRUCTURING

If investors are holding on or expecting diversification from the firm's restructuring business, it is too late. Historically by the time the firm's bankruptcy teams are busy, the stock has already rolled over and total revenues are in decline. Restructuring in the best years comprises just 40% of advisory revenues meaning it never fully offsets the lost M&A.

3

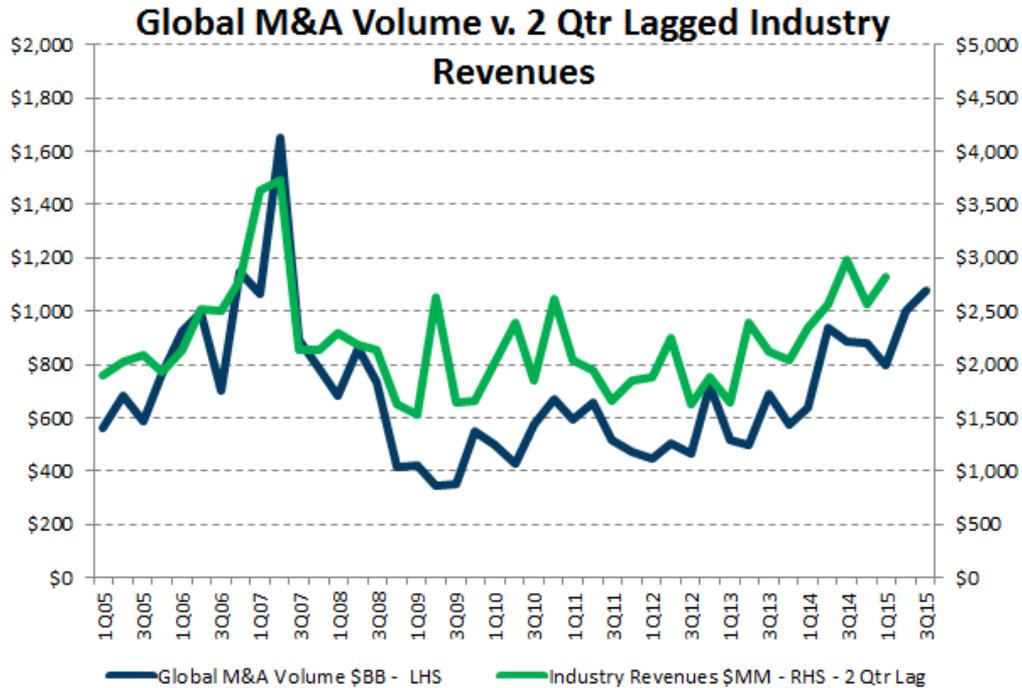
ASSET MANAGEMENT TO SEE NEW EM CYCLE

Some of the firm's biggest funds are starting to struggle against the **tidal wave of a new EM cycle.** International developed and non-developed markets, which had been strong, are starting to shudder. **Best case → reduced expectations; worst case → massive fallout.**

SECTION 1 – M&A HIGH WATER MARK



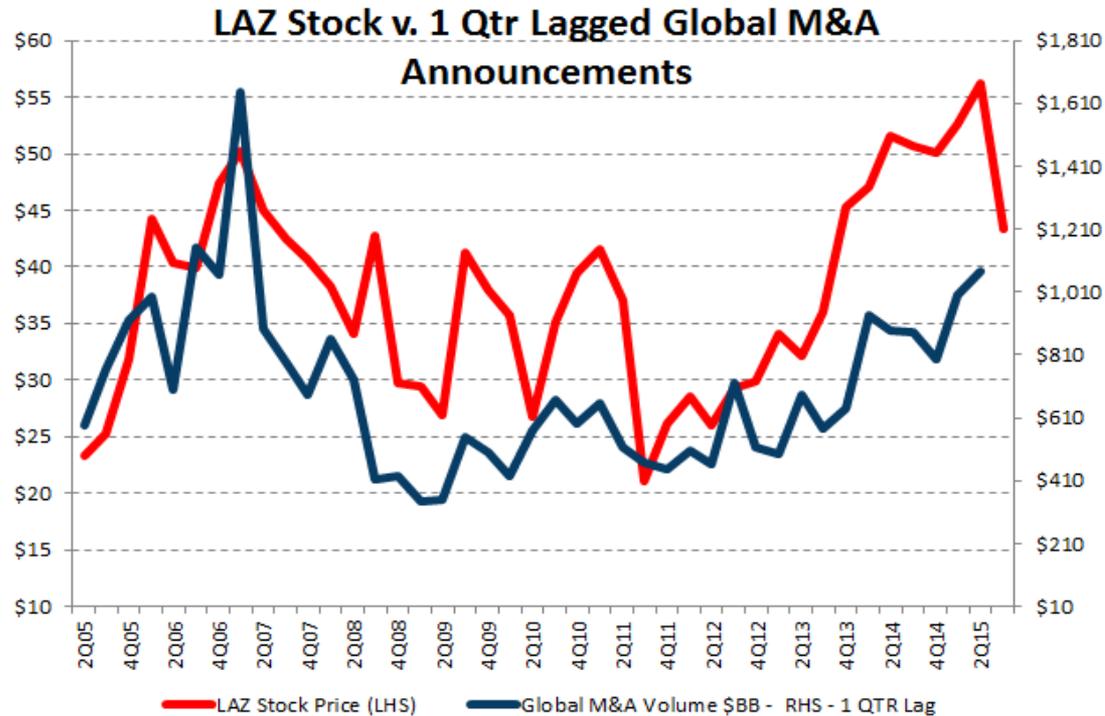
ANNOUNCEMENTS=REVENUES ON A LAG



GLOBAL M&A ANNOUNCEMENTS TURN INTO REVENUES ON A 2 QTR LAG

The trajectory of announced deals turn into industry revenue on a 2 quarter lag across cycle

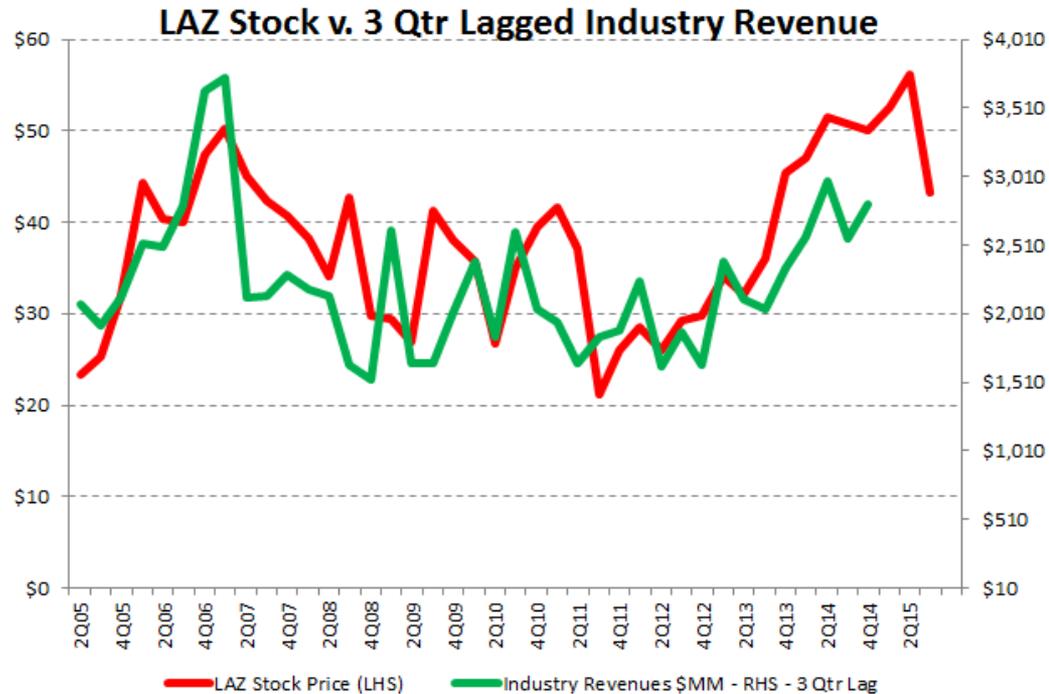
LAZ DISCOUNTS AHEAD OF ACTIVITY



LAZ STOCK DISCOUNTS THE ENVIRONMENT ABOUT 1 QTR AHEAD OF TIME

Lazard stock historically has discounted global M&A announcements 1 quarter ahead of time

LAZ DISCOUNTS AHEAD OF ACTIVITY

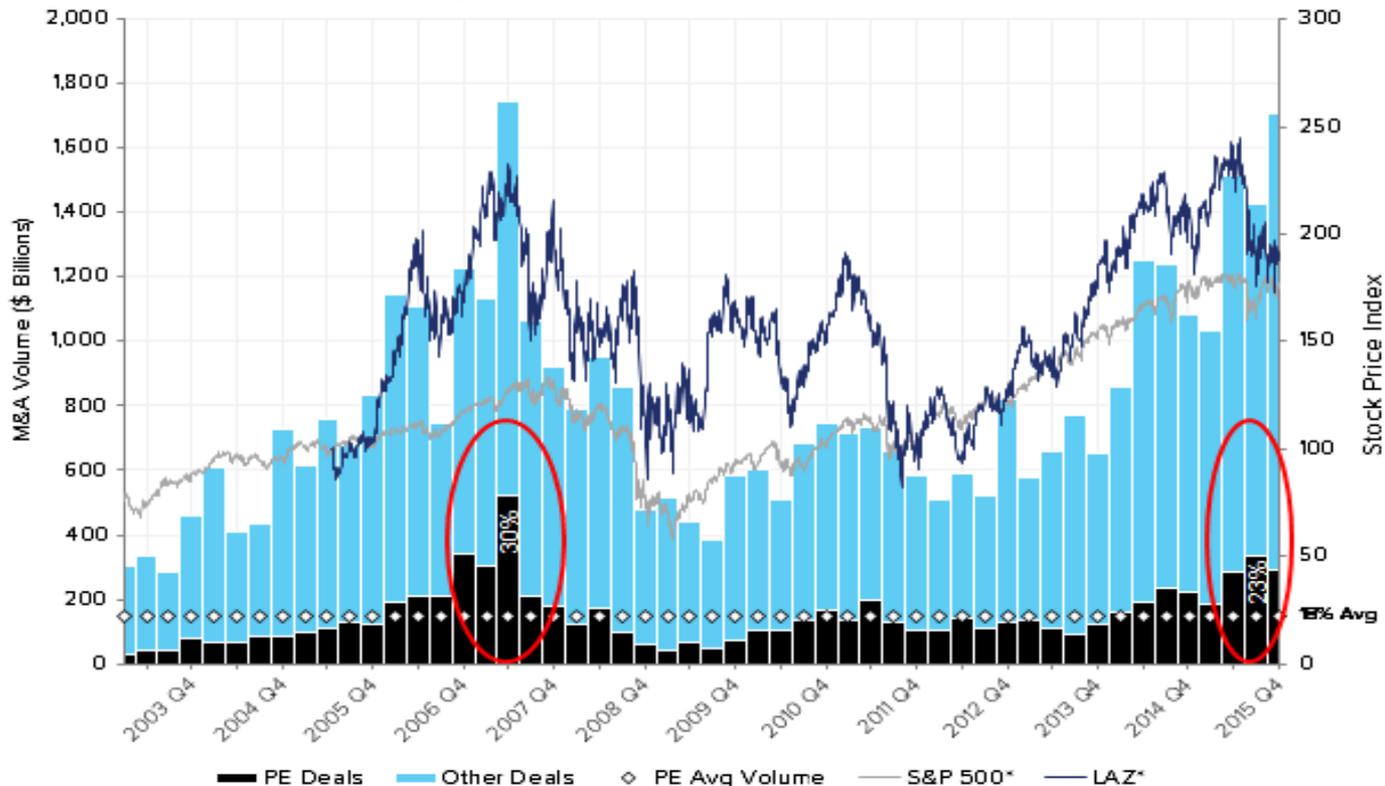


LAZ STOCK DISCOUNTS REVENUE OPPORTUNITIES 3 QTRS AHEAD OF TIME

With a 2 quarter lag between announcements and revenues, LAZ stock is about 3 quarters ahead of the industry revenue opportunity

PRIVATE EQUITY MARKS THE TOP

QUARTERLY M&A VOLUME

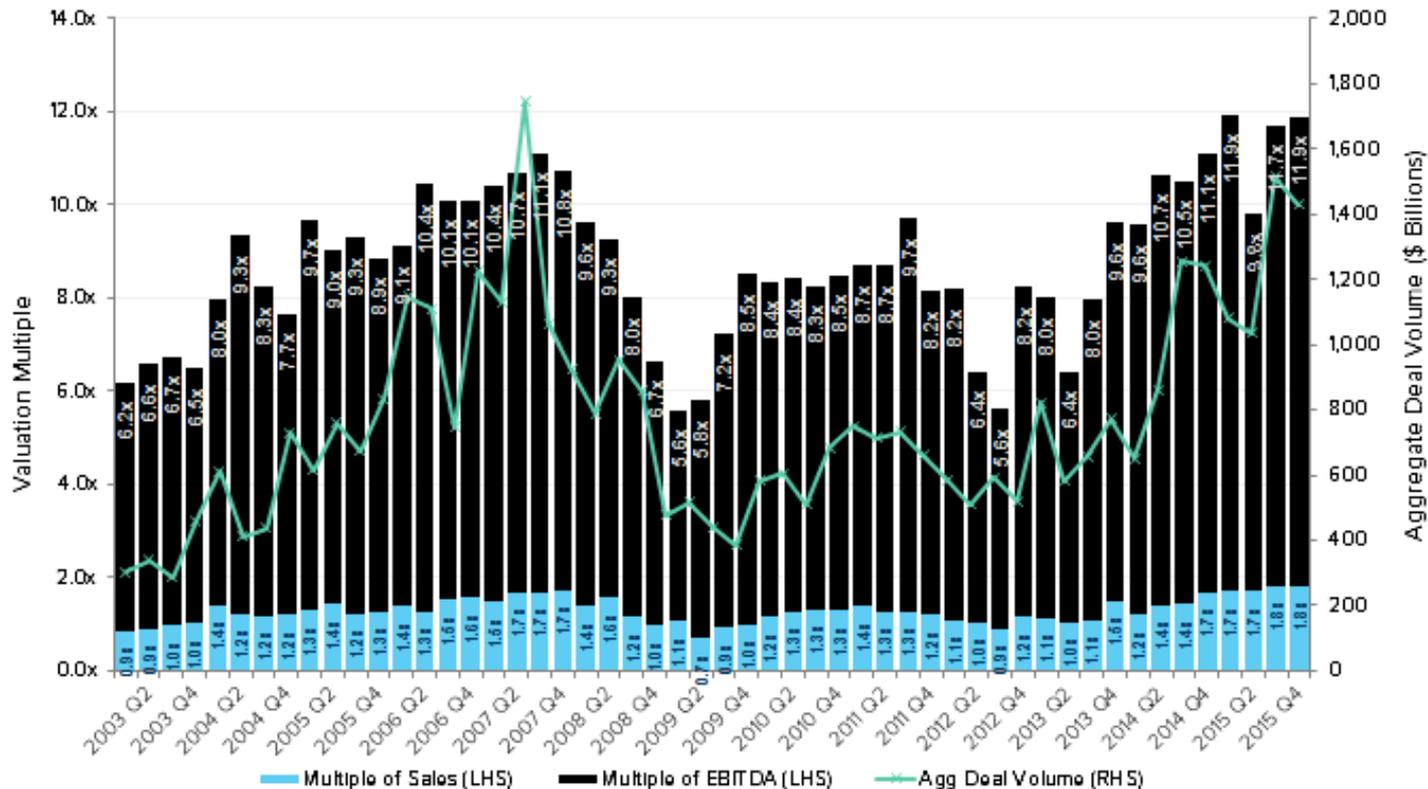


Rising Private Equity activity marked the top in 2007 and again activity has **bubbled** up well in excess of long term averages

*Indexed to 100 on 5/5/05
Source: Bloomberg, Factset

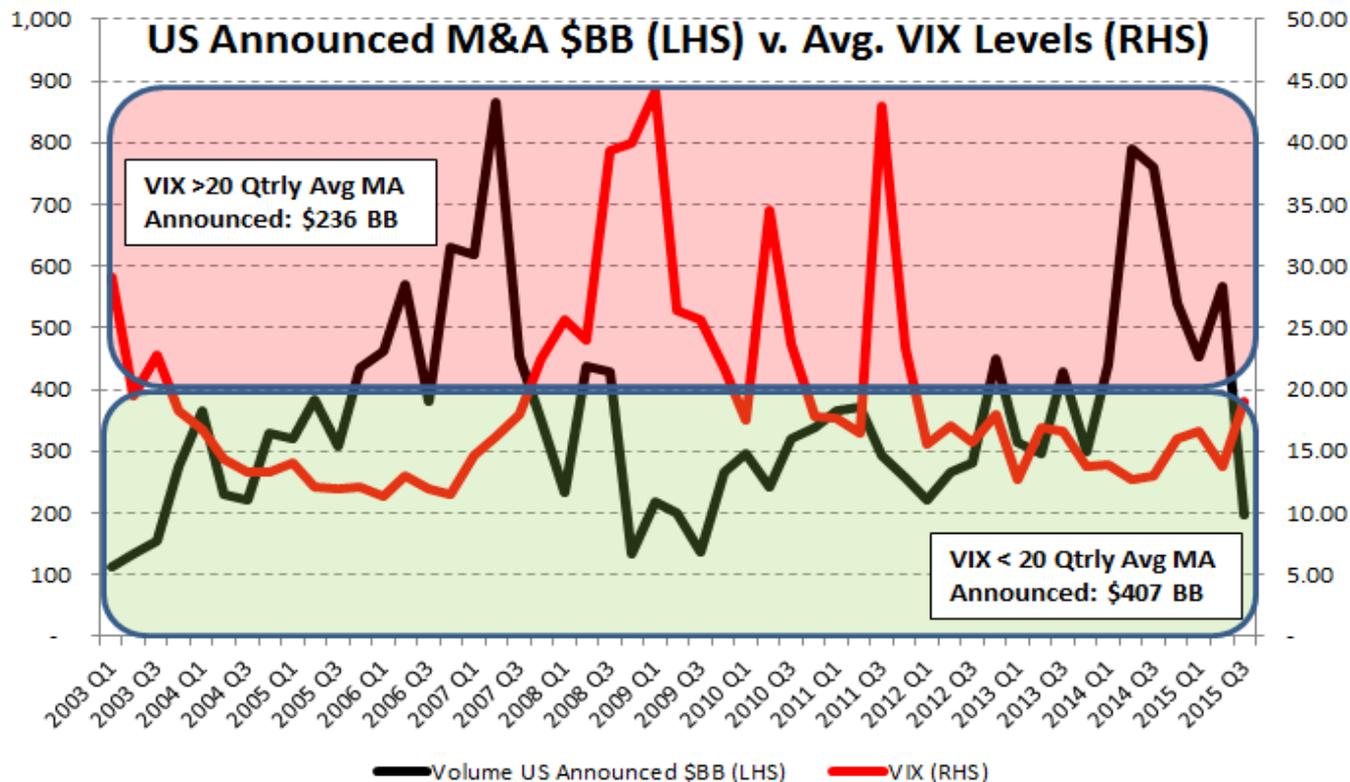
ALL TIME HIGHS IN CONSIDERATION

MEDIAN DEAL VALUATION MULTIPLES



Consideration values have reached **all time highs** on **EBITDA** and on **Sales** multiples which means buyers are reaching to complete transactions

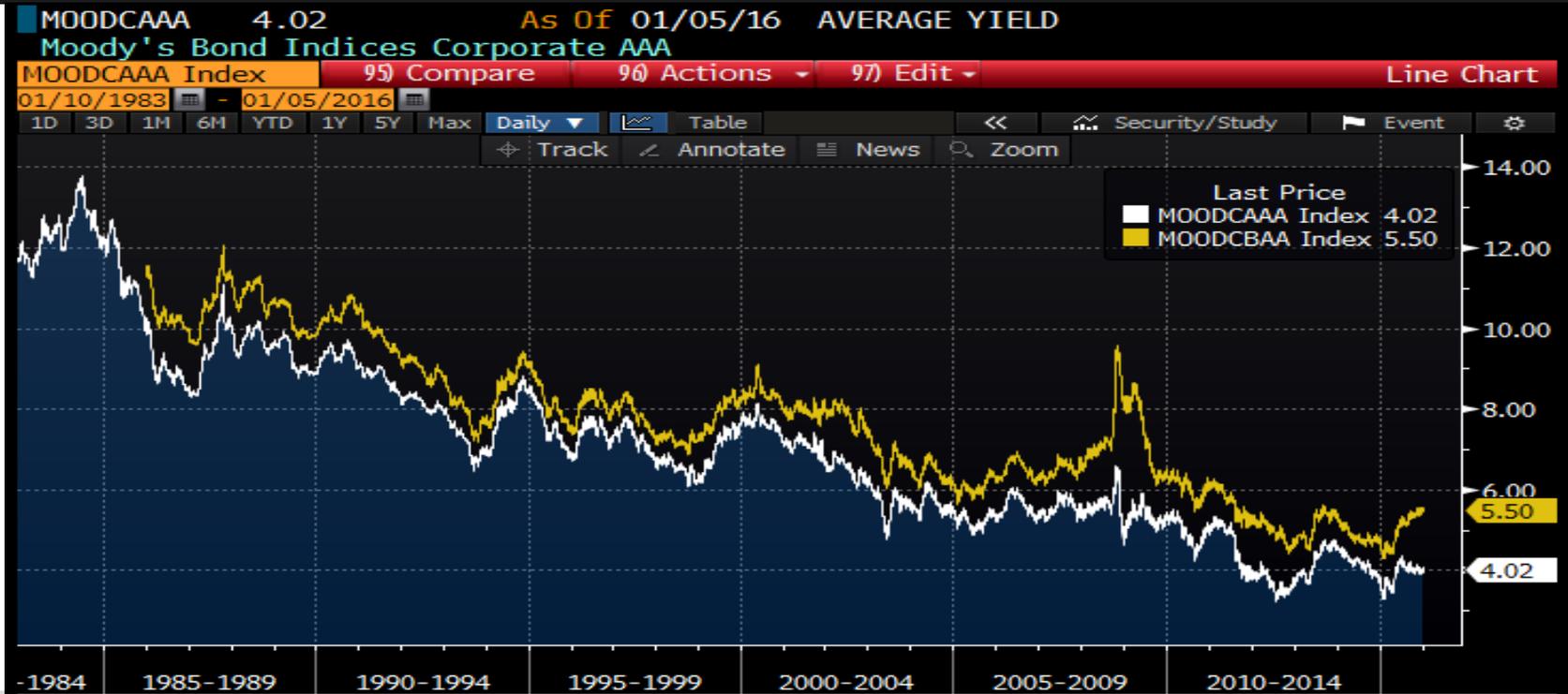
IGNORE THE VIX AT YOUR OWN PERIL



The 20 level of the VIX is the **fulcrum point**.

Quarterly U.S. M&A activity averages over **\$400 billion per quarter** with VIX below 20 and just over **\$230 billion** when the VIX is above 20

WHILE BORROWING COSTS ARE LOW



BORROWING COSTS ARE STILL HISTORICALLY LOW

Both tranches of corporate credit indices are still flashing low historical levels which translates into cheap credit

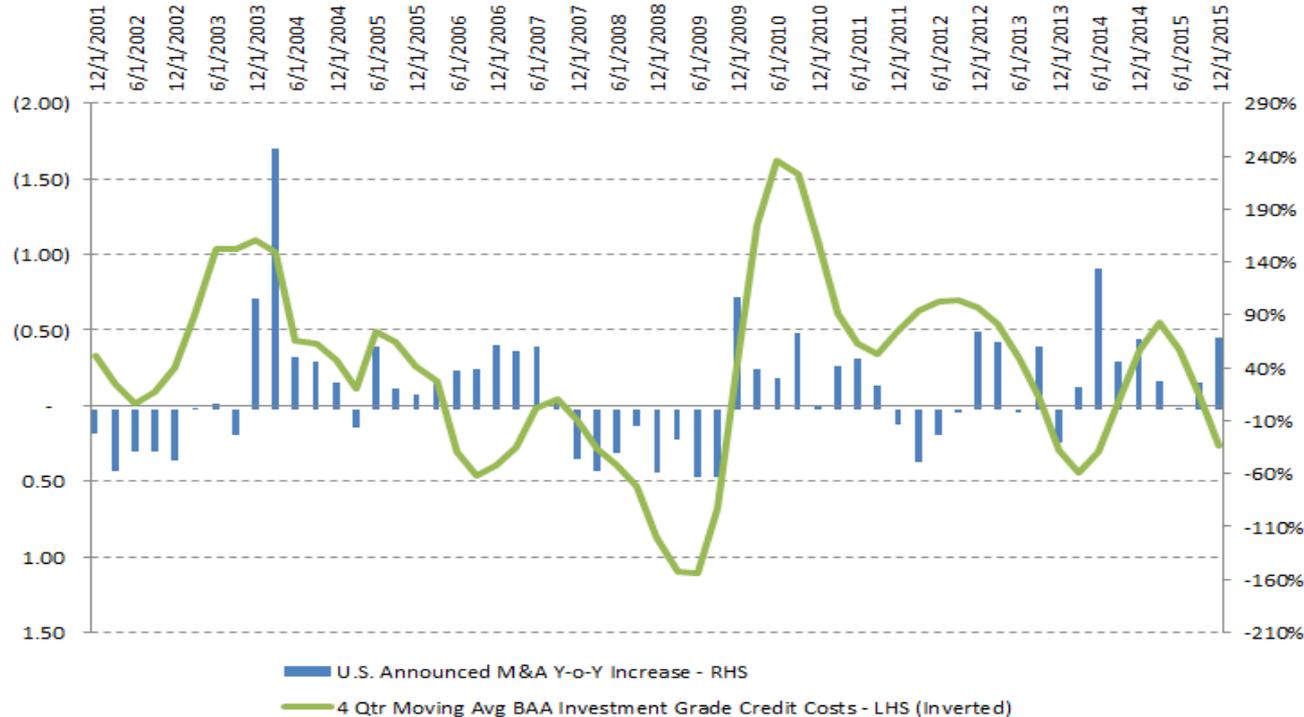
BUT CREDIT COSTS ARE INFLECTING



RATE OF CHANGE MATTERS HOWEVER AND COSTS HAVE BEEN RISING

Corporate credit costs stopped their descent early in 2015 and have risen steadily throughout the year and into 2016

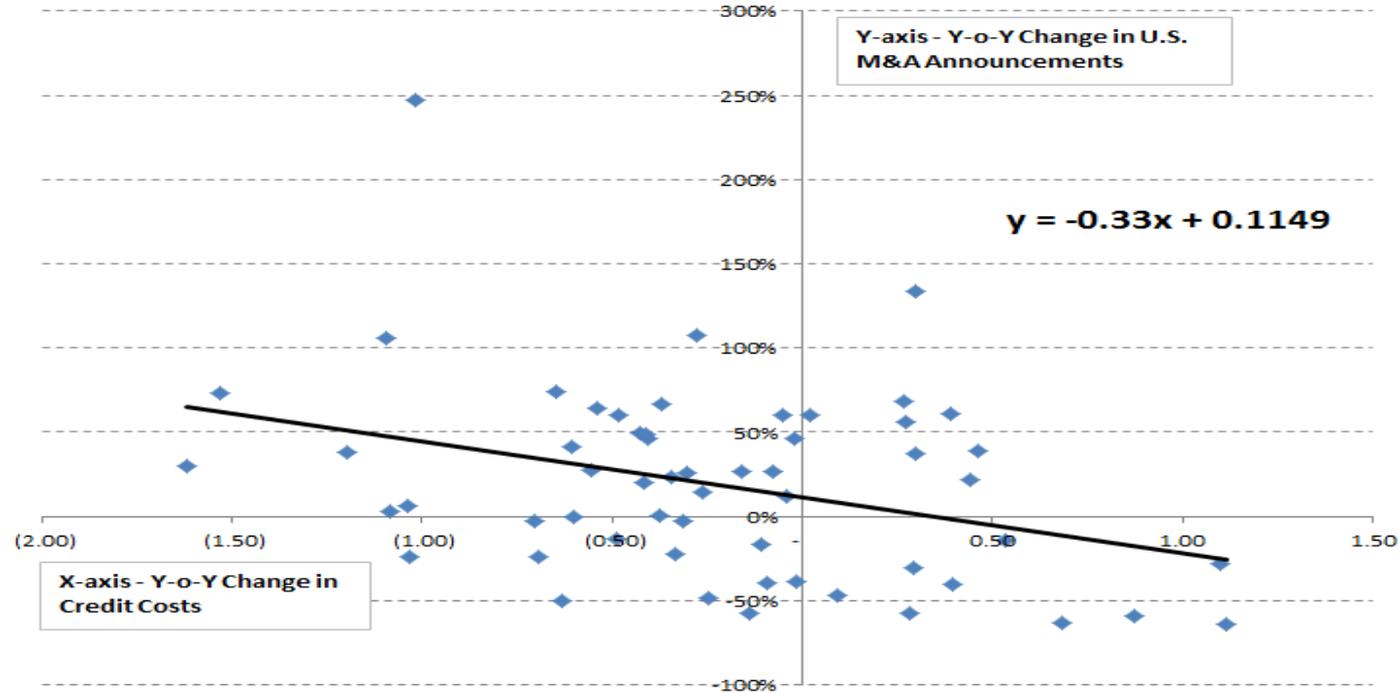
AND Y-O-Y CHG IN CREDIT DRIVES M&A



ON THE MARGIN MORE EXPENSIVE CREDIT CREATES NEGATIVE M&A COMPS

Across cycle, when credit costs rise year-over-year (green line on an inverted scale), U.S. M&A comps decline and go negative

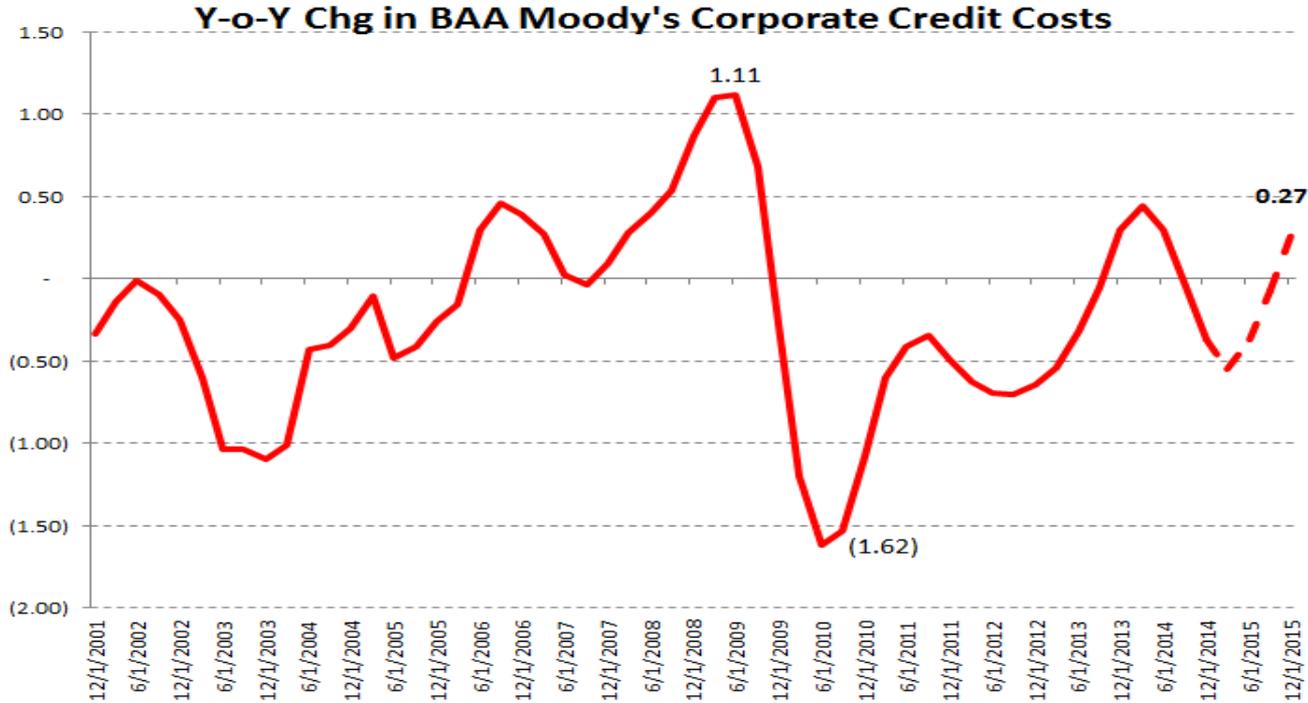
EVERY +100 BPS IN COSTS = -20% IN M&A



EVERY +100 BPS INCREASE IN CREDIT COSTS DECREASES M&A Y-O-Y BY -20%

Looking at U.S. credit and U.S. M&A announcements, every 100 basis point increase in credit costs translates into an average negative comp of -20% for U.S. M&A activity

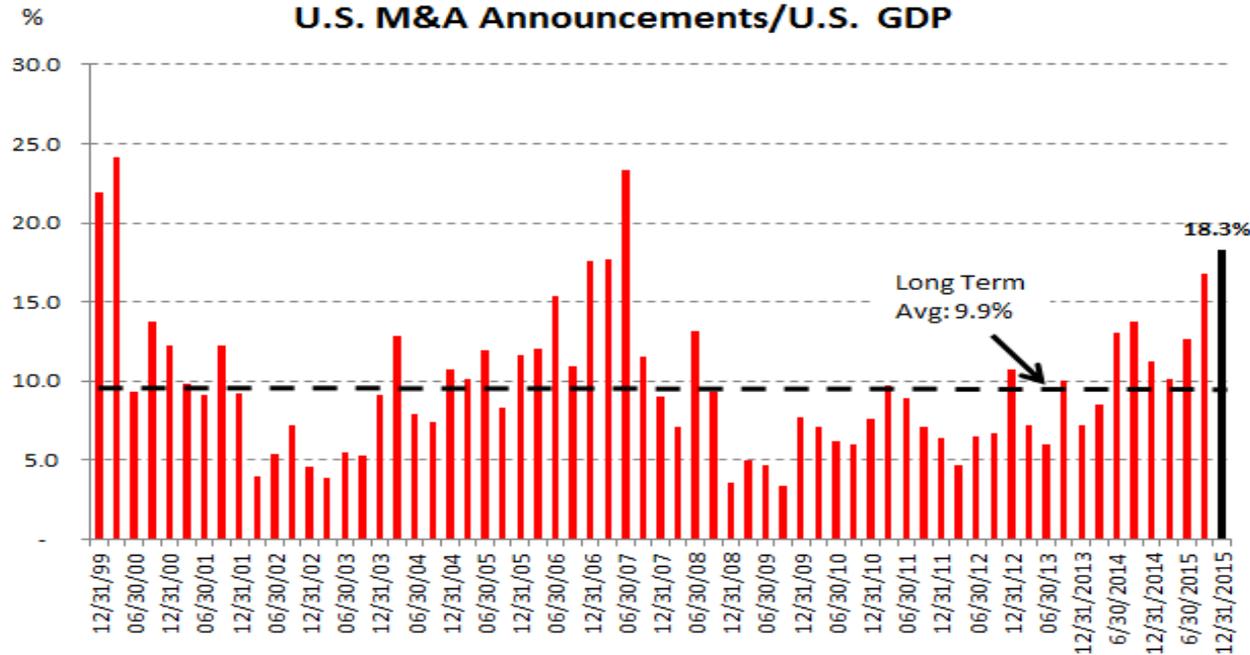
>25BPS = AT LEAST A -5% COMP FOR '16



INTO 2016, CORPORATE CREDIT COSTS HAVE INCREASED BY 27 BPS

Which translates into $\frac{1}{4}$ of a move to a negative -20% comp or at least a negative -5% growth rate for announcements into the New Year alone

A DEPRESSED MARKET IS NOT SO NOW

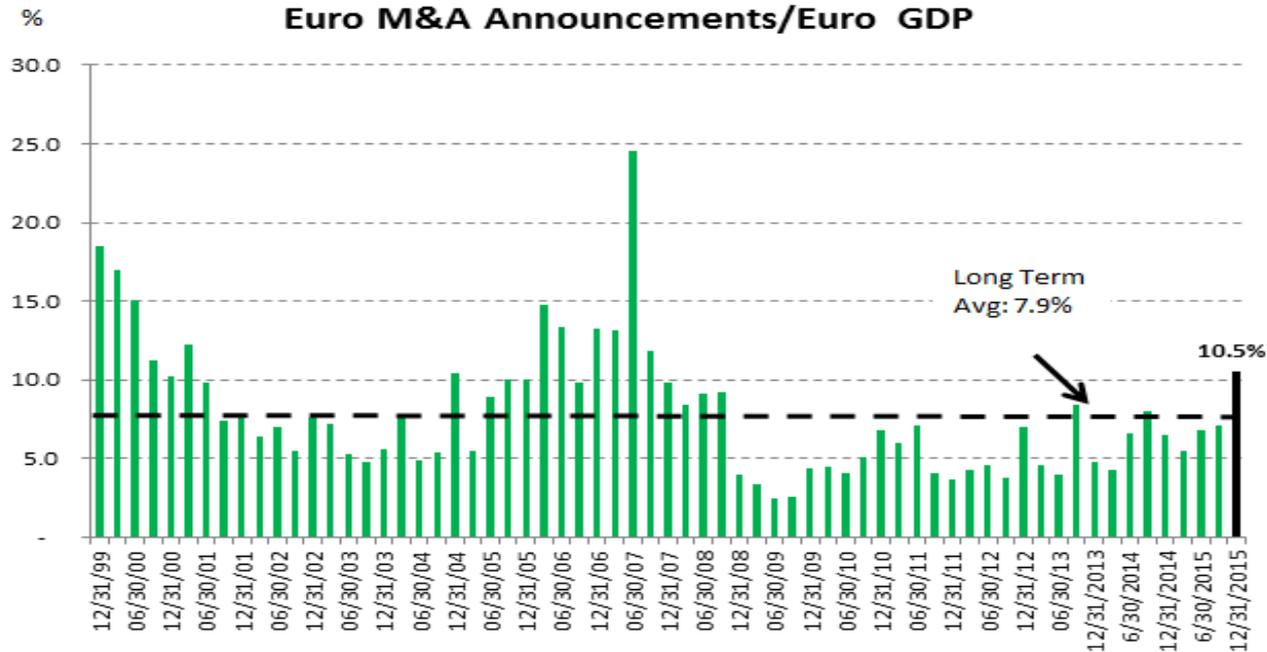


Source: Bloomberg

DEPRESSED ACTIVITY LEVELS THROUGH 2013 HAVE RECOVERED

Announced M&A activity spent 2009-2013 well below long term means of GDP but have recovered to near peak levels of high teens to finish 2015

A DEPRESSED MARKET IS NOT SO NOW



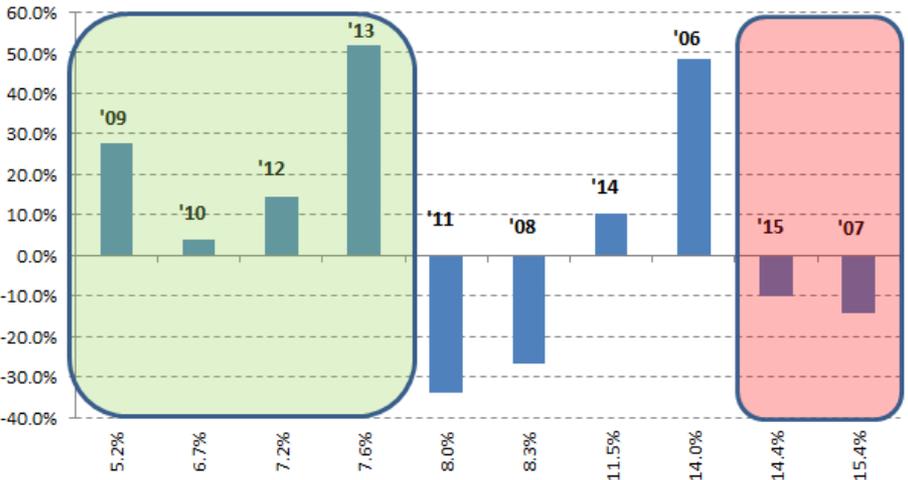
Source: Bloomberg

EUROPEAN ACTIVITY HAS ALSO IMPROVED MARKEDLY

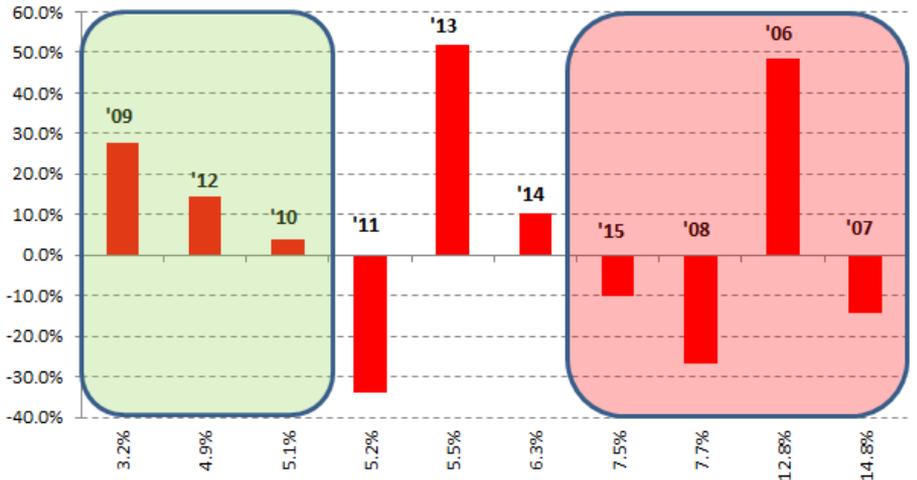
The important Euro-zone has also moved off of depressed levels making comps into 2016 much tougher

EARLY V. LATE CYCLE EXPLAIN RETURNS

LAZ Annual Stock Returns Per Level of U.S. M&A/ U.S. GDP



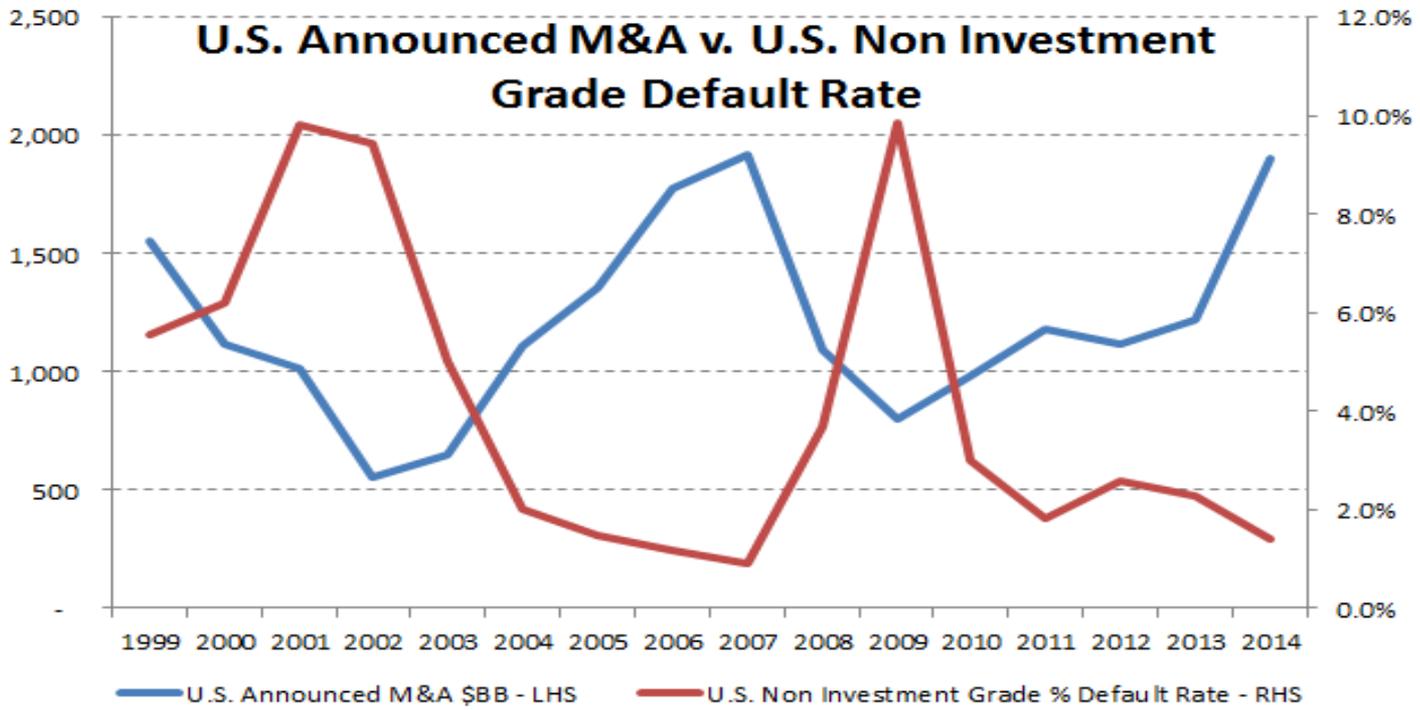
LAZ Annual Stock Returns Per Level of Euro M&A/ Eurozone GDP



THE TAILS OF MA ANNOUNCEMENTS TO GDP EXPLAIN RETURNS

Investing at low levels of M&A announcements to respective regional GDP generates positive annual returns for LAZ shareholders and conversely negative returns late cycle at high levels of M&A to GDP

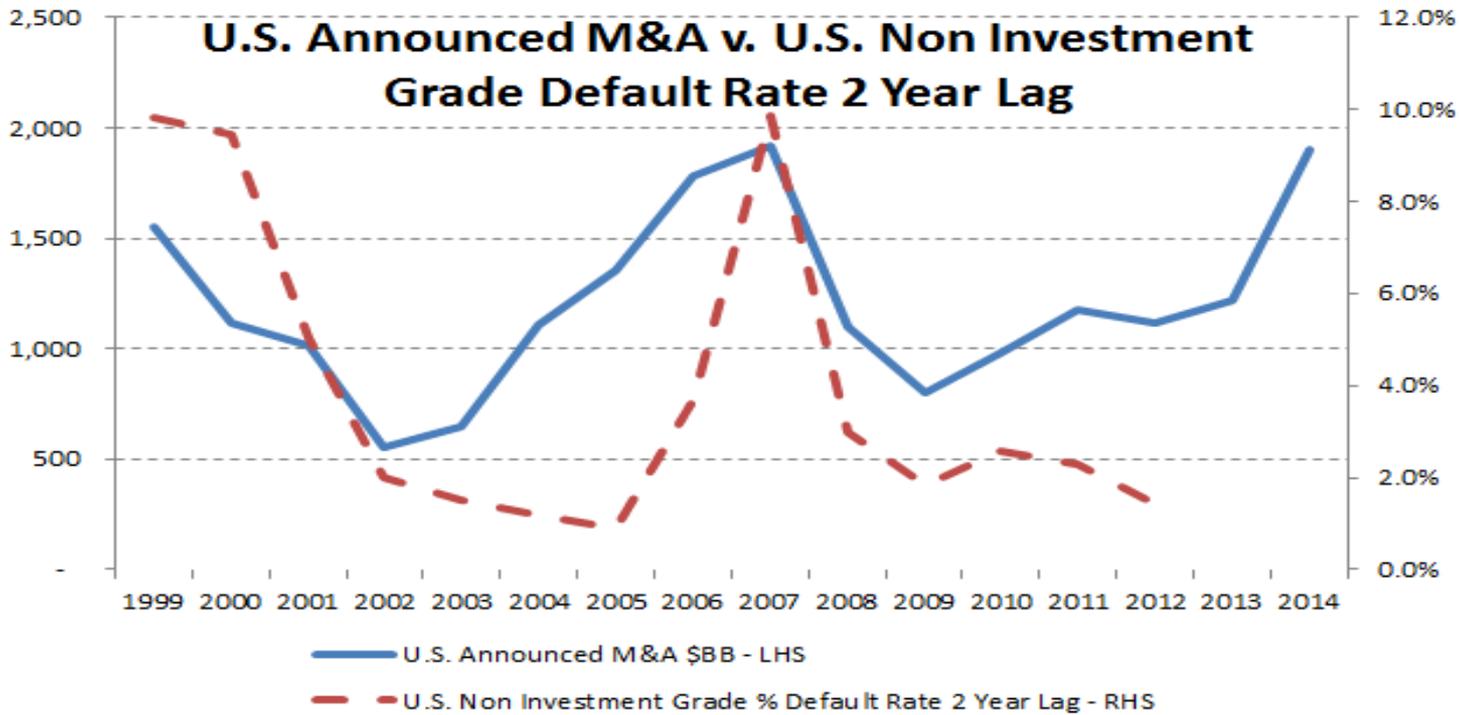
RESTRUCTURING TO COVER THE HOLE?



RESTRUCTURING HISTORICALLY IS ALMOST PERFECTLY COUNTER CYCLICAL

The Peaks and Troughs of M&A and Restructuring are almost perfectly negatively correlated

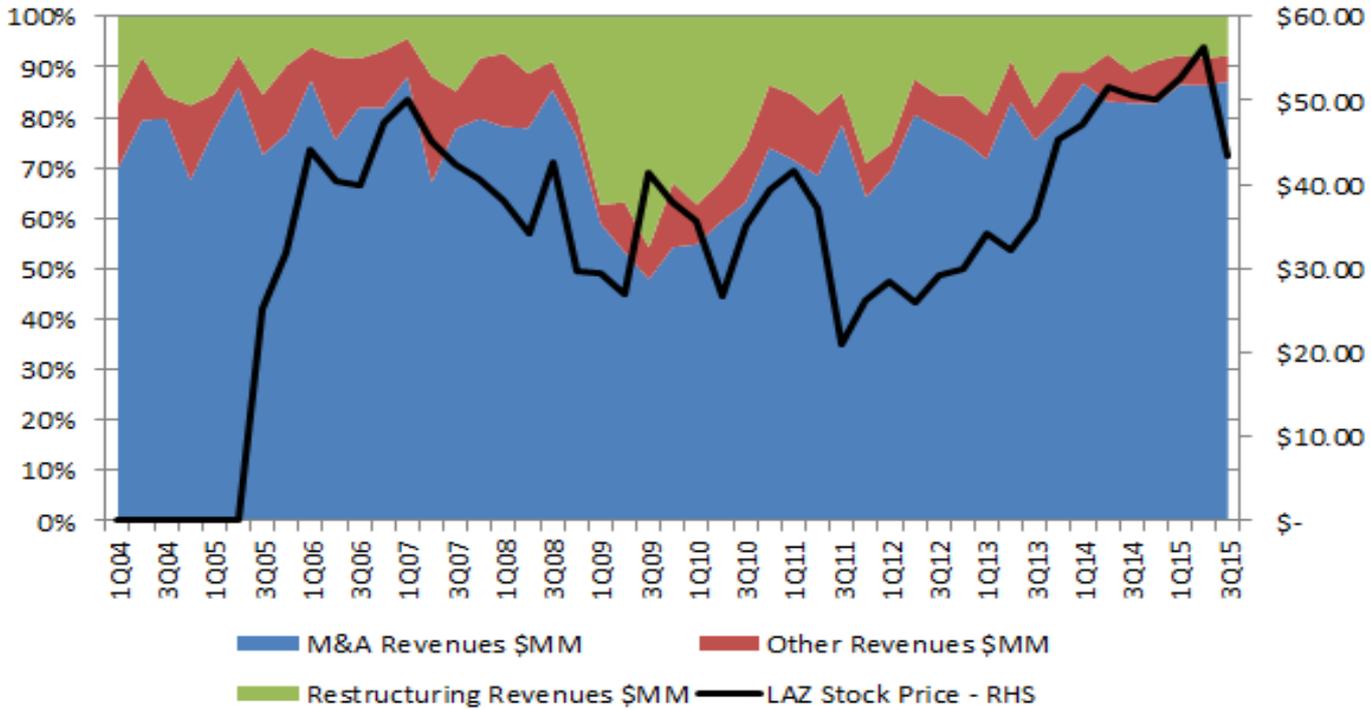
RESTRUCTURING TO COVER THE HOLE?



RESTRUCTURING HISTORICALLY IS ALMOST PERFECTLY COUNTER CYCLICAL

A two year lag between an M&A zenith to the acceleration in Restructuring has been historical precedent

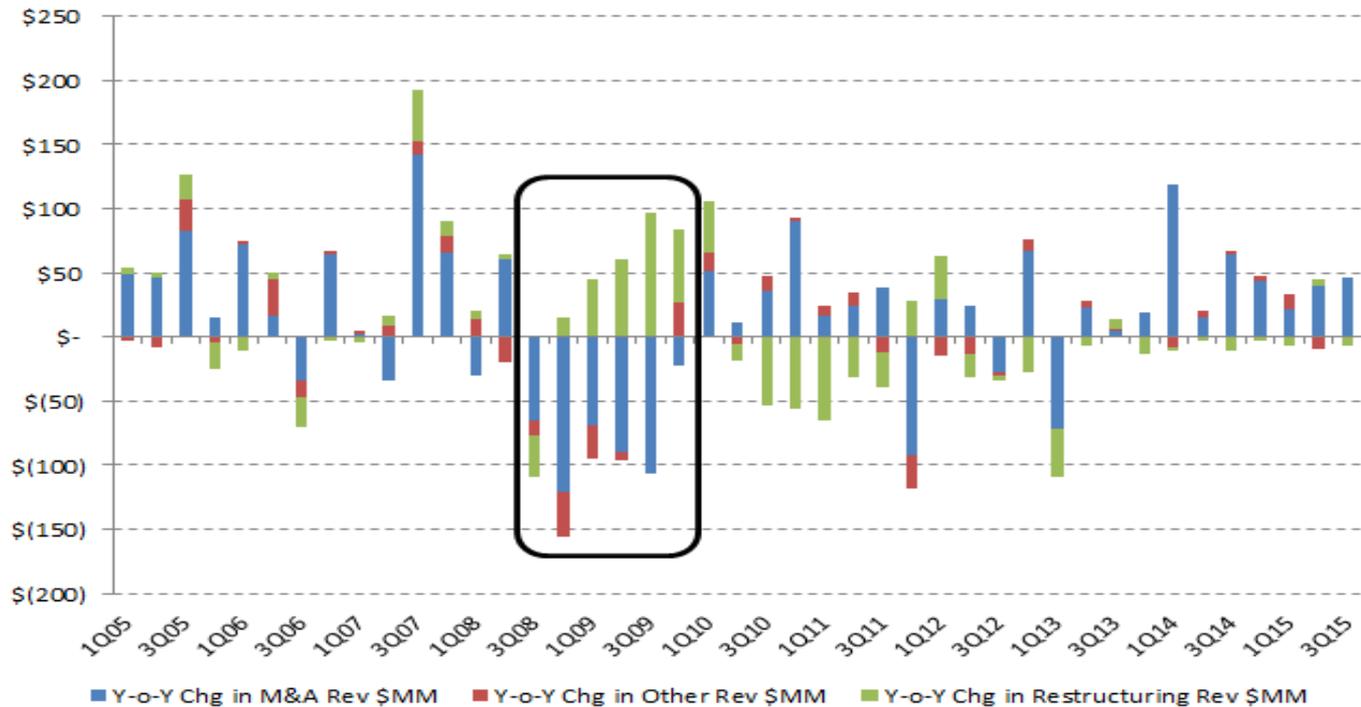
M&A RULES, RESTRUCTURING = LOSSES



ACROSS CYCLE M&A COMPRISES 75% OF ADVISORY; RESTRUCTURING 15%

Across cycle M&A averages ¾'s of Advisory Revenues with Restructuring at a 15% trend line. The '09 Credit Crisis changed that mix to just over half from M&A and 40% from Restructuring but LAZ stock fell

RESTRUCTURING DOESN'T SAVE M&A



DESPITE A RESTRUCTURING BOOM IN '09, AGGREGATE ADVISORY FALLS

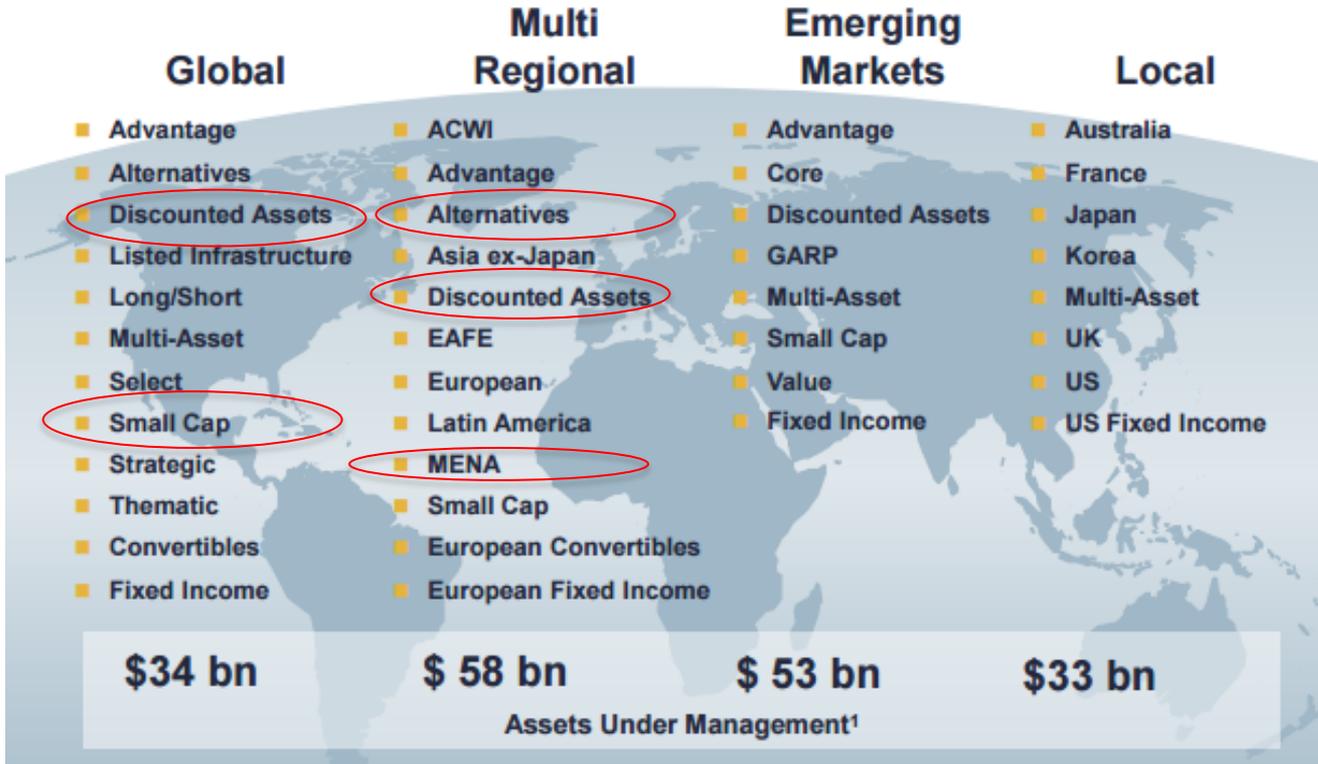
While Restructuring revenue grew year-over-year by \$100 million in the '09 cycle, M&A and Other revenues fell between -\$100-\$150 million resulting in decelerating top line

SECTION 2 – AUM - LAST LINE OF DEFENSE



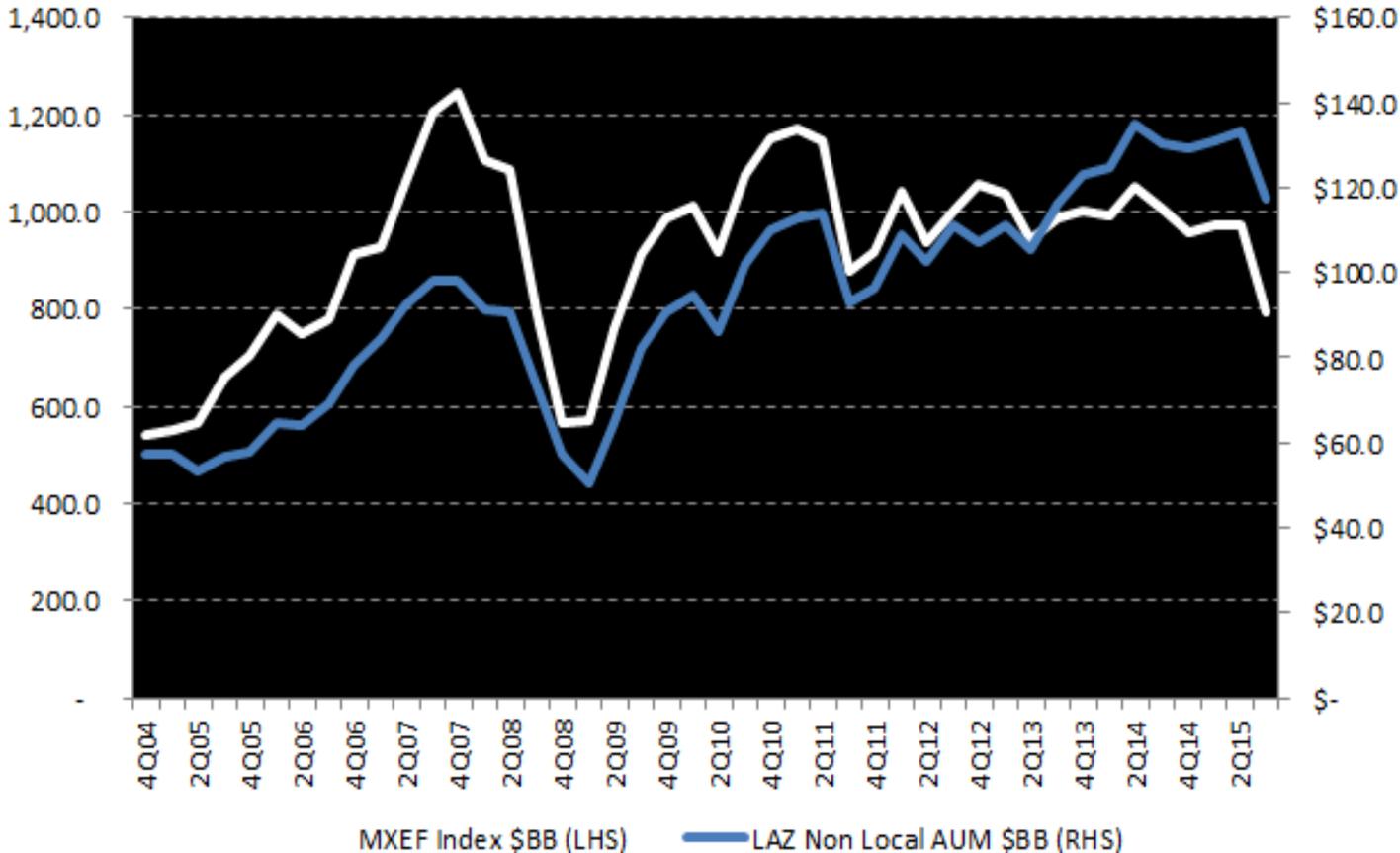
ALL NON LOCAL HAS EM EXPOSURE

Breadth of Asset Management Platforms



While the firm outlines a hard and fast EM category with \$53 BB, the reality is that Global and Multi Regional have EM exposure too

LAZ NON LOCAL AUM TRACKS MXEF



Lazard Non Local AUM (ex developed markets) tracks the **Morgan Stanley Emerging Markets Index (MXEF)** to a **tee across cycle**

AND MXEF HAS NOW BROKEN DOWN



Emerging Markets have been in fits and starts since 2011 within an uptrend, **but the move since mid-2015 has broken that sequence and EM is poised for a down cycle**

Source: DoubleLine, Bloomberg
EM Equities (MXEF Index)= The MSCI Emerging Markets Index is a free-float weighted equity index. You cannot invest directly in an index.

MXEF HAS EXPOSURE YOU DON'T WANT



EM and global oil markets are **highly correlated** with various **non-developed export driven petro economies** locked to the plight of the commodity

MXEF HAS EXPOSURE YOU DON'T WANT



And U.S. dollar strength and a marginally hawkish Federal Reserve gives an indication of future EM prices and also impacts the ongoing trajectory of oil

MXEF HAS EXPOSURE YOU DON'T WANT



And U.S. Treasury yields are a general indication for global risk appetite which is now compressing again

PROXIES ARE HANGING IN FOR NOW

AUM OF LAZ'S LARGEST STRATEGIES

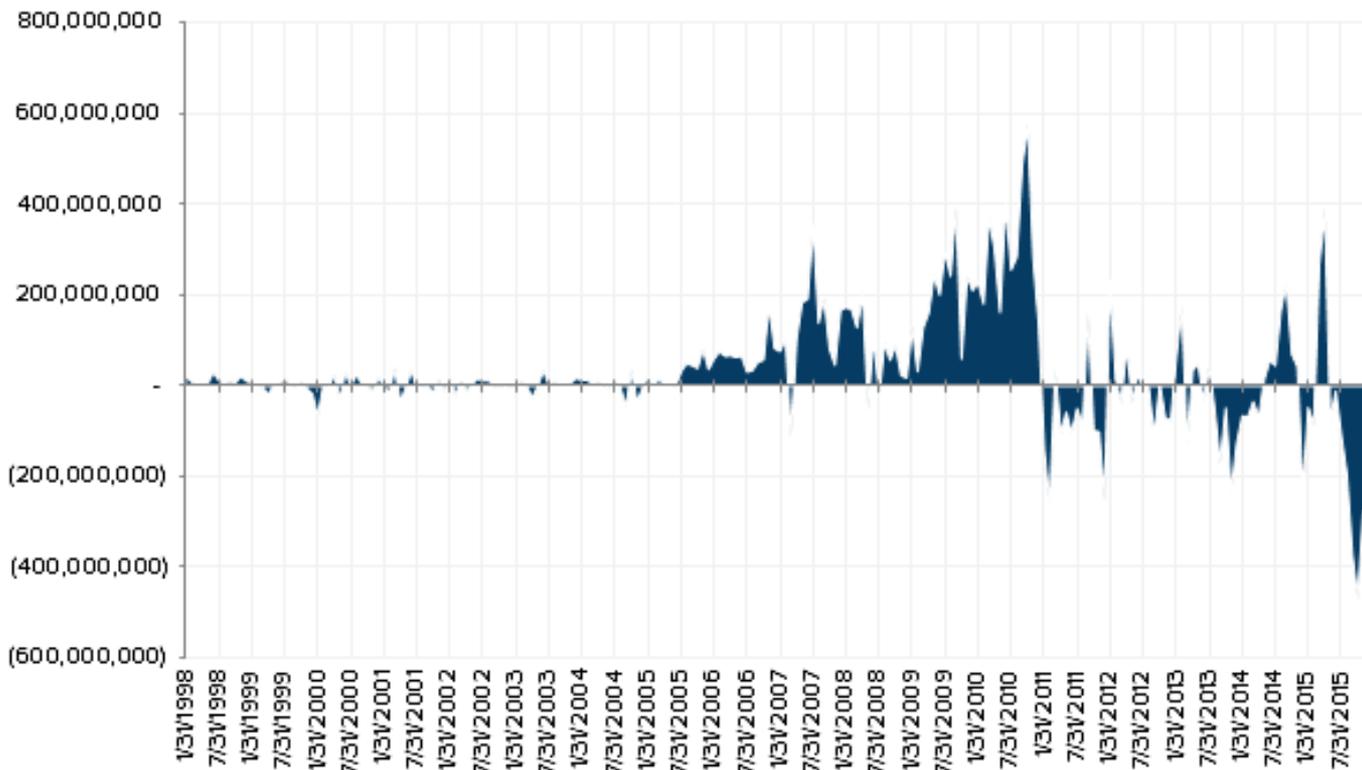
With AUM of the Corresponding MF Vehicles Used in Calculations

Lazard Emerging Markets Equity	\$ 26.44B
Lazard Emerging Markets Equity Instl	7.96B
Lazard Emerging Markets Equity Open	0.81B
Lazard International Strategic Equity	\$ 13.01B
Lazard International Strategic Eq Instl	4.76B
Lazard International Strategic Eq Open	1.73B
Lazard International Equity	\$ 10.50B
Lazard International Equity Instl	0.72B
Lazard Global Listed Infrastructure	\$ 7.71B
Lazard Global Listed Infrastructure Inst	2.13B
Lazard Global Listed Infrastructure Open	0.39B
Lazard Developing Markets Equity	\$ 2.99B
Lazard Developing Markets Equity Instl	0.33B
Lazard US Equity Concentrated	\$ 2.64B
Lazard US Equity Concentrated Instl	0.70B
TOTAL AUM OF EVALUATED STRATEGIES	\$ 65.55B

The company has a multitude of mutual funds and separately managed accounts so we just referenced the biggest AUM products available

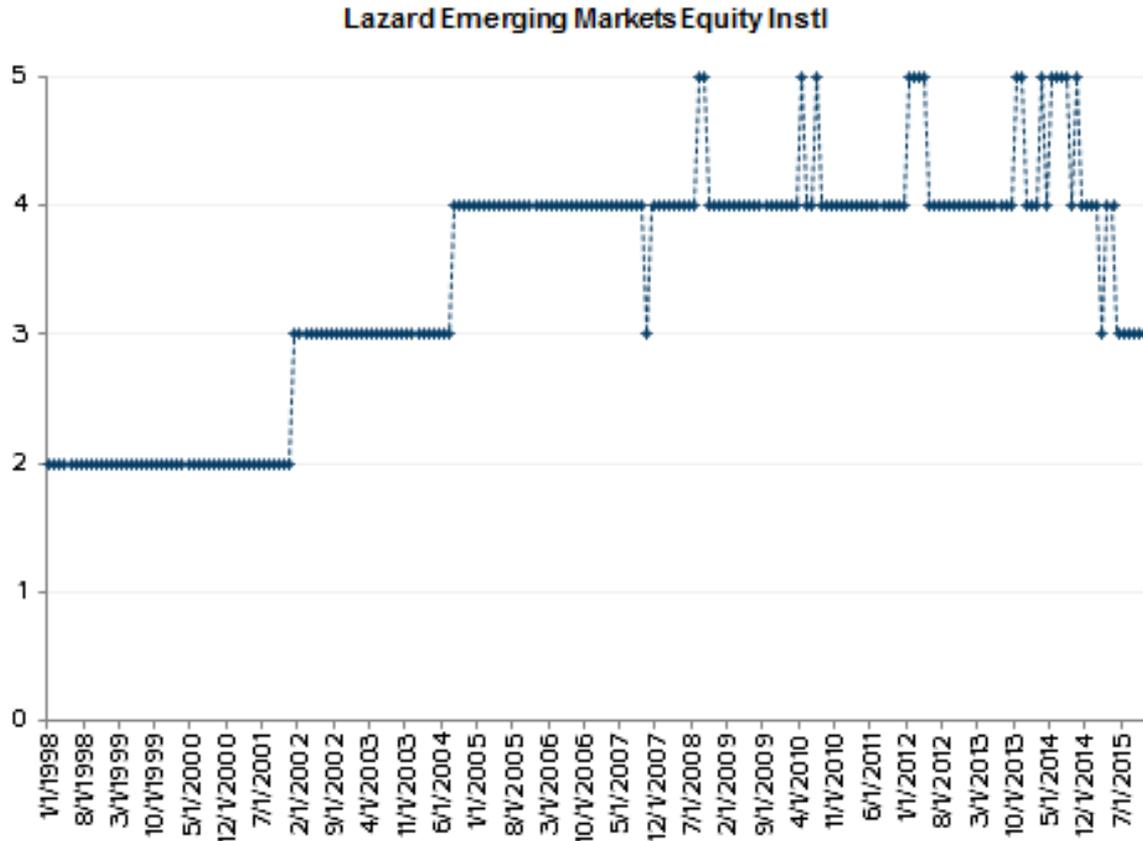
MAIN EM FUND IS STARTING TO BLEED

Lazard Emerging Markets Equity Instl



The firm's biggest strategy is the **\$26 BB** Emerging Market Fund, seeking capital appreciation in Emerging Market countries. **The fund has a - 13% organic growth rate in 2015**

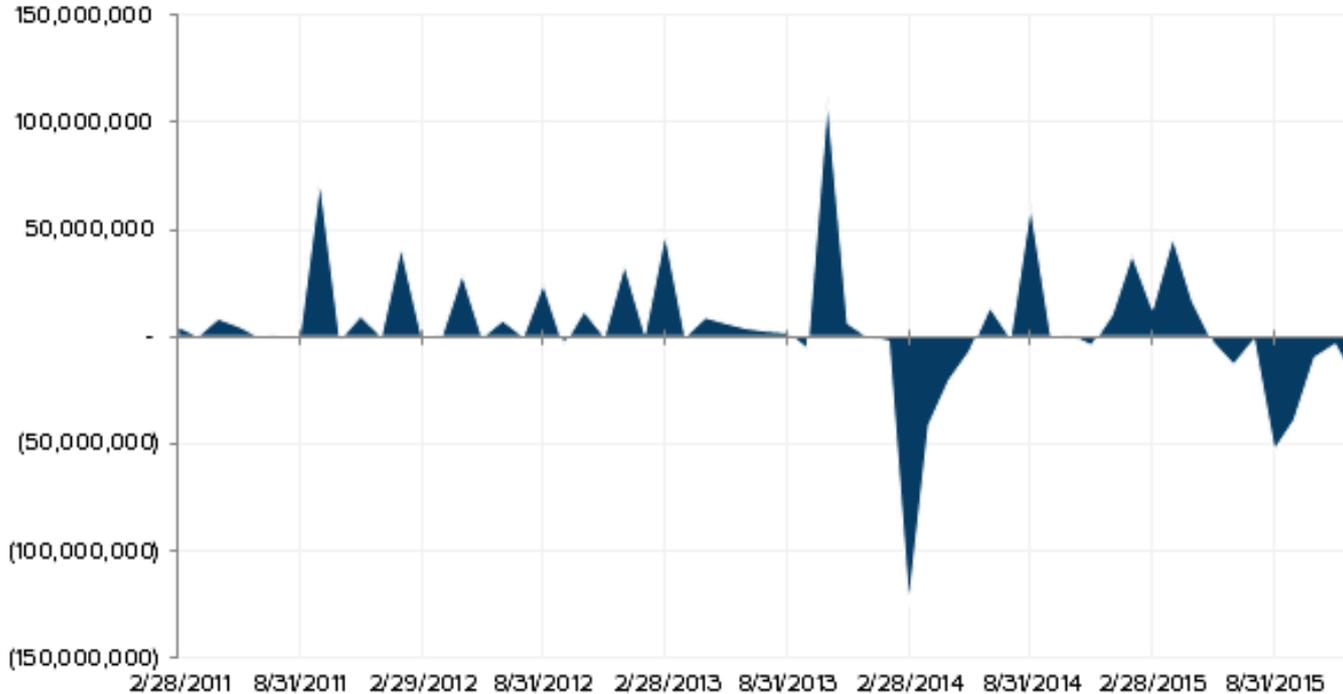
MAIN EM FUND IS STARTING TO BLEED



The Morningstar ratings of the big **LZEMX** fund have moved steadily down from **a 5 in 2013 to a 4 in '14 and now settling at 3 stars** according to MS currently

MORE EM STRATEGIES IN OUTFLOW

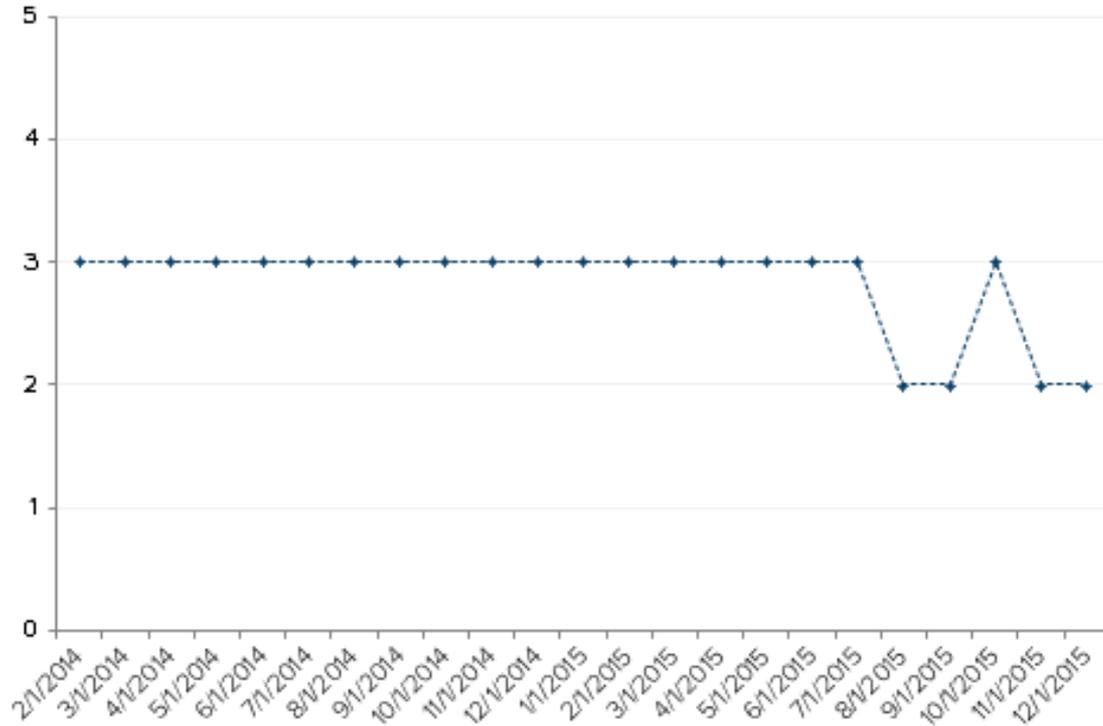
Lazard Emerging Markets Debt Instl



The firm's EM income strategies have also turned during the tough 2015 tape with the **EM Debt Portfolio also having put up a decay rate of -8.9% last year**

MORE EM STRATEGIES IN OUTFLOW

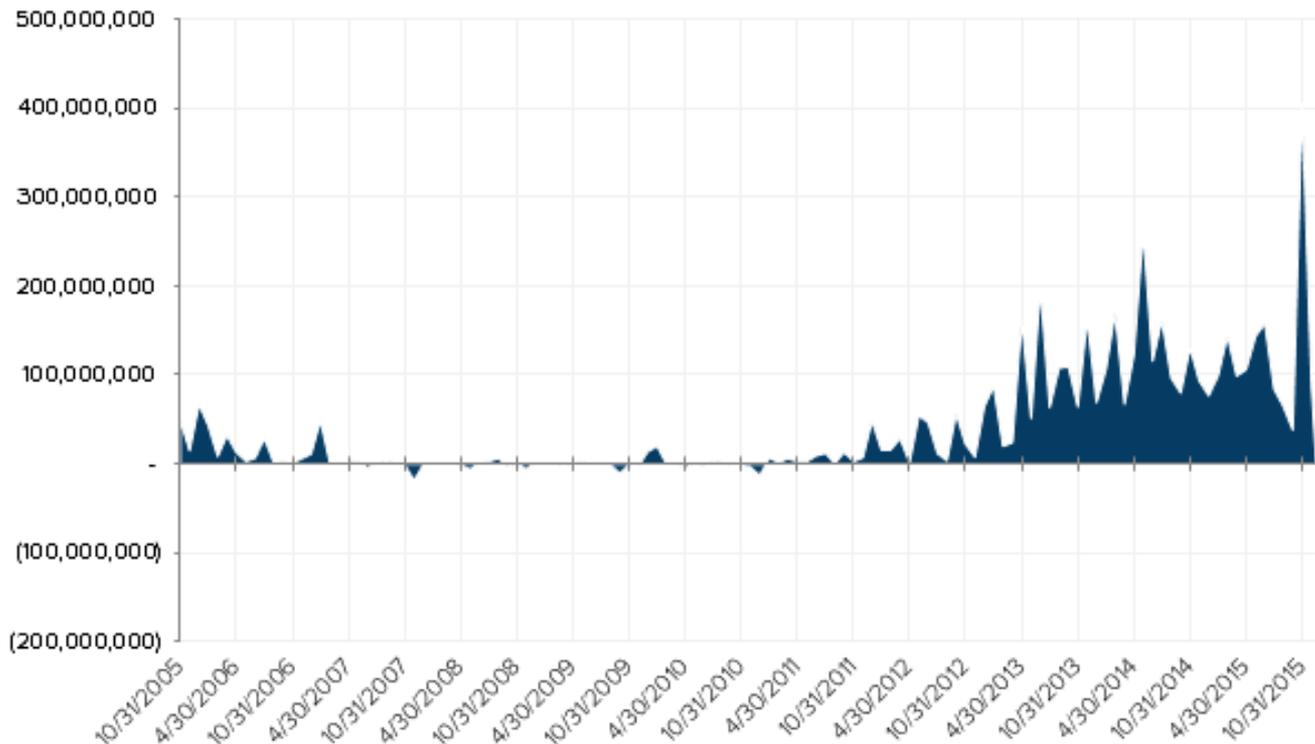
Lazard Emerging Markets Debt Instl



The **LEDIX** fund has also been **downgraded** by **Morningstar** from the **3 star category** to a **blended 2 stars**

STRATEGIC EQUITY IS SAVING THE DAY

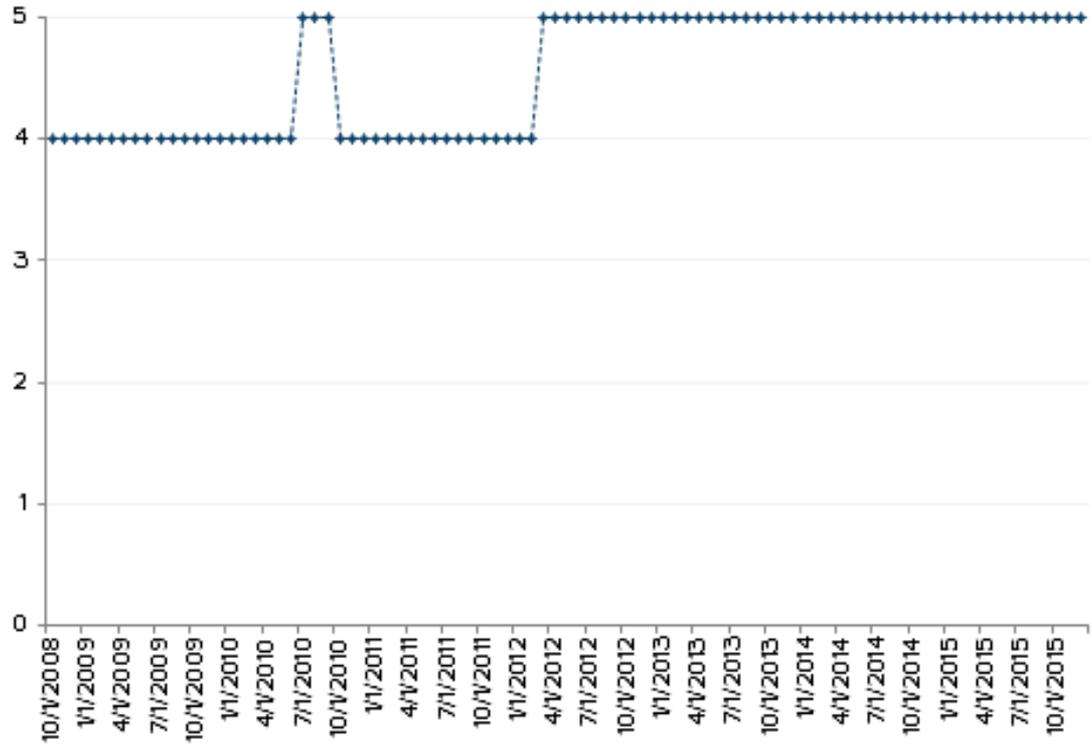
Lazard International Strategic Eq Instl



The firm's Strategic Equity product which **avoids** the EM mandate and is **benchmarked to MSCI EAFE** is **plugging the hole** with this \$13 BB strategy (2nd biggest) putting up **+30%** organic growth

STRATEGIC EQUITY IS SAVING THE DAY

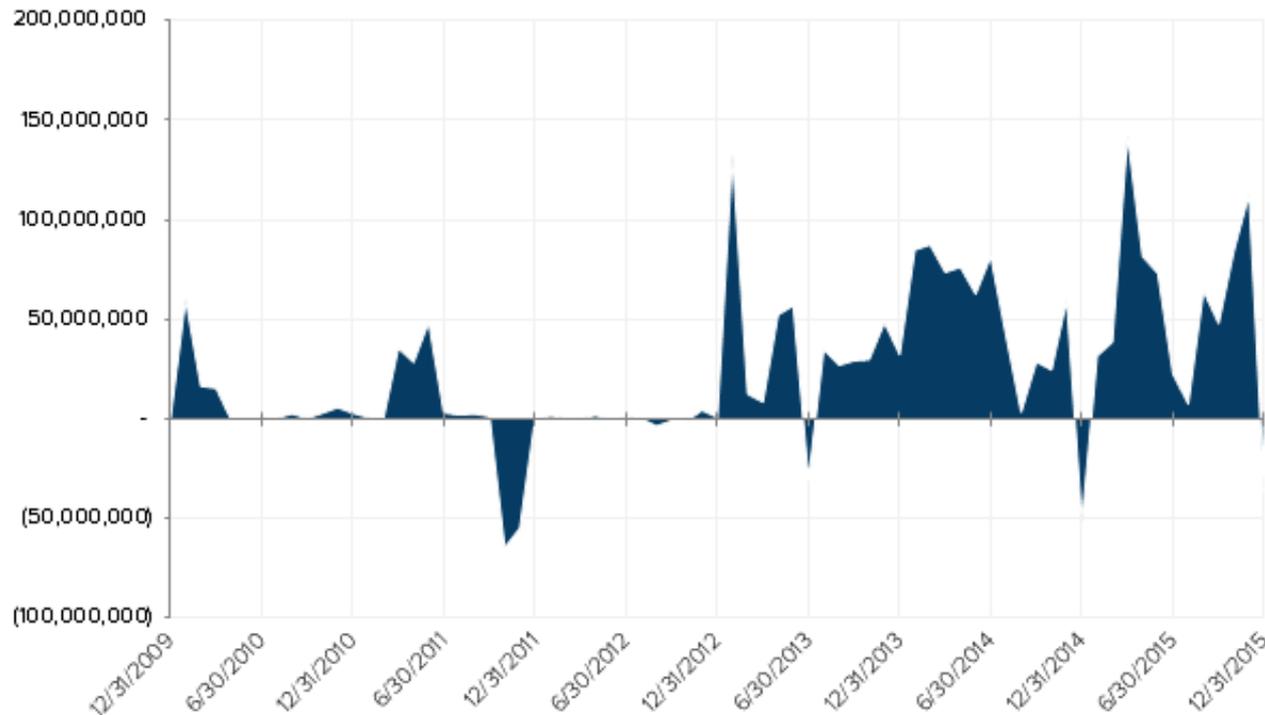
Lazard International Strategic Eq Instl



And this fund was upgraded **from a 4 to a 5 star** ranking in 2012 and has never looked back

INFRASTRUCTURE IS GAINING SHARE

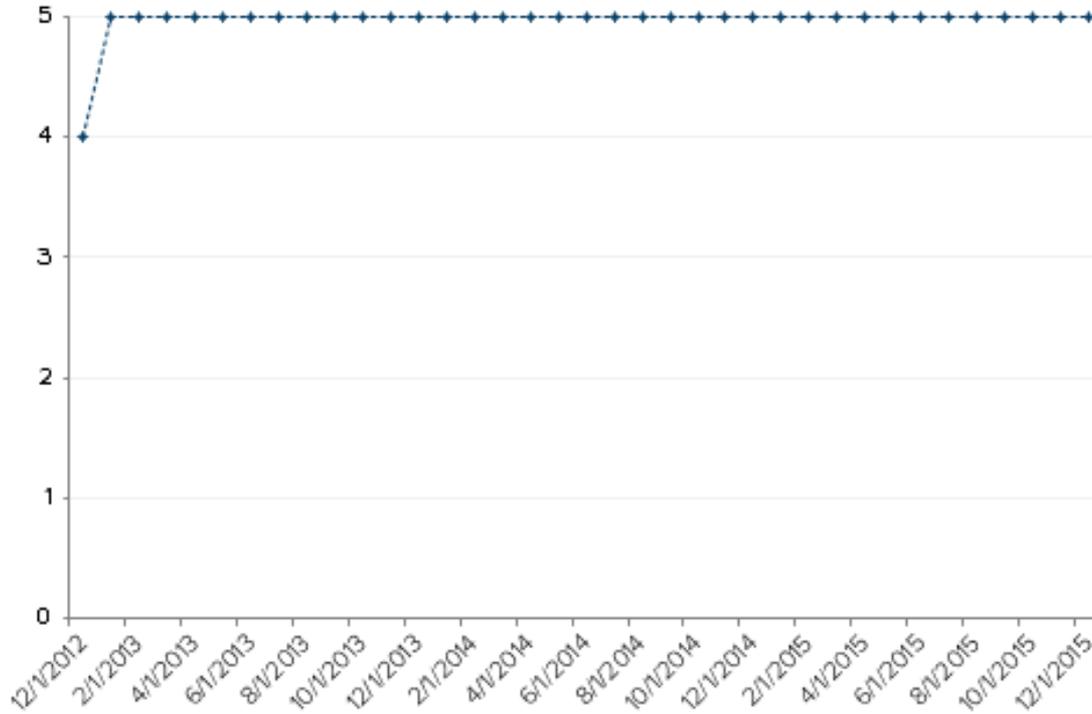
Lazard Global Listed Infrastructure Inst



Lastly the firm is riding the demand for infrastructure exposure with product launches in 2009 growing at a superb +55% in 2015 to bring total infrastructure strategy assets to nearly \$8 BB

INFRASTRUCTURE IS GAINING SHARE

Lazard Global Listed Infrastructure Inst



And **GLIFX** has **been the gold standard** since inception carrying Morningstar's **top ranking** since the end of 2012

EM IS BEING WASHED OUT FOR NOW

Lazard EM Equity Strategies \$26 BB Total

	2014	2015
Fund AUM \$BB	\$ 13.57	\$ 13.51
Fund Flows \$BB	\$ (0.52)	\$ (1.82)
Organic Growth	-4%	-13%
Morningstar Rating	4	3

Lazard Global Infrastructure \$7 BB Total

	2014	2015
Fund AUM \$BB	\$ 0.78	\$ 1.64
Fund Flows \$BB	\$ 0.67	\$ 0.90
Organic Growth	86%	55%
Morningstar Rating	5	5

Top 6 LAZ Strategies \$65 BB Total

	2014	2015
Fund AUM \$BB	\$ 18.56	\$ 21.72
Fund Flows \$BB	\$ 2.57	\$ 1.39
Organic Growth	14%	6%
Morningstar Rating	4	4

Lazard International Strategic \$13 BB Total

	2014	2015
Fund AUM \$BB	\$ 3.29	\$ 5.43
Fund Flows \$BB	\$ 2.24	\$ 1.62
Organic Growth	68%	30%
Morningstar Rating	5	5

Lazard Developed Market \$2.9 BB Total

	2014	2015
Fund AUM \$BB	\$ 0.50	\$ 0.41
Fund Flows \$BB	\$ (0.08)	\$ (0.01)
Organic Growth	-16%	-3%
Morningstar Rating	1	1

Lazard International Equity \$10 BB Total

	2014	2015
Fund AUM \$BB	\$ 0.18	\$ 0.38
Fund Flows \$BB	\$ 0.21	\$ 0.36
Organic Growth	115%	94%
Morningstar Rating	4	4

Lazard U.S. Equity Concentrated \$2.6 BB

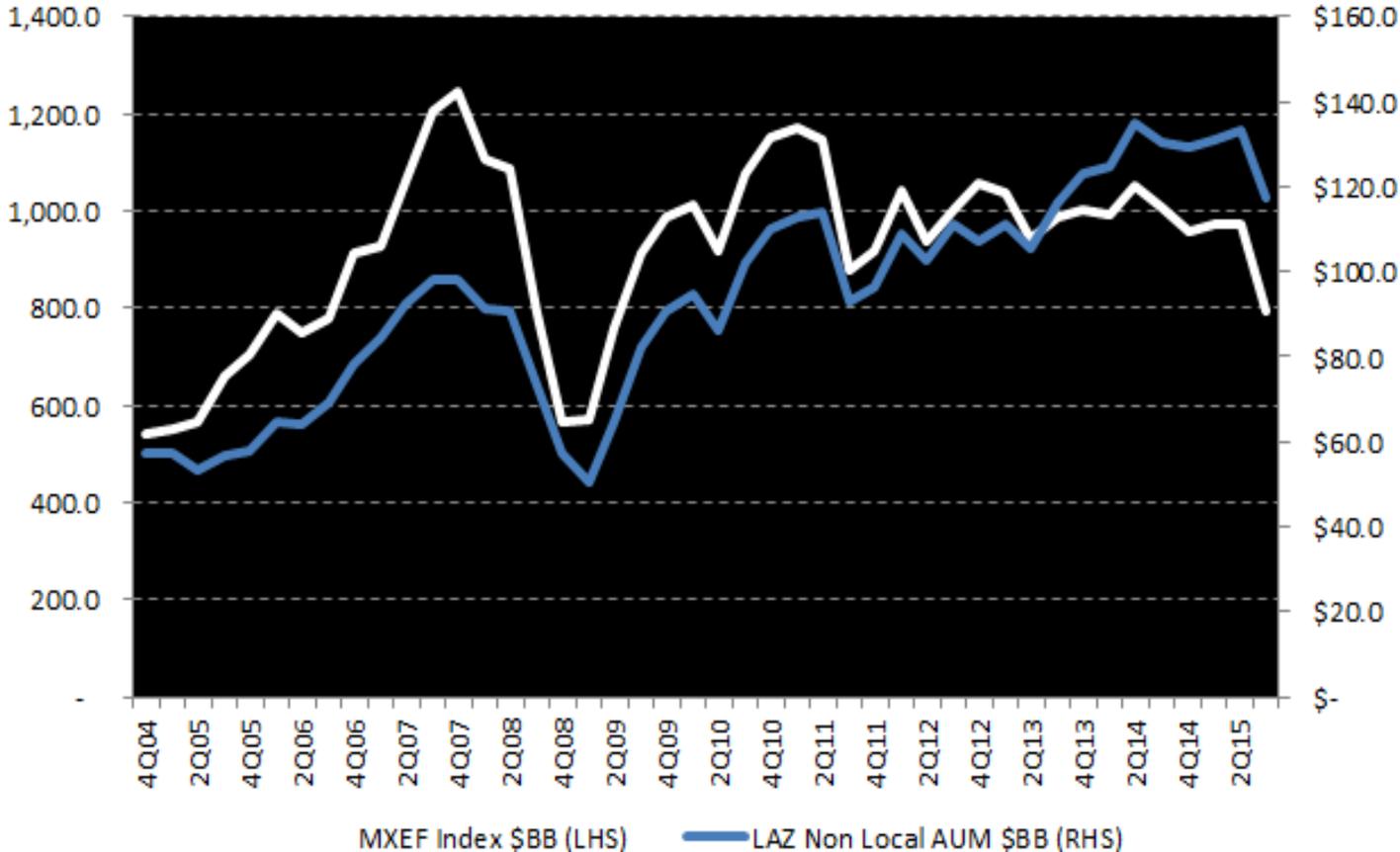
	2014	2015
Fund AUM \$BB	\$ 0.23	\$ 0.35
Fund Flows \$BB	\$ 0.06	\$ 0.35
Organic Growth	24%	101%
Morningstar Rating	4	5

IS IT DIFFERENT THIS TIME?

	Dec 2014	Dec 2015E
Beginning of period AUM (\$ bn)	186.9	197.1
Net asset inflows (outflows), \$ bn	11.3	4.3
Net market appreciation (depreciation), \$ bn	(1.1)	(14.5)
Foreign Currency Adjustment, \$ bn	-	-
End of period AUM, \$ bn	197.1	186.9
Weighted Average AUM, \$ bn	196.0	190.3
Organic growth rate (flows, annualized)	6.0%	2.2%

Strategic Equity and the new Infrastructure products **are covering the EM hole for now** however annual flows are **starting to drop from \$11.3 BB last year to just over \$4.3 BB to finish '15** and market returns are starting to weigh on totals

LAZ NON LOCAL AUM TRACKS MXEF



Lazard Non Local AUM (ex developed markets) tracks the **Morgan Stanley Emerging Markets Index (MXEF)** to a **tee across cycle**

IS IT DIFFERENT THIS TIME?

	Dec 2002	Dec 2003	Dec 2004	Dec 2005
Beginning of period AUM (\$ bn)	73.1	63.7	78.4	86.4
Net asset inflows (outflows), \$ bn	(3.6)	(1.1)	(3.5)	(4.2)
Net market appreciation (depreciation), \$ bn	(7.2)	14.5	10.8	7.4
Foreign Currency Adjustment, \$ bn	1.4	1.3	0.8	(1.4)
End of period AUM, \$ bn	63.7	78.4	86.4	88.2
Weighted Average AUM, \$ bn	68.4	66.3	80.3	87.3
Organic growth rate (flows, annualized)	(4.9%)	(1.7%)	(4.5%)	(4.9%)

Throwing out 2008 as not just an EM cycle but a global financial crisis **the '02-'04 EM cycle was challenging** with negative organic growth **consistently in the high -4% range**

EM EXPOSURE IS FEAST OR FAMINE

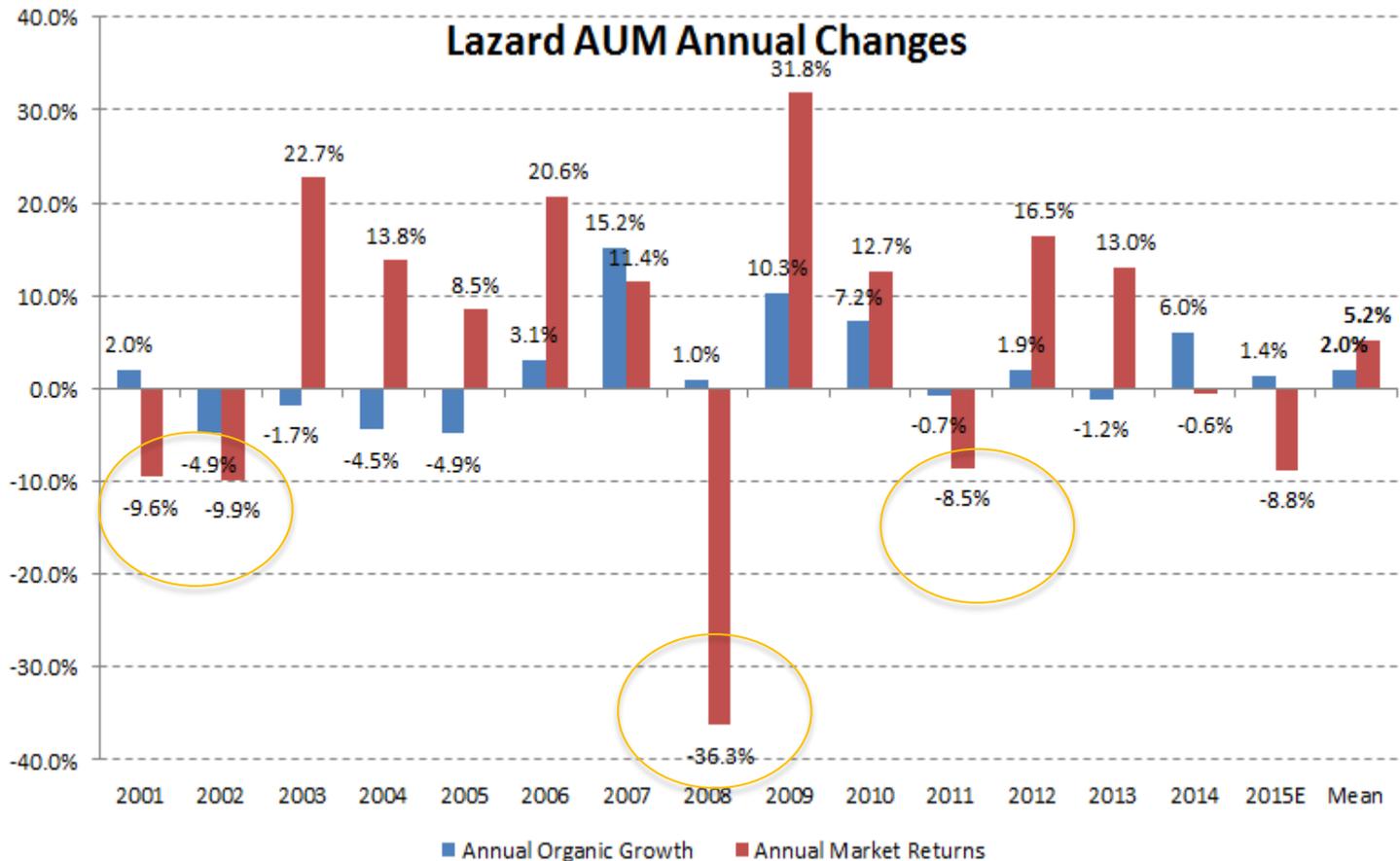
CENTRAL TENDENCY OF MONTHLY TOTAL RETURNS

February 1, 1988 - December 31, 2015

	S&P 500	MSCI EM Index
Annualized return	10.1%	26.9%
Annualized st. dev.	14.4%	22.2%
Maximum drawdown (cumulative)	-50.9%	-51.7%
Highest 1-month return	11.4%	23.1%
Lowest 1-month return	-16.8%	-26.6%

EM redemptions are before considering that markets have a much wider range than domestic returns with a 1 month max of +23.1% and a 1 month max drawdown of -26.6%. Returns are higher but so is volatility

EM EXPOSURE IS FEAST OR FAMINE



EM downdrafts have been **wicked** with the firm's Asset Management business **losing nearly 9% per year in '01, '02, and '11** not to mention the **-36% market impact in 2008**

SECTION 3 – BULL MARKET ESTIMATES



EXPECTATIONS STILL SKY HIGH

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Translate to...

2015 Was Best-Ever Year for M&A; This Year Looks Good Too (1)

- Telecommunications, health care, banks may be active sectors
- \$3.8 trillion in M&A spending makes last year a record

By Manuel Baigorri

(Bloomberg) -- After a record-breaking year for acquisitions, executives are looking for more.

Buyers splashed out \$3.8 trillion on mergers and acquisitions in 2015, the highest amount ever, surpassing the previous record set in 2007, before the financial crisis, according to data compiled by Bloomberg. If anything, companies seem more optimistic about pursuing M&A than they were last year: in an EY survey published in October, almost 60 percent of executives expected to carry out acquisitions in the next 12 months, up from 40 percent a year earlier.

The fourth quarter was the busiest of last year, with \$1.3 trillion in transactions announced, according to the data -- passing the trillion-dollar mark for the first time since the second quarter of 2007.

GROWTH ON GROWTH IS A RISKY VIEW

Despite the new high water mark from 2015 Global M&A activity, the banker community is still forecasting even higher results into 2016.

COMPLACENCY RE-DEFINED

M&A Revenues 2015 \$MM	\$ 1,047
Restructuring Revenues of 2009 \$MM	\$ 377
Other Advisory Revenues of 2007 \$MM	\$ 144
Asset Management Revenues of 2014 \$MM	\$ 1,120
Total Revenues \$MM	\$ 2,687
Operating Margin	25%
Tax Rate	25%
Net Income \$MM	\$ 504
Share Outstanding MM	133
Estimated EPS	\$ 3.79

Street Consensus		
<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 2,590	\$ 2,780	\$ 2,820
\$ 3.64	\$ 4.01	\$ 4.40

BEST CASE SCENARIO IS IN OUT YEAR CONSENSUS NUMBERS

If we take the best of the best – M&A revenues of '15; Restructuring top line of '09; Other of '07; and asset management results of '14 at a 25% margin generates \$3.79 in EPS or lower than the Street for '17 and '18

STILL 20% BELOW THE STREET FOR '16

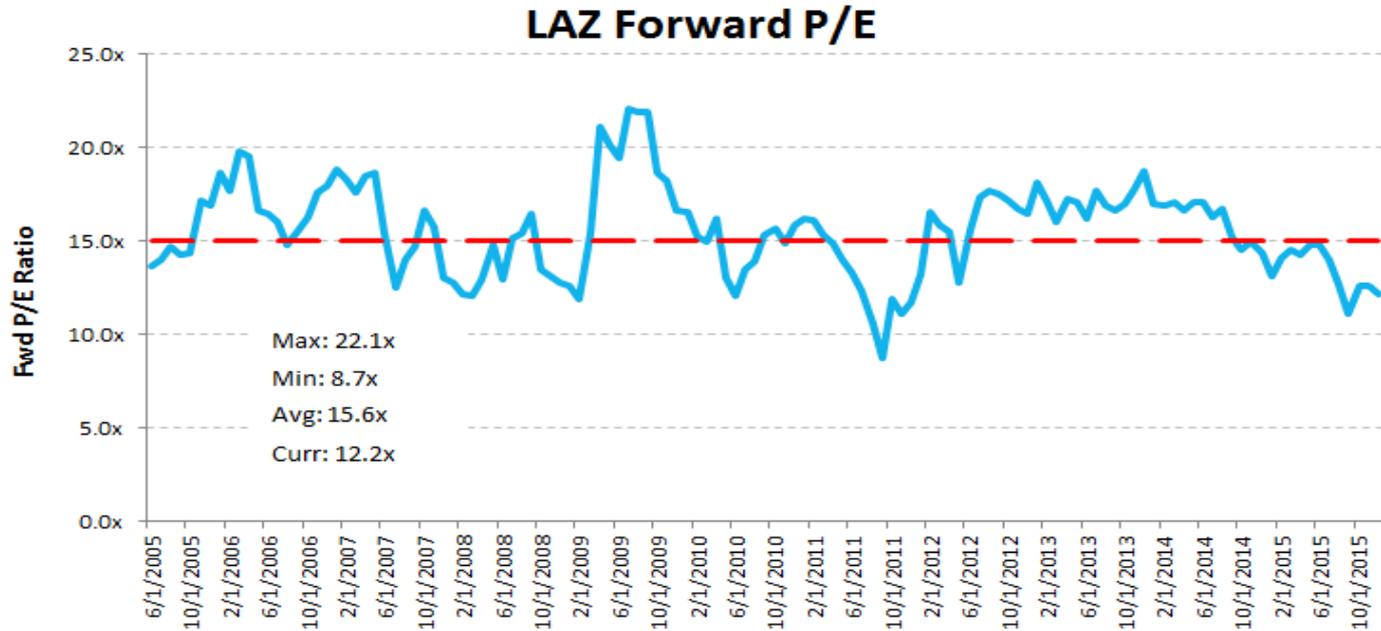
Consensus Estimates

	2014	2015E	2016E
Revenue	\$ 2,340	\$ 2,380	\$ 2,590
		2%	9%
Comp Rate	54.1%	57.8%	58.0%
Non Comp Rate	18.9%	16.8%	16.0%
Pretax Margin	25.5%	25.8%	28.3%
Tax	19.5%	25.0%	26.0%
Earnings	\$ 3.02	\$ 3.65	\$ 3.64
Advisory Revenues \$MM	\$ 1,010	\$ 1,100	\$ 1,150
Restructuring Revenues \$MM	\$ 115	\$ 120	\$ 160
Other Advisory \$MM	\$ 81	\$ 70	\$ 80
Total Advisory \$MM	\$ 1,206	\$ 1,290	\$ 1,390
		7%	8%
AUM \$BB	\$ 197.1	\$ 186.9	\$ 200.0
Net Inflow \$BB	\$ 11.3	\$ 4.3	\$ 4.5
Appreciation/FX \$BB	\$ (1.1)	\$ (10.0)	\$ 2.0
Asset Management Revenues \$MM	\$ 1,119	\$ 1,090	\$ 1,200
		-3%	10%

Hedgeye Estimates

	2014	2015E	2016E
Revenue \$MM	\$ 2,340	\$ 2,360	\$ 2,290
Y-o-Y		1%	-3%
Comp	54.1%	57.8%	57.6%
Non Comp	18.9%	16.9%	16.8%
Pretax Margin	25.5%	25.7%	26.0%
Tax Rate	19.5%	25.0%	27.0%
Earnings Per Share	\$ 3.02	3.60	\$ 2.97
Advisory Revenues \$MM	\$ 1,010	1,080	1,040
Restructuring Revenues \$MM	\$ 115	120	160
Other Advisory \$MM	\$ 81	70	92
Total Advisory \$MM	\$ 1,206	1,270	1,292
		5%	2%
AUM \$BB	\$ 197.1	\$ 186.9	\$ 166.4
Net Inflow \$BB	\$ 11.3	\$ 4.3	\$ (7.0)
Appreciation/FX \$BB	\$ (1.1)	\$ (10.0)	\$ (13.5)
Asset Management Revenues \$MM	\$ 1,119	\$ 1,090	\$ 998
		-3%	-8%

VALUATION CAN COMPRESS MORE



Source: FactSet

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WE THINK STREET #'S ARE WRONG BUT VALUATION CAN COMPRESS MORE

Like most cyclicals the best time to buy is when valuation is high because these companies are under earning. The best time to sell is when they “look” cheap.

HIGHEST RATED IN BROKER SEGMENT

Hedgeye Financials Sentiment Scoreboard

Banks and Thrifts		Brokers & AM		Specialty Finance		Insurance		Housing	
TICKER	SCORE	TICKER	SCORE	TICKER	SCORE	TICKER	SCORE	TICKER	SCORE
JPM	95	LAZ	90	NNI	93	CNA	90	RLGY	90
C	95	ARES	90	MA	88	BRK.B	88	TOL	77
BAC	94	SEIC	89	LEAF	86	PRU	81	TMHC	77
EWBC	88	AMG	88	DFS	80	ESGR	79	RMAX	73
COF	85	IVZ	87	NCT	79	AMSF	79	BZH	63
SIVB	84	JMP	86	COF	75	AWH	79	DHI	60
BPOP	83	OZM	82	V	75	LNC	78	SPF	60
WFC	83	KKR	81	PMT	75	ERIE	74	WLH	53
BBT	81	CG	78	STWD	75	AXS	74	PHM	53
WAL	80	BGCP	77	ESNT	71	Y	73	NVR	47
BK	78	RJF	77	ADS	69	ENH	73	MDC	33
RF	78	MS	73	AGO	68	HIG	72	LEN	33
SBNY	77	ETFC	73	ORI	68	MET	70	HOV	33
USB	75	ICE	72	EFX	68	ALL	70	MTH	33
FBP	74	BX	71	FLT	67	NAVIG	70	KBH	13
PACW	72	BLK	71	ALLY	67	XL	68		
FITB	69	FBCM	70	VNTV	65	AMP	67		

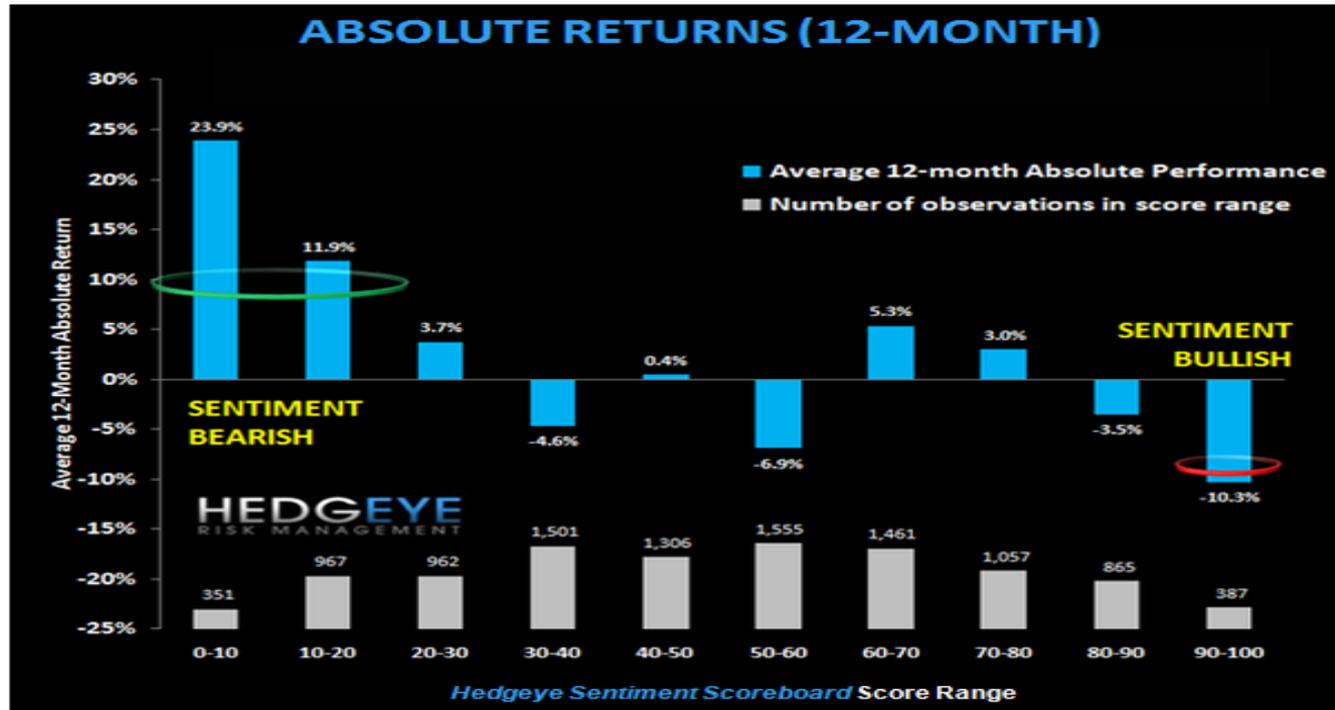
Lazard Ltd		
Consensus Rating		4.38
Buys	75.0%	12
Holds	25.0%	4
Sells	0.0%	0
12M Tgt Px	12/18	58.58
Last Price		43.66
Pricing Currency		USD
Return Potential		34.2%
LTM Return		-6.0%

Mkt Cap (USD)		4,890.2M
Shrs Out/Float		129.8M/127.6M
SI/% of Float		1.0M/0.81%
Days to Cover		1.2

HIGHEST RATED IN BROKERS AND ASSET MANAGERS SUBGROUP

Our proprietary Sentiment Monitor flags LAZ as the highest rated broker or asset manager with NO Sell ratings and 12 Buys out of 16 analysts. Our Sentiment score is a 90 currently. The stock also has di minimis short interest

WHICH HISTORICALLY = DOWNSIDE



THE 90-100 RANGE ON SENTIMENT IS THE WORST STRATA

The tails of the Sentiment Monitor project the most upside at low levels and the most downside at high levels. LAZ's current 90 score on sentiment is a very weak sign for forward returns

THESIS: CYCLICAL COMPANY MODELED AS SECULAR

1

NEGATIVE COMP FOR '16

2015 was the banner year for M&A but the market is changing. **Private equity participation** has risen to levels consistent with the end of the cycle and **a rise in corporate credit costs** is enough to bring activity off of the highs. A 100 bps increase in funding costs should reduce M&A by 20%.

2

DON'T WAIT FOR RESTRUCTURING

If investors are holding on or expecting diversification from the firm's restructuring business, it is too late. Historically by the time the firm's bankruptcy teams are busy, the stock has already rolled over and total revenues are in decline. Restructuring in the best years comprises just 40% of advisory revenues meaning it never fully offsets the lost M&A.

3

ASSET MANAGEMENT TO SEE NEW EM CYCLE

Some of the firm's biggest funds are starting to struggle against the **tidal wave of a new EM cycle.** International developed and non-developed markets, which had been strong, are starting to shudder. **Best case → reduced expectations; worst case → massive fallout.**

FOR MORE INFORMATION, CONTACT US AT:

SALES@HEDGEYE.COM

(203) 562-6500