



Position Close Update: National Research Corp (NRC)

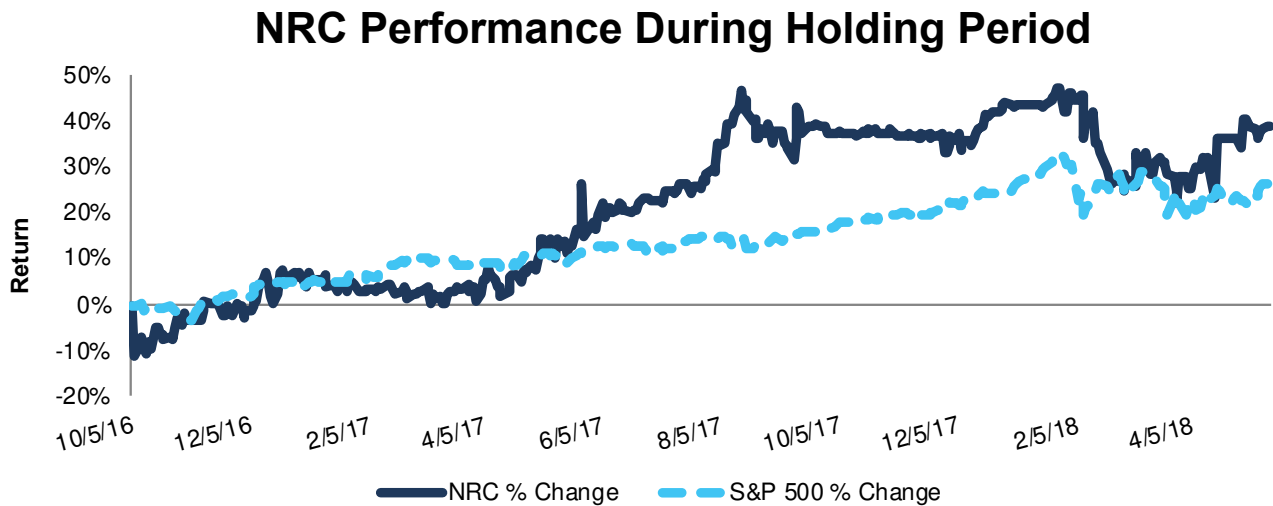
National Research Corp (NRC: \$35/share) – Closing Long Position – up 38% vs. S&P up 26%

National Research (NRC) was originally selected as a [Long Idea on 10/05/16](#). At the time of the initial report, the stock received a Very Attractive rating. Our investment thesis highlighted strong after-tax operating profit (NOPAT) growth, industry leading margins, a growing industry, and an undervalued stock price. NRC was also added to our [Focus List – Long Model Portfolio](#) on 11/3/17.

On April 17, 2018, shareholders approved a [recapitalization plan](#), in which holders of B shares (NRCIB), the share class we recommended, would receive one A share plus \$19.59 in cash. Upon recapitalization, the remaining entity would trade under the ticker symbol NRC.

During the 588-day holding period, NRC (originally NRCIB) outperformed as a long position, rising 38%, including the \$19.59/share in cash, compared to a 26% gain for the S&P 500. NRC was downgraded to Neutral on 5/7/18 after we parsed its latest 10-Q. While the firm’s fundamentals remain strong (rising [economic earnings](#), top-quintile return on invested capital (ROIC)), its valuation no longer offers attractive risk/reward. It’s price-to-economic book value (PEBV) ratio has risen to 2.2 and its [growth appreciation period](#) is >100 years. For this reason, we are closing this position.

Figure 1: NRC vs. S&P 500 – Price Return: Successful Long Call



Sources: New Constructs, LLC and company filings

Note: Gain/Dcline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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