

Institutional Investor

The 2013 All-America Rising Stars of Wall Street

Each year when *Institutional Investor* asks buy-siders to indicate who among their sell-side counterparts warrants inclusion in the All-America Research Team, we also ask them to name the Rising Stars of Wall Street Research — analysts who have been publishing research for less than three years but have already attracted the interest of money managers.

The Great Recession has also informed the work of William Slabaugh, a Rising Star in the Restaurants sector. What the market has endured since 2008 “has made me more skeptical of what I hear from management teams,” the Stephens analyst asserts. “More important, it also made me more aware of relative valuations and the importance of a business’s true free-cash-flow generation capabilities, which I think are often forgotten in the restaurant industry.”

Thanks to an environment of high unemployment and anemic real gross domestic product growth, the Little Rock, Arkansas-based researcher says, “a lot of good restaurant businesses with strong brands and margin profiles were written off, such as Krispy Kreme Doughnuts and Sonic Corp. That gave me an opportunity to become more vocal on the positive side.”

The 29-year-old has been bullish on those two companies — headquartered in Winston-Salem, North Carolina, and Oklahoma City, respectively — for more than a year.

Slabaugh describes Krispy Kreme as “a broken company, but not a broken brand.” Previous management teams “had done a lot of things that had really hurt what was go-

ing on within the company,” he says. In 2008 board chairman James Morgan was appointed CEO, with a mandate to pull the chain store operator back on track. “A lot of things the new management team was doing were moving the company in the right direction,” the analyst says. “Now they have accelerating sales growth and accelerating unit growth.”

He believes Sonic presents a similar turnaround opportunity. The company, which operates more than 3,500 drive-through fast-food restaurants, is “an undervalued franchise that’s accelerating its sales growth.”

A graduate of the University of Arkansas with a double major in international business and Spanish, Slabaugh began his career in Stephens’ corporate finance department before moving into equity research.



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