

LEUCADIA NATIONAL CORP

BUY				HOLD			SELL						HOLD	RATING SINCE	02/23/2018	
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+		E	E-	F
Annual Dividend Rate \$0.40				Annual Dividend Yield 1.61%			Beta 1.29			Market Capitalization \$8.5 Billion			52-Week Range \$21.61-\$28.30		Price as of 5/10/2018 \$24.79	

Sector: **Financial Services** | Sub-Industry: **Multi-Sector Holdings** | Source: **S&P**

LUK BUSINESS DESCRIPTION

Leucadia National Corporation operates as a diversified holding company that focuses on financial service businesses and investments in the Americas, Europe, and Asia.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	2.22	-3.28	1.08

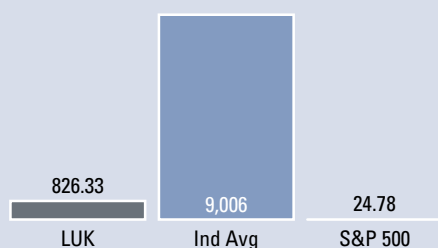
GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	1.58	6.11	-0.80
Net Income	-55.50	-97.64	-68.82
EPS	-54.67	-98.22	-71.56

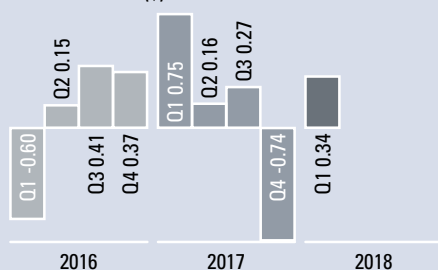
RETURN ON EQUITY (%)

	LUK	Ind Avg	S&P 500
Q1 2018	0.10	11.00	13.34
Q1 2017	5.98	8.00	12.81
Q1 2016	-3.22	9.00	11.95

P/E COMPARISON

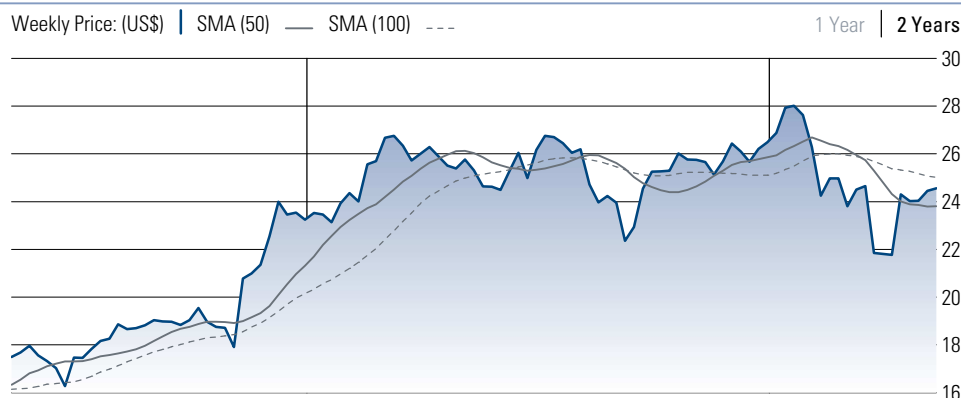


EPS ANALYSIS¹ (\$)



NA = not available NM = not meaningful

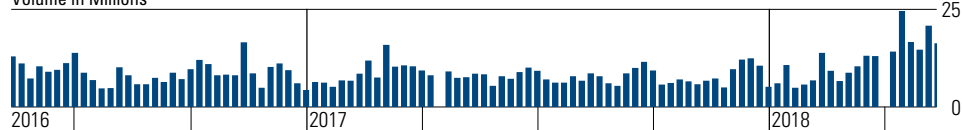
¹ Compustat fiscal year convention is used for all fundamental data items.



Rating History



Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

RECOMMENDATION

We rate LEUCADIA NATIONAL CORP (LUK) a HOLD. The primary factors that have impacted our rating are mixed - some indicating strength, some showing weaknesses, with little evidence to justify the expectation of either a positive or negative performance for this stock relative to most other stocks. The company's strengths can be seen in multiple areas, such as its revenue growth and attractive valuation levels. However, as a counter to these strengths, we also find weaknesses including generally higher debt management risk, disappointing return on equity and poor profit margins.

HIGHLIGHTS

The revenue growth came in higher than the industry average of 22.5%. Since the same quarter one year prior, revenues slightly increased by 1.6%. This growth in revenue does not appear to have trickled down to the company's bottom line, displayed by a decline in earnings per share.

LEUCADIA NATIONAL CORP has experienced a steep decline in earnings per share in the most recent quarter in comparison to its performance from the same quarter a year ago. This company has reported somewhat volatile earnings recently. But, we feel it is poised for EPS growth in the coming year. During the past fiscal year, LEUCADIA NATIONAL CORP increased its bottom line by earning \$0.44 versus \$0.33 in the prior year. This year, the market expects an improvement in earnings (\$0.84 versus \$0.44).

Currently the debt-to-equity ratio of 1.66 is quite high overall and when compared to the industry average, suggesting that the current management of debt levels should be re-evaluated.

Current return on equity is lower than its ROE from the same quarter one year prior. This is a clear sign of weakness within the company. Compared to other companies in the Diversified Financial Services industry and the overall market, LEUCADIA NATIONAL CORP's return on equity significantly trails that of both the industry average and the S&P 500.

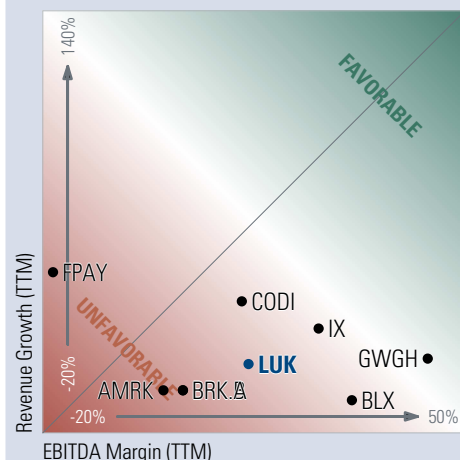
LEUCADIA NATIONAL CORP

Sector: Financial Services | Multi-Sector Holdings | Source: S&P

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PEER GROUP ANALYSIS

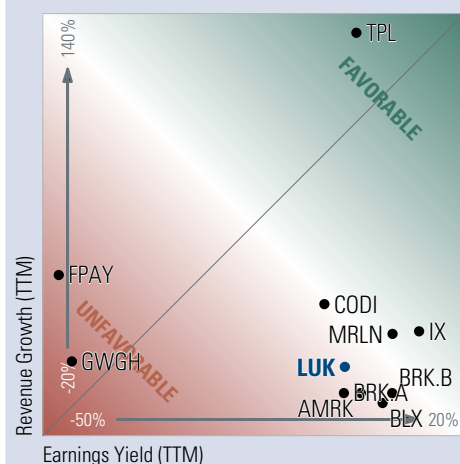
REVENUE GROWTH AND EBITDA MARGIN*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$22.5 Million and \$496.4 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -7.7% and 132.7%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

The US diversified financial services industry includes a range of companies that offer financial products and services, such as banking, insurance, and investment products. The industry is divided into three subcategories: multi-sector holdings, specialized financial services, and other diversified financial services.

Specialized financial services companies derive a major proportion of revenue from one particular business line. A host of specialized companies operate as credit agencies, stock exchanges, and boutique firms, which provide services related to credit cards, investment banking, capital markets, retail banking, asset management, and insurance. Major players are CME Group (CME) and Moody's (MCO). Other diversified financial services companies provide services without any dominant business line. Multi-sector holdings companies like PICO Holdings (PICO) and Compass Diversified Holdings (CODI) are diversified across three or more sectors, none of which contributes a majority of revenue or profit.

The industry is mature and consolidated. The Gramm-Leach-Bliley Act of 1999 facilitated the development of diversified financial firms through the merger and acquisition route. Consolidation has helped companies expand product and service lines in order to become "one-stop-shops" that cater to evolving trends and the need for multi-channel distribution.

Although entry barriers are high, there is always the threat of substitute products because industry competitors do not enjoy patent or copyright protection. Product expansion has resulted in stiff price competition, which has eroded margins, particularly for traditional banking services companies.

Risky lending and securitization of mortgages recently caused an increase in defaults, charge-offs, and bankruptcies. Unprecedented capital and credit market volatility following the subprime meltdown caused massive write downs and the collapse of industry-defining institutions. Wider spreads, a higher cost of borrowing, and more stringent credit limits have hurt industry performance. Loan origination volume has drastically decreased.

Population growth, advancement in information systems, emphasis on fee-based services, and improved risk management are expected to play a critical role in driving future profitability.

PEER GROUP: Diversified Financial Services

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
LUK	LEUCADIA NATIONAL CORP	24.79	8,541	826.33	12,275.61	15.00
AMRK	A-MARK PRECIOUS METALS INC	13.38	94	36.16	6,902.14	2.66
BLX	BANCO LATINOAMERICANO DE C	28.78	881	15.56	243.20	73.04
TPL	TEXAS PACIFIC LAND TRUST	656.43	5,123	48.88	168.11	105.27
BRK.B	BERKSHIRE HATHAWAY	201.20	496,450	12.49	227,408.00	39,742.00
BRK.A	BERKSHIRE HATHAWAY	301,630.00	496,450	18,723.15	227,408.00	39,742.00
GWGH	GWG HOLDINGS INC	8.15	47	NM	63.33	-9.37
MRLN	MARLIN BUSINESS SERVICES INC	29.70	369	12.43	123.71	29.94
IX	ORIX CORP	89.51	23,711	8.04	27,029.85	2,868.54
FPAY	FLEXSHOPPER INC	4.25	23	NM	67.05	-8.33
CODI	COMPASS DIVERSIFIED HOLDINGS	15.75	1,035	NM	1,269.73	27.99

The peer group comparison is based on Major Multi-Sector Holdings companies of comparable size.

LEUCADIA NATIONAL CORP

Sector: Financial Services | Multi-Sector Holdings | Source: S&P

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COMPANY DESCRIPTION

Leucadia National Corporation operates as a diversified holding company that focuses on financial service businesses and investments in the Americas, Europe, and Asia. Its services include equities research, sales, and trading; financing, securities lending, and other brokerage; wealth management; fixed income sales and trading; futures; equity capital markets, debt capital markets, and financial advisory; and asset management services. The company also provides online foreign exchange trading, contract for difference trading, spread betting, and related services. In addition, it develops and owns residential and mixed-use real estate properties in California, New York, Florida, Virginia, South Carolina, and Maine; provides capital solutions, investment sales advisory, and mortgage servicing for multifamily and commercial properties; and purchases automobile installment contracts, as well as owns and manages a portfolio of leases on used Harley-Davidson motorcycles. Further, it processes and markets fresh and chilled boxed beef, ground beef, beef by-products, consumer-ready beef and pork, and wet blue leather; oil and gas properties in the Bakken Shale oil field in North Dakota and Montana, and the Denver-Julesburg Basin in Wyoming; owns and operates 28 automobile dealerships; offers fixed wireless broadband services in Italy; manufactures and markets plastic netting and wood products; and mines gold and silver ores. The company was formerly known as Talcott National Corp. and changed its name to Leucadia National Corporation in June 1980. Leucadia National Corporation was founded in 1968 and is headquartered in New York, New York.

LEUCADIA NATIONAL CORP

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STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of LUK shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	2.0 out of 5 stars	★	★	☆	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, LUK has a growth score better than 30% of the stocks we rate.		weak				strong
Total Return	3.0 out of 5 stars	★	★	★	☆	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 50% of the companies we cover.		weak				strong
Efficiency	1.5 out of 5 stars	★	☆	☆	☆	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 20% of the companies we review.		weak				strong
Price volatility	3.5 out of 5 stars	★	★	★	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 60% of the stocks we monitor.		weak				strong
Solvency	3.0 out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 50% of the companies we analyze.		weak				strong
Income	3.5 out of 5 stars	★	★	★	☆	☆
Measures dividend yield and payouts to shareholders. The company's dividend is higher than 60% of the companies we track.		weak				strong

THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

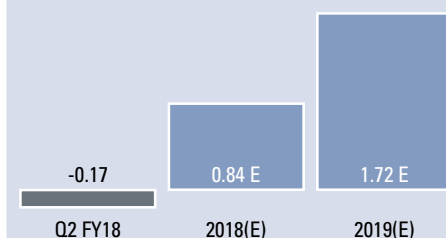
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial



INCOME STATEMENT

	Q1 FY18	Q1 FY17
Net Sales (\$mil)	2,946.47	2,900.48
EBITDA (\$mil)	417.52	636.06
EBIT (\$mil)	363.84	586.55
Net Income (\$mil)	125.70	282.42

BALANCE SHEET

	Q1 FY18	Q1 FY17
Cash & Equiv. (\$mil)	8,931.26	9,435.23
Total Assets (\$mil)	49,001.49	45,980.00
Total Debt (\$mil)	17,218.11	15,936.80
Equity (\$mil)	10,384.08	10,523.16

PROFITABILITY

	Q1 FY18	Q1 FY17
Gross Profit Margin	22.12%	28.21%
EBITDA Margin	14.17%	21.92%
Operating Margin	12.35%	20.22%
Sales Turnover	0.25	0.25
Return on Assets	0.03%	1.37%
Return on Equity	0.10%	5.98%

DEBT

	Q1 FY18	Q1 FY17
Current Ratio	NA	NA
Debt/Capital	0.62	0.60
Interest Expense	289.28	239.77
Interest Coverage	1.26	2.45

SHARE DATA

	Q1 FY18	Q1 FY17
Shares outstanding (mil)	357	360
Div / share	0.10	0.06
EPS	0.34	0.75
Book value / share	29.07	29.25
Institutional Own %	NA	NA
Avg Daily Volume	2,750,618	1,738,726

² Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

FINANCIAL ANALYSIS

LEUCADIA NATIONAL CORP's gross profit margin for the first quarter of its fiscal year 2018 has decreased when compared to the same period a year ago. Even though sales increased, the net income has decreased, representing a decrease to the bottom line.

During the same period, stockholders' equity ("net worth") has remained virtually unchanged only decreasing by 1.32% from the same quarter last year.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.

LEUCADIA NATIONAL CORP

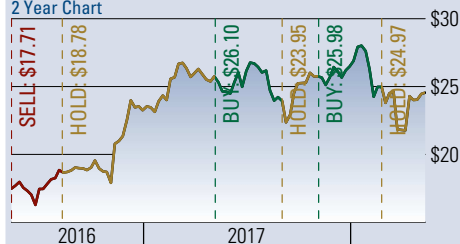
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RATINGS HISTORY

Our rating for LEUCADIA NATIONAL CORP was recently downgraded from Buy to Hold on 2/23/2018. As of 5/10/2018, the stock was trading at a price of \$24.79 which is 12.4% below its 52-week high of \$28.30 and 14.7% above its 52-week low of \$21.61.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
2/23/18	\$24.97	Downgrade	Buy	Hold
11/6/17	\$25.98	Upgrade	Hold	Buy
9/1/17	\$23.95	Downgrade	Buy	Hold
5/8/17	\$26.10	Upgrade	Hold	Buy
8/11/16	\$18.78	Upgrade	Sell	Hold
5/10/16	\$17.71	No Change	Sell	Sell

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 5/10/2018)

41.41% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

33.90% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

24.68% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

HOLD. The current P/E ratio indicates a significant discount compared to an average of 9006.48 for the Diversified Financial Services industry and a significant premium compared to the S&P 500 average of 24.78. For additional comparison, its price-to-book ratio of 0.85 indicates a significant discount versus the S&P 500 average of 3.22 and a significant discount versus the industry average of 1023.06. The price-to-sales ratio is well below both the S&P 500 average and the industry average, indicating a discount. Upon assessment of these and other key valuation criteria, LEUCADIA NATIONAL CORP proves to trade at a discount to investment alternatives within the industry.

Price/Earnings	1	2	3	4	5
					premium

LUK 826.33 Peers **9006.48**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- LUK is trading at a significant discount to its peers.

Price/Projected Earnings	1	2	3	4	5
					premium

LUK 14.41 Peers **11.35**

- Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
- LUK is trading at a significant premium to its peers.

Price/Book	1	2	3	4	5
					premium

LUK 0.85 Peers **1023.06**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- LUK is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
					premium

LUK 0.72 Peers **1555.30**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- LUK is trading at a significant discount to its industry on this measurement.

Price/CashFlow	1	2	3	4	5
					premium

LUK 10.27 Peers **10198.62**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- LUK is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
					premium

LUK 9.54 Peers **0.22**

- Premium. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- LUK trades at a significant premium to its peers.

Earnings Growth	1	2	3	4	5
	lower				higher

LUK -98.22 Peers **75.02**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, LUK is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower				higher

LUK 6.11 Peers **-2.70**

- Higher. A sales growth rate that exceeds the industry implies that a company is gaining market share.
- LUK has a sales growth rate that significantly exceeds its peers.

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