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BREAN MURRAY CARRET & Co.

This Morning's Highlights

PCRX: A Superior Way To Address Postoperative Pain: Initiating Coverage With Buy

MDVN: Reports 4Q10 Results – Reiterating Our Sell

GES: GUESS? Remains Well Positioned for Uncertain Times

Pacira

PCRX $6.85
Initiating Coverage at Buy/Target Price: $20

A Superior Way To Address Postoperative Pain: Initiating Coverage With Buy

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EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev.
FY10	-	-	-	-	$(49.97)E	NM	$16,495.00E
Prior	-	-	-	-	-	-	-
FY11	$(0.46)	$(0.46)	$(0.81)	$(1.33)	$(3.05)	NM	$17,391.00
Prior	-	-	-	-	-	-	-
FY12	-	-	-	-	$(1.10)	NM	$69,810.00
Prior	-	-	-	-	-	-	-

Price	$6.85
52-Week High/Low	$7.25 - 6.16
Shares Outstanding (000)	14,911.00
Market Cap. (000)	$102,140.35
Average Daily Volume	85,808.33

Investment Summary

- We are initiating coverage of Pacira Pharmaceuticals with a Buy rating and a $20 target price, which is underpinned by a DCF analysis, based primarily on the revenue generated by Exparel for the infiltration application, and the net cash position. Within the DCF analysis, we assume a 40% discount rate and a 7x multiple of the terminal value for the projected 2016 EBITDA. FDA approval or materialization of the remainder of the pipeline would encourage us to use a lower discount rate in the future. Currently, Pacira has adequate funds to see the company through the launch of Exparel.

- The market for Exparel potentially consists of 40 million surgical opportunities annually in the U.S., but this is an absolute maximum for the U.S. market. In the nearer term, we consider the U.S. market for infiltration to peak at about 21 million opportunities annually, with at least a market size of about 5 million opportunities annually for the infiltration application. Thus, we consider it a likely event that total revenue will eventually exceed $1 billion. Furthermore, we have broken the market into segments that consist of the in-patient and out-patient population. This was necessary because we believe the greatest demand for Exparel to be with the in-patient population, due to the possible reduction in hospital stay for patients.

- Exparel offers a great deal of benefit to patients and payers, while providing a solid margin to Pacira. Specifically, Exparel offers patients 72 hours of post-operative pain relief, with up to a 91% reduction in adverse events related to opioids, due to a potential 57% reduction in opioid use. These adverse events include opioid-induced constipation (OIC), sleeping problems, nausea/vomiting, loss of appetite, and sexual dysfunction as the most common side effects, but other side effects occur as well, such as acute morphine poisoning, respiratory depression, and dependence.

- The population that is most prone to opioid adverse events makes up at least 50% of the surgical population. This population includes the elderly, sleep apnics, obese, opioid intolerant, and the opioid tolerant. It is the intent of Pacira to target this patient population first, demonstrating the solid economic value-add by Exparel. Additionally, Exparel is anticipated to be used as both a nerve block, and in an infiltration application at the same time, thereby enabling the doctor to apply Exparel when there is easy access to the nerve, and still be able to use Exparel as infiltration when closing the wound. This double application is not worked into our model, but instead left as upside to our valuation.

Medivation, Inc.

MDVN $16.25
Sell/Target Price: $6

Reports 4Q10 Results – Reiterating Our Sell

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EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$(0.51)	$(0.21)	$(0.16)	$(0.11)	$(0.99)	NM	$62.51
Prior	-	-	-	*$(0.23)*	*$(1.11)*	-	-
FY11	$(0.11)	$(0.22)	$(0.36)	$(0.54)	$(1.27)	NM	$66.53
Prior	-	-	-	-	*$(1.36)*	-	-
FY12	-	-	-	-	$(2.09)	NM	$46.57
Prior	-	-	-	-	-	-	-

Price	$16.25
52-Week High/Low	$19.84 - 8.43
Shares Outstanding (mm)	34.57
Market Cap. (mm)	$561.80
Average Daily Volume (mm)	0.42

Investment Summary

4Q10 Results. Medivation reported revenue of $16.6 million and EPS of $(0.11), neither of which is all that meaningful at Medivation's present stage. The revenue constitutes the amortization of upfront payments made by Pfizer and Astellas, as per the collaboration agreements, and are being recognized on a straight-line basis until 2Q13 and 4Q14, respectively. R&D expense was $12.8 million, and SG&A expense was about $4.7 million. R&D decreased due to a shift toward prostate research, thus reduced expenses associated with the collaboration, where Medivation is only responsible for 1/3 of the costs. Medivation ended the quarter with $208 million in cash and investments, which should provide a cash runway at least through 2012 (regardless of Pfizer's continued involvement in the Dimebon collaboration).

2011 guidance: Medivation gave operating expense guidance for 2011 of $100 to $110 million, and indicated that most of this spending will be in R&D. Therefore, we have forecasted about $88 million in R&D expenses in 2011. Additionally, Medivation stated that its expense guidance does not factor in any regulatory filing expenses or any activities in the Phase 3 Huntington's and prostate cancer trials beyond a read out of (or potential interim look at) data, and we could not agree more.

Discussion

- In Phase 3, where results typically underperform Phase 2 results, abiraterone delivered a 310 day time to PSA progression in 1,197 post-chemo, ketoconazole-naive patients using PCWG2 criteria. We do not have this metric from Medivation and thus we cannot make the most useful comparison to abiraterone's result, nor can we really use it to gauge how the AFFIRM trial may turn out. Instead, at ASCO GU, MDV3100 results only showed PCWG2 criteria for the total post-chemo result (148 days), the total pre-chemo result (281 days), and the ketoconazole-naïve, pre-chemo result (677 days), essentially everything but what one needs to best evaluate the potential of the next MDV3100 clinical result. All abiraterone Phase 3 patients were ketoconazole naïve, and only 55% of Phase 2 MDV3100 patients were ketoconazole naïve (which are never further broken out as per how many of each chemo status there were), and these patients perform far better than those that were exposed to prior ketoconazole. And, of course, all MDV3100 doses are again combined.

- We also do not believe management's claim that "we may or may not do an interim analysis," as these analyses are typically either planned or not planned. We would not be at all surprised if there was an interim peek, especially given that relatively little alpha spend is risked in doing so, and then never hearing about it if the recommendation is to continue to final analysis. Since we cannot think of why an interim peek would be a bad idea, considering the imbalance in positive and negative reasons, we strongly expect one to be taken and emphasize that a decision to stop the trial for positive efficacy is the only way to believe that MDV3100 will be commercialized.

GUESS?, Inc.

GES $43.87
Buy/Target Price: $60

GUESS? Remains Well Positioned for Uncertain Times

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EPS	Apr	Jul	Oct	Jan	FY	P/E	FY Rev. (mm)
FY11	$0.58	$0.72	$0.75	$1.11	$3.18	13.8x	$2,487.29
Prior	-	-	-	*$1.07*	*$3.13*	-	-
FY12	$0.43	$0.77	$0.80	$1.31	$3.32	13.2x	$2,710.91
Prior	-	-	-	-	*$3.51*	-	-
FY13	-	-	-	-	$3.85	11.4x	$2,998.60
Prior	-	-	-	-	-	-	-

Price	$43.87
52-Week High/Low	$51.53 - 30.54
Shares Outstanding (mm)	92.01
Market Cap. (mm)	$4,036.52
Average Daily Volume (mm)	1.06

Investment Summary

We are reiterating our target price of $60, adjusting our FY12 EPS to $3.32 (from $3.51), and rolling out our FY2012 EPS of $3.85 after the company "beat" Street consensus 4QFY11 EPS projection by a nickel with $1.11 driven by one-time benefits and timing shifts (including a one-time benefit of $0.05 from the company's loyalty program and $0.07 upside from earlier shipment of spring goods to Europe) and issued 1QFY12 guidance markedly below the Street. Here is the bottom line: Guess?, much like any of our other denim based or contemporary plays (all of whom have released weaker-than-expected guidance for FY212) is not immune from an increasingly inflationary environment. However, we continue to like GES longer term and would be buyers after the inevitable dip today as the company has continued to shift its denim demand to high performing categories like accessories and its international expansion strategy remains a higher margin material growth opportunity (especially in Europe and China). The company's target price of $60 reflects a P/E multiple of 15.6x our FY13 EPS of $3.85, in line with what we view as the company's longer term growth rate.

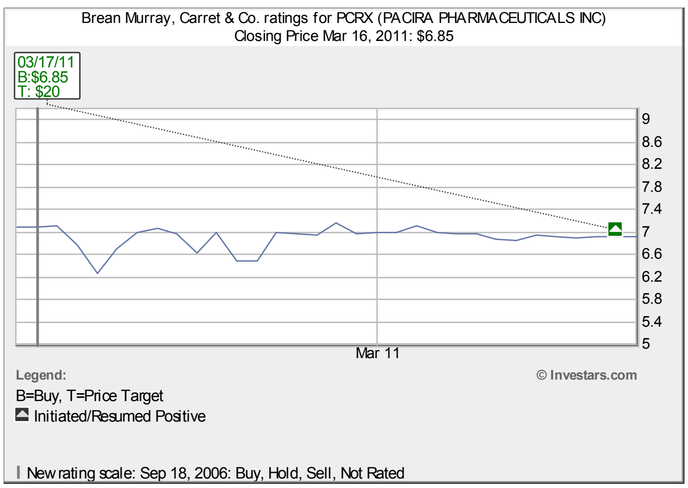
Discussion

- **4QFY11 EPS of $1.11 beat Street consensus by a nickel, primarily due to one-time benefits;** this includes a $0.05 ($6.7MM) benefit from the assessment of North American loyalty program breakage as well as $0.07 ($24MM) of upside from a higher level of earlier shipments of spring goods to Europe, more than double the company's internal projections. Gross margins declined 160 bps YoY to 44.4% from lower markups in Europe including a negative currency impact and higher markdowns in North America.

- **4Q revenue of $757 million, an 18% increase YoY, were above expectations but reflected weakness in North America.** U.S. comparable store sales declined 1.1% during the quarter as traffic slowed down due to inclement weather conditions and promotions from competitors were earlier and more aggressive during the holiday season led to unplanned promotions. Looking ahead, the company is focused on improving its NA comp results (down in the low single-digits QTD) by reinvigorating its women's business and investing in faster moving categories such as denim, outerwear, dresses, and accessories; that said, given tough comparisons and a continued aggressive clearance market, we are assuming no domestic comp turn until 2HFY12. International sales, especially in Europe (+32% YoY) and Asia (+23% YoY) however, compensated for the weakness contributing 72% of top-line growth. In Europe, sales remained robust as most of the growth came from wholesale sales, especially in the Guess? apparel and Guess? by Marciano brands and the $24 million shift in wholesale revenue from 4Q to 1Q. Asia delivered its first full year of profit in FY11, driven by positive comps in South Korea and double-digit increases in the wholesale export business. We note that Guess? does not have any exposure to Japan. Finally, licensing revenues rose 20% YoY to $30 million.

Important Disclosures

Ratings and Target Price History



All prices are as of the market close on 3/16/11.

At the time this report was published, Brean Murray, Carret & Co., LLC made a market in the securities of Medivation, Inc. and Pacira Pharmaceuticals

Brean Murray, Carret & Co., LLC has managed or co-managed a public offering or placement of securities of Pacira Pharmaceuticals within the past 12 months.

Pacira Pharmaceuticals is, or within the last 12 months has been, a client of Brean Murray, Carret & Co., LLC, and investment banking and/or advisory services are being, or have been provided.

Brean Murray, Carret & Co., LLC expects to receive compensation or intends to seek compensation for investment banking and/or advisory services from Pacira Pharmaceuticals within the next 3 months.

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Brean Murray, Carret & Co. Stock Rating System

Buy - Expected to appreciate by at least 10% within the next 12 months.
Hold - Fully valued, not expected to appreciate or decline materially within the next 12 months.
Sell - Expected to decline by at least 10% within the next 12 months.

	# of Securities	% of Total Securities	# of IB-Related Securities in Past 12 mos.	% of Total Securities
BUY	146	61.86%	17	11.64%
HOLD	64	27.12%	2	3.13%
SELL	7	2.97%	0	0%
NOT RATED	19	8.05%	1	5.26%
TOTAL	**236**			

Note : Stock price volatility may cause temporary non-alignment of some ratings with some target prices.

Valuation Methodology and Risks

GUESS?, Inc. (GES): Our $60 target price translates to 15.6x our FY13 EPS estimate and ascribes limited value to the company's over $4.00 per share in net cash. Risks to the attainment of our target price include: (1) as a fashion leader the company is highly susceptible to fashion misses; (2) in the U.S. the company is heavily dependent upon mall traffic; (3) the company is aggressively expanding, heightening the execution risk; (4) GUESS? is recovering from a three-year downturn in results; and (5) the company competes against significantly larger competitors.

Medivation, Inc. (MDVN): Our $6 target price is derived by calculating the company's current cash value since we do not ascribe any value to Medivation's pipeline. Risks applicable to Medivation not achieving our target price include, but are not limited to, the following: (1) product development; (2) business development; (3) financial; and (4) high stock price volatility.

Pacira Pharmaceuticals (PCRX): Our target price is derived through a DCF analysis by applying a 40% discount rate to our 2016 EBITDA projections. Risks to investing in Pacira include but are not limited to market adoption risk, business development risk, competition risk, and high stock price volatility.

Analyst Certification

We, Jonathan Aschoff, Ph.D., Eric Beder and Jennifer Sung, hereby certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers referred to in this document. The analyst and associate analyst further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

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