

## Daily Research Highlights

**Hologic, Inc.:** A Nice Quarter in a Challenging Environment

**NewLink Genetics Corporation:** Focus on Fundamentals

**REITs:** Launching REIT Sector Coverage with a "Positive" View and 900 RMZ Target

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January 31

**Hologic, Inc. (HOLX, HOLD, Target: \$18.00)**  
Jeremy Feffer (212-915-1238, [jfeffer@cantor.com](mailto:jfeffer@cantor.com))

### A Nice Quarter in a Challenging Environment

**SUMMARY:** It was a solid quarter in what remains a challenging macro environment, with U.S. Dimensions sales, TCT-driven O-U.S. Pap sales, and MyoSure growth driving the top and bottom line beat, while 3D tomo continues to gain traction. There are still concerns, however, as secular trends in cervical cancer screening remain a headwind, and NovaSure and Adiana will contribute minimal growth this year. With little opportunity for upside to 2012 numbers, we reiterate our HOLD rating.

- **Breast Health.** Sales of \$215 million (+10%) exceeded our and the Street's expectations, primarily on better-than-expected sales of Dimensions units as more customers opted for higher-end systems that are at least upgradeable to 3D tomo. Also contributing to the upside were strong service revenues (+9%) and Eviva breast biopsy revenues.
- **GYN Surgical.** Continued momentum in MyoSure sales more than offset further deterioration in NovaSure sales and drove the 3.8% growth in this segment, while Adiana sales were roughly flat sequentially. Management reiterated high-single-digit growth guidance for the year on further MyoSure strength and a second-half NovaSure rebound, although we remain skeptical about the latter.

January 30

**NewLink Genetics Corporation (NLNK, BUY, Target: \$12.00)**  
Mara Goldstein (212-610-2215, [mgoldstein@cantor.com](mailto:mgoldstein@cantor.com))

### Focus on Fundamentals

- We recently met with NewLink management, which reaffirmed our view that the company's new flow over the next 24 months could be significant, providing visibility on clinical programs.
- HyperAcute Pancreas (pancreatic cancer) is in Phase III and is likely to reach an interim look in late 2012. The trial is addressing earlier stage pancreatic cancer with low residual disease burden, an approach that is very much at the forefront of cancer vaccines.
- We maintain our price target of \$12 and BUY rating. This is based on a 40x multiple on our forecasted 2016 EPS of \$2.26, discounted at 50%.

### **REITs**

**Cantor REITs (, [CantorREITs@cantor.com](mailto:CantorREITs@cantor.com))**

### Launching REIT Sector Coverage with a "Positive" View and 900 RMZ Target

We expect real estate investors will be inclined to increase their risk profile in 2012, while remaining overweight stocks with above-average growth, quality, yield, or liquidity, with only selective "deeper value" investing. Despite the "Goldilocks" environment reaching its golden years, these strategies are likely to drive REITs to a third year of outperformance. **We forecast a 12-month total return of 8.0%-11.0% for the REIT sector from current levels, resulting in a 900 MSCI US REIT Index (RMZ) target (+6.0%), and a +3.5% aggregate dividend yield; we therefore have a "positive" view of the REIT sector, given that this forecast compares favorably to our 2.0% assumed return for the S&P 500.** This forecast is the product of our proprietary RMZ forecasting model, which is framed by the following: (a) 2.25% 2012 U.S. GDP growth, (b) 8.9% unemployment, (c) ultra-low interest rates (2.5% 10-year UST), (d) elevated exogenous macro risks, (e) continued capital access bifurcation (public v. private), and (f) a lingering cloud of uncertainty around U.S. government actions, with little meaningful legislation ahead of the upcoming election.

- **The REITs should remain active.** 2012 may be the year of the value-add acquisitions, given copious and attractively priced capital. The capital advantage over the private market is likely to remain, giving the REITs continued bidding advantages—and driving earnings growth. Given the protracted period of weak demand,

scale will continue to provide the REITs with advantages, which will enhance margins and permit share capture. Development is likely to remain scarce outside of the multifamily space, given risk aversion. Our preliminary sub-sector analysis suggests strong outperformance in office, modest gains in apartments and self storage, and underperformance in industrial, retail and healthcare.

- **We strive for a rigorous approach that minimizes subjectivity, displays high conviction, telegraphs performance and captures outperformance through dynamic, trading-oriented calls.** This report serves as a precursor to our upcoming multi-phase sub-sector / stock initiations. Herein, we provide a roadmap to our valuation methodology, explain our core economic assumptions in detail, and perform sensitivity analyses of these assumptions. Finally, we provide sub-sector snapshots, a future product menu, and an abbreviated REIT 101.

## Disclosures Appendix

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**HOLD:** We have a neutral outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation.

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**SELL** - denotes stocks that we expect to provide a total negative return of more than 15% over a 12 month period. A SELL rated stock is expected to underperform the total average return of the analyst's industry coverage universe on a risk adjusted basis.

**NC** - Not Covered. Cantor Fitzgerald does not provide research coverage on this company.

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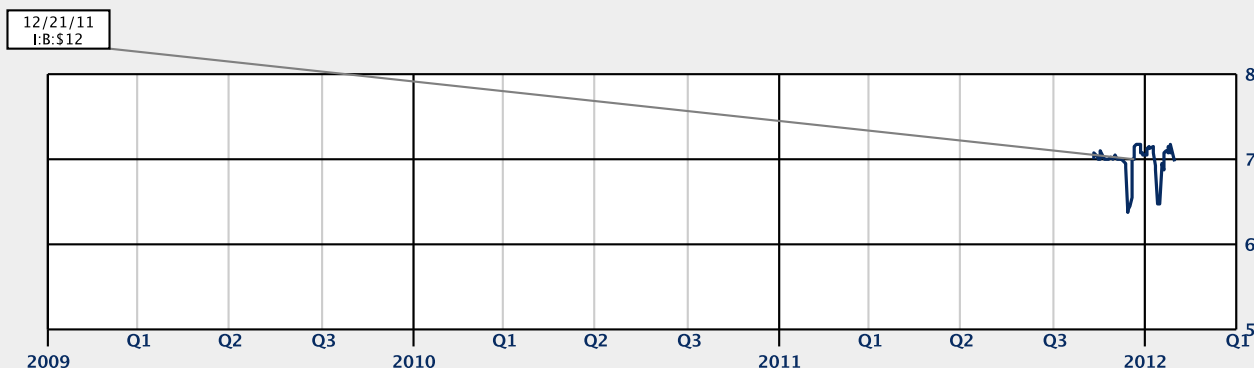
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#### Rating and Price Target History for: NewLink Genetics Corporation (NLNK) as of 01-30-2012



B=Buy H=Hold S=Sell I=Initiated D=Dropped

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#### Rating and Price Target History for: Hologic, Inc. (HOLX) as of 01-30-2012



B=Buy H=Hold S=Sell I=Initiated D=Dropped

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### Distribution of Ratings/Investment Banking Services (IB) as of 01/31/12

The Disclosure Section may be found on page 3

| Rating   | Cantor |         | IB Serv./Past 12 Mos. |         |
|----------|--------|---------|-----------------------|---------|
|          | Count  | Percent | Count                 | Percent |
| BUY [B]  | 44     | 63.80   | 8                     | 18.18   |
| HOLD [H] | 20     | 29.00   | 0                     | 0.00    |
| SELL [S] | 5      | 7.20    | 0                     | 0.00    |