

Nov 16, 2012

This Morning's Highlights

MACK: 3Q12 Update; MM-398 Data mid-2013; Raising Target Price to \$14 from \$12 - (Target Change)**URBN:** 3Q Preview: Time to Shine? Still a Number of Hazy Factors - (No changes)**WTSLA:** Fast Fashion Returns Slowly Changing WTSLA - (Estimate Change)**LONG:** Continued Strong Hotel Growth with Upbeat 4Q Guidance; Maintain Buy - (Target Change Estimate Change)**SINA:** Solid 3Q with Soft 4Q Guidance; Maintain; Lowering PT to \$69 - (Target Change Estimate Change)**CLDX:** Long Term Phase 2 Survival Results Continue To Be Highly Positive - (No changes)**DELL:** Solid Cash Flow, PCs Softer Than We'd Like - (Estimate Change)**QCOM:** QCOM: Wind at Their Back, QCOM Set to Lever Up Leadership Position in Mobile - (No changes)

Upcoming Events:

PRICE TARGET CHANGES

eLong, Inc.**LONG \$15.69****Continued Strong Hotel Growth with Upbeat 4Q Guidance; Maintain Buy****Buy/Target Price:\$18.00(from :\$16.00)****Fawne Jiang,** (212) 702-6621Fjiang@breancapital.com**Long Lin,** +(86) 10 5971 2880 Ext. 6LLin@breancapital.com

Price	\$15.69
52-Week High/Low	\$18.69-\$10.51
Shares Out (mm)	17.5
Market Cap (mm)	\$538
Avg. Daily Vol (000)	16,961
Short Interest	0.3%
Cash (mm)	\$306.0
EV (mm)	239.0
Book Value / Share	NA

Investment Summary

3Q12 saw one of the most interesting industry dynamics in the China online travel space, in our view. Both CTRP (CTRP \$18.50, Hold) and LONG delivered strong hotel volume growth in the quarter – CTRP 40% YoY (off a larger base) and LONG 70% YoY. Admittedly, high volume growth was contributed by aggressive promotions and the associated earnings give-back, and we are positive on underlining fundamentals: 1) overall high travel demand in China, especially high growth from the leisure travel segment, which is largely insensitive to the macro environment; 2) shift of market share from offline travel to online and consolidation of transactions towards the top players. As the top two players, we believe both companies have the opportunity to ride on the rising tide of strong travel growth and consolidation of the industry, should the companies execute well. While promotions will likely continue to put margin pressure on LONG and constrain its earnings capability in the near term, as a smaller industry player, it is a necessary near-term-price to pay to gain market share for LONG, in our view. We are positive on the company's "online" and "hotel" focused strategy.

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Merrimack Pharmaceuticals**MACK \$7.14****3Q12 Update; MM-398 Data mid-2013; Raising Target Price to \$14 from \$12****Buy/Target Price:\$14.00(from :12.00)****Gene Mack**, (212) 702-6616GMack@breancapital.com

Price	\$7.14
52-Week High/Low	\$11.11-\$5.66
Shares Out (mm)	94.2
Market Cap (mm)	\$672
Avg. Daily Vol (000)	466,790
Short Interest	3.5%
Cash (mm)	NA
EV (mm)	\$566.0
Book Value / Share	NA

Investment Summary

- The most anticipated update from MACK was the guidance for completion of its pivotal Phase 3 study for MM-398 in second-line pancreatic cancer. MACK now expects to have initial data mid-2013 in line with its original guidance, but better than expectations following expansion of the trial in June 2012 to include an additional treatment arm. Therefore, we are pulling our launch year forward to 2014 from 2015 for MM-398, which increases our NPV and price target to \$14 from \$12.
- Importantly, the company should have sufficient cash following a \$40M line of credit from Hercules to get to MM-398 data BEFORE potentially raising more capital in a secondary offering. We expect multiple Phase 2 readouts for MM-121 in breast and lung cancer to drive incremental value.

[For a full copy of this report, click on this hyperlink.](#)**Sina Corp.****SINA \$53.10****Solid 3Q with Soft 4Q Guidance; Maintain; Lowering PT to \$69****Buy/Target Price:\$69.00(from :\$77.00)****Fawne Jiang**, (212) 702-6621FJiang@breancapital.com**Long Lin**, +(86) 10 5971 2880 Ext. 6LLin@breancapital.com

Price	\$53.10
52-Week High/Low	\$80.80-\$43.12
Shares Out (mm)	66.4
Market Cap (mm)	\$3,528
Avg. Daily Vol (000)	2,381,483
Short Interest	7.0%
Cash (mm)	NA
EV (mm)	2,840.7
Book Value / Share	NA

Investment Summary

SINA reported above expectation 3Q results with upbeat Weibo revenue growth (100% QoQ). However, the company has guided down for 4Q, largely due to cautious ad spending from top advertisers as a result of a soft macro environment. The soft 4Q guidance does not change our long-term positive view on the ample growth potential of social network services in China; we believe SINA Weibo is and will remain a major player. That said, with current Weibo monetization largely from brand advertising, which is subject to the overall ad budget allocation, we are factoring in a more aggressive cannibalization assumption between portal and Weibo, especially in the economic downturn. As such, we remain positive on the stock, but are lowering our target price to \$69.

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ESTIMATE CHANGES

Dell Inc.

DELL \$9.56

Solid Cash Flow, PCs Softer Than We'd Like

Buy/Target Price:\$11.00

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EPS	FY11A	Prior11A	FY12A	Prior12A	FY13E	Prior13E
Apr	\$0.30	--	\$0.55	--	\$0.43A	--
July	\$0.32	--	\$0.54	--	\$0.50A	--
Oct	\$0.45	--	\$0.54	--	\$0.39A	\$0.41A
Jan	\$0.53	--	\$0.51	--	\$0.38	--
FY (Jan)	\$1.59	--	\$2.13	--	\$1.70	\$1.71
P/E (x)	6.0	--	4.5	--	5.6	--

Price	\$9.56
52-Week High/Low	\$18.36-\$9.11
Shares Out (mm)	1,734.6
Market Cap (mm)	\$16,583
Avg. Daily Vol (000)	20,277,422
Short Interest	3.0%
Cash (mm)	NA
EV (mm)	14,365.8
Book Value / Share	NA

Investment Summary

Considering macro, not a bad quarter with EPS of \$0.39 just below Street of \$0.40 (Dell reiterated FY13 EPS guidance of \$1.70). While we see potential for operating income to stabilize in the Jan Q – Jul Q, there is likely no immediate catalyst given PC demand and macro / market, although we could see the stock appreciate to our \$11 target given valuation and cash flow (17% FCF yield on price, 23% yield FCF / EV).

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The Wet Seal, Inc.

WTSLA \$2.92

Fast Fashion Returns Slowly Changing WTSLA

Buy/Target Price:\$4.00

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EPS	FY12A	Prior12A	FY13E	Prior13E	FY14E	Prior14E
Apr	\$0.08	--	\$0.02A	--	--	--
July	\$0.03	--	--	--	--	--
Oct	\$0.05	--	--	A	--	--
Jan	\$0.03	--	--	--	--	--
FY (Jan)	\$0.20	--	--	--	\$0.12	--
P/E (x)	14.6	--	NM	--	24.3	--

Revenue (\$M)	FY12A	Prior12A	FY13E	Prior13E	FY14E	Prior14E
FY (Jan)	\$620.1	--	\$582.7	\$569.4	\$531.9	\$541.9
P/S (x)	0.4	--	0.5	--	0.5	--

Price	\$2.92
52-Week High/Low	\$3.80-\$2.42
Shares Out (mm)	90.0
Market Cap (mm)	\$263
Avg. Daily Vol (000)	998,617
Short Interest	3.6%
Cash (mm)	NA
EV (mm)	116.4
Book Value / Share	NA

Investment Summary

ACTIONS

We are reiterating our Buy rating and \$4 target price or 21.5X our FY14 EPS projection on a cash-adjusted basis (3QFY13 cash of \$1.42/share).

We are maintaining our FY14 EPS estimates of \$0.12 and assuming a slightly more negative case for FY13 as the company slowly shifts to the fast fashion model

We remain buyers of WTSLA as the cash rich nature of the business limits downside and the hiring of a new CEO and return to the fast fashion model offer compelling upside catalysts and returns.

We are reiterating our Buy rating, \$4 price target and FY14 EPS projections after Wet Seal registered slightly better-than-expected bottom line results for 3QFY13 and indicated progress remains on tap as they shift back to the fast fashion model. The company remains a cash rich (net cash per share of \$1.42 at the end of 3QFY13) turnaround play which we believe can return to prominence in the fast fashion world; further, with a new CEO on tap for FY14, the company has near-term catalysts which we believe could reignite growth and investor excitement in the name. We continue to view the risk/reward in WTSLA as impressive, and we remain buyers of the name.

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COMPANY COMMENTS

Celldex Therapeutics

CLDX \$5.09

Long Term Phase 2 Survival Results Continue To Be Highly Positive

Buy/Target Price:\$14.00

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Price	\$5.09
52-Week High/Low	\$6.71-\$2.29
Shares Out (mm)	62.0
Market Cap (mm)	\$315
Avg. Daily Vol (000)	683,928
Short Interest	9.0%
Cash (mm)	NA
EV (mm)	250.5
Book Value / Share	NA

Investment Summary

- Celldex released three-year survival data from its three Phase 2 rindopepimut trials in EGFRvIII-positive primary glioblastoma (GBM). We note the high consistency of survival results (median as well as landmark analyses) among the three trials, which gives us more confidence in historical controls than we would have otherwise.
- Median survival in the trials ranged from 24.4 to 24.6 months from diagnosis (20.4 to 21.8 months from study entry), and overall survival at three years ranged from 23 to 33%. Additionally, about 15% of patients are alive at 5 years compared to an expectation of 0%.
- Taken together, this indicates to us that rindopepimut is clearly active and essentially doubling the median survival expected of these patients without the therapy, and furthermore increases our confidence in Phase 3 success and in the chance for Accelerated Approval in recurrent GBM.

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Qualcomm

QCOM \$61.28

QCOM: Wind at Their Back, QCOM Set to Lever Up Leadership Position in Mobile

Buy/Target Price:\$73.00

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Price	\$61.28
52-Week High/Low	\$68.87-\$51.60
Shares Out (mm)	1,704.0
Market Cap (mm)	\$104,424
Avg. Daily Vol (000)	11,092,102
Short Interest	1.1%
Cash (mm)	NA
EV (mm)	\$77,609.3
Book Value / Share	NA

Investment Summary

We attended Qualcomm's Analyst Day at its headquarters in San Diego yesterday. The presentation comes on the heels of the Company's strong report and guidance it provided on its FQ4 earnings report. QCOM is the undisputed leader in mobile communications, with a lead that it looks clear to us is actually going to widen in CY13, and now leverage into Computing, Infrastructure and Connected Home. We consider QCOM to be a core tech holding in the current uncertain environment; we reiterate our Buy recommendation and \$73 price target.

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Urban Outfitters Inc.**URBN \$34.82****3Q Preview: Time to Shine? Still a Number of Hazy Factors****Hold/Target Price:NA****Eric Beder**, (212) 702-6619EBeder@breancapital.com**Danielle McCoy**, (212) 702-6688DMcCoy@breancapital.com

Price	\$34.82
52-Week High/Low	\$40.65-\$23.42
Shares Out (mm)	145.5
Market Cap (mm)	\$5,067
Avg. Daily Vol (000)	2,577,779
Short Interest	3.8%
Cash (mm)	NA
EV (mm)	4,704.4
Book Value / Share	NA

Investment Summary

We are leaving our Hold rating and projections unchanged with Urban Outfitters reporting 3Q results after the close on Monday. Given that the company is facing the easiest same store sales comparisons since 2QFY07 and with inventories at the end of 2QFY13 relatively clean, we would expect the potential for strong top and bottom line results. Frankly, that scenario is not reflected in either our below consensus projections or Street expectations. We continue to believe the company is laboring to fix Anthropologie, while Urban Outfitters has had to adjust to a fashion period where their forte in looks is not the key style. Further, with URBN trading at almost 19X our FY14 EPS projection, the Street is expecting a return to material upside sooner rather than later. Putting it all together, the risk/reward equation remains too difficult for us to become aggressive in the name.

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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.

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
BUY	134	68.02%	69	51.49%
HOLD	60	30.46%	25	41.67%
SELL	3	1.52%	2	66.67%
NOT RATED				

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

Valuation / Target Price

Celldex Therapeutics - CLDX:

Our target price is derived by applying a 30 multiple and 35% discount rate to our projected 2017 diluted EPS. We view it as conservative to have only projected revenue from rindopepimut and CDX-011 among their current clinical indications.

Dell Inc. - DELL:

Our \$11 target is 6x our FY13/CY12 EPS estimate of \$1.70.

eLong, Inc. - LONG:

We maintain our Buy rating on the stock, but raise our target price to \$18. Our target price represents 20x our 2013 adjusted EPS estimate of \$0.44, plus cash per share of \$8.81.

Merrimack Pharmaceuticals - MACK:

Our \$14 target price for MACK shares is based on the NPV of MM-398 global revenue (discounted 20%) in pancreatic cancer alone, which we forecast will peak at \$800M (see Exhibit 1). We assume orphan pricing for MM-398 peaking at \$80k per course in the US with conservative peak penetration in the US (35%) and ex-U.S. (25%). MACK's early stage pipeline, which is not included in our revenue forecasts, lends significant upside to our current valuation.

Qualcomm - QCOM:

QCOM has historically traded at a fairly large premium to other semiconductor manufacturers due to the high operating margins that come from the licensing business. Our \$73 price target represents a 16.3x multiple of our non-GAAP EPS estimate of \$4.37 in CY13, in line with its 2-year average. On a GAAP basis, for comparisons, our target would be 18.4x our GAAP calendar EPS estimate of \$3.96 — still in line with the average for other semiconductor manufacturers and not accounting for the uniqueness of QCOM's model and cash on hand.

Sina Corp. - SINA:

We maintain our Buy rating on the stock. Our target price of \$69 is derived by our SoTP methodology.

The Wet Seal, Inc. - WTSLA:

Wet Seal (WTSLA): Our target price of \$4.00 equates to a multiple of 21.5x our FY14 EPS, adjusted for the company's net cash per share, well within achievement for what we believe is a rapidly evolving margin and unit expansion story. Risks to the achievement of our target price include: (1) the company's customer base remains

fashion-oriented – a fashion miss could result in poor results; (2) Wet Seal competes with players with greater financial resources; (3) Wet Seal's store base is almost entirely mall-based and, as such, changes in mall traffic could significantly affect results; and (4) the company is in the midst of a turnaround, with limited infrastructure.

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