

October 31, 2014

EQUITY RESEARCH MORNING RESEARCH SUMMARY

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PCLN	O	The Priceline Group Inc.
RXN	O	Rexnord Corporation
SRPT	O	Sarepta Therapeutics, Inc.
WCC	O	Wesco International, Inc.

Estimates/Ratings/Price Target Updates

Company	Ticker	Annual Estimates				Ratings		Price Targets	
		Current FY		Next FY		Prev	Curr	Prev	Curr
		Prev	Curr	Prev	Curr				
A10 Networks, Inc.	ATEN	(0.50)	(0.47)	(0.42)	(0.42)	O	O	\$8.00	\$7.00
American Tower Corp.	AMT	2.24	2.29	2.81	2.81	O	O	\$100.00	\$110.00
Bed Bath & Beyond Inc.	BBBY	5.00	5.03	5.35	5.35	P	P	\$69.00	\$69.00
Ceragon Networks Ltd.	CRNT	(0.32)	(0.42)	0.18	(0.05)	P	P	NM	NM
CEVA Inc.	CEVA	0.26	0.33	0.23	0.32	P	P	NA	NA
CIGNA Corp.	CI	7.40	7.45	8.10	8.13	O	O	\$100.00	\$110.00
Ellie Mae, Inc.	ELLI	0.99	0.89	1.19	0.71	O	O	\$35.00	\$40.00
Globus Medical Inc.	GMED	0.91	0.95	1.02	1.06	O	O	\$24.00	\$24.00
GoPro Inc	GPRO	0.80	1.00	1.02	1.07	U	U	\$45.00	\$45.00
HeartWare International	HTWR	(2.13)	(2.24)	(1.42)	(1.72)	O	O	\$112.00	\$98.00
Imperva, Inc.	IMPV	(0.95)	(0.75)	(0.79)	(0.48)	O	O	\$39.00	\$40.00
Incyte	INCY	0.09	0.02	0.50	0.15	O	O	\$75.00	\$75.00
Iron Mountain Incorporated	IRM	1.44	1.40	1.50	1.30	P	P	NA	NA
L-3 Communications Holdings	LLL	8.02	7.48	8.69	7.67	O	O	\$128.00	\$130.00
Legacy Reserves L.P.	LGCY	--	--	--	--	O	O	\$28.00	\$27.00
MakeMyTrip Limited	MMYT	0.07	(0.01)	0.17	0.18	O	O	\$32.00	\$34.00
MasterCard Incorporated	MA	3.01	3.08	3.54	3.61	O	O	\$85.00	\$90.00
Ocwen Financial Corporation	OCN	2.20	0.92	2.50	2.46	P	P	NA	NA
Raptor Pharmaceutical Corp.	RPTP	(0.76)	(0.78)	(0.25)	(0.55)	P	P	NA	NA
Seattle Genetics	SGEN	(0.51)	(0.51)	(0.83)	(0.70)	P	P	NA	NA
Starbucks Corporation	SBUX	3.12	3.10	--	3.62	O	O	\$86.00	\$86.00
Thoratec Corp.	THOR	1.31	1.30	1.57	1.53	O	O	\$35.00	\$33.00
Triumph Group Inc.	TGI	5.84	5.80	6.29	6.34	P	P	NA	NA
Vantiv Inc.	VNTV	1.88	1.86	2.17	2.14	O	O	\$40.00	\$40.00

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INDUSTRIAL/CAPITAL GOODS

[Jim Giannakouros, CFA](#)

212-667-7785

Rexnord Corporation (RXN - \$28.60)

Sustainable Infrastructure & Industrial

Rating	Market Cap	Price Target	Earnings Type	2014A	2015E	2016E
O	\$2,898.7M	\$35.00	EPS	1.39	1.70	2.00

[Recent Reads Supportive](#)

We rate RXN at Outperform with a \$35 PT ([report here](#)), as we believe coupling RXN's lean operating philosophy with improving market demand across its platforms sets up for sustainable outperformance of its shares. In the past month, RXN has slightly underperformed the market (XLI +1.6%, S&P 500 essentially flat). Current reads suggest to us, however, that RXN's near-term order and sales progression are in line with management's F2Q/FY15 guidance ranges. We thus remain positive into next week's earnings release (Thurs., Nov. 6th, AMC).

INDUSTRIAL/CAPITAL GOODS

[Christopher Glynn](#)

617 556-3711

Wesco International, Inc. (WCC - \$79.70)

Industrial Multi-Industry

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$3,544.5M	\$95.00	EPS	5.02	5.27	5.85

[Renewed Momentum Could Sustain; Drive Re-rating](#)

Through 3Q14 earnings season, evidence of an accelerating US economy is building. We believe this theme plays particularly well for WCC, with 70% US exposure and 25% Canada. WCC's organic growth of 7% in 3Q (US up 8%, Canada up 5% in local currency) was up from 6% in 2Q (US up 5%, Canada up 7%), following seven straight quarters with top line trending between down 3% and up 3%. Prior to that, WCC's organic growth averaged 12.5% for an eight-quarter period ending in 2Q12. We believe that period included solid outgrowth (V-shaped macro recovery notwithstanding) followed by a period of back-filling previously achieved revenue run rates (and a significantly slowed industrial economy).

CONSUMER & BUSINESS SERVICES

[Brian Nagel, CFA](#)

212 667-8381

Bed Bath & Beyond Inc. (BBBY - \$66.94)

Hardlines Retailing

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E
P	\$12,399.9M	\$69.00	EPS	4.79	5.03 / 5.00	5.35

[Shares Likely Stuck for a While Longer](#)

We have for some time maintained a largely cautious stance on Bed Bath & Beyond. BBBY recently announced a new buyback and related debt offering and released better than expected Q2 (Aug.) results. Clients are asking if BBBY is reaching a positive turning point. Our advice: Stay on the sidelines (at least for now). We are encouraged by BBBY's initial success online. An omni-channel transformation will, however, entail

nearer term, incremental profit pressures against a backdrop of already deteriorating margins at BBBY. Street forecasts remain too optimistic, in our view. We are hard-pressed to envision multiple expansion for BBBY so long as operating margins are still finding a bottom and analysts are revising EPS estimates lower.

[Timothy Horan, CFA](#)

212-667-8137

COMMUNICATION AND CLOUD

Crown Castle International (CCI - \$83.24)

Communication and Cloud

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$27,790.5M	\$90.00	EPS	0.87	1.29	1.74

[120% Dividend Inc., Strong Qtr, 2015 Churn is Ugly, But Yield Looks Attractive](#)

CCI reported strong 3Q14 results and raised its 2014 guidance midpoint by around 30-100bps; however, 2015 guidance was shockingly low, about 400bps weaker than expected, due largely to site rental churn of 4.2% as well as a 6% increase in COGS and SG&A as CCI ramps up its small cell business (now 8% of site rental revenue). Positively, CCI raised its dividend 120% to \$3.28/share (up from \$1.40/share), and the current 4% yield looks cheap versus averages REITS at 3.7%, in our view. We think the stock can trade to \$90, as investors absorb the impact. The VZ tower portfolio acquisition is still a possibility. We plan on updating our forward looking estimates and revisiting the PT after Friday's 11:00 AM call.

[Manish Hemrajani](#)

212 667-5407

INTERNET

MakeMyTrip Limited (MMYT - \$28.63)

Online Travel

Rating	Market Cap	Price Target / Prior	Earnings Type	2014A	2015E / Prior	2016E / Prior
O	\$1,193.3M	\$34.00 / \$32.00	EPS	(0.19)	(0.01) / 0.07	0.18 / 0.17

[Business Acceleration Leads to Increased FY15 Guidance; Raising PT to \\$34](#)

While we had previewed a better than expected Sept-qtr earlier this week, MMYT came in ahead of our elevated expectations, posting bookings growth of 44%YoY. Air bookings growth accelerated to 34%—best seen in the last 3 years—clearly benefiting from reduced fare environment and resulting passenger growth in the Indian domestic market. H&P bookings accelerated to 84% on 71% transaction volume growth aided by strength in standalone/International hotel bookings. Management raised its net revenue outlook to \$136-138M from \$133-136M, which appears a tad conservative, especially given improving macro picture and multiple upcoming catalysts ahead of MMYT. We raise our PT to \$34 from \$32 and reiterate our Outperform rating.

[Shaul Eyal](#)

212-667-8411

TECHNOLOGY**Imperva, Inc. (IMPV - \$32.48)****Infrastructure Software**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$860.6M	\$40.00 / \$39.00	EPS	(0.13)	(0.75) / (0.95)	(0.48) / (0.79)

Smells Like (high YoY) Teen Spirit... For FY14; PT Up to \$40

IMPV's 3Q results exceeded Street estimates on all fronts (revenue, EPS, cash flow, deferred revenue) and FY14 guidance was upped. Underlying the solid set of results are: 1.) a healthy security spending environment; 2.) improved execution levels; 3.) better competitive positioning; and 4.) IMPV's comprehensive database security platform which is favored over single point solutions. Armed with a newly appointed CEO and a CMO we believe IMPV could gradually return to over 20% YoY growth in FY15. We reiterate our Outperform rating and our PT moves to \$40 from \$39.

[Bret Jones, CFA](#)

212-667-5518

HEALTHCARE**Computer Programs & Systems (CPSI - \$64.80)****Healthcare IT & Distribution**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$726.3M	NA	EPS	2.95	3.19	3.32

3Q14 Results: Ratcheting Up the Pressure on 4Q

CPSI reported mixed 3Q14 results, delivering a slight revenue beat but another EPS shortfall. This marks the third quarter in a row that EPS has come up short of consensus and, while achieving guidance is not out of reach, we believe the full year EPS target is a stretch. Weak 3Q bookings adds an additional hurdle for the company to achieve the necessary ramp in 4Q. For the second quarter in a row, the company's book to bill fell well below 1x. In fact, bookings were the weakest reported in three years. With the shares trading at 20x our 2015 estimate, we would expect the shares to be weak Friday. We reiterate our Perform rating.

[Steven Lichtman](#)

212-667-8160

HEALTHCARE**Globus Medical Inc. (GMED - \$20.90)****Medical Devices**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$1,972.3M	\$24.00	EPS	0.89	0.95 / 0.91	1.06 / 1.02

Strong Rebound from 2Q

3Q14 revenues of \$117.8M (+10%) came in significantly higher than our \$112.8M/Street's \$113.1M ests, and increased \$4.2M sequentially despite 3Q traditionally being a seasonally slow quarter. The large pool of reps hired in '13 continue to be onboarded and are beginning to move the needle. Overall market was characterized as stable sequentially with pricing pressure in the mid-single digits (flat to last quarter). EPS of \$0.24 also topped our/Street's \$0.21E on strong operating margin leverage. GMED also reported that CFO Rick Baron will be resigning to pursue other interests, although he will be staying on until a replacement is brought on board. Overall a strong rebound in results after the distributor-related miss in 2Q.

[Steven Lichtman](#)

212-667-8160

HEALTHCARE**HeartWare International (HTWR - \$76.14)****Medical Devices**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$1,294.7M	\$98.00 / \$112.00	EPS	(3.28)	(2.24) / (2.13)	(1.72) / (1.42)

Sequential US Pickup Offsets Slower OUS

3Q sales of \$68.6M (+25%) were in-line with us/slightly below Street. US was up sequentially while international was below. The 3Q comparable was particularly tough OUS. The pipeline update was encouraging as MVAD is on track for 2Q15 CE Mark start. The US LVAD market likely will grow ~6% this year following 14.5% last year. With the market anniversary the two headwinds of HMII thrombosis and the CMS NCD next year, we estimate a pick-up to 9-10% looking forward beginning in '15; below our prior low-double-digit thinking. Our PT moves to \$98 from \$112 as a result; we note that we do not factor in market expansion potential from pipeline products such as HTWR's MVAD and THOR's HMIII.

[Steven Lichtman](#)

212-667-8160

HEALTHCARE**Thoratec Corp. (THOR - \$26.40)****Medical Devices**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$1,486.3M	\$33.00 / \$35.00	EPS	1.80	1.30 / 1.31	1.53 / 1.57

Updating Estimates

We are updating our THOR estimates following HTWR's 3Q earnings and the 3Q pre-announcement in late September. As a reminder, THOR lowered 3Q sales guidance to \$102-107M along with announcing the appointment of D. Keith Grossman as CEO. Following HTWR's 3Q results, we estimate US market growth of around 6% this year following 14.5% in 2013. With the market anniversary the two '14 headwinds of HMII thrombosis and the CMS NCD next year, we are estimating a pick-up to 9-10%, below our prior low double digits thinking. We note we do not factor in market expansion potential from pipeline products such as HTWR's MVAD and THOR's HMIII at this point.

[Christopher Marai, Ph.D.](#)

415 399-5721

HEALTHCARE**Incyte (INCY - \$64.18)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$10,842.7M	\$75.00	EPS	(0.30)	0.02 / 0.09	0.15 / 0.50

3Q14 Results: Jakafi Beat & Raise, PV Upside Not Yet Realized, IDO-Combo Focus

INCY reported 3Q14 revenues of \$198M, beating consensus of \$133M on higher than expected sales and contract revenue payments. 3Q14, Jakafi sales beat consensus estimates by \$8M (9%) and management raised product revenue guidance to \$350-360M from \$340-350M. We estimate \$355M in 2014 sales, and are updating our model for revised 2014 sales estimates and guidance. Incyte's IDO, INCB24360, is being tested in combo with 4 PD-1/PD-L1 inhibitors including Roche's MPDL3280A. The co. has initiated a Phase I trial of INCB24360 in combination with pembrolizumab in NSCLC and intends to begin trials with nivo and MEDI-4736 in 2014.

[Christopher Marai, Ph.D.](#)

415 399-5721

HEALTHCARE**Seattle Genetics (SGEN - \$35.25)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2012A	2013A	2014E / Prior
P	\$4,351.5M	NA	EPS	(0.46)	(0.51)	(0.70) / (0.83)

3Q Results—ADCETRIS Sales Grow—Pipeline and 18 ASH Abstracts in Focus

SGEN reported 3Q ADCETRIS sales of \$48.2M, ahead of consensus of \$43.4M(E), and raised full-year guidance to \$172-177M. We currently estimate \$177.8M in 2014 ADCETRIS sales. We have updated our model for reported financials and guidance.

SGEN now has six clinical ADC's in development, with the most recent initiation of a first-in-man trial of SGN-CD70A, targeting CD70-expressing tumors. We see upside to our rating and estimates if SGEN can efficiently bring these candidates through the clinic in a similar fashion to ADCETRIS.

ADCETRIS/immuno-oncology combos are early. We note such combinations may increase ADCETRIS utilization through synergies, or alternately may curtail ADCETRIS duration of use as initial doses could perturb the tumor, unmasking it to a newly unlocked immune system.

[Christopher Marai, Ph.D.](#)

415 399-5721

HEALTHCARE**Sarepta Therapeutics, Inc. (SRPT - \$15.73)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$643.7M	\$45.00	EPS	(3.31)	(3.54)	(3.70)

FDA Issued Letter Confirms Over-reaction to SRPT NDA Timing Update

Thursday after market close the FDA issued a statement to the Duchenne Muscular Dystrophy community in regards to updated guidance by SRPT on timing of an NDA submission for eteplirsen. The letter is available [here](#).

In the letter the FDA clarified that it is "concerned that the methods used to measure dystrophin were not adequately robust to support an NDA submission" and noted that this concern was already described by SRPT on Oct 27.

We continue to view the FDA as showing unprecedented flexibility with SRPT and a willingness to further discuss NDA requirements around dystrophin as strongly positive. We also continue to anticipate SRPT shares will recover to prior levels (~\$20/share) following the recent sell-off.

[Christopher Marai, Ph.D.](#)

415 399-5721

HEALTHCARE

Raptor Pharmaceutical Corp. (RPTP - \$11.01)**Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$690.8M	NA	EPS	(1.20)	(0.78) / (0.76)	(0.55) / (0.25)

2Q14 Results Update—Previewing 3Q Low PROCYSBI Sales Growth Expected

We are taking this opportunity to update our RPTP model for 2Q14 results. RPTP reported 2Q14 \$16.3M in PROCYSBI sales vs. consensus est. of \$14.5M, and EPS of \$(0.20) vs. consensus est. of \$(0.19). RPTP also raised PROCYSBI sales guidance to \$65-70M (from \$55-65M). We are updating our model for reported financials. **We anticipate 3Q14 PROCYSBI revenues of \$19.5M vs consensus (source: FactSet) est. of \$18.8M (range \$17.9-19.6M).** Our estimate includes \$2M from EU sales. Cumulative unique patients on therapy will continue to be a watched metric, with 237 2Q14. Based on our est. we anticipate cumulative 264 unique US patients and new 41 EU patients (total 305) by end-3Q14. **Third-quarter Call Info: Nov. 6, 4:30pm ET. 1-888-346-9290, Passcode 10055102.**

[Michael Wiederhorn](#)

954-356-8312

HEALTHCARE

Chemed Corporation (CHE - \$106.09)**Healthcare Services**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$1,834.0M	\$115.00	EPS	5.61	6.01	6.56

First Glance at 3Q

CHE reported 3Q14 adj. EPS of \$1.48 (GAAP: \$1.39), narrowly missing our estimate and consensus of \$1.51. Adjusted results exclude the normal one-time items (stock options, legal, OIG...). While most of the underlying metrics were in-line with our estimates, the miss was driven by a \$2.5M Vitas cap charge (\$0.09/share), which was down from the prior year of \$3.2M, but worse than the \$1.5M (\$0.05/share) in our estimate. Following the quarter, CHE narrowed its FY2014 guidance to \$6.00-6.05 compared to \$5.90-6.10. This range implies 4Q14 EPS of \$1.72-1.77, ahead of OPCO's \$1.70 and Street's \$1.66.

[Michael Wiederhorn](#)

954-356-8312

HEALTHCARE

CIGNA Corp. (CI - \$94.00)**Healthcare Services**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$24,798.8M	\$110.00 / \$100.00	EPS	6.79	7.45 / 7.40	8.13 / 8.10

Reports Q3; Follow-Up After the Call

CI reported 3Q14 adj. EPS of \$1.95/shr (GAAP: \$2.01), vs. our estimate/consensus of \$1.81/\$1.82. Adj. results did include a net tax benefit of \$0.03/shr and \$7M of favorable prior-year development (\$0.03). Overall, Health Care (adj. income \$434M vs. \$396M OPCO) drove the beat due to improvements to the individual business. Despite the \$0.13 beat vs. the Street, CI raised FY14 EPS guidance by \$0.05 to \$7.25-7.45 due to seasonality and a shift in a tax benefit from Q4 to Q3. Following the quarter, we are raising our FY2014/FY2015 EPS estimates to \$7.45/\$8.13 from \$7.40/\$8.10 and our price target to \$110 from \$100.

[Manish Hemrajani](#)

212 667-5407

INTERNET**The Priceline Group Inc. (PCLN - \$1,146.59)****Online Travel**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$60,136.0M	\$1,400.00	EPS	41.77	52.46	63.33

[Implications of EXPE's Results for PCLN](#)

Yesterday after the close Expedia reported robust Sept-qr results with international bookings/revenue growth registering 22%/25% YoY growth despite China/eLong headwinds (revenue growth would have been ~30% ex headwinds). EXPE CEO called out as this being one of the strongest travel macro backdrops in recent years. Management cited stability in Europe (read as no real slowdown on macro issues), and no material impact from ebola concerns to date. Expedia room nights was up a robust 24% while ADR growth was 5%. Expedia's strong Sept-qr results suggest upside to PCLN's results when it reports on November 4th. We believe there could be upside to our above Street 3Q14 estimates of \$2.84B/\$21.14. Maintain Outperform rating and \$1,400 PT.

[Timothy Horan, CFA](#)

212-667-8137

COMMUNICATION AND CLOUD**American Tower Corp. (AMT - \$95.05)****Communication and Cloud**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A / Prior	2014E / Prior	2015E
O	\$37,653.5M	\$110.00 / \$100.00	EPS	2.01 / 2.08	2.29 / 2.24	2.81

[3Q14 Follow-Up; Raising PT to \\$110](#)

AMT reported another quarter of strong organic growth and raised its FY14 outlook by 30-60bps across most key metrics and AFFO by 200bps. Note that the BR tower acquisition will not impact 2014 results, so the guidance raise is from organic growth. We continue to believe 2015 and 2016 will be strong, with 15-20% annual AFFO growth driven by wireless data growth and spectrum build-outs in the AWS, 2.5GHz and 700MHz frequencies, as well as possible activity from Firstnet or Dish Network. With this report, we are raising our PT to \$110 (from \$100). At our new target, the stock would trade at 19.3x 2015E EBITDA and 20.4x 2015E AFFO. The company has ample ability to expand EBITDA margins.

[Ittai Kidron](#)

212-667-6292

TECHNOLOGY**A10 Networks, Inc. (ATEN - \$4.22)****Comm. Tech.**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E
O	\$249.1M	\$7.00 / \$8.00	EPS	(0.34)	(0.47) / (0.50)	(0.42)

[Clearing the Deck](#)

Consistent with its negative pre-announcement, A10 reported a disappointing 3Q14 with a sales shortfall driven by SP weakness (especially in NA) and longer enterprise sales-cycles. Write-downs and fx also pressured product gross margin. While margins are expected to rebound to more normal levels in 4Q14, the SP spending environment remains cloudy and management's adjustments to counteract longer sales-cycles will take time to work. We're lowering our sales estimates accordingly, but remain positive on the name longer-term on the value of the technology/

potential for a takeover. With the decks now cleared and management taking a more cautious approach to guidance, potential further downside is also lowered.

[Ittai Kidron](#)

212-667-6292

TECHNOLOGY

Ceragon Networks Ltd. (CRNT - \$2.04)

Comm. Tech.

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$156.2M	NM	EPS	(0.52)	(0.42) / (0.32)	(0.05) / 0.18

[In The Margin Penalty Box](#)

Ceragon delivered 3Q14 rev. at the higher-end of guidance and above consensus. But the upside came at a heavy cost to margins, which regressed QoQ and lead to a disappointing bottom line and forward outlook. There's no quick fix to the margin dilemma with further 4Q14 regression and a soft 1H15 expected as mgmt. works to improve the company's regional sales mix. We believe the sales realignment could take much of 2015 to be realized as Ceragon completes deliveries on several low-margin deals currently being fulfilled and more carefully vets the new ones being added. We're cutting our estimates accordingly. The ability to execute and sustain the improvement is also now a question mark as management rebuilds credibility.

[Ittai Kidron](#)

212-667-6292

TECHNOLOGY

Juniper Networks, Inc. (JNPR - \$20.97)

Comm. Tech.

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$9,461.4M	\$24.00	EPS	1.27	1.35	1.46

[Investor Day Recap; Holding Course](#)

Juniper hosted an investor day in NY. Much of the messaging focused on: (1) emphasizing its strong portfolio (silicon, systems and software) and its alignment with industry trends such as SDN, NFV and cloud; (2) explaining why headwinds (optical, merchant silicon, etc.) are not the big threats as thought; and (3) reiterating its commitment for better execution, leveraging renewed focus across all functions. Positively, management provided more realistic growth and margin improvement targets for 2015-17. Negatively, it reiterated the importance of security to the portfolio, dashing hopes for an exit of that business. We see little downside and as CapEx spending patterns improve, we expect Juniper to rebound. Maintain Outperform.

TECHNOLOGY

[Brian Schwartz](#)

415-399-5732

Ellie Mae, Inc. (ELLI - \$35.00)**SaaS/Applications Software**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$1,112.8M	\$40.00 / \$35.00	EPS	0.99	0.89 / 0.99	0.71 / 1.19

[Is The Glass Half Full or Half Empty? Accelerating Business But Softer Margins](#)

ELLI's bookings trend remained strong in 3Q14 (record bookings, added another top-20 lender) and 2015 growth guidance is bullish (~400bps above consensus), evidence the business strengthened its leading market positioning. On balance, management surprised the Street by accelerating its investment profile next year and guided for a sharp stepdown in EBITDA margins (impacted by purchase accounting for AllRegs, too). **Bottom Line:** The shares could experience weakness from the lower margin news, given the appreciation YTD (+46%) and as some investors struggle to understand a higher near-term spending profile and its duration (management thinks margins normalize in 2016). Nevertheless, we believe a software company should always increase spending for an accelerating business with little competition, and we remain positive long term.

TECHNOLOGY

[Andrew Uerkwitz](#)

212 667-5316

GoPro Inc (GPRO - \$68.25)**Emerging Technologies and Services**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
U	\$8,600.4M	\$45.00	EPS	0.51	1.00 / 0.80	1.07 / 1.02

[Biding Our Time—Holiday Sales Will Be Good, But Why 2015 Matters More](#)

In this note, we review 3Q14 and provide feedback from investors since our initiation (10/23 at \$80.09). As we expected, GoPro announced strong 3Q results and 4Q guidance. We believe it is due to these reasons: 1) action camera market leadership largely unchallenged; and 2) little competition for holiday spending. However, we believe upsides have been generously priced in. Most investors we spoke with agree that the holiday season looks very strong. Our contention is that what happens in 2015-16 matters more—we believe growth rates will decelerate with limited TAM expansion opportunity. We therefore reiterate our \$45 price target and negative bias.

TECHNOLOGY

[Andrew Uerkwitz](#)

212 667-5316

CEVA Inc. (CEVA - \$14.18)**Emerging Technologies and Services**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$290.2M	NA	EPS	0.54	0.33 / 0.26	0.32 / 0.23

[Finally an Inflection Point](#)

CEVA reported 2Q14 revenues/EPS of \$14.1M/\$0.12, above our and the Street's \$13.8M/\$0.10E. With 2G baseband stabilized, 3G/4G growing nicely, and a robust licensing pipeline, the worst appears to be behind us. Earnouts provide a mild headwind in 2015, but as those roll off in 2016, we believe CEVA is well positioned to see accelerated growth. More importantly, one of our biggest questions—timing regarding monetization of non-baseband opportunities—appears ready to be answered. Connectivity, among others, seems poised to start ramping over the next several

quarters. We remain sidelined until we get more confident that 2015 will be the growth year. We raise our FY14E/FY15E non-GAAP EPS from \$0.26/\$0.23 to \$0.33/\$0.32.

[Brian Bittner, CFA](#)

212-667-7127

CONSUMER & BUSINESS SERVICES

Starbucks Corporation (SBUX - \$77.32)

Restaurants

Rating	Market Cap	Price Target	Earnings Type	2014A	2015E / Prior	2016E / Prior
O	\$58,082.8M	\$86.00	EPS	2.66	3.10 / 3.12	3.62 / --

[Traffic Worries Provide Opportunity](#)

A strong quarter, but a traffic deceleration is making the stock controversial once again. Perhaps a good thing, given SBUX always is a better performing stock best when doubters of its business model are high-numbered. Management doesn't blame the slowdown on competition or throughput issues and believes its mobile/digital strategy will be a game changer. We are buyers of weakness, particularly as valuation becomes more attractive trading at 20x next year's EPS.

[Glenn Greene, CFA](#)

312 360-5942

CONSUMER & BUSINESS SERVICES

MasterCard Incorporated (MA - \$83.13)

Business Services

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$96,142.8M	\$90.00 / \$85.00	EPS	2.61	3.08 / 3.01	3.61 / 3.54

[Continued Strong Volume Growth Drives Upside](#)

MA delivered strong 3Q14 results which beat our revenue/EPS estimates. Revenue grew 13% Y/Y and solidly beat at \$2.50B (vs. our \$2.43B estimate), while EPS rose ~19% Y/Y to \$0.87 (vs. our est. of \$0.78). The EPS upside was driven by healthy revenue growth, volume yields and card spending trends. Given the upside quarter and healthy intra-quarter trends, MA modestly raised its FY14 outlook, which anticipates revenue growth above the low end of its 11-14% three-year objective (ex. ~1 pt benefit from acquisitions). October volumes remained healthy relative to 3Q, with notable improvement in cross-border volume which accelerated to 17%. We adjust our estimates to reflect quarterly results and recent volumes. Maintain Outperform and raise PT to \$90 from \$85.

[Glenn Greene, CFA](#)

312 360-5942

CONSUMER & BUSINESS SERVICES

Vantiv Inc. (VNTV - \$30.85)

Business Services

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$4,715.9M	\$40.00	EPS	1.56	1.86 / 1.88	2.14 / 2.17

[Merchant Ramps As Expected; FI Disappoints Again](#)

VNTV realized solid 3Q14 results, with net revenue growth of ~29% (~4.5% organic) Y/Y to \$381M (vs. our \$381M estimate) and EPS of \$0.49 (met our/Street estimates). VNTV moderated its FY14 guidance to reflect softer FI growth; implies ~19-19.5% net revenue growth and 18-20% adjusted EPS growth. We are encouraged by the organic growth acceleration within Merchant and overall strong transaction and yield trends.

Conversely, FI disappointed and is becoming an increasing concern. Trading at ~14x our revised FY15E with reasonable visibility toward mid-teens EPS growth, shares remain attractive, in our view. We maintain our Outperform rating and \$40 PT.

[William Lee](#)

212-667-7941

INDUSTRIAL/CAPITAL GOODS

L-3 Communications Holdings (LLL - \$119.85)

Aerospace/Defense

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A / Prior	2014E / Prior	2015E / Prior
O	\$10,203.2M	\$130.00 / \$128.00	EPS	8.24 / 8.52	7.48 / 8.02	7.67 / 8.69

[Strong FCF Trajectory into 2015](#)

LLL posted largely in-line 3Q14 results after adjusting for the previously disclosed accounting review charge and the incremental profitability headwinds at Aerospace Systems. With the internal review now complete, we believe the overhang will lift as investors focus on the company's strong FCF generation going forward. LLL is targeting FCF/NI conversion of ~140% in 2014 and ~150% in 2015. Although management indicated its services sales and margin performance could hit some turbulence given a still cost-conscious environment, we believe with the DoD budget nearing the bottom, the pressures should abate. We're raising our PT to \$130 (from \$128) and reiterating our Outperform rating.

[William Lee](#)

212-667-7941

INDUSTRIAL/CAPITAL GOODS

Triumph Group Inc. (TGI - \$67.46)

Aerospace/Defense

Rating	Market Cap	Price Target	Earnings Type	2014A	2015E / Prior	2016E / Prior
P	\$3,261.3M	NA	EPS	4.79	5.80 / 5.84	6.34 / 6.29

[Noisy F2Q15; Outlook Trimmed](#)

Although TGI posted in-line F2Q15 EPS, results were bolstered by lower taxes and higher than expected share buybacks. Margins at two key segments—Aerostructures and Systems—were pressured during the quarter. Aerostructures' profitability weakened from a slower ramp in labor productivity at Red Oak and a \$5M settlement charge with BA in order to secure additional 777 work. At Systems, the outsize contribution from the recent GE hydraulic acquisition weighed down margins. With TGI continuing to look for growth through acquisitions, we caution investors that this could prove a distraction from improving execution. Still, FCF in F2Q15 swung to a huge positive (\$275M), implying a FCF/NI conversion of 400%+ helped by the Eaton settlement (\$135M) and a tax refund (\$26M). Maintain Perform.

[Scott Schneeberger, CFA](#)

212-667-8114

CONSUMER & BUSINESS SERVICES**Iron Mountain Incorporated (IRM - \$35.38)****Business Services**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$6,832.4M	NA	EPS	1.40	1.40 / 1.44	1.30 / 1.50

3Q14 Slightly Light, But 2015 Guidance Consistent With Expectations

Iron Mountain's 3Q14 adj'd EPS of \$0.35 (-18% y/y on a pro forma-basis) compared to our est/consensus of \$0.37/\$0.40. Adj'd OIBDA of \$235M (-2% y/y; 30% margin; -170bps y/y) was lower than our est/consensus of \$237M/\$241M, respectively. Revenue of \$782.7M (+3.6% y/y; +3.9% y/y excluding forex) compared to our est/consensus of \$787M/\$780M, respectively. Total internal revenue grew 0.2% y/y, with Storage internal growth +2.2% y/y and Service internal growth down 2.7% y/y. IRM's updated 2014 guidance reflects its pending 11/4/14 special stock distribution as well as anticipated forex impact. Newly introduced 2015 guidance appears consistent with existing consensus. We're maintaining a Perform rating pending reinvigorated growth.

[Bernard Colson, CFA](#)

816-932-8022

ENERGY**Enterprise Products Partners (EPD - \$38.08)****Master Limited Partnerships**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$71,511.6M	\$44.00	EBITDA	4.74B	5.29B / 5.34B	5.72B / 5.82B

3Q14 Results Support Continued Growth

We reiterate our Outperform rating and \$44 PT after EPD reported another strong quarter with coverage of 1.4x (very impressive given EPD's size and growth capital needs). Excess DCF serves to reduce equity needed to fund EPD's massive (and growing) organic growth backlog. We remain attracted to the diversified asset base concentrated in high-growth areas, the best-in-class management team, lack of growth-sapping IDRs, robust coverage and manageable leverage. We continue to view EPD as a core position and feel it will provide attractive returns far into the future. We are updating estimates following 3Q results.

[Bernard Colson, CFA](#)

816-932-8022

ENERGY**Genesis Energy L.P. (GEL - \$46.05)****Master Limited Partnerships**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$4,266.6M	NA	EBITDA	238	298 / 288	354 / 333

Strong 3Q Operating Results

We reiterate our Perform rating on GEL after strong 3Q14 results. The third quarter saw continued solid business model execution and 11% YoY distribution growth with adequate (1.2x) coverage. The SEKCO pipeline was completed near the end of 2Q and should be ramping up through year-end. While leverage is temporarily below 4x debt/EBITDA due to the recent equity issuance, the acquisition of the M/T American Phoenix should push this ratio back above 4x in 2015. This issue, combined with what we believe to be a fair valuation, keeps us at Perform for the time being. We are updating estimates following 3Q results.

[Bernard Colson, CFA](#)

816-932-8022

ENERGY**Legacy Reserves L.P. (LGCY - \$22.56)****Master Limited Partnerships**

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E / Prior	2015E / Prior
O	\$1,526.6M	\$27.00 / \$28.00	EBITDA	273	304 / 297	342 / 333

Dry Powder for Acquisitions

We reiterate our Outperform rating but reduce our price target to \$27 from \$28 after LGCY reported weak 3Q14 results. Despite falling oil prices, we view little risk to the 2015 distribution. While we see further deterioration in 2016 coverage as hedges roll off, LGCY's balance sheet provides it the flexibility needed to make acquisitions to augment coverage. We believe the WPX relationship will be pivotal going forward as acquisitions are key in a period of falling prices. WPX has an incentive to offer additional assets to LGCY given its IDR ownership. This visibility adds a layer of comfort we don't have with most other E&P MLP peers. We are updating estimates following 3Q results.

ENERGY[Fadel Gheit](#)

212-667-7405

ConocoPhillips (COP - \$71.35)**Oil & Gas**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$87,729.7M	\$95.00	EPS	5.70	5.75	4.84

First Look: EPS Beat Consensus

Adjusted 3Q14 earnings were \$1.6B, or \$1.29/share, above the consensus estimate of \$1.19/share, but down 12% YoY and 20% sequentially. Production from continuing operations averaged 1,481 mboed, up 1% YoY, but down 5% sequentially due to asset sales. Production was 47% US, 38% oil, 8% bitumen, 11% NGL and 43% gas. Earnings were 39% Mideast/Asia-Pacific, 29% Alaska, 14% Canada, 12% Europe and 10% onshore US. COP raised quarterly dividend by 5.8% in July. Operating cash flow of \$4.4B and divestment proceeds of \$1.4B funded \$4.6B CAPEX and \$907M dividend. Cash balance was \$5.4B, net debt was \$15.8B for a net debt ratio of 20.5%.

ENERGY[Fadel Gheit](#)

212-667-7405

Murphy Oil Corporation (MUR - \$52.21)**Oil & Gas**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$9,271.0M	\$75.00	EPS	4.70	3.97	2.76

First Look: Beats Expectations and Maintains Full-Year Volume Guidance

Murphy's adjusted 3Q14 earnings were \$205.6M, or \$1.15/share, above consensus of \$1.02E, up 3% YoY and 28% sequentially. Sequentially, lower exploration expense (down \$17.4M), higher production, and lower unit costs offset lower price impacts. Production was a record 229.8 mboed, up 11% and 9%, respectively, and above 225 mboed guidance. The upside was driven by higher production in the GOM and in Sarawak, Malaysia, with the Eagle Ford (90% liquids) and offshore Malaysia leading the oil growth. Eagle Ford production averaged 60.6 mboed, up 15% sequentially, a quarterly record, boosted by production from 64 new wells.

[Fadel Gheit](#)

212-667-7405

ENERGY**Marathon Petroleum Corp. (MPC - \$90.65)****Oil & Gas**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$25,683.4M	NA	EPS	6.84	7.43	8.28

First Look: Margins Lift Earnings Above Consensus

Adjusted 3Q14 earnings were \$686M, or \$2.42/share, above consensus of \$2.22/share and sharply higher YoY, but down 19% sequentially. R&M income of \$971M increased 328% YoY, but declined 23% sequentially, Speedway income of \$119M increased 17% and 26%, respectively, and Pipeline income of \$69M was up 28% YoY, but down 14% sequentially. Gross throughput margin averaged \$14.55/b, up 57% YoY, but down 9% sequentially. Direct operating costs averaged \$7.20/b, up 14% and 1%, respectively. Operating cash flow of \$980M funded \$560M CAPEX, \$141M dividend, \$5M MLP distribution, and \$2.8B Hess retail acquisition. Cash balance was \$1.8B, total debt was \$6.3B, for a net debt ratio of 28.1%.

[Steve Manaker, CFA](#)

212-667-5950

FINANCIAL INSTITUTIONS**Realty Income Corp. (O - \$46.52)****REITs**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E
O	\$10,359.4M	\$49.00	FFO	2.41	2.60 / 2.62	2.74

O Reports 3Q14; Updating Estimates

We continue to rate O Outperform and slightly lower our 2014, but maintain our 2015, FFO estimates. O reported 3Q14 results in line with us and consensus after adjusting for one-time items. We believe the triple-net environment remains attractive and O is well positioned to benefit from it. The acquisition market is incrementally more favorable now as ARCP, a large triple-net buyer, becomes less active due to recent accounting issues. We believe O shares should continue to outperform the peers and the REIT index given their strong FFO growth outlook. While the valuations aren't inexpensive, we believe paying for a franchise that has successfully navigated multiple cycles is well worth it at this point in the real estate cycle.

[Ben Chittenden, CFA](#)

212 667-6697

FINANCIAL INSTITUTIONS**Ocwen Financial Corporation (OCN - \$23.16)****Specialty Finance**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$3,029.7M	NA	EPS	1.99	0.92 / 2.20	2.46 / 2.50

The Good and the Bad

The good news is that OCN is having discussions with New York's Department of Financial Services and that it accrued \$100M in 3Q14 for a potential settlement. The bad news is that until this gets resolved, earnings are still under pressure. OCN reported 3Q14 EPS of (\$0.58) vs. our estimate of \$0.62 and consensus of \$0.60. If we back out everything that OCN identified as "normalizing," we would be left with "core" after-tax EPS at \$0.43. For the time being, revenues are moving lower as the servicing book shrinks, and expenses seem to be stuck in a purgatory

where any core cost reductions seem to be offset by higher regulatory and compliance costs. Unfortunately, this path isn't changing without a settlement and then, MSR transfers.

[Chris Kotowski](#)

212 667-6699

FINANCIAL INSTITUTIONS

Apollo Global Management (APO - \$22.67)

Merchant Banking/Private Equity

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E / Prior	2015E / Prior
P	\$8,603.5M	NA	ENI Diluted	5.40	2.25 / 2.49	2.77 / 2.81

[3Q14 Results Starting the Process of Discrediting ENI](#)

APO's 3Q results illustrate why we are not believers in Economic Net Income ("ENI"), the mark to market concept of earnings. Pre-tax ENI was a wipe-out, coming in at \$0.21 vs. our recently lowered \$0.46 estimate, but cash earnings of \$0.91 thrashed our \$0.71 estimate, and the distribution of \$0.73 beat our \$0.65 estimate. What are you going to believe, cash, or a mark to market accounting concept? In our view, buying or selling a PE-based asset manager on one quarter's weak ENI headline would be a little like buying or selling Disney because some particular movie is a hit or dud. There will be duds but one should use dud-driven pullbacks to add to positions.

Oppenheimer Marketing Events

December 10-11th, 2014 – 25th Annual Healthcare Conference (New York)

February 11, 2015 – 5th Annual Oppenheimer Research Summit (London)

May 12-13, 2015 – 10th Annual Industrial Growth Conference (New York)

Important Disclosures and Certifications

Other companies mentioned in this report: AAPL ALU AMT AMT AMZN ARCP ATEN BAYN-ET BBBY CCI
CG CHE CI CRNT CSCO DIS DISH EPD EPD EXPE GEL GMED GPN GRMN HD
HTWR IBM IMGN IMPV INCY IRM JCP JNPR JPM KKR LGCY LONG LOW MA MCD
MGNX MMYT MPLX MRK MUR MUSA MWA NEUR-DC PCLN PIR ROG.VX SBUX SNE T
THOR THOR V VNTV VZ WCC WMT WPX XNCR XYL

Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by Oppenheimer & Co. Inc.:

Stock Prices as of October 31, 2014

Apple Inc. (AAPL - NASDAQ, 106.98, OUTPERFORM)
Garmin Ltd. (GRMN - NASDAQ, 54.14, OUTPERFORM)
Cisco Systems (CSCO - NASDAQ, 24.08, OUTPERFORM)
Juniper Networks, Inc. (JNPR - NASDAQ, 20.97, OUTPERFORM)
American Tower Corp. (AMT - NYSE, 95.05, OUTPERFORM)
American Tower Corp. (AMT - NYSE, 98.90, OUTPERFORM)
Crown Castle International (CCI - NYSE, 83.24, OUTPERFORM)
AT&T, Inc. (T - NYSE, 34.51, OUTPERFORM)
Verizon (VZ - NYSE, 49.90, OUTPERFORM)
Amazon.Com, Inc. (AMZN - NASDAQ, 299.07, OUTPERFORM)
Bed Bath & Beyond Inc. (BBBY - NASDAQ, 66.94, PERFORM)
Home Depot Inc. (HD - NYSE, 97.52, OUTPERFORM)
J.C. Penney Co. Inc. (JCP - NYSE, 7.63, PERFORM)
Lowe's Cos. (LOW - NYSE, 56.27, OUTPERFORM)
Pier 1 Imports (PIR - NYSE, 12.73, PERFORM)
American Realty Capital Properties Inc. (ARCP - NASDAQ, 9.42, PERFORM)
A10 Networks, Inc. (ATEN - NYSE, 4.22, OUTPERFORM)
Thoratec Corp. (THOR - NASDAQ, 26.40, OUTPERFORM)
Carlyle Group L.P. (CG - NYSE, 27.56, OUTPERFORM)
KKR & Co. (KKR - NYSE, 21.43, OUTPERFORM)
Chemed Corporation (CHE - NYSE, 106.09, OUTPERFORM)
CIGNA Corp. (CI - NYSE, 94.00, OUTPERFORM)
Ceragon Networks Ltd. (CRNT - NASDAQ, 2.04, PERFORM)
Iron Mountain Incorporated (IRM - NYSE, 35.38, PERFORM)
Enterprise Products Partners (EPD - NYSE, 37.17, OUTPERFORM)
Genesis Energy L.P. (GEL - NYSE, 46.05, PERFORM)
Enterprise Products Partners (EPD - NYSE, 38.08, OUTPERFORM)
Expedia Inc. (EXPE - NASDAQ, 80.73, OUTPERFORM)
The Priceline Group Inc. (PCLN - NASDAQ, 1,146.59, OUTPERFORM)
Globus Medical Inc. (GMED - NYSE, 20.90, OUTPERFORM)
Global Payments Inc. (GPN - NYSE, 79.61, OUTPERFORM)
Vantiv Inc. (VNTV - NYSE, 30.85, OUTPERFORM)
HeartWare International (HTWR - NASDAQ, 76.14, OUTPERFORM)
Thoratec Corp. (THOR - NASDAQ, 26.40, OUTPERFORM)
ImmunoGen, Inc. (IMGN - NASDAQ, 9.49, PERFORM)
MacroGenics, Inc. (MGNX - NASDAQ, 20.67, OUTPERFORM)
Xencor, Inc. (XNCR - NASDAQ, 10.50, OUTPERFORM)
Imperva, Inc. (IMPV - NYSE, 32.48, OUTPERFORM)

Incyte (INCY - NASDAQ, 64.18, OUTPERFORM)
 JPMorgan Chase & Co. (JPM - NYSE, 59.39, OUTPERFORM)
 MasterCard Incorporated (MA - NYSE, 83.13, OUTPERFORM)
 Visa Inc. (V - NYSE, 236.65, OUTPERFORM)
 Legacy Reserves L.P. (LGCY - NASDAQ, 22.56, OUTPERFORM)
 McDonald's Corporation (MCD - NYSE, 93.38, PERFORM)
 Starbucks Corporation (SBUX - NASDAQ, 77.32, OUTPERFORM)
 MakeMyTrip Limited (MMYT - NASDAQ, 28.63, OUTPERFORM)
 Murphy Oil Corporation (MUR - NYSE, 52.21, OUTPERFORM)
 Xylem, Inc. (XYL - NYSE, 35.81, OUTPERFORM)
 Wesco International, Inc. (WCC - NYSE, 79.70, OUTPERFORM)

All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 85 Broad Street, New York, NY 10004, Attention: Equity Research Department, Business Manager.

Oppenheimer & Co. Inc. Rating System as of January 14th, 2008:

Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Oppenheimer & Co. Inc.

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [O/B/OP]	326	54.06	153	46.93
HOLD [N/P/SP]	267	44.28	94	35.21
SELL [UP/S/U]	10	1.66	2	20.00

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