

MORNING SUMMARY

October 16, 2014

RESEARCH AND MARKET COMMENTARY

Topic	Current Rating	ACTION		ESTIMATE CHANGES					Main Topic
		Rating	Price Target	Metric	Current Quarter	Next Quarter	Current FY	Next FY	
AMCX	B	—	▼	EPS (\$)	—	—	—	▼	Industry Update
AXP	B	—	—	EPS (\$)	—	—	—	—	Earnings Release
CBS	B	—	▼	EPS (\$)	—	—	—	▼	Industry Update
DIS	N	—	—	EPS (\$)	—	—	—	—	Rating Change
DISCA	N	—	▼	EPS (\$)	—	—	—	—	Industry Update
DISCK	N	—	▼	EPS (\$)	—	—	—	—	Industry Update
FOXA	B	—	▼	EPS (\$)	—	▼	▼	—	Industry Update
KIN	B	—	—	Revenue (\$M)	—	—	—	—	Company Update
MSG	B	—	—	EPS (\$)	—	▲	▲	—	Industry Update
NWSA	N	—	▼	EPS (\$)	—	—	—	—	Industry Update
SNI	N	—	▼	EPS (\$)	—	—	—	▼	Industry Update
TWX	B	—	—	EPS (\$)	—	—	—	▲	Industry Update
TWX	B	—	—	EPS (\$)	—	—	—	—	Company Update
VIAB	N	—	—	EPS (\$)	—	—	—	—	Rating Change

[Media and Entertainment: Time Warner Unveils Dastardly Plans with Broader Media Industry Implications](#)

[Specialty Pharmaceuticals: Potential Stock Moving Catalysts as of November](#)

[WRG Financial Services: Banks to Confront Onerous New Rules in Coming Weeks](#)

[WRG Pharma: Novartis, Bristol, and Glaxo Lead in Breakthrough Designations as FDA Tally Approaches 70](#)

[WRG Politics: Don't Hold Your Breath on Future Treasury Inversion Action \(DC Download\)](#)

RATING CHANGES

DIS - NEUTRAL - Growth Drivers Close to Fair Value at Current Price: Lowering Rating to NEUTRAL**Michael Morris, CFA**

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NEUTRAL			
DIS	\$82.08	Price Target	
		\$87.00	
Current Q	Next Q	Current FY	Next FY
\$0.88	\$1.08	\$4.32	\$4.72
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$140,894	EPS (\$)	19.0x	17.4x

We are downgrading DIS to Neutral from Buy. Disney continues to deliver strong performance across nearly all segments, but we see shares as reflecting this strength at a 20% one-year forward P/E premium to the S&P 500 and a 13% premium to media peers. The company's content cycle appears robust into FY16 and beyond, though we believe risk related to rising sports-rights cost, pay-TV subscriber trends, and consumer travel is higher than current valuation implies.

We continue to view Disney as the strongest collection of branded media assets and long-term content rights in our industry. Key drivers reflected in our model included retrans/reverse comp growth, expanded Marvel/Netflix (NFLX, NC, \$448.59) agreement, SEC Network launch, BCS playoff, MyMagic+ and continued traffic growth at parks, Shanghai Disney opening, and a robust film slate.

Our concern at current valuation levels is that investors are well versed in this impressive list of positive drivers. At the same time, we see risk of domestic pay-TV subscriber erosion (affiliate fees are 20% of FY15 revenue), potential for sports-network tiering, and challenging FY15 film comparisons as valid company-specific concerns relative to consensus expectations.

Viewers are increasing consumption of on-demand programming and we view Disney as well positioned given content ownership. However, we see the high degree of sports exposure as more uncertain. Extensive high-cost rights rely in part on subscription fees to be profitable. These fees may continue to grow; however, we see relative risk in the near term as investors digest declines in traditional video sub metrics.

Our \$87 price target, down from \$96, is based on 17.5x our calendar 2015 EPS estimate of \$4.95 (our FY15 estimate is now \$4.72 from \$4.80). Our target implies a 21% premium to the overall market on CY16E P/E, reflecting Disney's strong core brands and a product cycle that includes new *Star Wars* films and the opening of Shanghai Disney.

VIAB - NEUTRAL - Continued Audience Declines, Mounting Ad Challenges Move Our Rating to NEUTRAL**Michael Morris, CFA**

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NEUTRAL			
VIAB	\$68.20	Price Target	
		\$76.00	
Current Q	Next Q	Current FY	Next FY
\$1.66	\$1.35	\$5.35	\$5.91
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$28,853	EPS (\$)	12.7x	11.5x

We are downgrading VIAB to Neutral from Buy. Viacom's audience ratings were soft in 3Q across most networks and have remained generally weaker into the new season (summaries within). We expect a combination of audience declines and an accelerating shift of ad budgets – particularly targeting younger demos – to drive domestic ad revenue declines in F4Q14 (-5%) and FY15 (-3%).

We note that F3Q featured fewer new original episodes released and that new programming is expected at Nickelodeon and MTV this quarter. However, audience levels at the three largest networks (Comedy Central, Nick and MTV) declined steadily as the year progressed, raising our concern that the cause of declines extends beyond program timing.

The company's current carriage dispute with Suddenlink (1.2mm video subscribers) and lower domestic box office performance from recent franchise films (charts within) have also increased our concern. Viacom reached a carriage renewal with Verizon (5.4mm subs) on 10/1, highlighting value to distribution partners. However, we see a prolonged dispute, even with a small distributor, as a potential risk to future negotiations.

We have updated our Viacom model to reflect our current expectation for domestic advertising revenue in F4Q14 and FY15 as well as the impact of Channel 5. Our F4Q EPS estimate is now \$1.66, down from \$1.69, primarily on lower domestic advertising. Our FY15 EPS estimate is now \$5.91, down from our prior \$6.00. We note our affiliate revenue growth outlook remains in the high-single-digit range through FY17.

We are lowering our price target to \$76 from our prior \$97 based on 12.5x (down from 15x) our CY15 EPS estimate of \$6.06 (down from \$6.11). Our updated multiple is 10% below the current S&P 500 multiple and reflects our increased concern toward ratings and underlying ad trends. Our FY15 and FY16 EPS estimates are 5% and 7% below consensus.

PRICE TARGET CHANGES**Time Warner Unveils Dastardly Plans with Broader Media Industry Implications****Michael Morris, CFA**

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Time Warner's "superhero-rich" investor presentations may look more sinister to media industry competitors as the company seeks to grow audience through further content investment and isn't afraid to mix it up by offering an OTT HBO service. We are positive on the company's announced strategic plans (see today's note [Time Warner Begins – Bewkes Ushers in "New Era" for the Streamlined Content Company](#) for details) and see this as the most significant industry-wide event since subsequently confirmed chatter of pay-TV distributor consolidation in late 2013 (see our analysis in our 12/2/13 note [Distributor Consolidation Likely to Limit Media Multiple Expansion in 2014](#)).

While most investor and analyst focus appeared to be on the direct impact of the HBO OTT "announcement" (we use quotes because significant details of the offering are TBD), we think that the reasoning for the decision is where the focus should be. Specifically, it seems clear to us that Time Warner has no intention of cannibalizing its own business by driving disconnects from the pay-TV bundle. Further, the company says it is targeting the 10mm broadband-only households in the U.S., but yet this potential market seems modest relative to the 70mm existing pay-TV subscribers that don't subscribe to HBO.

So why the announcement? We believe the company is serving notice to pay-TV partners that it expects more effort in marketing its traditional pay-TV and HBO OTT offering as well as a larger portion of the economics in new agreements. The company was clear that it intends to work with its pay-TV partners, but given the significant, dedicated HBO audience within the existing subscriber base (7.1mm viewers for the Game of Thrones season finale in June 2014 despite being available in roughly one-quarter of U.S. TV homes) it also intends to use its leverage to grow its economics.

We are likely less concerned about the potential cord cutting implications of yesterday's announcement than many other investors and analysts. Given the uncertainty of the offering and the still limited (albeit excellent) programming slate at HBO, we don't view it as a bundle substitute for nearly all current subscribers. As such, we believe fears of subscriber losses by pay-TV operators may be overblown.

We do, however, believe that distributors have yet another powerful content provider with the leverage to raising programming costs and as such will likely continue to look for other places to lower costs. We see higher risk to smaller network groups including Viacom, Discovery and Scripps Networks. We also see risk to Disney, which has powerful franchises but over-indexes in payments versus audience at ESPN. If distributors sought to lower cost through tiering of sports networks, we estimate that Disney, and to a lesser extent FOX, have greater risk than current expectations imply.

In addition to a modestly more conservative view on subscriber growth metrics (note that Turner noted yesterday that their forecasts include an ongoing modest decline in pay-TV subscribers), we have updated our target valuations to reflect the lower market multiple that we use as a foundation for our relative value analysis. As a result of this and other company-specific updates, we have lowered our ratings on Disney and Viacom to NEUTRAL from BUY. Please see today's company notes ([DIS](#) and [VIAB](#)) for further details.

Ticker	Price	Market	Rating		Price Target		Current EPS			Previous EPS		
	Share	Cap (M)	Current	Previous	Current	Previous	2013	2014	2015	2013	2014	2015
AMCX	\$55.00	\$3,965	Buy		\$65.00	\$70.00	2.87	3.77E	4.48E	—	—	4.51E
CBS	\$50.75	\$26,749	Buy		\$61.00	\$64.00	3.00	3.14E	3.67E	—	—	3.73E
DIS	\$82.08	\$140,894	Neutral		\$87.00		3.39	4.32E	4.72E	—	—	—
DISCA	\$34.45	\$23,220	Neutral		\$37.00	\$42.00	3.25	1.80E	2.09E	—	—	—
DISCK	\$33.85	\$23,220	Neutral		\$37.00	\$42.00	3.25	1.80E	2.09E	—	—	—
FOXA	\$31.77	\$68,859	Buy		\$37.00	\$42.00	1.36	1.55	1.62E	—	—	1.63E
MSG	\$61.72	\$4,765	Buy		\$75.00		1.83	1.47	2.00E	—	—	1.98E
NWSA	\$14.70	\$8,481	Neutral		\$17.00	\$19.00	(0.76)	0.43	0.40E	—	—	—
SNI	\$73.50	\$10,299	Neutral		\$76.00	\$82.00	3.57	3.95E	4.45E	—	—	4.46E
TWX	\$72.21	\$61,728	Buy		\$88.00		3.55	4.02E	4.73E	—	—	4.54E
VIAB	\$68.20	\$28,853	Neutral		\$76.00		4.68	5.35E	5.91E	—	—	—

COMPANY AND INDUSTRY UPDATES

KIN - BUY - Gearing Up for an Exciting 2015

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BUY			
KIN	\$8.60	Price Target	
		\$31.00	
Current Q	Next Q	Current FY	Next FY
\$0.0	\$0.0	\$0.0	\$10.2
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$170	Rev(\$M)	-	-

KIN has quickly moved past CereKin for dogs (failed trial) and is now preparing for an exciting 2015. We hosted a day of meetings with CEO Richard Chin and Chief Operating Officer Denise Bevers from Kindred (KIN, BUY, \$8.60) on October 14, 2014. In 2015, the company expects data from

two to three pilot studies (drug for fever in horses, drug for cat inappetence, and another undisclosed drug), data from up to four pivotal studies (SentiKin, AtoKin, drug for fever in horses, and drug for cat inappetence), and a potential acquisition to bring in commercial drugs and an established sales force (according to KIN, likely ahead of mid-2015 pivotal data for AtoKin and SentiKin). With KIN stock currently trading at \$8.60, and ~\$5.62 per share in cash, we believe the downside risk for KIN shares is limited. We continue to recommend investors take a look at KIN, particularly ahead of many potential stock-moving catalysts in 2014+.

We highlight below the key takeaways from our meetings that we believe support our positive investment thesis.

- KIN historically has estimated a success rate for its trials of 70%, but management believes it is important that they maximize their chances of success above 70% for the two upcoming pivotal trials (AtoKin and SentiKin). The power of the AtoKin and SentiKin trials will be increased from 80% to 90% with the enrollment of additional subjects for each trial (for both trials increasing subjects from 200 to ~350). Enrollment in both studies has been progressing quickly. Under the original trial design, AtoKin would already be fully enrolled. SentiKin is taking longer than AtoKin to enroll because surgery is less common than atopic dermatitis. That being said, the SentiKin trial is only three days long, so KIN is confident that both trials should have data by mid-2015.
- KIN's cat EPO is moving through the development process quickly. KIN believes this could be the largest product in its pipeline, but approval is still years away. There are currently no other cat EPOs available on the market. Cats do not tolerate human EPO well. KIN believes cat drugs can generate sales of \$10MM to \$100MM, with cat EPO being on the high end of that range. KIN estimates that one-third of elderly cats have kidney failure, which requires the need for EPO. KIN is considering pricing the drug at \$500 a year (the price point for these type of drugs that pet owners are used to paying).
- KIN expects to hire a new CSO to fill Kevin Schultz's place by year end. The company underscored that Kevin Schultz left for personal reasons (to take care of close family). The timing of his departure was not ideal because he left before the negative CereKin data was released, which is why we think it is important to give more color here. The search for a CFO is less pressing until KIN starts commercializing drugs. KIN could close a deal without a CFO, and the former CFO is still consulting for the company.
- KIN has approximately \$110MM in cash and expects to burn \$25-35MM in 2014 and a similar amount in 2015. Therefore, KIN has about \$30-40MM of cash for deals. KIN is able to do a larger deal than \$30-40MM because it can take on leverage for an accretive deal (KIN has already been offered debt financing). KIN is interested in deals with sales from \$6-7MM to \$40MM. We estimate the company could pay 2.0x to 2.5x sales for an acquisition. Investors that we met with would urge KIN to focus on good strategic deals.
- With respect to partnerships for its drugs, KIN management said they have seen attractive deals with \$10-20MM upfront milestones and high-teens royalties. KIN's preference is to commercialize its pipeline with its own salesforce, but management would consider a partnership if the economics were better than a proprietary launch.

Potential Catalysts. 1) Data from pivotal studies for AtoKin and SentiKin released in mid-2015; 2) Approvals for AtoKin, SentiKin in 2015+; 3) Additional pipeline advancements and approvals; 4) Partnerships and business development.

TWX - BUY - Time Warner Begins – Bewkes Ushers in “New Era” for the Streamlined Content Company

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Like Bruce Wayne emerging from training as the Caped Crusader, Time Warner (TWX, BUY, \$72.21) management yesterday unveiled aggressive plans to flex its muscles in content production and distribution. We came away enthusiastic about the updated strategy and see the company's plans as ambitious but also reasonable based on existing intellectual property and core operating strength. See our [Industry Note](#) out this morning for our updated model.

- Key takeaways:** 1) Company's EPS outlook of approaching \$6.00 in 2016 (compared to our prior \$5.47) and \$8.00 in 2018 (compared to our prior \$7.48)
- 2) Multi-pronged plan to improve HBO monetization including converting non-paying subs to paying, better targeting the 70mm pay-TV homes that don't subscribe and launching a domestic over-the-top HBO Service in 2015
- 3) Significant increase in content spending, focused on branded, original content (including an 80% increase in hours at Turner) and funded in part through more efficient core operations
- 4) A robust television and film slate anchored by franchise titles from DC Comics, Lego and Fantastic Beasts from Harry Potter creator J.K. Rowling
- 5) Importantly, management left several upside opportunities out of the consolidated outlook including: a) HBO OTT, b) global kids consumer products, and c) DC Comics games and consumer products.

Management reiterated their commitment to returning capital to shareholders (through both dividends and share repurchases), a targeted M&A strategy, reinvestment in the business and more original content, and a strong and efficient balance sheet with a 2.75x target net leverage ratio.

Given the recently announced restructuring efforts, they guided to \$400mm in restructuring charges for employees in 2H14, which would yield \$450mm in annual savings, most of which would be fully recognized in 2015. They also expect a \$400mm charge for programming in 2H14; however, the combined \$800mm in 2H14 charges should be more than offset by a favorable tax benefit from an IRS settlement, which should be a net positive to their FY14 Adj. EPS guide.

Several questions remain, most notably “what will the HBO OTT service look like?” Management indicated that the service will be done by “working with existing distribution partners” and will focus on targeting the 10mm broadband-only homes in the U.S. Understandably, investors are a bit concerned that the service will drive cord cutting by existing pay-TV subscribers, resulting in lost revenue at Turner (and risk to pay-TV distributors).

We see the service as providing opportunity for additional leverage in future distributor negotiations that will benefit Time Warner overall. First, we believe that HBO is one of the most powerful, yet under-monetized assets in media. We believe that management may have the ability to “throttle” the

content mix and/or pricing of a new service that allows for subscriber growth based on terms that a distributor would agree to. Further, we believe this gives Time Warner the first step toward a stand-alone OTT brand (alluded to by Turner CEO John Martin) that could also be leveraged, most directly in an effort to capture some economics currently going to sports networks in the one-size-fits-all pay-TV bundle.

Beyond the HBO OTT question, we note uncertainty regarding the growth in viewership and monetization related to the company's programming spending. Can the significant increase in spend be matched by viewership and if so is it from new content viewers (or at least additional time spent viewing) or will it take audience from other locations? Further, with the continued increase in time-shifted viewing and commercial avoidance, will the economics of incremental programming spending hold up should advertising revenue see a more prolonged secular decline?

Despite these uncertainties, we believe that this updated strategic plan combined with strong core assets, cash flow generation and capital allocation approach make Time Warner shares the most attractively priced in our media coverage.

AXP - BUY - Mid-2014 Targeted Results Should Bear Fruit in 4Q14/1Q15

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BUY			
AXP	\$80.93	Price Target	
		\$109.00	
Current Q	Next Q	Current FY	Next FY
\$1.41	\$1.41	\$5.57	\$6.10
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$84,699	EPS (\$)	14.5x	13.3x

This report was published on Wednesday, October 15, 2014.

- AXP's 3Q14 results reflect improved billed business growth of 9% Y/Y and 5% Y/Y loan growth. We are maintaining our current estimates and look for improving U.S. growth to offset any global weakness in 4Q14. We note airline revenue could be at risk; however, airline spend has lagged over the past couple quarters and not been a material detractor, representing 8% of volume.
- Billed business growth was 10% on an FX adjusted basis and reflects acceleration, but revenue rates are still below the long-term targets. We believe revenue growth will continue to improve, which is favorable for the earnings multiple, but not the only catalyst for EPS growth given expense management and buybacks.
- U.S. loan growth of 6% was in line with expectations with further opportunity for growth as AXP continues to market to a broader segment of customer and spending, but is not changing credit standards. We believe the transition could have a moderate impact on the discount rate, which will be offset through improved spend growth.
- The recent OptBlue and the Everyday card strategies are the revenue initiatives that could create near-term loan growth and spend lift, while other investments are focused on longer-term benefits. Growth from the mid-2014 marketing investments likely will materialize in late 2014 and early 2015 and be attributed to these new products.
- AXP expects to record a \$700 million pre-tax gain on the sale of Concur (CNQR, NC, \$127.19) in 4Q14, which will increase financial flexibility for business investments and efficiency. We note AXP continues to generate excess capital despite a 1% decline in shares outstanding during the period as tier 1 capital increased 20bp LQ to 13.6%.

Potential Stock Moving Catalysts as of November

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FOCUS CATALYSTS

- **ZTS** - The company's Analyst Day is 11/18/14. If ZTS gives long-term guidance that is well above \$2.00 per share, we believe the stock could trade to \$40+ if the numbers are convincing. We think there is a greater than 50% chance ZTS could do this.
- **MDCO** - The company's Analyst Day is 11/5/14. This will most likely be an incremental positive for MDCO, but if the company announces a settlement for Angiomax and/or does a good strategic M&A deal, we believe the stock could trade meaningfully higher (10%+).
- **PRGO** - If PRGO can launch Mucinex into this year's cough and cold season, we estimate this could add \$0.05-\$0.08 to this year's EPS (not included in F'15 guidance). This positive potential headline could drive the stock up 3%-5% (underscores management's ability to execute). We estimate F'15 EPS of \$7.35 for PRGO. We see a 50% chance of the Mucinex launch happening this year. Management has noted that it is still working hard to try to meet this deadline.

DETAILED COMPANY CATALYSTS

AcelRx: 1) Ph III trials for ARX-04, '14; 2) Analyst Day, '15; 3) U.S. and EU Zalviso approvals, '15; 4) Pipeline advancements for ARX-02 and ARX-03, '14+; 5) South America and Asia partnership deals for Zalviso, '14+.

Actavis: 1) Launches: Mucinex, Pulmicort, Intuniv, TD Oxycontin; 2) Brand (Levosert, Diafert) and biosimilars pipeline advancements; 3) Close Durata

deal, late '14/early '15; 4) M&A and/or business development.

Akorn: 1) Integrate Hi-Tech, '14 and '15; 2) Launches of up to 25-26 ANDAs including Precedex, Restasis, Nembutal, '14+; 3) FDA inspection for Kilitch facility, '14; 4) FDA removal of unapproved Atropine products, '14+.

Allergan: 1) DARPIn complete PhII data 2H14; 2) DARPIn+anti-PDGF PhI, '14/'15; 3) Levadex/Semprana approval by end of 2Q15; 4) PhII data from Restasis X, ~'16; 5) Ph III DARPIn data; 6) pipeline advancements; 7) M&A.

Antares: 1) Approvals: TevTropin 10mg, '14; 2) Launch progression of Otrexup and launch of Vibex sumatriptan, '14; 3) AB rated approval for generic EpiPen, '15; 4) Pipeline advancements and partnerships.

Horizon: 1) Integrate Vidara; 2) M&A and/or business development, '14+; 3) Continued market share gains for Duexis; Vimovo, Rayos/Lodotra, '14+; 4) Price increases for Actimmune, '14+; and 5) Start Phase III trial for Actimmune in FA 2Q15.

Hospira: 1) Dyloject approval, '14; 2) Rocky Mount resolve WL, '14+; 3) Vizag online, '14+; 4) Submission of 250+ filings OUS, '14; 5) Transition away from legacy pumps, '15; 6) Next generation pumps on market; 7) U.S. EPO launch '16.

Impax: 1) Resolution of Hayward WL; 2) Close Tower and Lineage deals, 1Q15; 3) Acquisition(s); 4) Rytary U.S. approval 1/9/15 and ex-U.S. partner; 5) 11 Hayward launches after resolution of WL; 6) Advance pipeline of 77 products.

Jazz: 1) Additional patents for Xyrem; 2) JZP-386 data, '14+; 3) Start Ph3 trials for JZP-110; 4) Xyrem trial late '14; 5) Settlement w/generic filers for Xyrem launch in '20+; 6) Business development.

Kindred Bio: 1) Data from pivotal studies for AtoKin and SentiKin released in mid-'15; 2) Approvals for AtoKin, and SentiKin, '15+; 3) Additional pipeline advancements and approvals; 4) Partnerships and business development.

Medicines Company: 1) Approvals: Cangrelor, Ionsys, Raplixa, RPX-602, Carbavance; 2) Partner Oritavancin or launch alone; 3) Expand into PEI w/ Angiomax; 4) Business development; 5) Pipeline advancements.

Mylan: 1) Launches of Lidoderm, '14, Copaxone, Advair, '15/'16; 2) Investor Day '14+; 3) Close generics deal 1Q15; 4) Launch biologics '15-'18; 5) Reach \$6.00 EPS '18E.

Orexo: 1) Zubsolv launch progression, '14; 2) Results from Preference study, '14; 3) Reimbursement improvements, 4Q14; 4) Approvals of new doses and flavors, '15+; 5) Approval of Induction indication, '15/'16; 6) Pipeline advancements, '14+; 7) Business development, '14+.

Pernix: 1) Business development, '14+; 2) Pipeline advancements, '14+.

Perrigo: 1) Approvals for Allegra D12, Zegerid, Patanase, Cenestin, SB Nasacort, '14; 2) Business development; 3) Return to market in FY15 with 600mg ER Mucinex and additional members of the family.

Phibro: 1) Increasing market share and geographic expansion of existing products, '14+; 2) New product approvals and launches, '14+; 3) Gross margin and operating margin expansion, '14+; 4) Debt paydown reduces interest expense, '14+; 5) Tuck-in acquisitions, '14+.

Sagent: 1) Launches of iron sucrose, pentobarbital (Nembutal), bupivacaine; 2) Gross margin expansion and operating leverage; 3) Business development/M&A.

Teva: 1) Launches of generic Concerta, Celebrex, Suboxone, Epipen, '14+; 2) Copaxone 3TW launch progression; 3) CONCERTO Phase 3 data, '16; 4) Business development; 5) Pipeline advancements.

Valeant: 1) B&L, \$900M+ synergies, end '14; 2) Tuck-in acquisitions, '14; 3) Lantanoprostene Bunod approval, '16; 4) Top 5 global pharma co., end '16.

Zoetis: 1) Analyst Day 11/18/14; 2) Operating margin expansion; 3) new product launches; 4) Business development; 5) Expansion into adjacent categories

MARKET COMMENTARY AND DESK ANALYSIS

Don't Hold Your Breath on Future Treasury Inversion Action (DC Download)

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We do not expect any further Treasury input/guidance/action on inversions until late next month despite the news of **AbbVie's** potential plans not to invert via the U.K.-based **Shire**. Even after the 60-day public comment period for the Sept. 22 Notice ends around Thanksgiving, we would be surprised to see Treasury issue any follow-up guidance until the Congress concludes the Lame Duck Session of Congress in mid-December. We fully expect Treasury to continue executing its Hansel & Gretel strategy of endless policy breadcrumbs in the space, which causes maximum confusion and a freezing effect. **When the comment period ends and Congress adjourns for the year, the regulatory track could reopen, though we expect Treasury to do nothing definitive – rather keep the issue and proposed regulations in legal purgatory.** The Treasury and its anti-inversion lawmaker allies don't really need to do anything else: their desired outcome of preventing future high-profile inversions is working (at least in the near term) and they are winning by keeping the ball and running out the clock.

Banks to Confront Onerous New Rules in Coming Weeks

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What is Happening

Bank regulators may soon seize the spotlight back from earnings season as they appear ready to advance several new rules.

Our View

- These regulatory moves are a mixed bag for banks and other financial firms. The certainty may help, but we expect several rules to be burdensome, especially for the biggest banks that they target for the most regulation.
- Regulatory actions likely in the coming weeks include the risk retention rule, the Net Stable Funding Ratio, the TLAC/Orderly Liquidation Authority requirement, the SIFI surcharge designations and the CCAR instructions.
- Overall, we see these regulatory moves as supportive of our view that the policy environment continues to punish the mega banks while going easier on the regional banks.

Novartis, Bristol, and Glaxo Lead in Breakthrough Designations as FDA Tally Approaches 70
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This report was published on Wednesday, October 15, 2014.

The “breakthrough therapy” designation continues to be one of the most popular programs enacted under the FDA Safety & Innovation Act in terms of interest and positive actions.

The two latest examples of “Breakthrough” designations came in September and October. On September 2, Acadia Pharmaceuticals announced the receipt of a Breakthrough Therapy designation from FDA for its Parkinson's disease psychosis treatment, *Nuplazid* (pimavanserin). To view the press release [click here](#). On October 2, Ariad Pharmaceuticals announced a designation for its compound AP26113 in non-small cell lung cancer. To view the press release [click here](#).

According to FDA's website, the agency has granted 65 total designation requests; a Prevision Policy search for public breakthrough announcements by companies was able to account for 51 of those designations, granted to 47 products. *(Please click link above to see the chart for products granted breakthrough therapy designations sorted by disease area.)* FDA has withdrawn two breakthrough designations.

To date, Novartis has the highest number of breakthrough therapy designations with five across a varied set of diseases in cancer, acute heart failure, and rare/infectious diseases.

The Acadia *Nuplazid* designation is noteworthy as a sign of how active FDA has been in identifying breakthrough compounds even before sponsors are seeking the status. In early 2013, Acadia was planning to start another Phase 3 confirmatory study when FDA stepped in and said that a previous failed Phase 3 study plus a just-completed convincing study would be enough for a submission and began working with the sponsor to try to move the promising compound along.

That action by FDA demonstrates a significant change in attitude that the Breakthrough provision has effected across many FDA review divisions. An activist FDA spirit is clearly in the ascendancy. It is becoming as important within the FDA reviewer ranks to look for transformational drug candidates as well as protecting the public function of drug reviews.

Upcoming Events

CONFERENCE CALLS

Name	Sector	Date	Time
Heads Up from Washington	Macro/Various	Every Friday	11:00 AM ET

Please contact your Guggenheim Salesperson for Dial In / Replay information

ANALYST / SPECIALIST MARKETING

Name	Sector	Location	Date
Amy Thornton and Eric Assaraf	Medical Technology	New York	October 17
Whitney Stanco	Energy	West Coast	Week of November 10

MANAGEMENT ACCESS

Name	Sector	Location	Date
Atwood Oceanics (ATW)	Energy	Los Angeles	October 21
Atwood Oceanics (ATW)	Energy	San Francisco	October 22-23
DocuSign	Technology	New York	October 30
Rite Aid (RAD)	Retail/ Consumer	New York	October 30
Eli Lilly (LLY)	Healthcare	New York	November 3-4

SPECIAL EVENTS AND THOUGHT LEADERS

Name	Sector	Location	Date
Walt Gorski-Gorski Healthcare Group	Healthcare	New York	October 16
DC Telecom Day	Telecom	Washington DC	November 5
Post Election Symposium	Macro	Washington DC	November 5-6

Equity Research: Coverage Universe

ENERGY

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Exploration & Production	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Anadarko Petroleum Corporation	APC	Buy	\$85.46	\$140.00	\$43,240
Apache Corporation	APA	Neutral	\$72.67	\$100.00	\$27,794
Cobalt International Energy, Inc.	CIE	Buy	\$10.13	\$35.00	\$4,179
ConocoPhillips	COP	Buy	\$66.25	\$98.00	\$81,459
Devon Energy Corporation	DVN	Neutral	\$55.14	\$85.00	\$22,558
Energy XXI Limited	EXXI	Buy	\$7.68	\$19.00	\$721
EOG Resources, Inc.	EOG	Neutral	\$88.17	\$116.00	\$48,269
Hess Corporation	HES	Neutral	\$76.34	\$103.00	\$23,492
Kosmos Energy Ltd.	KOS	Buy	\$8.86	\$17.00	\$3,427
Marathon Oil Company	MRO	Buy	\$32.73	\$47.00	\$22,076
Noble Energy, Inc.	NBL	Buy	\$54.85	\$90.00	\$19,841
Occidental Petroleum Corporation	OXY	Buy	\$85.25	\$125.00	\$66,463
Pioneer Natural Resources Company	PXD	Neutral	\$171.58	\$216.00	\$24,553
QEP Resources, Inc.	QEP	Buy	\$21.84	\$44.00	\$3,933
SM Energy Corporation	SM	Buy	\$56.65	\$102.00	\$3,817

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Offshore Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Atwood Oceanics, Inc.	ATW	Buy	\$39.18	\$55.00	\$2,521
Diamond Offshore Drilling Inc.	DO	Buy	\$38.75	\$50.00	\$5,314
Enesco plc	ESV	Neutral	\$38.15	\$50.00	\$8,939
Hercules Offshore, Inc.	HERO	Neutral	\$1.65	\$1.50	\$265
Noble Corp.	NE	Buy	\$18.88	\$30.00	\$4,932
Ocean Rig UDW Inc.	ORIG	Buy	\$12.53	\$28.00	\$1,652
Pacific Drilling S.A.	PACD	Buy	\$7.11	\$14.00	\$1,493
Rowan Companies Inc.	RDC	Neutral	\$22.12	\$25.00	\$2,754
Seadrill Ltd.	SDRL	Buy	\$23.01	\$50.00	\$11,346
Transocean Ltd.	RIG	Buy	\$29.44	\$50.00	\$10,663

Small/Mid Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Aker Solutions ASA	AKSO.NO	Buy	NOK 46.40	NOK 125.00	NOK 12,623
CARBO Ceramics Inc.	CRR	Neutral	\$52.98	\$70.00	\$1,224
Core Laboratories NV	CLB	Buy	\$138.56	\$185.00	\$6,155
Dril-Quip, Inc.	DRQ	Neutral	\$83.87	\$110.00	\$3,353
Forum Energy Technologies, Inc.	FET	Buy	\$24.36	\$40.00	\$2,286
Oceaneering International, Inc.	OII	Neutral	\$62.28	\$80.00	\$6,727
Superior Energy Services, Inc.	SPN	Neutral	\$23.97	\$38.00	\$3,708
U.S. Silica Holdings, Inc.	SLCA	Buy	\$42.15	\$70.00	\$2,270

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Large Cap Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Cameron International, Inc.	CAM	Buy	\$56.43	\$90.00	\$11,450
FMC Technologies, Inc.	FTI	Buy	\$49.53	\$80.00	\$11,632
National Oilwell Varco	NOV	Buy	\$69.97	\$100.00	\$30,104
Tenaris	TS	Buy	\$39.52	\$60.00	\$23,327

Large Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Baker Hughes, Inc.	BHI	Buy	\$53.63	\$90.00	\$23,331
Halliburton Company	HAL	Neutral	\$50.64	\$80.00	\$43,071
Schlumberger, Ltd.	SLB	Buy	\$89.21	\$135.00	\$115,655
Weatherford International, Ltd.	WFT	Neutral	\$16.05	\$25.00	\$12,401

Land Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Helmerich & Payne	HP	Neutral	\$82.40	\$110.00	\$8,918
Nabors Industries	NBR	Neutral	\$17.17	\$32.00	\$5,147
Patterson UTI	PTEN	Neutral	\$22.96	\$40.00	\$3,355
Seventy Seven Energy Inc.	SSE	Buy	\$14.05	\$33.00	\$677

SMID Cap Services and Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
C&J Energy Services, Inc.	CJES	Neutral	\$19.06	\$32.00	\$1,055
Dresser-Rand Group Inc.	DRC	Neutral	\$79.61	\$83.00	\$6,101
Frank's International N.V.	FI	Buy	\$16.79	\$27.00	\$2,578
Oil States International Inc.	OIS	Neutral	\$57.07	\$65.00	\$3,086
Tesco Corporation	TESO	Buy	\$16.54	\$28.00	\$663

FINANCIAL SERVICES: BANKS

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Business Development Companies	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Apollo Investment Corporation	AINV	Neutral	\$7.83	\$9.00	\$1,854
Ares Capital Corporation	ARCC	Buy	\$15.16	\$18.50	\$4,762
Fifth Street Finance Corp.	FSC	Buy	\$8.38	\$11.00	\$1,277
Hercules Technology Growth Capital, Inc.	HTGC	Buy	\$13.42	\$17.00	\$849
Horizon Technology Finance Corporation	HRZN	Buy	\$13.63	\$15.00	\$131
KCAP Financial, Inc.	KCAP	Buy	\$7.19	\$9.00	\$264
Prospect Capital Corporation	PSEC	Buy	\$9.08	\$11.50	\$3,113
TICC Capital Corporation	TICC	Neutral	\$8.02	\$10.50	\$483

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Community and Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Bridge Bancorp, Inc.	BDGE	Buy	\$24.35	\$28.50	\$284
ConnectOne Bancorp, Inc.	CNOB	Buy	\$18.53	\$24.00	\$553
FCB Financial Holdings, Inc.	FCB	Neutral	\$22.86	\$24.50	\$947
First BanCorp	FBP	Buy	\$4.58	\$6.00	\$974
First Financial Bancorp.	FFBC	Neutral	\$15.35	\$17.50	\$886
First Midwest Bancorp, Inc.	FMBI	Buy	\$15.56	\$20.00	\$1,171
Independent Bank Corp.	INDB	Buy	\$36.40	\$42.00	\$870
OFG Bancorp	OFG	Buy	\$14.63	\$19.00	\$659
Old National Bancorp	ONB	Neutral	\$12.29	\$14.00	\$1,411
Popular, Inc.	BPOP	Buy	\$27.34	\$39.00	\$2,829
S&T Bancorp Inc.	STBA	Buy	\$24.86	\$28.00	\$741
Seacoast Banking Corp. of Florida	SBCF	Buy	\$11.61	\$12.50	\$384
United Bancshares Inc.	UBSI	Neutral	\$31.29	\$32.00	\$2,164
United Community Banks Inc.	UCBI	Neutral	\$15.62	\$17.50	\$939
Washington Trust Bancorp Inc.	WASH	Neutral	\$34.85	\$38.00	\$582
WesBanco, Inc.	WSBC	Buy	\$31.79	\$36.00	\$931

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Card Networks & Financial Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
American Express Company	AXP	Buy	\$80.93	\$109.00	\$84,699
Capital One Financial	COF	Buy	\$79.21	\$95.00	\$44,462
Discover Financial Services	DFS	Buy	\$62.07	\$72.00	\$28,670
MasterCard Incorporated	MA	Buy	\$71.30	\$93.00	\$82,563
Visa Inc.	V	Buy	\$200.25	\$250.00	\$124,784
The Western Union Company	WU	Neutral	\$15.84	\$17.50	\$8,392

Community Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Bryn Mawr Bank Corp.	BMTC	Buy	\$29.53	\$35.00	\$405
Flushing Financial Corp.	FFIC	Buy	\$19.09	\$22.00	\$576

Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Astoria Financial Corporation	AF	Buy	\$12.33	\$14.50	\$1,228
BankUnited, Inc.	BKU	Buy	\$27.94	\$38.00	\$2,839
Comerica Inc.	CMA	Buy	\$43.88	\$58.00	\$7,935
Community Bank System Inc.	CBU	Neutral	\$33.98	\$38.00	\$1,383
First Niagara Financial Corporation	FNFG	Neutral	\$8.02	\$9.00	\$2,851
Fulton Financial Corp.	FULT	Neutral	\$10.58	\$12.50	\$1,987
Investors Bancorp, Inc.	ISBC	Neutral	\$9.99	\$11.50	\$3,568
M&T Bank	MTB	Neutral	\$115.87	\$135.00	\$15,291
National Penn Bancshares Inc.	NPBC	Neutral	\$9.38	\$10.50	\$1,306
NBT Bancorp Inc.	NBTB	Neutral	\$23.24	\$25.00	\$1,016
New York Community Bancorp	NYCB	Neutral	\$14.86	\$16.50	\$6,578
People's United Financial	PBCT	Neutral	\$14.05	\$15.00	\$4,360
Signature Bank	SBNY	Buy	\$103.70	\$140.00	\$5,218
Sterling Bancorp	STL	Buy	\$12.93	\$15.00	\$1,081
Susquehanna Bancshares	SUSQ	Neutral	\$9.88	\$11.00	\$1,855
Valley National Bancorp	VLV	Buy	\$9.23	\$11.50	\$1,851
Webster Financial Corp.	WBS	Buy	\$27.65	\$35.00	\$2,496
Zions Bancorp	ZION	Neutral	\$25.96	\$31.00	\$5,264

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FINANCIAL SERVICES: INSURANCE

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Property/Casualty Insurance	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Ace Limited	ACE	Buy	\$103.11	\$131.00	\$34,614
American International Group	AIG	Neutral	\$49.69	\$55.00	\$70,902
AmTrust Financial Services, Inc.	AFSI	Buy	\$41.82	\$74.00	\$3,162
AON plc	AON	Neutral	\$80.00	\$85.00	\$23,236
Argo Group International Holdings, Ltd.	AGII	Neutral	\$51.37	\$49.00	\$1,336
Cincinnati Financial Corp.	CINF	Neutral	\$46.11	\$48.00	\$7,546
Horace Mann Educators Corp.	HMN	Neutral	\$29.30	\$32.00	\$1,199
Maiden Holdings, Ltd.	MHLD	Buy	\$11.30	\$16.00	\$824
Marsh & McLennan Companies, Inc.	MMC	Buy	\$49.49	\$60.00	\$26,938
Meadowbrook Insurance Group Inc.	MIG	Buy	\$6.17	\$7.50	\$309
National General Holdings Corp.	NGHC	Neutral	\$17.85	\$18.00	\$1,666
Selective Insurance Group Inc.	SIGI	Buy	\$22.79	\$27.00	\$1,285
The Allstate Corporation	ALL	Buy	\$60.57	\$77.00	\$26,251
The Hanover Insurance Group Inc.	THG	Buy	\$60.98	\$75.00	\$2,695
The Hartford Financial Services Group, Inc.	HIG	Buy	\$35.49	\$46.00	\$15,892
The Travelers Companies, Inc.	TRV	Buy	\$91.99	\$120.00	\$31,189
XL Group, Inc.	XL	Neutral	\$31.83	\$32.00	\$8,451

HEALTHCARE

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Biopharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AbbVie Inc.	ABBV	Buy	\$54.63	\$70.00	\$87,050
Bristol-Myers Squibb Company	BMJ	Neutral	\$48.96	\$57.00	\$81,171
Eli Lilly and Company	LLY	Buy	\$62.87	\$80.00	\$70,245
Johnson & Johnson	JNJ	Neutral	\$98.21	\$115.00	\$276,980
Kite Pharma, Inc.	KITE	Buy	\$31.85	\$73.00	\$1,220
Merck & Co. Inc.	MRK	Neutral	\$54.73	\$65.00	\$157,876
Regeneron Pharmaceuticals, Inc.	REGN	Buy	\$334.75	\$432.00	\$33,832
Tesaro, Inc.	TSRO	Buy	\$24.44	\$46.00	\$881
Vertex Pharmaceuticals Incorporated	VRTX	Buy	\$101.10	\$147.00	\$24,070

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Biotechnology	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Alexion Pharmaceuticals	ALXN	Buy	\$160.73	\$202.00	\$31,795
Amgen Inc.	AMGN	Neutral	\$130.90	\$122.00	\$99,433
Ariad Pharmaceuticals, Inc.	ARIA	Neutral	\$5.48	\$7.00	\$1,025
Biogen Idec Inc.	BIIB	Neutral	\$305.69	\$332.00	\$72,187
Biota Pharmaceuticals, Inc.	BOTA	Neutral	\$2.41	\$3.00	\$85
Celldex Therapeutics, Inc.	CLDX	Buy	\$14.83	\$32.00	\$1,326
Celgene Corporation	CELG	Buy	\$86.55	\$109.00	\$69,198
Gilead Sciences, Inc.	GILD	Buy	\$96.16	\$120.00	\$145,362
Five Prime Therapeutics, Inc.	FPRX	Buy	\$12.00	\$27.00	\$258
ImmunoGen, Inc.	IMGN	Neutral	\$8.76	\$12.00	\$753
Incyte Corporation	INCY	Buy	\$48.15	\$82.00	\$8,109
Intra-Cellular Therapies, Inc.	ITCI	Buy	\$14.96	\$25.00	\$440
Merrimack Pharmaceuticals, Inc.	MACK	Buy	\$8.19	\$14.00	\$857
Seattle Genetics, Inc.	SGEN	Neutral	\$33.33	\$39.00	\$4,115
TetraLogic Pharmaceuticals	TLOG	Buy	\$3.62	\$11.00	\$81
United Therapeutics Corporation	UTHR	Neutral	\$124.04	\$105.00	\$5,863
Verastem, Inc.	VSTM	Buy	\$9.03	\$21.00	\$233

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HEALTHCARE

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Specialty Pharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AcelRX Pharmaceuticals, Inc.	ACRX	Buy	\$6.88	\$15.00	\$298
Actavis, Inc.	ACT	Buy	\$217.24	\$272.00	\$57,408
Akorn, Inc.	AKRX	Buy	\$34.95	\$40.00	\$3,639
Allergan Inc.	AGN	Buy	\$177.59	\$195.00	\$52,777
Antares Pharma Inc.	ATRS	Buy	\$2.09	\$6.00	\$273
Horizon Pharma, Inc.	HZNP	Buy	\$10.91	\$31.00	\$1,158
Hospira Inc.	HSP	Buy	\$48.12	\$65.00	\$8,119
Impax Laboratories Inc.	IPXL	Buy	\$26.74	\$40.00	\$1,890
Jazz Pharmaceuticals plc	JAZZ	Buy	\$146.31	\$210.00	\$8,811
Kindred Biosciences, Inc.	KIN	Buy	\$8.60	\$31.00	\$170
Mylan, Inc.	MYL	Neutral	\$47.38	\$54.00	\$17,722
Orexo AB	ORX.SS	Buy	SEK 103.50	SEK 205.00	SEK 3,553
Pernix Therapeutics Holdings, Inc.	PTX	Neutral	\$9.28	\$7.00	\$353
Perrigo Co.	PRGO	Buy	\$145.85	\$195.00	\$19,534
Phibro Animal Health Corporation	PAHC	Buy	\$24.02	\$24.00	\$936
Sagent Pharmaceuticals, Inc.	SGNT	Neutral	\$32.50	\$28.00	\$1,037
Tetraphase Pharmaceuticals, Inc.	TTPH	Buy	\$23.66	\$25.00	\$614
Teva Pharmaceutical Industries Limited	TEVA	Neutral	\$50.09	\$55.00	\$42,777
The Medicines Company	MDCO	Buy	\$21.46	\$42.00	\$1,398
Valeant Pharmaceuticals International, Inc.	VRX	Buy	\$114.34	\$178.00	\$38,141
Zoetis Inc.	ZTS	Buy	\$35.26	\$40.00	\$17,672

RETAIL & CONSUMER

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Retail & Consumer	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Costco Wholesale Corporation	COST	Neutral	\$124.30	\$130.00	\$54,480
CVS Caremark Corporation	CVS	Buy	\$78.99	\$88.00	\$91,480
Dollar General	DG	Buy	\$58.68	\$66.00	\$17,803
Fairway Group Holdings Corp.	FWM	Neutral	\$2.75	\$5.00	\$120
Family Dollar	FDO	Buy	\$76.53	\$70.00	\$8,721
Five Below, Inc.	FIVE	Buy	\$42.48	\$57.00	\$2,307
Rite Aid Corporation	RAD	Buy	\$4.67	\$7.50	\$4,583
Safeway Inc.	SWY	Neutral	\$33.28	\$35.00	\$7,671
Sprouts Farmers Market, Inc.	SFM	Neutral	\$29.50	\$37.00	\$4,438
SuperValu Inc.	SVU	Neutral	\$8.55	\$8.00	\$2,230
Sysco Corp.	SYU	Neutral	\$36.60	\$35.00	\$21,493
The Container Store Group, Inc.	TCS	Neutral	\$17.41	\$21.00	\$835
The Kroger Co.	KR	Buy	\$52.34	\$60.00	\$25,704
The Michaels Companies, Inc.	MIK	Buy	\$17.17	\$19.00	\$3,502
Walgreen Co.	WAG	Buy	\$60.95	\$70.00	\$58,302
Whole Foods Market Inc.	WFM	Neutral	\$36.92	\$42.00	\$13,337

TMT: MEDIA & ENTERTAINMENT, CABLE & SATELLITE TV

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Media & Entertainment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AMC Networks Inc.	AMCX	Buy	\$55.00	\$65.00	\$3,965
Cablevision Systems Corporation	CVC	Buy	\$17.43	\$24.00	\$4,726
CBS Corporation	CBS	Buy	\$50.75	\$61.00	\$26,749
Charter Communications, Inc.	CHTR	Neutral	\$142.45	\$146.00	\$15,476
Comcast Corporation	CMCSA	Neutral	\$50.85	\$55.00	\$131,566
Comcast Corporation	CMCSK	Neutral	\$50.76	\$55.00	\$131,566
DIRECTV	DTV	Neutral	\$83.63	\$95.00	\$42,001
Discovery Communications, Inc.	DISCA	Neutral	\$34.45	\$37.00	\$23,220
Discovery Communications, Inc.	DISCK	Neutral	\$33.85	\$37.00	\$23,220
Dish Network Corp.	DISH	Neutral	\$58.86	\$66.00	\$27,123
News Corporation	NWSA	Neutral	\$14.70	\$17.00	\$8,481
Scripps Networks Interactive, Inc.	SNI	Neutral	\$73.50	\$76.00	\$10,299
The Madison Square Garden Company	MSG	Buy	\$61.72	\$75.00	\$4,765
The Walt Disney Company	DIS	Neutral	\$82.08	\$87.00	\$140,894
Time Warner Cable Inc.	TWC	Neutral	\$136.14	\$155.00	\$38,063
Time Warner Inc.	TWX	Buy	\$72.21	\$88.00	\$61,728
Townsquare Media, Inc.	TSQ	Buy	\$12.30	\$14.00	\$205
Twenty-First Century Fox, Inc.	FOXA	Buy	\$31.77	\$37.00	\$68,859
Viacom, Inc.	VIAB	Neutral	\$68.20	\$76.00	\$28,853

Source: Guggenheim Securities, LLC, Bloomberg

ANALYST CERTIFICATION

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BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 15% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 15% or more within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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NC - Not covered. Guggenheim Securities, LLC does not cover this company.

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RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	119	59.80%	18	15.13%
Neutral	80	40.20%	5	6.25%
Sell	0	0.00%	0	0.00%

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