

December 2, 2013

## EQUITY RESEARCH MORNING RESEARCH SUMMARY

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# Snap Commentaries - Equities Updates

## INVESTMENT STRATEGY

[John Stoltzfus](#)

212-667-8139

### [Market Strategy Weekly Radar Screen](#)

## CONSUMER & BUSINESS SERVICES

[Anna Andreeva](#)

212-667-7945

### [Uninspiring Initial Read on Black Friday](#)

Early reads on Black Friday weekend results appear to be mixed, with NRF estimating total spending down 3% year/year Thursday through Sunday, and ShopperTrak calling out sales on Thursday/Friday up 2%. Earlier openings on Thanksgiving likely took share from Black Friday, with traffic strongest during first wave from 8 p.m. to post-midnight, followed by a lull 3 a.m.-9a.m., and picking up significantly throughout the day. In our space, teen/young adult retailers saw the largest crowds, and most of the mall was more promotional (50% "new normal" vs. 40% last year), with gross margin pressure across the space continuing into 4Q13. Colder weather (coldest BF in 11 years) was a positive, likely helping drive outerwear/sweater categories. While seasonally December is a month of under-performance for consumer discretionary stocks, we think **PLCE**, **ASNA**, **ANN** and **URBN** set up well to outperform on relative basis.

## HEALTHCARE

[David Ferreiro, Ph.D.](#)

212-667-8163

### Karyopharm Therapeutics (KPTI - \$16.29)

#### Biotechnology

Rating	Market Cap	Price Target / Prior	Earnings Type	2012A / Prior	2013E / Prior	2014E / Prior
O	\$468.0M	\$23.00 /	EPS	(2.71) / --	(3.06) / --	(1.96) / --

### [Novel Mechanism with Broad Applicability in Oncology; Initiating at Outperform](#)

Karyopharm Therapeutics (KPTI) is focused on the development of novel small-molecule therapeutics targeting the nuclear export protein XPO1. KPTI's lead asset Selinexor has demonstrated anti-cancer activity across a wide variety of cancer types. The company appears on track to initiate pivotal trials for three hematological malignancies in 1H14. Of the three, we believe Selinexor's greatest potential is in elderly acute myeloid leukemia (AML), a difficult-to-treat disease with few effective therapies available. Given its novel mechanism, we see broad potential for Selinexor across multiple cancer indications (including solid tumors), as well as potential for combination with other targeted therapies. We are initiating coverage with an Outperform rating, and a price target of \$23, for this November IPO.

**INTERNET**[Jason Helfstein](#)

212-667-6433

**Wix.com Ltd. (WIX - \$20.50)****Internet**

Rating	Market Cap	Price Target / Prior	Earnings Type	2012A / Prior	2013E / Prior	2014E / Prior
O	\$750.3M	\$25.00 /	EBITDA	13 / --	(17) / --	(22) / --

**[So Easy to Use, My 7-Year-Old Created a Website; Initiating with Outperform](#)**

We are initiating coverage of Wix with an Outperform rating and 12-18 month price target of \$25. Wix operates a cloud-based, web-development platform that allows small businesses and individuals to create customized websites without prior coding experience. Leveraging a freemium model, users can design, launch and update a webpage through the Wix platform, at no cost. Once satisfied, users then pay to have the site go live using their own URL and remove ad products. As of 9/30/13, Wix had 39M registered users, with 707K paying subscribers, up 64% y/y. We forecast 43% subscriber growth and 56% revenue growth 2012-2015. IPO'd in November, Wix was founded in 2006, is headquartered in Tel Aviv, and has offices in California, New York, Ukraine and Lithuania.

**TECHNICAL ANALYSIS**[Carter Braxton Worth](#)

212-667-4324

**[C.B. Worth - "Money In Motion" - 12-02-13](#)****HEALTHCARE**[Steven Lichtman](#)

212-667-8160

**[LVAD Market Update](#)**

The 11/27 *New England Journal of Medicine* publication by three LVAD centers on a thrombosis rate increase in THOR's Heartmate II put pressure on THOR shares on Friday. The impact of the report and following press coverage is not likely zero. However, at this point we also don't expect it to be meaningful since: 1) this is not new news to the tight cardiothoracic surgeon community; 2) the broader Intermacs data showed a lower increase in thrombosis than the NEJM report; 3) our survey work has not shown an increase in surgeon concern. Our check with a major institution over the weekend that had already noted an uptick over a year ago to 4-5%, has not seen any further increases. Separately, we discuss HTWR's announced acquisition of privately held Circulite's Synergy pump for Class III patients.

**TECHNOLOGY**[Ittai Kidron](#)

212-667-6292

**[Switching Deep Dive 3Q](#)**

The Ethernet switching market grew 9.7% YoY to \$5.5B in 3Q13; an all-time record despite mixed IT spending. Dell, the only vendor to outperform the market, showed the strongest YoY growth (+11.0%). Cisco's 6.6% growth was respectable considering its size/market position and macro/competitive headwinds. Brocade was the only vendor posting YoY declines. By segment, 1GbE increased 6.2%, 10GbE grew 12.2% and the 40GbE/100GbE segments (~4% of the market) more-than-doubled (all YoY). Despite the market's strong growth, none of the major players posted YoY revenue share gains. Rather, share gains were concentrated with the "other vendors" category (including Arista, Huawei and ZTE) which cumulatively grew ~30% YoY. We expect mixed macro, soft Fed, and new product cycles to weigh on market growth in 4Q13 through mid-2014. Altogether, we're cutting our 2014 market forecast to 5.0% YoY growth (from 6.0%).

## TECHNOLOGY

[Rick Schafer](#)

720-554-1119

[Daily Chip Clips](#)

- Smartphone Chip Vendors Step Up Development of 64-bit Quad-core Solutions
- China May Start 4G License Applications By End of November

## CONSUMER &amp; BUSINESS SERVICES

[Anna Andreeva](#)

212-667-7945

**Ascena Retail Group (ASNA - \$21.30)****Specialty Retailing**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$3,399.2M	\$25.00	EPS	1.25	1.30	1.64

[Expect Modest Sales Beat with GM Pressure; Accretion Story in Early Innings](#)

We expect ASNA to report 1Q14 EPS on December 2nd AMC. As of 4Q13 print on September 24th, consolidated comps were up lsd, with every brand positive, led we believe by momentum at Catherine's/Lane Bryant. Most retailers saw slower September, with October accelerating, which we believe was the case with ASNA, especially on top of Sandy disruption (1% to 2Q13 sales) and as weather became more favorable (likely helping dressbarn and maurice's). ASNA has been the best performing stock in our universe (up 30% since September lows, group up 8%) and remains one of our top picks into '14 as margin recovery story plays out at new businesses and synergies/overhead reduction kick in.

**Oppenheimer Marketing Events**

December 10-11 - 24th Annual Healthcare Conference (New York)--starts next week

February 5 - 4th Annual Oppenheimer Research Summit in London (London)

March 6 - 7th Annual Cloud Services 1-on-1 Conference (New York)

May 11 - 15th Annual Israeli Conference (Tel-Aviv)

May 13 -14 - 9th Annual Industrial Growth Summit (New York)

June 24 - 25 -14th Annual Consumer Conference (Boston)

August 12 - 13 - 17th Annual Technology, Internet & Communications Conference (Boston)

## Important Disclosures and Certifications

Other companies mentioned in this report: 002502.CH 2454.TW 4502.TYO 4523.TYO 763.HK AAPL AAPL AEO  
 AMBI AMGN ANF ANN ARO ASNA AWAY BMY BRCD BRCM CELG CHA CHL CHS CHU  
 CRI CSCO CTRN DELL EIGI FB FOSL GEN.CPH GPS GSK HPQ HTWR IBM JNJ JNPR  
 KPTI LTD LULU MMM MRK NFLX NOVN.SWX NVDA OPEN PCYC PLCE QCOM ROG.SWX  
 SNSS SSH THOR URBN UTDI VOD VZ WIX WWW

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### Stock Prices as of December 2, 2013

Brocade Communications (BRCD - NASDAQ, 8.79, PERFORM)  
 Cisco Systems (CSCO - NASDAQ, 21.25, OUTPERFORM)  
 Facebook, Inc. (FB - NASDAQ, 47.01, OUTPERFORM)  
 Juniper Networks, Inc. (JNPR - NASDAQ, 20.27, PERFORM)  
 Apple Inc. (AAPL - NASDAQ, 556.07, OUTPERFORM)  
 Broadcom Corporation (BRCM - NASDAQ, 26.69, OUTPERFORM)  
 NVIDIA Corp. (NVDA - NASDAQ, 15.60, PERFORM)  
 QUALCOMM Incorporated (QCOM - NASDAQ, 73.58, OUTPERFORM)  
 Amgen Inc. (AMGN - NASDAQ, 114.08, PERFORM)  
 Celgene Corporation (CELG - NASDAQ, 161.77, PERFORM)  
 Apple Inc. (AAPL - NASDAQ, 556.07, OUTPERFORM)  
 American Eagle Outfitters (AEO - NYSE, 16.27, PERFORM)  
 Abercrombie & Fitch Co. (ANF - NYSE, 34.28, OUTPERFORM)  
 Ann, Inc. (ANN - NYSE, 35.67, OUTPERFORM)  
 Aeropostale Inc. (ARO - NYSE, 10.32, PERFORM)  
 Ascena Retail Group (ASNA - NASDAQ, 21.30, OUTPERFORM)  
 Chico's FAS Inc. (CHS - NYSE, 18.69, PERFORM)  
 Carters, Inc. (CRI - NYSE, 70.67, PERFORM)  
 Citi Trends, Inc. (CTRN - NASDAQ, 16.51, PERFORM)  
 FOSSIL, Inc. (FOSL - NASDAQ, 127.27, PERFORM)  
 Gap Inc. (GPS - NYSE, 40.97, PERFORM)  
 L Brands, Inc. (LTD - NYSE, 64.99, UNDERPERFORM)  
 Lululemon Athletica Inc. (LULU - NASDAQ, 69.72, PERFORM)  
 The Childrens Place (PLCE - NASDAQ, 55.00, OUTPERFORM)  
 Urban Outfitters Inc. (URBN - NASDAQ, 39.02, OUTPERFORM)  
 Netflix, Inc. (NFLX - NASDAQ, 365.80, PERFORM)  
 OpenTable, Inc. (OPEN - NASDAQ, 83.57, PERFORM)  
 HeartWare International (HTWR - NASDAQ, 96.40, PERFORM)  
 Sunshine Heart Inc. (SSH - NASDAQ, 9.06, OUTPERFORM)  
 Thoratec Corp. (THOR - NASDAQ, 39.37, OUTPERFORM)  
 Verizon (VZ - NYSE, 49.62, 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.

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**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.

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			Count	Percent
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HOLD [N/P/SP]	293	49.24	98	33.45
SELL [UP/S/U]	9	1.51	4	44.44

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