

Today's Research Highlights

Managed Care

[**FULL NOTE**](#)

New Hepatitis C Therapies - Ahead of the Curve Series

The Cowen Insight

New therapies for Hepatitis C are revolutionizing treatment for the disease. However, the high costs coupled with an estimated patient population of over 3M have forced payors to evaluate coverage protocols. We see the Federal Govt. bearing the brunt of costs associated with Hepatitis C treatment, due to patient demographics coupled with risk mitigation in Medicare & federal matching in Medicaid.

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Refining and Marketing

[**FULL NOTE**](#)

Window into the Commodity Turn

The Cowen Insight

We believe the market has digested the likelihood of 2Q14 earnings misses within the US refining sector, catalyzed by VLO's pre-announcement on 7/15. We see fear as the prevailing sentiment in the market place, and view recent commentary regarding crude exports and crude supply data as positive catalysts ahead of seasonally stronger industry earnings in the fall.

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Telecom & Networking Equipment

[FULL NOTE](#)

Game Of Thrones: Industry Checks & CSCO/MSFT Partnership

The Cowen Insight

Recent industry checks reinforce our longstanding view that the investment community continues to overestimate the risk posed to the communications equipment industry in general and to Cisco in particular by SDN solutions and by VMW's NSX. We believe the agreement between CSCO and MSFT, announced on 7/15/14, further enhances CSCO's strong position in the data center mid to long-term.

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Other Research Today

Price: \$22.64 (07/15/2014)
Price Target: \$21.00

UNDERPERFORM (3)

Key Data

Symbol	NASDAQ: ADTN
Market Cap (MM)	\$1,277.3

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ADTRAN

[FULL NOTE](#)

CY2Q14 Earnings Results – First Blush

The Cowen Insight

We maintain our Underperform rating and oper forecasts pending ADTN's 2Q14 conf call on 7/16/14, at 10:30am EST. While ADNT reported EPS upside, it was entirely driven by better opex and share count. Among our concerns: U.S. rev remains in free-fall and we suspect extremely strong non-U.S. rev was primarily or entirely driven by DT with DT likely at or close to peak level.

Business Services

[FULL NOTE](#)

Business Services: June Quarterly Preview- ADS/V/MA Top Picks

The Cowen Insight

We expect strong quarterly earnings results from our Business Services universe as companies with exposure to consumer/retail spending (MA/V) will likely benefit from a recovery from the prior quarter. Our top BS pick is ADS. Outperform rated FISV should appeal to investors looking at lower beta names with the potential for revenue/ EPS acceleration.

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Entertainment

[FULL NOTE](#)

Cable Network Ratings Snapshot, Week of 7/7/14

The Cowen Insight

Below is our summary of last week's cable network ratings performance for the Big Media stocks. Disney has significantly improving ratings trends; Fox, Discovery, Time Warner, and Viacom all have worsening ratings trends. In terms of absolute trailing 13 week averages, Disney's appear the strongest while Time Warner's ratings appear the weakest.

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Price: \$102.39 (07/15/2014)

Price Target: \$113.00

OUTPERFORM (1)

Key Data

Symbol NYSE: XOM
Market Cap (MM) \$439,701.0

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Price: \$188.49 (07/15/2014)

Price Target: \$190.00

MARKET PERFORM (2)

Key Data

Symbol NYSE: IBM
Market Cap (MM) \$190,786.5

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Exxon Mobil Corporation

[FULL NOTE](#)

2Q to Shift Focus on Accretive Project Start ups & Underlying FCF

The Cowen Insight

Recent project start ups have given us increased confidence that XOM's oil/gas production should inflect next year (we est +2.5% rise from 4.0 MMBOED avg this year), following years of negative growth. Anticipated new project margins of >\$50/boe should bode well for CF profile. Capital discipline & higher asset sales should lead to higher cash distributions - a valuation plus.

Earnings Per Share \$	2013E	2014E	2015E
Cowen	\$7.37A	\$7.96	\$8.20
Consensus	\$7.40	\$7.81	\$7.71

IBM

[FULL NOTE](#)

IBM: AAPL Partnership A Likely Net Positive

The Cowen Insight

IBM's AAPL partnership is a net positive given the possibility of getting a new source of incremental revenue growth, offsetting a contracting legacy revenue base while potentially providing a stabilizing factor for margins. Maintaining Market Perform on systematic challenges impacting services segment. See attached note from yesterday, post-ISC Index call.

Price: \$31.71 (07/15/2014)
Price Target: \$33.00 (Prior \$27.50)

MARKET PERFORM (2)

Key Data

Symbol NASDAQ: INTC
Market Cap (MM) \$157,852.4

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Price: \$103.28 (07/15/2014)
Price Target: \$117.00 (Prior \$107.00)

OUTPERFORM (1)

Key Data

Symbol NYSE: JNJ
Market Cap (MM) \$292,189.4

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Price: \$79.44 (07/15/2014)
Price Target: \$111.00

OUTPERFORM (1)

Key Data

Symbol NYSE: KORS
Market Cap (MM) \$16,257.6

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Intel

[FULL NOTE](#)

Solid Q, Target to \$33; We Missed It

The Cowen Insight

Raising tgt from \$27.50 to \$33 on better guide and shift of basis C15. Record GM in the face of massive mobile losses spring-load P&L for what should be at least ~ \$0.15-0.20 EPS accretion in '15 even in a base case as mobile losses bottom & inflect. That said, semis have now moved past mid-cycle and we remain bearish on consumer PC, esp if AAPL pivots tablet/NB paradigm again in '15 w/a new pdct.

Earnings Per Share \$	2013A	2014E	Prior	2015E	Prior
Cowen	\$1.89	\$2.23	\$2.06	\$2.52	\$2.12
Consensus	\$1.89	\$1.90	\$2.03	\$2.13	\$2.00

Johnson & Johnson

[FULL NOTE](#)

JNJ Share Momentum Should Return Post Solid Q2 Results

The Cowen Insight

We believe the recent strong performance of JNJ shares should continue beyond the solid Q2 results as an improving fundamental outlook for the combined business segments should drive further revenue/EPS outperformances and support under-appreciated OM expansion opportunities. We believe the company is well positioned to beat estimates in 2H'14 and we are moving our price target from \$107 to \$117.

Earnings Per Share \$	2013A	2014E	Prior	2015E	Prior
Cowen	\$5.52	\$5.95	\$5.90	\$6.40	\$6.30
Consensus	\$5.52	\$5.83		\$6.28	

Michael Kors Holdings

[FULL NOTE](#)

KORS - Survey Data Very Encouraging

The Cowen Insight

We believe recent weakness in KORS provides an excellent entry point, as our latest survey data indicates ongoing brand strength in the U.S. Any recent incremental markdown activity in the U.S. – which we have not confirmed – is only one piece of an increasingly complex, global company. We see no current risk to the company's extremely successful brand, business formula and financial algorithm.

Earnings Per Share \$	2014A	2015E		
Cowen	\$3.22	\$3.95		
Consensus	\$3.22	\$3.12	\$3.97	\$3.94

Pharmaceuticals/Major

[FULL NOTE](#)

Fundamentally Driven Growth On Solid Footing, Partially Reflected In Valuations

The Cowen Insight

The group's 6-8% EPS growth prospects, along with a 3.3% dividend yield, result in a low double-digit total return, which we believe is compelling versus the S&P overall. However, an 8-9% premium to the S&P 500 on 2014-15 EPS estimates, versus a 25-year historical average of a modest discount, suggests that this total return is at least partially reflected in the group's valuation.

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Price: \$12.14 (07/15/2014)

Price Target: NA

OUTPERFORM (1)

Key Data

Symbol **NASDAQ: RDUS**
Market Cap (MM) **\$363.0**

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Price: \$56.34 (07/15/2014)

Price Target: \$64.00

OUTPERFORM (1)

Key Data

Symbol **NYSE: RIO**
Market Cap (MM) **\$88,527.1**

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Radius Health

[FULL NOTE](#)

Initiation: A Bone-Tickling Opportunity

The Cowen Insight

We are initiating coverage of Radius Health with an Outperform rating. We view abaloparatide, in Phase III trials for the treatment of osteoporosis, as a low risk development candidate with \$400MM+ U.S. commercial potential. We think abaloparatide's injectable market opportunity might be worth \$22/share, with additional upside possible pending success from Radius's other pipeline assets.

Earnings Per Share \$	2013A	2014E	2015E
Cowen	\$(203.90)	\$(3.95)	\$(2.25)
Consensus	\$0.0	\$0.0	\$0.0

Rio Tinto plc

[FULL NOTE](#)

2Q14 Production Report

The Cowen Insight

Rio Tinto released strong 2Q14 production figures. Iron ore shipments and production increased q/q, primarily as a result of continued growth from the Pilbara. RIO expects the majority of low-cost growth to be delivered in the next two years, with 2015 Pilbara production expected to surpass 330MM mt (100% basis).

Price: \$65.69 (07/15/2014)

Price Target: \$70.00

OUTPERFORM (1)

Key Data

Symbol NASDAQ: SAVE
Market Cap (MM) \$4,812.1

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Colby Synesael

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Price: \$35.61 (07/15/2014)

Price Target: \$32.00

MARKET PERFORM (2)

Key Data

Symbol NASDAQ: YHOO
Market Cap (MM) \$35,852.4

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Spirit Airlines

[FULL NOTE](#)

Margin Guidance Moved Higher on Lower Costs; Outlook Remains Bright

The Cowen Insight

Spirit increased 2Q14 and 2014 operating margin guidance to reflect better-than-expected non-fuel unit costs. During 2Q14 Spirit's operational reliability dramatically improved from last year, resulting in lower re-accommodation costs. We believe management's non-fuel unit cost guidance for the full year is conservative if operational efficiency continues like it did in 2Q.

Earnings Per Share \$	2013A	2014E	2015E
Cowen	\$2.43	\$3.05	\$4.00
Consensus	-	\$2.95	\$3.76

Telecom Services

[FULL NOTE](#)

Wireless Survey - 2Q14

The Cowen Insight

We publish our "Wireless Survey" each quarter in front of earnings. We believe our focus on cross-tabulating the data from two or more questions from the 1,033 survey respondents provides a level of context that is helpful in understanding industry dynamics with a unique level of customer detail that is not easily seen in company reported results.

Yahoo!

[FULL NOTE](#)

Lowering Estimates off Soft 2Q14 Results; Some Clarity on Alibaba

The Cowen Insight

YHOO remains a work in progress given 2Q14 miss off soft Display ad revenue and lower than expected 3Q14 guide resulting in cutting our estimates. YHOO lowered shares for sale in Alibaba IPO (to <30%), will pay full tax on proceeds and return half to S/H. Despite all the moving pieces, maintain Market Perform and \$32 price target.

Earnings Per Share \$	2013A	2014E	2015E
Cowen	\$1.49	\$1.22	\$0.78
Consensus	\$1.46	\$1.62	\$1.80



Upcoming Conferences

7th Annual Global Transportation Conference & Aerospace/Defense Forum

Wednesday, September 3 and Thursday, September 4, 2014

The Boston Harbor Hotel, Boston, Massachusetts

17th Annual Therapeutics Conference

Tuesday, October 7 and Wednesday, October 8, 2014

The New York Marriott Marquis, New York, New York

5th Annual Global Metals, Mining and Materials Conference

Tuesday, November 11 and Wednesday, November 12, 2014

The Sheraton New York Times Square Hotel, New York, New York

4th Annual Ultimate Energy Conference

Tuesday, December 2 and Wednesday, December 3, 2014

The New York Hilton Midtown, New York, New York

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Addendum

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Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 06/30/14

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	417	58.57%	94	22.54%
Hold (b)	279	39.19%	7	2.51%
Sell (c)	16	2.25%	0	0.00%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

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