

Today's Research Highlights

Biotechnology

[**FULL NOTE**](#)

Top 10 Potential Surprises Of 2015

The Cowen Insight

Our annual list of "Top 10 Potential Surprises" for the New Year includes events that are (1) underappreciated by the investment community, (2) have at least some chance of occurring during 2015, and (3) would be associated with significant stock price ramifications. We hope you find it thoughtful, stimulating, and/or entertaining. Happy Holidays! -The Cowen Biotech Team

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Luxury Brands

[**FULL NOTE**](#)

Oliver's Twist on the Mall: Holiday Mall Walk w/ Industry Expert

The Cowen Insight

Promotions Not Worrisome; What's Hot Still Not Obvious. Our Holiday Mall tour w/an industry expert showed most retailers look on plan, implying GM pressure isn't a N-T risk. Traffic has been better than feared (-3% last wk & -3% MTD vs. -4% Nov) but lack of differentiation is likely limiting upside. We saw best execution at LULU, LB, TIF & FOSL, while room for improvement at Gap & teen retailers.

Oliver Chen, CFA
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Price: \$56.30 (12/17/2014)
Price Target: \$76.00 (Prior \$84.00)

OUTPERFORM (1)
Key Data

Symbol NYSE: FLS
Market Cap (MM) \$7,674.2

Joseph Giordano, CFA
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Price: \$16.15 (12/18/2014)
Price Target: \$27.00

OUTPERFORM (1)
Key Data

Symbol NYSE: KING
Market Cap (MM) \$5,086.2

Doug Creutz, CFA
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Price: \$89.74 (12/18/2014)
Price Target: 84.00

MARKET PERFORM (2)
Key Data

Symbol NYSE: ACN
Market Cap (MM) \$59,772.0

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Flowserve

[FULL NOTE](#)

Shares Pricing In An Oil-Linked Contagion That We Do Not See Playing Out

The Cowen Insight

FLS shares have been pressured with crude prices to levels approaching what we believe imply a 2008/2009 contagion that we do not see developing. We are adjusting our PT to \$76 to reflect the near-term likelihood of lower O&G orders, but see earnings, even in a "disaster scenario" as relatively well protected. Crude can weigh into YE, but one to keep an eye on in 2015.

| Earnings Per Share \$ | 2014E | 2015E | Prior | 2016E |
|-----------------------|--------|--------|--------|--------|
| Cowen | \$3.73 | \$4.03 | \$4.40 | \$4.35 |
| Consensus | \$3.75 | \$4.22 | | \$4.66 |

King Digital Entertainment

[FULL NOTE](#)

Our Top Idea for 2015

The Cowen Insight

King is our top stock pick heading into 2015. We believe the current discrepancy between the company's existing fundamentals and its valuation will likely be resolved positively for investors. We also see some significant events (2015 guidance, share lockup expiry) early in the year as likely positive catalysts, as however they play out, uncertainty will be reduced.

| Earnings Per Share \$ | 2013A | 2014E | 2015E | 2016E |
|-----------------------|--------|--------|--------|--------|
| Cowen | \$2.03 | \$2.22 | \$2.21 | \$2.39 |

Other Research Today

Accenture

[FULL NOTE](#)

ACN- "Beat-And-Raise" Quarter; Back-End Loaded Bookings Guidance

The Cowen Insight

Maintain Market Perform rating post "beat and raise" quarter, as we believe hefty valuation doesn't factor a more cautious spending environment and elongated budget cycles in the FS vertical (CY15).

| Earnings Per Share \$ | 2013A | 2014A | 2015E | Prior |
|-----------------------|--------|--------|--------|--------|
| Cowen | \$4.21 | \$4.52 | \$4.76 | \$4.88 |
| Consensus | - | \$4.53 | \$4.83 | |

Price: \$8.50 (12/18/2014)

Price Target: \$14.00

OUTPERFORM (1)

Key Data

| | |
|-----------------|--------------|
| Symbol | NASDAQ: ACHI |
| Market Cap (MM) | \$826.8 |

Charles Rhyee

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Price: \$168.48 (12/18/2014)

Price Target: \$168.00

OUTPERFORM (1)

Key Data

| | |
|-----------------|--------------|
| Symbol | NASDAQ: AMGN |
| Market Cap (MM) | \$128,157.7 |

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Accretive Health

[**FULL NOTE**](#)

What We Know And Don't Know Ahead Of (Hopeful) Restatement

The Cowen Insight

While we still await the filing of restated financials for ACHI, we look at the factors that will impact the financial statements as well as CFFO, which we view as the more critical measure right now. Based on our back of the envelope calculations, at likely under 10x CFFO we believe expectations still remain low and view the risk/reward as very interesting, though not for the faint of heart.

Amgen

[**FULL NOTE**](#)

Year End Tidbits On Amgen

The Cowen Insight

Over the past week we have come across a few datapoints that have the potential to exert a modestly unfavorable (Enbrel, Epogen) or favorable (Neupogen, Kyprolis) impact on a few of Amgen's key franchises. While we think investors will find these datapoints of interest, in aggregate they do not change our outlook on Amgen's earnings potential or the stock.

Biotechnology

[**FULL NOTE**](#)

Antibiotics Physician Call Wrap-Up

The Cowen Insight

On December 17, 2014, we hosted an Antibiotics Physician Consulting Call to discuss the imminent Merck/Cubist Zerbaxa opportunity and the Cempra SOLITAIRE-ORAL trial readout. Our consultant is optimistic on Zerbaxa's approval chances, expects Cubicin's market share to hold up, and is optimistic on upcoming Ph3 Cempra SOLITAIRE-ORAL data.

Price: \$6.16 (12/18/2014)

Price Target: \$8.00

OUTPERFORM (1)

Key Data

Symbol NASDAQ: CERS
Market Cap (MM) \$482.1

Joshua Jennings, M.D.

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Price: \$22.82 (12/18/2014)

Price Target: \$35.00

OUTPERFORM (1)

Key Data

Symbol NYSE: FCX
Market Cap (MM) \$23,710.0

Anthony B. Rizzuto, Jr.

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Price: \$10.42 (12/18/2014)

Price Target: NA

OUTPERFORM (1)

Key Data

Symbol NASDAQ: MACK
Market Cap (MM) \$1,103.3

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Cerus

[FULL NOTE](#)

Back-to-Back FDA Approvals This Week Land INTERCEPT Platelets This Time

The Cowen Insight

The FDA approval decision on INTERCEPT platelets came in ahead of expectations last evening positioning CERS to capitalize on the ~\$250M U.S platelet market opportunity. We expect a modest U.S. adoption ramp for both Plasma and Platelets in the first year of commercialization which should accelerate in 2016 and beyond. We reiterate our Outperform rating and \$8 PT.

| Earnings Per Share \$ | 2013A | 2014E | 2015E |
|-----------------------|----------|----------|----------|
| Cowen | \$(0.56) | \$(0.51) | \$(0.39) |
| Consensus | \$(0.63) | \$(0.58) | \$(0.47) |

Freeport-McMoRan

[FULL NOTE](#)

Caught in an Oily Situation - It's Not as Bad as It Seems

The Cowen Insight

We believe FCX could begin to show signs of life after apparently being left for dead in oil's precipitous fall. A substantial reduction in spending and the rectification of the disproportionate focus on energy could be catalysts to send shares higher, in our view. We believe FCX's strong asset base and dividend yield create a compelling investment story.

| Earnings Per Share \$ | 2014E | 2015E | 2016E |
|-----------------------|--------|--------|--------|
| Cowen | \$1.89 | \$1.35 | \$3.00 |
| Consensus | \$2.16 | \$2.36 | \$4.57 |

Merrimack Pharmaceuticals

[FULL NOTE](#)

An Eventful 2015 On Tap

The Cowen Insight

Merrimack hosted an Analyst Day yesterday. The company is on track to complete an NDA filing in H1:15 for MM-398 for gemcitabine-refractory pancreatic cancer, a ~19K U.S. patient opportunity. Merrimack also plans to develop MM-398 in front-line pancreatic cancer and gastric cancer, and is formalizing Phase III development plans for MM-121 in advance of a potential near-term partnership.

| Earnings Per Share \$ | 2013A | 2014E | 2015E | |
|-----------------------|----------|----------|----------|----------|
| Cowen | \$(1.32) | \$(0.88) | | \$(1.35) |
| Consensus | \$(1.27) | \$(0.78) | \$(1.16) | \$(1.10) |
| | | | | \$(0.96) |

Price: \$45.58 (12/18/2014)

Price Target: \$50.00

OUTPERFORM (1)

Key Data

Symbol NYSE: PEB
Market Cap (MM) \$3,255.6

James Sullivan

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Price: \$61.50 (12/18/2014)

Price Target: \$74.00

OUTPERFORM (1)

Key Data

Symbol NASDAQ: RHT
Market Cap (MM) \$11,551.1

Gregg Moskowitz, CFA

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Price: \$4.97 (12/18/2014)

Price Target: \$13.00

OUTPERFORM (1)

Key Data

Symbol NASDAQ: TRVN
Market Cap (MM) \$187.0

Ritu Baral

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Pebblebrook Hotel Trust

[FULL NOTE](#)

Raising Estimates And Price Target For 4Q Acquisitions, Share Issuance

The Cowen Insight

We increased our 2015 FFO/sh estimate for Pebblebrook to adjust for the four acquisitions announced and the share issuance in the 4th quarter. In addition, we have raised our price target \$6 to \$50 and maintain our Outperform rating.

| Funds From Operations \$ | 2013A | 2014E | 2015E |
|--------------------------|--------|--------|--------|
| Cowen | \$1.48 | \$1.93 | \$2.43 |
| Consensus | \$1.45 | \$1.92 | \$2.35 |

Red Hat

[FULL NOTE](#)

3Q Results Impressive, in Every Aspect

The Cowen Insight

RHT reported an extremely strong F3Q that was materially above our expectations. Despite facing a much tougher comp, billings growth of 19% y/y trounced the Street's 12% forecast. Revenue and operating margins also exceeded expectations. RHT remains one of our top picks over the NTM, and we raise our PT to \$74.

| Earnings Per Share \$ | 2014A | 2015E | 2016E |
|-----------------------|--------|--------|--------|
| Cowen | \$1.49 | \$1.58 | \$1.86 |
| Consensus | - | \$1.55 | \$1.84 |

Trevena

[FULL NOTE](#)

Initiation: TRVN's Biased Ligands Leave Us Biased Toward Upside

The Cowen Insight

We believe Trevena's TRV130 for acute postoperative pain has potential to bypass current postoperative pain relief treatment options. We believe TRV027 has potential to become a key therapy for AHF and benefit from an Actavis milestone payment.

| Earnings Per Share \$ | 2014E | 2015E | 2016E |
|-----------------------|----------|----------|----------|
| Cowen | \$(1.93) | \$(2.01) | \$(1.59) |
| Consensus | \$(2.17) | \$(1.48) | \$(1.14) |

Upcoming Conferences

36th Annual Aerospace/Defense Conference & Transport One-on-One Forum

Wednesday, February 4 and Thursday, February 5, 2015

The Palace Hotel, New York, New York

35th Annual Health Care Conference

Monday, March 2 through Wednesday, March 4, 2015

The Boston Marriott Copley Place, Boston, Massachusetts

43rd Annual Technology, Media & Telecom Conference

Wednesday, May 27 and Thursday, May 28, 2015

The Palace Hotel, 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 09/30/14

| Rating | Count | Ratings Distribution | Count | IB Services/Past 12 Months |
|----------|-------|----------------------|-------|----------------------------|
| Buy (a) | 440 | 59.95% | 105 | 23.86% |
| Hold (b) | 278 | 37.87% | 10 | 3.60% |
| Sell (c) | 16 | 2.18% | 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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