

MORNING SUMMARY

January 5, 2015

RESEARCH AND MARKET COMMENTARY

Topic	Current Rating	ACTION		ESTIMATE CHANGES					Main Topic
		Rating	Price Target	Metric	Current Quarter	Next Quarter	Current FY	Next FY	
ACT	B	—	▲	Revenue (\$M)	—	—	—	—	Company Update
LLY	B	—	▲	Revenue (\$B)	▲	—	▲	▼	Estimate Changes
RAD	B	—	▲	EBITDA (\$M)	—	—	▼	—	Price Target Change

Energy: Discontinuation of Coverage: AKSO and HERO**Specialty Pharmaceuticals: ZTS, PAHC, KIN - BUY - Reasons to Take Another Look at Animal Health in '15****WRG Financial Services: Jan. 5 to Jan. 9: Payday Lending Limits Priority for CFPB in 2015****WRG Politics: We're on to 2015: Legislative Whack-a-Mole and Veto Chicken – Week Ahead (DC Download)****WRG Weekly Checkup: Jan. 5-9: Congress Returns; FDA Meets on Biosimilars, LDTs**

PRICE TARGET CHANGES

RAD - BUY - The Path to \$10...Will Not Be a Straight Line—Raising PT and Would Buy Below \$8.50John Heinbockel
212 381 4135, john.heinbockel@guggenheimpartners.com**[CLICK HERE TO ACCESS THIS REPORT](#)**

BUY			
RAD	\$7.63	Price Target	
		\$10.00	
Current Q	Next Q	Current FY	Next FY
\$335.7	\$321.7	\$1,274.8	\$1,325.5
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$7,488	EBITDA (\$M)	10.3x	9.9x

- Although RAD shares have recovered almost all of their sharp decline between May and September, we see additional upside from here, are raising our price target to \$10, and would Buy them below \$8.50 at any point over the next year. However, we believe they will likely remain volatile, with prospects for a strong, flu-driven EBITDA 4Q beat driving them higher over the next few months before potentially cautious 2016 guidance spurs some profit-taking in April.
- Driven by an early, robust flu season as well as favorable weather comparisons, we expect comps should exceed the recent trend-line in both January and February. This top-line strength would, in turn, enable 4Q EBITDA to exceed the high end of guidance (\$326M). We believe the shares could well rise another 10-15% in the next 2-3 months on the back of these catalysts.
- That said, we expect initial 2016 guidance, to be provided in early April, to be cautious. Not only are the concerns over pharmacy reimbursement pressure that spurred the September guide-down likely real, but we would be surprised if management did not return to its historical conservatism following a year in which it had to lower guidance in consecutive quarters. We can envision an initial range of \$1,250-1,350M, with the midpoint below the current consensus.
- We would view any correction that takes the shares back below \$8.50 as a compelling entry point heading into 2H15. Simply put, we expect EBITDA momentum should accelerate in late 2015/early 2016 on the back of the next generic wave, led by Nexium, moderating reimbursement pressure, and

greater Rx share gains at the expense of poorly positioned channels.

- The rationale behind our \$10 price target is straightforward. CY2016 EBITDA could approach \$1,450M, total debt could drop to \$4.8B, and the NPV of the NOLs is ~\$1.1B-plus. As a result, the NOL-adjusted EBITDA multiple, at \$10, would be 9.8x, in line with where the shares traded earlier this year and the company's drug retail peers. This valuation is probably unsustainable longer-term, but we think it can likely be achieved and temporarily held as long as the company is in the midst of an acceleration in operating momentum.

ACT - BUY - Earnings Potential of ACT and AGN Brand Pipeline Drives Our PT Increase for ACT Shares to \$300 from \$285

Louise Chen

212 381 4195, louise.chen@guggenheimpartners.com

Swati Kumar

212 918 8754, swati.kumar@guggenheimpartners.com

[CLICK HERE TO ACCESS THIS REPORT](#)

BUY			
ACT	\$259.13	Price Target \$300.00	
Current Q	Next Q	Current FY	Next FY
\$3,749.0	-	\$12,580.9	\$15,263.5
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$68,685	Rev(\$M)	-	-

- Conclusion:** We looked at the earnings potential of ACT and AGN's combined brand product pipeline given a lot of investor interest regarding this analysis post the deal announcement. We think ACT will likely reevaluate the ACT/AGN pipeline after the deal closes in 2Q15, so this is our first take at analyzing the combined portfolio. Earlier this year we did a [deep dive](#) on ACT's standalone pipeline before the AGN deal was announced and our note today expands upon that analysis.
- The increase in our PT is driven by multiple expansion since we expect a greater percentage of ACT's sales to come from higher margin, more durable brand products. We use a blend of P/E, DCF, and Sum of the Parts analysis to arrive at our new 12-month PT of \$300. We believe the stock will gradually be re-rated when ACT/AGN successfully launches these drugs in '15+. Post the AGN deal close, we estimate 66% of ACT's sales will come from brands in '16 (up from 13% before the FRX deal).
- Based on our analysis, we conservatively estimate that together AGN and ACT's brand pipeline could achieve annual peak sales of \$9.4B, which could translate into \$10.56 in EPS. For context, we estimate total standalone ACT sales and EPS of \$15.3B and \$16.20, respectively, in '15 (only includes \$30MM for pipeline drugs).
- The combined AGN/ACT brand drug pipeline has a total of 68 products, by our analysis. In the body of our note we get into much more detail about each product (indication, competitive advantage, patents, peak sales potential, rights, ownership, and partnerships). In our view, the most interesting/important products in the ACT/AGN brand drug pipeline include eluxoadoline, DARPin, bimatoprost for hair loss, additional indications for Botox and Restasis X.

LLY - BUY - Lilly for 2015: Earnings With Novartis Animal Health Yet Without Intangible Amortization; Raising PT

Tony Butler, PhD

212 823 6540, tony.butler@guggenheimpartners.com

[CLICK HERE TO ACCESS THIS REPORT](#)

BUY			
LLY	\$70.06	Price Target \$83.00	
Current Q	Next Q	Current FY	Next FY
\$5.4	\$5.0	\$19.8	\$21.5
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$78,007	Rev(\$B)	-	-

- Lilly will host a conference call on Wednesday, January 7, to provide guidance for 2015. Lilly stated in its Q3 SEC report that it would exclude intangible amortization going forward in 2015. We estimate excluding intangible amortization adds \$0.29 to earnings in 2015.
- We are fine-tuning our estimates for 2015 based on exclusion of intangible amortization, the closure of Novartis Animal Health acquisition, and new products. We forecast earnings of \$3.36 in 2015 and \$3.75 in 2016. Based on our analysis, we believe Lilly could provide an earnings guidance range of \$3.30-\$3.40 for 2015. We are boosting our price target slightly to \$83 from \$80, based on 22x our 2016 EPS estimate of \$3.75.
- The expected timing of the closing of the Novartis Animal Health acquisition in Q1 will likely have an effect on 2015 profit. We expect the Novartis Animal Health franchise to pressure Lilly margins initially, as it is less profitable than Lilly's current animal health business.
- New products in Oncology and Diabetes contribute to our revenue growth estimate of 9% Y/Y in 2015.

COMPANY AND INDUSTRY UPDATES

ZTS, PAHC, KIN - BUY - Reasons to Take Another Look at Animal Health in '15**Louise Chen**

212 381 4195, louise.chen@guggenheimpartners.com

Swati Kumar

212 918 8754, swati.kumar@guggenheimpartners.com

[CLICK HERE TO ACCESS THIS REPORT](#)

Conclusion: We think investors should own a basket of public Animal Health companies. Although some of the companies may not successfully achieve their business objectives, we believe that the ones that do will generate outsized returns given under-investment in the sector.

Expect renewed interest in Animal Health in '15. Pipeline setbacks and lack of long-term earnings visibility (EU economic downturn, U.S. drought) drove investors away from Animal Health in '13 and '14. In '15 and beyond, we expect pipeline advancements, M&A, and improved earnings visibility for Animal Health companies to generate renewed interest in the space. We also expect more independent, stand-alone Animal Health companies to go public over time. In the U.S., Animal Health started to become a publicly investable space with ZTS' spin-out from PFE followed by the IPOs of PETX, KIN, PAHC and PARN. There are still many private Animal Health companies in the industry including: Nexvet (filed IPO 12/30/14), Premune, Putney Vet, and SmartVet, among others. Finally, there are opportunities to invest in European Animal Health companies as well. The European Animal Health market was a publicly investable space before the U.S., with companies such as Virbac, Vetoquinol, and Oasmia, among others.

The Animal Health industry is a \$23B market growing mid-single digits for the foreseeable future. Although industry sources such as Vetnosis point to 6% sales growth for the industry, our due diligence of top players in the space shows that average growth (not market cap weighted) in 3Q14 was 9.9%.

Global trends support the need for Animal Health Drugs. Global population growth will drive the need for animal proteins. According to the United Nations World Population Prospects, the world will add over 2B people by 2050.

Animal Health drugs are more durable than human drugs. ZTS said its top selling drugs have an average life cycle of 27 years. Also, unlike the Human Health market, there is very little generic competition for Animal Health drugs. Only 7% of FDA CVM approved drugs have a generic equivalent.

Animal health has better dynamics than human health. There is less pricing pressure (cash pay). Also, generic competition will be limited for the foreseeable future. And, Animal Health drugs can be developed in half the time and at a fraction of the cost of human health drugs.

We expect consolidation of Animal Health companies to continue. Following in the footsteps of the Human Health industry, we have started to see increasing consolidation in Animal Health as well, and we expect this to continue as players need to get larger faster to remain competitive.

Discontinuation of Coverage: AKSO and HERO**Darren Gacicia**

212 293 3054, darren.gacicia@guggenheimpartners.com

[CLICK HERE TO ACCESS THIS REPORT](#)

This report was published on Friday, January 2, 2015.

We are discontinuing coverage of Aker Solutions and Hercules Offshore in order to reallocate our resources to other coverage areas.

Please see links below to our most recent notes on the companies. Our current valuation and risks for AKSO and HERO can be found on pages 2 through 5 of this report.

[AKSO - BUY - Shares Undervalued but Lowering PT on Cautious Outlook \(11/10/2014\)](#)

[RIG, ESV, HERO - Update for FSRs \(11/20/2014\)](#)

Ticker	Price Share	Market Cap (M)	Rating		Price Target		Current EPS			Previous EPS		
			Current	Previous	Current	Previous	2014	2015	2016	2014	2015	2016
AKSO.N	NOK41.55	NOK11,385	Buy		NOK75.00		4.15E	5.40E	6.70E	—	—	—
HERO	\$1.00	\$161	Neutral		NA		(0.38)E	(0.46)E	(0.71)E	—	—	—

MARKET COMMENTARY AND DESK ANALYSIS**Jan. 5 to Jan. 9: Payday Lending Limits Priority for CFPB in 2015****THIS MATERIAL IS MARKET COMMENTARY AND NOT A RESEARCH REPORT****Jaret Seiberg**

202-747-9461, jaret.seiberg@guggenheimpartners.com

[CLICK HERE TO ACCESS THIS REPORT](#)

Our Washington calendar of financial policy events is at the end of this note, but first a few comments on a report in the *Wall Street Journal* on efforts by

the Consumer Financial Protection Bureau (CFPB) to regulate payday lending.

Our View

- We believe the *Wall Street Journal* story supports our view that the CFPB wants to both limit the number of payday loans a borrower can get as well as provide borrowers with the ability to repay the loan over an extended period of time.
- Our expectation is that this will force payday lenders to adjust how they do business and it may shrink the size of the payday lending market. This will generally favor the largest players, which are best suited to bear the costs of these changes.

More Details

We expect today's *Wall Street Journal* story will spark investor interest in what the Consumer Financial Protection Bureau has in store for the payday lending industry. This is an issue we have discussed since the CFPB was created in 2010.

We're on to 2015: Legislative Whack-a-Mole and Veto Chicken – Week Ahead (DC Download)

THIS MATERIAL IS MARKET COMMENTARY AND NOT A RESEARCH REPORT

Chris Krueger

202-747-9469, chris.krueger@guggenheimpartners.com

CLICK HERE TO ACCESS THIS REPORT

This is the first week of the Obama Administration without a Democratic majority in either the Senate or the House. Veto chicken will begin early as the House and Senate are readying a bill to approve the Keystone XL pipeline project. Also up in the legislative queue is a bill that would define a full workweek as being 40 hours for the purpose of ObamaCare/ACA. These bills are symbolic of the type of legislation we expect in Washington this year, as the GOP Congress will be playing a game of veto chicken, that is, dare Obama to veto relatively bipartisan measures that enjoy broad public support. **We expect Obama to veto both bills (Keystone and 40-hour work week), unless the GOP adds policy sweeteners to make a veto too difficult for Obama.** Obama has only used his veto pen twice during his Presidency – we expect it to get a lot more use in his final two years. The first of the mini-policy cliffs (Whack-a-Mole) is the funding measure for the Department of Homeland Security, which expires on February 28. The Senate will also begin work on three confirmation processes for Attorney General (Loretta Lynch), Secretary of Defense (Ash Carter), and Treasury Undersecretary (Antonio Weiss) – the most interesting may be the lower-profile Treasury post, and it is not a GOP-led fight but rather a Democratic rebellion on the Left led by Sen. Elizabeth Warren (D-MA). Warren is objecting to Weiss's past experience on Wall Street where he advised on the Tim Horton's-Burger King "inversion" deal. The House will be sworn-in tomorrow and the first vote will be to elect the Speaker of the House. We fully expect John Boehner (R-OH) to be elected to a third term as Speaker, despite some Tea Party rumblings and the long-shot candidacy of Rep. Louie Gohmert (R-TX).

President Obama has returned from his vacation in Hawaii and is back on the road this week in a test run of his January 20th State of the Union Address (SOTU). **Obama will highlight the rebounding economy in Detroit on Wednesday (focus on autos and manufacturing), Phoenix on Thursday (housing), and Tennessee on Friday (education initiatives).** Obama is expected to continue similar speeches for the next two weeks in the run-up to the SOTU. Along with an economic victory lap, we also expect the SOTU to be bookended with a rigorous defense of the executive actions taken since the midterms (Net Neutrality comments; coal/emissions deal with China; immigration executive action that shielded ~5M undocumented immigrants from deportation; EPA regulation curbing emissions of ozone; delay of the Iran nuclear talks for seven months; and, normalizing diplomatic relations with Cuba). Obama also hosts the President of Mexico tomorrow, the FOMC minutes are released on Wednesday, and the week ends in Washington with the final 2014 Jobs Report.

Jan. 5-9: Congress Returns; FDA Meets on Biosimilars, LDTs

THIS MATERIAL IS MARKET COMMENTARY AND NOT A RESEARCH REPORT

Rick Weissenstein

202-747-9464, rick.weissenstein@guggenheimpartners.com

Eric Assaraf

202-747-9452, eric.assaraf@guggenheimpartners.com

Amy Thornton

202-747-9473, amy.thornton@guggenheimpartners.com

CLICK HERE TO ACCESS THIS REPORT

- The 114th Congress convenes this week and the GOP will waste no time in attempting to dismantle ObamaCare. The House has tentatively scheduled a Jan. 8 vote on changing the ObamaCare 30-hour work week to 40 hours. The bill has passed the House in prior years but now has a chance to reach the President's desk with the GOP taking over the Senate.

FDA Meeting on Biosimilars

- As we wrote in last week's [FDA Advisory Committee Tracker](#), the FDA will kick off 2015 with a first-of-its-kind advisory committee review for a biosimilar application when the Oncologic Drugs Advisory Committee convenes Wednesday to review **Sandoz's (Novartis)** application for a biosimilar version of **Amgen's Neupogen** (filgrastim).
- FDA's description of the goal of the biosimilar committee meetings should be reassuring for the first biosimilar sponsors: the agency wants public discussion and education rather than serious debate about approvability. However, there is a downside to being the pioneers on the new pathway and the committee discussion could be troubling for the sponsors even if the outcome is not.
- The oncology committee is likely to have difficulties understanding the agency's emphasis on characterization of the biologics and the approach to

setting “biosimilarity” as the standard, rather than traditional safety and efficacy trials. Indeed, FDA appears to be planning to follow a different format than the more typical NDA review, likely to allow for inclusion of educational presentations on the new pathway.

- All indications are that the first-ever biosimilar advisory committee review won't be the last as FDA apparently intends to hold public meetings for at least the first wave of biosimilar filings. The agency has set aside tentative dates in March (March 17-18) for the Arthritis Advisory Committee. That would be a logical time to review **Celltrion/Hospira's** version of **J&J's Remicade** (infliximab). **Apotex/Intas'** version of **Amgen's Neulasta** (pegfilgrastim) likely has a review deadline in August, suggesting another ODAC for a biosimilar could come in the early summer.

Equity Research: Coverage Universe

ENERGY

Subash Chandra, CFA | Subash.Chandra@guggenheimpartners.com | 212 918 8771

Exploration and Production	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Anadarko Petroleum Corporation	APC	Buy	\$82.29	\$89.00	\$41,676
Continental Resources	CLR	Buy	\$38.79	\$48.00	\$14,438
Newfield Exploration Company	NFX	Buy	\$26.60	\$30.00	\$3,650
Oasis Petroleum Inc.	OAS	Buy	\$17.04	\$19.00	\$1,727
RSP Permian, Inc.	RSPP	Neutral	\$25.25	NA	\$1,952
SM Energy Corporation	SM	Neutral	\$38.37	NA	\$2,586
Southwestern Energy Co.	SWN	Neutral	\$27.17	NA	\$9,594
Whiting Petroleum Corp.	WLL	Neutral	\$33.19	NA	\$5,574

Darren Gacicia | Darren.Gacicia@guggenheimpartners.com | 212 293 3054

Offshore Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Atwood Oceanics, Inc.	ATW	Buy	\$28.67	\$50.00	\$1,845
Diamond Offshore Drilling Inc.	DO	Neutral	\$37.23	NA	\$5,106
Ensco plc	ESV	Neutral	\$30.17	NA	\$7,068
Noble Corp.	NE	Buy	\$16.84	\$22.00	\$4,248
Ocean Rig UDW Inc.	ORIG	Neutral	\$9.42	NA	\$1,244
Pacific Drilling S.A.	PACD	Buy	\$4.71	\$11.00	\$989
Rowan Companies Inc.	RDC	Neutral	\$23.72	NA	\$2,954
Seadrill Ltd.	SDRL	Neutral	\$12.01	NA	\$5,922
Transocean Ltd.	RIG	Neutral	\$18.12	NA	\$6,564

Small/Mid Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
CARBO Ceramics Inc.	CRR	Neutral	\$39.72	NA	\$917
Core Laboratories NV	CLB	Buy	\$119.31	\$145.00	\$5,225
Dril-Quip, Inc.	DRQ	Neutral	\$76.55	NA	\$3,022
Forum Energy Technologies, Inc.	FET	Buy	\$20.95	\$26.00	\$1,972
Oceaneering International, Inc.	OII	Neutral	\$58.85	NA	\$6,180
Superior Energy Services, Inc.	SPN	Neutral	\$20.62	NA	\$3,138
U.S. Silica Holdings, Inc.	SLCA	Buy	\$26.51	\$45.00	\$1,429

Michael LaMotte | Michael.LaMotte@guggenheimpartners.com | 972 638 5502

Large Cap Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Cameron International, Inc.	CAM	Neutral	\$49.88	NA	\$9,849
FMC Technologies, Inc.	FTI	Neutral	\$46.52	NA	\$10,879
National Oilwell Varco	NOV	Buy	\$65.49	\$80.00	\$28,198
Tenaris	TS	Buy	\$29.91	\$45.00	\$17,655

Large Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Baker Hughes, Inc.	BHI	Buy	\$56.17	\$81.00	\$24,299
Halliburton Company	HAL	Buy	\$39.49	\$55.00	\$33,466
Schlumberger, Ltd.	SLB	Buy	\$85.67	\$105.00	\$110,240
Weatherford International, Ltd.	WFT	Neutral	\$11.65	NA	\$9,015

Land Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Helmerich & Payne	HP	Neutral	\$67.34	NA	\$7,290
Nabors Industries	NBR	Neutral	\$12.49	NA	\$3,615
Patterson UTI	PTEN	Neutral	\$16.65	NA	\$2,438
Seventy Seven Energy Inc.	SSE	Neutral	\$5.74	NA	\$292

SMID Cap Services and Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
C&J Energy Services, Inc.	CJES	Neutral	\$13.36	NA	\$739
Dresser-Rand Group Inc.	DRC	Neutral	\$81.88	NA	\$6,276
Frank's International N.V.	FI	Neutral	\$16.28	NA	\$2,512
Oil States International Inc.	OIS	Neutral	\$48.64	NA	\$2,586
Tesco Corporation	TESO	Neutral	\$12.91	NA	\$512

FINANCIAL SERVICES: BANKS

Taylor Brodarick | Taylor.Brodarick@guggenheimpartners.com | 615 208 1222

Business Development Companies	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Ares Capital Corporation	ARCC	Buy	\$15.85	\$18.50	\$4,979
Hercules Technology Growth Capital, Inc.	HTGC	Buy	\$15.12	\$17.00	\$971

Community Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Bridge Bancorp, Inc.	BDGE	Buy	\$26.50	\$29.00	\$309
ConnectOne Bancorp, Inc.	CNOB	Buy	\$18.86	\$24.00	\$559
FCB Financial Holdings, Inc.	FCB	Neutral	\$23.77	NA	\$1,011
First Financial Bancorp.	FFBC	Neutral	\$18.30	NA	\$1,123
First Midwest Bancorp, Inc.	FMBI	Buy	\$16.79	\$20.00	\$1,264
Independent Bank Corp.	INDB	Buy	\$42.05	\$43.00	\$1,007
OFG Bancorp	OFG	Buy	\$16.50	\$19.00	\$737
S&T Bancorp Inc.	STBA	Neutral	\$29.22	NA	\$871
Seacoast Banking Corp. of Florida	SBCF	Buy	\$13.70	\$14.50	\$454
United Community Banks Inc.	UCBI	Neutral	\$18.69	NA	\$1,126
Washington Trust Bancorp Inc.	WASH	Neutral	\$39.61	NA	\$662
WesBanco, Inc.	WSBC	Neutral	\$34.22	NA	\$1,002

Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
First BanCorp	FBP	Buy	\$5.74	\$6.00	\$1,223
Old National Bancorp	ONB	Neutral	\$14.63	NA	\$1,720
Popular, Inc.	BPOP	Buy	\$34.08	\$39.00	\$3,526
United Bancshares Inc.	UBSI	Neutral	\$37.01	NA	\$2,561

David Darst | David.Darst@guggenheimpartners.com | 615 208 1224

Community Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Citizens Financial Group, Inc.	CFG	Buy	\$24.76	\$27.50	\$13,512
Community Bank System Inc.	CBU	Neutral	\$37.71	NA	\$1,531
Flushing Financial Corp.	FFIC	Buy	\$20.02	\$22.00	\$594
NBT Bancorp Inc.	NBTB	Neutral	\$25.73	NA	\$1,125
Sterling Bancorp	STL	Buy	\$14.08	\$15.00	\$1,181

Payments & Credit Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
MasterCard Incorporated	MA	Buy	\$85.68	\$97.00	\$99,092
Visa Inc.	V	Buy	\$265.02	\$270.00	\$163,922

Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Astoria Financial Corporation	AF	Buy	\$13.24	\$14.50	\$1,321
BankUnited, Inc.	BKU	Neutral	\$28.99	NA	\$2,947
Comerica Inc.	CMA	Buy	\$46.29	\$53.00	\$8,318
Fifth Third Bancorp	FITB	Buy	\$20.21	\$23.00	\$16,653
First Niagara Financial Corporation	FNFG	Neutral	\$8.37	NA	\$2,974
Fulton Financial Corp.	FULT	Neutral	\$12.33	NA	\$2,284
Huntington Bancshares Inc.	HBAN	Neutral	\$10.50	NA	\$8,552
Investors Bancorp, Inc.	ISBC	Neutral	\$11.05	NA	\$3,944
KeyCorp	KEY	Buy	\$13.86	\$16.00	\$12,007
M&T Bank	MTB	Neutral	\$125.39	NA	\$16,566
New York Community Bancorp	NYCB	Neutral	\$15.94	NA	\$7,056
People's United Financial	PBCT	Neutral	\$15.15	NA	\$4,666
Signature Bank	SBNY	Buy	\$125.25	\$140.00	\$6,302
Susquehanna Bancshares	SUSQ	Neutral	\$13.47	NA	\$2,442
Valley National Bancorp	VLV	Neutral	\$9.63	NA	\$2,229
Webster Financial Corp.	WBS	Buy	\$32.30	\$35.00	\$2,915
Zions Bancorp	ZION	Neutral	\$28.29	NA	\$5,741

FINANCIAL SERVICES: BANKS

Eric Wasserstrom | Eric.Wasserstrom@guggenheimpartners.com | 212 823 6571

Payments & Credit Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
American Express Company	AXP	Buy	\$93.02	\$109.00	\$96,246
Discover Financial Services	DFS	Buy	\$65.36	\$72.00	\$29,639
Super Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
BB&T Corporation	BBT	Neutral	\$38.65	NA	\$27,840
Capital One Financial	COF	Buy	\$82.49	\$95.00	\$45,862
CIT Group Inc.	CIT	Buy	\$47.51	\$55.00	\$8,693
First Horizon National Corp.	FHN	Buy	\$13.41	\$16.00	\$3,155
PNC Financial Services	PNC	Neutral	\$90.82	NA	\$47,790
Regions Financial Corp.	RF	Neutral	\$10.51	NA	\$14,467
SunTrust Banks	STI	Neutral	\$41.73	NA	\$21,760
U.S. Bancorp	USB	Neutral	\$44.83	NA	\$80,218
Wells Fargo & Company	WFC	Neutral	\$54.70	NA	\$283,763
Universal Banks & Brokers	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Bank of America Corporation	BAC	Buy	\$17.90	\$20.00	\$188,244
Citigroup Inc.	C	Neutral	\$54.26	NA	\$164,380
Goldman Sachs Group, Inc.	GS	Buy	\$194.41	\$215.00	\$87,522
JPMorgan Chase & Co.	JPM	Neutral	\$62.49	NA	\$233,599
Morgan Stanley	MS	Buy	\$38.71	\$42.00	\$75,771

HEALTHCARE

Tony Butler | Tony.Butler@guggenheimpartners.com | 212 823 6540

Biopharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AbbVie Inc.	ABBV	Neutral	\$65.89	NA	\$104,993
Bristol-Myers Squibb Company	BMJ	Neutral	\$59.51	NA	\$98,714
Eli Lilly and Company	LLY	Buy	\$70.06	\$83.00	\$78,007
Johnson & Johnson	JNJ	Neutral	\$104.52	NA	\$292,563
Kite Pharma, Inc.	KITE	Buy	\$60.61	\$73.00	\$2,536
Merck & Co. Inc.	MRK	Neutral	\$57.19	NA	\$163,041
Regeneron Pharmaceuticals, Inc.	REGN	Buy	\$410.16	\$432.00	\$41,699
Tesaro, Inc.	TSRO	Buy	\$38.73	\$46.00	\$1,397
Vertex Pharmaceuticals Incorporated	VRTX	Buy	\$123.07	\$147.00	\$29,601

Bret Holley | Bret.Holley@guggenheimpartners.com | 212 293 2820

Biotechnology	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Alexion Pharmaceuticals	ALXN	Buy	\$186.60	\$225.00	\$37,000
Amgen Inc.	AMGN	Neutral	\$159.89	NA	\$121,624
Ariad Pharmaceuticals, Inc.	ARIA	Neutral	\$6.89	NA	\$1,290
Biogen Idec Inc.	BIIB	Neutral	\$342.01	NA	\$80,768
Biota Pharmaceuticals, Inc.	BOTA	Neutral	\$2.46	NA	\$86
Celldex Therapeutics, Inc.	CLDX	Buy	\$18.41	\$30.00	\$1,649
Celgene Corporation	CELG	Buy	\$113.52	\$133.00	\$90,669
Gilead Sciences, Inc.	GILD	Buy	\$94.91	\$131.00	\$143,187
Five Prime Therapeutics, Inc.	FPRX	Buy	\$27.71	\$24.00	\$597
ImmunoGen, Inc.	IMGN	Neutral	\$6.49	NA	\$558
Incyte Corporation	INCY	Buy	\$73.76	\$85.00	\$12,461
Intra-Cellular Therapies, Inc.	ITCI	Buy	\$17.57	\$24.00	\$517
Merrimack Pharmaceuticals, Inc.	MACK	Buy	\$11.43	\$13.00	\$1,210
Seattle Genetics, Inc.	SGEN	Neutral	\$32.54	NA	\$4,031
TetraLogic Pharmaceuticals	TLOG	Buy	\$5.19	\$10.00	\$116
United Therapeutics Corporation	UTHR	Neutral	\$127.73	NA	\$6,068
Verastem, Inc.	VSTM	Buy	\$9.45	\$20.00	\$245

HEALTHCARE

Louise Chen | Louise.Chen@guggenheimpartners.com | 212 381 4195

Swati Kumar | Swati.Kumar@guggenheimpartners.com | 212 918 8754

Specialty Pharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AcelRX Pharmaceuticals, Inc.	ACRX	Buy	\$6.81	\$15.00	\$298
Actavis, Inc.	ACT	Buy	\$259.13	\$300.00	\$68,685
Akorn, Inc.	AKRX	Buy	\$36.07	\$50.00	\$3,889
Allergan Inc.	AGN	Neutral	\$212.75	NA	\$63,378
ANI Pharmaceuticals, Inc.	ANIP	Buy	\$56.99	\$65.00	\$646
Antares Pharma Inc.	ATRS	Buy	\$2.59	\$6.00	\$341
Dermira, Inc.	DERM	Buy	\$17.70	\$22.00	\$435
Endo International plc	ENDP	Buy	\$72.15	\$80.00	\$11,102
Horizon Pharma, Inc.	HZNP	Buy	\$12.80	\$31.00	\$1,521
Hospira Inc.	HSP	Buy	\$61.87	\$65.00	\$10,469
Impax Laboratories Inc.	IPXL	Buy	\$31.80	\$40.00	\$2,266
Jazz Pharmaceuticals plc	JAZZ	Buy	\$163.43	\$210.00	\$9,886
Kindred Biosciences, Inc.	KIN	Buy	\$7.44	\$31.00	\$147
Mallinckrodt plc	MNK	Buy	\$96.96	\$115.00	\$11,274
Mylan, Inc.	MYL	Neutral	\$56.35	NA	\$21,090
Neotherics Inc.	NEOT	Buy	SEK 7.36	SEK 16.00	SEK 100
Orexo AB	ORX.SS	Buy	SEK 138.25	SEK 205.00	SEK 4,748
Pernix Therapeutics Holdings, Inc.	PTX	Neutral	\$9.69	NA	\$371
Perrigo Co.	PRGO	Buy	\$166.63	\$195.00	\$23,458
Phibro Animal Health Corporation	PAHC	Buy	\$30.85	\$35.00	\$1,202
Sagent Pharmaceuticals, Inc.	SGNT	Neutral	\$25.04	NA	\$799
Tetraphase Pharmaceuticals, Inc.	TTPH	Buy	\$39.72	\$45.00	\$1,218
Teva Pharmaceutical Industries Limited	TEVA	Neutral	\$56.22	NA	\$48,068
The Medicines Company	MDCO	Buy	\$26.63	\$42.00	\$1,742
Valeant Pharmaceuticals International, Inc.	VRX	Buy	\$144.45	\$178.00	\$48,185
Zoetis Inc.	ZTS	Buy	\$43.31	\$55.00	\$21,712

RETAIL & CONSUMER

John Heinbockel | John.Heinbockel@guggenheimpartners.com | 212 381 4135

Retail & Consumer	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Costco Wholesale Corporation	COST	Neutral	\$141.61	NA	\$62,380
CVS Caremark Corporation	CVS	Buy	\$95.10	\$110.00	\$109,021
Dollar General	DG	Buy	\$70.78	\$66.00	\$21,476
Fairway Group Holdings Corp.	FWM	Neutral	\$3.12	NA	\$136
Family Dollar	FDO	Buy	\$78.89	\$70.00	\$9,021
Five Below, Inc.	FIVE	Buy	\$39.92	\$57.00	\$2,171
Rite Aid Corporation	RAD	Buy	\$7.63	\$10.00	\$7,488
Safeway Inc.	SWY	Neutral	\$35.13	NA	\$8,097
Smart and Final Stores, Inc.	SFS	Buy	\$16.03	\$17.00	\$1,171
Sprouts Farmers Market, Inc.	SFM	Neutral	\$34.02	NA	\$5,146
SuperValu Inc.	SVU	Neutral	\$9.65	NA	\$2,520
Sysco Corp.	SYU	Neutral	\$39.85	NA	\$23,427
The Container Store Group, Inc.	TCS	Neutral	\$19.38	NA	\$930
The Kroger Co.	KR	Buy	\$63.53	\$60.00	\$31,214
The Michaels Companies, Inc.	MIK	Buy	\$24.70	\$25.00	\$5,046
Walgreen Co.	WAG	Buy	\$76.05	\$70.00	NA
Whole Foods Market Inc.	WFM	Neutral	\$50.13	NA	\$18,047

TMT: MEDIA & ENTERTAINMENT, CABLE & SATELLITE TV

Michael Morris | Michael.Morris@guggenheimpartners.com | 212 381 4162

Media & Entertainment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AMC Networks Inc.	AMCX	Buy	\$63.90	\$71.00	\$4,608
Cablevision Systems Corporation	CVC	Buy	\$20.76	\$24.00	\$5,681
CBS Corporation	CBS	Buy	\$54.79	\$64.00	\$28,445
Charter Communications, Inc.	CHTR	NR	\$166.43	NA	\$18,186
Comcast Corporation	CMCSA	NR	\$57.35	NA	\$147,574
Comcast Corporation	CMCSK	NR	\$56.93	NA	\$147,574
DIRECTV	DTV	Neutral	\$86.67	NA	\$43,529
Discovery Communications, Inc.	DISCA	Neutral	\$34.48	NA	\$22,972
Discovery Communications, Inc.	DISCK	Neutral	\$33.44	NA	\$22,972
Dish Network Corp.	DISH	Neutral	\$72.27	NA	\$33,310
News Corporation	NWSA	Neutral	\$15.59	NA	\$8,922
Scripps Networks Interactive, Inc.	SNI	Neutral	\$75.94	NA	\$10,412
The Madison Square Garden Company	MSG	Buy	\$75.26	\$85.00	\$5,836
The Walt Disney Company	DIS	Neutral	\$93.75	NA	\$158,973
Time Warner Cable Inc.	TWC	NR	\$150.66	NA	\$42,259
Time Warner Inc.	TWX	Buy	\$84.93	\$88.00	\$71,213
Townsquare Media, Inc.	TSQ	Buy	\$13.12	\$14.00	\$228
Twenty-First Century Fox, Inc.	FOXA	Buy	\$37.85	\$39.00	\$80,547
Viacom, Inc.	VIAB	Neutral	\$75.40	NA	\$30,952

Source: Guggenheim Securities, LLC, Bloomberg

ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

IMPORTANT DISCLOSURES

This document is a compilation of both Equity Research and other material not deemed to be Research under FINRA Rule 2711. Please note the separate disclaimers and disclosures herein.

The research analyst(s) and research associate(s) have received compensation based upon various factors, including quality of research, investor client feedback, and Guggenheim Securities, LLC's overall revenues, which includes investment banking revenues.

Please refer to this website for company-specific disclosures referenced in this report: <https://guggenheimsecurities.bluematrix.com/sellside/Disclosures.action>. Disclosure information is also available from Compliance, 330 Madison Avenue, New York, NY 10017.

RATING DEFINITIONS

BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% 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 10% or minus 10% within a 12-month period. No price target is assigned.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% 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.

CS - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

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

Restricted - Describes issuers where, in conjunction with Guggenheim Securities, LLC engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Guggenheim Securities, LLC methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Prior to 12/8/14, Guggenheim Securities, LLC's BUY, NEUTRAL, and SELL ratings definitions were as follows (no other ratings definitions were changed):

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.

RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	96	51.89%	21	21.88%
Neutral	89	48.11%	3	3.37%
Sell	0	0.00%	0	0.00%

OTHER DISCLOSURES

This research is for our clients and prospective clients only. Other than disclosures relating to Guggenheim Securities and its affiliates, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the research analyst's judgment. Guggenheim Securities

conducts a full-service, integrated investment banking and brokerage business, and one or more of its affiliates conduct an investment management business. Guggenheim Securities is a member of SIPC (<http://www.sipc.org>). Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our employees trading for our own account that reflect opinions that are contrary to the opinions expressed in this research. Guggenheim Securities or certain of its affiliates conducts an investment management business, trades for its own account, and conducts an investment business, and may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity and credit analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research. We and our affiliates also may sell to or buy from customers on a principal basis the securities described herein. We and our affiliates also do business with, or that relates to, companies covered in Guggenheim Securities' research, and may have a position in the debt of the company or companies discussed herein.

This research is not an offer to sell or the solicitation of an offer to buy any security. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

TACTICAL TRADING IDEA DISCLAIMER

Guggenheim Securities, LLC produces "Tactical Trade Ideas" that identify short-term, catalyst-driven trading opportunities impacting companies within the Firm's coverage universe. Tactical Trade Ideas may exist on companies in this report and may be contrary to the analyst's published rating.

MARKET COMMENTARY AND DESK ANALYSIS DISCLAIMER

Guggenheim Securities, LLC ("Guggenheim") has prepared this institutional sales material for your information purposes only. This material is for institutional investors only and should not be construed as presenting information from which you could form a basis upon which to make an investment decision. This material should not be construed as a research report, a recommendation or advice or an offer or solicitation by Guggenheim with respect to the purchase or sale of any investment. This material is distributed with the understanding that it does not provide accounting, legal or tax advice; you should consult appropriate advisors concerning such matters.

Sources for the information herein are believed to be reliable, but the information is not guaranteed as to accuracy and does not purport to be complete. This information may be subject to change without notice, and Guggenheim makes no representation and gives no warranty that it is accurate or complete. Guggenheim undertakes no obligation to provide you with any additional or supplemental information or any update to or correction of the information contained herein. Guggenheim, its officers, employees, affiliates and partners shall not be liable to any person in any way whatsoever for any losses, costs or claims for your reliance on this material. Guggenheim may have positions in financial instruments mentioned, may have acquired such positions at prices no longer available, and may have interests different from or adverse to your interests. No liability is accepted by Guggenheim for any losses that may arise from any use of the information contained herein.

This material is not to be reproduced or redistributed to any other person outside of your organization or published in whole or in part for any purpose absent the written consent of Guggenheim.

Cole Werble, Michael McCaughan, Ramsey Baghdadi and Laura Helbling represent Prevision Policy, LLC, exclusive consultants to Guggenheim's Washington Research Group. They specialize in pharmaceutical and biotechnology policy analysis.

Copyright © 2015 by Guggenheim Securities, LLC, ("Guggenheim") a FINRA registered broker-dealer. All rights reserved. The contents of this report are based upon information or are obtained from sources that Guggenheim generally considers reliable, but Guggenheim makes no representations or warranties with respect to their accuracy, completeness, timeliness, suitability or otherwise, and assumes no responsibility to update them for subsequent events or knowledge. Guggenheim is not responsible for your use of this information.