

Phibro Animal Health Corporation

PAHC - BUY - Remain Positive Post Strong F3Q14 Results

May 14, 2014

- Post F3Q14 we remain positive on PAHC shares because management delivered on its commitment to increase Animal Health sales and improve operating margins. Furthermore, the outlook remains positive through year end. PAHC expects the good operating momentum to continue, and it is still looking for tuck-in acquisitions.
- Our investment thesis is:** 1) Global trends over the next several decades support the need for PAHC's products; 2) PAHC is a leader in high growth sectors of Animal Health; 3) The Animal Health industry has better dynamics than Human Health, lower R&D, faster regulatory reviews, cash pay; 4) Margin expansion will drive EPS growth.
- F3Q14 Positives:** 1) Animal Health had 15% sales growth (vs. market growth of 6%) and 25% EBITDA growth; 2) Will pay \$0.10 per share quarterly dividend, beginning 9/14 (2.2% yield, 30% payout); 3) Look for tuck-ins to leverage platform; 4) Majority of sales growth was driven by volume increases.
- PAHC reported F3Q14 EPS of \$0.36, \$0.16 higher than consensus and \$0.25 better than us. This was driven by adjustments to account for PAHC's IPO (in April) and refinancing (so Street can understand what earnings are on a consistent basis with PAHC's improved capital structure). PAHC provided F4Q14 guidance for the first time. It expects adjusted diluted EPS of \$0.34-\$0.36. We have increased our F'14 EPS to incorporate PAHC's new capital structure.
- Potential Catalysts.** 1) F'15 guidance mid-September; 2) Increasing market share and geographic expansion of existing products, '14+; 3) New product approvals and launches, '14+; 4) Gross margin and operating margin expansion, 14+; 5) Debt paydown reduces interest expense, 14+; 6) Tuck-in acquisitions, '14+

LOUISE CHEN	ANALYST
louise.chen@guggenheimpartners.com	212 381 4195
SWATI KUMAR	ASSOCIATE
swati.kumar@guggenheimpartners.com	212 918 8754
BRANDON FOLKES	ASSOCIATE
brandon.folkes@guggenheimpartners.com	212 518 9976

PAHC BUY

COMPANY UPDATE

Investment Thesis: Growth

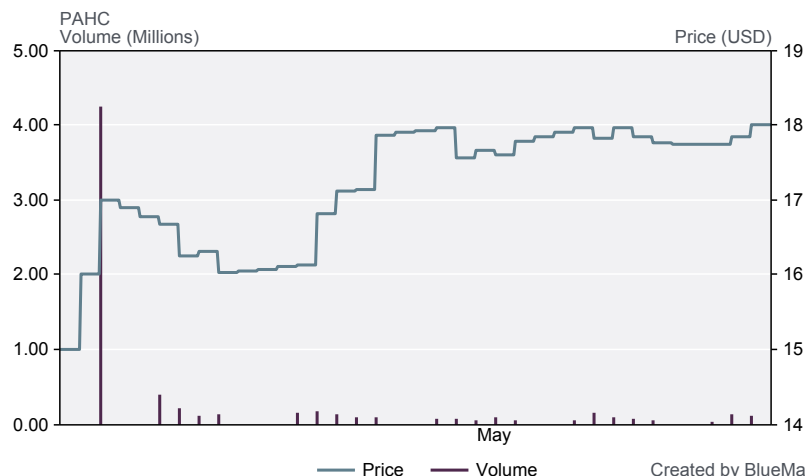
SHARE PRICE	\$17.84
PRICE TARGET	\$21.00

Revenue (\$M) (FY Jun)	1Q	2Q	3Q	4Q	FY
2013	—	—	—	—	653.2
2014	162.2	172.7	173.3	174.8E	683.0E
Prior	—	—	173.8	174.3E	—
2015	182.3E	183.0E	183.8E	186.0E	735.0E

Adjusted EPS (\$)	1Q	2Q	3Q	4Q	FY
2013	—	—	—	—	0.27
P/E					66.1x
2014	0.32	0.33	0.36	0.34E	1.34E
Prior	0.09	0.12	0.11	0.29E	0.61E
P/E					13.3x
2015	0.40E	0.39E	0.38E	0.35E	1.52E
P/E					11.7x

Market Data & Valuation Multiples

52-Week Range	\$15.00 - \$18.50
Shares Out (M)	39.4
Market Cap (M)	\$692



SCENARIO	VALUATION	INVESTMENT THESIS
Bull Case	F2015E EPS: \$1.90 12-Month Bull Case Scenario: \$28 Upside/Downside Potential: 57%	<ul style="list-style-type: none"> • 5-year sales and EPS CAGRs of 10% and 20%, respectively • 550 bps of operating margin expansion from F'13A to F'19E • Business development
Base Case	F2015E EPS: \$1.52 12-Month Base Case Scenario: \$21 Upside/Downside Potential: 18%	<ul style="list-style-type: none"> • 5-year sales and EPS CAGRs of 6% and 11%, respectively • 496 bps of operating margin expansion from F'13A to F'19E • No additional business development
Bear Case	F2015E EPS: \$1.35 12-Month Bear Case Scenario: \$16 Upside/Downside Potential: -10%	<ul style="list-style-type: none"> • 5-year sales and EPS CAGRs of 3% and 7%, respectively • 350 bps of operating margin expansion from F'13A to F'19E • No additional business development

Source: Guggenheim Securities, LLC

VALUATION METHODOLOGY AND RISKS

We use a DCF analysis to get to our 12-month price target of \$21. We use a WACC of 12% and an exit multiple of 8x forward EBIT to arrive at our price target. This compares favorably to other Animal Health companies, which trade on average at a forward EV/EBIT of 16x. This compares favorably to similar companies that have been acquired at a historical EV/EBITDA of 11x, which means the EV/EBIT would likely be even higher. Risks to our valuation include: 1) regulatory restrictions on the use of antibacterials in food-producing animals; 2) increased competition from larger and better capitalized companies in the industry; 3) adverse weather conditions and the availability of natural resources; 4) lack of new product launches and/or existing products fail to gain market share.

PHIBRO VARIANCE ANALYSIS

(in millions of \$US, except per share amounts)

	Actual 3Q14 Amount	Guggenheim Estimate 3Q14 Amount	Variance	Comments
Total Revenue	173.3	173.8	(0.5)	
COGS	120.4	120.9	(0.5)	
Gross Profit	52.8	52.8	0.0	
SG&A and R&D	34.3	34.5	(0.2)	
Other Operating Expenses	0.0	0.0	-	
Operating Income	18.5	18.3	0.2	
Non Operating Items	-3.3	-8.0	4.7	
Pre-Tax Income	15.2	10.3	4.9	
Taxes	1.1	2.7	(1.6)	
Tax Rate	7.2%	26.6%	(19.4)	
Net Income	14.1	7.5	6.6	
Averages Shares	39.4	68.9	(29.5)	0.442-for-1 stock split
Operating EPS	\$0.36	\$0.11	\$0.25	
Margin Analysis				
Revenues	100.0%	100.0%		
COGS	69.5%	69.6%		
Gross Margin	30.5%	30.4%		
SG&A and R&D	19.8%	19.9%		
Net Income	8.1%	4.3%		

Source: Guggenheim Securities, LLC and Company reports

CATALYST CALENDAR

Date	Driver	Upcoming Event
Calendar 2014		
July 2014	Carbadox	Codex could adopt language curtailing its use
2014	Teaneck, NJ	FDA re-inspects facility, issued 483s last time
Calendar 2015+		
Late 2016	U.S. Animal Health Antibiotics	FDA wants sponsors to complete process for label changes relating to new GFI213

Source: Guggenheim Securities, LLC and Company reports

FINANCIAL MODEL

(\$ in MM, except per share amounts)	Phibro F2014		Guggenheim F2014
	Guidance	Midpoint	Estimate
Net Sales	\$682 to \$685	\$684	\$683
Adjusted EBITDA	\$89 to \$90	\$90	\$90
Adjusted diluted EPS	\$1.34 to \$1.37	\$1.36	\$1.34

Source: Guggenheim Securities, LLC and Company Reports

(\$ in MM, except per share amounts)	Phibro F4Q14		Guggenheim F4Q14
	Guidance	Midpoint	Estimate
Net Sales	\$174 to \$177	\$176	\$175
Adjusted EBITDA	\$23 to \$24	\$24	\$23
Adjusted EPS	\$0.34 to \$0.36	\$0.35	\$0.34

Source: Guggenheim Securities, LLC and Company Reports

(1) The above quarterly guidance excludes approximately \$6MM of non-recurring income tax items that will reduce EPS ~\$0.15. The items include withholding taxes on repatriated cash and a tax audit settlement.

(2) F4Q14 will also include approximately a \$23.7MM loss on extinguishment of debt. This loss is excluded from adjusted EBITDA and from pro forma adjusted diluted EPS for F4Q14 and F2014.

Phibro Animal Health - Quarterly Income Statement Analysis 2009-2021E

[illegible]

Source: Guggenheim Securities, LLC and Company Reports

(a) Excludes other income/expense items that are non-operating in nature, foreign currency gain/loss, loss on extinguishment of debt, share based compensation, acquisition intangible amortization, tax effect on adjustments & discontinued operations.

(b) Excludes foreign currency loss, acquisition intangible amortization, share based compensation, pro forma interest and the related tax effects of the adjustments. Share count has been adjusted for the 0.442-for-1 split.

Phibro Animal Health - Quarterly Margin Analysis 2009-2021E

	2009	2010	2011	2012	2013	1Q14A	2Q14A	3Q14A	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	75.7%	74.0%	76.3%	74.9%	72.6%	69.5%	70.4%	69.5%	69.0%	69.6%	68.2%	68.2%	68.2%	68.2%	68.2%	67.4%	66.7%	66.1%	65.5%	64.9%	64.4%
Gross Margin	24.3%	26.0%	23.7%	25.1%	27.4%	30.5%	29.6%	30.5%	31.0%	30.4%	31.8%	31.8%	31.8%	31.8%	31.8%	32.6%	33.3%	33.9%	34.5%	35.1%	35.6%
SG&A and R&D	15.1%	16.4%	16.4%	17.1%	18.1%	19.6%	19.1%	19.8%	20.3%	19.7%	19.5%	19.8%	20.1%	21.1%	20.1%	20.4%	20.3%	20.3%	20.2%	19.7%	19.1%
Oper. Inc.	9.3%	9.7%	7.3%	8.0%	9.3%	11.0%	10.6%	10.7%	10.8%	10.7%	12.4%	12.0%	11.7%	10.7%	11.7%	12.2%	13.0%	13.6%	14.3%	15.4%	16.5%
Operating Expenses	15.1%	16.4%	16.4%	17.1%	18.1%	19.6%	19.1%	19.8%	20.3%	19.7%	19.5%	19.8%	20.1%	21.1%	20.1%	20.4%	20.3%	20.3%	20.2%	19.7%	19.1%
Non-Oper. Items	-5.8%	-5.8%	-5.5%	-5.4%	-5.5%	-2.0%	-1.9%	-1.9%	-1.9%	-1.9%	-1.6%	-1.6%	-1.6%	-1.6%	-1.6%	-1.8%	-1.7%	-1.4%	-1.1%	-1.0%	-0.9%
Pretax Income	3.4%	3.9%	1.8%	2.6%	3.9%	8.9%	8.6%	8.8%	8.9%	8.8%	10.8%	10.4%	10.1%	9.2%	10.1%	10.4%	11.3%	12.3%	13.2%	14.4%	15.6%
Adjusted Net Income	2.7%	3.8%	1.2%	1.5%	2.8%	7.7%	7.5%	8.1%	7.6%	7.7%	8.7%	8.4%	8.2%	7.4%	8.2%	8.4%	9.0%	8.6%	9.3%	10.1%	10.9%

Source: Guggenheim Securities, LLC and Company Reports

Phibro Animal Health - Quarterly Revenue Model 2011-2021E

(\$ in Millions)																				
(Year Ended June 30)	2011	2012	2013	1Q14A	2Q14A	3Q14A	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	
MFAs & Other	273.3	290.5	303.7	78.0	80.0	81.4	83.6	323.0	85.3	85.7	86.0	87.0	344.0	361.0	388.1	417.2	448.5	482.1	518.3	
Nutritional Specialties	43.1	47.7	52.3	14.1	16.4	16.2	17.3	64.0	19.3	19.4	19.5	19.7	78.0	90.0	96.8	104.0	111.8	120.2	129.2	
Vaccines	28.8	36.9	28.9	9.1	11.5	10.2	9.2	40.0	12.4	12.5	12.5	12.7	50.0	57.0	61.3	65.9	70.8	76.1	81.8	
Animal Health	345.2	375.2	384.9	101.2	108.0	107.8	110.1	427.0	117.1	117.5	118.0	119.4	472.0	508.0	546.1	587.1	631.1	678.4	729.3	
Mineral Nutrition	209.3	210.1	203.2	46.2	50.6	49.9	49.3	196.0	49.8	50.0	50.3	50.9	201.0	206.0	208.1	210.1	212.2	214.4	216.5	
Performance Products	63.9	68.8	65.0	14.9	14.1	15.6	15.4	60.0	15.4	15.4	15.5	15.7	62.0	65.0	65.3	65.7	66.0	66.3	66.6	
Other New Products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	15.0	20.0	25.0	30.0	35.0	
Total Revenues	618.3	654.1	653.2	162.2	172.7	173.3	174.8	683.0	182.3	183.0	183.8	186.0	735.0	786.0	834.5	882.8	934.3	989.1	1047.4	
%Change																				
MFAs & Other		6.3%	4.5%	NA	NA	NA	NA	6.3%	9.4%	7.0%	5.7%	4.1%	6.5%	4.9%	7.5%	7.5%	7.5%	7.5%	7.5%	
Nutritional Specialties		10.7%	9.8%	NA	NA	NA	NA	22.3%	36.9%	18.2%	20.6%	14.3%	21.9%	15.4%	7.5%	7.5%	7.5%	7.5%	7.5%	
Vaccines		28.1%	-21.9%	NA	NA	NA	NA	38.6%	36.7%	8.4%	22.1%	37.5%	25.0%	14.0%	7.5%	7.5%	7.5%	7.5%	7.5%	
Animal Health		8.7%	2.6%	NA	NA	NA	NA	10.9%	15.7%	8.9%	9.5%	8.5%	10.5%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	
Mineral Nutrition		0.4%	-3.3%	NA	NA	NA	NA	-3.5%	7.9%	-1.2%	0.7%	3.2%	2.6%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	
Performance Products		7.8%	-5.5%	NA	NA	NA	NA	-7.8%	3.4%	9.2%	-0.4%	1.7%	3.3%	4.8%	0.5%	0.5%	0.5%	0.5%	0.5%	
Other New Products		NM	NM	NA	NA	NA	NA	NM	NM	NM	NM	NM	NM	NM	114.3%	33.3%	25.0%	20.0%	16.7%	
Total Revenues		5.8%	-0.1%	NA	NA	NA	NA	4.6%	12.4%	5.9%	6.1%	6.4%	7.6%	6.9%	6.2%	5.8%	5.8%	5.9%	5.9%	

Source: Guggenheim Securities, LLC and Company Reports

Phibro Animal Health - Annual Revenue Model 2011-2021E

(\$ in Millions)																						
	Year End June 30,											2012/	2013/	2014E/	2015E/	2016E/	2017E/	2018E/	2019E/	2020E/	2021E/	CAGR
	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Base Business																						
MFAs & Other	273.3	290.5	303.7	323.0	344.0	361.0	388.1	417.2	448.5	482.1	518.3	6.3%	4.5%	6.3%	6.5%	4.9%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Nutritional Specialties	43.1	47.7	52.3	64.0	78.0	90.0	96.8	104.0	111.8	120.2	129.2	10.7%	9.8%	22.3%	21.9%	15.4%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Vaccines	28.8	36.9	28.9	40.0	50.0	57.0	61.3	65.9	70.8	76.1	81.8	28.1%	-21.9%	38.6%	25.0%	14.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total Animal Health	345.2	375.2	384.9	427.0	472.0	508.0	546.1	587.1	631.1	678.4	729.3	8.7%	2.6%	10.9%	10.5%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Mineral Nutrition	209.3	210.1	203.2	196.0	201.0	206.0	208.1	210.1	212.2	214.4	216.5	0.4%	-3.3%	-3.5%	2.6%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Performance Products	63.9	68.8	65.0	60.0	62.0	65.0	65.3	65.7	66.0	66.3	66.6	7.8%	-5.5%	-7.8%	3.3%	4.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Other New Products	0.0	0.0	0.0	0.0	0.0	7.0	15.0	20.0	25.0	30.0	35.0	NM	NM	NM	NM	NM	114.3%	33.3%	25.0%	20.0%	16.7%	NM
Total Revenues	618.3	654.1	653.2	683.0	735.0	786.0	834.5	882.8	934.3	989.1	1,047.4	5.8%	-0.1%	4.6%	7.6%	6.9%	6.2%	5.8%	5.8%	5.9%	5.9%	5.9%

Source: Guggenheim Securities, LLC and Company Reports

Phibro Animal Health - Cash Flow Analysis 2012-2021E

(\$ in Millions)										
(Year ended June 30)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Cash flows provided by Operating Activities:										
Net Income	7.0	24.9	52.9	60.1	65.8	75.4	75.9	86.5	99.8	114.5
Depreciation and Amortization	17.5	19.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Amortization of deferred financing costs, imputed interest & debt discount	1.7	1.9	-	-	-	-	-	-	-	-
Other	0.5	(10.6)	-	-	-	-	-	-	-	-
Net Changes in Working Capital	5.1	(34.8)	(10.6)	(13.3)	(15.1)	(14.6)	(14.9)	(16.0)	(14.5)	(15.5)
Net cash provided by Operating Activities	31.9	0.4	59.3	63.8	67.7	77.8	78.1	87.5	102.3	116.0
Cash flows from Investing Activities										
Purchases of PP&E	(14.8)	(19.9)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Net proceeds from sale of assets	0.6	1.3	-	-	-	-	-	-	-	-
Acquisitions, net of cash acquired	(3.4)	(18.7)	-	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Other	-	-	-	-	-	-	-	-	-	-
Net cash used in Investing Activities	(17.6)	(37.3)	(20.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Cash flows from Financing Activities										
(Repayment) or Issuance of long term debt	(8.2)	13.9	(75.5)	(25.0)	(30.0)	(30.0)	(35.0)	(40.0)	-	-
Cash dividends paid	-	(3.0)	(25.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)
Other	-	-	66.0	-	12.0	10.0	-	-	-	-
Net cash (used in) provided by Financing Activities	(8.2)	10.9	(34.5)	(40.0)	(33.0)	(35.0)	(50.0)	(55.0)	(15.0)	(15.0)
Effect of exchange-rate on cash	(0.7)	(0.5)	-	-	-	-	-	-	-	-
Net (decrease) increase in cash and equivalents	5.3	(26.5)	4.7	(6.2)	4.7	12.8	(1.9)	2.5	57.3	71.0
Cash and equivalents at beginning of year	48.6	53.9	27.4	32.1	25.9	30.6	43.5	41.5	44.0	101.3
Cash and equivalents at end of year	53.9	27.4	32.1	25.9	30.6	43.5	41.5	44.0	101.3	172.3

Source: Guggenheim Securities, LLC and Company Reports

Phibro Animal Health - Balance Sheet Analysis 2012-2021E

(\$ in Millions)										
(Year ended June 30)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Assets										
Cash and Cash Equivalent	53.9	27.4	32.1	25.9	30.6	43.5	41.5	44.0	101.3	172.3
Accounts Receivable	99.1	99.1	105.3	113.5	123.2	132.9	142.9	153.7	162.7	172.3
Inventories	120.1	140.0	144.6	152.9	161.8	169.9	178.1	186.8	196.0	205.8
Other current assets	28.7	29.8	29.8	29.8	29.8	29.8	29.8	29.8	29.8	29.8
Total Current Assets	301.9	296.4	311.9	322.1	345.5	376.2	392.4	414.3	489.8	580.3
Plant, Property & Equipment	101.7	104.4	107.4	110.4	113.4	116.4	119.4	122.4	125.4	128.4
Intangible	15.0	35.2	35.2	35.2	35.2	35.2	35.2	35.2	35.2	35.2
Other assets	22.3	38.2	38.2	48.2	58.2	68.2	78.2	88.2	98.2	108.2
Total Other Assets	139.0	177.8	180.8	193.8	206.8	219.8	232.8	245.8	258.8	271.8
TOTAL ASSETS	440.9	474.1	492.6	515.9	552.2	595.9	625.1	660.1	748.6	852.0
Liabilities & Shareholder's Equity										
Current portion of long-term debt	5.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Accounts Payable	67.9	57.9	58.0	61.2	64.7	68.0	71.3	74.7	78.4	82.3
Accrued Expenses and other current liabilities	52.6	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4
Total Current Liabilities	125.9	115.4	115.5	118.7	122.2	125.5	128.8	132.2	135.9	139.8
Long term debt	344.8	365.5	290.0	265.0	235.0	205.0	170.0	130.0	130.0	130.0
Other liabilities	58.5	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1
Total Liabilities	529.1	543.1	467.7	445.8	419.4	392.6	360.9	324.4	328.0	332.0
Shareholders Equity	(88.2)	(68.9)	24.9	70.1	132.9	203.3	264.2	335.7	420.5	520.1
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	440.9	474.1	492.6	515.9	552.2	595.9	625.1	660.1	748.6	852.0

Source: Guggenheim Securities, LLC and Company Reports

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

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.

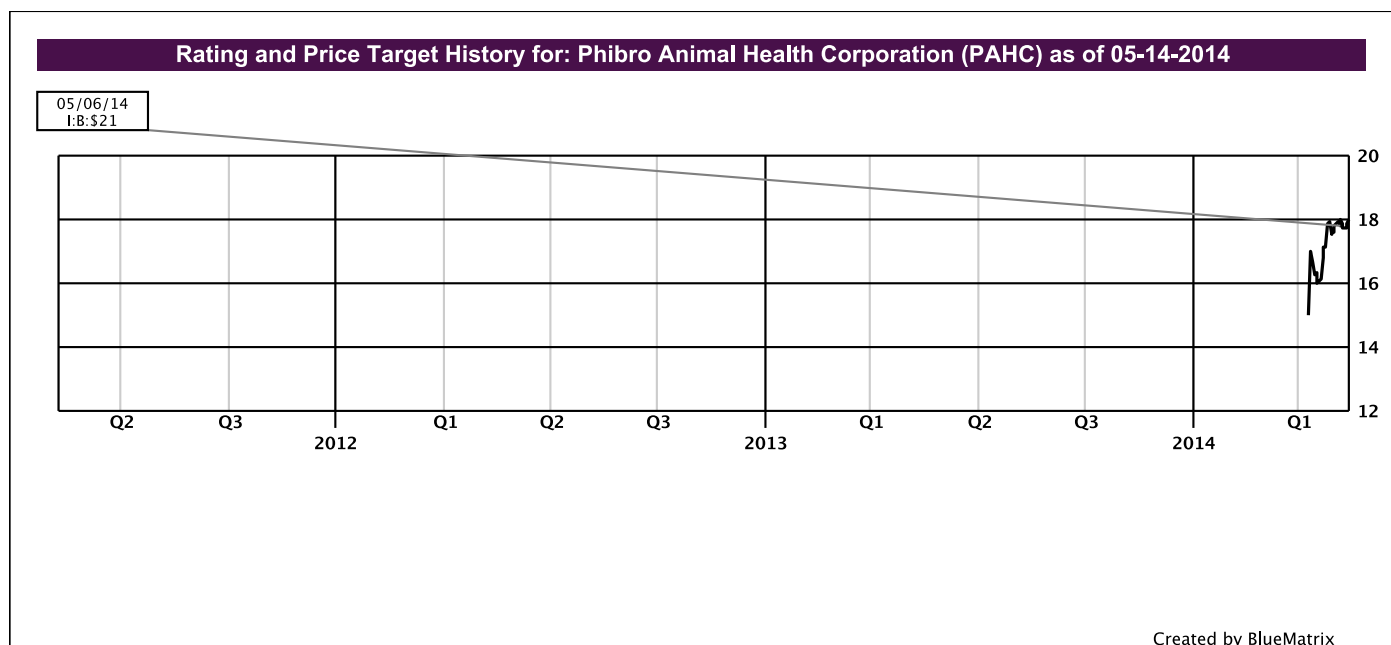
Guggenheim Securities, LLC managed or co-managed a public offering of securities for Phibro Animal Health Corporation during the past 12 months.

Phibro Animal Health Corporation is or was during the 12-month period preceding the date of the distribution of this report a client of Guggenheim Securities, LLC. Guggenheim Securities, LLC provided Phibro Animal Health Corporation investment banking services.

Guggenheim Securities, LLC or its affiliates received compensation for investment banking services from Phibro Animal Health Corporation during the past 12 months.

Guggenheim Securities, LLC or its affiliates expect(s) to receive or intend(s) to seek compensation for investment banking services from Phibro Animal Health Corporation in the next 3 months.

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 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.

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.

RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	108	54.00%	22	20.37%
Neutral	86	43.00%	5	5.81%
Sell	6	3.00%	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.

Copyright © 2014 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.

Contact Information

NEW YORK SALES & TRADING DESK
212 292 4700

EQUITY TRADING DESK
212 292 4701

MEDIA INQUIRIES
310 367 6567

EMAIL
general@guggenheimcm.com

Locations

NEW YORK
330 Madison Avenue
New York, NY 10017

WASHINGTON, DC
1055 Thomas Jefferson Street, NW
Suite 450
Washington, DC 20007

BOSTON
500 Boylston Street, 13th Floor
Boston, MA 02116

LOS ANGELES
601 South Figueroa Street
Suite 4005
Los Angeles, CA 90017

DALLAS
1717 McKinney Avenue
Suite 870
Dallas, TX 75202

SAN FRANCISCO
50 California Street
Suite 1515
San Francisco, CA 94111

NASHVILLE
104 Woodmont Blvd
Suite 203
Nashville, TN 37205

HERNANDO
1288 Byhalia Road
Suite 2
Hernando, MS 38632

RICHMOND
919 East Main Street
Suite 1605
Richmond, VA 23219

Guggenheim Equity Research

ENERGY: EXPLORATION & PRODUCTION

Rob Cordray, Analyst
robert.cordray@guggenheimpartners.com
972 638 5509

Steven Hader, Associate
steven.hader@guggenheimpartners.com
972 638 5507

ENERGY: OIL SERVICES & EQUIPMENT

Darren Gacicia, Analyst
darren.gacicia@guggenheimpartners.com
212 293 3054

Michael LaMotte, Analyst
michael.lamotte@guggenheimpartners.com
972 638 5502

Wilson Waggoner, Associate
wilson.waggoner@guggenheimpartners.com
972 638 5506

FINANCIAL SERVICES:
LARGE-CAP BANKS

Marty Mosby, Analyst
marty.mosby@guggenheimpartners.com
662 469 9595

Mason Mosby, Associate
mason.mosby@guggenheimpartners.com
662 469 9194

FINANCIAL SERVICES: BUSINESS
DEVELOPMENT COMPANIES

Rahul Agarwal, Analyst
rahul.agarwal@guggenheimpartners.com
615 208 1221

FINANCIAL SERVICES: REGIONAL &
COMMUNITY BANKS, CARD NETWORKS

Taylor Brodarick, Analyst
taylor.brodarick@guggenheimpartners.com
615 208 1222

David Darst, Analyst
david.darst@guggenheimpartners.com
615 208 1224

FINANCIAL SERVICES: INSURANCE

Bijan Moazami, Analyst
bijan.moazami@guggenheimpartners.com
202 747 9466

Marshall Coltrain, Associate
marshall.coltrain@guggenheimpartners.com
202 747 9456

HEALTHCARE: BIOTECH

Bret Holley, Analyst
bret.holley@guggenheimpartners.com
212 293 2820

HEALTHCARE: PHARMACEUTICALS

Louise Chen, Analyst
louise.chen@guggenheimpartners.com
212 381 4195

Swati Kumar, Associate
swati.kumar@guggenheimpartners.com
212 918 8754

Brandon Folkes, Associate
brandon.folkes@guggenheimpartners.com
212 518 9976

RETAIL & CONSUMER

John Heinbockel, Analyst
john.heinbockel@guggenheimpartners.com
212 381 4135

Steven Forbes, Associate
steven.forbes@guggenheimpartners.com
212 381 4188

TMT: MEDIA & ENTERTAINMENT,
CABLE & SATELLITE TV

Michael Morris, Analyst
michael.morris@guggenheimpartners.com
804 253 8025

Curry Baker, Associate
curry.baker@guggenheimpartners.com
804 253 8029