# Daily Research Highlights

**Acadia Healthcare Company, Inc.:** No Real Change in 2014-15 Outlook; Reiterating BUY Rating and $57 Price Target

**AmSurg Corp.:** Tweaking 2014, But 2015 Outlook Unchanged; Reiterate BUY and $55 Price Target

**CVS Caremark Corporation:** Earnings Miss Overlooked Due to Weather - Execution in PBM Remains Strong

**EMC Corporation:** EMC Unveils New Innovations to Better Support Customers in the Cloud...

**EMC Corporation:** Investments Continue at EMC World, Setting Up for Improved Growth Trends

**Fluidigm Corporation:** DVS Slow Out of the Gate, But the Legacy Business Significantly Exceeds Expectations

**Orbitz Worldwide, Inc.:** Drag from Loyalty to Dampen NT Growth; Maint. HOLD; $9 PT (from $10)

**Phibro Animal Health Corporation:** Crowing About Phibro: Initiating Coverage With a BUY Rating and $26 PT

**STAG Industrial, Inc.:** Capital is Easy, Core Growth is Not

**Sysco Corp.:** First Thoughts on 3Q - Gross Margins Better Than Expected

**Tableau Software, Inc.:** DATA Proves It's Time to Separate the Wheat from the Chaff - Raising Revenue Est.

**Click on the headline title above to be taken to the report summary. Click on the title in the summary below to open the full pdf report.**

**Jeremy Feffer**
**Medical Devices and Diagnostics**
212-915-1238, jfeffer@cantor.com

**Joseph D. France, CFA**
**Managed Health Care**
212-915-1239, jfrance@cantor.com

**Mara Goldstein**
**Biotechnology**
212-610-2215, mgoldstein@cantor.com

**Ajay Jain**
**Food Retail/Wholesale**
212-915-1240, ajain@cantor.com

**Naved Khan**
**Internet & Media**
212-829-4860, nkhan@cantor.com

**Irina Rivkind Koffler**
**Specialty Pharmaceuticals**
212-915-1237, irivkind@cantor.com

**Gaurav Mehta, CFA**
**REITs**
212-915-1221, gmehta@cantor.com

**Sung Ji Nam**
**Life Science Tools and Diagnostics**
212-915-1236, snam@cantor.com

**Kip Paulson**
**Internet & Media**
212-915-1767, kip.paulson@cantor.com

**Evan Smith**
**REITs**
212-915-1220, evan.smith@cantor.com

**Youssef Squali**
**Internet & Media**
212-915-1794, ysquali@cantor.com

**David Toti**
**REITs**
212-915-1219, dtoti@cantor.com

**Brian White**
**IT Hardware & Software**
212-610-2416, briwhite@cantor.com

**May 6**

## Phibro Animal Health Corporation (PAHC, BUY, Target: $26.00)
**Irina Rivkind Koffler (212-915-1237, irivkind@cantor.com)**

### Crowing About Phibro: Initiating Coverage With a BUY Rating and $26 PT

- **We initiate coverage of Phibro Animal Health with a BUY rating and $26 PT:** Phibro is an established international animal health company focused on the growing livestock segment. We believe that the company may benefit from macroeconomic trends in emerging markets as local protein demands grow and meat producers become increasingly industrialized. While Phibro has lower operating margins and growth rates than a traditional pharmaceutical company, we think the business could be an attractive eventual addition to a mid-size specialty pharmaceutical business due to its small size, stable mid-single digit growth trends, and risk-diversification from clinical, reimbursement, and generic pressures. We derive our Phibro valuation using DCF analysis.
- **Why we are putting our eggs into Phibro's basket in 2014:** We like Phibro's focus in swine and poultry since these species have shorter life cycles, which allows them to rapidly recover from droughts and animal epidemics. For this reason we think that Phibro's business differs from competitor Zoetis, which announced weaker-than-expected 2014 guidance. Furthermore, we think the company can benefit from near-term economic trends such as lower feed prices in the U.S. and a weak Brazilian Real, which could lower its manufacturing expense. Finally, we believe Phibro has some interesting products, such as Omnigen and its TAbic vaccine delivery technology, which could drive further international expansion and sales volumes.
- **Valuation and Risks:** We value Phibro via DCF analysis. We use a 9% WACC (similar to Zoetis) and a 3% growth rate to derive our $26 PT. Zoetis currently trades at an 11x multiple of its 2014E EBITDA, and if we value Phibro with a slight discount (applying a 10x multiple to its FY2015 EBITDA of $101M), we also arrive at a $26 PT. Risks to the company include potential exit of insider shareholders, animal epidemics, and macroeconomic events leading to lower protein demands or import/export disruptions. The voting structure of the stock may also obstruct potential takeovers.

## Tableau Software, Inc. (DATA, BUY, Target: $122.00)

**Brian J. White, CFA (212-610-2416, briwhite@cantor.com)**

### DATA Proves It's Time to Separate the Wheat from the Chaff - Raising Revenue Est.

**Summary:** Last night, Tableau delivered a strong 1Q:14 print, offered up a healthy 2Q:14 outlook, and increased its 2014 guidance, lending credence to the notion that the recent sell-off in the stock was driven by a shift in market sentiment, rather than a change in fundamentals. In light of last night's big upside and sharp 43% drop in the stock price from the peak in late February, we reiterate our BUY rating and believe investors have been given another opportunity to get involved in this high-quality, Big Data play. Given Tableau's strong 1Q:14 report and increased 2014 outlook, we are raising our 2014 and 2015 revenue projections.

- **Tableau Delivers Revenue and EPS Upside in 1Q:14.** Last night, Tableau reported 1Q:14 sales of $74.6 million (up 86% YoY), which handily beat our $62.9 million estimate (FactSet Consensus was $63.1 million), while pro forma EPS of negative $0.01 was much better than our projection of negative $0.09 (Consensus was at negative $0.11). Pro forma operating profit was $6.1 million and well above our $8.0 million loss estimate.
- **Valuation.** We are maintaining our price target at $122.00, which is based on an enterprise-value-to-sales ratio of just over 16x our 2015 revenue projection.

## Fluidigm Corporation (FLDM, BUY, Target: $47.00)

**Sung Ji Nam (212-915-1236, snam@cantor.com)**

### DVS Slow Out of the Gate, But the Legacy Business Significantly Exceeds Expectations

- **Although recently acquired DVS Sciences is off to a slower start, FLDM's legacy business continues to significantly exceed expectations:** FLDM handily beat 1Q:14 Consensus (FactSet) expectations and raised guidance for the legacy business (single-cell and production genomics), but the pro forma revenue contribution of DVS Sciences (acquisition completed on Feb 13) is now expected to be below prior guidance by ~$9mm at the midpoint. Most notably, organic instrument and consumables revenues both exceeded +50% y/y growth driven by single-cell genomics applications and strength across all end markets and geographies. Although we now expect DVS to take at least a couple of quarters to ramp meaningfully, as FLDM increases investments in and improves its strategies for sales and marketing (including transitioning to direct sales in Asia and Europe), we continue to think FLDM is well-positioned for strong double digit top-line growth over the next few years, leveraging its near- to medium-term addressable market (~$1bn, consisting of ~$450mm for single-cell genomics over the next few years, ~$285mm for production genomics today, and the ~$300mm high-end flow cytometry market today). **We are maintaining our BUY rating and $47 PT.**
- **1Q:14 highlights:** Revenues were $25.7mm, +77% y/y vs. Consensus including DVS of ~$22.8mm, +57%; organic revenues were $22.9mm, +58% y/y, vs. our estimate (excluding DVS) of $19mm, +31%. Net loss per share was ($0.57) vs. Consensus of ($0.27), which we believe did not fully include DVS. Revenues for the single-cell genomics business more than doubled y/y, with predominant growth from new customers. Approximately 80% of the BioMark systems was sold for single-cell genomics research in 1Q (vs. ~50-70% throughout 2013).
- **Valuation:** Our $47 PT is based on DCF and ~10x EV/2014E sales and ~8x EV/2015E sales reflecting FLDM's significantly higher revenue growth potential compared to its peer group in the medium-term.

## EMC Corporation (EMC, BUY, Target: $30.50)

**Brian J. White, CFA (212-610-2416, briwhite@cantor.com)**

### Investments Continue at EMC World, Setting Up for Improved Growth Trends

**Summary:** Yesterday, we attended the opening keynote at EMC World and participated in EMC's Investor Program, which included active discussion with key EMC executives. Despite the significant underperformance in EMC's stock over the past two years (down 8% vs. a 37% rise for the S&P 500 Index) and the company's significant investments in new innovations that have yet to pay off, we are confident that new innovations highlighted at this week's EMC World and those over the past couple of years are positioning the company for improved growth trends over the next few years.

- **Removing the Cloud Hanging Over EMC's Head.** Over the past couple of years, investors have increasingly grown concerned about the impact of the public cloud and start-up competitors on EMC's core storage business. EMC believes the public cloud has yet to have a material impact on the company's business. However, the company acknowledged that this could change over the next several years and yesterday announced the EMC Elastic Cloud Storage (ECS) Appliance. Essentially, ECS is meant to provide customers with the simplicity and economics of the public cloud but without the constraints. For many large enterprises, moving to a public cloud may not be feasible; however, EMC can provide these customers with an alternative, hyper-scale, cloud solution.
- **Valuation:** Our $30.50 price target for BUY-rated EMC is based on just over 14x our CY:15 pro forma EPS estimate.

---

**May 5**

---

## AmSurg Corp. (AMSG, BUY, Target: $55.00)

**Joseph D. France, CFA (212-915-1239, jfrance@cantor.com)**

### Tweaking 2014, But 2015 Outlook Unchanged; Reiterate BUY and $55 Price Target

**We are updating our earnings model to reflect the slight miss in 1Q:14, but our 2015 outlook is unchanged, and we are maintaining our BUY rating and $55 price target.** We like the freestanding surgery center business, and although bad weather (which we estimate cost about $0.04 per share more than management expected in February) and fewer acquisitions going into 2014 weigh on the first half, we expect substantial improvement over the balance of the year and in 2015.

- **Tweaking 2014, but 2015 outlook unchanged.** With improving revenue in the second half and more acquisitions expected over the next three quarters, we believe that AmSurg's earnings will improve significantly. We are trimming our 2014 EPS estimate to $2.45 (from 2.50), compared with management's guidance of $2.41-2.44 and the $2.44 FactSet consensus, but our 2015 estimate remains $2.80, compared with the $2.74 consensus. Our 2Q:14 EPS estimate is $0.62 (down from $0.63), compared with the $0.61-0.64 guidance and the $0.63 consensus.
- **Acquisitions were slow to close in 4Q:13**. AmSurg closed only one acquisition in 4Q:13 and just one more in 1Q:14. The company added only seven facilities all last year, meaning that acquisitions contributed only about $20 million of operating income in 2013, below management's $25-29 million guidance (which is unchanged for 2014). AmSurg finished 2013 with five LOIs (one of which closed on 1/2/14), and it had seven at the end of 1Q:14. Management has not pointed to any specific reason for the slow pace of closings, but there have been intermittent delays in the past, and the company usually catches up over the next few quarters.

**The Disclosure Section may be found on page 6**

## CVS Caremark Corporation (CVS, HOLD, Target: $66.00)
**Ajay Jain (212-915-1240, ajain@cantor.com)**

### Earnings Miss Overlooked Due to Weather - Execution in PBM Remains Strong

**Summary:** Based on a combined $0.03 per share weather impact and a higher-than-expected tax rate contributing to a 1Q earnings miss, we think some of the recent challenges in the retail segment will prove to be temporary. We expect retail operations will be managed to maximize margin performance (partly at the expense of sales). While 1Q may be viewed as a low water mark in terms of front-end performance in 2014, we expect front-end comps to remain negative over the balance of the year (even when adjusted for tobacco impact). Overall, there is little change in our outlook. Our 2014 EPS estimate is revised to $4.18 (from $4.20).

- **Earnings below guidance range in 1Q** - Adjusted 1Q14 EPS of $1.02 was $0.02 per share shy of FactSet consensus and lighter relative to the guidance range of $1.03-1.06 on an adjusted basis. Relative to our GAAP EPS estimate of $0.99, earnings were $0.04 per share lower at $0.95 (compared to guidance of $0.97-1.00). Our revised 2Q EPS estimate is $1.01 (from $0.99 and compared to GAAP EPS guidance of $1.01-1.04).

- **Specialty is key growth driver in PBM** - We estimate that in the PBM segment, revenue per network claim and mail order were up by 7% and 21% respectively in 1Q. Sales of specialty related business was +34%. Management attributed the PBM revenue upside in 1Q to specialty, drug inflation, and new business wins (management noted however, that excluding the impact of the Coram acquisitions, underlying trends for specialty were largely unchanged in 1Q).

## Orbitz Worldwide, Inc. (OWW, HOLD, Target: $9.00)
**Naved Khan (212-829-4860, nkhan@cantor.com)**

### Drag from Loyalty to Dampen NT Growth; Maint. HOLD; $9 PT (from $10)

**SUMMARY:** OWW delivered 1Q results and 2Q/FY14 outlook that were broadly in line with Street expectations, when normalizing for certain extraordinary items. While the rollout of Orbitz's loyalty program has seen good traction with customers to date, its contra-revenue impact is likely to be a drag on revenue and margins for the next few quarters. We opt to stay on the sidelines until we can better gauge the impact of this and other initiatives on longer-term growth and profitability of the business.

- **1Q results (ex. items) were generally in line with expectations.** While reported 1Q results were ahead of consensus, we estimate that top line and EBITDA were roughly in line with expectations when adjusting for contribution from the Travelocity Partner Network (TPN) acquisition and shift of certain payment from airlines into 1Q (from 2Q). Reported revenue was $210M (+4% Y/Y) and adjusted EBITDA was $28.7M vs. (FactSet) consensus' $206M/$24M, respectively. We note that the acquisition of TPN added ~$4M to the top line.

**Valuation/Risks:** OWW trades at 1.1x rev., 6.6x EBITDA and 32.8x P/E (GAAP) on CY14E. Our $9 PT for CY:14 is based on a 5-yr DCF and implies 1.3x rev. and 7.7x EBITDA. Risks include execution mishaps, competition, and slump in travel.

## STAG Industrial, Inc. (STAG, HOLD, Target: $20.50)
**David Toti (212-915-1219, dtoti@cantor.com)**

### Capital is Easy, Core Growth is Not

**STAG continued to raise capital and acquire—which we think is easy enough in today's capital-friendly environment. However, what is not easy is generating positive core growth in a sub-sector with limited top-line pricing power.** In this instance, same store expenses were the culprit, rising an eye-opening ~15% yoy. Outside of that, releasing activity was benign—with positive cash spreads and a strong retention rate (although SS occupancy did slip 120bps). Unanswered questions include acq. cap rates, strategic fit, and lower YTD volumes. *What also remains unanswered is the longevity of this highly-specific external growth strategy, in what we believe will (some day) be a rising rate/compressing spread environment*. TBD.

Within the 1Q:14 print, NOI came in lower than projected, though likely due to weather and acquisition timing. We believe that in the near-term, continued acquisitions and a dividend bump will likely satisfy investor expectations. Reiterate HOLD.

- **Conference call.** 5/6/14 at 11:00 am ET. Phone: 877-407-4018.

## Acadia Healthcare Company, Inc. (ACHC, BUY, Target: $57.00)

**Joseph D. France, CFA (212-915-1239, jfrance@cantor.com)**

### No Real Change in 2014-15 Outlook; Reiterating BUY Rating and $57 Price Target

**We are updating our 2014-15 earnings model, but making no major changes, and reiterating our BUY rating and $57 price target. Acadia remains our favorite health care services name for 2014.** We believe that Acadia's continued outperformance relative to general hospitals is a testament to management's long history in the business, and the advantaged position of behavioral health because of the Mental Health Parity and Addiction Equity Act. We also believe that Acadia is well positioned relative to other behavioral health service providers because of its focus, scale, and experienced management team.

- **No real change in 2014-15 outlook.** Our 2014 adjusted EPS (diluted) estimate remains $1.35 (compared with management's $1.26-1.29 guidance and the $1.32 FactSet consensus) and our 2015 estimate remains $1.65 (in line with consensus). Acadia's 2014 guidance is lower than our estimate, but it *excludes* future acquisitions, and *includes* about $3.5 million of incremental stock compensation expense.
- **Solid rate outlook**. Acadia did not formally address rates on last week's call, but it has previously estimated that commercial rates (~25% of revenue) will increase 4-6% in 2014, while Medicare (~22%) rises 1-2%, Medicaid (47-48%) rises about 1% and self pay rises 4-5%. On a consolidated basis, this works out to about 2% and translates into an approximately 1.5-2.5% increase in revenue per day, compared with the 2.3% increase (on a "same facility" basis) in 1Q:14.

## EMC Corporation (EMC, BUY, Target: $30.50)

**Brian J. White, CFA (212-610-2416, briwhite@cantor.com)**

### EMC Unveils New Innovations to Better Support Customers in the Cloud...

**Summary:** This morning, EMC announced new storage-related innovations that we believe are aimed at better positioning the company to support the growing demand for hyper scale cloud storage infrastructures and the trend toward software defined storage. At 10am PT (1pm ET), EMC's Joe Tucci (CEO, Chairman) will kick off this week's EMC World with a keynote address, and this will be followed by an Investor Briefing that begins at 12pm PT (3pm ET).

- **Moving Deeper into the Cloud with Elastic Cloud Storage Appliance.** Over the past couple of years, there has been a growing concern about EMC's strategy as it relates to growing competition from cloud storage companies (including Web 2.0 players), and today the company unveiled a solution to better compete in this market with an announcement of the EMC Elastic Cloud Storage (ECS) Appliance, previously discussed under the codename "*Project Nile,*" and expected to be generally available in 2Q:14 (with new Architecture & Design services). We expect this new innovation to be a major focus point at EMC World this week. As part of this morning's release, EMC claims the EMC ECS "*offers between 9-28% lower TCO in object storage implementations than public cloud alternatives from Amazon and Google.*"
- **Valuation:** Our $30.50 price target for BUY-rated EMC is based on just over 14x our CY:15 pro forma EPS estimate.

## Sysco Corp. (SYY, SELL, Target: $27.00)

**Ajay Jain (212-915-1240, ajain@cantor.com)**

### First Thoughts on 3Q - Gross Margins Better Than Expected

**Summary:** We will need more time to assess Sysco's 3Q:FY14 results, mainly because they were not clear as to the extent of spending on Business Transformation (BTI) in the latest quarter. GAAP EPS of $0.31 was in line with our est., but we had assumed $85 million of BTI expenses in our estimates. It doesn't appear that Sysco provided the breakdown on BTI spending for 3Q. The adjusted EPS of $0.38 was $0.02 per share lower than the Factset consensus figure. We hope management will provide clarity on the level of spending on BTI in 3Q. It would appear that Sysco is no longer adding back BTI expenses in its adjusted EPS methodology.

**Volumes and gross margins better than expected** - Sysco's $0.31 of GAAP EPS in 3Q was in line with our est. The case volume trend of 3.0% did take a step back sequentially (from 4.3% in 2Q) but not to the extent we had expected. Excluding inflation of 0.9%, acquisition contribution of 0.8%, and dampening effect of currency of 0.9%, implied volume growth of +2.4% was materially better than our +0.5%. Additionally, the flat gross margin performance of 17.7% was also better than our 17.2% est. We attribute the variability around gross margin to our inflation expectations.

**Main issue is US Foods merger** - Management will hold its conference call at 10 a.m. EST (dial in #: 800.946.0715, conf. code: 5700765). We naturally expect a key focus during the call will be on US Foods and the related regulatory developments. We also expect some commentary related to the Business Transformation (including confirmation around spending levels, guidance, and project status update).

# Disclosures Appendix

## Analyst Certification

The analyst primarily responsible for this research report, and whose name appears on the front cover, certifies that: (i) all of the views expressed in this research report accurately reflects his or her personal views about any and all of the subject securities or issuers featured in this report; and (ii) no part of any 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 in this report.

### Legal Disclosures

For important disclosures on companies mentioned in this report, please contact the Cantor Fitzgerald Research Department at 110 East 59th Street, New York, NY 10022, or refer to this website:
https://cantor2.bluematrix.com/sellside/Disclosures.action

### Cantor Fitzgerald's rating system

**BUY:** We have a positive outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors add to their position.

**HOLD:** We have a neutral outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation.

**SELL:** We have a negative outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors reduce their position.

**NC:** Not Covered. Cantor Fitzgerald does not provide an investment opinion or does not provide research coverage on this stock.

Prior to September 12, 2006, Cantor Fitzgerald had the below ratings:

BUY - denotes stocks that we expect will provide a total return (price appreciation plus yield) of 15% or more over a 12-month period. a BUY rated stock is expected to outperform the total average return of analyst's industry coverage universe on a risk adjusted basis.

HOLD - denotes stocks that we suggest will provide a total return or total negative return of up to 15% over 12-month period. A HOLD rated stock is expected to perform in-line with the total average return of the analyst's industry coverage universe on a risk adjusted basis.

SELL - denotes stocks that we expect to provide a total negative return of more than 15% over a 12 month period. A SELL rated stock is expected to underperform the total average return of the analyst's industry coverage universe on a risk adjusted basis.

NC - Not Covered. Cantor Fitzgerald does not provide research coverage on this company.

### Other Disclosures

This report is for informational purposes only and is based on publicly available data believed to be reliable, but no representation is made that such data are accurate or complete. Opinions and projections contained herein reflect our opinion as of the date of this report and are subject to change. Pursuant to Cantor Fitzgerald's policy, the author of this report does not own shares in any company he/she covers.

### Disclosures for UK investors

This material is approved for distribution in the United Kingdom by Cantor Fitzgerald Europe ("CFE"). CFE is authorised and regulated by the Financial Conduct Authority ("FCA"). While we believe this information and the materials upon which this information was based is accurate, except for any obligations under the rules of the FCA, we do not guarantee its accuracy. This material is only intended for use by eligible counterparties or professional clients who fall within articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and not the general investing public. None of the investments or investment services mentioned or described herein are available to other persons in the U.K and in particular are not available to "retail clients" as defined by the rules of the FCA.

### Disclosure for Canadian Institutional Investors

This research report was prepared by analysts of Cantor Fitzgerald & Co. and not by Cantor Fitzgerald Canada Corporation. As a result, this report has not been prepared subject to Canadian Disclosure requirements. Cantor Fitzgerald Canada may distribute research reports prepared by its affiliates.

### Risks

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based on their specific investment objectives. Past performance should not be taken as an indication or guarantee of future performance. The price, value of and income from, any of the financial instruments featured in this report can rise as well as fall and be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's currency, a change in exchange rates may adversely affect the price or value of, or income derived from, the financial instrument, and such investors effectively assume currency risk. In addition, investors in securities such as ADRs, whose value is affected by the currency of the home market of the underlying security, effectively assume currency risk.

**Distribution of Ratings/Investment Banking Services (IB) as of 05/06/14**

**Cantor**

| | | | IB Serv./Past 12 Mos. | |
|---|---|---|---|---|
| **Rating** | **Count** | **Percent** | **Count** | **Percent** |
| BUY [B] | 80 | 55.17 | 20 | 25.00 |
| HOLD [H] | 54 | 37.24 | 8 | 14.81 |
| SELL [S] | 11 | 7.59 | 1 | 9.09 |

**The Disclosure Section may be found on page 6**