

Daily Research Highlights

AU Optronics Corp.: AUO Delivers a Stronger-than-Seasonal May Sales Performance

Dendreon Corporation: CEO Steps Down; Step Down or Step Forward?

Eagle Pharmaceuticals Inc.: EGRX 2Q:14 Update; Maintain BUY and Raise PT to \$22 from \$21

Priceline.com Inc.: April/May Checks on Traffic and Pricing Show 2Q Shaping Up Well

IT Hardware & Software: Taiwan LCD Panel Barometer Sales Miss Seasonality in May, AUO the Strongest

IT Hardware & Software: Taiwan Barometers Showed Mixed Tech Performance in May

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.

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June 10

Priceline.com Inc. (PCLN, BUY, Target: \$1,410.00)

Naved Khan (212-829-4860, nkhan@cantor.com)

[April/May Checks on Traffic and Pricing Show 2Q Shaping Up Well](#)

Investment Summary: Our checks on global Search traffic to Booking.com and other brands during April/May, coupled with signs of recovery in European hotel room rates and continued growth in Priceline's hotel selection suggest that PCLN's 2Q bookings are tracking at/above the high-end of management's guidance. We're maintaining our estimates, BUY rating and \$1,410 PT.

- **Worldwide search interest for Booking.com tracking slightly ahead of expectations.** Y/Y growth in search query interest for Booking.com slowed 400bps Q/Q in May/June, based on our analysis of data from Google Trends (Exhibit 1). Given Search's importance in Priceline's marketing channel mix, synergies with Kayak and robust growth in mobile bookings, we believe that the company should be able to meet or slightly exceed the high-end of its guidance for 31% Y/Y growth (FX-neutral) in international bookings in 1Q (down 700bps from 38% in 1Q).
- **Trends bode well for 2Q.** While 2Q is not over yet and June tends to be a busy month for bookings, if the trends discussed above are sustained into June, we would expect PCLN's 2Q results to come in at/above the top-end of its guidance for \$1,716-1,854M/\$725-775M/\$11.22-12.02 in gross income/EBITDA/EPS (FactSet consensus is \$1,842M/\$778M/\$12.04, we're at \$1,850M/\$780M/\$11.99).

Dendreon Corporation (DNDN, HOLD, Target: \$4.00)

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[CEO Steps Down; Step Down or Step Forward?](#)

- **CEO Steps Down.** Dendreon's CEO, John Johnson, has announced his pending departure from the company, stepping down as CEO as of August 15th, and immediately as Chairman of the Board. Current lead independent director, Douglas Watson, has assumed Chairman duties, and a search for Johnson's successor has begun.
- **Good, Bad or Indifferent.** On the one hand, Johnson's departure was unexpected. Yet on the other hand, the company is at a critical juncture with modest cash left, a large debt overhang and struggling commercial operations that has yet to fully gain buy-in from the clinical community that it serves. With major layoffs already occurring, and losses of the CFO and the head of commercial operations in the past year, perhaps Johnson's departure is not so unexpected. Nonetheless, we think the only question really to be answered is whether Mr. Johnson's exit will force a meaningful change in the sales trend for Provenge.
- **Valuation.** Our \$4 price target which reflects a 3x multiple on 2019 Provenge revenues discounted by 35%. Our model continues to assume additional dilution going forward.

IT Hardware & Software

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

Taiwan Barometers Showed Mixed Tech Performance in May

Summary: Nearly all of our Taiwan Barometers have reported May sales numbers, and we can provide a view on trends for the month. Overall, May was a mixed bag relative to historical seasonality.

- **Final ODM Barometer Sales in May Beat Seasonality.** Final May sales for our ODM (original design manufacturer) Barometer rose by 4% MoM and were stronger than the average decline of 3% MoM for May over the past nine years. Assuming an average MoM percentage change in sales for June, we estimate 2Q:14 revenue will rise by 10% QoQ versus an average increase of 4% over the past nine years. Our ODM Barometer primarily reflects trends in the notebook market but also has exposure to smartphones, LCD TVs, tablets, and other consumer electronic devices. Last week, we attended Computex in Taipei and highlighted improved PC trends. In our coverage universe, Hewlett-Packard (30% of 2Q:FY14 sales) is the largest PC vendor, followed by Apple (12% of 2Q:FY14 sales).
- **Final Apple Barometer Sales Beat Seasonality, but Hon Hai Misses.** Final May sales for our Apple Barometer rose by 7% MoM and were above the average increase of 2% over the past nine years. Our Apple Barometer consists of leading Taiwan-based suppliers that generate a high percentage of sales from Apple. Assuming an average MoM percentage change in sales for June, we estimate 2Q:14 revenue will rise by 20% QoQ, which is above the average increase of 10% over the past nine years. Also, Apple supplier Hon Hai Precision reported a 9% MoM decline in sales during May, which was weaker than the average decrease of 2% over the past nine years. Assuming an average MoM percentage change in sales for June, we estimate 2Q:14 revenue for Hon Hai will fall by 2% QoQ versus an average increase of 9% over the past nine years.

June 9

Eagle Pharmaceuticals Inc. (EGRX, BUY, Target: \$22.00)

Irina Rivkind Koffler (212-915-1237, irivkind@cantor.com)

EGRX 2Q:14 Update; Maintain BUY and Raise PT to \$22 from \$21

- **Revenue beat in 2Q:14:** Eagle Pharmaceuticals reported revenues of \$5.0M and a loss per share of (\$0.36) versus FactSet consensus revenue estimates of \$3.1M and loss per share estimates of (\$0.25) and our revenue estimates of \$4.8M and loss per share estimates of (\$0.16). Management expects entry of argatroban generics in July 2014 to slow sales. This loss should be offset to some extent by the earlier-than-expected launch of Ryanodex for malignant hyperthermia (MH) in 3Q:14. We reiterate our BUY rating and raise our PT to \$22 from \$21, which is based on lower discount factors in our DCF analysis.
- **We expect Ryanodex to achieve peak sales of \$25M:** Ryanodex has a PDUFA date of July 22nd and if approved, it could be launched in malignant hyperthermia as early as 3Q:14. Ryanodex will represent the first product that Eagle will commercialize without a partner, and we think it will serve as a useful example of the company's commercial strategy. Separately, Eagle plans to start a pilot study of Ryanodex for exertional heat stroke in Saudi Arabia by year-end. The company is still in discussions about study financing sources. Management expects to partner the drug OUS and receive a sales royalty, which is currently excluded from our estimates.
- **Generic litigation updates:** (1) Management indicated that the Treanda RTD litigation with Teva was progressing as expected with news expected shortly. Timing of summary judgment is uncertain, though we would expect Teva to appeal the case and attempt to delay the launch. We continue to believe that a more likely scenario is a generic settlement that would allow launch of Eagle's rapid dose (50 mL bag) formulation in 2016. (2) The Medicines Company launched an appeal in May after the recent ruling that Hospira's generic Angiomax did not infringe its patents. Generic Angiomax could launch as late as 2019 if the patents are upheld, providing Eagle with the opportunity to market without generics for up to a year, but there is now more uncertainty around this outcome. We are leaving our estimates unchanged at this time. (3) A recent ruling in the United States upheld Lilly's '209 Alimta patent, which protects Alimta until 2022. We have not modeled any revenues associated with this asset to date and expect Eagle to launch its Alimta RTD in 2022, priced at a slight premium to generics.

AU Optronics Corp. (AUO, HOLD, Target: \$3.75)**Brian J. White, CFA (212-610-2416, briwhite@cantor.com)****AUO Delivers a Stronger-than-Seasonal May Sales Performance**

Summary: This morning, AU Optronics reported May sales that were stronger than the average sales change for past Mays, outpacing our LCD Panel Barometer for the month.

- **AUO's May Sales Stronger than Seasonal.** This morning, AU Optronics reported May sales of NT\$34.994 billion, up 6.2% MoM and better than the average increase of 4% over the past eight years. In our view, this was a strong print from AUO in May and the best performance for the month amongst our LCD Barometer.
- **Valuation.** Our price target of \$3.75 is based on just under 0.6x 4Q:14 tangible book value estimate.

IT Hardware & Software**Brian J. White, CFA (212-610-2416, briwhite@cantor.com)****Taiwan LCD Panel Barometer Sales Miss Seasonality in May, AUO the Strongest**

Summary: As of this morning, all four companies in our Taiwan LCD Panel Barometer have reported May sales. May sales for our LCD Panel Barometer came in weaker than typical seasonality. Our Taiwan LCD Panel Barometer consists of four leading Taiwan-based suppliers, which include AU Optronics, Innolux, HannStar Display, and Chunghwa Picture Tubes ("CPT").

- **May Sales Rise 1% MoM for the Taiwan LCD Panel Barometer.** May sales for our Taiwan LCD Panel Barometer rose by 0.6% MoM and were weaker than the average increase of 3.4% MoM for Mays over the past eight years, as they were negatively impacted by Innolux's weak performance. In our view, the LCD supply chain began showing more constructive trends in March and this carried into the June quarter outlooks; however, it remains to be seen if this recovery can continue into the second half of the year, and we believe the LCD TV sell-through for the World Cup will likely set the tone for 3Q:14. Our Taiwan LCD Panel Barometer consists of four leading Taiwan-based suppliers, including AU Optronics, Innolux, HannStar Display, and Chunghwa Picture Tubes. We believe our LCD Panel Barometer provides a directional indicator to monitor the LCD supply chain, including the LCD glass market. In our coverage universe, AU Optronics and LG Display are examples of leading LCD panel makers, while Corning is a leading LCD glass vendor that sells into the panel supply chain.
- **May Sales Cycle Improves from April but Still in Negative Territory.** The sales cycle (YoY change in sales) for our LCD Panel Barometer improved to negative 7.6% in May from negative 9.3% in April, remaining in negative territory for the eleventh consecutive month. The sales cycle is still well off the recent peak of up 28% in January 2013.

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