

At a Glance

Symbol	Rating		Est.	Price Target	
	Prior	Current		Prior	Current
PRICE TARGET CHANGES					
LNKD	B	B	▲▼	\$250.00	\$275.00
THO	N	N	▲	\$55.00	\$57.00
ZUMZ	N	N	▼	\$34.00	\$29.00
COMPANY UPDATES					
AAVL	B	B		\$60.00	\$60.00
PAY	B	B	▲▼	\$47.00	\$47.00
DMND	N	N	▲▼	\$30.00	\$30.00
ECPG	B	B		\$63.00	\$63.00
FRED	N	N		\$19.00	\$19.00
GPS	N	N		\$41.00	\$41.00
PRAA	B	B		\$77.00	\$77.00
MIK	B	B	▲▼	\$35.00	\$35.00

INDUSTRY UPDATES

[Banking - Regional and Community Banks - STRH Weekly Banking Sector Spotlight](#)

[Lodging - Lodging - Key Points from STR Conf Call](#)

Morning Meeting Highlights

[LinkedIn Corporation \(LNKD, \\$212.83, Buy\)](#) - Raising Revenue Estimates on 2H 2016 Inflection - Target to \$275 - [Robert Peck](#)

[VeriFone Systems, Inc. \(PAY, \\$38.35, Buy\)](#) - Lumpy? Yes. Increasingly Well Run? Also, Yes. Buy. - We maintain a Buy and \$47 price target. Investors should applaud VeriFone's ability to beat the Street despite FX headwinds and a transitory slowdown in APAC. We believe N. America will continue benefiting from a range of initiatives and tailwinds, such as the EMV shift and emerging PaaS offerings. These include the recent VISA omni-channel commerce partnership. Our revised F15, F16, and F17 revenue and EPS estimates are \$2,007m/\$1.87, \$2,191m/\$2.33, and \$2,250m/\$2.67 (Prior \$2,022m/\$1.87, \$2,192m/\$2.33, and \$2,258/\$2.67; Street \$2,000m/\$1.83, \$2,176m/\$2.24, and \$2,337m/\$2.60). - [Andrew Jeffrey](#)

[Thor Industries, Inc. \(THO, \\$61.45, Neutral\)](#) - Still Rolling Along, but Caution Remains; Maintain Neutral/Raise PT to \$57 - THO reported mixed 3Q results with sales above expectations, but a slight EPS miss vs. consensus. While the quarter did little to change our generally positive stance of the industry/THO, in our view elevated margin/EPS expectations could cause some volatility over the next 1-2 quarters. Raising PT to \$57 from \$55 but maintain Neutral. - [Michael Swartz](#)

[Avalanche Biotechnologies \(AAVL, \\$38.82, Buy\)](#) - On the Lookout for a Favorable AVA-101 Phase IIa Outcome - AAVL's key upcoming catalyst is the readout of the AVA-101 Phase IIa study in wet AMD (in conjunction with the 36-month Phase I update, with visibility into durability) in June/July. We believe AVA-101 is well positioned to show activity on the key metric - reduction in the no. of Lucentis injections vs. control - while maintaining stable visual acuity and retinal thickness (any letter gain a nice upside). While REGN has a timed first right of negotiation to co-develop AVA-101, AAVL may chose to retain the program. We believe AAVL shares could see a significant uptick on a positive scenario. - [Salveen Richter](#)

Other Focus Items Today

[The Michaels Companies Inc. \(MIK, \\$27.05, Buy\)](#) - MIK 1Q: Weaving Through Adversity - MIK posted an in-line 1Q while overcoming a number of operational headwinds, not an easy task for a "mature" retailer. MIK also reaffirmed 2015 guidance. We continue to admire the firm's consistency and like the de-leveraging math (LSD topline, modest EBIT margin growth plus lower interest expense equals mid-teens EPS growth). While MIK isn't a big store grower, a number of initiatives are at work that should improve consumer engagement and store productivity, which, if successful, could drive 2H comp upside. MIK's PEG ratio of 1.1x compares to the group's 1.3x. Reiterate Buy. - [David Magee](#)

Diamond Foods (DMND, \$28.97, Neutral) - F3Q Results; Turnaround Looking Good but Competitive Trends Persist - Following DMND's F3Q15 results we are updating our FY15 and FY16 EBITDA estimates to \$122M and \$134M (from \$121M and (\$133M), respectively and initiating a FY17 estimate of \$145M. While the Emerald turnaround is well on its way and there appears to be a long runway for Kettle US growth, we are concerned about the competitive pressures in both Kettle UK and Pop Secret and believe they could cap gross margin improvement in FY16. We will look to gain further visibility on competitive/cost issues in coming months but maintain Neutral for now. - **William Chappell, Jr.**

Gap, Inc. (GPS, \$38.59, Neutral) - Slight May Comp Beat; Gap and BR Trends Remain Concerning - May comps of (1)% beat consensus of (2.5)% and compared to 1% ly driven primarily by better results at Old Navy of 6%, which were above Street of 4.8% and compared to 2% ly. Gap was also above expectations at (6)% vs Street's (7)% and (3)% ly, while BR was disappointing at (5)% compared to consensus of (4.4)% and 3% ly. We continue to be skeptical of a near-term turn at Gap and BR, and believe that competition from Primark (private) could hinder ON longer-term. As such, prefer to remain on the sidelines. Reiterate Neutral and \$41 PT. - **Pamela Quintiliano**

Zumiez, Inc. (ZUMZ, \$29.74, Neutral) - Inline 1Q EPS; Cautious 2Q Outlook - ZUMZ posted adj. 1Q EPS of \$0.12, in line with consensus of \$0.12 and 3/12 guidance of \$0.11-\$0.13. However, comps decelerated as 1Q progressed and May results of (2.2)% vs consensus of 2% and 3.6% ly illustrated a continuation of negative trends reflecting: lack of must-have fashion; lower tourist location and Canadian border sales; port delays and volatile weather. 2Q outlook of \$0.13-\$0.16 well below Street's \$0.30 on QTD trends, Labor Day shift to 3Q and lulls outside of peak selling periods. Reiterate Neutral, remain on the sidelines. Lowering PT to \$29. - **Pamela Quintiliano**

Portfolio Recovery Associates, Inc. (PRAA, \$57.56, Buy) - Positives for PRA Group from Encore Investor Day - This note has much of the same content as our report on the Encore Investor Day, held June 4th in NYC, but has been re-oriented to focus on PRA Group. Importantly, Encore's description of improving domestic supply is also a positive for PRA Group, while ECPG's capital deployment strategy, with an increasing focus on Latin America and Asia, represents minimal competitive threat to PRA's Aktiv subsidiary. Also, Encore's new dlc acquisition leaves a clearer field in the UK this year for PRAA. - **Mark Hughes**

Encore Capital Group, Inc. (ECPG, \$39.22, Buy) - Investor Day Brings Clarity on Capital Deployment - The supply outlook is incrementally better as underlying sales of fresh paper are reportedly increasing, there is tangible progress on the return of two sellers representing almost a third of the market, the company has completed its UK deployments via a large acquisition, and other international opportunities are increasingly emerging. While somewhat constrained by its balance sheet, these industry conditions should be good enough to allow for

sustained EPS growth, which makes the stock attractive at a single-digit P/E multiple. - [Mark Hughes](#)

[Fred's Inc. \(FRED, \\$18.14, Neutral\)](#) - FRED May '15 Results a Little Soft - [David Magee](#)

[Lodging](#) - Lodging - Key Points from STR Conf Call - Yesterday, we hosted a conference call with STR (Smith Travel Research) to go over the 2015 and 2016 forecasts they presented at the NYU International Hospitality Industry Investment Conference and discuss other recent hotel industry trends. - [C. Patrick Scholes](#)

[Banking - Regional and Community Banks](#) - STRH Weekly Banking Sector Spotlight - This week, ZION announced a restructuring initiative intended to proactively improve profitability. The main details are highlighted below. Furthermore, we are examining bank loan growth via H.8. data. - [Jennifer Demba](#)

Management Access / NDRs

Date	Event	Analyst(s)	Region
6/08/15	Performant Financial Corporation (PFMT) - Toronto	Jeffrey	CANADA
6/08/15	Innate Pharma SA (IPH) - San Francisco	Boris	WEST COAST
6/08/15-6/09/15	Willis Group Holdings (WSH) - Atlanta and FL	M Hughes	SOUTHEAST
6/09/15	Brunswick (BC) - Kansas City	Swartz	SOUTHEAST
6/09/15	Hibbett Sports (HIBB) - Kansas City	Magee	SOUTHEAST
6/09/15-6/10/15	East West Bancorp (EWBC) - Los Angeles and San Francisco	Demba	WEST COAST
6/09/15-6/10/15	NAREIT Investor Forum - New York	Scholes	NEW YORK
6/09/15-6/10/15	NAREIT Investor Forum - New York	Kim/Lewis	NEW YORK
6/09/15-6/10/15	NAREIT Investor Forum - New York	Fleming	NEW YORK
6/10/15	Willis Group Holdings (WSH) - Ohio	M Hughes	MIDWEST
6/10/15	Hibbett Sports (HIBB) - San Francisco	Magee	WEST COAST
6/10/15	Brunswick (BC) - Denver	Swartz	DENVER
6/11/15	Brunswick (BC) - KC	Swartz	SOUTHEAST
6/11/15	Arista Networks (ANET) - Atlanta	Kyriakopoulos	SOUTHEAST
6/12/15	Arista Networks (ANET) - Houston & Dallas	Kyriakopoulos	TEXAS
6/12/15	Huron Consulting Group (HURN) - Group Lunch - Boston	Sommer	BOSTON
6/15/15-6/16/16	PolyOne Corporation (POL) - Montreal and Toronto	Freuchtel	CANADA
6/16/15	Kraton Performance Polymers (KRA) Group Dinner - New York	Freuchtel	NEW YORK
6/16/15-6/17/15	Heartland Payments (HPY) - Texas	Jeffrey	TEXAS
6/19/15	Aflac (AFL) - Atlanta	M Hughes	SOUTHEAST

STRH Hosted Events

Date	Event	Analyst(s)	Region
6/08/15-6/10/15	Software - John Rizzuto - Analyst Trip - Texas	Rizzuto	TEXAS
6/09/15-6/10/15	Utilities - Ali Agha - Analyst Trip - Texas	Agha	TEXAS
6/09/15-6/10/15	Banks - Bank Team - Analyst Trip - WC	Demba/Curtiss	WEST COAST
6/10/15-6/12/15	E&P/OFS - Neal Dingmann - Analyst Trip - New York	Dingmann	NEW YORK
6/11/15-6/12/15	Transaction Processing/Electronic Payments - Andrew Jeffrey - Analyst Trip - Midwest	Jeffrey	MIDWEST
6/12/15	Government/Business Services/Human Capital - Tobey Sommer - Analyst Trip - Boston	Sommer	BOSTON
6/15/15-6/16/15	Healthcare IT - Sandy Draper - Analst Trip - Canada	Draper	CANADA
6/16/15	Consumer Products/Food - Bill Chappell - Analyst Trip - Austin	Chappell	TEXAS
6/16/15-6/18/15	Semiconductors - Will Stein - Analyst Trip - Midwest	Stein	MIDWEST
6/17/15	Networking - Conference Call with Cisco (CSCO) - @ 2:00pm ET	Kyriakopoulos	CONFERENCE CALL
6/18/15-6/19/15	Consumer Recreation & Leisure - Mike Swartz - Analyst Trip - Boston	Swartz	BOSTON
6/19/15	Software - John Rizzuto - Analyst Trip - Atlanta	Rizzuto	SOUTHEAST

Conferences

Date	Event	Analyst(s)	Region
6/17/15	Third Annual Vacation Ownership & Exchange Conference - New York	Scholes	NEW YORK
11/12/15	Financial Technology, Business & Government Services Conference - New York	Jeffrey/Sommer	NEW YORK
12/02/15	Third Annual Boston Lodging & Leisure Conference - Boston, MA	Scholes	BOSTON

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3 designations based on total returns* within a 12-month period**

- **Buy** – total return \geq 15% (10% for low-Beta securities)***
- **Reduce** – total return \leq negative 10% (5% for low Beta securities)
- **Neutral** – total return is within the bounds above
- **NR** – NOT RATED, STRH does not provide equity research coverage
- **CS** – Coverage Suspended

*Total return (price appreciation + dividends)

**Price targets are within a 12-month period, unless otherwise noted

***Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average Beta

Legend for Rating and Price Target History Charts:

D = drop coverage

I = initiate coverage

T = transfer coverage

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Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	296	53.14%	Buy	109	36.82%
Neutral	255	45.78%	Neutral	52	20.39%
Sell/Reduce	6	1.08%	Sell/Reduce	1	16.67%

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