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July 24

TripAdvisor Inc. (TRIP, HOLD, Target: $94.00)
Naved Khan (212-829-4860, nkhan@cantor.com)

Growth Picks Up, but Already Priced Into the Stock; Lower to HOLD, Maintain $94 PT

SUMMARY: TRIP reported mixed 2Q results, with the top line showing an impressive 800bps sequential improvement to 29% Y/Y. That said, revenue came virtually in-line with consensus, showing that Street expectations already reflect an accelerating revenue growth trajectory for the business. Management also modestly lowered the EBITDA outlook to fund growth initiatives. While the success of "Instant book" feature offers potential for upside, we believe that its P&L impact will likely be limited in the near term until/unless TRIP manages to convince a major OTA to sign-up - something they've resisted so far. While we continue to be fans of the model and view TRIP as an indispensable piece of the travel ecosystem, we opt to move to the sidelines, as we believe that the stock currently reflects reasonable expectations for growth/margin improvement in 2014 and beyond. We're maintaining our $94 PT.

- **2Q results were mixed** with a generally in-line top line, while EBITDA and EPS were below expectations. Revenue was $323M (+31% Y/Y, 29% FX-neutral) vs. (FactSet) consensus' $322M, while EPS (non-GAAP) was $0.55 vs. consensus' $0.61. EBITDA of $129M was also below consensus' $134.5M.
- **We are tweaking our estimates, maintaining $94 PT.** We are adjusting our FY:14 estimate to $1,253M in revenues, $489M in EBITDA and $2.12 in NEPS, from $1,254M, $497M and $2.17, previously. We're maintaining our $94 PT.

Facebook, Inc. (FB, BUY, Target: $82.00)
Youssef Squali (212-915-1794, ysquali@cantor.com)

Mobile Drives Another Solid Quarter; Raising PT to $82

Investment Summary: We're maintaining our BUY rating on FB on the back of strong 2Q:14 results with both revenue and NEPS comfortably exceeding consensus estimates. Despite tough Y/Y comps, mobile ad revenue surged well beyond expectations, driving the upside in the quarter. With sustained growth likely for 2014 and 2015 and guidance for cost/expenses growth lowered, we see further margin improvement over time. FB remains a 2014 top pick for us, given its position as the largest/most-engaged Internet platform offering personalized marketing at scale, the on-going shift to mobile, and as yet untapped monetization potential for Instagram and WhatsApp, all at a relatively compelling valuation still. We are adjusting our estimates and PT to $82 from $80/share.

- **Results exceed expectations on strong ad revenue growth.** Total revenue increased 60.5% Y/Y to $2,910M and NEPS was $0.42, both handily ahead of consensus (StreetAccount) at $2,800M and $0.32, respectively. Ad revenue was the primary driver (92.0% of total), growing an impressive 67.4% Y/Y to $2,676M vs. consensus' $2,570M. All of the growth was driven by pricing (+123% Y/Y) as ad impressions declined (-25%), reflecting fewer ads on mobile vs. desktop right-hand rail slots.
- **Engagement remains solid; users spend 40min/day on FB.** Users continue to spend a significant amount of time on FB. DAU/MAU increased 4.0% Y/Y to 0.629, driven by a 39% increase in mobile DAUs vs. 31% growth in mobile MAUs. Management further noted that Facebook users spend ~40 minutes/day, including 1 of every 5 overall mobile minutes. While 40 min/day is impressive, it compares to an opportunity of 9 hours/ day spent on digital media more broadly.

F5 Networks, Inc. (FFIV, BUY, Target: $134.00)
Brian J. White, CFA (212-610-2416, briwhite@cantor.com)

A Decisive 3Q Beat by F5 and the Party's Not Over - Raising Estimates and PT to $134

Summary: Last night, F5 Networks reported much better-than-expected 3Q:FY14 results (ended June) and provided a strong 4Q:FY14 EPS outlook. As such, we are raising our estimates and increasing our 12-month price target to $134.00 (from $130.00). Within our IT-related coverage universe of companies for which we are modeling positive EPS this year, we are forecasting F5 to deliver the fastest sales growth in CY:14, at nearly 18%. As such, we believe F5 represents a stock with attractive growth prospects and trades at a reasonable valuation (i.e., 15x our CY:15 EPS estimate, ex-cash).

- **F5 Makes it Look Easy with a Decisive Beat in 3Q.** F5 Networks reported 3Q:FY14 revenue of $440.3 million that beat our estimate of $435.3 million (FactSet consensus was at $435 million), while pro forma EPS of $1.39 came in above our $1.35 projection (consensus was also at $1.35). This represents 19% YoY sales growth and 24% EPS growth. Recall, F5's 3Q:FY14 outlook had called for sales of $428-438 million and pro forma EPS of $1.33-1.36.
- **A Strong 4Q Outlook; Raising Estimates and PT to $134.00.** Looking into 4Q:FY14, F5 expects sales of $453-463 million (consensus is at $456 million) and pro forma EPS of $1.46-1.49 (consensus is at $1.45). For 4Q:FY14, we are slightly adjusting our sales estimate to $462.6 million from $462.3 million and boosting our pro forma EPS estimate to $1.48 from $1.44. For FY:15, we are raising our pro forma EPS estimate to $6.24 from $6.14 (consensus is at $6.15).

Varian Medical Systems, Inc. (VAR, BUY, Target: $93.00)

Jeremy Feffer (212-915-1238, jfeffer@cantor.com)

Mixed 3Q Results Should Not Dampen Brighter L-T Story; Reiterate BUY and $93 PT

SUMMARY: We reiterate our BUY rating and $93 price target on VAR despite another uneven quarter marked by sluggish U.S. system sales and higher-than-expected SG&A. We remain bullish on the long-term story for the following reasons: 1) the U.S. market is due for a rebound, in our view, driven by an improving reimbursement environment that we think will kickstart a new replacement cycle; 2) continued strength in the high-margin service and software business; 3) further momentum in emerging markets, particularly Latin America and China; and 4) sustainable double-digit growth in Imaging. While Proton remains dilutive for now, this business remains a long-term call option that may become meaningful in 2016. In the meantime, we are encouraged by a return to margin leverage in 2015 and an unwavering commitment to share repurchases.

- **U.S. Oncology.** Total net oncology orders were up ~3%, although service, which represented ~40% of the total, was up double digits, implying double-digit declines for systems. Management noted stable pricing, which means that unit sales continued to be weak, a trend the company attributes to ongoing weakness among freestanding clinics. While that segment makes up a progressively smaller part of Varian's business, the complete standstill from those customers puts extra pressure on the hospital segment, which remains stable yet still uneven. Going forward, we expect a gradually more robust hospital replacement cycle, particularly with more benign reimbursement (small increases in 2015 for radiotherapy and radiosurgery plus a proposed equivalent bundled rate for radiosurgery via either linac or cobalt).
- **Proton.** Varian booked a $57m Proton order with National Taiwan University and still expects to book significant revenues from the Maryland project in 4Q (hence the +7-15% revenue guidance), although whatever is not booked will get pushed out to 2015. With $45m of the $125m Scripps loan now off of Varian's books, the company has additional flexibility in financing future projects.

July 23

Amphenol Corporation (APH, HOLD, Target: $98.50)

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

APH Makes It Look Easy with a Strong 2Q, but Valuation Could Cap Upside...

Summary: This morning, Amphenol delivered a strong 2Q:14 performance and held a constructive conference call this afternoon with more details around the company's 2014 outlook. On the back of this call, we are boosting our 2014 EPS estimate. Given our increased EPS estimates, we are raising our 12-month price target to $98.50 (from $97.00). That said, we believe upside in the stock price could be limited from current levels given that Amphenol already trades at a P/E of nearly 20x our CY:15 EPS projection.

- **APH Again Shows Upside but This Time Below Seasonality.** Amphenol reported 2Q:14 revenue of $1.314 billion, which was above our revenue estimate of $1.274 billion (FactSet consensus was at $1.28 billion), while pro forma EPS of $1.09 beat our $1.05 projection (consensus was also at $1.05). Amphenol continues to execute around margins, with operating margin coming in at 19.5% in 2Q:14 and slightly ahead of our 19.4% estimate but down from 19.7% a year ago.
- **Boosting our 3Q:14 and 2014 EPS Projections.** For 3Q:14, Amphenol expects sales of $1.32-1.35 billion (consensus is at $1.311 billion), while pro forma EPS is expected in a range of $1.12-1.15 (consensus is at $1.10). The company raised its 2014 revenue guidance to $5.21-5.27 billion from $5.11-5.20 billion and increased its EPS outlook to $4.35-4.41 from $4.25-4.34. We are adjusting our 3Q:14 revenue forecast to $1.350 billion from $1.315 billion and boosting our pro forma EPS projection to $1.15 from $1.12. For 2014, we are raising our EPS estimate to $4.43 from $4.34 and boosting our 2015 EPS estimate to $4.93 from $4.86.

The Disclosure Section may be found on page 9

EMC Corporation (EMC, BUY, Target: $34.00)

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

Elliot Pounds Table on SH Value & EMC Ramps New Innovations: Raising PT to $34

Summary: EMC delivered a stronger-than-average seasonal June quarter, slightly boosted its 2014 EPS outlook, and also announced plans to accelerate its stock repurchase program in 2014 to $3 billion from $2 billion. Overall, we believe the tone of EMC's call was constructive. Despite the significant underperformance in EMC's stock since this time in July 2011 (up 3% vs. a 48% rise for the S&P 500 Index), we view the company as a major innovator in the IT world and ultimately we believe this will be more accurately reflected in the company's valuation. At the same time, we believe pressure from Elliot Management has the potential to drive increased shareholder enhancement initiatives at EMC. Given this healthy quarter and growing pressure from investors, we believe EMC has more upside potential and we are raising our 12-month price target to $34.00 (from $30.50).

- **A Healthy 2Q Print with Above-Average Seasonal Performance.** EMC reported 2Q:14 sales of $5.88 billion, which slightly beat our estimate of $5.849 billion (FactSet consensus was at $5.843 billion), while pro forma EPS of $0.43 was slightly below our projection of $0.44 but beat the consensus by $0.01. Sales rose by 7% QoQ in 2Q:14 and were better than the average increase of 4% over the past six years, but this stronger-than-average seasonal performance came only after a very weak 1Q:14.
- **Slightly Adjusting Estimates, Increasing PT to $34.00.** Looking into 3Q:14, we are slightly adjusting our sales projection to $6.051 billion from $6.112 billion (consensus is at $6.015 billion) and are trimming our pro forma EPS projection by one penny to $0.48 (Consensus is at $0.46). For 2014, we are slightly raising our pro forma EPS estimate by one penny to $1.91 and are maintaining our 2015 EPS projection of $2.12.

Thermo Fisher Scientific Inc. (TMO, BUY, Target: $140.00)

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

Consistent, Strong Execution; Maintaining BUY and Raising PT to $140

We are maintaining BUY and raising our PT to $140 (from $136), on the heels another strong quarter and slightly improved aggregate end-market outlook for TMO. Organic revenue growth of +5% y/y (vs. +2% in 1Q; and bookings exceeding by 1%) was driven by continued strength in pharma/biotech, and improved performance in North America, healthcare/diagnostic, and academic/government compared to 1Q. Although the lack of growth in China in the quarter was disappointing (consistent with commentary from its peers), bookings grew in the high teens, and TMO is anticipating improved government spending in 2H. LIFE acquisition synergies continue to track ahead of schedule, and the full year target was raised once more to $100mm (vs. $85mm prior). 2014 Revenue guidance at the mid-point was unchanged (although including ~$90mm decline from Cole-Parmer divestiture announced July 17), while the mid-point of non-GAAP EPS was raised by $0.03 (reflecting accelerated synergy realization).

- **2Q:14 Highlights:** Revenue growth was +33% y/y (+5% organic for TMO standalone) vs. FactSet Consensus of +31%, driven by another high-single-digit growth in pharma/biotech and improvement in healthcare/diagnostic (mid-single-digit growth). Academic/government and industrial/applied grew in the low-single digits. Non-GAAP EPS was $1.72 vs. Consensus of $1.62. By geography, North America grew in the mid-single digits (vs. low-single-digit decline in 1Q), Europe grew in the mid-single digits (in-line with 1Q), Asia-Pacific grew in the low-single digits (vs. high-single-digit growth in 1Q) with flat growth in China (vs. low-double-digit growth in 1Q), and ROW declined in the low-single digits (vs. low-single-digit growth in 1Q).
- **Updated 2014 guidance** calls for revenues of $16.86-16.98bn, +29-30% y/y (vs. $16.84-17.00bn, +29-30% prior). Organic growth assumptions for standalone TMO and LIFE remain ~3-4% and ~2-3%, respectively, although at the higher end of the ranges. Non-GAAP EPS is expected to be between $6.85-6.97 (vs. $6.80-6.95 prior), assuming adjusted OM expansion of 230-250 bps (vs. 220-250 bps prior). Our 2014 revenue and non-GAAP EPS estimates are $16.92bn, +29% y/y (unchanged), and $6.91 (vs. $6.88 prior).

LG Display Co., Ltd. (LPL, HOLD, Target: $13.50)

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

Our Initial Thoughts on LPL's 2Q:14 Results...

Summary: This afternoon LPL provided an intra-day surprise by reporting 2Q:14 results with sales slightly above our estimate and EPS well above our projection, while the company's 3Q:14 outlook compares favorably with our estimate. LPL is hosting a conference call at 9:00PM ET. In our coverage universe, AU Optronics competes with LPL, and Corning supplies LCD glass to the panel maker.

- **Sales Slightly Above Our Estimate, and EPS Handily Beats in 2Q:14.** This afternoon, LG Display reported 2Q:14 sales of US$5.911 billion that slightly beat our estimate of US$5.876 billion, while pro forma EPS of $0.36 handily beat our projection of $0.17. LPL's EPS included a negative impact from foreign exchange to operating income but also a benefit from valuation gains from foreign currency dominated debt. This 2Q:14 print represents a 7% sequential sales increase in local currency and is up 13% in U.S. dollar revenue vs. the seven-year average growth of 14% (U.S. dollars) for the past June quarters.
- **Soft 3Q Outlook with a Mid-Single-Digit Percentage Growth in Volume.** LG Display expects total shipments in 3Q:14 to grow by a mid-single-digit percentage sequentially and for ASPs to rise. As such, LPL expects both revenue and sales to improve in 3Q:14. Based on LPL's 2Q:14 reported revenue and our 3Q:14 revenue estimate before today's conference call, our 3Q:14 sales forecast implies a 5% QoQ uptick. Our estimates and price target are under review.

Ligand Pharmaceuticals (LGND, HOLD, Target: $44.00)

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

Thoughts Ahead of LGND Earnings: Maintaining HOLD and $44 PT

- **Maintaining our HOLD and $44 PT amongst Promacta doomsday scenarios:** We think that LGND has traded off recently due to competitor SELL ratings and vocal short sellers. In reading these reports, we surmise that the short thesis is predicated upon a belief that partner GSK's Promacta growth was due to thrombocytopenia treatment in Hepatitis C patients requiring interferon, and the brand is likely to decline due to the introduction of new drugs such as Sovaldi which obviate the need for interferon. We disagree with this view, since our earlier channel checks revealed that physicians were not using Promacta to treat severely compromised Hepatitis C patients. Rather, we believe that Promacta growth was tied to the drug's international expansion and expect modest growth to continue to the $500M range. We do not dismiss the risk associated with Promacta transfer to Novartis, who may discontinue label expansion efforts or re-prioritize commercial investment, but our model never included any value for oncology indications so we feel comfortable with our current estimates for now.
- **2Q:14 Promacta sales beat Bloomberg consensus estimates:** This morning GSK reported second quarter Promacta revenues of $92M versus Bloomberg consensus estimates of $89.8M. In the detailed breakout, $35M was from U.S. sales (+21% Y/Y), while $54M was sold internationally (+39% Y/Y). The unexplained $3M difference would align sales closer to consensus estimates.
- **Kyprolis data releases are risky, in our view:** Amgen will report its 2Q:14 Kyprolis sales on July 29. Bloomberg consensus estimates $81.2M for the quarter, followed by substantial growth from 2015-2017. This modeled growth leads us to believe that investors already expect successful outcomes from the ongoing Phase III ASPIRE and FOCUS trials in multiple myeloma, which introduces downside risk, in our view. Amgen management highlighted the significance of the ASPIRE data at an investor conference because it would allow Kyprolis to move into a second-line indication that is 2-3x the size of the drug's current indicated use. If ASPIRE unexpectedly fails, the sell side would need to lower its Ligand royalty estimates, which is yet another reason we remain on the sidelines and reiterate our HOLD rating.

CoreSite Realty Corporation (COR, HOLD, Target: $33.00)

David Toti (212-915-1219, dtoti@cantor.com)

Retail/Colo Model Intact; Leasing Progress & Guidance Bump

COR's 2Q results were solid, with good leasing volumes, modest dev't. progress, a few 1x items, and an FY:14 FFO guidance bump. The company continues to churn through internal supply levels, with modest rent roll-up and controlled capex costs.

Adjusted 2Q results missed Cantor expectations by a penny, but met consensus. Although development lease-up was limited, overall operations were healthy with the portfolio rising 240bp in the period. Additionally, '14 core FFO/sh. guidance was revised upwards by 2.9%, though the top end of the revenue range remains unchanged, and the driver of the increase unknown (*call question*). In recent months, our conviction levels on the longevity of the data center model has increased, within both wholesale and retail/colo product lines--although supply remains an overhang in many markets, and the cloud continues to generate questions. We view COR's current valuation (e.g., 18% NAV premium, 7.2% implied cap rate) as reflective of the company's low leverage and stable operations; reiterate HOLD.

- **Development pipeline.** At the end of 2Q:14, 50k sf was under construction, unchanged from the prior quarter. Given ~200k sf of data center vacancy in the portfolio, as well as oversupply issues in several of CoreSite's markets, we are comfortable with the lack of new development activity. Another call question: plans for capital structure evolution, given high LOC and floating rate debt exposure.

Amphenol Corporation (APH, HOLD, Target: $97.00)

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

Our Initial Thoughts on APH's 2Q:14 Results

Summary: This morning, Amphenol reported a strong 2Q:14, with both revenue and pro forma EPS beating our estimates, while the company increased its quarterly dividend to $0.25 per share from $0.20 per share. The company's 3Q:14 outlook is better than our estimate, and the company boosted its 2014 guidance. The company is scheduled to host a conference call at 1PM ET, and the dial-in number is 888-395-9624 (Password: REARDON).

- **A Solid 2Q:14 Performance but Below Seasonality.** This morning, Amphenol reported 2Q:14 revenue of $1.314 billion, which was above our revenue estimate of $1.274 billion (FactSet Consensus was at $1.28 billion), while pro forma EPS of $1.09 beat our $1.05 projection (Consensus was also at $1.05). This 2Q:14 print represents a 5% sequential sales growth and is softer than the seven-year average increase of 8% over the past June quarters.
- **A Healthy 3Q:14 Outlook and Higher 2014 Guidance.** For 3Q:14, Amphenol expects sales of $1.32-$1.35 billion versus our $1.315 billion forecast (Consensus is at $1.311 billion), while pro forma EPS is expected in a range of $1.12-$1.15 versus our $1.12 estimate (Consensus is at $1.10). The company raised its 2014 revenue guidance to $5.21-$5.27 billion from $5.11-$5.20 billion and increased its EPS outlook to $4.35-$4.41 from $4.25-$4.34. Our estimates and price target are currently under review.

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

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

Our Initial Thoughts on EMC's 2Q:14 - A Penny for Your Thoughts

Summary: This morning EMC reported 2Q:14 results in what we would describe as a stronger-than-seasonal June quarter report. Times are tough in the storage market, but EMC managed to increase its 2014 EPS outlook, albeit by just a penny to $1.91 from $1.90. For EMC investors, the past three years have been frustrating as the stock is currently at a similar level to when the company reported its 2Q results in July 2011. The company also announced plans to accelerate its stock repurchase program in 2014 to $3 billion from $2 billion. EMC is scheduled to host a conference call at 8:30am ET, and the dial-in number is 210-795-1098.

- **EMC Delivers Revenue and EPS Upside in 2Q:14.** This morning, EMC reported 2Q:14 sales of $5.88 billion, which slightly beat our estimate of $5.849 billion (FactSet Consensus was at $5.84 billion), while pro forma EPS of $0.43 slightly missed our projection of $0.44 but beat the Consensus by $0.01. Gross margin of 63.8% was below our 64.4% estimate, and operating margin of 22.6% also came in below our 23.3% estimate.
- **EMC Fine Tunes its 2014 EPS Outlook by One Penny.** This morning, EMC maintained its 2014 revenue outlook at $24.575 billion and increased its EPS outlook by one penny to $1.91 from $1.90, while reiterating its operating margin guidance at a range of 24% to 24.5%. Our estimates and price target are currently under review.

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

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

Two For Two Approvals This Summer; Maintain BUY Rating and $22 PT

- **FDA issued approval of Ryanodex and a tentative approval of Eagle's Treanda formulation on July 2nd:** FDA issued an approval of the Ryanodex NDA for the treatment of malignant hyperthermia. We estimate a Ryanodex launch in 3Q:14 and model peak sales of $25.3 million in 2020. Earlier in the summer FDA also issued a tentative approval of Eagle's 505(b)(2) NDA for the ready-to-dilute formulation of Treanda (bendamustine) for the treatment of non-Hodgkin lymphoma (NHL). A final FDA approval can be issued after Eagle resolves its ongoing litigation with Teva and would pave the way for approval and launch of Eagle's second generation rapid infusion Treanda (via the easier sNDA regulatory pathway). We estimate a 2016 launch for the rapid infusion/small volume bag of Eagle's Treanda and model peak sales in 2017 of $188.2 million. We appreciate management's strong execution to date and reiterate our BUY rating and $22 PT, which are based on DCF valuation.
- **Ryanodex represents the next revenue stream for Eagle:** Ryanodex (a novel rapid administration formulation of dantrolene) will be the first product that Eagle is commercializing without a partner. Ryanodex is an Orphan Drug used for the treatment of malignant hyperthermia, a potentially fatal metabolic response triggered by anesthesia. Hospitals are required to stock dantrolene, and we believe that Eagle's new formulation offers convenience benefits such as fewer vials to reconstitute, a shorter administration time, and a lower fluid load for patients, which can translate into important safety benefits. We assume these characteristics will allow Ryanodex to capture the majority of the dantrolene market over time. Eagle is also pursing a second Orphan indication for Ryanodex (exertional heat stroke) and plans to start a pilot study in Saudi Arabia before year-end.
- **We estimate 2016 launch of Treanda due to anticipated delays with Teva litigation:** The 30-month stay in the Teva patent litigation expires in March 2016. News is expected shortly regarding summary judgment, but we expect Teva to appeal if the decision favors Eagle and see a launch opportunity following expiration of the 30-month stay as more likely. Furthermore, Teva has Orphan Drug/pediatric exclusivity, which expires on 9/20/15 for the CLL indication (which creates another launch barrier). Our base case assumes approval of Eagle's rapid infusion Treanda in 3Q:15 via sNDA and launch of this second generation product rather than the first larger bag due to approval timing. The second generation improvements are meaningful, in our view, and we assume that Eagle will capture 40% of the market share by 2017 prior to generic entry, which we estimate in 2018.

AvalonBay Communities, Inc. (AVB, HOLD, Target: $146.00)

David Toti (212-915-1219, dtoti@cantor.com)

"Cruel Summer"; NOI Slides on Northeast Chill*

Despite the headline beat, we view the 2Q print as likely to disappoint expectations; at the core, SSNOI was weak across the Northeast, some 57% of AvalonBay's footprint. While some markets remained strong (CA) and the development engine powered along, overall portfolio performance appears lackluster relative to the current implied cap rate of 4.7% and NAV premium of 21.0%; reiterate HOLD.

2Q results beat Cantor estimates by $0.06/sh. on lower expenses and misc. Portfolio metrics suggest modest softening, but nothing radical or unexpected (lower rent growth, some occupancy loss, steady turn). Regionally, the West Coast outperformed (a positive read for Essex Property Trust), while Mid-Atlantic lagged (a negative read for Home Properties). The Northeast also unexpectedly turned negative (*a call question*). YTD, AVB is up approx. 23.0%, vs. 18.0% for the RMZ index.

- **Misc.** As compared to 1Q, development pipeline was up approx. 8.0% to $3.2b at 6.4% yield (10bps lower) while Dev. rights declined approx. 10% to $3.2b. Since 1Q, there were dispositions, common stock issuance, debt issuance, and repayment.

** Dallin, Sara, Bananarama; "Cruel Summer"; 1984.*

Office REITs:

David Toti (212-915-1219, dtoti@cantor.com)

BDN/SLG: Where the Schuylkill Meets the Hudson

Two Northeastern office powerhouses reported tonight, and despite the different geographies, the themes were consistent: slowly improving fundamentals held back by stubborn suburban markets and continued external growth largely in the form of development. While we have a preference for CBD office exposure in today's economy, both names offer a mix of assets and remain HOLD rated; we consider both to be fully valued at current levels. Catalysts that could shift us off neutral on the names? Evidence of incremental cap rate de/compression, a change of pace in fundamental recovery, employment forecast changes, and/or a shift in value creation volumes. Herein we provide takeaways from the 2Q:14 BDN and SLG earnings releases.

Brandywine Realty--Steady Execution

BDN's results highlight steady execution of a well-disclosed strategy, and 2Q performance falls right in line. Development progress was as expected, with no newly announced asset transactions. **Although lifted slightly, FY:14 guidance assumptions remain unchanged--and the market may have been expecting some action on de-levering, of which there was little (*stay tuned?*).** The co. continues to move forward with value creation and portfolio churn, although we view these activities as reflected in our ests. at this time.

SL Green--Robust Execution

SLG's results were as expected: noisy and full of transaction and refinancing activity. Importantly, metro-NYC fundamentals continue to exhibit healthy growth, while the suburbs show some signs of life. **We remain optimistic about the potential for strong organic growth within the SL Green portfolio, despite the fact that this engine is often masked by the lumpy impacts of non-core activities.** The balance sheet remains poised for continued external growth in scale, and perpetual profit-harvesting keeps the well from running dry. That said, we view current pricing as reflective of fair value (e.g., 4.4% implied cap, 19.6% NAV premium).

The Disclosure Section may be found on page 9

Disclosures Appendix

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Cantor

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
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HOLD [H]	51	34.23	7	13.73
SELL [S]	11	7.38	1	9.09