

MORNING SUMMARY

August 7, 2015

RESEARCH AND MARKET COMMENTARY

Topic	Current Rating	ACTION		ESTIMATE CHANGES					Main Topic
		Rating	Price Target	Metric	Current Quarter	Next Quarter	Current FY	Next FY	
ANET	B	—	—	Revenue (\$M)	▲	▲	▲	▲	Earnings Release
CSCO	N	—	—	Revenue (\$M)	—	—	—	—	Earnings Preview
DERM	B	—	▲	Revenue (\$M)	—	—	—	—	Company Update
DUK	B	—	▼	EPS (\$)	▼	▲	▼	▼	Earnings Release
ED	N	—	—	EPS (\$)	—	▼	—	▲	Earnings Release
EIX	B	—	—	EPS (\$)	—	—	—	—	Company Update
EOG	N	—	—	EPS (\$)	—	—	—	—	Earnings Release
FPRX	B	—	—	EPS (\$)	▼	▼	▼	▼	Earnings Release
IMPV	N	—	—	Revenue (\$M)	▲	▲	▲	▲	Earnings Release
JACK	N	—	—	Adjusted EPS (\$)	▲	▼	▲	▲	Estimate Changes
SFM	N	—	—	EBITDA(\$M)	▼	▼	▼	▼	Earnings Release
TESO	B	▲	—	EPS (\$)	▼	▼	▼	▼	Rating Change
TSRO	B	—	—		—	—	—	—	Earnings Release
TXMD	B	—	—	EPS (\$)	▼	▼	▼	▼	Company Update
UBNT	N	—	—	Revenue (\$M)	▼	▼	▼	—	Earnings Release
WR	B	—	—	EPS (\$)	—	—	—	—	Company Update
XLRN	N	—	—	EPS (\$)	▼	▼	▲	▲	Company Update

[Financial Services: Financial Institutions Monthly: Despite Rising Rate Hike Expectations, Flatter Yield Curve May Pressure NII in 3Q15; M&A Outlook Remains Robust](#)

[WRG Politics: Fire on the Mountain: GOP Debate Takeaway – 40% Chance for Brokered Convention \(DC Download\)](#)

RATING CHANGES

TESO - Upgrading to BUY - Numerous Potential Catalysts and Strong FCF Overcome Macro Fears; New \$14 PT

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BUY			
TESO	\$8.91	Price Target \$14.00	
Current Q	Next Q	Current FY	Next FY
\$(0.23)	\$(0.23)	\$(0.75)	\$(0.45)
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$347	EPS (\$)	NM	NM

- **Catalysts a-plenty (though timing is uncertain).** We see three potential catalysts for higher revenue and margins over the next several quarters—none of which are in our numbers: specifically, 1) a reacceleration in top drive (TD) sales; 2) growth in aftermarket services; and 3) potential market share gains in tubular services (TRS). Meanwhile, investors are being "paid to wait" by TESO's 7% FCF yield and ability to repurchase 2mm shares under its existing authorization and NCIB limits in 1H16.
- **Driving the top drive.** Although we have modeled TD sales of only 44 units in '16 (vs. the '14 peak of 110), our estimate could prove conservative given that the onshore rig upgrade cycle continues in several large overseas markets. Given that every 10 units adds about \$0.05 per share to EPS, it doesn't take many of the 2,400 non-U.S. land rigs to be upgraded to move the needle for TESO. Additionally, the company has developed an upgrade kit that more than doubles its revenue/rig potential.
- **Aftermarket (A/M) should normalize.** TESO's A/M revenue fell 48% 2Q15/4Q14 to a run rate of \$40mm, due to contractors deferring maintenance in the midst of the record rig count decline. However, we believe that A/M revenue should recover to a \$55mm run rate—for the current level of rig count—over the next few quarters as rigs currently working get serviced. In addition, TESO has lots of room to grow its third-party services, which is a relatively new initiative that more than doubles its available market.
- **Fits our framework.** We continue to believe that global E&P capex will be down again next year, creating a challenging environment for companies needing a reacceleration in pricing to generate EPS growth. However, companies that can: a) grow revenue through share gains and new addressable markets, b) deliver margin improvement through cost cutting and fixed cost absorption, and c) generate (and return) significant FCF should outperform. TESO checks all three boxes.
- **Distressed valuation for a strong franchise and balance sheet.** TESO trades at 0.8x tangible book and 0.7x invested capital—multiples that we have not seen since the worst days of the financial crisis. In our view, the optics of losses has spooked investors but present a great buying opportunity: TESO has \$1.60/share in cash and should generate \$1+/share more in FCF through 2016, which means investors are buying a premier oilfield franchise for a little over \$6/share, or 7.5x normalized EPS.

PRICE TARGET CHANGES

DUK – BUY – Tough Quarter with DEI Weakness, '15 Still Intact But LT Growth Question; Too Early to Panic Given Duke Levers

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BUY			
DUK	\$73.98	Price Target \$83.00	
Current Q	Next Q	Current FY	Next FY
\$1.53	\$0.93	\$4.64	\$4.93
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$51,160	EPS (\$)	15.9x	15.0x

This report was published on Thursday, August 6, 2015.

- **Tough quarter, guidance maintained.** DUK reported adjusted 2Q earnings of \$0.95 vs. consensus of \$0.99. Excluding favorable weather of ~\$0.07, DUK earned \$0.88. Weaker than expected performance was primarily attributed to the international segment – worse than expected. Despite a tough quarter, management maintained '15 guidance of \$4.55-\$4.75/share and LT growth of 4-6%. We are lowering our estimates for '15/'16/'17 to \$4.64/\$4.93/\$5.17 from \$4.79/\$4.97/\$5.31, still in line with guidance, but recognizing weaker international performance may carry through our forecast period. We are also lowering our price target to \$83 from \$85 on the lowering 2017 outlook – maintaining BUY rating.
- **Reiterating our BUY; discount excessive** Our \$83 PT (12% share price appreciation) and 5% NTM dividend yield equate to 17% ETR. Also, while DUK faces some headwinds abroad, shares trade at almost a full turn discount to our regulated utility coverage (14.2x '17 EPS vs. ~15.0x for the group) as well as similar large cap regulated peers.
- **'15 Guidance maintained...** '15 guidance maintained as mgmt believes plan is still on track – citing early completion of stock re-purchase and closing

of NCEMPA (\$0.04/share), incremental renewables (200MW above plans), retail demand, wholesale contracts as well as a favorable comparison with unfavorable weather conditions last year (2H normal weather equates to ~\$0.05/share uplift).

- **...But LT growth trajectory questioned and management appeared cautious.** While DUK's 4-6% LT growth guidance is in line with our 5% earnings growth projection, management's guidance is based off the midpoint of the old 2013 guidance. As we approach updated guidance, likely in February when DUK reports YE 2015 results, we expect a re-basing of the EPS growth trajectory off of the midpoint of the 2014 guidance. Given the weakness of the International segment (above management and our expectations), **investors could question whether this current growth trajectory will be maintained as:** (1) management will be working off a larger EPS base, and (2) the overhangs with the International segment (Brent Oil price, Brazilian hydrology, exchange rate, and local economy) will offset the levers Duke has been able to utilize. Unless DUK announces some incremental growth opportunities around acquisitions (muni/electric coops) and gas/electric infrastructure, we think this "growth concern" can weigh on the shares – although valuation is overly discounting this risk, in our view.

DERM - BUY - The Beauty of This Company Proves to Be More Than "Skin" Deep: Increasing PT to \$40 from \$22

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BUY			
DERM	\$24.10	Price Target \$40.00	
Current Q	Next Q	Current FY	Next FY
\$0.0	\$0.0	\$0.0	\$13.0
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$545	Rev(\$M)	-	-

Conclusion: On August 5, DERM announced the pricing of a follow-on public offering that generated \$96.75MM of gross proceeds (\$90.4MM, net). A 675,000 share shoe remains, and we estimate this could generate an additional \$14.5MM in gross proceeds (\$13.6MM, net, assuming \$21.50 per share). This news along with pipeline advancements drive us to increase our PT to \$40 from \$22. We arrive at our new 12-month PT by using a DCF analysis (increased our exit multiple from 6x to 9x). We have even greater conviction in our positive investment thesis for DERM now that the company has enough cash to fund operations through '17 and given its key data releases, which include Phase 2b data for DRM01, Cimzia Phase 3 data, and DRM04 Phase 3 data. Over the past few months, the company has initiated Phase 3 studies for DRM04 in axillary hyperhidrosis (data expected 2H16) and Phase 2b for DRM01 in acne vulgaris (data expected 1H16). We continue to think stock price appreciation will be driven by upward earnings revisions because sales from DERM's 3 late-stage assets could reach ~\$500MM by '21. Also, DERM is an attractive company in a consolidating industry, in our view.

- **Multiple pipeline catalysts will drive stock price appreciation in '15+, in our view.** We outline these catalysts below. See page 3 for details. DERM has 2 pipeline products in Phase 3 trials (Cimzia and DRM04). FDA filings and approvals, for both products, are anticipated in '17 and '18, respectively. We also highlight the potential for additional upside from business development. We believe DERM would only acquire a high quality, differentiated drug.
- **DERM's pipeline addresses large unmet needs in the \$21B dermatology market.** This includes psoriasis, hyperhidrosis, and acne. These areas of unmet need are growing double digits while the overall dermatology market is growing mid-single digits.
- **We have updated our financial model for the recent equity raise.** The increase in our '15E EPS is a result of a higher share count from the recent raise. Our '16E EPS decreases because we had assumed an equity raise in '16. With the recent financing, we do not assume another raise again until '17.
- **Potential Catalysts.** 1) DRM01 Ph2b results ~1H16; 2) DRM04 Ph3 data 2H16; 3) Cimzia Ph3 data in '17, approval in '18; and 4) Business development.

ESTIMATE CHANGES

ANET - BUY - Solid Beat and Raise Against High Expectations

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BUY			
ANET	\$81.58	Price Target \$100.00	
Current Q	Next Q	Current FY	Next FY
\$212.2	\$230.7	\$817.5	\$1,059.0
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$5,427	Rev(\$M)	-	-

- **Conclusion:** Arista reported 2Q results and guidance ahead of expectations, with sustained strength in all core verticals. Cloud titans led the way with service provider, financial and enterprise remaining healthy contributors. The result gives us increased confidence that Arista is executing on its strategy

and expanding its addressable market. We are raising estimates, and reiterate our BUY rating and \$100 price target.

- **Cloud strength sustained in 2Q.** Arista posted 2Q revenue of \$195.6 million, which beat consensus by \$5.3 million. EPS of \$0.54 beat by \$0.08. Upside in the quarter was driven by continued 7k adoption, with good momentum across all four key verticals (cloud titan, tier-2 SP, financials, enterprise). While carrier purchasing cycles are notoriously long, the company has made inroads into tier-1 service providers, which we believe could translate into several eight-figure multi-year deals over time.
- **Successfully expanding use case.** One of the key developments in Arista's business that we have been tracking is its expanding use case into IP storage, segment routing, network monitoring/visibility and data analytics. We believe Arista's most promising opportunity is in segment routing, where we believe the company has secured at least one tier-1 service provider customer.
- **Guidance ahead of consensus.** Arista guided to 3Q revenue between \$208 million and \$212 million, which was \$4 million ahead of expectations at the midpoint. The outlook implies a more optimistic view relative to prior quarters and was likely formulated with the same level of conservatism. In addition to share gains in data center switching, we believe new use cases provide several upside levers over the coming year.
- **Reiterate BUY and \$100 price target.** We remain bullish on Arista based on 1) continued penetration within the company's four key verticals, 2) an expanded partner ecosystem, 3) laser-focused efforts to improve international performance, and 4) early success expanding into adjacent markets including service provider and the broad enterprise. We reiterate our BUY rating and \$100 price target.

FPRX - BUY - 2Q Reports; Focused on Tumor Microenvironment

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BUY			
FPRX	\$22.97	Price Target \$30.00	
Current Q	Next Q	Current FY	Next FY
\$(0.97)	\$(0.62)	\$(2.48)	\$(2.44)
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$589	EPS (\$)	NM	NM

- **2Q Earnings:** FPRX reported a 2Q15 net loss of (\$0.45), in line with consensus estimates of (\$0.44) and \$0.15 behind our estimate of (\$0.30). FPA008 is FPRX's lead pipeline candidate, which will be evaluated in 6 different solid tumors, pigmented villonodular synovitis (PVNS), an orphan indication, and rheumatoid arthritis (RA). With several clinical data points expected from both '008 and other drugs in the pipeline, we believe 2H15 will be important for FPRX.
- **Model updates:** We have updated our model for 2Q15. We anticipate R&D expense to ramp considerably in 3Q and 4Q based on additional clinical programs and the \$10 million upfront payment to Inhibrx in July 2015 for the license to the glucocorticoid-induced tumor necrosis factor receptor (GITR) antibodies. Our 2015 estimate moves to (\$2.48) on revenue of \$20.85M, from (\$0.92), while our 2016 estimate moves to (\$2.44) on revenue of \$28.45M, from (\$1.57).
- **Balance sheet update:** Cash at the end of 2Q15 was \$207M and management stated full-year net cash used in operating activities to be between \$65M and \$70M. Cash for year-end should range \$159-163M and would be sufficient to fund operations through 2017.
- **Upcoming Catalysts:** 1) FPA-008 and BMJ's nivolumab trial initiating in August, 2) FP-1039 preliminary data presented at World Conference on Lung Cancer in September, 3) Preliminary data from Ph. 1b open label portion of Ph. 1 study of FPA-008 in RA by YE, 4) FPA-144 preliminary Ph. 1a data available by YE 2015 or early 2016.

TXMD - BUY - 2Q Results; VVA Data by YE15 Could Be Major Stock Mover

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BUY			
TXMD	\$7.29	Price Target \$30.00	
Current Q	Next Q	Current FY	Next FY
\$(0.09)	\$(0.08)	\$(0.45)	\$(0.35)
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$1,289	EPS (\$)	NM	NM

- **REJOICE, the VVA trial is fully enrolled.** Release of data from the pivotal trial of TX004-HR (vaginal estradiol gel cap) for treating vulvar vaginal atrophy (VVA), per company guidance, is expected in 4Q15. We believe the commercial opportunity could support a valuation that significantly exceeds the current market cap. If so, then the investors may be presented with a "free call option" on TX001-HR (estradiol plus progesterone), the drug candidate for treating vasomotor symptoms (VMS) in post-menopausal women.

- **VVA opportunity may be larger than you think.** TXMD management cites the statistic that approximately 32M women are candidates for treatment for VVA and yet only ~2M seek it. Despite an apparent lack of satisfaction with existing treatments, the U.S. commercial market may be on the order of \$1.5M per annum. Taking into account the cycling between existing treatments, availability of a therapy that patients find more satisfying would seem to have the effect of increasing the total available market (TAM) on a dollar basis.
- **REPLENISH enrollment could be complete by YE15.** Based on available data, the larger of the commercial opportunity for TXMD's two lead drug candidates may be for TX001-HR as a treatment for VMS. Management guided to completion of REPLENISH trial enrollment by YE15. If so, data could become available before the end of 2016. Commercial success of TX001-HR, by contrast with TX004-HR, may be linked, somewhat, to decreasing the production of estradiol plus progesterone by compounding pharmacies.
- **Positive TX004-HR data could have halo effect.** If the REJOICE study yields positive data, we believe investors may gain increased confidence that the company will successfully develop TX001-HR, as there is some commonality between the formulation technology. Thus, we would not be surprised if the increase in value of TXMD stock, with positive REJOICE data, exceeded what would be expected from de-risking of that asset alone.
- **2Q15 results.** We updated the model for financial results reported yesterday. Revisions to our estimates account for higher-than-anticipated prenatal vitamin revenue growth and R&D expenses during the quarter. The company ended 2Q15 with approximately \$100M in cash.

ED - NEUTRAL - Solid Quarter Beats Expectations; Guidance Reaffirmed

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NEUTRAL			
ED	\$63.72	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$1.50	\$0.51	\$4.02	\$4.05
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$18,662	EPS (\$)	15.9x	15.7x

- **Solid quarter, guidance reaffirmed.** ED reported 2Q adjusted EPS of \$0.78 vs. consensus of \$0.63. Outperformance was driven by a number of factors including T&D cost management. Management reaffirmed 2015 EPS guidance of \$3.90-\$4.05; we are maintaining our 2015 EPS estimate of \$4.02, raising 2016E to \$4.05 from \$3.98 reflecting new CECONY electric rates going into effect, and maintaining our 2017 estimate of \$4.18.
- **CECONY performing well, led by electric and steam segments.** CECONY Electric TTM earned ROE of 10.0%, exceeding 9.2% allowed ROE; Steam earned 12.1% ROE vs. 9.3% allowed with support from weather. Performance was partly offset by Gas ROE of 7.5% vs. 9.3% allowed, due to higher gas leak response O&M. Overall CECONY earned 9.7%; we assume a 9.6% average ROE through 2017.
- **ED continues to grow solar – not so much under the radar anymore; increasing '16 renewable CapEx.** We have highlighted in previous research that ED is growing solar under the radar, and we expected that to continue. In April, ED increased its '15 renewable CapEx estimate to \$835mm from \$375mm. In 2Q15 ED increased its '16 renewable CapEx estimate to \$985mm from \$366mm. We project this segment's EPS contribution will grow to \$0.13 by '17. In our [recent note on Clean Power Plan](#), we also highlight ED as a potential beneficiary of renewable development opportunities that could result from the CPP – this could be upside to our estimates.
- **Harlem gas explosion remains key overhang.** As a reminder, NTSB found ED partly at fault for the March 2014 Harlem gas explosion ([see our note](#)). The NY Public Service Commission was also criticized for a gas pipeline program that does not address all aspects of NYS regulations, decreasing the likelihood a defective weld would be detected. While the NTSB findings lead us to believe blame could be allocated to the NYC DEP and potentially others besides ED, a PSC investigation would likely focus solely on ED. ED likely has a challenge ahead of it to steer state regulators from the NTSB findings toward its own.
- **We don't expect material NT impacts from REV, but potentially some interesting LT read-throughs.** In our [recent note on the REV initiative](#) we highlight key proposals from NY PSC Staff related to rate making and the utility business model. In our view, rate mechanism proposals could be a NT positive under multi-year agreements; however, since owning DER has already been ruled out for ED, some proposals could be a modest offset to longer-term growth.

IMPV - NEUTRAL - Go-to-Market Strategy Paying Off; Remain Sidelined on TAM Concerns and Valuation

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NEUTRAL			
IMPV	\$64.58	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$57.9	\$67.2	\$223.4	\$276.4
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$1,976	Rev(\$M)	-	-

- **Conclusion:** Imperva posted a beat and raise quarter with strong performance across all metrics. The solid results reinforce the meaningful progress Imperva has made in improving its sales organization and go-to-market strategy. While concerns around whether Imperva could grow above 25% appear to be unfounded, we remain sidelined given an unproven TAM and fair valuation.
- **Results ahead of consensus.** Imperva posted 2Q revenue of \$53.5 million, which was \$5 million ahead of consensus and represented 39% growth y/y (albeit on a relatively easy compare). Subscription revenue grew 98% y/y to \$10.4 million, representing 19% of total revenue. EPS of (\$0.08) also exceeded consensus estimates of (\$0.21). The strong results were driven by healthy demand across all verticals and product lines, with accelerating appliance demand and large deal volume driving upside.
- **Full-year outlook increased.** Imperva raised 2015 revenue guidance from \$202-207 million to \$215-217 million and EPS guidance from (\$0.77) to (\$0.63) to (\$0.46) to (\$0.44). Imperva reiterated its expectation to achieve cash flow breakeven for the year. The company believes that continued high profile data breaches will support sustained demand at enterprises with large database assets, and that the ongoing implementation of its go-to-market strategy should continue bearing fruit.
- **Raising estimates.** We expect Imperva to continue executing and taking share in the coming quarters, and we are raising our full-year revenue outlook by ~\$13 million for 2015 and \$18 million for 2016. We are raising our 2015 EPS estimate to (\$0.57) from (\$0.72) and our 2016 estimate to (\$0.22) from (\$0.26).
- **Remaining on the sidelines, for now.** While we believe end-demand for Imperva's products remains robust, and that the company has successfully improved sales execution over the last several quarters, we continue to have concerns around the size of the addressable market. Given these factors plus a valuation in line with other best-of-breed security vendors, we remain Neutral on shares.

UBNT - NEUTRAL - Stabilizing Revenue; Operational Challenges Continue

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NEUTRAL			
UBNT	\$32.05	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$150.0	\$157.0	\$639.0	\$696.0
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$2,820	Rev(\$M)	-	-

- **Conclusion:** Ubiquiti reported top-line results and guidance marginally below consensus, with slightly better EPS. While revenue appears to have stabilized following last quarter's guide down, the company continues to face a number of challenges both internally and in its end markets. While Ubiquiti's newly announced \$100 million buyback authorization should provide some near-term support for shares, a lack of visibility into end market demand and operational challenges keeps us sidelined.
- **Results broadly in line.** Ubiquiti reported F4Q revenue of \$145.3 million, slightly behind the consensus of \$146.4 million, with EPS of \$0.50 coming in \$0.05 ahead. While service provider revenue was slightly better than expectations, enterprise was ~\$2 million shy; the company attributed the weakness to mis-execution on its 11ac strategy as well as limited commercial uptake for airMAX ac.
- **Lowering F2016 estimates.** Ubiquiti guided to F1Q revenue of \$150 million at the midpoint, which missed and represents flat growth y/y. CEO Robert Pera remarked that this was a transitional period for the company and that Ubiquiti is extremely focused on improving execution in its enterprise business. We are lowering our estimates for FY16 and introducing our FY17 estimates, which assume a small improvement in total growth, driven by new product and improving execution.
- **\$47 million fraud announced.** Last night, Ubiquiti reported that it had been the victim of a financial fraud to the tune of ~\$47 million, which occurred when an outside party, posing as an employee, requested multiple wire transfers from Ubiquiti's Hong Kong subsidiary to a variety of banks in Asia and Europe. This is not the first time Ubiquiti has been the target of criminals abroad, and we expect the fraud to weigh on investor sentiment.
- **We remain Neutral on shares.** Despite the fact that shares of UBNT are meaningfully off their highs, we remain on the sidelines due to a lack of quarterly visibility, a challenging macro environment, and heightened execution risk. We reiterate our NEUTRAL rating.

SFM - NEUTRAL - Secular Growth Algorithm Is Intact—Deflation, New Store Dilution Are Transitory Factors; Will We Break \$20?

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NEUTRAL			
SFM	\$23.50	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$72	\$61	\$295	\$339
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$3,609	EBITDA(\$M)	12.9x	11.2x

- **Secular Growth Algorithm Intact, Looking for Entry Point.** In yet another setback for the natural & organic space, SFM's reduction in 2015 EBITDA had the shares trading off 10% AMC yesterday. However, because we believe the challenges are largely transitory—produce deflation, new store dilution—and the secular growth algorithm (15%-plus EBITDA) intact, we would be actively looking for entry points. A share price below \$21 equates to a sub-10x EBITDA multiple (Exhibit 2).
- **2Q Generally in Line as Expense Control Offsets Comp, GM Shortfalls.** Adjusted EBITDA came in slightly below our estimate but in line with the consensus (Exhibit 1), growing a respectable 12% in the process. Comps came in light, mostly on significant produce deflation, GM eroded a greater-than-expected 90 bps on the back of competition-driven price investments, and G&A costs were well-controlled, rising a mere 1%.
- **It's Deflation More So than Competition.** The weakness in comps and GM is more the product of transitory deflation than secular competition. SFM saw 1% deflation—6-7% in produce alone—in 2Q, with tonnage robust. In addition, by lowering COGS, produce deflation causes a step-up in promotional activity, especially among conventional retailers, that can't be sustained but must be reacted to in the short term. As produce deflation turns back to inflation, operating momentum should accelerate.
- **The L-T Growth Algorithm Is Intact—16-18% EBITDA Growth Is Rare.** Most importantly, we strongly believe that the secular growth algorithm—14% or more unit growth, 80% initial productivity, 6% comps, 17% sales, and 16-18% EBITDA—is firmly intact. By assuming flattish EBITDA margins, this algorithm would enable SFM to continue to invest in the business at a measured pace. We are trimming our 2015 and 2016 estimates to account for the impact of N-T produce deflation.
- **Management Succession a Natural, Though Somewhat Surprising, Progression.** SFM announced that CFO Amin Maredia would succeed Doug Sanders as CEO, with COO Jim Neilson picking up the added title of President. Mr. Sanders will become Executive Chairman. Although we are surprised by the timing of this change, it makes sense. Mr. Sanders will remain as an active Chairman, the strategic-minded Mr. Maredia can focus on big picture issues, and Mr. Neilson will be free to run the business day-to-day.

XLRN - NEUTRAL - 2Q Results - October Analyst Meeting Likely to Be Highlight Heading into Year-End

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NEUTRAL			
XLRN	\$27.74	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$(0.50)	\$(0.23)	\$(1.49)	\$(1.74)
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$917	EPS (\$)	NM	NM

This report was published on Thursday, August 6, 2015.

- **Targeting unmet medical needs.** We believe Acceleron's pipeline, drug discovery engine, therapeutic areas of interest and relationship with Celgene (CELG, CS, \$128.05) position the company well. To become incrementally more positive on the stock, we would need to see additional evidence as to the safety and efficacy of the approach.
- **Luspatercept heading into Phase 3 by YE15.** Data presented at the EHA meeting support the compound's efficacy as it relates to sustaining the increase in hemoglobin in low transfusion burden patients with MDS while generating durable hemoglobin response. Although both studies reported the absence of related serious adverse events, we have some concern about the trial discontinuation frequency of 15% (6/39) in beta-thalassemia patients. Acceleron and Celgene plan to initiate a Phase 3 study in MDS and beta-thalassemia by end of 2015.
- **Excitement about muscle booster ACE-083.** Acceleron announced completion of enrollment in a Phase 1 study after observing that ACE-083 increased muscle mass through muscle fiber hypertrophy without hyperplasia. In the preclinical model, ACE-083 demonstrated selectivity and specificity, although it remains to be determined whether a similar response occurs in humans. Acceleron expects to provide an update on the clinical indications for systemically and locally administered ACE-083 during the company's analyst meeting to be held in October.
- **As usual, we believe safety will carry the day.** Selective modulation of TGF-beta family members will be key, we believe, to the successful development of Acceleron's assets. Selectivity may extend not only to the specific family member but also to the specific tissue at which modulation is desired.
- **2Q15 results.** Acceleron reported cash of \$156.6M as compared with \$176.5M at YE14, indicating a burn rate of about \$10M per quarter, which management expects is sufficient to fund operations into 2H17. OpEx are expected to accelerate through the year as clinical programs ramp and new pre-clinical programs are launched. Acceleron believes their therapeutic technology can target erythrocytes, bone, the vasculature, muscle, fat, and processes of fibrosis. Our model adjustments reflect the impact of the updated quarter.

JACK - NEUTRAL - Que Pasa Qdoba?**Matthew DiFrisco**

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NEUTRAL			
JACK	\$91.11	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$0.66	\$0.97	\$3.03	\$3.50
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$3,406	Adjusted EPS (\$)	30.1x	26.0x

This report was published on Thursday, August 6, 2015.

- **Conclusion: Less Certain Outlook and mixed F3Q15 results keep us on sidelines at the historically high valuations.** JIB brand continues to outperform and win share, while Qdoba traffic and development disappoints relative to peers (see Exhibit 2).
- **Qdoba:** Company SSS consisted of negative traffic (-1.1%) once again, along with a +6.4% mix shift, flat price, and 1.3% from catering. We now model F4Q15 SSS of 6%, consisting of -1% traffic, flat price, a 6% mix, and 1% catering benefit. **Qdoba Simplified menu is driving margins** to 21.4% at company Qdoba's, the highest in three years. 2015 company development was curbed by ~10-15 stores, as a new prototype continues to evolve.
- **JIB:** Company SSS consisted of 1.6% traffic, 2.0% price, and 1.9% mix. LTO offerings continue to drive traffic and boost the check. In FY16, management expects to drive SSS from a revitalized core burger menu offering as opposed to the recent LTO victories. **Margins** of 22.0% at company JIBs are the highest in recent history, reflecting the benefits of refranchising and improved COGS. More meaningful development remains unclear heading into FY16.
- **We are raising our F4Q15 EPS estimate by \$0.06 to \$0.66 given lower food inflation resulting in higher restaurant margins at both brands.** Commodity guidance is for food deflation of 2-3% at Qdoba and 1% inflation at JIB on account of the rising cost of eggs. We view this as an incremental positive for other high beef- and pork-exposed QSRs and quick casuals, specifically Sonic (SONC, BUY, \$30.09) and Chipotle (CMG, BUY, \$749.60).
- **Valuation:** With our outlook for 8-10% EBITDA growth and an improving FCF model, we see fair value at 13x to 14x EV to our 2016 EBITDA. We now estimate 2015 EPS at the upper end of guidance of \$3.03, implying a +30x PE. Greater traffic declines at Qdoba are a risk to valuation on the downside, while greater development in 2016 could support further multiple upside.

TSRO - BUY - Rolapitant About to Roll Out; 2Q15 Earnings**Tony Butler, PhD**

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BUY			
TSRO	\$55.05	Price Target \$61.00	
Current Q	Next Q	Current FY	Next FY
-	-	-	-
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$2,202		-	-

- **2Q15 in a Nutshell:** On 8/6, Tesaro reported a 2Q15 loss of (\$1.51) vs. the consensus estimate of (\$1.15). The loss was primarily driven by preparation for the rolapitant launch, clinical development expansions, and increased head count. Expenses were recorded in R&D (\$38.9M vs. \$30.6M Y/Y) and G&A (\$16.8M vs. \$5.6M Y/Y).
- **Rolapitant launch in 4Q15:** Rolapitant's PDUFA is scheduled for 9/5/15, and the company anticipates a launch in 4Q15. Bioequivalence studies demonstrated similar exposure in the IV dose vs. oral, and TSRO stated its strategy for IV will be based on gaining approval for the oral drug with submission along with additional safety data from four studies following launch of the oral dose in 4Q. The company estimates that initial 4Q15 stocking will be modest with demand ramping up in 1Q16.
- **Balance sheet update:** The company currently has \$354.4M in cash and cash equivalents. TSRO expects to increase its overall spend, with its cash utilization to increase in 2H15 to ~\$50M/quarter, excluding a \$15M milestone payment that is due to OPKO in 4Q.
- **Upcoming catalysts:** 1) PDUFA data for oral rolapitant September 5, with potential commercial launch in 4Q15; 2) Data from Ph. 3 NOVA trial of niraparib data in 4Q15; 3) Initiation of PRIMA trial for niraparib in 1L OC maintenance in 4Q15; 4) IND filing for TSR-042 by YE; and 5) Registration program decision for TSR-011 by YE.
- **Updating model:** We are publishing our TSRO model with updated 2015 and 2016 non-GAAP EPS estimates of (\$5.46) and (\$4.74), respectively. We are issuing EPS estimates for 3Q15-4Q15 at (\$1.27) and (\$1.47), respectively. We are raising our expense estimates in 2H15.

COMPANY AND INDUSTRY UPDATES

WR - BUY - Rate Case Settlement Satisfies All Issues—Preempting Possible Overhangs

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BUY			
WR	\$37.22	Price Target \$39.00	
Current Q	Next Q	Current FY	Next FY
\$1.02	\$0.31	\$2.21	\$2.42
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$5,257	EPS (\$)	-	-

- **What's New?** Westar Energy (WR, BUY, \$37.22) announced a constructive settlement with all major parties for a \$78mm revenue increase and addressed other key trackers and rate design issues. Our expectation of ~68% of the ask (~\$90mm) is close to the actual settlement. As we highlighted in our [prior note](#), a quick settlement would be constructive and would satisfy all issues in the rate case. For us, the key with the settlement is that it concludes WR's rate proceedings before Great Plains (GXP, BUY, \$26.12), which could likely litigate its rate case, which precedes WR by 60 days. While WR reached a black box settlement for the ROE, a potential read-through is WR's 10.926% pre-tax rate of return in the abbreviated rate case, which roughly translates to a little less than ~9.5% ROE for the general rate case.
- **Grid resiliency recovery limited to two years and capped at \$50mm.** WR can recover up to \$50mm of capital investment in grid resiliency improvements between October 15, 2015 and March 1, 2017. This is a short-term recovery mechanism compared to the proposed multi-year grid resiliency tracker of \$220 mm over a five-year period (average \$42mm per year). WR will file for this recovery in an abbreviated rate case, which is due no later than 12 months after the rate case is approved in late October.
- **ROE adjustment mechanism is a non-issue.** As we highlighted in our -note, the Staff punted addressing the ROE mechanism to be addressed in a separate generic proceeding. While the Staff did not object to WR putting this mechanism in the rate case, Staff resources may have been an issue to thoroughly consider such a progressive mechanism while also addressing GXP's rate case simultaneously. The ROE adjustment mechanism is not a done case, but also not a major driver of the story.
- **New DG customers will have the same residential rates...for now.** After the rate case is in effect in November, new residential DG customers will be placed in the Standard DG Residential Tariff, which initially has the same rate as the Standard Residential Tariff. The Standard Residential Tariff has been increased modestly to \$14.50 from \$12.00. This affords WR the ability to change the rates of prospective new DG customers should rate structures or rates change. As a reminder, WR proposed to increase rates to \$15 for the first year and up to \$27 per month by the fourth year. While a proposed increase in DG rates is preemptive, we do not believe an increase will have material impact, as there are currently only 300 DG customers with low-growth expectations given relatively low residential rates.
- **Sun Setting Environmental Cost Recovery Rider (ECRR) and possible implications for the upcoming Clean Power Plan mandate.** WR agreed to roll into base rates the existing balance in the ECRR, but may use the abbreviated rate case to update remaining capital investments for La Cygne and Wolf Creek for costs incurred in 2015. Any major environmental control spending would now be addressed on a project-by-project basis instead of recovered annually by the ECRR. While management notes that air quality investments will be less than \$50mm in 2018, spending could increase depending on the outcome of the Clean Power Plan. As we highlighted in our prior note, Kansas is under a more stringent target at 44% reduction by 2030, compared with the proposal target of 23% reduction.
- **What's Next?** A pre-hearing conference will begin on August 12, with evidentiary hearings starting on August 17. The settlement is subject to approval by the Kansas Corporation Commission, which is expected by October 28. Rates will be effective in early November. After the rate case is approved, WR will file an abbreviated rate case on items addressed above within 12 months.

EIX – BUY – Does ALJ Penalty Recommendation Shut Door on Reopening SONGs Settlement?

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BUY			
EIX	\$60.60	Price Target \$64.00	
Current Q	Next Q	Current FY	Next FY
\$1.18	\$0.73	\$3.96	\$3.95
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$19,744	EPS (\$)	-	-

This report was published on Thursday, August 6, 2015.

- **What's new?** On 8/5 a [CPUC ALJ ruled](#) that Edison International (EIX, BUY, \$60.60) engaged in 10 unreported ex parte communications related to cost allocation issues associated the SONGS retirement; the judge also ruled that EIX misled the CPUC on two instances. EIX has until 8/20/15 to demonstrate why it should not be sanctioned for these violations.

- **Background.** As we have [written on in the past](#), EIX disclosed hundreds of pages of communications pertaining to the SONGS settlement. On 8/5, an ALJ ruled that 10 of those communications violated ex parte rules, compared to the 70 instances cited by the Alliance for Nuclear Responsibility (A4NR).
- **What is the real impact? We provide a bookend.** Key takeaway: bookending potential penalties, we do not believe this is material to EIX's long-term financial outlook or investment thesis. According to CPUC rules, the Commission may impose a penalty of between \$500 and \$50,000 per violation. Using the most conservative assumptions, applying a \$50k penalty to each of the 10 violations, and to each day the communication went unreported, we estimate the maximum potential could reach ~\$280mm. See page two for our calculations.
- **Bigger picture issue: our viewpoint is that ex parte rules leave too much room for interpretation.** After reading all of the communications disclosed by EIX, we do not believe there were any intentional ex parte rule violations, as we have highlighted several times in [past research](#). However, the ALJ specifically noted that "intent" is not required to impose sanctions. That said, we refer to the rules used to determine violations and believe there is just too much room for interpretation and that the entire process should be revisited. EIX should have plenty of opportunity to respond and defend its position. As an example, key elements of an ex parte communication are defined as "substantive, but not procedural," and "two-way vs. one-way." We find these definitions confusing when looking to determine a violation, or attempting to determine who was in "listen-only" mode. We have discussed this in past research.
- **No "direct" read through to SONGS process, but "indirectly," the likelihood of the SONGS settlement re-opening diminishes if EIX were to incur penalties.** While other proceedings pertaining to SONGS should not be directly impacted by this ruling, we do not believe the CPUC would penalize EIX and also re-open the SONGS settlement, especially considering parties to the settlement have publicly acknowledged re-opening the case could likely be worse for ratepayers. The fact that an ALJ is considering sanctions in this proceeding leads us to believe they are probably not considering re-opening the SONGS settlement—this is very consistent with our prior thoughts.
- **What is next?** EIX has until 8/20/15 to demonstrate why it should not be sanctioned. The proceeding to consider re-opening the SONGS remains to be decided by 9/27/15.

EOG - NEUTRAL - Expectations May Have Been Too High This Quarter

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- We thought EOG (EOG, NEUTRAL, \$77.68) could "win" this quarter by raising production guidance without resorting to DUC completions. The results are more ambiguous. 2Q beat on volumes and costs but the guidance range for growth in the 2nd half is too wide to draw any conclusions. It can imply growth as well as sequential declines. (Production and cost beats this quarter were not unique themes.) In the interim, EOG will likely spend within cash flows as it did in 2Q as it awaits a recovery in commodity price. Many things are happening below the surface to optimize all facets of the business, as indicated in several of the 2Q presentation slides. But the market may have been hoping for something more tangible this quarter.
- As for operations, the Bakken resource update needs context. With only 25 Bakken completions expected this year, production could be rolling over. There has been a re-ordering of the Permian economics, with Wolfcamp rising to the top and Bone Springs 2nd while Leonard falls to the bottom. But the update stopped short of declaring the Bone Springs as a new core play as we were expecting. Also the number of Eagle Ford completions has been cut by 13%.
- **Guidance Updates: Sequential Production Decline, Lower Costs and Lower Capex.** The 3Q production guide is for a 1% sequential decline to 555 mboepd, at the midpoint. We had previously assumed 2% growth to 570.
- The full year oil guidance of 426 mbopd at the midpoint was maintained on a narrower range. The total guide came down slightly to 571 mboepd from 573. However, we would submit that a wide range of 562.6–579.4 mboepd implies any range of outcomes.
- Operating costs were guided down across the board. LOE was guided down 6% to \$6.20 per boe and transport is down 2%. The full year guides for G&A and gathering and processing came down 3% and 7%, respectively. The capital budget was guided down \$200mm to \$4.8b, as a result of higher productivity and lower costs. The capex decline is broken down as follows: a \$250mm reduction in E&D (ex. facilities) and a \$40mm reduction in "gathering, processing and other," partly offset by a \$90mm increase in facilities.
- **Increased Bakken Reserve Potential – Mostly Non-Core.** In the release, the company highlighted an increase in Bakken/Three Forks reserve potential to 1 Bboe from 600 mboe and growth in net drillable locations to 1,540 from 580. EOG cited successful downspacing and better completion technology as the reasons for the increase. However, we would note that of the increase in remaining drilling locations, 950 of the locations were from the "non-core" Bakken, while only 10 were added in the core (as detailed on pg. 8 of the 2Q presentation). The resource potential was not provided in last quarter's presentation. Lastly, the Riverview 102-32H well was highlighted as an industry record Bakken well utilizing a high-density completion at 4,495 boepd (76% oil).
- **Re-Ranking the Delaware and Re-Allocating Completions.** In the updated presentation, EOG shuffled its rankings of the "low-cost oil plays" sorted by after tax rate of return (pg. 4 of the 2Q presentation). The Wolfcamp is now ranked at the top, followed by the Bone Spring and Leonard. Previously, the Leonard had been the highest returning, followed by the Wolfcamp and Bone Spring. Consequently, EOG also adjusted its expected number of completions in the Delaware. The expected number of Leonard and Bone Spring completions were reduced by 56% and 5% to 10 and 35, respectively. The expected number of Wolfcamp completions is up 35% to 35. EF completion expectations were also guided down 13% to 300.
- **EPS Beat on Volumes and Costs.** EOG reported adjusted 2Q EPS of \$0.28, a beat of our \$0.07 estimate and consensus \$0.10. Total production of 561 mboepd beat our estimate by 2%. The mix was 50% oil, against our expectation of 49%. Lower costs also contributed to the beat. Notably, LOE and G&A were 17% and 10% below our expectations. The positive volume and cost surprises were partly offset by a total average realized price that was 9% below our estimate. A detailed breakdown is provided in the table on the following page.

CSCO - NEUTRAL - Expecting In-Line to Better Results; Strategic Initiatives Could Boost EPS Outlook**Ryan Hutchinson**

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NEUTRAL			
CSCO	\$28.21	Price Target NA	
Current Q	Next Q	Current FY	Next FY
\$12,721.9	\$12,282.8	\$49,039.9	\$50,400.0
Market Cap (M)	Metric	Mult Curr Yr.	Mult Next Yr.
\$143,778	Rev(\$M)	-	-

- **Conclusion:** Cisco is scheduled to report F4Q results next Wednesday. Reseller commentary was broadly positive, and we expect results and guidance in-line to better than consensus. While we remain skeptical around the potential for a meaningful rebound in service provider capex, we believe momentum in data center and security could help boost results. Still, Cisco trades near our fair value estimate of \$28, and we would wait for a pullback.
- **Reseller feedback positive.** Channel feedback on the quarter was positive, and we see room for upside to consensus revenue and EPS estimates. We are modeling \$12.72 billion versus consensus of \$12.65 billion in revenue and \$0.57 vs \$0.56 in EPS. We believe momentum remained solid in U.S. enterprise and take a positive view on Cisco's recent divestiture of its STB business and decision to move out of storage as well as the company's acquisition of OpenDNS.
- **EPS outlook likely upbeat.** We expect a positive F1Q outlook, with better enterprise demand trends offsetting weak carrier spending, which will likely continue to deteriorate. Key focus areas include 1) whether data center momentum has continued; and 2) if Cisco has seen any changes in cloud titan capex. We see the possibility for an upward bias to EPS, as the divestiture of non-strategic assets combined with targeted headcount reductions could help further reduce opex levels.
- **Strategic initiatives under way.** Over the past few months, Cisco has made numerous strategic decisions under Chuck Robbins. These include jettisoning its set-top box business, ceasing production of its Invicta line of data storage products, and acquiring OpenDNS for \$635 million. While security remains a small portion (~4%) of total revenue, we believe a greater emphasis on penetrating its ASA installed base with subscription and services could help drive security growth toward the high teens.
- **Expectations are high ahead of the quarter.** While we see limited downside risk, we believe expectations are high ahead of the quarter. Still, it is Cisco's fiscal year-end, and while the company is entering its seasonally weak F1Q, current consensus is below historical levels. Ultimately, we believe multiple expansion is necessary to drive further appreciation in the stock. Given that Cisco trades near our fair value estimate of \$28, we reiterate our NEUTRAL rating on shares.

Financial Institutions Monthly: Despite Rising Rate Hike Expectations, Flatter Yield Curve May Pressure NII in 3Q15; M&A Outlook Remains Robust**Eric Wasserstrom**

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Rising rate hike expectations, but NIM under near-term pressure as curve flattens

- While the outlook for a rate hike appears increasingly likely, recent flattening in the yield curve and slowing loan growth may place NII under pressure in 3Q.
- The Fed Funds futures curve is now pricing in a rate hike by October. While this is a long-awaited positive catalyst for banks' medium-term outlook, in the short term the yield curve is flattening; this implies potential pressure on NIM in 3Q.
- Overall loan growth slowed to 0.4% sequentially in July, down from 0.6% in June, as C&I, mortgage, and card loans all weakened. CRE was the lone bright spot (+1.2%, up from 0.8%). While we anticipate some acceleration in loan growth into year-end, this dynamic underscores our preference for banks with superior asset generating capabilities, a view that motivated our recent upgrade of WFC to BUY.

All banks are not created equal: a critique of asset sensitivity among the regionals

- We believe there will likely be both positive and negative surprises in NIM outcomes among regional banks as we progress past the first rate hike.
- The overall challenge centers on the shape of the curve as banks benefit from re-investing cash flows from both loans and securities across the maturity spectrum from 1-7 years for most asset classes.

- We believe CMA is among the best positioned banks in a rising rate environment. FNFG may also perform well relative to its peers, while VLY could disappoint.

Robust M&A environment continues in 3Q, but DCM and ECM looking weaker

- QTD capital markets revenues are tracking in-line with recent quarterly trends.
- M&A revenues show continued strength; given this outlook, we remain positive on GS.

Our investment themes emphasize names that can drive EPS growth without requiring improvement in macro-conditions

Our four investment themes remain:

- Brokers levered to the rebound in global corporate M&A: GS (Best Idea).
- Names with a distinct M&A catalyst creating greater durability to their 2016 EPS: BBT and LEAF.
- Names with incremental credit or cost leverage: ALLY, AF, BAC, FHN and ZION.
- Companies with volume and/or asset growth: MA, V, SBNY, SYF, and WFC.
- We reiterate our Sell rating on VLY as we think EPS revision risk remains to the downside.

MARKET COMMENTARY AND DESK ANALYSIS

Fire on the Mountain: GOP Debate Takeaway – 40% Chance for Brokered Convention (DC Download)

THIS MATERIAL IS MARKET COMMENTARY AND NOT A RESEARCH REPORT

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- The debate last night was just the first match strike in what we suspect will be a long, slow burn to the RNC Convention in Cleveland next August. More importantly than the biggest winners (Chris Christie and John Kasich) or the biggest losers (Rand Paul and Jeb Bush) in the debate, we do not see anyone in the top 10 dropping out of the race anytime soon, in our opinion.
- We are increasing our odds from a 25% to a 40% probability that none of the 17 announced candidates receives a majority of the delegates by the GOP Convention in August 2016 in Cleveland given the breadth of the GOP field and the amount of money in the race via Super PACs. A huge percentage of the delegates will be awarded on a proportional basis until the winner-take-all state races begin in March 2016. This only induces candidates to stay in the race. GOP rule changes thought to benefit the frontrunner/Establishment after the 2012 race could actually foster a brokered convention. The new nominating rules (which can be changed again) essentially dictate that a candidate must win at least 8 primary states. Before Super PACs, this rule would help the frontrunner. In the dawn of the Super PAC age, candidates can focus all their money and organization on later, smaller states to win at least 8 and make the long play for the nomination in Cleveland, or at least block another from receiving 50%+1 of the delegates.
- The three big 2016 questions and our answers: **1)** We continue to believe that Sen. Marco Rubio will eventually be the Republican nominee; **2)** we continue to take the Democratic field against Hillary Clinton for the nomination; and **3)** we continue to believe that this race is the Republicans to lose, i.e., President Rubio. The election is in 459 days.
- To us, the debate only underscored the looming fall fiscal fiasco in Washington, which now includes not just keeping the government from shutting down on October 1, the return of the sequester, and the debt ceiling, but also includes funding/defunding Planned Parenthood and the Iran nuclear review vote.
- In our opinion, the clear winner of the “happy hour” debate at 5 p.m. with the bottom seven candidates was Carly Fiorina, who is rising as a potential Vice President selection. It is worth noting that the “kiddie table” debate included a U.S. Senator, the former three-term Governors of Texas and New York, the former #3 Senate Leader, the Governor of Louisiana, the former Governor of Virginia, and a former Fortune 500 CEO. The 2012 GOP field this is not.

Equity Research: Coverage Universe

ENERGY

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Exploration and Production	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Anadarko Petroleum Corporation	APC	Buy	\$76.15	\$83.00	\$38,685
Antero Resources Corporation	AR	Neutral	\$26.50	NA	\$7,341
Cabot Oil & Gas Corporation	COG	Neutral	\$25.41	NA	\$10,515
Chesapeake Energy Corporation	CHK	Neutral	\$8.19	NA	\$5,449
Continental Resources	CLR	Buy	\$34.61	\$53.00	\$12,913
Devon Energy Corporation	DVN	Neutral	\$48.30	NA	\$19,851
Eclipse Resources Corporation	ECR	Neutral	\$4.22	NA	\$939
EOG Resources, Inc.	EOG	Neutral	\$77.68	NA	\$42,660
EP Energy Corporation	EPE	Neutral	\$8.14	NA	\$2,025
Gulfport Energy Corp	GPOR	Neutral	\$34.05	NA	\$3,683
Newfield Exploration Company	NFX	Buy	\$34.77	\$53.00	\$5,667
Oasis Petroleum Inc.	OAS	Neutral	\$10.03	NA	\$1,396
Range Resources Corporation	RRC	Neutral	\$37.95	NA	\$6,427
RSP Permian, Inc.	RSPP	Neutral	\$24.43	NA	\$2,224
SM Energy Corporation	SM	Neutral	\$36.99	NA	\$2,513
Southwestern Energy Co.	SWN	Neutral	\$17.45	NA	\$6,709
Whiting Petroleum Corp.	WLL	Neutral	\$18.99	NA	\$3,877

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Large Cap Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Cameron International, Inc.	CAM	Neutral	\$50.15	NA	\$9,604
FMC Technologies, Inc.	FTI	Neutral	\$33.33	NA	\$7,648
National Oilwell Varco	NOV	Neutral	\$40.60	NA	\$15,583
Tenaris	TS	Buy	\$25.74	\$40.00	\$15,194

Large Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Baker Hughes, Inc.	BHI	Buy	\$56.56	\$75.00	\$24,654
Halliburton Company	HAL	Buy	\$40.85	\$50.00	\$34,917
Schlumberger, Ltd.	SLB	Buy	\$83.59	\$105.00	\$105,779
Weatherford International, Ltd.	WFT	Buy	\$10.81	\$15.00	\$8,381

Land Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Helmerich & Payne	HP	Neutral	\$61.66	NA	\$6,638
Nabors Industries	NBR	Neutral	\$12.39	NA	\$4,096
Patterson UTI	PTEN	Neutral	\$17.95	NA	\$2,642
Seventy Seven Energy Inc.	SSE	Neutral	\$3.23	NA	\$184

Offshore Contract Drilling	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Atwood Oceanics, Inc.	ATW	Neutral	\$20.45	NA	\$1,322
Diamond Offshore Drilling Inc.	DO	Neutral	\$22.32	NA	\$3,061
Enscopl	ESV	Neutral	\$17.17	NA	\$4,047
Noble Corp.	NE	Neutral	\$12.38	NA	\$2,996
Pacific Drilling S.A.	PACD	Neutral	\$2.22	NA	\$479
Rowan Companies Inc.	RDC	Neutral	\$17.78	NA	\$2,219
Transocean Ltd.	RIG	Neutral	\$13.84	NA	\$5,032

Small/Mid Cap Oil Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
CARBO Ceramics Inc.	CRR	Neutral	\$31.72	NA	\$739
Core Laboratories NV	CLB	Neutral	\$114.00	NA	\$4,853
Dril-Quip, Inc.	DRQ	Neutral	\$59.51	NA	\$2,303
Forum Energy Technologies, Inc.	FET	Neutral	\$15.04	NA	\$1,358
Oceanenergy International, Inc.	OII	Neutral	\$41.81	NA	\$4,091
Superior Energy Services, Inc.	SPN	Neutral	\$17.53	NA	\$2,643
U.S. Silica Holdings, Inc.	SLCA	Neutral	\$22.83	NA	\$1,219

SMID Cap Services and Equipment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
C&J Energy Services, Inc.	CJES	Neutral	\$9.08	NA	\$1,080
Frank's International N.V.	FI	Neutral	\$15.35	NA	\$2,372
Oil States International Inc.	OIS	Neutral	\$30.59	NA	\$1,569
Tesco Corporation	TESO	Buy	\$8.91	\$14.00	\$347

ENERGY

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Power and Utilities	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
American Electric Power Co., Inc.	AEP	Neutral	\$56.26	NA	\$27,599
American Water Works Company, Inc.	AWK	Buy	\$51.77	\$60.00	\$9,332
Consolidated Edison, Inc.	ED	Neutral	\$63.72	NA	\$18,662
Dominion Resources, Inc.	D	Buy	\$71.33	\$85.00	\$42,393
DTE Energy Company	DTE	Buy	\$79.89	\$89.00	\$14,327
Duke Energy Corporation	DUK	Buy	\$73.84	\$83.00	\$51,063
Edison International	EIX	Buy	\$60.60	\$64.00	\$19,744
Entergy Corporation	ETR	Neutral	\$69.44	NA	\$12,466
Eversource Energy	ES	Buy	\$49.53	\$55.00	\$15,710
Exelon Corporation	EXC	Buy	\$31.99	\$41.00	\$27,563
FirstEnergy Corp.	FE	Neutral	\$33.97	NA	\$14,351
Great Plains Energy Incorporated	GXP	Buy	\$25.89	\$30.00	\$3,995
NextEra Energy, Inc.	NEE	Buy	\$105.75	\$121.00	\$47,810
PG&E Corporation	PCG	Neutral	\$52.16	NA	\$25,515
Pinnacle West Capital Corporation	PNW	Neutral	\$61.51	NA	\$6,816
PPL Corporation	PPL	Buy	\$32.09	\$38.00	\$21,440
Public Service Enterprise Group Inc.	PEG	Buy	\$41.60	\$46.00	\$21,044
Southern Company	SO	Neutral	\$45.06	NA	\$40,934
TECO Energy, Inc.	TE	Neutral	\$21.93	NA	\$5,158
Westar Energy, Inc.	WR	Buy	\$37.22	\$39.00	\$5,257

FINANCIAL SERVICES: BANKS

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Community Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
FCB Financial Holdings, Inc.	FCB	Neutral	\$34.22	NA	\$1,418
OFG Bancorp	OFG	Buy	\$8.23	\$10.00	\$367
Seacoast Banking Corp. of Florida	SBCF	Neutral	\$15.10	NA	\$501

Investment Companies	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Ares Capital Corporation	ARCC	Buy	\$16.04	\$18.00	\$5,044
Eagle Point Credit Co., Inc.	ECC	Buy	\$20.27	\$21.50	\$280
Hercules Technology Growth Capital, Inc.	HTGC	Buy	\$10.98	\$15.00	\$795

Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
First BanCorp	FBP	Buy	\$4.11	\$5.50	\$879
Popular, Inc.	BPOP	Buy	\$30.69	\$37.00	\$3,176

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Community Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Community Bank System Inc.	CBU	Neutral	\$38.23	NA	\$1,559
Flushing Financial Corp.	FFIC	Neutral	\$20.74	NA	\$610
NBT Bancorp Inc.	NBTB	Neutral	\$27.12	NA	\$1,195
Sterling Bancorp	STL	Neutral	\$14.75	NA	\$1,344

Payments & Credit Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
MasterCard Incorporated	MA	Buy	\$97.16	\$105.00	\$109,995
Visa Inc.	V	Buy	\$73.58	\$85.00	\$179,013

Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Astoria Financial Corporation	AF	Buy	\$16.04	\$15.50	\$1,617
BankUnited, Inc.	BKU	Neutral	\$36.49	NA	\$3,774
Citizens Financial Group, Inc.	CFG	Neutral	\$26.65	NA	\$14,315
Comerica Inc.	CMA	Neutral	\$47.27	NA	\$8,411
Fifth Third Bancorp	FITB	Buy	\$21.23	\$24.00	\$17,181
First Niagara Financial Corporation	FNFG	Neutral	\$9.84	NA	\$3,491
Fulton Financial Corp.	FULT	Neutral	\$13.08	NA	\$2,311
Huntington Bancshares Inc.	HBAN	Neutral	\$11.73	NA	\$9,420
Investors Bancorp, Inc.	ISBC	Neutral	\$12.27	NA	\$4,279
KeyCorp	KEY	Buy	\$14.81	\$17.00	\$12,453
M&T Bank	MTB	Neutral	\$131.62	NA	\$17,537
New York Community Bancorp	NYCB	Neutral	\$18.49	NA	\$8,215
People's United Financial	PBCT	Neutral	\$16.40	NA	\$5,069
Signature Bank	SBNY	Buy	\$146.53	\$166.00	\$7,373
Valley National Bancorp	VLY	Sell	\$10.03	\$9.00	\$2,332
Webster Financial Corp.	WBS	Neutral	\$38.62	NA	\$3,506
Zions Bancorp	ZION	Buy	\$31.01	\$36.00	\$6,331

FINANCIAL SERVICES: BANKS

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Payments & Credit Services	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
American Express Company	AXP	Neutral	\$75.00	NA	\$75,096
Discover Financial Services	DFS	Neutral	\$53.59	NA	\$23,328
Specialty Finance	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Ally Financial Inc.	ALLY	Buy	\$22.19	\$27.00	\$10,690
Santander Consumer USA Holdings Inc.	SC	Neutral	\$22.92	NA	\$8,200
Springleaf Holdings, Inc.	LEAF	Buy	\$45.94	\$56.00	\$6,178
Synchrony Financial	SYF	Buy	\$34.13	\$40.00	\$28,456
Super Regional Banks	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
BB&T Corporation	BBT	Buy	\$40.69	\$47.00	\$31,722
Capital One Financial	COF	Neutral	\$81.14	NA	\$44,013
CIT Group Inc.	CIT	Neutral	\$46.71	NA	\$7,989
First Horizon National Corp.	FHN	Buy	\$15.95	\$18.00	\$3,733
PNC Financial Services	PNC	Neutral	\$98.54	NA	\$50,610
Regions Financial Corp.	RF	Neutral	\$10.57	NA	\$14,004
SunTrust Banks	STI	Neutral	\$44.42	NA	\$22,834
U.S. Bancorp	USB	Neutral	\$45.21	NA	\$79,615
Wells Fargo & Company	WFC	Buy	\$57.53	\$64.00	\$295,322
Universal Banks & Brokers	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Bank of America Corporation	BAC	Buy	\$17.81	\$20.00	\$186,445
Citigroup Inc.	C	Neutral	\$58.10	NA	\$174,872
Goldman Sachs Group, Inc.	GS	Buy	\$205.09	\$240.00	\$92,635
JPMorgan Chase & Co.	JPM	Neutral	\$68.25	NA	\$252,395
Morgan Stanley	MS	Neutral	\$38.93	NA	\$76,045

HEALTHCARE

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Biopharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AbbVie Inc.	ABBV	Neutral	\$69.24	NA	\$121,171
Adaptimmune Ltd.	ADAP	Buy	\$14.93	\$25.00	\$1,057
Bellicum Pharmaceuticals, Inc.	BLCM	Neutral	\$19.80	NA	\$522
Bristol-Myers Squibb Company	BMJ	Neutral	\$63.54	NA	\$105,953
Celldex Therapeutics, Inc.	CLDX	Buy	\$22.20	\$36.00	\$2,186
Eli Lilly and Company	LLY	Buy	\$82.70	\$99.00	\$91,676
Five Prime Therapeutics, Inc.	FPRX	Buy	\$22.97	\$30.00	\$589
Gilead Sciences, Inc.	GILD	Neutral	\$115.30	NA	\$169,215
Incyte Corporation	INCY	Buy	\$104.35	\$123.00	\$18,833
Johnson & Johnson	JNJ	Neutral	\$99.07	NA	\$274,335
Juno Therapeutics Inc.	JUNO	Neutral	\$44.81	NA	\$4,052
Kite Pharma, Inc.	KITE	Buy	\$71.98	\$73.00	\$3,099
Merck & Co. Inc.	MRK	Neutral	\$58.43	NA	\$164,576
Merrimack Pharmaceuticals, Inc.	MACK	Buy	\$10.07	\$15.00	\$1,108
Regeneron Pharmaceuticals, Inc.	REGN	Buy	\$582.47	\$643.00	\$60,395
Seattle Genetics, Inc.	SGEN	Neutral	\$44.98	NA	\$5,638
Tesaro, Inc.	TSRO	Buy	\$55.05	\$61.00	\$2,202
Vertex Pharmaceuticals Incorporated	VRTX	Buy	\$139.44	\$145.00	\$34,115
ZIOPHARM Oncology, Inc.	ZIOP	Neutral	\$13.03	NA	\$1,670

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Biotechnology	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Accelaron Pharma, Inc.	XLRN	Neutral	\$27.74	NA	\$917
Acorda Therapeutics, Inc.	ACOR	Neutral	\$32.82	NA	\$1,404
Aegerion Pharmaceuticals, Inc.	AEGR	Sell	\$18.39	\$9.00	\$525
Alexion Pharmaceuticals	ALXN	Neutral	\$189.73	NA	\$42,908
Alkermes plc	ALKS	Neutral	\$67.75	NA	\$10,122
AMAG Pharmaceuticals, Inc.	AMAG	Buy	\$66.16	\$85.00	\$2,251
Biogen Idec Inc.	BIIB	Neutral	\$316.60	NA	\$74,455
Corium International, Inc.	CORI	Buy	\$12.10	\$18.00	\$268
Intra-Cellular Therapies, Inc.	ITCI	Buy	\$31.43	\$36.00	\$1,102
Kythera Biopharmaceuticals	KYTH	Buy	\$74.68	\$64.00	\$1,962
Novavax, Inc.	NVAX	Buy	\$11.42	\$17.00	\$3,061
Regulus Therapeutics	RGLS	Buy	\$6.94	\$15.00	\$360
Supernus Pharmaceuticals, Inc.	SUPN	Buy	\$18.54	\$35.00	\$886
TherapeuticsMD	TXMD	Buy	\$7.29	\$30.00	\$1,289

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HEALTHCARE

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Biotechnology	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Amgen Inc.	AMGN	Coverage Suspended	\$169.66	NA	\$128,645
Ariad Pharmaceuticals, Inc.	ARIA	Coverage Suspended	\$7.71	NA	\$1,455
Biota Pharmaceuticals, Inc.	BOTA	Coverage Suspended	\$2.38	NA	\$84
Celgene Corporation	CELG	Coverage Suspended	\$128.05	NA	\$101,229
ImmunoGen, Inc.	IMGN	Coverage Suspended	\$15.38	NA	\$1,326
TetraLogic Pharmaceuticals	TLOG	Coverage Suspended	\$2.56	NA	\$60
United Therapeutics Corporation	UTHR	Coverage Suspended	\$159.65	NA	\$7,271
Verastem, Inc.	VSTM	Coverage Suspended	\$7.12	NA	\$260

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Specialty Pharmaceuticals	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Akorn, Inc.	AKRX	Buy	\$42.99	\$60.00	\$4,898
Allergan plc	AGN	Buy	\$319.47	\$400.00	\$125,755
ANI Pharmaceuticals, Inc.	ANIP	Buy	\$55.77	\$79.00	\$639
Dermira, Inc.	DERM	Buy	\$24.43	\$40.00	\$713
Egalet Corp.	EGLT	Buy	\$12.73	\$24.00	\$305
Endo International plc	ENDP	Buy	\$81.70	\$110.00	\$17,010
Foamix Pharmaceuticals Ltd.	FOMX	Buy	\$10.56	\$14.00	\$318
Horizon Pharma, Inc.	HZNP	Buy	\$32.73	\$40.00	\$5,057
Hospira Inc.	HSP	Coverage Suspended	\$89.58	NA	\$15,491
Impax Laboratories Inc.	IPXL	Buy	\$46.30	\$53.50	\$3,320
Jazz Pharmaceuticals plc	JAZZ	Buy	\$184.24	\$230.00	\$11,301
Kindred Biosciences, Inc.	KIN	Buy	\$5.52	\$31.00	\$109
Mallinckrodt plc	MNK	Buy	\$98.49	\$130.00	\$11,557
Mylan, Inc.	MYL	Neutral	\$55.40	NA	\$27,227
Neothetics Inc.	NEOT	Buy	\$13.44	\$16.00	\$184
Orexo AB	ORX.SS	Buy	SEK 54.00	SEK 205.00	SEK 1,860
Paratek Pharmaceuticals	PRTK	Buy	\$23.31	\$38.00	\$409
Perrigo Co.	PRGO	Buy	\$188.24	\$230.00	\$27,534
Phibro Animal Health Corporation	PAHC	Buy	\$38.00	\$45.00	\$1,482
Sagent Pharmaceuticals, Inc.	SGNT	Neutral	\$22.34	NA	\$730
Sucampo Pharmaceuticals, Inc.	SCMP	Buy	\$23.83	\$27.00	\$1,078
Tetraphase Pharmaceuticals, Inc.	TTPH	Buy	\$41.85	\$60.00	\$1,524
Teva Pharmaceutical Industries Limited	TEVA	Neutral	\$70.43	NA	\$59,866
The Medicines Company	MDCO	Buy	\$31.25	\$42.00	\$2,070
Valeant Pharmaceuticals International, Inc.	VRX	Buy	\$248.40	\$300.00	\$84,752
Zoetis Inc.	ZTS	Buy	\$48.28	\$60.00	\$24,138

RETAIL & CONSUMER

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Consumables; Food & Drug	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Costco Wholesale Corporation	COST	Neutral	\$146.44	NA	\$64,359
CVS Health Corporation	CVS	Buy	\$108.12	\$120.00	\$120,498
Dollar General	DG	Buy	\$79.24	\$85.00	\$23,543
Fairway Group Holdings Corp.	FWM	Neutral	\$2.30	NA	\$101
Five Below, Inc.	FIVE	Buy	\$36.85	\$45.00	\$2,008
Rite Aid Corporation	RAD	Buy	\$9.12	\$10.00	\$9,256
Smart and Final Stores, Inc.	SFS	Buy	\$16.72	\$21.00	\$1,233
Sprouts Farmers Market, Inc.	SFM	Neutral	\$23.50	NA	\$3,609
SuperValu Inc.	SVU	Neutral	\$9.04	NA	\$2,395
Sysco Corp.	SYU	Neutral	\$36.25	NA	\$21,524
The Container Store Group, Inc.	TCS	Neutral	\$16.69	NA	\$801
The Kroger Co.	KR	Buy	\$38.72	\$41.00	\$37,614
The Michaels Companies, Inc.	MIK	Buy	\$25.20	\$33.00	\$5,241
United Natural Foods, Inc.	UNFI	Buy	\$45.26	\$75.00	\$2,267
Walgreens Boots Alliance	WBA	Buy	\$93.73	\$100.00	\$102,380
Whole Foods Market Inc.	WFM	Neutral	\$34.84	NA	\$12,493

RETAIL & CONSUMER

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Restaurants	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
BJ's Restaurants, Inc.	BJRI	Buy	\$48.95	\$60.00	\$1,253
Buffalo Wild Wings Inc.	BWLD	Neutral	\$192.19	NA	\$3,654
Chipotle Mexican Grill, Inc.	CMG	Buy	\$749.60	\$760.00	\$23,344
Darden Restaurants, Inc.	DRI	Neutral	\$70.80	NA	\$9,040
Dunkin' Brands Group, Inc.	DNKN	Buy	\$53.72	\$59.00	\$5,116
Jack in the Box Inc.	JACK	Neutral	\$91.11	NA	\$3,406
McDonald's Corp.	MCD	Buy	\$99.35	\$108.00	\$93,569
Panera Bread Company	PNRA	Neutral	\$200.70	NA	\$5,177
Sonic Corp.	SONC	Buy	\$29.26	\$37.00	\$1,519
Starbucks Corporation	SBUX	Buy	\$57.23	\$68.00	\$84,941
The Cheesecake Factory Incorporated	CAKE	Neutral	\$56.57	NA	\$2,759

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Softlines	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Abercrombie & Fitch Co.	ANF	Neutral	\$19.75	NA	\$1,374
Aeropostale, Inc.	ARO	Neutral	\$1.58	NA	\$126
American Eagle Outfitters, Inc.	AEO	Buy	\$17.34	\$20.00	\$3,389
Ascena Retail Group Inc.	ASNA	Coverage Suspended	\$12.56	NA	\$2,047
Deckers Outdoor Corp.	DECK	Neutral	\$70.74	NA	\$2,312
Francesca's Holdings Corporation	FRAN	Neutral	\$11.86	NA	\$502
L Brands, Inc.	LB	Buy	\$81.80	\$105.00	\$23,883
Lululemon Athletica Inc.	LULU	Buy	\$62.27	\$80.00	\$8,808
Ross Stores Inc.	ROST	Neutral	\$53.57	NA	\$22,036
The Gap, Inc.	GPS	Neutral	\$34.93	NA	\$14,578
The TJX Companies, Inc.	TJX	Buy	\$69.49	\$79.00	\$47,280
Urban Outfitters Inc.	URBN	Buy	\$32.37	\$45.00	\$4,148

TECHNOLOGY, MEDIA & TELECOM

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Data & Communication Infrastructure	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Arista Networks, Inc.	ANET	Buy	\$81.58	\$100.00	\$5,427
Barracuda Networks, Inc.	CUDA	Buy	\$25.98	\$45.00	\$1,383
Cisco Systems, Inc.	CSCO	Neutral	\$28.21	NA	\$143,473
F5 Networks, Inc.	FFIV	Buy	\$129.85	\$130.00	\$9,220
FireEye, Inc.	FEYE	Neutral	\$43.28	NA	\$6,900
Fortinet Inc.	FTNT	Neutral	\$46.64	NA	\$7,983
Imperva Inc.	IMPV	Neutral	\$64.58	NA	\$1,976
Infoblox Inc.	BLOX	Buy	\$22.90	\$30.00	\$1,318
Juniper Networks, Inc.	JNPR	Neutral	\$28.01	NA	\$11,059
NETGEAR, Inc.	NTGR	Neutral	\$32.94	NA	\$1,059
Palo Alto Networks, Inc.	PANW	Buy	\$174.49	\$200.00	\$14,598
Proofpoint, Inc.	PFPT	Buy	\$64.07	\$80.00	\$2,526
Ruckus Wireless, Inc.	RKUS	Buy	\$11.99	\$15.00	\$1,050
Sonus Networks, Inc.	SONS	Neutral	\$7.89	NA	\$391
Ubiquiti Networks, Inc.	UBNT	Neutral	\$32.05	NA	\$2,820

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Internet	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
Ctrip.com International Ltd.	CTRP	Buy	\$77.47	\$95.00	\$10,891
Expedia Inc.	EXPE	Buy	\$121.60	\$140.00	\$15,703
GrubHub Inc.	GRUB	Buy	\$29.19	\$45.00	\$2,470
Homeaway	AWAY	Neutral	\$30.61	NA	\$2,937
Liberty TripAdvisor, Inc.	LTRPA	Buy	\$28.16	\$45.00	\$2,113
Orbitz Worldwide, Inc.	OWW	Neutral	\$11.44	NA	\$1,289
The Priceline Group Inc.	PCLN	Neutral	\$1,351.80	NA	\$68,538
TripAdvisor Inc.	TRIP	Buy	\$76.12	\$100.00	\$10,969
Zillow Group, Inc.	Z	Buy	\$76.00	\$100.00	\$4,483

TECHNOLOGY, MEDIA & TELECOM

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Media & Entertainment	Ticker	Rating	Current Price	Price Target	Market Cap (\$M)
AMC Networks Inc.	AMCX	Buy	\$75.01	\$97.00	\$5,428
Cablevision Systems Corporation	CVC	Buy	\$26.53	\$30.00	\$7,311
CBS Corporation	CBS	Buy	\$52.24	\$64.00	\$25,337
Charter Communications, Inc.	CHTR	Coverage Suspended	\$187.25	NA	\$20,976
Comcast Corporation	CMCSA	Neutral	\$58.76	NA	\$146,481
Comcast Corporation	CMCSK	Neutral	\$58.83	NA	\$146,481
Discovery Communications, Inc.	DISCA	Neutral	\$29.88	NA	\$18,715
Discovery Communications, Inc.	DISCK	Neutral	\$27.97	NA	\$18,715
Dish Network Corp.	DISH	Neutral	\$67.88	NA	\$31,439
Hemisphere Media Group, Inc.	HMTV	Buy	\$13.42	\$16.00	\$604
Netflix, Inc.	NFLX	Buy	\$126.45	\$160.00	\$53,661
News Corporation	NWSA	Neutral	\$14.02	NA	\$8,072
Scripps Networks Interactive, Inc.	SNI	Neutral	\$58.59	NA	\$7,530
The Madison Square Garden Company	MSG	Buy	\$76.44	\$100.00	\$5,793
The Walt Disney Company	DIS	Buy	\$108.55	\$120.00	\$183,217
Time Warner Cable Inc.	TWC	Coverage Suspended	\$190.22	NA	\$53,827
Time Warner Inc.	TWX	Buy	\$79.15	\$98.00	\$64,553
Townsquare Media, Inc.	TSQ	Buy	\$13.04	\$15.00	\$227
Twenty-First Century Fox, Inc.	FOXA	Buy	\$29.87	\$36.00	\$60,810
Viacom, Inc.	VIAB	Neutral	\$44.10	NA	\$17,576

Source: Guggenheim Securities, LLC, Bloomberg

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	125	48.83%	30	24.00%
Neutral	129	50.39%	6	4.65%
Sell	2	0.78%	0	0.00%

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