

## Daily Research Highlights

**Healthcare:** Life Sciences Calendar & Comparative Valuations

**IT Hardware & Software:** Derivative Thoughts from Dreamforce 2014 on Our IT Coverage Universe

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### Healthcare:

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#### Life Sciences Calendar & Comparative Valuations

- **Oncology-Focused Biotechs Slide.** Small-cap oncology-focused biotechnology stocks that we track continue to underperform both mid-cap oncology peers and large-cap biotechs. QTD, small-cap names are down -16.1%, mid-cap names are down -7.5%, and large-cap names are down -4.5% thus far. Performance year-to-date is led by the large cap stocks which are up +20.9%, versus a decline of -39.0% and -7.7% for small-caps and mid-caps, respectively. Please see Exhibit 8 for detailed performance.
- **But Antibiotics Look Strong.** In tracking various biotech subsectors, antibiotic-focused companies are up +6.3% QTD. Other subsectors that we track, such as antiviral-, nanoparticle-, and epigenetic-focused companies, are down QTD -2.8%, -8.1%, and -2.9%, respectively. Year-to-date performance is split, with antivirals showing the strongest performance, up +47.1%, and antibiotics up +2.9%. Nanoparticle-, and epigenetic-focused companies are down YTD -33.0% and -16.8%, respectively. Please see Exhibit 9 for detailed performance.
- **Un-Locked.** With a substantial number of IPOs and a number of follow-on offerings thus far in 2014, we are tracking lock-up expirations for financings through the end of the year. We anticipate thirteen lock-up expirations for U.S.-listed life science IPOs during the remainder of the year. Performance, on average, through the lock-up periods continues to suggest that in the 30 days post lock-up, the NBI outperforms companies with lock-ups. Please see Exhibit 2 for specific companies and the number of shares locked up following the initial public offering, and Exhibit 3 for lock-up expiration performance.

### IT Hardware & Software:

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#### Derivative Thoughts from Dreamforce 2014 on Our IT Coverage Universe

**Summary:** Yesterday, we attended the opening day of Dreamforce 2014, the largest software and cloud computing conference in the world with an estimated 135,000 attendees in San Francisco. In our coverage universe, companies such as IBM, Tableau and Workday participated in the Cloud Expo at the conference. The big news of the day was Salesforce's entry into the analytics market with Wave.

- **ORCL, IBM and DATA Gain a New Analytics Competitor, Well Sort Of.** Yesterday, Salesforce announced its entry into the analytics market with Wave, a cloud analytics platform that the company described as the sixth cloud in the Salesforce Customer Success Platform. Although Salesforce is the leading player in the Customer Relationship Management (CRM) market and the largest Software-as-a-Service (SaaS) vendor in the world, the company has not competed in the analytics market until this announcement. Wave is focused on sales, service and marketing analytics with general availability (English) targeted for October 20. In our coverage universe, Oracle and IBM are leading players in the business analytics market, while Tableau is a next-generation player in the business intelligence subsegment of the business analytics market with a focus on visual analytics. IBM, Oracle and Tableau all partner with Salesforce in some capacity. In fact, Oracle and Salesforce surprised the market in the summer of 2013 with an expanded partnership.
- **FX "Headwind" Quantified During Analyst Meeting and Thoughts on Our Group.** During the Salesforce analyst meeting, the company highlighted foreign exchange as "becoming a headwind," with expectations of a \$125 million to \$150 million YoY "headwind" to revenue in FY:16 (ending in January) due to 30% of revenue being exposed to depreciating currencies such as the Euro, Japanese Yen and British Pound. This equates to approximately a 2% impact based on the FactSet consensus revenue estimate for FY:16, and we believe this provides investors with a guide post for how to think about these currencies. Although the sharp declines in the Euro and Japanese Yen relative to the U.S. dollar are well noted, Salesforce is one of the few companies that has attempted to quantify the impact before the September quarter earnings season begins. In our coverage universe, Hewlett-Packard has the highest exposure to EMEA at 36% of sales for the latest reported quarter, followed by 32% at IBM, 30% at NetApp and 30% at Oracle. Also, Corning's LCD sales are priced in Japanese Yen.

## Disclosures Appendix

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**The Disclosure Section may be found on page 2**

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			Count	Percent
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