Daily Research Highlights

Applied Genetic Technologies Corporation: Expanding Valuation Through Pipeline Visibility: Raising PT to $28 from $24

Cisco Systems, Inc.: Our Initial Take on CSCO's 1Q: Strong Execution, Conservative Outlook - Reiterate BUY

Cisco Systems, Inc.: The Course Was Filled with Obstacles but CSCO Still Delivered 1Q Upside - Reit. BUY

Expedia, Inc.: Key Takeaways from Meeting with Management; Maintain BUY/$92 PT

NetApp, Inc.: Tough Market, Strong Execution, and Slightly Tweaking Estimates - Reiterate BUY

Twitter, Inc.: Solid Performance at Analyst Day; Maintaining BUY and $58 PT

Click on the headline title above to be taken to the report summary. Click on the title in the summary below to open the full pdf report.

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November 13

Applied Genetic Technologies Corporation (AGTC, BUY, Target: $28.00)
Mara Goldstein (212-610-2215, mgoldstein@cantor.com)

Expanding Valuation Through Pipeline Visibility: Raising PT to $28 from $24

- **1Q:FY15.** AGTC reported a net loss per share for the quarter of ($0.34) as compared to FactSet consensus of ($0.27) and our forecast of ($0.26). R&D spending was higher than we expected, though this reflects the company's expanding clinical programs and timing, coming in at $4.43 million, a 64% increase versus last quarter. We have made some modifications to our model, edging up R&D spending for the remainder of the year, reflecting clinical expenses for its achromatopsia and X-linked retinoschisis (XLRS) programs, as well as preclinical work for the wAMD program.
- **Cash in Good Shape.** At the end of September 2014, AGTC had cash of $101 million, which should be sufficient to fund programs into 2016, as well as past key data points for its XLRS, achromatopsia and target identification for a wet age-related macular degeneration (wAMD) program, as well as other ongoing efforts such as alpha-1 antitrypsin.
- **Raising Price Target.** In valuing AGTC, we looked at both a discounted revenue model based on the company's most advanced product, gene therapy for XLRS, as well as peer valuations for gene therapy, ophthalmology, and recent IPO companies. With the addition of the wet AMD program and rising valuations in the gene therapy universe, we think the shares could trade to $28.

Cisco Systems, Inc. (CSCO, BUY, Target: $31.00)
Brian J. White, CFA (212-610-2416, briwhite@cantor.com)

The Course Was Filled with Obstacles but CSCO Still Delivered 1Q Upside - Reit. BUY

Summary: Last night, Cisco reported healthy 1Q:FY15 results with better-than-expected performance driven by strong execution, despite more volatile spending patterns at the leading U.S.-based service providers and continued weakness in emerging markets (especially China). Although Cisco's 2Q:FY15 outlook is a bit soft as we suspected was possible going into the quarter, the stock trades at just ~9x our CY:15 EPS estimate (ex-cash), sports a 3% dividend yield, and the company continues to demonstrate consistent execution. Although we are fine-tuning our FY:15 estimates, we are maintaining our 12-month price target at $31.00 and reiterating our BUY rating.

- **Excellent 1Q:FY15 Performance in a Tough Market.** Cisco reported 1Q:FY15 sales of $12.245 billion that beat our estimate of $12.13 billion (FactSet consensus was $12.17 billion) and pro forma EPS of $0.54 that was better than our $0.52 projection (consensus was at $0.53). Cisco's operating margin of 29.2% handily beat our 27.8% estimate, while operating profit of $3.57 billion in 1Q:FY15 was above our $3.37 billion projection and the operating profit cycle turned positive.
- **A Cautious 2Q Outlook; Fine-Tuning EPS Estimates.** Looking into 2Q:FY15, Cisco expects sales to be up by 4-7% YoY (i.e., $11.60-11.94 billion), while pro forma EPS is projected to be $0.50-0.52 (consensus is $0.53). For 2Q:FY15, we are lowering our revenue forecast to $11.84 billion from $12.24 billion (consensus is $12.11 billion) and tuning our pro forma EPS estimate to $0.52 from $0.53. For FY:15, we are cutting our revenue estimate to $48.23 billion from $49.35 billion and trimming our pro forma EPS projection to $2.12 from $2.13.

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NetApp, Inc. (NTAP, BUY, Target: $47.00)
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Tough Market, Strong Execution, and Slightly Tweaking Estimates - Reiterate BUY

Summary: Last night, NetApp delivered EPS upside in 2Q:FY15 with strong margin performance, but revenue came in slightly below our estimate, while the company offered up a cautious 3Q:FY15 outlook. Relative to a year ago, we believe NetApp's product portfolio is stronger, and the company's relationship with Cisco continues to strengthen (and we believe the VCE situation should only help NTAP) and thus the company's position in the storage market is better than it has been in quite some time. Although we are slightly tweaking our estimates due to a soft demand environment, the impact of FX and the slight EPS dilution from the SteelStore acquisition, we maintain our price target at $47.00.

- **Revenue Comes Up Short in 2Q but EPS Beats.** NetApp reported 2Q:FY15 sales of $1.54 billion that missed our $1.56 billion projection (FactSet consensus was at $1.55 billion), while pro forma EPS of $0.70 was slightly above our $0.69 estimate (consensus was also at $0.69).
- **A Cautious 3Q:FY15 Outlook; Tweaking Our Estimates.** Looking into 3Q:FY15, NetApp expects sales of $1.56-1.66 billion (up 1-8% QoQ), with pro forma EPS of $0.74-0.79. The combination of the FX impact and the SteelStore acquisition are expected to impact 3Q:FY15 EPS by $0.02. For 3Q:FY15, we are tweaking our revenue forecast to $1.626 billion from $1.655 billion (consensus is at $1.62 billion) and fine-tuning our pro forma EPS estimate to $0.77 from $0.78 (consensus is at $0.80). For FY:15, we are slightly trimming our pro forma EPS to $2.95 (up 6%) from $2.97.

Expedia, Inc. (EXPE, BUY, Target: $92.00)
Naved Khan (212-829-4860, nkhan@cantor.com)

Key Takeaways from Meeting with Management; Maintain BUY/$92 PT

SUMMARY: We hosted an investor meeting with EXPE management on the sidelines of the PhoCusWright's travel industry conference in Los Angeles, CA yesterday and got a chance to do a deeper dive into various pieces of the business, travel industry trends, as well as the current competitive environment. Overall, we walked away feeling positively inclined about the health of online travel in general as well as EXPE's underlying business fundamentals and its longer-term growth prospects. Here are our key takeaways:

- **Healthy double-digit organic room night growth looks sustainable.** We note that excluding ~400bps contribution from the Travelocity partnership, Expedia's room nights grew ~20% in 3Q, attributable to a number of factors, including improvement in site conversion rates, strength in mobile, expansion in property selection, as well as synergies between core Expedia and Trivago. Arguably, these factors should be sustainable going forward, leading us to believe that a high-teens pace of room nights growth should be achievable in 2015.
- **Growth in hotel portfolio likely sustainable,** in our view, given the company's ongoing focus on investing in sales force/marketing management as well as the ETP offering. We note that Expedia added ~40K properties in 3Q, on the back of 35K additions in 2Q and therefore view the ~30-40K growth rate as sustainable, which should bode well for hotel selection/traffic conversion rate.

Twitter, Inc. (TWTR, BUY, Target: $58.00)
Youssef Squali (212-915-1794, ysquali@cantor.com)

Solid Performance at Analyst Day; Maintaining BUY and $58 PT

Investment Summary: Twitter hosted its first Analyst Day yesterday, from which we walked away impressed with both the depth and breadth of what was discussed. While most of it is still on the come, we believe that management has clearly 1) articulated medium- and long-term goals for users and monetization, 2) formulated a more refined product strategy against these goals and 3) showcased a deep bench of managers determined to accelerate the pace and breadth of product change. While it may take a few quarters to show growth acceleration in key metrics of users, engagement and monetization, Twitter, in our view, remains one of the most attractive and differentiated digital media platforms with clear long-term potential.

- **Clear goals and strategy communicated to the Street.** Management boldly reiterated its goal of reaching the largest daily audience in the world (by connecting everyone via its information sharing and distribution platform products,) and becoming one of the top revenue generating Internet companies.
- **New apps and services.** Fabric could become a key building block in the mobile landscape, while Vine, Syndicated Video, Sound Card, monetization of syndicated content, and GNIP offer further monetization potential.

The Disclosure Section may be found on page 4

November 12

Cisco Systems, Inc. (CSCO, BUY, Target: $31.00)
Brian J. White, CFA (212-610-2416, briwhite@cantor.com)

Our Initial Take on CSCO's 1Q: Strong Execution, Conservative Outlook - Reiterate BUY

Summary: This evening, Cisco reported 1Q:FY15 results that exceeded our estimates, and the company provided a 2Q:FY15 outlook on its earnings call that we would describe as conservative but not surprising. We believe Cisco executed very well in a challenging market environment and the stock trades at just ~9x our CY:15 EPS estimate (ex-cash) with a 3% dividend yield, while we believe the profit cycle has already reached a trough. We reiterate our BUY rating on Cisco Systems.

- **Cisco Delivers Revenue and EPS Upside in 1Q:FY15.** Cisco reported 1Q:FY15 sales of $12.245 billion that beat our estimate of $12.13 billion (FactSet consensus was $12.17 billion) and pro forma EPS of $0.54 that was better than our $0.52 projection (consensus was at $0.53). Cisco generated $2.5 billion in operating cash flow and returned $1.97 billion to shareholders in 1Q:FY15. Also, Cisco announced that Frank Calderoni will step down as Executive Vice President and CFO on January 1, 2015 and that Kelly Kramer will take over the CFO position.
- **Conservative Outlook but Not Surprising.** Given the weakness at large U.S.-based service providers and continued softness in emerging markets, Cisco provided a conservative outlook, as we expected. Looking into 2Q:FY15, Cisco indicated on this afternoon's conference call that it expects sales to be up by 4-7% YoY (i.e., $11.60-11.94 billion), while pro forma EPS is projected to be $0.50-0.52. This compares to our 2Q:FY15 revenue estimate of $12.24 billion (consensus is $12.10 billion) and pro forma EPS estimate of $0.53 (consensus is at $0.53). Our estimates and price target are currently under review.

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Disclosures Appendix

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY [B]	89	60.54	21	23.60
HOLD [H]	49	33.33	10	20.41
SELL [S]	9	6.12	1	11.11

The Disclosure Section may be found on page 4