Think Piece: Equity Strategy

Think Conviction: Adding Active Network

THINK SUMMARY:
With this report, we identify those stocks under our current research coverage in which our analysts have the highest degree of conviction in the fundamentals of the company. Given our belief that stock prices reflect fundamentals over the intermediate and longer term, we believe these stocks will outperform the broader market over the next 6-12 months.

KEY POINTS:
- We are adding **Active Network (ACTV)** to the ThinkEquity Conviction List and believe the company is well positioned for future growth and outperformance. We are removing **Sourcefire (FIRE)** and **Take Two Interactive (TTWO)** from the list.

The rest of the list remains unchanged as follows (see below for individual Investment Thesis by company):

- In the Technology/Communications sector, we have confidence in the fundamentals of **ANSYS (ANSS), Aruba Networks (ARUN), Entropic Communications (ENTR), Fairchild Semiconductor (FCS), Fortinet (FTNT), Mellanox Technologies (MLNX), NetApp (NTAP), OPNET Technologies (OPNT), Oracle Corp. (ORCL), QUALCOMM (QCOM), RightNow Technologies (RNOW), Riverbed Technology (RVBD), Spansion (CODE),** and **Ultra Clean Holdings (UCTT)** and expect outperformance for the shares of these companies.

- In the Internet/Media vertical, we expect continued solid growth for **Baidu (BIDU), comScore (SCOR), eBay (EBAY), Velti (VELT)** and **WebMD Health Corp. (WBMD).** In the Games space, we like the prospects for **Electronic Arts (ERTS).**

- In the Healthcare/Medical Devices industry, we believe **Alnylam Pharmaceuticals (ALNY), Dendreon (DNDN)** and **NuVasive (NUVA)** are attractive investment ideas.

- In the Cleantech area, we have confidence in the fundamentals of **Ceradyne (CRDN), Johnson Controls (JCI)** and **Rogers Corp. (ROG).**

- In the Consumer vertical, we continue to view **Costco (COST)** as a key investment idea.

Reason for Report:

Equity Strategy

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Please see analyst certification (Reg. AC) and other important disclosures on pages 19-21 of this report.

ThinkEquity LLC
Conviction List

Company	Symbol	Rating	Price 13-Jul	Price Target	% Upside	FY EPS 2011E	FY EPS 2012E	CY P/E 2011E	CY P/E 2012E	Secular Growth	P/E/G 2011E	P/E/G 2012E	Mkt Cap ($MM)
Technology / Communications													
Ansys Inc.	ANSS	Buy	$54.73	$62	13%	$2.37	$2.58	23x	21x	13%	1.8x	1.6x	$5,091
Aruba Networks Inc.	ARUN	Buy	$27.61	$38	38%	$0.58	$0.68	48x	41x	40%	1.2x	1.0x	$3,047
Entropic Communications Inc.	ENTR	Buy	$8.41	$13	55%	$0.80	$0.85	11x	10x	15%	0.7x	0.7x	$767
Fairchild Semiconductor Int'l	FCS	Buy	$15.85	$22	39%	$1.63	$1.80	10x	9x	12%	0.8x	0.7x	$2,177
Fortinet Inc.	FTNT	Buy	$26.86	$29	8%	$0.40	$0.50	67x	54x	15%	4.5x	3.6x	$4,156
Mellanox Technologies Ltd.	MLNX	Buy	$29.65	$36	21%	$1.07	$1.68	28x	18x	20%	1.4x	0.9x	$1,050
NetApp Inc.	NTAP	Buy	$51.97	$65	25%	$2.20	$2.60	21x	18x	20%	1.1x	0.9x	$19,506
OPNET Technologies Inc.	OPNT	Buy	$38.82	$43	11%	$0.66	$0.98	42x	32x	15%	2.8x	2.1x	$891
Oracle Corp.	ORCL	Buy	$32.60	$40	23%	$2.22	$2.45	14x	13x	15%	0.9x	0.8x	$167,871
QUALCOMM Inc.	QCOM	Buy	$56.52	$75	33%	$3.13	$3.40	17x	16x	18%	1.0x	0.9x	$97,234
RightNow Technologies Inc.	RNOW	Buy	$29.77	$38	28%	$0.55	$0.80	54x	37x	25%	2.2x	1.5x	$1,011
Riverbed Technology Inc.	RVBD	Buy	$40.17	$48	19%	$0.90	$1.20	45x	33x	30%	1.5x	1.1x	$6,112
Spansion Inc. Cl A	CODE	Buy	$19.31	$25	29%	$2.30	$2.70	8x	7x	12%	0.7x	0.6x	$1,220
Ultra Clean Holdings Inc.	UCTT	Buy	$8.38	$20	139%	$1.15	$1.55	7x	5x	15%	0.5x	0.4x	$203
Internet / Media													
Active Network Inc.	ACTV	Buy	$18.58	$23	24%	($0.39)	($0.03)	n/m	n/m	35%	n/m	n/m	$993
Baidu Inc. ADS	BIDU	Buy	$138.94	$175	26%	$2.62	$3.82	53x	36x	35%	1.5x	1.0x	$37,905
comScore Inc.	SCOR	Buy	$26.45	$36	36%	$1.12	$1.47	24x	18x	25%	0.9x	0.7x	$854
eBay Inc.	EBAY	Buy	$32.26	$38	18%	$1.99	$2.24	16x	14x	10%	1.6x	1.4x	$42,714
Electronic Arts Inc.	ERTS	Buy	$24.17	$28	16%	$0.70	$0.84	30x	23x	20%	1.5x	1.2x	$8,082
Velti PLC	VELT	Buy	$18.70	$22	18%	$0.43	$0.80	43x	23x	35%	1.2x	0.7x	$932
WebMD Health Corp.	WBMD	Buy	$47.00	$66	40%	$1.32	$1.40	36x	34x	20%	1.8x	1.7x	$2,779
Healthcare / Life Sciences													
Alnylam Pharmaceuticals Inc.	ALNY	Buy	$9.75	$18	85%	($1.53)	($2.13)	n/m	n/m	n/m	n/m	n/m	$400
Dendreon Corp.	DNDN	Buy	$38.49	$55	43%	($2.39)	$0.61	n/m	63x	n/m	n/m	n/m	$5,717
NuVasive Inc.	NUVA	Buy	$32.18	$39	21%	$1.20	$1.44	27x	22x	15%	1.8x	1.5x	$1,285
Cleantechnology													
Ceradyne Inc.	CRDN	Buy	$36.21	$60	66%	$3.17	$3.53	11x	10x	25%	0.5x	0.4x	$5,739
Johnson Controls Inc.	JCI	Buy	$41.14	$49	19%	$2.40	$3.27	16x	12x	20%	0.8x	0.6x	$6,521
Rogers Corp.	ROG	Buy	$46.90	$64	36%	$2.73	$3.43	17x	14x	15%	1.1x	0.9x	$7,434
Consumer													
Costco Wholesale Corp.	COST	Buy	$80.71	$90	12%	$3.36	$4.05	23x	20x	12%	1.9x	1.7x	$35,323
AVERAGE								28x	23x	20%	1.4x	1.1x	$16,679
MEDIAN								23x	19x	19%	1.2x	0.9x	$3,602

Source: ThinkEquity LLC estimates, FactSet.

TECHNOLOGY / COMMUNICATIONS

ANSYS, Inc. (NASDAQ: ANSS, $54.73, Buy, Price Target: $62)
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Investment Thesis
We like what we view as ANSYS' global franchise in advanced simulation applications, and expect the company's cyclical demand fundamentals to continue strengthening over the course of 2011 and 2012. Additionally, we like the alignment between global wireless technology demand, and integration of electro-magnetic simulation with fluid and mechanical multiphysics in the flagship ANSYS (current version 13) platform. We regard the version 13 product cycle as a major product release which we expect to further spur cross-sale efforts in CY11, and motivate a new group of select, certified channel dealers.

Valuation
Our $62 price target is based on a 24x P/E on our CY2012 EPS estimate of $2.58. The design peer group median current-year P/E multiple is currently 22x. We believe that ANSS shares deserve a premium valuation, based on what we view as the company's unique competitive strengths and first-ever scale attributes in simulation applications for manufacturing and process industries.

Risks to Price Target
ANSYS is historically acquisitive; acquisitions may involve product and organizational integration challenges: We believe CY11 will see ANSYS more active again with its M&A strategy, perhaps to consolidate market share or possibly add selected vertical market depth to its applications. ANSYS has capital-intensive end markets. Several of ANSYS' largest verticals, including aerospace, automobiles and industrial equipment are very cyclical and subject to the more harsh capital constraints of those particular end markets.

Aruba Networks, Inc. (NASDAQ: ARUN, $27.61, Buy, Price Target: $38)
Rajesh Ghai, CFA | 415-249-6365 | rghai@thinkequity.com

Potential Near Term Catalyst
ARUN's third consecutive quarter of accelerating top-line growth suggests to us that the WLAN secular trend is just beginning and ARUN, given its security-based differentiation and solid execution, is benefiting disproportionately and gaining significant share. While the sequential GM decline (attributed to mix-shift to international geographies) was surprising, we believe as US re-accelerates in upcoming quarters, ARUN's GM should rebound, providing a tailwind to OM expansion. Given our belief that ARUN's rapid growth, indirect model, and high repeat purchase rate in installed base should result in materially higher earnings power beyond current Street estimates, we reiterate our Buy rating.

Longer term, we believe the rapid proliferation of wi-fi devices and the October 2009 ratification of the 802.11n standard are strong catalysts of WLAN adoption across the globe, and are driving a strong wireless networking secular trend. As enterprises move to 802.11n WLANs, it creates a need for a significant upgrade to WLAN infrastructure, which is unlike the change from 11b to 11g, creating a significant opportunity for ARUN to gain market share. ARUN is the largest WLAN pure-play and the mind-share leader in the market, which we believe is a result of ARUN's superior security-based differentiation. Security, according to our checks, is the most important concern for enterprise WLAN prospects, and considering enhancing this differentiation has been ARUN's R&D focus in recent times (as evident from the company's analyst day and product announcements) which gives us reason to believe that ARUN can continue to benefit disproportionately from secular trends.

Valuation
Our $38 ARUN price target is based on an ex-cash 54x PE multiple on our FY12 EPS estimate of $0.68, considering our 40% long-term growth assumption implies a PEG of 1.3x, which we believe is appropriate, given what we view as ARUN's superior positioning in an early-stage high-growth opportunity and its superior execution as reflected in its fast expanding operating model.

Risks to Price Target
In addition to the typical competitive risks, other investment risks include the dependence on the adoption of advanced technologies by customers, lengthening sales cycles, dependence on outsourced manufacturing, dependence on sales through VARs and OEMs, and adverse effects of international conflicts on operations or business conditions.

Entropic Communications Inc. (NASDAQ: ENTR, $8.41, Buy, Price Target: $13)
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Investment Thesis
We view Entropic as a key investment theme that benefits from the widespread adoption of Multimedia-over-coax (MOCA) technology for distributing high definition, premium video content within the home for multi-room DVR installations. We believe that the market is still early in MoCA penetration with an eventual run-rate opportunity of 40 million MoCA chips per year and potential longer-term growth opportunities such as MoCA 2.0 platforms and high-volume consumer electronics such as HDTVs, Blu-Ray players, game consoles, PCs etc. We expect the company to see continuing good business momentum over the next 12 months driven by multiple cable, satellite, and telco service providers rolling out MOCA based multi-room DVR premium video services.

Valuation
Our $13 price target is based on a P/E of 15x our calendar 2012E EPS of $0.85 relative to our outlook for 15% secular earnings growth. We believe that a 15x target P/E multiple is justified relative to our outlook for 15% secular earnings growth using a PEG ratio of 100% and assuming that ENTR remains a dominant, high-growth provider of networked home entertainment system-level solutions with high entry barriers.

Risks to Price Target
The key investment risks for Entropic Communications are: 1) the market for its products is highly competitive, and they face competition from a number of established companies. 2) The company receives a substantial portion of revenues from a limited number of customers, and the loss of, or a significant reduction in, orders from one or a few of its major customers would likely adversely affect its operations and financial condition. The company's growth is dependent on the deployments plans for multi-room HD video distribution by a small group of cable service providers; satellite service providers; and telco service providers. Any delay in deployment plans by these customers could materially affect revenues for Entropic. 3) Average selling prices of products in markets served have historically decreased over time and will likely do so in the future, which could harm revenues and gross profits.

Fairchild Semiconductor International Inc. (NYSE: FCS, $15.85, Buy, Price Target: $22)
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Investment Thesis
We view Fairchild Semiconductor as well positioned with its power and analog products to benefit from customer focus on mobility and energy efficiency. We expect increasing content and margin expansion to drive earnings growth in the next few quarters, as the company executes its on-going product mix improvement strategy. We believe that Fairchild is well positioned across its low and higher power business segments to benefit from growth in key end markets. We see company products levered to growth in handsets, smartphones, notebooks, servers, home appliances, digital television and automotive markets. In certain key markets, we expect the content opportunity to more than double over the next few years as the company targets an increasing portion of available content. From its position in high growth markets, we believe the company is driving a favorable mix shift toward more differentiated, high margin products. We believe that the greater than 1,000bps increase in gross margin over the last five years is evidence of the effectiveness of management's product strategy. We expect product momentum to continue driving further gross margin expansion for the company. Additionally, with what we think is an opportunity for growth in key end markets coupled with margin expansion, we expect Fairchild EPS to increase at least 12% annually in the next few years.

Valuation
Our price target of $22 is based on 12x our CY12 EPS forecast of $1.80, a slight PEG premium of 1.0x versus comparable 0.9x, which we believe is appropriate as it reflects what we view as superior growth and margin potential.

Risks to Price Target
The key risks for Fairchild Semiconductor include the following: 1) The market for power semiconductors is highly competitive, and it faces competition from established companies 2) Given the high unit volume manufacturing intensity of the power semiconductor market, the company remains exposed to pricing pressure if unit demand weakens and manufacturing utilization declines; 3) Execution risk remains as the company shifts its mix to higher margin analog and mixed-signal products where the company has not historically competed.

Fortinet Inc. (NASDAQ: FTNT, $26.86, Buy, Price Target: $29)
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Investment Thesis
We believe Fortinet's growth opportunity in network security and focused capabilities can enable the company to continue to competing favorably and expand its addressable markets over the next several years. We expect Fortinet to take market share in the roughly $4 billion global market for unified threat management (UTM) and next-generation firewall and VPN technologies. We believe Fortinet's strategy and investment opportunity will grow to include larger market opportunities beyond a current core UTM market. Despite rapid success in channel-driven UTM over the past ten years, the company has resisted temptation to dilute its focus and chase adjacent market opportunities. Now, as a scale leader in its core market, we believe Fortinet has options for new addressable markets, with notable early success (e.g. carrier-level, global enterprise) and presence in Gbps-speed packet inspection appliances. In late April, Fortinet made a small, technology focused acquisition which we believe can improve the company's capabilities to protect voice-over-IP traffic, a strong growth category in data services.

Valuation
We base our $29 price target on a FCF per share multiple of 31x our revised FY12 FCF/share estimate of $0.95, in line with the current 31x based on our revised 2011E FCF estimate of $0.84. The security group peer median FCF multiple is currently 23x. We believe investors will continue to pay a premium multiple for the company's ability to potentially outperform estimates. Accordingly, we believe a 31x multiple is appropriate.

Risks to Price Target
Competitive landscape is tough: scale and specialist vendors, and dynamic technology. Fortinet competes with significantly larger companies, including Cisco and others. HP and IBM also possess notable assets in networking security as a result of acquisitions, and can price aggressively in order to box out competitors, we believe. The overall UTM market is fragmented, with nearly 40% of revenue market share for unified threat management held by mostly private, subscale firms. Private competitors also compete aggressively with new technological approaches to networking security, and could soon prove to be as disruptive.

Mellanox Technologies Ltd. (NASDAQ: MLNX, $29.65, Buy, Price Target: $36)

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Investment Thesis

Strong OEM endorsements from HPQ/ORCL and at least three new potential near-term revenue drivers: 1) new tier-1 Storage back-end interconnects expected in 2H11; 2) new ORCL clustered appliances targeting Enterprise Apps, in addition to Exadata and Exalogic; 3) and HPQ's recent broadening of scope of HPC BU to include web2.0/Cloud verticals, strengthen our conviction in MLNX fundamentals. Additionally, given, in our view, its strong engineering talent base, its excellent execution capabilities and now its end-to-end product portfolio encompassing IB/ Ethernet and silicon/ adaptors/ switches, the company is likely to continue benefitting disproportionately from trends that are converging requirements in its historically strong HPC market and the Cloud. We believe MLNX's strength lies in its strong engineering talent base and its superior execution of its vision, which we believe are strong sustainable competitive advantages.

Valuation

Our price target for MLNX shares is $36, which is based on a 20x P/E multiple on our FY12 EPS estimate of $1.68 and $2.45 per share cash. We believe a 20x P/E multiple is appropriate as it reflects a PEG ratio of 1x on our assumption of an earnings growth rate of 20%.

Risks to Price Target

Mellanox is a component supplier to powerful OEMs that enjoy pricing leverage and are likely to change order patterns rapidly, which may affect revenue visibility for MLNX. Although Mellanox has enjoyed a virtual monopoly in InfiniBand, serious competition in the form of QLogic has begun to emerge in the market. QLogic could potentially cause severe price competition in the future as it tries to gain market share from MLNX. With the acquisition of VOLT, the InfiniBand market has become a two-horse race, in our view. If OEMs determine that they need to dual source their InfiniBand adaptors, QLGC could gain significant share in the market. Additionally, customer inertia may prevent InfiniBand from moving beyond its current niche of High Performance Computing.

NetApp Inc. (NASDAQ: NTAP, $51.97, Buy, Price Target: $65)

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Investment Thesis

A strong storage-optimization based product positioning especially in virtual-server related storage deployments, ramping distribution and sales presence, and increasing penetration into the enterprise have, in our view, enabled NetApp to gain significant market share over the past year. We expect these growth-drivers to continue driving share gains for NetApp and solidify its recently-achieved No.2 position in the storage market. We are also encouraged by the upward reset in operating margin target from 16% to north of 18%. We also view the Engenio takeout as positive for NTAP given our belief that it fills a fairly large hole in NTAP's portfolio in terms of a high-performance controller-based storage system and inexpensive price. This signals a departure from NTAP's historical product strategy of leveraging "common-operating-system-on-commodity-hardware" but in our view is a necessary step as NTAP expands beyond its core mid-range-storage segment into higher performance-sensitive workloads, we estimate an incremental $5B TAM by 2014. We expect NTAP to leverage its channel to drive strong revenue synergies for Engenio and NTAP's existing portfolio. We believe NTAP is likely to show significant operating leverage and exit FY11 with operating margins significantly higher than the targeted range. We believe this positions the company to report results ahead of current consensus estimates in upcoming quarters. Considering our belief that NTAP is strongly positioned in the strongest storage growth markets, is gaining significant share at scale and has seen a significant reset in its earning power, we believe there is material potential upside in NTAP stock at current levels.

Valuation

Our price target of $65 is based on an ex-cash 21x multiple to our CY12 EPS estimate of $2.70 and net cash per share of $8.58. This implies a PEG ratio of 1.05, assuming a long-term growth rate of 20%, which we believe is appropriate based on, in our view, superior positioning in the fastest growing mid-market storage segment.

Risks to Price Target
NetApp is exposed to the global macroeconomic slowdown, as are all other storage majors. Given its broad storage product and geographical footprint, NetApp is exposed to the global economic slowdown as much as all other large storage system vendors. Historically, strong Financial Services concentration could be a source of revenue risk. NetApp has historically generated about 10-15% of its revenue from the Financial Services vertical. The company generates about 40% of its revenues overseas and is, therefore, subject to above-average foreign currency risk. Competition is becoming more intense all the time. We believe that competition from the large system vendors is bound to increase in a downturn.

OPNET Technologies, Inc. (NASDAQ: OPNT, $38.82, Buy, Price Target: $43)
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Investment Thesis
We characterize OPNET's opportunity as enterprise IT's efforts upgrade application performance monitoring (APM), in order to meet the challenges of complexity and network diversity among a new generation of process-driven enterprise applications. We believe OPNET will continue to raise its competitive profile in strategic APM, while taking share from a range of larger incumbents. We expect OPNET to reap the benefits of recent and focused efforts to expand and improve the capabilities of its sales function, in order to match up with OPNET's native depth in packet network design and protocols, application troubleshooting, and in heterogeneous application architectures.

Valuation
Our $43 per-share price target is based on a P/FCF multiple of 27x based on our FY13E FCF estimate of $1.57 (+43% yr/yr). OPNT shares currently trade at 35x our FY12E FCF per share estimate of $1.10. We believe investors will continue to pay a high multiple of earnings for OPNT shares in anticipation of strong revenue growth and margin accretion. Accordingly, we believe a 27x multiple is appropriate.

Risks to Price Target
The Network instrumentation market is fragmented, and competition amongst existing vendors could be a source of margin compression. Large players could develop their own solutions and infringe upon OPNET's turf. OPNET occupies a niche in the broader Network Management space. The niche does not have a large vendor in this space. We believe that continued macroeconomic uncertainty could lead to a larger portion of deals getting consummated over longer cycles, hence, delaying revenue recognition.

Oracle Corp. (NASDAQ: ORCL, $32.60, Buy, Price Target: $40)
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Investment Thesis
We believe Oracle today exerts greater global account control than ever, resulting in share gains of customers' IT budgets and a stronger ability to enter new markets. Supplemented by its successful acquisition strategy, Oracle has attained the #1 market share position in both the database and middleware markets, and a #2 position in the application software market. Because this stack is increasingly based on industry standards for programming and exposing data, the marketplace is gravitating toward Oracle's offerings over those of second-tier providers, in our view. Additionally, ORCL has only reported a full-year EPS decline once in the last 12 years (and even then, only 4%), and we believe ORCL's earnings resiliency has improved, as recurring maintenance revenue comprises 50% of revenue, versus 37% in FY02, and Oracle is advantaged by greater economies of scale today. In our view, this earnings resiliency and earnings growth that are more attractive to that of the S&P 500 deserve a premium valuation rather than a discount or market-average valuation, and we believe this equilibrium will be restored over time.

Valuation
On a CY: 2011E P/E basis, ORCL trades at 14.5x our CY: 2011 estimate of $2.28, which is essentially in line with the S&P 500 group average of 14.0x. Our $40 price target for ORCL shares is based on a 15x multiple applied to our CY:2012 EPS estimate of $2.52/share + $1.87 net cash per share. We believe that ORCL maintains essentially a similar valuation multiple for its out-year and believe this multiple is appropriate since, historically, ORCL shares have traded at a

slight premium to the market, and we expect the shares to continue to trade at a multiple that is in line with the historical level.

Risks to Price Target
Risks to our price target include but are not limited to: 1) Prolonged weakness in IT spending; 2) macroeconomic fluctuations; 3) acquisition integration challenges; 4) competition; 5) departure of key management personnel could impede our price target.

QUALCOMM Inc. (NASDAQ: QCOM, $56.52, Buy, Price Target: $75)
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Investment Thesis
We view QCOM as the best large-cap semi play on smart phones and tablets with longer-term EPS power in the $4.00-plus range. Our positive stance on QCOM is based on strong positioning in smart phones, market expansion into tablets and PCs (Windows8 ARM), with chipset share gains at Apple (iPhone5) and Nokia (WindowsPhone7) providing potential upside to our forecasts. While we view the broad PC and Handset industries as cyclical, we estimate 35-40% growth in the coveted "gap" between the two: smart phones and tablets. We expect QCOM to benefit from 1) higher chip content as processing power/connectivity increases across mobile devices and 2) better royalties as 3G/4G moves upstream into tablets. We forecast unit growth of approximately 20% for CY11 and 15% for CY12 for QCOM's CDMA/WCDMA/LTE handset markets in aggregate, with an incremental 5-10% upside from tablets. Our $75 target is based on 22x our FY12 EPS estimate and does not include $13.09 in net cash per share. Accordingly, we continue to include QCOM on our Conviction list.

Valuation
Our QCOM $75 price target is based on 22x our FY12 (September) EPS estimate of $3.40 and does not include $13.09 per share in net cash. We justify the multiple on 1) our view of QCOM's leading royalty and chip position in smart phones, 2) what we see as near-term potential upside from increased chips share with the iPhone5 and NOK's WindowsPhone7, and 3) what we see as potential upside from SnapDragon tablet wins.

Risks to Price Target
Risks to our price target include: 1) Slower-than-anticipated industry unit growth; 2) Faster erosion of handset average selling prices; 3) Increased chip competition; and 4) general compression of market multiples.

RightNow Technologies Inc. (NASDAQ: RNOW, $29.77, Buy, Price Target: $38)
Brian Schwartz | 415-249-1982 | bschwartz@thinkequity.com

Investment Thesis
Our recent survey work indicates the marketplace momentum of replacing legacy, single-channel on premise Customer Experience solutions with multi-channel cloud based solutions is accelerating compared to six month ago. We think RNOW will benefit disproportionately from this replacement cycle since RightNow Technologies is the farthest along in building an Enterprise-scale cloud-based Customer Experience suite of solutions for large B2C businesses, in our view. Additionally, RightNow's business model is positively levered to the mobile tsunami trend due to its volume-based usage pricing model. These strong market tailwinds plus reported TTM current software backlog growth of 27% gives us confidence that new business and cash flow trends are accelerating, and we maintain a positive bias to current consensus expectations. We believe the shares could appreciate through either higher estimate revisions or multiple expansion as the current discount valuation to the SaaS group average narrows over time.

Valuation
Our $38 price target is based on approximately 27x our EV/2012E OCF of $48M (cash from operations), which is a slight discount to the current average SaaS companies' EV/FTM OCF estimated multiple of 29. We use a 27 multiple to derive our price target, as we expect the shares to trade at a multiple that is essentially in line with the SaaS group average.

Risks to Price Target
Risks to our price target include: 1) Competition; 2) macroeconomic fluctuations; 3) acquisition integration challenges; 4) increased churn; and 5) slow customer adoption of Cx solutions.

Riverbed Technology Inc. (NASDAQ: RVBD, $40.17, Buy, Price Target: $48)
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Investment Thesis
We are impressed by the company's material beat despite significant concerns related to Japan and US Federal markets. While these concerns are likely to persist into 2QFY11, we expect RVBD's momentum in other markets to offset any weakness in Japan and US Federal. Our checks suggest a strong pipeline for RVBD's core WAN optimization solution, ramping cross-sell opportunities for Network Monitoring solutions, and nascent interest in new Cloud offerings. We are also encouraged by our checks in Europe, which suggest strong momentum for RVBD despite likely recent sales leadership changes. While we believe consolidation of infrastructure within and across datacenters and branch offices is a strong secular trend that is likely to continue driving RVBD's core WAN optimization market, we believe the compelling economics of Cloud Backup Storage could potentially see broader adoption begin in CY11, which could cause another leg of growth for RVBD in the near future.

Valuation
We base our $48 price target on a P/E of 37.5x (ex cash) on our FY12 EPS estimate of $1.20 and a PEG ratio of 1.25. This is a premium multiple given our long-term earnings growth rate assumption of 30%, and we assume a PEG greater than 1 to reflect the company's leadership position in a high growth and what we believe is an underpenetrated market opportunity. Accordingly, we believe a premium multiple is appropriate.

Risks to Price Target
Larger vendors with greater access to resources may compete more vigorously than we expect. Larger vendors may develop competing products or acquire the remaining private vendors, thus becoming a greater threat to Riverbed's market leadership. Riverbed may hire new employees more aggressively than we anticipate, thus limiting the operating margin and EPS potential.

Spansion, Inc. (NYSE: CODE, $19.31, Buy, Price Target: $25)
Krishna Shankar | 415-249-6367 | kshankar@thinkequity.com

Investment Thesis
We view Spansion as the leader in the embedded NOR flash memory market for diversified end markets in industrial/automotive, telecom/networking, computing and consumer electronics. Since emerging from bankruptcy, we believe that Spansion has executed well in regaining share in the embedded flash market with consistent revenue growth, higher margins, and free cash flow using its proprietary MirrorBit flash memory technology and a "FabLite" manufacturing strategy. Spansion has what we view as: a diversified customer base of over 4,000 global customers, good design win momentum, a focused new management team, a flexible Fab Lite manufacturing strategy and recent strong revenue and earnings growth.

Valuation
Our $25 price target is based on an approximate 11x P/E on our calendar 2011E pro forma EPS of $2.30 relative to our outlook for 12% secular earnings growth. Given the consolidation in the NOR industry likely leading to more stable pricing with Spansion and Micron technology being the two main competitors in the high-performance embedded NOR flash market, strong demand drivers currently in the embedded NOR market, technology leadership, and good management execution, we believe that a forward multiple of 11x on our calendar 2011E EPS is justified relative to Spansion's expected secular earnings growth outlook.

Risks to Price Target
The following risks are inherent to investing in Spansion: general business and economic conditions; demand for products; changes in customer order patterns; the pricing of products driven by capacity versus demand; the continued development, qualification, and availability of innovative products in a rapidly changing technological environment; the ability to reduce costs; manufacturing risks; inventory risk; manufacturing yield risks, the ability to recruit and retain skilled engineers and other personnel; and currency risks. In addition, Spansion's recent emergence from Chapter 11 implies that the company has to re-engage and win back new and existing customers who may not have a business relationship. Spansion also has to rapidly transition to a "Fab Lite" flexible, manufacturing strategy of using its captive Fab in Austin, coupled with foundries such as Elpida, SMIC etc. Additionally, Spansion still has significant debt load which may constrain its operational flexibility; especially in weak economic times.

Ultra Clean Holdings Inc. (NASDAQ: UCTT, $8.38, Buy, Price Target: $20)
Krishna Shankar | 415-249-6367 | kshankar@thinkequity.com

Investment Thesis
We believe Ultra Clean Holdings is well-positioned for long-term growth as a leading provider of gas delivery systems and outsourced manufacturing of larger subsystems for the semiconductor, flat panel, solar/LED, medical, and research capital equipment industry. UCTT has a history of consistent growth and profitability. Key factors for potential growth in our view include higher-level subsystems outsourced manufacturing, diversification into related markets, and a focus on expansion in Asia. Ultra Clean has a blue-chip list of customers in our view, within the semiconductor capital equipment industry. In addition, the company is diversifying into non-semiconductor capital equipment manufacturing, flat panel displays, and medical robotics equipment.

Valuation
Our price target of $20 is based on a 13x P/E on our estimated CY12 EPS of $1.55 relative to our outlook for 15% secular earnings growth (87% PEG). We believe that a conservative PEG ratio of 87% is appropriate for a cyclical outsourced manufacturing services company such as UCTT, which has a relatively concentrated customer base, prospects for moderate revenue growth of 10% to 15% per year, and limited long-term visibility on orders and business trends, in our view.

Risks to Price Target
Risks to our UCTT price target include the cyclical outsourced manufacturing services strategy with a relatively concentrated customer base, prospects for moderate revenue growth of 10 to 15% per year, and limited long-term visibility on orders and business trends. The following risks are inherent in a diversified semiconductor company: general business and economic conditions; demand for products; customer concentration, changes in customer order patterns; changes in outsourced manufacturing strategy, the pricing of products driven by capacity versus demand; the continued development, qualification, and availability of innovative products in a rapidly changing technological environment; the ability to reduce costs; manufacturing risks; inventory risk; manufacturing yield risks, the ability to recruit and retain skilled engineers and other personnel; and currency risks.

INTERNET / MEDIA

Active Network Inc. (NYSE: ACTV, $18.58, Buy, Price Target: $23)
Aaron Kessler, CFA | (415) 249-6366 | akessler@thinkequity.com

Investment Thesis
Active is a leading provider of cloud-based reservation and marketing solutions serving a variety of customer groups, including business events, community activities, outdoors, and sports. Our Buy rating is based on: 1) strong growth potential in an underpenetrated $10B North American technology fee opportunity, 2) Active provides a strong value proposition to both organizations and consumers, 3) numerous growth drivers that should lead to mid-teens long-term growth, and 4) attractive financial characteristics with highly predictable revenues and high incremental EBITDA margins. Accordingly, we add ACTV to our Conviction Buy list.

Valuation
We arrive at a $23 per-share price target for Active based on 26x our 2012 EBITDA estimate of $53.5M. We believe a 26x multiple is justified given our view for 35% plus long-term EBITDA growth, and 30% and 63% EBITDA growth in 2011 and 2012. Our price target also equates to 22x our 2013 EBITDA estimate of $75.7M, discounted back to 2012 at 12%.

Risks to Price Target
Risks for Active Network include risks of integrating acquisitions; competition; slower adoption of web-based reservation systems; the macroeconomic environment; transition to the ActiveWorks platform; expansion into new businesses and risks surrounding International expansion.

Baidu Inc. (NASDAQ: BIDU, $138.94, Buy, Price Target: $175)
Aaron Kessler, CFA | (415) 249-6366 | akessler@thinkequity.com

Investment Thesis
We remain positive on BIDU shares, and expect continued strong growth driven by 1) continued consumer Internet adoption – we expect China to add another 70 million Internet users in 2011 up from approximately 450M at the end of 2010 (33% online penetration); 2) continued merchant adoption – we estimate Baidu has approximately 5% market share among its addressable market of 5 million larger SMEs in China; 3) strong growth in emerging categories including eCommerce; 4) continued monetization improvements. We believe these factors should lead to 60% plus top-line growth in 2011 and we expect continued strong incremental margins which we expect to lead to 70% plus EPS growth.

Valuation
Our $175 price target for BIDU shares is based on a 45x P/E to our 2012 PF EPS estimate of $3.88. We believe a 45x multiple is justified given our outlook for 40%-plus long-term EPS growth.

Risks to Price Target
Key risks for Baidu include an economic slowdown in China, increased regulatory action, increased competition, and lack of a developed eCommerce market.

comScore Inc. (NASDAQ: SCOR, $26.45, Buy, Price Target: $36)
Robert Coolbrith | (415) 249-6363 | rcoolbrith@thinkequity.com

Investment Thesis
comScore is a leading provider of audience measurement tools and related marketing intelligence, in our view. The company offers its products and solutions to agencies, marketers, and online publishers via a combination of subscription products (~85% of total revenue; subscription services are sold on annual basis and retention rates have historically exceeded 90%) and customized, project-based engagements (~15% of revenue). Over the past year, comScore has demonstrated significant Y/Y growth acceleration in net customer additions (a key indicator of the company's future revenue prospects), driven by an improving ad spending environment and strong demand for the company's enhanced

audience measurement technology, Media Metrix 360, based on a hybrid panel-and-census measurement approach. While we expect continued strong net customer additions in 2011, we believe that the key driver for comScore's fundamentals and stock performance over the next 6-12 months will be growth in revenue per customer, which we expect to be driven by generally deepening engagement with customers, and particularly by increasing traction for the company's Digital Analytix Web analytics suite and the company's ad effectiveness measurement solutions. We believe that a significant acceleration in project revenue growth witnessed beginning in 3Q10 is an early indication of a trend of increasing ARPU which we expect to continue through 2011. Heading into 2012, we expect the company's continuing development of its new product pipeline to serve as a further catalyst for company fundamentals. Based on these key catalysts, we believe the company is likely to generally outperform consensus expectations, drive increased operating leverage into 2012, and garner an expanding valuation multiple over the next 12-24 months.

Valuation
Our $36 price target is based on 14x our FY12 EBITDA estimate of $74.5M. We believe 14x FY12 EBITDA represents an appropriate discount to SaaS peers, given SCOR's exposure to risks associated with the advertising market and the broader consumer economy.

Risks to Price Target
Potential risks include customer concentration, competition, or potential long-term changes in media-buying behavior (e.g., the shift to user-targeted online advertising), among others.

eBay Inc. (NASDAQ: EBAY, $32.26, Buy, Price Target: $38)
Aaron Kessler, CFA | (415) 249-6366 | akessler@thinkequity.com

Investment Thesis
We believe factors that could lead to outperformance for eBay shares include continued improved performance of the U.S. Marketplace and strong growth for PayPal. We expect the Marketplace business to benefit from an anticipated continuation of an improved user experience, growth from larger and top-rated sellers, and an increased mix of fixed price sales and stable auction sales. We note that ChannelAdvisor also recently indicated eBay's April marketplace growth of 10.9% (up from 4.9% in 1Q) and we note eBay is benefiting from a higher mix of fixed price sales, improved user experience such as Parts & Accessories, and strength from larger merchants. For 2011, we estimate U.S. GMV to accelerate to 9% Y/Y vs. 4% Y/Y in 2010. We expect Payments growth to remain robust in 2011 driven by increasing penetration on eBay, continued robust Merchant Services growth driven by global expansion and increased merchant share, growth of PayPal for digital goods platform, and 4) growth of mobile payments – PayPal expects to triple mobile TPV from $750M in 2010 to over $2B in 2011. We estimate 26% Y/Y Payments revenue growth for 2011 (low 20's FX neutral).

Valuation
Our $38 EBAY price target is based on approximately 14.4x our 2012 PF EPS estimate of $2.24 plus cash, which we believe is appropriate given our outlook of 5-10% long-term growth for the marketplace business and 15-20% long-term growth for the payment business. For our price target, we apply a 12x multiple to Marketplace 2012E PF EPS, a 20x multiple to Payments 2012E EPS, and add $6 in cash/investments, which equates to our $38 PT.

Risks to Price Target
Key risks for eBay include competition, adverse currency movements, inability to improve eBay's user experience, and economic weakness.

Electronic Arts Inc. (NASDAQ: ERTS, $24.17, Buy, Price Target: $28)
Atul Bagga | 415-249-6362 | abagga@thinkequity.com

Investment Thesis
We are positive on ERTS's proposed acquisition of PopCap, given growth in social and smartphone games that was faster than we had expected; better than we expected EPS accretion from the deal; the quality of PopCap assets; and a potential to accelerate growth in higher-quality Games-as-a-Service business. We are raising our estimates and now expect EPS growth at 21% Y/Y and 39% Y/Y EPS during FY12 and FY13 respectively, driven largely by growing revenue contribution from relatively lucrative Games-as-a-Service segment.

Valuation
Our $28 price target on ERTS shares is based on a 26x PE (net of cash) on our FY12 EPS estimate of $0.82 versus a 13x average for the shares of the peer group. We think that the premium is appropriate, given that we believe that the company has strong franchises and the potential to monetize these franchises on emerging platforms and given the company's focus on the faster-growing Games-as-a-Service segment.

Risks to Price Target
Gaming continues to be a hit-or-miss-driven business, and predicting successful titles versus unsuccessful titles is extremely difficult. The risk is especially high for the new and unproven IPs, and a company's reliance on the new IPs and the titles in the established franchises to reach the revenue target opens it to risk of a revenue miss. Additionally, we believe there are macro headwinds given the increasing popularity of the used games and free-to-play online games.

Velti PLC (NASDAQ: VELT, $18.70, Buy, Price Target: $22)
Robert Coolbrith | (415) 249-6363 | rcoolbrith@thinkequity.com

Investment Thesis
Velti is, in our view, a leading provider of mobile marketing and mobile advertising technology solutions. We believe the company is well positioned to benefit from rapid growth in demand for mobile marketing/advertising in the coming years, which we believe should drive complementary demand for technology solutions which make mobile marketing and advertising campaigns more targetable, effective, and accountable. While we expect the company's core market opportunity to grow at a 30%+ CAGR over the next five years, we believe that Velti could grow even faster, based on: 1) a focus on marketing solutions—we believe the company faces a richer and less competitive opportunity than peers focused solely on mobile advertising; 2) a flexible business model and end-to-end technology platform that allow the company to align incentives with customers and provide seamless solutions to address marketers' needs across the consumer lifecycle; and 3) a strong management team and reputation in the marketplace. Regarding the potential performance of VELT shares, we note that 1) we have a high degree of confidence in the company's fundamental performance; 2) the company represents a unique asset in the public markets in our view; 3) we believe the company could become a takeout candidate, based on the historical record of M&A activity in the space; and 4) shares appear to us to be attractively valued at approximately 11x FY12E EV/EBITDA.

Valuation
We note that shares of interactive marketing services peers currently trade at an average FY11E EV/EBITDA multiple of approximately 10x, while SaaS companies currently trade at an average of 23x FY11E EV/EBITDA. Given the company's growing SaaS revenue streams and what we view as its superior growth and long-term margin prospects, we believe VELT shares should trade toward the higher end of the 10-23x range. Accordingly, we apply a 20x multiple against or 2011E EBITDA estimate of $54.1M to derive our $22 12-month price target.

Risks to Price Target
Risks to our price target include the very early stage of development of the mobile marketing/advertising technology opportunity, customer/category concentration, geographic risk, ongoing development of internal controls, working capital requirements, competition, and the high degree of seasonality present in the business.

WebMD Health Corp. (NASDAQ: WBMD, $47.00, Buy, Price Target: $66)
Aaron Kessler, CFA | (415) 249-6366 | akessler@thinkequity.com

Investment Thesis
We remain positive on WBMD shares, and expect another solid year of growth for WebMD in 2011 driven by 1) continued online migration of health related advertising – we estimate only mid-single digit online share today for the healthcare vertical; 2) continued consumer adoption health related web information which we believe should drive solid page view growth of approximately 15% in 2011; 3) continued operating leverage – we expect 53% incremental EBITDA margins in 2011. We believe these factors should lead to 17% plus top-line growth in 2011 and 28% plus EBITDA growth.

Valuation
Our $66 price target is based on a 12x multiple of our 2012E EBITDA of $279M plus net cash and investments and present value of NOLs. Historically, shares of Internet companies with similar business models, growth rates, and cash flow characteristics to WebMD have traded in the 10-15x forward-year EBITDA forecast range. Given those comparisons as a backdrop, we believe that our use of an EV/EBITDA multiple of 12x—near the mid point of the range—is appropriate, given the company's solid fundamentals and what we view as its "premier" status among Internet publishers.

Risks to Price Target
Risks include deterioration of the macroeconomic outlook, weakening of the advertising market, market share shift to lower-priced online advertising alternatives (e.g., health-oriented vertical advertising and content networks), and the potential for incremental regulation further limiting the ability of pharmaceutical companies to market directly to consumers, among others.

HEALTHCARE / LIFE SCIENCES

Alnylam Pharmaceuticals Inc. (NASDAQ: ALNY, $9.75, Buy, Price Target: $18)
Marko Kozul, M.D. | 415-249-6364 | mkozul@thinkequity.com

Investment Thesis
ALNY presented what we view as encouraging ALN-VSP01 data at ASCO and will seek a development partner prior to initiating Phase 2 trials. For the remainder of 2011, we believe additional important catalysts will include clinical data for ALN-TTR (3Q11), and ALN-PCS (4Q11). We believe investors could benefit from potential 2011 drivers in the context of a marginal cash burn (we estimate at $1.26 per share). We reiterate our Buy rating and $18 price target.

2H11 Drivers: We believe the next two years (and especially 2H11) will show two additional important pipeline proof of concept (POC) data sets that we expect could drive shares significantly from current levels. In 3Q11, ALNY plans to announce Phase 1 POC data for ALN-TTR01 in TTR Amyloidosis. The trial's primary goal is to evaluate safety, but it also includes secondary end points the Street should find meaningful, such as ALN-TTR treatment's effect on circulating TTR plasma levels measured as percentage (%) lowering of TTR from pretreatment/baseline TTR levels. Our TTR consultants would be encouraged to observe 10-20% plasma TTR reductions while they believe up to 50% is also possible in this trial. They generally believe a 50% plasma TTR reduction is enough to cause TTR plaque regression or slow progression of the disease by 50% (factor of 2). By YE11, we believe ALN-PCS data for hypercholesterolemia patients should become available. ALNY has not yet specified the end points for this trial, but we believe it is also committed to measuring efficacy in a manner that would be appreciated by the Street. In 2011, ALNY further plans to disclose two additional pipeline programs. In 2012, ALNY plans to enter ALN-ALN-HTT for Huntington's Disease and ALN-HPN for refractory anemia into the clinic.

Valuation
Our 12-month price target of $18 is based on a sum-of-parts analysis by estimating YE11 cash (12-month forward) at approximately $8-9 per share and adding $9 per share ($410M) in pipeline technology value. Risks include IP litigation; delivery failures; clinical, regulatory, and competitive risks for pipeline candidates; and extended timelines to potential profitability.

Risks to Price Target
ALNY's lead product candidates appear to be at least a few years from market and may face significant clinical, regulatory, and competitive risks. Additionally, IP litigation and failure to make advances in RNAi delivery could lead to extended timelines to potential profitability. We also anticipate significant changes to the marketplace as new medicines are introduced. To reiterate, primary investment risks include IP litigation; delivery failures; clinical, regulatory, and competitive risks for pipeline candidates; and future financing risk.

Dendreon Corp. (NASDAQ: DNDN, $38.49, Buy, Price Target: $55)
Marko Kozul, M.D. | 415-249-6364 | mkozul@thinkequity.com

Investment Thesis
Our 40 U.S. physician survey provides a foundation for our Provenge near term launch expectations and longer term peak sales potential by scenario analysis of the potential impact of Abiraterone and MDV-3100. Our most conservative scenario relative to Provenge leads us to a $50 12-month price target. Less conservative scenarios lead to a price target as high as $67. If the 2011 Provenge sales ramp falls short of Street expectations, we would take advantage of any weakness as our longer term robust survey-predicted peak sales estimate provides downside protection, in our view.

Valuation
Our 12-month price target of $55 is based on a discounted EPS valuation analysis. Our $55 PT is based on 25x our fully taxed/diluted FY14 EPS estimate of $3.85 discounted annually back to mid-2012 at 25%. Our PE multiple is in line with shares of high-growth biotechnology companies, and we believe the discount rate is appropriate for a company with late-stage therapeutic candidates for orphan indication.

Risks to Price Target
Central to our thesis and current valuation is DNDN's execution related to ramping up Provenge sales. Near term, there is risk of DNDN successfully training additional physicians on use and treatment of Provenge, increase manufacturing capacity including regulatory plant approvals, streamline reimbursement and physician education related to Provenge. Longer term, DNDN will need to successfully mitigate E.U. manufacturing facility build out, regulatory challenges and launch of the drug. Over the next 12 months, we foresee the major near-term risk in DNDN relating to it achieving its 2011 Provenge revenue guidance, with near 50% of those revenues expected in 4Q11. We do not expect reporting of these Provenge revenues until early 2012, either at an investor conference or quarterly earnings call.

NuVasive Inc. (NASDAQ: NUVA, $32.18, Buy, Price Target: $39)
Sameer Harish | 415-249-1989 | sharish@thinkequity.com

Investment Thesis
We expect NuVasive to benefit from the increased interest in minimally invasive and lateral spine surgery and to increasingly promote their nerve monitoring system, advanced retractors, and market leading suite of lateral implants. A significant part of NuVasive's growth and margin strategy circles around sales force leverage, we believe. Over half of the sales reps have been with NuVasive for less than two years and are just starting to reach their target productivity. Further, we expect NuVasive to focus on advanced physician training to expand utilization and procedure breadth amongst surgeons to take advantage of newly introduced products such as XLIF Thoracic, NuVasive TLIF, and procedures using multi-level constructs. Operating leverage will also be driven by sale force maturation, as well as an expanding product offering, and fixed cost efficiencies, in our view. Thus we expect Street estimates for NUVA will increase over time. Notably, the company recently increased guidance for 2011 citing improved visibility and physician reimbursement conversion rates for cases under appeal, all contribution to a stronger U.S. lumbar outlook. We also expect NuVasive to launch several new products in the near-to-mid term. NuVasive is developing disc replacement devices including the PCM cervical disc system, XL total disc replacement (TDR), and NeoDisc cervical disc replacement device. Progentix is a new synthetic biologic that we expect to gain FDA approval during 2011. We believe NuVasive will maintain a sustainable competitive advantage for growth with its proprietary technologies, and strong pipeline products.

Valuation
Our $39 price target is based upon 3x our 2012 revenue estimate of $602.9 million. This is a discount to the comparable medtech companies' averages of 3.8x 2012 revenues. NuVasive shares are trading at 1.8x our 2012 revenues and 2.1x our 2011 revenues of $532.8 million, compared to the medtech companies'' average of 3.9x 2011 revenues.

Risks to Price Target
NuVasive operates in a highly competitive and dynamic industry—new technology and innovation from other organizations may change NuVasive’s ability to successfully grow in their markets and may make the company’s technology obsolete. Additional near-term risks include pricing or reimbursement pressures, slowing market for spine surgery, timing and/or loss of orders to large hospital or physician groups, clinical guideline changes, delays in regulatory filings and supply and manufacturing disruptions.

CLEANTECHNOLOGY

Ceradyne Inc. (NASDAQ: CRDN, $36.21, Buy, Price Target: $60)
Colin Rusch | 212-468-7015 | crusch@thinkequity.com

Investment Thesis
We believe CRDN is uniquely positioned to benefit from the secular trend toward increased applications of advanced ceramics in the industrial and energy market due to lightweight, heat, and wear advantages versus incumbent materials. Near term, we believe the company is getting better yield on its military business as it more effectively meets product specs. Second, the company is getting better utilization of its manufacturing assets having closed two facilities in 2010 and getting better utilization as revenue increases. Third, the company's mix of products is migrating to higher margin opportunities in solar and industrial applications. We believe these three drivers will remain intact going forward. We are also encouraged by the company's investment in additional Boron separation capacity this year along with the accelerated traction of its Petrochem and bioglass products. We believe CRDN's improving product mix and end-market exposure are sufficient to drive material growth over the next several years.

Valuation
We give shares of CRDN a Buy rating and a price target of $60, based on 8x our EV/2012E EBITDA of $171M, in line with peers now that the company has realized its margin expansion potential.

Risks to Price Target
1) Defense Demand Risk; 2) Non-Defense Demand Risk; 3) Operational Risk; 4) Competition Risk; 5) Foreign Market Risk.

Johnson Controls Inc. (NYSE: JCI, $41.14, Buy, Price Target: $49)
Colin Rusch | 212-468-7015 | crusch@thinkequity.com

Investment Thesis
We continue to highlight JCI as a core holding for Cleantech investors with exposure to energy efficiency and the electrification of the transportation market. We continue to believe the company's Power Solutions and Automotive Experience segments are positioned for improvement. We also continue to believe that the company is well positioned to benefit from multi-year revenue and margin growth in its Building Efficiency segment. In addition, we note that JCI's entry into the demand response (DR) market signals that the DR market is a large enough addressable opportunity to warrant investment and that the economics of DR contracts are likely to change substantially over time and move more toward commodity pricing. We believe that JCI's entry into the DR market may be driven in part by a desire to retain customers. We also note interest from global energy regulators. In the United States, we note that FERC's Order 745 sets up a framework for DR providers to receive Locational Marginal Pricing, while the TVA's recent Integrated Resource Plan has increased focus on Energy Efficiency and DR. The European Energy Commission's recent communication on its 2011

Energy Efficiency Plan states continued focus on Building Efficiency improvements. We also note statements from various news sources that Germany plans to increase its focus on Offshore Wind and Building Efficiency.

Valuation
We give shares of JCI a Buy rating and price target of $49, based on 15x our FY2012E EPS estimate of $3.27, a modest premium to diversified industrial peers due to our expectation for JCI to grow faster than peers. JCI is at a slight premium to shares of diversified industrial peers due to its exposure to strong growth markets and positive product mix shift, in our opinion. We also view JCI as a core holding for cleantech investors with exposure to energy efficiency and the electrification of the transportation market.

Risks to Price Target
Operating Risk, Market Acceptance Risk, Customer Concentration Risk, Competition Risk, Subsidy Risk, and Intellectual Property Risk.

Rogers Corp. (NYSE: ROG, $46.90, Buy, Price Target: $64)
Shawn Severson | 415-249-1986 | sseverson@thinkequity.com

Investment Thesis
We are of the belief that Rogers is only in the early stages of a multi-year growth story built on key applications in the cleantech, Internet and mass transit markets. We think many of the company's products are high value added components, yet account for a relatively small portion of the bill of materials. This is a very important distinction as it can provide some price protection and insulation from competition as commercial volumes scale in markets such as electric vehicles and smart phones/tablets, in our view. We think the current valuation provides a significant opportunity for investors to build a position and we expect multiple expansion and solid earnings growth to prevail over the coming 12 months.

Valuation
Our price target for ROG shares is $64, based on a PE of 18x our FY12 EPS estimate of $3.43. Our target multiple is in line with the shares' average valuation since 2005. We believe the multiple expansion from the current level will be driven by investors recognizing what we view as strong secular megatrends developing for the company and the potential effect on earnings over the next three years.

Risks to Price Target
Although we believe the company is likely to benefit from positive megatrends, the company is still likely to be sensitive to broader economic conditions. As was displayed clearly during the financial crisis and subsequent recession, ROG's products and, hence, revenues are subject to cyclical trends. As we have stated previously, we believe ROG has solid growth opportunities in some key sectors, but this would not be enough to offset a meaningful decline in the global economy. Failure of key growth markets to materialize. Our investment thesis is dependent a couple key markets and any significant or permanent disruption in those markets could have a sustained negative effect on the shares. Specifically, the prospects for 4G deployment, rail infrastructure in developing countries, and the adoption rate of HEV/EV around the world.

CONSUMER

Costco Wholesale (NASDAQ: COST, $80.71, Buy, Price Target: $90)
Edward Weller | 415 249 1377 | eweller@thinkequity.com

Investment Thesis
With high gas prices and food inflation both intensifying the consumer's usual quest for value, the combination of Costco's always extremely aggressive pricing and what appears to be improving customer service seem to us to be driving increased frequency among existing members and new customer sign-ups, as well. Comp store customer traffic has been rising by 4% month after month for more than two years now and we believe that customers will continue to favor Costco for more of their purchases. What's more, international operations (ex the UK business) seems to be firing on all cylinders and an incipient recovery in Southern California, historically Costco's most profitable regions, can have a disproportionately favorable impact on profitability for the next couple of years. We expect that ROIs will continue to rise, that Costco will increase its growth rate and, by putting more capital to work at those high ROIs, drive increasing shareholder value. We reiterate our Buy on Costco.

Valuation
The rising valuations that we foresee in coming years derive directly from this recovery to "normal" – or recently normal – returns, and those rising returns should drive richer valuations in our view. These generally rising returns, in combination with our estimates of slowly rising company investment suggest a price target a year from now of $90. (See our extensive valuation methodology in our report entitled *COST: Closes Quarter Strong, Recovery Still Building in Southern California*, dated May 18th, 2011.

Risks to Price Target
Potential risks to our forecasts and to our estimates and price target for Costco include: yet a further general economic slowdown in the United States, Canada, or other region important to the company; interruptions in merchandise availability; continued upward pressure on operating expenses; and greater-than-anticipated competitive pressures.

COMPANIES MENTIONED IN THIS REPORT:

Company	Exchange	Symbol	Price	Rating
Alnylam Pharmaceuticals, Inc.	NASDAQ	ALNY	$9.75	Buy
ANSYS, Inc.	NASDAQ	ANSS	$54.73	Buy
Apple Inc.	NASDAQ	AAPL	$353.75	Buy
Aruba Networks, Inc.	NASDAQ	ARUN	$27.61	Buy
Baidu, Inc.	NASDAQ	BIDU	$138.94	Buy
Ceradyne, Inc.	NASDAQ	CRDN	$36.21	Buy
comScore, Inc.	NASDAQ	SCOR	$26.45	Buy
Costco Wholesale Corporation	NASDAQ	COST	$80.71	Buy
Dendreon Corporation	NASDAQ	DNDN	$38.49	Buy
eBay Inc.	NASDAQ	EBAY	$32.26	Buy
Electronic Arts Inc.	NASDAQ	ERTS	$24.17	Buy
Entropic Communications, Inc.	NASDAQ	ENTR	$8.41	Buy
Fairchild Semiconductor International	NYSE	FCS	$15.85	Buy
Fortinet, Inc.	NASDAQ	FTNT	$26.86	Buy
Johnson Controls Inc.	NYSE	JCI	$41.14	Buy
Mellanox Technologies, Ltd.	NASDAQ	MLNX	$29.65	Buy
NetApp, Inc.	NASDAQ	NTAP	$51.97	Buy
Nokia	NYSE	NOK	$5.80	Hold
NuVasive, Inc.	NASDAQ	NUVA	$32.18	Buy
OPNET Technologies, Inc.	NASDAQ	OPNT	$38.82	Buy
Oracle Corporation	NASDAQ	ORCL	$32.60	Buy
QLogic Corporation	NASDAQ	QLGC	$16.07	Hold
QUALCOMM Inc.	NASDAQ	QCOM	$56.52	Buy
RightNow Technologies, Inc.	NASDAQ	RNOW	$29.77	Buy
Riverbed Technology, Inc.	NASDAQ	RVBD	$40.17	Buy
Rogers Corporation	NYSE	ROG	$46.90	Buy
Sourcefire, Inc.	NASDAQ	FIRE	$28.72	Buy
Spansion Inc.	NYSE	CODE	$19.31	Buy
Take-Two Interactive Software	NASDAQ	TTWO	$14.77	Buy
The Active Network, Inc.	NYSE	ACTV	$18.58	Buy
Ultra Clean Holdings, Inc.	NASDAQ	UCTT	$8.38	Buy
Velti plc	NASDAQ	VELT	$18.70	Buy
WebMD Health Corp.	NASDAQ	WBMD	$47.00	Buy

Important Research Disclosures

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ThinkEquity LLC

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [B]	**148**	**68.80**	**20**	**13.51**
HOLD [H]	**65**	**30.20**	**5**	**7.69**
SELL [S]	**2**	**0.90**	**0**	**0.00**

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