Today's Research Highlights

Technology, Media & Telecom

Advanced Micro Devices

**7nm Growth Thesis Intact For ‘19/’20; Near-Term GPU Headwind Larger Than Feared**

<table>
<thead>
<tr>
<th>OUTPERFORM (1)</th>
<th>Symbol</th>
<th>Price Target</th>
<th>Price (10/24/2018)</th>
<th>Market Cap (MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMD</td>
<td></td>
<td>$33.00</td>
<td>$22.79</td>
<td>$22,217.3</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

AMD posted a mixed 3Q and delivered weak 4Q guidance. Despite near-term GPU and console weakness in Q4, our long-term fundamental thesis remains intact. We believe AMD remains positioned for sustainable x86 PC and server CPU share gains as we enter a period where the company will have its first manufacturing advantage against Intel in recent memory.

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Technology, Media & Telecom

DXC Technology

**Risk Reward May Offer Attractive Trade Despite Elevated Uncertainty**

<table>
<thead>
<tr>
<th>MARKET PERFORM (2)</th>
<th>Symbol</th>
<th>Price Target</th>
<th>Price (10/24/2018)</th>
<th>Market Cap (MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DXC</td>
<td></td>
<td>$90.00 (Prior $93.00)</td>
<td>$73.25</td>
<td>$20,595.0</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

The risk reward on DXC shares seems hard to ignore at ~8x FY20 EPS. There is elevated uncertainty into its F2Q results/Analyst Day and the question of whether it can ultimately turn the top line persists, but we see no apparent change to the crux of this cost-driven story. We await clarity but see an attractive discount post steep correction for more risk tolerant investors; PT $90.

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Please see addendum of this report for important disclosures.
Capital Goods/Industrials

**Ingersoll-Rand plc**

Q3 Affirms Our Bullish Thesis.

**THE COWEN INSIGHT**

Q3 results were strong, order momentum remains healthy, capital allocation plans seem prudent, and initial C19 color is upbeat. These differentiated points from other industrials should drive an upward re-rating of IR’s stock.

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Technology, Media & Telecom

**ServiceNow**

Solid 3Q Billings Beat Led By Fed; Raises FY Guidance for First Time This Year

**THE COWEN INSIGHT**

NOW delivered a solid 3Q with sub billings growth of 34% cc above our 31% estimate, and high-end of FY18 growth guide was raised from 31% to 32% cc. NOW had its strongest federal qtr ever and was 20% of net new ACV. Emerging products had a strong qtr as well and we see a long runway ahead as NOW expands into a more strategic Digital Workflow Platform for large enterprises. Raise PT to $210.

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Other Research Today

**Consumer**

**Alaska Air Group**

RASM Inflection Is Finally Here

**THE COWEN INSIGHT**

Alaska Air Group reported 3Q18 results ahead of consensus estimates. Alaska’s RASM outlook is now firmly positive and could wind up being the best sequential improvement in the industry. Alaska Airlines needs to continue to focus on improving margins in 2019.

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Health Care

**Alexion Pharmaceuticals**

**Business Is Humming; We Are Hopeful Ultomiris Will Relieve Competitive Concerns**

**OUTPERFORM (1)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: ALXN</th>
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<td>Price Target</td>
<td>$165.00 (Prior $163.00)</td>
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<tr>
<td>Price (10/23/2018)</td>
<td>$123.00</td>
</tr>
<tr>
<td>Market Cap (MM)</td>
<td>$27,411.7</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

ALXN's Q3 revenue and EPS beat consensus, prompting an increase in 2018 guidance, as Soliris's launch in gMG bested its prior launches in aHUS and PNH. Ultomiris is on track for a February 2019 approval. We are optimistic that a rapid conversion onto Ultomiris will increase investors' appreciation for ALXN's prospects for long-term revenue growth.

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Consumer

**Allegiant Travel Company**

**Operational Improvement At Airline Continues**

**MARKET PERFORM (2)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: ALGT</th>
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<tr>
<td>Price Target</td>
<td>$132.00 (Prior $142.00)</td>
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<tr>
<td>Price (10/24/2018)</td>
<td>$115.44</td>
</tr>
<tr>
<td>Market Cap (MM)</td>
<td>$1,842.7</td>
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**THE COWEN INSIGHT**

Allegiant Travel's 3Q18 results were aided by a lower than expected tax rate. Underlying operational performance continues to improve despite fleet transition. Allegiant will completely retire the MD80s after the Thanksgiving travel period and become a full A320-family operator.

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Capital Goods/Industrials

**Amphenol Corporation**

**Impressive In The Face Of Palpable Fear Elsewhere**

**OUTPERFORM (1)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NYSE: APH</th>
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<tbody>
<tr>
<td>Price Target</td>
<td>$110.00</td>
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<td>Price (10/24/2018)</td>
<td>$83.57</td>
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<td>Market Cap (MM)</td>
<td>$25,100.5</td>
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**THE COWEN INSIGHT**

APH delivered a very strong operational quarter with solid contribution from nearly all its end markets. Auto, while slightly below model was still robust and commentary doesn't suggest the huge declines many feared - as customer diversity and content growth continue. This is the type of market that will likely reward those that minimize volatility, something APH does well.

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Link to Full Note
Technology, Media & Telecom

**AT&T**

Entertainment Results Suggest a Challenging Balancing Game

**THE COWEN INSIGHT**

T reported mixed headline 3Q18 results with solid Wireless, mixed WarnerMedia, but weak Ent. results. Downside Ent. margins and DTV Now adds suggest a challenging balancing game between profits and uptake. While we don’t see the stock turning around in the NT, the sell-off felt overdone while making good on promises of flat Ent. EBITDA and +$25B FCF in 2019 could ultimately drive material upside.

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Capital Goods/Industrials

**Boeing Company**

Strong Q3 Bolsters Extended Cash Ramp

**THE COWEN INSIGHT**

Healthy but messy Q3 showed impressive commercial execution bolstering our thesis that BA’s favorable production set up augurs cash flow ramp to ~$35/sh. by 2021. With a 7.9% 2019 CF yield, it’s our #1 pick for a $445 PT.

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Health Care

**Boston Scientific**

BSX Extends Its Top-Line Growth Hot Streak in 3Q; We Like the Outlook for 2019

**THE COWEN INSIGHT**

BSX again showed stellar organic sales growth in 3Q – this time, 8.7%, which is an unquestionably solid number that topped our expectation by 140 bps. The company delivered across all of its businesses, with Cardiovascular up 7.2% organically, MedSurg up 11.0% and Rhythm & Neuro up 8.3%. Reported sales reflect the 140-bp Fx headwind that developed intraquarter vs. the prior “immaterial” forecast.

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Consumer

**Callaway Golf**

**Callaway Continues To Hit It Long and Straight**

### MARKET PERFORM (2)

<table>
<thead>
<tr>
<th></th>
<th>Symbol</th>
<th>Price Target</th>
<th>Price (10/24/2018)</th>
<th>Market Cap (MM)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>NYSE: ELY</td>
<td>$24.00</td>
<td>$21.12</td>
<td>$1,994.6</td>
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### EPS $        | 2017A | 2018E | 2019E |
| Cowen          | $0.53 | $1.05 | $1.07 |
| Prior          |        | $1.09 | $1.14 |
| Consensus      | $0.53 | $1.01 | $1.07 |

#### THE COWEN INSIGHT

Q4 guidance is below consensus and until we have a better understanding of sell in dynamics in 1H:19 we would remain on the sidelines. The ability to expand operating margin beyond what is now a peak level will be critical for future growth. Reiterate $24 price target.

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Energy

**U.S. Liquefied Natural Gas**

**Lng Industry 3Q18 Preview**

#### THE COWEN INSIGHT

GLNG results should benefit from lng carrier rates in 3Q18, which have climbed to multi-year highs, while Tortue FID remains an important near-term catalyst that may not be priced into the stock. LNG should provide an update on new train startups on its quarterly call; we forecast first lng late 2018.

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Technology, Media & Telecom

**Citrix Systems**

**Delivers 3Q Upside, Provides Healthy Initial Outlook for 2019**

### MARKET PERFORM (2)

<table>
<thead>
<tr>
<th></th>
<th>Symbol</th>
<th>Price Target</th>
<th>Price (10/24/2018)</th>
<th>Market Cap (MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NASDAQ: CTXS</td>
<td>$120.00</td>
<td>$99.93</td>
<td>$13,556.4</td>
</tr>
</tbody>
</table>

### EPS $        | 2017A | 2018E | 2019E |
| Cowen          | $4.85 | $5.59 | $6.00 |
| Consensus      | $4.85 | $5.37 | $5.96 |

#### THE COWEN INSIGHT

As previewed, CTXS reported upside to consensus 2Q expectations, with particular strength in Workspace Services and enterprise networking. Mgmt also provided healthy initial 2019 guidance. While we continue to expect the subscription transition to be gradual, we retain our positive bias on the shares at current levels.

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Energy

Core Laboratories N.V.
3Q18 Earnings at a Glance

<table>
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<th>MARKET PERFORM (2)</th>
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<td>NYSE: CLB</td>
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<tr>
<td>Price Target</td>
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<tr>
<td>Price (10/24/2018)</td>
<td>$91.98</td>
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<tr>
<td>Market Cap (MM)</td>
<td>$4,066.7</td>
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</table>

THE COWEN INSIGHT

Negative: 3Q EPS of 64c at low end of guided range and 4Q guided to 48-54c below 58c consensus as CLB sees flattish international activity and a decline in U.S. completions. While CLB had discussed 4Q weakness in an Oct 4th 8-K, no specific guidance was provided. 2019 tax rate could be 20% vs guided 15% in 4Q and our modeled 15% in 2019. 8:30 AM Call.

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Capital Goods/Industrials

Covenant Transportation Group
Recent Acquisition Helps Drive 3Q

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<th>MARKET PERFORM (2)</th>
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<tbody>
<tr>
<td>Symbol</td>
<td>NASDAQ: CVTI</td>
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<tr>
<td>Price Target</td>
<td>$32.00 (Prior $36.00)</td>
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<tr>
<td>Price (10/24/2018)</td>
<td>$25.26</td>
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<tr>
<td>Market Cap (MM)</td>
<td>$463.4</td>
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<table>
<thead>
<tr>
<th>EPS $</th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowen</td>
<td>$0.86</td>
<td>$2.20</td>
<td>$2.65</td>
</tr>
<tr>
<td>Consensus</td>
<td>$0.86</td>
<td>$2.04</td>
<td>$2.50</td>
</tr>
</tbody>
</table>

THE COWEN INSIGHT

CVTI reported a 3Q top and bottom-line beat. Early returns on CVTI’s Landair acquisition are positive, with mgmt highlighting salesforce synergies which may result in increased shipper wins. Mgmt expects a strong peak season and 4Q. We maintain our Market Perform rating on the stock as we remain somewhat concerned about the broader market weakness the past month.

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Capital Goods/Industrials

Echo Global Logistics
ECH0’s 3Q: Another EPS and EBITDA Beat

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<tr>
<th>OUTPERFORM (1)</th>
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<tbody>
<tr>
<td>Symbol</td>
<td>NASDAQ: ECHO</td>
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<tr>
<td>Price Target</td>
<td>$40.00 (Prior $42.00)</td>
</tr>
<tr>
<td>Price (10/24/2018)</td>
<td>$24.25</td>
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<tr>
<td>Market Cap (MM)</td>
<td>$692.3</td>
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<table>
<thead>
<tr>
<th>EPS $</th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowen</td>
<td>$0.86</td>
<td>$1.77</td>
<td>$2.00</td>
</tr>
<tr>
<td>Consensus</td>
<td>$0.86</td>
<td>$1.52</td>
<td>$1.72</td>
</tr>
</tbody>
</table>

THE COWEN INSIGHT

ECH0 reported an EPS and EBITDA beat, with a top line that slightly missed our estimates. Mgmt continues to sound confident in ECHO’s growth, proprietary technology development, and the broader freight marketplace. While we maintain our Outperform rating on the Chicago-based broker, we note the next quarter could prove challenging for the company.

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Technology, Media & Telecom

Equifax

EFX 3Q18 Quick Take: Growth Dissapoints

OUTPERFORM (1)
Symbol NYSE: EFX
Price Target $141.00
Price (10/24/2018) $115.36
Market Cap (MM) $13,890.8

THE COWEN INSIGHT
EFX reported disappointing 3Q results. Organic cc revenue growth decelerated to 2%, below our estimate and company guidance. Consequently EFX lowered its 2018 outlook now expecting cc revenue growth of 2.2%-2.7%. While the deceleration is credibly explained (share loss is not the primary driver), it pushes our growth acceleration thesis out and will weigh heavily on the stock tomorrow in our view.

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Link to Full Note

Technology, Media & Telecom

F5 Networks

FY4Q18: Another Step Forward

OUTPERFORM (1)
Symbol NASDAQ: FFIV
Price Target $196.00 (Prior $186.00)
Price (10/24/2018) $161.60
Market Cap (MM) $9,828.2

THE COWEN INSIGHT
A second straight quarter of encouraging operating results and outlook with building momentum in F5’s Software, Security and Cloud business, FY4Q18 reinforced our positive view of oper model and shares. We continue to see solid LT underlying demand drivers with F5 well-positioned to address Cloud transformation. We have increased our PT to $196 from $186 and reiterate our Outperform rating.

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Link to Full Note

Capital Goods/Industrials

General Dynamics

Nordam Glitches Delay G500/600 Build

OUTPERFORM (1)
Symbol NYSE: GD
Price Target $253.00
Price (10/24/2018) $173.24
Market Cap (MM) $51,327.8

THE COWEN INSIGHT
GD’s 8% selloff on uninspiring Q3 & Gulfstream slip looks overblown. Its defense uptrend is intact, bizjet demand improving, and it’s recovering from G500 nacelle delay glitches. The stock has support from a 7.2% cash flow yield with expected firming Gulfstream book-bill in Q4.

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Link to Full Note
Technology, Media & Telecom

E-Commerce

3Q18: SMID-Cap Internet Earnings Preview

THE COWEN INSIGHT
In this note we preview 3Q18 results for 6 names in our coverage universe including GRPN, YELP, CRTO, TRUP, CISN and LEAF. We expect most reports to take place in late October / early November.

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Technology, Media & Telecom

Hilton Worldwide Holdings

Q3: Strong Pipeline, But Macro & FCF Commentary Disappointing; PT To $74

OUTPERFORM (1)
Symbol NYSE: HLT
Price Target $74.00 (Prior $81.00)
Price (10/24/2018) $63.82
Market Cap (MM) $18,927.1

Cowen $1.92 $2.70 $3.23 $3.99
Prior $1.88 - $3.28 $4.04
Consensus - $2.71 $3.20 $3.72

THE COWEN INSIGHT
Units were solid at +6.7%; however, weaker 2H RevPAR felt glossed over and played into macro concerns. FCF y/y in 19E may also be modest, with less capital returns on HNA lap. Loyalty margins also appeared to trend down again. All-in, cut EBITDA <1%, but more conservative on FCF to $4.13 20E (vs. $4.50). Nevertheless, Outperform on strong pipeline, reasonable valuation. PT $74 (vs. $81) = 18X FCF.

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Health Care

La Jolla Pharmaceutical

Q3 Revenues In-Line With Expectations, Giapreza Continues Steady Uptake

OUTPERFORM (1)
Symbol NASDAQ: LJPC
Price Target $50.00 (Prior $47.00)
Price (10/24/2018) $15.23
Market Cap (MM) $399.5

EPS $ 2017A 2018E 2019E
Cowen $(5.41) $(7.70) $(4.00)
Prior $(8.20) - $(5.50)
Consensus $(5.41) $(3.35) $1.31

THE COWEN INSIGHT
LJPC reported Q3 Giapreza revenue of $3.5MM, in line with our $3.5MME and consensus of $3.3MME. La Jolla continues to work to get Giapreza on hospital formularies and in the electronic medical systems that enable prescribing. We are hopeful for an inflection in revenue in 2019 once access is secured and remain at Outperform.

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Technology, Media & Telecom

Semiconductors

Hynix’s CQ3:18 Earnings = Another Negative Read On Semis

THE COWEN INSIGHT

Hynix articulated an uninspiring demand outlook, and the largest surprise to us was commentary indicating server DRAM will remain weak until 2H:19. Concurrently, a challenging backdrop for smartphones and low-end PCs is causing elevated NAND inventory and expected NAND ASP declines through CQ1:19. Server/PC commentary reads negative for STX, MU & WDC; capex commentary is an overhang for ICHR/UCTT.

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Capital Goods/Industrials

Melexis NV

Guidance Disappoints - Dragged Down by Macro Auto and Inventory Management

THE COWEN INSIGHT

Melexis 3Q18 results came in slightly below estimates on the topline, with GM driving EPS upside vs. our estimates. Implied guidance of ~€140.2mn for 4Q18 came in below our €150mn prior expectations, as auto and non-auto customers look to manage inventory. Valuation looks more compelling here, but we see Auto Tech names underperforming into Spring 2019 on tariff concerns.

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Technology, Media & Telecom

Microsoft

A Good Start to FY19; Reiterate Outperform

THE COWEN INSIGHT

MSFT delivered another quarter of revenue and margin upside, with strength across all three segments. MSFT’s fundamentals remain strong overall, and we reiterate our Outperform and $117 price target.

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Capital Goods/Industrials

Norfolk Southern Corp.
Ahead of Schedule, Longer Term Update Coming in February

OUTPERFORM (1)

Symbol: NYSE: NSC
Price Target: $194.00 (Prior $189.00)
Price (10/23/2018): $156.97
Market Cap (MM): $43,956.3

THE COWEN INSIGHT

NSC delivered another strong quarter, beating our and Street estimates top to bottom. EPS and OR were third-quarter records. The company has begun implementing an evolutionary operating plan pillared on “clean sheeting” and aspects of PSR and intends to provide an updated strategic vision in February. Reiterating Outperform and raising PT to $194 from $189.

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Link to Full Note

Capital Goods/Industrials

Northrop Grumman
Q3 Beat & Raise; FAS Optics Restrain 2019

MARKET PERFORM (2)

Symbol: NYSE: NOC
Price Target: $350.00
Price (10/24/2018): $285.86
Market Cap (MM): $49,774.9

THE COWEN INSIGHT

NOC’s 6% selloff following a Q3 beat & raise likely reflects yesterday’s nasty tape and non-cash pension optics paring 2019 GAAP EPS. However, NOC’s moderated 14.5x 2019 TEV/EBITDA still is a peer high, which looks fairly priced.

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Link to Full Note

Energy

Oceaneering International
3Q18 Earnings at a Glance

MARKET PERFORM (2)

Symbol: NYSE: OII
Price Target: $27.00
Price (10/24/2018): $21.18
Market Cap (MM): $2,086.9

THE COWEN INSIGHT

Modest Negative: Slight EBITDA beat, but guidance for 2018 EBITDA to be at the ‘lower half’ of $140-160MM range implies downside to 4Q. Lack of formal 2019 guide may disappoint some, but management does see increased activity levels in each segment led by Subsea Products. 11AM Call.

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Link to Full Note
Consumer

**Restaurant Brands International**

We Remain Optimistic on the Path Ahead

**OUTPERFORM (1)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Price Target</th>
<th>Price (10/24/2018)</th>
<th>Market Cap (MM)</th>
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<tr>
<td>NYSE: QSR</td>
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</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

We believe 3Q’s global store opening slowdown is transitory, while in-line to better than expected Tim’s Canada comps (~50% of adj. EBITDA) should be enough to offset what could be continued softness at BK U.S. (~20-25% of adj. EBITDA). We want to highlight that we model a $55M impact to 4Q adj EBITDA related to ASC 606 revenue recognition for franchise fees, though importantly this is non-cash.

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Health Care

**Sarepta Therapeutics**

**3Q18: Exondys Growth Continues As Pipeline Continues to Expand And Progress**

**OUTPERFORM (1)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: SRPT</th>
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<tbody>
<tr>
<td>Price Target</td>
<td>$178.00</td>
</tr>
<tr>
<td>Price (10/24/2018)</td>
<td>$123.04</td>
</tr>
<tr>
<td>Market Cap (MM)</td>
<td>$8,175.1</td>
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**THE COWEN INSIGHT**

SRPT reported 3Q18 financials, with Exondys revenues very slightly below consensus, but still on track for FY18 guidance. SRPT continues to progress and add on to its now deep, diversified and promising pipeline of neuromuscular/CNS gene therapy programs which should drive forward value. We are optimistic on the microdystrophin GT program, and potential of the rest of the gene therapy pipeline.

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Technology, Media & Telecom

**Silicon Laboratories**

**Solid Results; Ugly Tape**

**OUTPERFORM (1)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: SLAB</th>
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<tr>
<td>Price Target</td>
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<td>Price (10/24/2018)</td>
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</tr>
<tr>
<td>Market Cap (MM)</td>
<td>$3,342.3</td>
</tr>
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**THE COWEN INSIGHT**

Silicon Labs reported strong 3Q results but issued 4Q guidance (not surprisingly) below consensus - better than feared following bellwether Texas Instrument’s weak outlook. Though macro is clearly weighing on the group, we believe long-term Silicon Lab’s IoT portfolio and ramping Infrastructure business should drive well-above peer growth. We remain Outperform with a lowered $107 target.

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Technology, Media & Telecom

Software

Take-Aways From Tableau Conference; Data Points On the Broader Analytics Market

THE COWEN INSIGHT

We attended Tableau’s annual users conference in New Orleans this week. There were 17k in attendance, up ~20% Y/Y vs. the 14k last year. There were no major new product announcements and we came away with the sense that business trends are stable with no meaningful change in directional drivers. Trading at ~7.5x EV/CY19E Recurring Revenue, we maintain our Market Perform rating.

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Consumer

Specialty Retail

Cowen Pulse On Retail: Cold Snap Driving Apparel Traffic; Helping Seasonal

THE COWEN INSIGHT

October Week 3 total U.S. retail traffic decreased -0.8% y/y vs. -1.7% y/y last week. Apparel traffic increased +1.8% y/y vs. last week’s +0.4% y/y. On a 2-year basis, total U.S. retail traffic was down -4.6% vs. last week’s -7.0%. October Week 3 temperatures were -8.4° colder vs. LY but -1.8° below average.

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Consumer

Spirit Airlines

Initiatives Driving Unit Revenue Higher

MARKET PERFORM (2)

Symbol | NYSE: SAVE
Price Target | $46.00
Price (10/24/2018) | $47.69
Market Cap (MM) | $3,255.0

THE COWEN INSIGHT

Spirit Airlines reported 3Q18 revenue and earnings ahead of consensus, and in line with our estimates. Management forecast 4Q18 unit revenue growth of ~6%, which is above our expectations despite higher capacity growth. The unit revenue outlook is driven by strong close-in bookings, changes to the network and continued growth in ancillary fees.

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Energy

SunPower

3Q18 Preview: Tariff Headwinds Abate; NGT Ramping; Balance Sheet Set to Improve

OUTPERFORM (1)
Symbol | NASDAQ: SPWR
Price Target | $10.00
Price (10/24/2018) | $6.42
Market Cap (MM) | $905.2

Cowen | $(0.24) | $(0.80) | $(0.02) | $0.06

THE COWEN INSIGHT
We are constructive on SunPower heading into earnings. The company received an exemption from the Section 201 tariffs for its IBC modules. This should help SunPower to better compete on price and drive higher utilization. The NGT ramp should further this competitive position given higher efficiencies and lower manufacturing costs. B/S delevering should continue w/ monetization of lease portfolio.

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Energy

TechnipFMC

3Q18 Earnings at a Glance

OUTPERFORM (1)
Symbol | NYSE: FTI
Price Target | $37.00
Price (10/24/2018) | $27.24
Market Cap (MM) | $12,380.6

THE COWEN INSIGHT
Neutral: EBITDA beat with solid orders, but 2018 Subsea margin guide unchanged could imply a significant drop in 4Q. Lack of 2019 guide (now scheduled for Dec 12th) may disappoint as some expected at 3Q update. Cash generation turned positive, but momentum will need to continue. 8AM call.

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Capital Goods/Industrials

Tesla

25% Auto GM & Improved W/C Impress, But Competition & Valuation Concerns Remain

UNDERPERFORM (3)
Symbol | NASDAQ: TSLA
Price Target | $250.00 (Prior $200.00)
Price (10/24/2018) | $288.50
Market Cap (MM) | $49,216.1

Cowen | $(8.63) | $(0.92) | $10.62 | $11.23
Prior | $(6.15) | $(8.00) | $1.43 | $8.42
Consensus | $(8.61) | $(7.00) | $5.56 | $11.24

THE COWEN INSIGHT
The ~25.5% auto margin, >20% Model 3 margin, and the company's control of Opex and Capex were impressive. Management walked back its 10K/week production target and instead focused on hitting 7K, which could lead to lower production estimates from the Bulls for '19-20. Cash improvements bode well for short term debt repayments, but we remain concerned about competition, LT capex needs & valuation.

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Link to Full Note
Consumer

**Specialty Retail**

**China Risk Factors: We Rank China Risk Factors Across Our Sector...**

**THE COWEN INSIGHT**

...& Analyze the Past to Inform the Future. China macroeconomic concerns, China tourism flow, & stepped-up enforcement on off-shore luxury purchases are significant 2H18 caution points. We analyzed: valuations in 2012 when China cracked down on gift giving practices, company diversification/strategy, & both China geographic and tourism exposure levels. From a stock perspective...

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Capital Goods/Industrials

**Trinity Industries**

**Expect Volatility as Guidance is Examined**

**THE COWEN INSIGHT**

The midpoint of 2019 RemainCo EPS guidance seems to imply 38% growth if we assume 2H18 RemainCo EPS exceeds 1H18 RemainCo EPS by a similar rate to that at which our current 2H18 rail businesses EBIT exceeds our 1H18 rail businesses EBIT. Guidance may be examined in other ways, not necessarily leading to uniform conclusions. We expect stock volatility and look for more clarity on the call.

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Capital Goods/Industrials

**United Parcel Service**

**Looming Tariffs Overshadow Improving Peak Trends**

**THE COWEN INSIGHT**

We believe it is likely UPS’s experience during the peak shipping season will improve on a y/y basis as new sorting facilities come on line. US - China tariffs had a small impact on 3Q18 earnings, although uncertainty remains as we approach the January 1 tariffs. As a result, our 2019 EPS estimate moves slightly lower to $7.85 from $7.90 (consensus is $7.93).

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Link to Full Note
Health Care

**Vertex**

Q3 In-Line, Triple Data On Track For Q4

**OUTPERFORM (1)**

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<th>Symbol</th>
<th>NASDAQ: VRTX</th>
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<tr>
<td>Price Target</td>
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<td>Price (10/24/2018)</td>
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<td>Market Cap (MM)</td>
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**EPS $**

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<td>$3.80</td>
<td>$3.80</td>
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<tr>
<td>Prior</td>
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<td>$4.40</td>
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<tr>
<td>Consensus</td>
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<td>$3.77</td>
<td>$4.68</td>
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**THE COWEN INSIGHT**

VRTX reported Q3 CF franchise revenue of $784.5MM vs consensus of $781MM, non-GAAP EPS of $1.09 vs. consensus of $1.01, and reiterated 2018 guidance. Results from 2 Ph. III trials of VX-659 triples are on track for Q4 while data from ABBV’s FALCON trial confirm that its lead triple will not be competitive. We expect VRTX to have industry-leading top-line growth thru ‘23 and it remains a top pick.

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**Link to Full Note**

Technology, Media & Telecom

**Visa**

V F4Q18: Steady Growth

**OUTPERFORM (1)**

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<th>Symbol</th>
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<td>Price (10/24/2018)</td>
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<td>Market Cap (MM)</td>
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**EPS $**

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<th>2018A</th>
<th>2019E</th>
<th>2020E</th>
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<tbody>
<tr>
<td>Cowen</td>
<td>$4.61</td>
<td>$5.35</td>
<td>$6.22</td>
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<tr>
<td>Consensus</td>
<td>$4.61</td>
<td>$5.33</td>
<td>$6.19</td>
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**THE COWEN INSIGHT**

V reported F4Q results that were largely in-line with our estimates. The company provided FY19 guidance that dovetails with Street expectations - reflecting a continuation of double digit growth. We expect guidance to be greeted positively by investors. We are modestly increasing our forward estimates. We reiterate our $164 PT and Outperform rating.

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**Link to Full Note**

Technology, Media & Telecom

**Xilinx**

A Port In The Storm

**MARKET PERFORM (2)**

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<th>Symbol</th>
<th>NASDAQ: XLNX</th>
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<td>Price (10/24/2018)</td>
<td>$69.04</td>
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<tr>
<td>Market Cap (MM)</td>
<td>$17,461.2</td>
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**EPS $**

<table>
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<tr>
<th></th>
<th>2018A</th>
<th>2019E</th>
<th>2020E</th>
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</thead>
<tbody>
<tr>
<td>Cowen</td>
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<td>$3.83</td>
<td>$4.26</td>
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<tr>
<td>Prior</td>
<td>-</td>
<td>$3.59</td>
<td>$4.06</td>
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<tr>
<td>Consensus</td>
<td>-</td>
<td>$3.28</td>
<td>$3.73</td>
</tr>
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</table>

**THE COWEN INSIGHT**

Xilinx reported a significant beat/raise as early 5G investments were the largest of multiple upside drivers. Net, Xilinx printed a near pitch-perfect quarter despite an ugly semis backdrop and we expect shares to react accordingly. Trading at a large premium to peers, however, we see risk/reward as balanced and await further signs of datacenter traction. Maintain Market Perfrom, $81 target.

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**Link to Full Note**
Macro Commentary Today

WRG Macro Commentary

WRG Medical Devices

Med Tech & Mid-Terms: Agencies Likely Still More Impactful than Congress

**THE COWEN INSIGHT**

Med tech is likely to have minimal legislative risk in 2019, regardless of the election outcome. The regulatory agencies (CMS/FDA) are more important to watch and we predict both will continue to take deregulatory actions of particular benefit to digital health and telemedicine.

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Link to Full Note

WRG Macro Commentary

WRG Washington Strategy

Washington Pressure Gauge: 2018 Policy Calendar One-Pager

**THE COWEN INSIGHT**

Midterms in 12 days.

Senate & House elections in almost different countries: rural v. suburban - geography is destiny this cycle.

Main NAFTA takeaway: tariffs worked & still in place.

25% tariff on autos & parts likely in Q4 - implementation next year - same with more China tariffs.

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Link to Full Note

Upcoming Conferences

**POST-ELECTION POW-WOW**
November 12-13, 2018
Washington, D.C.

**8TH ANNUAL ENERGY & NATURAL RESOURCES CONFERENCE**
December 4-5, 2018
New York, NY

**5TH ANNUAL NETWORKING AND CYBERSECURITY SUMMIT**
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<tr>
<th>Product Management</th>
<th>Trading Desk</th>
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<tbody>
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Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Equity Research Rating Distribution

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<th>Distribution of Ratings/Investment Banking Services (IB) as of 09/30/18</th>
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<tr>
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(a) Corresponds to “Outperform” rated stocks as defined in Cowen and Company, LLC’s equity research rating definitions. (b) Corresponds to “Market Perform” as defined in Cowen and Company, LLC’s equity research ratings definitions. (c) Corresponds to “Underperform” as defined in Cowen and Company, LLC’s equity research ratings definitions. Cowen and Company Equity Research Rating Distribution Table does not include any company for which the equity research rating is currently suspended or any debt security followed by Cowen Credit Research and Trading.

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