Today's Calls & Conferences

Why Do Millennials Embrace the Retail Sharing Economy? Expert Discussion on Key Consumer Drivers

Friday, October 26
10:30 AM ET

Web Registration
Please click on the link below to register for the call and dial in information will be emailed directly to you.

*Please note: If you register POST call start time, an email will NOT be sent with the dial in number, but will appear directly on screen after you hit submit.

http://www.directeventreg.com/registration/event/9387579

Hosted by
Oliver Chen, CFA Cowen's Retail & Luxury Analyst
Expert Speaker
Kathy Sheehan Executive Vice President and Global Director, GfK Consumer Life

Washington Wrap Up: Trade & Midterms - Latest and Greatest

Friday, October 26
11:00 AM ET

Web Registration
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http://www.directeventreg.com/registration/event/2256709

Hosted by Chris Krueger Senior Washington Strategist, Cowen and Company

Drug Pricing: Analyzing Recent White House Proposals

Friday, October 26

Please see addendum of this report for important disclosures.
1:00 PM ET

Web Registration

Please click on the link below to register for the call and dial in information will be emailed directly to you.

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http://www.directeventreg.com/registration/event/1859123

Hosted by

Rick Weissenstein, Healthcare Policy Analyst, Cowen and Company

Guest Speaker

Michael McCaughan of Prevision Policy

Today's Research Highlights

Technology, Media & Telecom

**Alphabet**

**GOOG: Solid 3Q18 Results, But a Touch Light on Top-line**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: GOOG</th>
<th>Price Target</th>
<th>Price (10/25/2018)</th>
<th>Market Cap (MM)</th>
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<td>$48.00</td>
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**THE COWEN INSIGHT**

GOOG reported solid 3Q18 results, but revenue was 1% below our forecast, while Core GOOG margins were slightly below our forecast. Opex and Capex ramp persists, as investments in headcount, prod’n equip., Data Centers, etc. continue behind future growth opportunities. Modest changes to L-T forecast, Price Target remains $1,420, maintain Outperform.

John Blackledge

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🔗 Link to Full Note
Technology, Media & Telecom

Amazon.com
3Q18 Review: Big Margin Beat, N.A Strength Offset by Softer Int’l Revenue

OUTPERFORM (1)
Symbol: NASDAQ: AMZN
Price Target: $2,250.00 (Prior $2,300.00)
Price (10/25/2018): $1,782.17
Market Cap (MM): $869,237.7

THE COWEN INSIGHT
AMZN’s 3Q18 results were mixed, as Op Inc. (GAAP) was 46% above our forecast, but revenue was 1% lower than expected as NA strength was offset by an Int’l shortfall. 4Q18 rev. guide calls for +11%-21% y/y growth x-FX vs. our/cons. estimates of +21%+/+22%, while the high end of Op Inc. guide bracketed our estimate. Our new forecast moves our PT to $2,250/share from $2,300. Maintain Outperform.

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Basic Materials

Celanese Corp.
Interesting Stocks and Why You Should Own Them (Vol. 3-CE)

OUTPERFORM (1)
Symbol: NYSE: CE
Price Target: $130.00 (Prior $125.00)
Price (10/25/2018): $96.41
Market Cap (MM): $12,895.6

THE COWEN INSIGHT
We believe investors may be too narrowly focused on perceived headwinds tied to CE’s auto exposure and the likelihood of an earnings drag from Acetyl Intermediates (AI). We sense that these concerns are overshadowing a strong growth plan, mostly controlled by CE’s own action, which will more than mitigate headwinds. Raising estimates and PT to $130 on improved outlook and execution capability.

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Technology, Media & Telecom

Monolithic Power Systems
Diverse Growth Drivers Holding The Umbrella To Weather The Storm

OUTPERFORM (1)
Symbol: NASDAQ: MPWR
Price Target: $165.00 (Prior $180.00)
Price (10/25/2018): $108.43
Market Cap (MM): $4,586.6

THE COWEN INSIGHT
Another typically strong MPS quarter - our top SMID-Cap pick. The diversity of growth drivers was in full display as softness in consumer/China was offset by four strong verticals. While many peers cut numbers, MPS continues to demonstrate its organic growth story, justifying a premium valuation. Maintain Outperform; $165 PT.

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Other Research Today

Technology, Media & Telecom

Video Games

Ordometer 2018: Red Over Black

THE COWEN INSIGHT

Our updated Ordometer shows that Take-Two's Red Dead Redemption 2 has moved into the lead, passing Activision's Call of Duty: Black Ops 4 on the eve of RDR2's release. EA's Battlefield V continues to track well behind the two leading titles.

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Technology, Media & Telecom

Semiconductor Capital Equipment

Intel Capex Raised by $0.5B to $15.5B. Net Capital Deployed Up by $1B to $14B

THE COWEN INSIGHT

Intel raised its 2018 Capex to $15.5B, up from an estimated $15.0B last quarter. This includes $1.5B of customer prepayments; therefore, the net capital deployed will be $14.0B (+19% Y/Y). Management expects logic spending to grow in 2019 and memory to decline. We model 2019 total capex flat.

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Consumer

Alaska Air Group

2019 Revenue Drivers Laid Out, Now Wait For Cost Expectations

THE COWEN INSIGHT

Alaska Air Group continues to execute their plan to slow the company's capacity growth to drive higher revenue to improve margins and returns. The company discussed its plans to drive $330 MM in incremental revenue in 2019 which could result in their unit revenue outperforming the industry. If management can control costs as they have in the past, 2019 should be a strong year.

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Consumer  
Altria Group  
Leader of the Pack

OUTPERFORM (1)

Symbol: NYSE: MO  
Price Target: $74.00 (Prior $70.00)  
Price: $62.31  
Market Cap (MM): $117,465.3

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<th>EPS $</th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
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<tr>
<td>Cowen</td>
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<td>$3.98</td>
<td>$4.26</td>
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<td>Prior</td>
<td>-</td>
<td>$3.99</td>
<td>$4.35</td>
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<tr>
<td>Consensus</td>
<td>$3.39</td>
<td>$4.00</td>
<td>$4.33</td>
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</table>

THE COWEN INSIGHT

As was the case a decade ago, MO is again taking a leadership position in the tobacco industry by leaning into regulatory oversight, having proposed limiting characterizing flavors in vapor, while also pulling its pod-based products from the market (impacting 20% of its vapor business). Maintain Outperform.

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Consumer  
American Airlines Group  
On Track to Deliver Revenue Improvement

OUTPERFORM (1)

Symbol: NASDAQ: AAL  
Price Target: $46.00  
Price: $30.34  
Market Cap (MM): $15,116.7

<table>
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<th>EPS $</th>
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<th>2018E</th>
<th>2019E</th>
</tr>
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<td>$5.27</td>
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<tr>
<td>Consensus</td>
<td>$5.27</td>
<td>$4.24</td>
<td>$5.05</td>
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THE COWEN INSIGHT

AAL shares are rated Outperform. The company reported in line 3Q18 results and looking ahead to 4Q18 we believe the company will continue to see positive revenue trends. There are a number of positive initiatives that should drive higher revenues in 2019 and beyond.

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Health Care  
argenx  
Efgartigimod Remains Strong in MG, ITP. Well Funded Through 2022.

OUTPERFORM (1)

Symbol: NASDAQ: ARGX  
Price Target: NA  
Price: $74.86  
Market Cap (MM): $2,689.4

<table>
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<th>EPS $</th>
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<th>2018E</th>
<th>2019E</th>
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<td>€(1.64)</td>
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<tr>
<td>Prior</td>
<td>-</td>
<td>€(1.66)</td>
<td>€(1.96)</td>
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<td>Consensus</td>
<td>€(1.14)</td>
<td>€(1.44)</td>
<td>€(1.64)</td>
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THE COWEN INSIGHT

ARGX reported 3Q18 financials and provided a pipeline update. ASH will be a significant catalyst for the stock, including a detailed update on ARGX-110 in AML as well as full Ph 2 ITP dataset for efgartigimod. The risk/reward into ASH is favorable for the stock.

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Technology, Media & Telecom

Arlo Technologies

Q3:18 - Revenue Upside & Strong Subscriber Growth, But Weak Gross Margin Guide

OUTPERFORM (1)

Symbol: NYSE: ARLO
Price Target: $25.00 (Prior $28.00)
Price (10/25/2018): $14.46
Market Cap (MM): $1,073.7

EPS $ 2018E 2019E 2020E 2021E
Cowen (0.29) (0.51) 0.33 0.90
Prior (0.41) (0.25) - -
Consensus (0.41) (0.19) 0.08 0.86

THE COWEN INSIGHT

Q3:18 non-GAAP loss/share was 5c vs. St. (19c) on 11% better revenue and much lower Opex. Subscribers grew 105% Y/Y and new Arlo Smart AI features, including audio, were announced. However, a focus on user growth and higher promotional spending lowers expected Q4:18 and H1:19 gross margins ahead of new products next year. We trim our PT to $25 (vs. $28), based on EV/Sales sum-of-the-parts.

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Link to Full Note

Health Care

BioMarin Pharmaceutical

Reports Q3; Palynziq Off To An Encouraging Start

OUTPERFORM (1)

Symbol: NASDAQ: BMRN
Price Target: $150.00
Price (10/25/2018): $96.43
Market Cap (MM): $17,125.0

EPS $ 2017A 2018E 2019E
Cowen $0.43 $0.70 $0.95
Prior - $0.60 $1.25
Consensus - $(0.72) $0.14

THE COWEN INSIGHT

BMRN reported Q3 revenue of $392MM, above consensus $358MM, aided by ex-U.S. orders for Naglazyme. Palynziq’s launch is off to a solid start with 124 patients on commercial drug at the end of Q3, with 250-300 patients anticipated by YE. We continue to think that BioMarin is a core mid-cap holding.

Phil Nadeau, Ph.D.
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Link to Full Note

Consumer

Boot Barn Holdings

Biggest BOOT Brand In The Industry Getting Bigger. Reit Outperform

OUTPERFORM (1)

Symbol: NYSE: BOOT
Price Target: $33.00 (Prior $31.00)
Price (10/25/2018): $28.16
Market Cap (MM): $788.4

EPS $ 2018A 2019E 2020E
Cowen $0.71 $1.25 $1.43
Prior - $1.16 $1.38
Consensus $0.69 $1.13 $1.35

THE COWEN INSIGHT

2Q19 Comps Exceed Expectations & Quarter-To-Date Momentum Continues: BOOT’s 2Q Comps of +11.3% were above Cowen’s heightened expectations and quarter to date are trending above 2Q results. Gross margin expansion was above expectations as private brand penetration growth remains robust. FY19 guide raised +10% at mid-point but 3Q trails Street.

Oliver Chen, CFA
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Link to Full Note
**Capital Goods/Industrials**

**BorgWarner**

**Organic Growth More than Offsets Tough Production Atmosphere**

OUTPERFORM (1)

Symbol NYSE: BWA
Price Target $46.00
Price (10/25/2018) $37.72
Market Cap (MM) $7,856.1

<table>
<thead>
<tr>
<th>EPS ($)</th>
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<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
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<tr>
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<td>$3.88</td>
<td>$4.35</td>
<td>$4.65</td>
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<td>Prior</td>
<td>-</td>
<td>$4.34</td>
<td>$4.67</td>
<td>$5.05</td>
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<tr>
<td>Consensus</td>
<td>-</td>
<td>$4.38</td>
<td>$4.72</td>
<td>$5.20</td>
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**THE COWEN INSIGHT**

BorgWarner reported results that were better than our expectations coming out of the September Analyst Day, reporting organic growth despite a tough macro backdrop. We believe that the challenges facing BWA and autotech peers likely linger into 1H19, but believe the valuation remains attractive given the company’s improving position in electrification and the long term growth trajectory.

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[Link to Full Note]

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**Technology, Media & Telecom**

**Carbon Black**

**Solid 3Q Results**

OUTPERFORM (1)

Symbol NASDAQ: CBLK
Price Target $24.00 (Prior $28.00)
Price (10/25/2018) $16.50
Market Cap (MM) $1,229.8

<table>
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<th>EPS ($)</th>
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<tr>
<td>Cowen</td>
<td>$(4.05)</td>
<td>$(1.19)</td>
<td>$(0.64)</td>
</tr>
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</table>

**THE COWEN INSIGHT**

CBLK reported a solid quarter, led by healthy ARR growth of 31% y/y and strong cloud revenue growth of >125% y/y. The co. also raised 2018 guidance. However, short-term billings growth, while a healthy 25% y/y, was slightly below consensus. We believe the AH sell-off (down 8-9%) is overdone and maintain that CBLK is very well positioned to take share in the endpoint security market.

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[Link to Full Note]

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**Capital Goods/Industrials**

**Carpenter Technology Corporation**

**Resetting F19 Ests.**

OUTPERFORM (1)

Symbol NYSE: CRS
Price Target $53.00 (Prior $66.00)
Price (10/24/2018) $44.61
Market Cap (MM) $2,110.8

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<td>Consensus</td>
<td>$1.08</td>
<td>$2.50</td>
<td>$3.29</td>
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**THE COWEN INSIGHT**

We pared our F19E EPS for Q1’s slower start, the LPW acquisition, and a slower volume phase in at the Athens facility. Our new PT is $53, 9x F19E EV/EBITDA.

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[Link to Full Note]
Consumer

Carter’s

We Remain Cautious On Sell Side Estimates Into Next Year

MARKET PERFORM (2)

Symbol
NYSE: CRI
Price Target
$85.00 (Prior $95.00)
Price (10/25/2018)
$91.34
Market Cap (MM)
$4,205.4

THE COWEN INSIGHT

The Carter’s brand ranks near the top of our surveys within baby and young kids but our model remains far below consensus estimates and we are cutting our price target to $85, 9x FY19E EV/EBITDA - in line with sector average. Tariffs create incremental risk.

John Kernan, CFA
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Health Care

Celgene

Quarterly Financials Solid; 5 Product Launches Expected Through 2020

OUTPERFORM (1)

Symbol
NASDAQ: CELG
Price Target
$150.00
Price (10/24/2018)
$74.71
Market Cap (MM)
$52,548.3

EPS $ 2017A 2018E 2019E
Cowen $7.44 $8.76 $10.55
Prior - $8.75 $10.70
Consensus $7.44 $8.75 $10.58

THE COWEN INSIGHT

CELG reported Q3 financials above consensus driven largely by sales/inventory buildup for Otezla and Abraxane. Yearly guidance for Otezla and Total Revenue was bumped up. Celgene and partners will have several presentations across the portfolio at ASH and management expects to launch five products through 2020. With shares trading at <7X 2019E EPS, we continue to think CELG is undervalued.

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Health Care

Cerner Corporation

3Q18 Results Largely In-Line, But 2018 Adj. EPS Expected At Low-End Of Range

MARKET PERFORM (2)

Symbol
NASDAQ: CERN
Price Target
$56.00 (Prior $59.00)
Price (10/25/2018)
$62.32
Market Cap (MM)
$20,503.6

EPS $ 2017A 2018E 2019E
Cowen $2.38 $2.46 $2.72
Prior - $2.51 $2.84
Consensus $2.42 $2.50 $2.81

THE COWEN INSIGHT

CERN reported adj. EPS of $0.63, up +3.5% y/y and inline. Revs of $1.34B, +5% y/y were slightly below consensus ($1.36B). Bookings of $1.59B beat consensus of $1.55B although licensed s/w bookings were below expectations (-3%). Mgmt guiding investors to low-end of 2018 adj. EPS range due to lower s/w bookings raises some N-T concerns as CERN looks to transition to more tech-enabled services model.

Charles Rhyee
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Consumer
Chipotle Mexican Grill
A Niccol For Our Thoughts

MARKET PERFORM (2)
Symbol  NYSE: CMG
Price Target  $430.00
Price (10/25/2018)  $423.88
Market Cap (MM)  $11,785.6

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<tr>
<td>Consensus</td>
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<td>$9.17</td>
<td>$11.56</td>
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THE COWEN INSIGHT
Sales improved in October following the 3Q comp miss, though we note underlying sales trends in October are only back to levels experienced in 1H18. We maintain our 2019-20E comp estimate of 4.5% and highlight two-year trends need to accelerate in order for the company to deliver against consensus same store sales forecasts.

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Consumer
Columbia Sportswear
Initial Guidance For FY19 Indicates Confidence

OUTPERFORM (1)
Symbol  NASDAQ: COLM
Price Target  $103.00
Price (10/25/2018)  $87.70
Market Cap (MM)  $6,135.6

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THE COWEN INSIGHT
We continue to see potential for more estimate revisions on the strength of sales and gross margin. Reiterate $103 price target and view momentum within the Columbia and Sorel brands as upside drivers.

John Kernan, CFA
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Technology, Media & Telecom
Comcast Corp.
Cable Momentum Continues; The Narrative Shifts to Sky Execution

MARKET PERFORM (2)
Symbol  NASDAQ: CMCSA
Price Target  $41.00 (Prior $40.00)
Price (10/25/2018)  $35.84
Market Cap (MM)  $163,054.3

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<td>Cowen</td>
<td>$27,957.0</td>
<td>$29,237.7</td>
<td>$30,388.4</td>
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THE COWEN INSIGHT
Comcast posted good 3Q18 results including upside Cable video and HSI sub metrics, and Broadcast and Film slightly worse, but no major surprises. Fundamentals remain intact, and perhaps incrementally better for Cable, but with PF net leverage at 3.5x and paying 14.6x for a Satellite/Media company, we believe stock appreciation is limited until proof points emerge around execution on Sky.

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Link to Full Note
Technology, Media & Telecom

CoreSite Realty Corp.
Disappointing Preliminary 2019 Outlook; Growth Expected To Further Decelerate

THE COWEN INSIGHT
COR reported solid 3Q18 headline results including rev/EBITDA/FFO above St. estimates although leasing of $6.1MM was weak vs. its TTM avg. of $8.7MM. The company also provided disappointing 2019 guidance including growth that is expected to further decelerate vs. 2018 and below previous Street estimates and we think could still prove aggressive. Maintain Market Perform.

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Cypress Semiconductor
Not Great, But Decent - All Things Considered

THE COWEN INSIGHT
CY is not immune to the demand challenges affecting other semis, and a guide down was not unexpected. Autos remain an ongoing concern of ours, but CY has remained astute in managing working capital and GMs still have a lot of headroom - a rarity in semis. We maintain our $18 target.

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Digital Realty Trust
In-Line 3Q18 Results; Strong Leasing

THE COWEN INSIGHT
DLR reported largely in-line results with strong leasing of $69.2MM vs. its TTM avg. of $67.2MM. While Ascenty and new lease accounting standards create noise in the model, fundamentals continue to be strong heading into 2019. We continue to believe DLR is well positioned as a quality name to own in an increasingly risk-off environment. Reiterate Outperform.

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Technology, Media & Telecom

Equifax

EFX 3Q18 Follow Up: Show Me Story

OUTPERFORM (1)

Symbol  NYSE: EFX
Price Target  $122.00 (Prior $141.00)
Price (10/25/2018)  $98.31
Market Cap (MM)  $11,837.7

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<td>Consensus</td>
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</table>

**THE COWEN INSIGHT**

EFX shares traded down -15% post disappointing 3Q results. We do not believe the shares merit trading at post breach levels and expect a near-term bounce. That said EFX has become a show me story. We see two catalysts to get the stock going - reinstating long-term growth targets and sizing the potential litigation/regulatory liability. We now expect the revenue acceleration to take hold in 2019E.

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Technology, Media & Telecom

Expedia Group

Q3: Core Nights +11%, Solid EBITDA; PT Up To $145

OUTPERFORM (1)

Symbol  NASDAQ: EXPE
Price Target  $145.00 (Prior $135.00)
Price (10/25/2018)  $117.57
Market Cap (MM)  $17,571.0

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
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<tbody>
<tr>
<td>Cowen</td>
<td>$1.712</td>
<td>$1.915</td>
<td>$2.170</td>
<td>$2.450</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

On a backdrop of investor concern, due in part to unreliable third party data, EXPE Q3 nights were +13% (11% core), in line with our est. (but 100 bps below 1H), and EBITDA was strong across segments on ad ROI & lower costs, despite weaker hotel take rates. While Q4E EBITDA guide is lower, we leave our 18-20E annual est. unchanged. PT to $145 (vs $135) as we move Sum Of Parts to 20E.

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Health Care

Gilead Sciences

A Top- And Bottom- Line Beat With A Modest Raise To 2018 Guidance

OUTPERFORM (1)

Symbol  NASDAQ: GILD
Price Target  $85.00
Price (10/25/2018)  $68.62
Market Cap (MM)  $88,954.9

<table>
<thead>
<tr>
<th>EPS</th>
<th>2017A</th>
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<tr>
<td>Cowen</td>
<td>$8.84</td>
<td>$6.87</td>
<td>$6.95</td>
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<td>Prior</td>
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</tr>
<tr>
<td>Consensus</td>
<td>$8.84</td>
<td>$6.58</td>
<td>$6.59</td>
</tr>
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</table>

**THE COWEN INSIGHT**

Q3 total rev. ($5.60B vs. $5.38B) and non-GAAP EPS ($1.84 vs $1.63) were ahead of consensus. HIV and HCV revenue were more or less in-line, with revenue upside coming from Letairis. Gilead’s HIV franchise continues to perform, and Biktarvy’s launch is on pace to be the best yet. We are hopeful that Gilead’s trough earnings have passed. We remain at Outperform and our $85 price target is unchanged.

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Technology, Media & Telecom

GrubHub

3Q18 Earnings Reaction: Market Expansion Ambitions Come At A Cost

OUTPERFORM (1)

Symbol NYSE: GRUB
Price Target $122.00 (Prior $160.00)
Price (10/25/2018) $96.48
Market Cap (MM) $8,727.8

THE COWEN INSIGHT

Shares dropped 12% in trading yesterday as an EBITDA miss and low 4Q Guidance offset favorable GFS and Order growth. GRUB is now targeting 200 new markets in 2018, 2x the original goal. The investment makes sense long-term but comes at a near-term cost and impacts 2019 EBITDA. Reiterate Outperform, but lower Target Price to $122 from $160.

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Health Care

Health Care IT

Takeaways From 7th Annual Rock Health Summit

THE COWEN INSIGHT

We recently attended the Rock Health Summit, a digital health focused industry conference. Themes from the Summit align with our beliefs that healthcare is moving to an integrated care model with technology playing a key role. While speakers were positive on the opportunity, there was recognition that digital players need to work within the existing system and that change will take time.

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Energy

Helix Energy Solutions Group

Strong 3Q Lightens the 4Q Load - 3Q18 Earnings Recap

OUTPERFORM (1)

Symbol NYSE: HLX
Price Target $12.00
Price (10/25/2018) $8.51
Market Cap (MM) $1,260.8

THE COWEN INSIGHT

HLX o/p the OIH by ~20bp after a 3Q beat. The 3Q EBITDA beat further de-risks the narrowed 2018 EBITDA guidance range. While we believe HLX’s well intervention markets are trending favorably our ‘19/20 estimates are modestly lower owing to a more cautious Production assumption.

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Technology, Media & Telecom

Intel

Stellar Results, But Multiple Concerns Remain Into 2019

**THE COWEN INSIGHT**

Intel posted another impressive beat/raise. A notably strong 3Q PC and datacenter market put Intel’s 2018 on pace for its first year of double-digit growth since 2011. Despite this, we see a precarious set-up heading into 2019 given difficult comps, macro headwinds, manufacturing questions and renewed competition from AMD. Estimates higher, valuation compresses further. Market Perform; PT to $50.

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Capital Goods/Industrials

Landstar System

Another Record Quarter for Landstar

**THE COWEN INSIGHT**

LSTR reported a record 3Q, with EPS beating our estimate and the street’s. New agent hires are contributing at record rates and ’18 organic revenue growth of $1bn is in sight. We are raising our EPS estimates and price target but maintaining our Market Perform rating as we seek more clarity on the state of the freight environment heading into LSTR’s mid-November and December peak season and ’19.

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Capital Goods/Industrials

LEAR Corporation

Lowers Outlook But Leverage Apparent in 2H19; E-Systems Continues to Shine

**THE COWEN INSIGHT**

Low production volumes resulted in weak 3Q results. While management lowered full year guidance and expects tailwinds in 2019, the company was upbeat on quoting activity, with E-systems growing faster than seating. We see the VC initiative as a positive step toward fostering additional M&A in the E-Systems business and continue to see Lear as a compelling value play in auto tech.

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LogMeIn

Strong 3Q Rebound; Expect Ongoing Improvement

THE COWEN INSIGHT

LogMeIn reported an impressive 3Q rebound, with revenue and EPS well above Street estimates, and much better renewal rates in its Collaboration segment. We continue to see several other catalysts that should help to drive stock outperformance going forward, and reiterate LOGM as one of our top picks.

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Basic Materials

Methanex Corp.

3Q18 Results and 4Q18 Guidance Roughly In Line; Maintain Outperform and $89 PT

THE COWEN INSIGHT

We are updating our model to reflect most recent results and outlook. We believe MEOH shares represent one of the better values in our chemical universe as we see pricing remaining healthy through 2020. Maintain Outperform and $89 PT.

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Energy

National Oilwell Varco

3Q18 Earnings at a Glance

THE COWEN INSIGHT

Negative: Somewhat expected EBITDA miss, driven by Wellbore and CAPS partly offset by lower corporate expense. Cost pressure in Wellbore and slowing NAm create risk to 4Q which consensus has modeled up $25MM from 3Q. The company will give guidance on the 11AM call. Beyond the 4Q outlook, anticipation of NOV’s upcoming analyst day will remain a focus for investors.

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Netgear

Q3:18 Upside on Higher Sales & Gross Margin; Tariffs Don’t Change 2019 Targets

**MARKET PERFORM (2)**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: NTGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Target</td>
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<td>Price (10/25/2018)</td>
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<table>
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<th>2020E</th>
<th>2021E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowen</td>
<td>$2.09</td>
<td>$2.66</td>
<td>$2.95</td>
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<tr>
<td>Consensus</td>
<td>$2.11</td>
<td>$2.59</td>
<td>$3.15</td>
<td>-</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

Q3:18 non-GAAP EPS were 76c vs. St. 47c, on ~3% higher sales and ~10% higher gross profit. Q4 revenue guidance brackets Consensus, but Op. margins are below on ARLO spin dis-synergies. NTGR is moving production out of China and will raise prices selectively to offset tariffs and hit 2019 targets. We don’t expect material services contribution yet, maintain Market Perform (2) on modest growth.

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Technology, Media & Telecom

Nokia (ADR)

3Q18: SOLID OPER RESULTS AND OUTLOOK

**MARKET PERFORM (2)**

<table>
<thead>
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<th>Symbol</th>
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<th>2020E</th>
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<tr>
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<td>$0.38</td>
<td>$0.47</td>
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<tr>
<td>Prior</td>
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<td>$0.35</td>
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<td>Consensus</td>
<td>$0.26</td>
<td>$0.36</td>
<td>$0.44</td>
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</table>

**THE COWEN INSIGHT**

NOK delivered solid 3Q18 results and reiterated 2020 margin and EPS targets. At the same time, attaining the mid-point of its CY18 target model requires a significant 4Q18 step-up and NOK announced new strategic actions, including an incremental cost reduction program, to attain its 2020 targets. We have modestly adjusted our oper forecasts with $6 Price Target and Market Perform rating unchanged.

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Health Care

NuVasive

Nu Beginning: CEO Change Shouldn’t Cloud Favorable 3Q Setup

**OUTPERFORM (1)**

<table>
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<tr>
<th>Symbol</th>
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<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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<table>
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<th>EPS $</th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
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<tbody>
<tr>
<td>Cowen</td>
<td>$1.89</td>
<td>$2.37</td>
<td>$2.70</td>
</tr>
<tr>
<td>Consensus</td>
<td>$1.91</td>
<td>$2.38</td>
<td>$2.73</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

NUVA shares sold off on the news that Greg Lucier will step down as CEO, to be replaced by Chris Barry, formerly president of MDT’s Surgical Innovations division. Some investors interpreted the move as a sign that NUVA’s 3Q performance was likely subpar, a conclusion we don’t share. We still think the 2H’18 setup is attractive enough to warrant staying positive on the name. Our target remains $80.

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Technology, Media & Telecom

Oracle
Takeaways From Analyst Day; Gen 2 Seen As a Major Catalyst for ORCL Cloud

THE COWEN INSIGHT
ORCL is focused on two big plays: Cloud ERP and Cloud Database + Cloud Infrastructure. In Cloud ERP, NetSuite is re-accelerating and mgmt sees more existing customers migrating to Fusion. In Cloud Database, Autonomous D/B was released this year and the rollout of Gen 2 Data Centers is perceived as a major leap in IaaS. It remains a show-me story but catalysts are developing. Maintain $56 PT.

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Energy

Patterson-UTI Energy
Pumping Prudence - 3Q18 Earnings Recap

THE COWEN INSIGHT
PTEN outperformed the OIH by ~800bps following a 3Q beat and guidance, particularly for Pressure Pumping, that was better than feared. Guidance for the Drilling business was also solid and leading edge rates continue to move higher. 2019 CapEx was not provided and remains a focus for investors. We maintain our Outperform rating and $27 price target.

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Technology, Media & Telecom

Proofpoint
Reports 3Q Earnings

THE COWEN INSIGHT
Our caution on PFPT ahead of the 3Q print was justified. While billings growth of 33% y/y slightly exceeded Street ests., short-term billings growth decelerated, initial 2019 guidance was even lower than we had feared, and the co. announced some mgmt changes. While PFPT will still grow at a healthy rate in 2019 (and likely beyond), Street expectations need to be reset. PT to $95 vs. $112 prior.

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Technology, Media & Telecom

PTC
Solid Overall F4Q Execution; Subscription Model Continues to Accelerate

OUTPERFORM (1)
Symbol NASDAQ: PTC
Price Target $105.00 (Prior $113.00)
Price (10/25/2018) $83.06
Market Cap (MM) $9,786.9

THE COWEN INSIGHT
PTC posted solid F4Q results on Wednesday, with an accelerating subscription model clearly evident. Initial FY19 guidance was lower than expected in part due to a slightly higher tax rate that will now come into effect, however the longer-term implications of a higher subscription mix are clearly positive, and we would be buyers on any lingering dip.

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Capital Goods/Industrials

Raytheon
Growth Story On Track

OUTPERFORM (1)
Symbol NYSE: RTN
Price Target $235.00
Price (10/25/2018) $176.52
Market Cap (MM) $50,354.1

THE COWEN INSIGHT
Healthy Q3 results & bookings are driving hikes in the 2018-20 sales & EPS prospects with potential to remain in beat & raise mode for some time; and the stock has support from a 6% 2019 cash flow yield.

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Energy

RPC
Fighting the White Space - 3Q18 Earnings Recap

MARKET PERFORM (2)
Symbol NYSE: RES
Price Target $12.00 (Prior $15.00)
Price (10/25/2018) $13.67
Market Cap (MM) $2,936.7

THE COWEN INSIGHT
RES underperformed the OIH by 160 bps after a 3Q EBITDA miss and 4Q guide 20-25% below consensus. The outlook for pressure pumping remains biased lower and our estimates move down 15-20% coming off a lower 4Q18 base. Maintain Market Perform, reduce price target to $12 from $15.

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Health Care

Seattle Genetics

Adcetris Misses Guidance, Focus Now On E2 At ASH.

**MARKET PERFORM (2)**
- **Symbol**: NASDAQ: SGEN
- **Price Target**: $71.00 (Prior $82.00)
- **Price (10/25/2018)**: $65.35
- **Market Cap (MM)**: $10,377.0

**EPS $**

<table>
<thead>
<tr>
<th></th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$(0.88)</td>
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<td>$(0.24)</td>
</tr>
<tr>
<td>Prior</td>
<td>-</td>
<td>$(0.79)</td>
<td>$0.10</td>
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<tr>
<td>Consensus</td>
<td>$(0.88)</td>
<td>$(0.78)</td>
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</table>

**THE COWEN INSIGHT**

SGEN reported Adcetris sales of $127MM, below consensus of $135MM and company guidance of $130-135MM. Management indicated that the frontline HL launch requires more promotion to displace a 40-year old therapy. E2 data to support sBLA submission in Nov’18, investor focus is now on full E2 data at ASH in Dec’18. Reducing price target to $71.

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Technology, Media & Telecom

Snap

3Q18 Results Mixed as Negative 4Q DAU Comments Overshadow Solid Quarter

**UNDERPERFORM (3)**
- **Symbol**: NYSE: SNAP
- **Price Target**: $6.00
- **Price (10/25/2018)**: $6.99
- **Market Cap (MM)**: $8,928.7

**EPS $**

<table>
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<tr>
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<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
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</thead>
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<tr>
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<td>$3.51</td>
<td>$4.11</td>
<td>$4.65</td>
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<tr>
<td>Consensus</td>
<td>-</td>
<td>$4.13</td>
<td>$4.96</td>
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</table>

**THE COWEN INSIGHT**

SNAP posted solid 3Q18 results, as revenue, EBITDA and DAUs were better than expected, but 4Q18 revenue & DAU guide was soft. 3Q18 Rev. growth was 6%/5% better than our/consensus estimates, while DAU declines were better than expected. We tweaked ’18-23 forecast modestly, PT unchanged at $6/share, maintain Underperform.

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Consumer

Southwest Airlines Co.

Higher Cost Outlook Offsets Revenue Improvement

**OUTPERFORM (1)**
- **Symbol**: NYSE: LUV
- **Price Target**: $65.00 (Prior $68.00)
- **Price (10/25/2018)**: $49.91
- **Market Cap (MM)**: $28,398.8

**EPS $**

<table>
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<tr>
<th></th>
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<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowen</td>
<td>$3.51</td>
<td>$4.11</td>
<td>$4.65</td>
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<tr>
<td>Consensus</td>
<td>-</td>
<td>$4.13</td>
<td>$4.96</td>
</tr>
</tbody>
</table>

**THE COWEN INSIGHT**

Southwest Airlines reported mostly in line 3Q18 results, and issued a 4Q18 outlook that was mostly in line with expectations. The shares were down ~9% owing to the 2019 cost outlook which was disappointing. We believe this pullback is a buying opportunity as the company should continue to see revenue improvements.

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---
Consumer

**Spirit Airlines**

Favorable Revenue Outlook

### MARKET PERFORM (2)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NYSE: SAVE</th>
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<tbody>
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<td>Price Target</td>
<td>$55.00 (Prior $46.00)</td>
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<tr>
<td>Price (10/25/2018)</td>
<td>$53.23</td>
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<tr>
<td>Market Cap (MM)</td>
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<th>2019E</th>
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<tr>
<td>Consensus</td>
<td>-</td>
<td>$3.51</td>
<td>$4.30</td>
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</table>

**THE COWEN INSIGHT**

Spirit continues to drive revenue growth through its focus on ancillaries, network tweaks and inventory management. Spirit intends to continue to focus on its operations, including to grow its international operations. Management sees improving asset utilization as an opportunity to drive higher revenue.

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Health Care

**Stryker Corp.**

SYK Growth Engine Continues To Deliver

### OUTPERFORM (1)

<table>
<thead>
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<th>Symbol</th>
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<td>Price (10/25/2018)</td>
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<td>Market Cap (MM)</td>
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<th>2019E</th>
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<tr>
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<td>$6.49</td>
<td>$7.25</td>
<td>$7.94</td>
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**THE COWEN INSIGHT**

SYK posted another quarter of above-consensus revenue and earnings growth with an accompanying FY18 guidance raise. Despite our optimism heading into 4Q and FY19, we recognize the reality of heightened expectations for companies reporting across med devices (and the market broadly). However, another beat and raise is worthy of positive stock momentum relative to peers. Reiterate Outperform.

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Health Care

**Syndax Pharmaceuticals**

E2112 PFS Negative, OS Possible. Advancing Entinostat Combo In NSCLC.

### OUTPERFORM (1)

<table>
<thead>
<tr>
<th>Symbol</th>
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<tbody>
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<td>Price Target</td>
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<tr>
<td>Price (10/25/2018)</td>
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<tr>
<td>Market Cap (MM)</td>
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<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowen</td>
<td>$(2.90)</td>
<td>$(3.05)</td>
<td>$(3.36)</td>
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<tr>
<td>Consensus</td>
<td>$(2.88)</td>
<td>$(3.15)</td>
<td>$(3.67)</td>
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</table>

**THE COWEN INSIGHT**

With P3 E2112 now fully enrolled, the negative PFS result is disappointing, though not entirely surprising. OS remains possible (recall OS positive in P2; E2112 design favors potential OS benefit). SNDX is positioned for a relatively high-risk/reward opportunity, committing to a proposed pivotal trial of entinostat-pembro in NSCLC, which hinges on validation of a peripheral monocyte biomarker.

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COWEN.COM
Energy
TechnipFMC
Waiting for 2019 Guidance - 3Q18 Earnings Recap

OUTPERFORM (1)

Symbol | NYSE: FTI
Price Target | $37.00
Price (10/25/2018) | $27.02
Market Cap (MM) | $12,280.6

THE COWEN INSIGHT
FTI u/p the OIH by 220bps as unchanged Subsea guidance implies lower 4Q and 2018 exit margin, and absence of 2019 guide leaves investors fearing the worst. Orders were solid and management continues to see good prospects, our estimates move higher on strong orders. Cash flow was improved, but still low relative to EBITDA.

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Capital Goods/Industrials
Trinity Industries
Opague Guidance Stokes Unnecessary Fear; Story Compelling

OUTPERFORM (1)

Symbol | NYSE: TRN
Price Target | $47.00
Price (10/24/2018) | $33.54
Market Cap (MM) | $4,913.6

THE COWEN INSIGHT
TRN provided a 2019 EPS range but not much guidance on many key variables post spin, fueling uncertainty and leaving investors concerned about rail manufacturing margins, among other things. We continue to believe margins will improve on higher production and better mix. Additionally, TRN materially beat its initial annual guidance in the last three years and is on track to do the same in 2018.

Matt Elkott
646 562 1409
matthew.elkott@cowen.com

Technology, Media & Telecom
Twitter
TWTR: 3Q18 Results - Upside Led by Accelerating US Advertising Growth

UNDERPERFORM (3)

Symbol | NYSE: TWTR
Price Target | $27.00 (Prior $24.00)
Price (10/24/2018) | $27.54
Market Cap (MM) | $20,871.1

THE COWEN INSIGHT
TWTR’s 3Q18 results were strong, as revenue & EBITDA were +9% & +26% above our estimates led by accelerating US adv. growth. MAU declines of 9MM were worse than guide of 4-6MM loss, but DAU growth of +9% y/y vs. +11% in 2Q18 remained solid. TWTR’s 4Q18 guide was also better than expected, as such we raised our ’18-’23 forecast. Price Target to $27 from $24, maintain Underperform.

John Blackledge
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john.blackledge@cowen.com
Capital Goods/Industrials

**Union Pacific Corp.**

Unified Plan 2020 Showing Some Early Promise

**THE COWEN INSIGHT**

Results were solid and included a record quarterly EPS. Pricing remains somewhat below peers. Service is suboptimal, but new operating plan is showing early signs of success. We’re raising our ‘19 EPS estimate and PT modestly but maintaining our Market Perform while we monitor the new plan and as the upside reflected in our price target is not compelling enough.

**Jason H. Seidl**
646 562 1404
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Capital Goods/Industrials

**Veoneer**

Slower Ramp & Higher R&D Investment in 2019 Push Profitability Beyond 2020

**THE COWEN INSIGHT**

Global automotive weakness has caused some OEMs to delay production starts and slow some production ramps. This has lead management to reduce its confidence in the company’s 2020 sales target of $3bn. Active Safety order intake has remained strong and the company is sharply increasing its R&D spend to support the effort. This has caused profitability to shift out beyond 2020 in our view.

**Jeffrey Osborne**
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jeffrey.osborne@cowen.com

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Technology, Media & Telecom

**VeriSign**

Solid 3Q Results; Mgmt Confident Regarding NTIA Contract

**THE COWEN INSIGHT**

In the 3Q, VRSN added 2m net domain names (.com/.net) that were comfortably above the high end of the guided range. Mgmt also guided to in line 4Q net adds levels, and once again raised its unit growth for the full year. As well, VRSN struck a confident tone re: its contract renewal discussions with the NTIA. Valuation isn’t cheap, but we have a positive bias on the shares.

**Gregg Moskowitz, CFA**
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gregg.moskowitz@cowen.com
Capital Goods/Industrials

Visteon Corporation

Near Term Challenges But Optimism on 2020 and Beyond; Bookings Remain Strong

OUTPERFORM (1)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: VC</th>
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</thead>
<tbody>
<tr>
<td>Price</td>
<td>$125.00 (Prior $145.00)</td>
</tr>
<tr>
<td>Price (10/25/2018)</td>
<td>$72.02</td>
</tr>
<tr>
<td>Market Cap (MM)</td>
<td>$2,082.1</td>
</tr>
</tbody>
</table>

THE COWEN INSIGHT

VC reset guidance below the recently revised Street expectations given lower production volumes in all regions. Bookings activity remains robust, with $1.6bn in 3Q and $5.4bn YTD, giving us confidence in a revenue ramp in 2020 and beyond given design wins for new platforms. Reiterate Outperform and trim PT to $125 on lower estimates and multiple.

Jeffrey Osborne
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jeffrey.osborne@cowen.com

Technology, Media & Telecom

Western Digital Corporation

Who'll Stop The Rain?

MARKET PERFORM (2)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>NASDAQ: WDC</th>
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<tbody>
<tr>
<td>Price Target</td>
<td>$60.00 (Prior $70.00)</td>
</tr>
<tr>
<td>Price (10/25/2018)</td>
<td>$54.01</td>
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<tr>
<td>Market Cap (MM)</td>
<td>$15,674.0</td>
</tr>
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</table>

THE COWEN INSIGHT

WDC did a decent job at resetting the bar, but elevated NAND and HDD inventory amid a challenging demand backdrop threatens revenue, GM and FCF stability for the next few quarters. See upcoming analyst day in December crucial to assuaging investor concerns. Target to $60.

Karl Ackerman, CFA
415 646 7219
karl.ackerman@cowen.com

Macro Commentary Today

WRG Macro Commentary

WRG Washington Strategy

Gimme Shelter: Washington Weekly

THE COWEN INSIGHT

Week Four of Khashoggi Saga, Caravan and now 800 troops to southern border, Fake Middle Class Tax Cut, Senate refers Michael Avenatti to FBI for criminal probe, pipe bombs mailed to high-profile Democrats, drug pricing plan, new U.S. demands on China for G20 talk, Trump- Putin meeting next month in Paris, Opioids bill signed, 11 days to the midterms.

Chris Krueger
202 868 5307
chris.krueger@cowen.com
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
December 11-12, 2018
New York, NY
## Points Of Contact

<table>
<thead>
<tr>
<th>Product Management</th>
<th>Trading Desk</th>
</tr>
</thead>
<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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<tr>
<th>Rating</th>
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<th>Ratings Distribution</th>
<th>Count</th>
<th>IB Services/Past 12 Months</th>
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</thead>
<tbody>
<tr>
<td>Buy (a)</td>
<td>472</td>
<td>63.44%</td>
<td>115</td>
<td>24.36%</td>
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<tr>
<td>Hold (b)</td>
<td>266</td>
<td>35.75%</td>
<td>23</td>
<td>8.65%</td>
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<tr>
<td>Sell (c)</td>
<td>6</td>
<td>0.81%</td>
<td>0</td>
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</table>

(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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