



INVESTMENT STRATEGY GROUP JANNEY CAPITAL MARKETS EQUITY RESEARCH TOP PICKS

First Quarter 2015

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METHODOLOGY

- This list provides the Janney Equity Research team's highest conviction ideas in one location.
- Each Janney Research Analyst identified up to two (2) top stock picks based on a 6-12 month time horizon.
- In an effort to limit the list to only high-conviction ideas, analysts could submit less than two (2) stocks.
- The final result is a list of 24 top stock ideas which is 9% of the universe of 274 covered companies at Janney.
- For each name, a short summary of the Analyst's thesis is provided as a starting point for further analysis.
- These should not be viewed as an investment portfolio; rather they are simply a current snapshot of the Research Analysts' top picks in their coverage universes.
- This list is updated on a quarterly basis and changes in analyst opinions will not be reflected until the subsequent quarterly update. Please refer to Janney Capital Markets Equity Research for most recent analyst commentary.
- The information discussed in this report is as of December 31, 2014, unless otherwise stated.

ADDITIONS TO TOP PICKS SINCE LAST PUBLICATION

Additions		Analyst	Coverage Universe	Comments
BBY	Best Buy Corporation	David Strasser	Retail Hard-line	Attractive valuation and gaining share.
CTSH	Cognizant Technology	Joseph Foresi	Outsourcing	Strong executer with catalysts in place.
FUEL	Rocket Fuel	Murali Sankar, CFA	Digital Advertising	Superior growth prospects, defensible advantages, favorable valuation.
MSCI	MSCI Inc.	Joseph Foresi	Professional Services	Visible, steady revenues and healthy cash flows with catalysts.
PSUN	Pacific Sunwear of California, Inc.	Adrienne Yih-Tennant	Retail - Softline	Improving comps, inventory control and margin expansion,
PANW	Palo Alto Networks	Bill Choi, CFA	Communications Equipment & IT Hardware	Leading supplier of Next-Generation Firewalls with multiple growth drivers.
PZZA	Papa Johns International	Mark Kalinowski	Restaurants	Innovative execution helping same store sales while commodity costs are under control.
SRLP	Sprague Resources LP	Nathan Judge, CFA	Master Limited partnership	Well positioned largest independent refined products distributor in the Northeast region.
SSYS	Stratasys	John Baliotti	Manufacturing Technology & Distribution	Well positioned in a high growth industry.
YUM	Yum! Brands, Inc.	Mark Kalinowski	Restaurants	Multiple catalysts for 2015.

REMOVALS FROM TOP PICKS SINCE LAST PUBLICATION

Removals		Analyst	Coverage Universe	Comments
AWK	American Water Works		Water & Agriculture	Analyst Departure
EMC	EMC Corporation	Bill Choi, CFA	Communications Equipment & IT Hardware	Better upside in another covered company.
KKD	Krispy Kreme Doughnuts	Mark Kalinowski	Restaurants	Still positive on the name, but more attractive risk/reward profile in YUM and PZZA.
L	Loews Corp.	Robert Glasspiegel, CFA	Insurance	Volatile energy environment creating some near-term uncertainty.
MHFI	McGraw Hill Financial	Joseph Foresi	Professional Services	Better upside in other covered companies.
MDVN	Medivation		Biotechnology	Analyst Departure
MSM	MSC Industrial Direct	John Baliotti	Manufacturing Technology & Distribution	Better upside in other covered companies.
ODP	Office Depot, Inc.	David Strasser	Retail Hard-line	Better upside in other covered companies.
ROIC	Retail Opportunity Investments Corp.		REITs	Analyst Departure
SBUX	Starbucks Corp.	Mark Kalinowski	Restaurants	Still excited long-term, but we have growing concerns about near-term comp sales trends.
VRTU	Virtusa Corporation	Joseph Foresi	Professional Services	Better upside in other covered companies.

SECURITIES IN THE REPORT (ALPHABETICAL BY TICKER)

Ticker	Company	Sub-Industry	Ticker	Company	Sub-Industry
ALL	ALLSTATE CORP	Property & Casualty Insurance	MSCI	MSCI Inc.	Professional Services
AXP	AMERICAN EXPRESS	Consumer Finance	MMC	MARSH & MCLENNAN COS	Insurance Brokers
BBY	BEST BUY CORPORATION	Retail - Hardline	PSUN	PACIFIC SUNWEAR	Retail - Softline
CIT	CIT GROUP Inc.	Consumer & Specialty Finance	PANW	PALO ALTO NETWORKS	Communications Equipment
CTSH	COGNIZANT TECHNOLOGY	Outsourcing	PZZA	PAPA JOHNS INTERNATIONAL	Restaurants
DECK	DECKERS OUTDOOR CORP	Footwear	PF	PINNACLE FOODS	Food and Food Service
DHR	DANAHER	Life Sciences Technology	SPW	SPX Corporation	Manufacturing Technology
DWRE	DEMANDWARE	E-commerce	SRLP	SPRAGUE RESOURCES LP	MLPs
FIVE	FIVE BELOW	Retail - Hardline	SSYS	STRATASYS	Manufacturing Technology
FLXN	Flexion Therapeutics	Specialty Pharmaceuticals	TRV	TRAVELERS COS INC/THE	Property & Casualty Insurance
FUEL	Rocket Fuel	Digital Advertising	VFC	VF CORP	Apparel, Accessories & Luxury
GME	GAMESTOP CORP-CLASS A	Computer & Electronics Retail	YUM	YUM! BRANDS	Restaurants

CONSUMER - BRANDED APPAREL, FOOTWEAR, AND RETAIL

Eric Tracy

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
V.F. Corporation	VFC	\$71.00	\$32.3 Billion	21.4	1.4%	13.6%

- V.F. Corporation designs and manufactures, or sources from independent contractors, various apparel and footwear products primarily in the United States and Europe.
- The company has several high growth, global brands including The North Face and Vans complemented by more mature assets including Jeanswear and Timberland. It is well positioned in high growth Asian markets including China while gaining market share in more mature regions.
- The company is shareholder friendly as demonstrated by opportunistic share buybacks and dividend increases and is also increasing profitability through innovative supply chain optimization. The stock also has valuation and dividend support.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Deckers	DECK	\$100.00	\$3.15 Billion	19.3	-	16.0%

- Deckers Outdoor Corporation engages in the design, manufacture, and marketing of footwear and accessories for outdoor activities and casual lifestyle use for men, women, and children.
- We believe concerns over UGG brand are overdone and that its brand relevance remains in-tact and continues to receive solid retailer support.
- We also think profitability will improve, driven by better product costs and ongoing supply chain initiatives.

CONSUMER - FOOD, AGRIBUSINESS & FOODSERVICE

Eric J. Larson, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Pinnacle Foods, Inc.	PF	\$36.00	\$4.14 Billion	18.6x	2.7%	9.8%

- Strong and growing market share positions in large categories.
- Excellent deleveraging story that should provide EPS tailwind.
- Innovation success should aid revenue growth rates.
- The Wish-Bone salad dressing acquisition should accelerate the EPS growth rate in 2015 as the company benefits from acquisition synergies.
- PF is trading at a 5% discount to its peer group.
- The 2.7% dividend yield is attractive compared to both the market and the consumer staples group.

RESTAURANTS

Mark Kalinowski

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Yum! Brands, Inc.	YUM	\$85.00	\$31.9 billion	21.1x	2.0%	10.6%

- YUM! Brands, Inc., the owner of brands including KFC, Pizza Hut, and Taco Bell, operates and franchises quick service restaurants in the United States and internationally.
- We favor YUM's risk/reward, noting multiple factors that could lead to meaningful stock-price appreciation over the next 12+ months including: efforts to better evolve Yum China for long-term success, stabilization/improvement of Yum's China business, increased chatter about the possibility of eventually separating Taco Bell, and improving near-term domestic same-store sales trends.

	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Papa John's International Inc.	PZZA	\$64.00	\$2.24 billion	25.8x	0.9%	23.4%

- Papa John's International, Inc. operates and franchises pizza delivery and carryout restaurants under the Papa John's trademark worldwide.
- For small/mid-cap investors, we recommend Papa John's in part due to the ongoing transition to digital pizza-ordering technologies, which favor national chains (and their larger resources) at the expense of the dozens of regional pizza chains.
- We believe that the concept's initiatives to improve unit-level execution that were begun many years ago continue to bear fruit, as shown by the ongoing, enviable same-store sales track record.
- Block cheese prices, which peaked in November 2014, have recently begun to normalize.

RETAIL - HARD-LINE

David Strasser

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Best Buy Corporation	BBY	\$43.00	\$13.7 Billion	15.5x	1.7%	21.2%

- **Consolidation of Competition Drives Share Gains at BBY:** BBY continues to take share in most categories through increased service levels, vendor paid store remodels, and consolidation. RSH, HGG, SHLD and a host of independents all had a tough 2014 and are closing stores as fast as possible. As the consumer shops digitally, local competitors struggle to compete with BBY's dominance and infrastructure, disproportionately driving sales to BBY.
- **4K TVs Gaining Traction; Other Product Categories See Strength:** The high end 4K and large screen television cycle is driving a replacement, approximately 10 years after the last TV peak. The net result is a strong TV category, which is driving BBY's business. Key vendors such as Samsung, Sony and LG have contributed by remodeling the TV category at BBY, and helping to add more labor hours at key times of the week. Additionally, PCs are enjoying a modest renaissance, while audio with Beats and Bose, GoPro, and home security/connectivity have all seen accelerating sales. Once again, BBY is being aided by remodels financed by key vendors inside the store, as BBY remains ground zero for CE sales.
- **Attractive Valuation Compared To Space:** BBY currently trades at 12x our 2015 estimate on a P/E basis and 5x on EV/EBITDA basis, making it the most reasonable valuation in our coverage universe as the majority of companies trade in the high teens low twenty range, close to historical peaks.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Five Below, Inc.	FIVE	\$50.00	\$2.2 Billion	32x	-	33.8%

- **High Visibility Into Long Term Growth Trajectory:** FIVE remains the strongest growth story in our space with ~20% square footage growth for the foreseeable future as the chain grows from its ~350 stores today to its target goal of 2,000. Outside of Texas, they have virtually no presence west of the Mississippi. New store productivity has been running about 100%, and has been pretty consistent across markets. Additionally older stores are coming in line with newer locations, leading us to believe that even their oldest stores have not reached maturity.
- **Near Term Sales Volatility To Be Expected:** With its trend right and "fad" type merchandise there can be quarter to quarter volatility in comp sales although the broader assortment makes this less volatile than we would have expected. To maintain its uniqueness and product flexibility, over 50% of FIVE's non-store employees are merchants, which allow the company to focus on these types of trends.
- **Growth Demands Premium Valuation:** The robust growth trajectory, along with its consistent LSD-MSD comps deserve its premium valuation of 32x our 2015 EPS estimate, particularly when its compared to the valuation levels of the majority of the mature retailers in our coverage universe. With its ~20% sq. footage growth, ~25% sales growth, and ~30% EPS growth, risk remains to the upside with our FV of \$50 representing a 25% premium from current levels.

RETAIL - SOFTLINE

Adrienne Yih-Tennant

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Pacific Sunwear of California, Inc.	PSUN	\$3.50	\$159 Million	NA	NA	NA

- **Positive comps and steady execution on path to profitability; shows consistent gross margin expansion.** Comparable store sales for 3Q14 increased +4.0%, versus Retail Metrics consensus of +2.0%. Comparable store sales in the men's business increased 6% in 3Q14, with tops, casual pants, and footwear being particularly strong. The women's business showed sequential improvement in 3Q14 with comparable store sales of flat versus a -3% comp in 2Q14. The apparel piece of the women's business posted a +3% comp for 3Q14 as brands Brandy Melville and Kendall & Kylie continue to be a success. Gross margin as a percent of net sales was approximately 27% compared to 25% in 3Q13, driven by a 110 basis points increase in merchandise margin and a 50 basis point leveraging of occupancy cost.
- **Inventory discipline continues.** The company continues its philosophy of clean inventory, with total balance sheet inventory down approximately 5.8% at the end of 3Q14, well below the sales increase of 4.7%. The company was able to achieve higher merchandise margins in 3Q14 (up 110 basis points) and good inventory turnover. We expect the company's disciplined inventory approach to continue in 2015, which should further support and enhance gross margin.
- **One of very few retailers in Softlines positive comping on what our analysis suggests to be less promotional activity.** The company guided 4Q14 adjusted LPS to a range of (\$0.17) to (\$0.12), versus the Street at (\$0.12), based on comparable store sales of flat to +4%. Based on our Black Friday survey work, we believe PSUN to be a Black Friday winner based on controlled promotions and strong traffic. For holiday (Nov/Dec combined), our analysis shows that PSUN was flat to better/less promotional for the season.
- **Small-cap, beta idea for risk tolerant investors; maintaining estimates; raising fair value.** We are maintaining our 4Q14 EPS estimate of (\$0.12) (versus consensus of (\$0.12)). In addition, we are maintaining our FY14 and FY15 EPS estimates of (\$0.29) (versus consensus of (\$0.29)) and (\$0.19) (versus consensus of (\$0.16)), respectively. We are introducing our FY16 EPS estimate of (\$0.07) (versus consensus of (\$0.07)). We are raising our fair value to \$3.50 from \$3.00, which represents an EV/Sales multiple of 0.4x our FY15 sales estimate of \$831 million. We recommend shares of PSUN for small-cap oriented investors who are comfortable with greater risk, as the stock tends to be less liquid and can react meaningfully to both positive and negative data points.

CONSUMER AND SPECIALTY FINANCE

Sameer Gokhale, CPA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
CIT Group Inc.	CIT	\$57.00	\$8.75 Billion	14.7x	1.3%	N/A

- The shares have attractive upside (22%) based on our fair value estimate of \$57 per share.
- Strong balance sheet with \$1.1 billion of excess capital (13% of its market cap).
- The pending OneWest acquisition will lower the company's cost of fund and enable the company to accelerate the use of its \$5.2 billion federal NOL.
- Limited downside as the company is not exposed to regulatory risk related to the Consumer. Additionally, if the economy deteriorates CIT should be able to take advantage of this by potentially acquiring assets at attractive valuations.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
American Express	AXP	\$107.00	\$96.3 Billion	15.5x	1.1%	9.7%

- We have greater confidence that the company can continue to deliver 12-15% EPS growth over each of the next few years.
- American Express generates most of its revenue (65%) from fee based sources, primarily spending on its credit cards. It's business is more spend centric rather than lend centric and American Express is focused on servicing more affluent consumers. We believe that in the current "two-speed" economy, American Express should be a direct beneficiary of healthy growth in card spending, while limiting downside should the US economy unexpectedly deteriorate.
- The company has a strong balance sheet with an estimated \$4.3 billion of excess capital.
- The company has significantly outperformed its peers with charge-offs of only 1.4% compared to 2.9% for the industry.

INSURANCE

Robert Glasspiegel, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Allstate	ALL		\$29.5 Billion	10.8x	1.6%	20.4%

- The Allstate Corporation, through its subsidiaries, engages in the personal property and casualty insurance, life insurance, and retirement and investment products business primarily in the United States.
- Allstate shares (at 1.4x book) continue to represent a good value in light of prospective ROEs (13% estimated for 2015). We believe actions that management has taken (sale of commodity life, repositioning the homeowners book, capital management) leave the company well positioned to achieve solid double-digit ROE's prospectively.
- The company is in position to return capital in the form of buybacks and dividends.

INSURANCE

Larry Greenberg, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Marsh & McLennan	MMC		\$31.0 Billion	18.2x	2.0%	10.9%

- Premier Insurance Broker with global operations.
- Well positioned to benefit from high growth, developing economies and insurance penetration in emerging markets.
- Should benefit from what we expect will be continued price strengthening in commercial property-casualty lines.
- Company generates strong cash flows that will be used for organic growth, acquisitions and stock repurchases.
- Dividend yield of 2.0% and low risk business model should provide downside protection from potential global uncertainties.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Travelers Cos. (The)	TRV		\$35.1 Billion	11.4x	2.1%	N/A

- A leading Property-Casualty company.
- Will remain actively engaged in buying back its own stock.
- Property-casualty pricing has been improving and Travelers is well positioned as the marketplace continues to firm.
- Company has an excellent investment team that maintains a risk averse investment portfolio.

HEALTHCARE – LIFE SCIENCES TECHNOLOGY

Paul Knight

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Danaher	DHR	\$106.00	\$60.2 Billion	21.5x	0.5%	8.4%

- Through a series of acquisitions over the last decade, Danaher has transformed from a world-class industrial business into a formidable instrument and healthcare conglomerate. Today, these added segments represent about 75% of the company's annual revenue.
- Danaher's life sciences businesses position it for higher growth, expanding margins, and accretive catalysts going forward. Gene-sequencing advances are accelerating overall industry demand for laboratory equipment and DHR's diagnostics products.
- We believe that strategic M&A remains a top priority for the company. With some competitors capital constrained in the near-term, Danaher will have more opportunities than ever to strengthen its portfolio over the next few years. We estimate that Danaher will have almost \$19 billion in M&A capacity by the end of 2015.

HEALTHCARE – SPECIALTY PHARMACEUTICALS

Chiara Russo

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Flexion Therapeutics, Inc.	FLXN	\$24.50	\$417 Million	-	-	-

- Flexion is a specialty pharmaceutical company that is developing FX-006, a sustained-release corticosteroid intra-articular injection for osteoarthritis of the knee. Currently there are over 4M patients in the US that receive injections (either immediate-release steroid or hyaluronic acid) for knee pain. FX-006 has the potential to bridge the gap between delivering to patients the efficacy of a steroid with the long-lasting effects of viscosupplementation.
- In mid-September the Phase 2b trial was halted by the FDA due to a single patient infection. We believe that the halt was a conservative move on the part of the FDA and that immediate concerns of batch or manufacturing contamination will prove unfounded in less than 6-months time. We believe that the FX-006 clinical program, once clear of the halt is a highly de-risked program. The current Phase 2b competitor is placebo where FX-006 has already shown statistical significance against immediate release steroids.
- We believe that there is great upside potential in the FLXN name in the next 6-12 months. We currently rate FLXN as a Buy with a \$24.50 fair value.

INFRASTRUCTURE – MASTER LIMITED PARTNERSHIP

Nathan Judge, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Distribution Yield	FY15E EPS Growth
Sprague Resources LP	SRLP	\$27.00	\$237 Million	-	7.0%	-

- THE northeast supplier of heating oil. The largest independent refined products distributor in the Northeast region.
- Distribution growth of 13.2% per annum should be faster than consensus expects (6%) and management guidance of 6 – 8% growth rate.
- Extra growth should be fueled by:
 - Third party acquisitions.
 - Falling oil prices which benefits SRLP.
- Valuation does not appear to reflect upside.

INDUSTRIAL

John Baliotti

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
SPX Corporation	SPW	\$122.00	\$3.53 Billion	13.2x	1.7%	23.8%

- Few industrial companies have the capability to convert single digit revenue growth into +25%-30% annual EPS growth, like SPW.
- The pending spin-off of SPW's Flow business from Infrastructure is the exclamation point to years of portfolio tuning geared to a secular and leverageable model. The focused portfolio and leaner operating structure provides opportunity for both to continue to improve. Upon completion, the Spin-Off creates two focused platforms with discrete strategies removing counter-cyclical trends.
- Nearly 85% complete with its long-term Thermal project in South Africa, SPW has been winning a steadier stream of projects in the \$40-\$100 mil range that are more reflective of the secular growth it is re-positioned for. With an eye on an after-market component, these wins create a layering affect with added leverage, producing steadier growth on higher margins.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Stratasys	SSYS	\$134.00	\$4.23 Billion	32.6x	NA	15.4%

- SSYS's share volatility reflects the R&D and capacity costs management deems necessary to match solutions and production levels with the growing demand of a young industry. While we still anticipate a degree of volatility in the short term, the recent decline presents an attractive entry point for SSYS as it tracks toward its LT financial targets.
- While it is enticing to model high revenue growth rates (+34% core growth on average YTD) needing little more than maintenance levels of investment, we need to recognize that this is still a relatively small company targeting large end-markets (healthcare, aerospace, auto) with growing demand.
- Our industry experience and discussions with customers further assuage our concerns as we continue to see manufacturers accumulating systems at rapid rates in order to complement their traditional manufacturing capabilities in order to accelerate design cycles and product innovations.

TECHNOLOGY & MEDIA – DIGITAL ADVERTISING

Murali Sankar, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Rocket Fuel Inc.	FUEL	\$22.50	\$666 Million	NA	-	NA

- Rocket Fuel (FUEL) is an advertising technology company, that helps advertisers optimize buying online advertising impressions through real time auctions.
- FUEL stands to benefit from the fast growth in digital advertising and trend toward auction-based advertising purchases.
- We believe FUEL has a sustainable competitive advantage through its use of artificial intelligence technology to leverage Big Data, which helps to drive a virtuous cycle of better ad-purchasing decisions, better results for clients, more business and clients, and more data to further improve ad-purchasing decisions.
- FUEL's addressable markets are rapidly expanding, through broader adoption of auction-based ad-buying, more types of ads that can be purchased this way, and geographic expansion.
- We believe valuation is favorable relative to the high revenue growth rate that we expect for 2015.

TECHNOLOGY & MEDIA - COMMUNICATIONS EQUIPMENT & IT HARDWARE

Bill Choi, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Palo Alto Networks, Inc.	PANW	\$129.00	\$9.87 Billion	NA	-	100%

- In our opinion, Palo Alto Networks is the best positioned pureplay vendor in the cyber security industry. It is the leading supplier of Next-Generation Firewalls, serving enterprises, governments, and service providers.
- **Increasing threat-awareness driving security spending.** With high-profile attacks on companies such as Target and Sony in the news, security has become more of a board-level topic, loosening budgets, and helping mid-sized providers challenge the larger, legacy security companies. We also see increasing government regulatory scrutiny driving adoption over the next several years.
- **Multiple growth drivers.** Palo Alto targets a large, existing \$11 billion market for network security. Customers are rapidly replacing less-effective legacy firewall with next gen firewall that provides more complete protection and integrated capabilities. These customers start with smaller purchases, but buy more firewalls from the company over time. Additionally, they are increasingly subscribing to the company's security services that supplement the core firewalls, providing a large recurring revenue stream.
- **Valuation is high, but so are growth and margin expansion.** PANW trades over 100x forward EPS. However, we're modeling 34% revenue growth in CY2015, with 100% EPS growth. We see multiple years of very high growth ahead for this company as it displaces incumbents.

TECHNOLOGY, MEDIA & TELECOM - INTERNET

Shawn Milne

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Demandware, Inc.	DWRE	\$84.00	\$2.09 Billion	N/A	-	N/A

- **Demandware remains in crosshairs for consolidation.** A key Consumer/Internet theme remains that the rapid evolution in eCommerce is becoming increasingly complex, as customers expect an always on, anywhere, consistent, multi-channel experience. This push is driving merchants to further integrate the customer experience across multiple touch points including the web, stores, social, and mobile.
- We like the arms dealers including DWRE with their growing base of customers (+32% in 3Q14) and SSS growth at 2x industry rates (~30%).
- We continue to believe that the eCommerce technology space will undergo further consolidation as larger technology providers look to offer broader solutions to retailers and businesses that are re-platforming in order to keep pace with the ever changing omni-channel retail environment.
- We note that DWRE is one of the last leading independent eCommerce technology companies providing on-demand eCommerce solutions to retail clients and brands.
- **Buy rated, \$84 Fair Value.** Our BUY rating and \$84 FV is based on 10x our FY16 revenue estimate, further supported by our DCF. We remain positive on DWRE given their strong pipeline and recent success with key brands/retailers including L'Oreal, Wolverine Worldwide, GoPro, and 1-800 Contacts.
- Given recent FX volatility we note that ~20% of DWRE revenue is EUR denominated and ~15% GBP denominated.

CONSULTING AND OUTSOURCING

Joseph D. Foresi

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
Cognizant Technology	CTSH	\$57.00	\$32.1 Billion	18.4x	0.0%	10.9%

- Recent Bets Expected to Pay Off-Cognizant is the type of stock investors want to own as revenue growth accelerates driving multiple expansion. The company has an excellent record of execution.
- There are catalysts in place to drive results over the long term including customer cost savings and regulatory work in Healthcare and Financial Services.
- Short term catalysts include a return to above industry growth rates, large deal signings, and acquisition activity.
- Cognizant has a competitive advantage in Healthcare (25% of revenue).
- The company's model is unique - investing everything over a margin level to drive growth and multiples.

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
MSCI Inc.	MSCI	\$55.00	\$5.32 Billion	24x	1.5%	NA

- Indexing play-MSCI generates ~60% of its revenue from its Index & ESG business, a subscription-based offering providing high visibility, steady revenues, and healthy cash flows.
- Catalysts include: further licensing of indices, emerging markets expansion, and strategic allocation of capital.
- A combination of recent investments and improving demand are expected to drive future growth rates and results above present forecasts.

MEDIA AND ENTERTAINMENT

Tony Wible, CFA

Company Name	Ticker	Fair Value	Market Cap	FY15E P/E	Dividend Yield	FY15E EPS Growth
GameStop	GME	\$45.00	\$3.7 Billion	8.3x	3.9%	14.4%

- We recommend GameStop, the largest U.S. video game and PC entertainment software specialty retailer, with a \$45 fair value, based on:
 1. Its peak market share position at the onset of a next gen game cycle.
 2. New sources of high margin revenue from iDevice trades and digital initiatives that reposition GME in the evolving landscape.
 3. The move towards usage-based billing of Internet data.
- Furthermore, the company will benefit from easing comps, a strong balance sheet, large dividend payments, and share repurchases.

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