Global Research Highlights

Turkey, stuffing and stocks

Bank of America Merrill Lynch

Investment Strategy

20 November 2015

Positive outlooks for banks, eCommerce and seeds

The tone for 2016 was quite upbeat at our Banking & Financial Services Conference this week, with many bank management teams confident about delivering revenue growth and positive operating leverage next year – without the help of rising rates. In the global eCommerce outlook, Justin Post and our internet analyst team estimate sales will grow at a 22% compound annual growth rate for 2016-2018. China, which is the largest eCommerce market, is the biggest driver of our sales growth estimate. In the US, we expect eCommerce to continue to take share from traditional retail, reaching 12% by 2018 from 8% in 2014. Post also notes the big are getting bigger, as he estimates Amazon (AMZN) will have a 33% share in the US in 2015 (up from 29% in 2014) and capture more than 66% of incremental eCommerce spend. Analyst Steve Byrne published a deep dive report on gene editing, a technology he believes will be transformative in agriculture, with huge potential for the big seed companies. This technology is a game changer versus the conventional approach to modifying plant genes

Can you hear me now?

Analyst David Barden's Buy thesis on Verizon Communications (VZ) has two basic components: (1) VZ has the best assets in the US telecom market and (2) VZ is attractively valued, trading more than a standard deviation below its post-crash valuation relative to the market at a historically low 0.68x PE relative multiple and 11.2x in absolute terms. Analyst Tal Liani believes the weakness in Qualcomm (QCOM) presents a particularly attractive buying opportunity for a few reasons, including his sum-of the-parts analysis, which suggests a $65 valuation. In addition, he sees further upside, potentially to $75, based on his PE analysis. Positives also include better royalty revenues/EPS versus the low expectations/negative sentiment and new deals in China.

Industrials still growing

Analyst Andrew Obin's new estimates position General Electric (GE) as one of the highest growth industrial names in his coverage, aided by Alstom acquisition accretion and share reduction from the GECC exit, with underlying core growth of 5% in 2016E and 2% in 2017E. Obin also initiated coverage on Allegion (ALLE), a key participant in the fragmented safety and security market, with a Buy rating and a $75 price objective. Allegion's efforts to reposition its portfolio strategically create upside to earnings and valuation in Obin's view.

The FDA waiting game

Analyst Ying Huang views the upcoming FDA advisory panel on drisapersen (scheduled for November 24) as a significant catalyst for BioMarin (BMRN). Huang anticipates a positive recommendation, which he believes could send BMRN shares up 25-30%. He estimates 20% downside if the vote is negative. Huang believes drisapersen merits FDA approval given the high unmet need, expansive dataset of >300 patients and efficacy demonstrated in patients ≤7 years of age. Staying with the improving lifestyles theme, analyst Nat Schindler upgraded Fitbit (FIT) to Buy based on improved confidence in 2016 as international sales ramp and corporate wellness programs build into the platform play. Schindler also views 4Q guidance as conservative and sees competitive products as underwhelming for the holiday season.

Global

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Top industry reports

Top stock reports

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Refer to important disclosures on page 28 to 29. Price Objective Basis/Risk on page 14. 11577321

2015 Banking & Financial Services Conference

Shifting gears (and positioning) into growth

Bank of America Merrill Lynch

Industry Overview

Equity | 19 November 2015

United States
Banks

US Financials
MLPF&S

See Team Page for Full List of Contributors

Investors still overweight financials

On November 17th and 18th, we hosted fifty companies at our 24th annual Banking & Financial Services Conference. While it's been a volatile year across most financial stocks, 53% of attendees were modestly overweight or very overweight the sector, vs. 59% last year. Despite this, "hallway chatter" implied investor fatigue in the space, which is understandable given the whipsaw of rate expectations through the year.

A rising rate backdrop is consensus

Of the investors surveyed, 90% believed short rates were going higher. That said, 50% believed we would only see one or two 25bp rate hikes through 2016, while another 20% thought the Fed would raise rates by 25bp exactly three times. Only 10% of respondents thought "lower for longer," a stark contrast to 42% last year.

Banks: Generally optimistic into next year

A December rate hike is a critical catalyst, as 49% of investors pointed to rising interest rates as the ultimate catalyst for large-cap bank stocks, while 44% cited this as the prevailing catalyst for mid-cap bank stocks. Despite the tempered mood of the group, bank management teams were generally optimistic about 2016. Generally speaking, the outlook for activity levels across corporates, institutions, and corporates were upbeat. Importantly, the topics regulation, litigation, and cost cutting were on the back burner this time around, and replaced by revenue initiatives (outside of rising rates) and innovation in the industry (client-facing and back office). The best attended presentations were **JPM** and **FRC** – unsurprisingly considered among the best-in-class top-line generators in their peer group. We sensed a continued caution among investors with regard to increasing exposure to energy exposed banks. The two energy exposed banks presenting at the conference (**TCBI** & **IBKC**) sounded relatively confident that the impact to their earnings from lower oil should be manageable. Across the board, banks expressed an increased desire to grow their wealth management business.

Brokers, Alternatives, and Asset Managers

The sentiment around the capital market sectors was mixed, with a decent outlook for the brokers, given valuations around book and a potential pick up in trading revenues into 2016, despite an expected weak 4Q. On that note, most investors expect FICC trading to rise 0-10% in 2016 and cross cycle ROEs to be 10-12%. For the asset/alt managers, despite the sectors being out of favor this year given macro uncertainty and tougher growth trends for traditional asset managers, there seems to be more interest if the markets hold given the wide divergence (markets flat YTD vs. the sectors down 13-25%, though the sectors tend to be a market predictor). A few other interesting takeaways include: investors expect equity market returns of 0-10% in 2016; Fed funds to rise 50-75 bps; active flows to remain subdued; and most would get more interested in the alts with macro clarity. While we are more selective, if markets hold, we see an attractive risk/reward in **GS**, **STT**, **AMG**, **BLK**, and **IVZ**.

Consumer Finance

Consumer Finance companies were generally constructive though their outlooks toward 2016 largely reflected their unique positions in various parts of the broader consumer credit market. **DFS** was cautiously optimistic that headwinds that were a drag in 2015 will either abate or at least not worsen, pointing toward a pickup in growth. **LEAF** was the most optimistic, with the recent closing of the highly accretive OneMain deal pointing toward a favorable market backdrop in non-prime unsecured lending.

Internet/e-Commerce

Global eCommerce outlook: High growth and the big are getting bigger

Industry Overview

Bank of America Merrill Lynch

Equity | 16 November 2015

eCommerce growth remains strong across the globe

Ecommerce continues to be a top secular growth industry, with 24% estimated growth in 2016 including China. In the U.S., offline to online share gains continue, with eCommerce now representing an estimated 14% of 2015 applicable retail (excludes fuel and food) spending, increasing 140bp y/y. eCommerce continues to gain wallet share due to: 1) growing selection, 2) improving mobile experience with lower purchase friction; and 3) convenience for the consumer, including broader selection and faster delivery times. With a 22% three-year global CAGR (2016-2018), we believe the sector will continue to have attractive fundamentals vs other retail and tech. sectors.

Expect a solid 4Q in US, and low double-digit growth in 2016

While the US retail sector remains choppy, we think eCommerce will maintain solid 14% growth in 4Q as the Online migration continues to new categories, the eCommerce season moves earlier, and pricing/shipping offers get more aggressive. Looking forward, we expect 13% growth in 2016, 12% in 2017, and by 2018 we believe total US online share will reach 12% (from 8% in 2014) and "applicable" (ex-gas and groceries) online share will reach 17% (from 12% in 2014).

Expect global eCommerce to reach $2.2tn by 2017

China is the largest eCommerce market in the world, is still growing at twice the pace of the U.S./Europe, and remains the biggest driver of global eCommerce. We are maintaining our '16 and '17 China eCommerce estimates of $914bn (up 36% y/y) and $1.2tn (up 31% y/y). In total we expect 22% three-year global eCommerce growth, and with the industry reaching $2.2tn by 2017. Biggest Global share gainers are those participating in China, including Alibaba and JD.com.

Five themes that could drive global eCommerce

Key themes in eCommerce include: 1) same day delivery opening new categories and markets; 2) buy buttons bringing new competition from media sites; 3) mobile purchasing getting easier; 4) eCommerce explosion in India; and 5) competitive evolution: new eCommerce models and competitive shifts. We believe the mobile shift will also continue to have an impact, and we expect US and European mCommerce to grow 36% y/y to $219bn by 2016, representing 34% of total eCommerce.

Big getting bigger; AMZN taking 68% of incremental '15 US sales

Large eCommerce companies are capturing big eCommerce share in their local regions. We estimate Alibaba will have 72% share in China in 2015 and capture 59% of incremental spend, while Amazon will have 33% share in U.S. (up from 29% in '14), and capture over 66% of incremental eCommerce spend. Amazon is increasingly leading in the US/Europe markets (eBay has repositioned, Groupon struggling in consumer electronics), has committed over $2bn to grow in India, and is investing heavily in the migration to the cloud (could be $200bn market cap opportunity) and remains our top US eCommerce stock.

Investment decisions should not be made prior to reading the research report, which includes important information and disclosures

Click here for full report including important disclosures.

Americas
Internet/e-Commerce

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Agricultural Chemicals

Gene editing, the new frontier in agriculture

Industry Overview

Bank of America Merrill Lynch

Equity | 16 November 2015

Step change in genetic modification

In the 1990s new crop genes revolutionized agriculture to provide insect protection and herbicide tolerance in transgenic crops. The next generation of these gene editing technologies could be equally transformative, in our opinion. Instead of forcing new bacteria-derived genes randomly into a plant's genome, which requires many years of screening and regulatory development, new gene editing technologies can now create novel traits with minor DNA tweaks, potentially without any USDA oversight. Precision, specificity, speed, and streamlined regulatory path are among the many benefits. We see the near-billion global acres of wheat and rice as fertile ground, particularly for edits that do not trigger GMO labeling requirements, representing a multi-billion dollar recurring earnings opportunity. All the major seed producers have moved to gain exposure to these technologies, but we see those with the largest market share, Monsanto and DuPont, as having the most to gain. We provide an overview of company pipelines, technology comparisons, and regulatory implications.

Pipeline focused on both input and output traits

Sulfonyurea tolerant canola was created with gene editing and launched in 2015 by Cibus without requiring USDA approval. Several other herbicide tolerant crops are in development. Oil content in crops such as soybeans, canola, and flax is readily altered by gene edits. Disease resistance to bacterial and fungal pathogens can be meaningfully bolstered with relatively minor edits to susceptibility genes. Other products are focused on increased nutritional value, less allergens (e.g. wheat gluten), and longer shelf life. Insect resistance may require foreign DNA (e.g. Bt), but the insertion could be facilitated with these new nuclease technologies.

Pioneering work primarily at startup companies

Many of the pioneers of these gene editing technologies (oligonucleotides, meganucleases, zinc fingers, TALEN, and CRISPR) started in academia and are now leading or advising a flush of biotech startups. There is enormous focus on developing therapeutic products for human genetic diseases, either by deleting genes, reducing expression, making minor changes, or adding new DNA at precise locations. One product, CAR Ts, has generated $10bn+ in market cap among several companies. Many of these companies have spun off or licensed the intellectual property to other startups focused on agriculture. We provide an update on 11 biotech companies and the large seed company alliances.

Long term non-GMO status is favorable but not certain

The USDA waived the regulatory requirements for several agricultural crops modified through gene editing, but whether these products would be considered non-GMO in the EU is uncertain. US regulatory review of gene-edited crops likely will continue to be determined case by case, and will be dependent largely on if the crop contains foreign DNA. The EU appears focused on whether the genetic alteration could occur from natural recombination, even though the mutations may be indistinguishable from mutation breeding, which is considered non-GMO in the EU.

Investment decisions should not be made prior to reading the research report, which includes important information and disclosures

Click here for full report including important disclosures.

United States
Agricultural Chemicals

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General Electric Company

Double-digit EPS growth in '16-17, reiterate Buy

Reiterate Rating: BUY | PO: 33.00 USD | Price: 30.32 USD

Bank of America Merrill Lynch

Equity | 18 November 2015

Updating EPS post SYF split-off and Alstom Power closure

We update our GE model following its 3Q15 results, as well as the Alstom acquisition closure and SYF split-off in November. We marginally trim our '15 EPS by 2c to $1.30 with 4Q15 EPS at $0.51 (down from $0.53) with some of the profit pulled forward into 3Q15 (2c/sh beat). We lower '16 EPS from $1.56 to $1.47 on lower forecast for Alstom Power accretion (5c/sh vs. old forecast of 8c/sh), 1c/sh lower contrib. from GE buyback due to higher stock price, another 3c/sh from more conservative Health Care margin given the miss in 3Q15, and 2c/sh from a more conservative assumption on legacy P&W margin (potential headwind from initial H-frame shipments and lower Distributed Power). The revisions are in line with lower EPS est. post 3Q for our entire coverage.

One of the highest growth Industrial names into '16-17

Based on our new estimates, GE's Industrial EPS is expected to be up 14% y/y in '16 and another 13% in '17 to $1.30/$1.48, respectively. This positions GE as one of the highest growth Industrial names in our coverage well ahead of the group's expected averages of 2% in '16E and 10% in '17E. While it appears like an aggressive number for a large-cap diversified industrial name (the only other US large-cap with mid-teen EPS growth in '16 is DHR), most of the potential upside is driven by Alstom accretion and share reduction from the GECC exit, and our underlying "core growth" is 5% in '16E and 2% in '17E. We estimate that Alstom will account for ~5% of the annual EPS growth over the next two years with stock buyback/SYF split-off adding 12% growth in '16E and 6% growth in '17E. (See details on p. 3). We maintain our PO of $33 as we roll our focus into '17 and still give the company credit for cash optionality from GE Capital and GE Industrial balance sheet.

Alstom call and 2015 outlook meeting the next catalysts

GE will host a call on the Alstom acquisition on Dec 3rd, followed by an annual outlook meeting on Dec 14th. In our view, management will outline more choppy end markets for Alstom vs. the initial plan (reflected in Alstom's YTD results for its "discontinued ops") but will likely reconfirm $3bn in cost synergies over the next five years with 15-20c/sh accretion target by '18 still intact (we model 17c/sh). We think its annual outlook will highlight solid organic growth in low-SD range and operating leverage from completed restructuring actions, with Industrial EPS growth outlook in the mid-teens (~$1.30-$1.40). We believe the recent upward stock move was driven by the technical on the SYF transaction, and that we could see near-term pressure on the stock as it consolidates. We remain buyers of GE on a 12-month basis.

Estimates (Dec)

(US$)	2013A	2014A	2015E	2016E	2017E
EPS	1.64	1.65	1.30	1.47	1.65
GAAP EPS	1.27	1.50	(0.88)	1.49	1.44
EPS Change (YoY)	8.6%	0.6%	-21.2%	13.1%	12.2%
Consensus EPS (Bloomberg)			1.31	1.52	1.81
DPS	0.79	0.89	0.92	0.92	0.96

Valuation (Dec)

	2013A	2014A	2015E	2016E	2017E
P/E	18.5x	18.4x	23.3x	20.6x	18.4x
GAAP P/E	23.9x	20.2x	NM	20.3x	21.1x
Dividend Yield	2.6%	2.9%	3.0%	3.0%	3.2%

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Stock Data

Price	30.32 USD
Price Objective	33.00 USD
Date Established	12-Apr-2015
Investment Opinion	B-1-7
52-Week Range	19.37 USD - 30.90 USD
Mrkt Val (mn) / Shares Out (mn)	306,323 USD / 10,103.0
Average Daily Value (mn)	3244.33 USD
BofAML Ticker / Exchange	GE / NYS
Bloomberg / Reuters	GE US / GE.N
ROE (2015E)	10.2%
Net Dbt to Eqty (Dec-2014A)	0.3%

Verizon Communications Inc.

Addressing the big issues on the road

Bank of America Merrill Lynch

Maintain Rating: BUY | PO: 55.00 USD | Price: 44.23 USD

Equity | 16 November 2015

Investors are focused on the big strategic questions

Bank of America Merrill Lynch was pleased to host Verizon's CFO Fran Shammo for investor meetings in Boston last week. Key topics included Verizon's wireless video strategy, wireline strategy, spectrum strategy, competition and leverage, among other topics. Among our key takeaways was that investors are far more interested in understanding the big picture fundamental changes unfolding in the sector than the quarter to quarter financials. Verizon, AT&T, Comcast and DISH, for example are facing substantial fundamental shifts (cord-cutting, OTT, rise of the millennial) from such wildly different starting points that it is clear not all of them can win. As the investing questions get larger and harder to definitively answer, the risks and rewards emerging across the connectivity space are growing larger.

Maintain Buy

Our Buy thesis on Verizon has two basic components. 1) Verizon has the best assets in the US telecom market. Verizon's wireline footprint is 70% addressable with fiber to the home which represents 79% of consumer revenue and is growing 7%. Verizon's wireless business owns 59% of the RootMetrics 2H15 awards. As video moves to broadband, and broadband consumption increasingly goes mobile, we think wireless is in a particularly good position to monetize data use. As data use rises, network stress will rise, requiring greater capacity which will require constant capital investment. In our view, Verizon is the most financially-sound, cash-generative, least levered telecom company and best-positioned to monetize how the video-broadband-wireless ecosystem is evolving today through time. 2) Verizon is historically attractively valued. Verizon is trading more than a standard deviation below its post-crash valuation relative to the market at a historically low 0.68x PE relative multiple and 11.2x in absolute terms. While 2016 EPS estimate would be negatively impacted by the optics of the Frontier asset sale and the accounting help in 2015 from installment payment plan accounting, on a normalized basis into 2017 we see VZ offering at least mid-single digit earnings growth plus a 4% yield.

Estimates (Dec)

(US$)	2013A	2014A	2015E	2016E	2017E
EPS	3.95	3.35	3.96	4.10	4.31
GAAP EPS	3.95	3.35	3.89	4.10	4.31
EPS Change (YoY)	76.3%	-15.2%	18.2%	3.5%	5.1%
Consensus EPS (Bloomberg)			3.97	3.97	4.04
DPS	2.09	2.16	2.23	2.28	2.33

Valuation (Dec)

	2013A	2014A	2015E	2016E	2017E
P/E	11.2x	13.2x	11.2x	10.8x	10.3x
GAAP P/E	11.2x	13.2x	11.4x	10.8x	10.3x
Dividend Yield	4.7%	4.9%	5.0%	5.2%	5.3%
EV / EBITDA*	7.8x	8.7x	8.2x	8.1x	7.9x
Free Cash Flow Yield*	12.1%	7.3%	8.3%	9.5%	10.5%

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Stock Data

Price	44.23 USD
Price Objective	55.00 USD
Date Established	26-Apr-2013
Investment Opinion	A-1-7
52-Week Range	38.06 USD - 51.48 USD
Mrkt Val (mn) / Shares Out (mn)	182,980 USD / 4,137.0
Average Daily Value (mn)	576.23 USD
BofAML Ticker / Exchange	VZ / NYS
Bloomberg / Reuters	VZ US / VZ.N
ROE (2015E)	130.9%
Net Dbt to Eqty (Dec-2014A)	NA

QUALCOMM

Deep dive into breakup valuation, Korea licensing, and QTL's long-term position

Reiterate Rating: BUY | PO: 75.00 USD | Price: 48.00 USD

Bank of America Merrill Lynch

Equity | 19 November 2015

Weakness presents opportunity ahead of catalysts

In this note, we examine three items: 1) the new allegations from Korea's FTC regarding device-based royalties, 2) the value of QTL and QCT separately for breakup analysis, and 3) the IoT/long-term opportunity for QCT and QTL. Based on our analysis, we believe the current weakness presents a particularly attractive buying opportunity for a few reasons. First, our conservative sum-of-the-parts (SOTP) analysis suggests a $65 valuation, or 35% potential upside from current levels, and we see further upside potential to $75 based on our PE analysis. Positives also include better royalty revenues/EPS versus the low expectations/negative sentiment, new deals in China that could increase the TRDS, continued cost cuts and upside to QCT margins, and strong traction for Qualcomm's SD820 chip, helping all revenue drivers.

Breakup valuation points to significant upside potential

We built a 10-year discounted earnings model, assuming the royalty rate declines from 3.1% to 2.2%. Our model yields a fair value for QTL of $35-39, and implies almost no value for QCT once we add back $10 net cash per share (net of 25% tax). Applying Intel's PE of 12x to QCT's $1.50 earnings power, we derive a conservative SOTP valuation of $65 – significant potential upside from the current share price. We believe the fair value is even higher and maintain our $75 PO, based on 14x CY17 P/E. We think that Qualcomm's value could be unlocked in 2016, either via the expected margin increase and trend stabilization, or through a breakup process, now being considered by the BoD.

Korea ruling – no material implications expected

We believe the Korean FTC allegations are not material to Qualcomm's financials, and would likely only affect the units sold in Korea. The Korean market only accounts for 19.8mn units, or 0.6% of the ~1.6bn global unit market (est. CY16). We also see limited potential for spillover effect: 1) similar claims in the past about device-level royalties, including China's recent investigation, eventually maintained the structure, 2) US and EU authorities are not currently investigating QTL directly and do not typically intervene in the contract terms between parties (rather, they tend to look at the merits for IP royalties), and 3) unlike in China, we believe Qualcomm has already signed long-term agreements with the Korean OEMs.

Estimates (Sep)

(US$)	2014A	2015A	2016E	2017E	2018E
EPS	5.27	4.66	4.32	5.16	5.41
GAAP EPS	4.65	3.10	3.95	4.72	4.94
EPS Change (YoY)	16.9%	-11.6%	-7.3%	19.4%	4.8%
Consensus EPS (Bloomberg)			4.20	4.91	NA
DPS	1.52	1.79	1.94	2.00	2.06

Valuation (Sep)

	2014A	2015A	2016E	2017E	2018E
P/E	9.1x	10.3x	11.1x	9.3x	8.9x
GAAP P/E	10.3x	15.5x	12.2x	10.2x	9.7x
Dividend Yield	3.2%	3.7%	4.0%	4.2%	4.3%
EV / EBITDA	6.4x	6.6x	7.3x	6.3x	6.1x
Free Cash Flow Yield	9.8%	5.7%	8.6%	10.2%	10.7%

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Stock Data

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Price Objective	75.00 USD
Date Established	5-Nov-2015
Investment Opinion	C-1-7
52-Week Range	47.52 USD - 75.72 USD
Mrkt Val (mn) / Shares Out (mn)	78,660 USD / 1,638.8
Average Daily Value (mn)	588.91 USD
BofAML Ticker / Exchange	QCOM / NAS
Bloomberg / Reuters	QCOM US / QCOM.OQ
ROE (2016E)	22.3%
Net Dbt to Eqty (Sep-2015A)	-66.8%

Salesforce.com

Favorite large cap growth idea; multi-year growth and margin expansion

Maintain Rating: BUY | PO: 90.00 USD | Price: 77.35 USD

Bank of America Merrill Lynch

Equity | 18 November 2015

Maintain Buy and $90 PO; 3Q results confirm our thesis

The stock is up 5% in the after-market on stronger than expected 3Q (October) results including a billings beat and FY17E revenue guide ahead of the Street. Q3 results confirmed our thesis of solid growth and margin expansion (Salesforce.com: Raise PO to $90; reit fav lg cap growth w/ large TAM supported by multi-year growth 17 November 2015http://research1.ml.com/C?q=LBz4zGbODrdsejPF5VMZ8A). (1) We estimate ~29% CC billings growth in Q3 adding back $49mn FX impact to revenue y/y and $41mn FX impact to deferred revenue (DR) y/y, a slight deceleration from our estimated 33% in Q1 but in-line with 29% in 2Q. The average of +30% YTD is solid in light of Street expectations for ~27%; (2) CFO on track to grow 24-25% for the year; (3) Operating margins (OM) continue to ramp nicely 220 bps versus our 90 bps, validating our preview where we made a case for OM in a bull case reaching 18-19% in 2-3 years; (4) Younger products pulling away: Platform cloud is now +$1bn run-rate and accelerating growth to ~40% y/y vs 36% in 1H. Service cloud continues to grow in the high 30s despite $1.9bn revenue run rate; (5) CRM quantified 2% impact to DR from invoice duration vs 1% in 2Q, a 2% tailwind to billings growth in 3Q.

Continued room for upside to estimates

Our FY17E estimates go from $7.9bn in revs to $8.048bn, EPS from $0.90 to $0.93. We continue to believe that our estimates have upward bias for the following reasons: (1) We don't think the new analytics product and vertical solutions are factored in aggressively for FY17 and could lead to more revs upside; (2) Our OM expansion of 100bps in FY17E could prove conservative as within the company's LT framework 20-30% revenue growth generates 100-300 bps margin expansion; (3) We assume 21% CFO growth in FY17E but ~25% growth is achievable.

Favorite large cap growth idea, $2 pf EPS potential F18/19

Our $90 PO is based on 6.2x CY17E EV/revenues, in-line with large cap SaaS despite revenues +21% CY17E vs +29% for the comps since 1) CRM has the largest TAM (above $50bn excl. verticals) and longest path to growth and by far largest scale; 2) potentially significant operating leverage ahead (+2000bps ahead); 3) its significantly higher liquidity (4-5x). Our PO is also supported by potential $2pf EPS at RHT-like PEG ratio of 2+ at 20% revenue growth rate.

Estimates (Jan)

(US$)	2014A	2015A	2016E	2017E	2018E
EPS	0.35	0.53	0.71	0.90	1.15
GAAP EPS	(0.32)	(0.34)	(0.01)	0.04	0.23
EPS Change (YoY)	-14.6%	51.4%	34.0%	26.8%	27.8%
Consensus EPS (Bloomberg)			0.73	0.95	NA
DPS	0	0	0	0	0

Valuation (Jan)

	2014A	2015A	2016E	2017E	2018E
P/E	221.0x	145.9x	108.9x	85.9x	67.3x
GAAP P/E	NM	NM	NM	1,933.8x	336.3x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA	62.2x	44.6x	34.8x	29.4x	23.9x
Free Cash Flow Yield	1.3%	2.0%	2.2%	2.8%	3.2%

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Stock Data

Price	77.35 USD
Price Objective	90.00 USD
Date Established	17-Nov-2015
Investment Opinion	C-1-9
52-Week Range	53.44 USD - 79.82 USD
Mrkt Val (mn) / Shares Out (mn)	44,854 USD / 579.9
Average Daily Value (mn)	246.08 USD
BofAML Ticker / Exchange	CRM / NYS
Bloomberg / Reuters	CRM US / CRM.N
ROE (2016E)	10.8%
Net Dbt to Eqty (Jan-2015A)	9.4%

BioMarin

Don't move a muscle! Drisapersen FDA panel coming up next

Maintain Rating: BUY | PO: 165.00 USD | Price: 107.70 USD

Bank of America Merrill Lynch

Equity | 19 November 2015

We see upside of 25%-30% on positive panel vote

Drisapersen, an exon 51 skipping therapy of Duchenne Muscular Dystrophy, is under review with potential FDA approval on December 27. An FDA advisory panel has been scheduled for November 24. We view this as a significant catalyst and anticipate a positive recommendation, which we believe could send BMRN shares up 25%-30%. On the other hand, we estimate 20% downside if the vote is negative. We believe drisapersen merits FDA approval given the high unmet need, expansive dataset of >300 patients, and efficacy demonstrated in patients ≤7 years of age or have baseline 6MWT ≥350 meters who are still early enough in the disease course to benefit from treatment. We estimate 2016 sales of $342M and peak sales of $1.3B.

Key topics of discussion we expect at upcoming panel

1. **Phase 3 failure:** The Phase 3 study of 186 patients did not meet the primary endpoint (6MWT difference vs. placebo of 10m, p=0.42) though subset analysis (younger, higher baseline 6MWD patients) showed improved results. The failure could be attributed to older and more advanced patients, shorter treatment duration and variability across sites. BMRN will present additional analyses adjusting for baseline imbalances that show 60% increase in benefit.
2. **Comparison to natural history data.** BMRN has a large natural history study underway and interim results showed a more rapid progression with older, less ambulant patients, consistent with prior studies.
3. **Dystrophin production**. BMRN may present additional data on dystrophin production besides publications from Phase 1/2a clinical trials.
4. **Safety**. We expect the safety discussion to surround the reported cases of proteinuria and thrombocytopenia. We believe the physicians/patients will be more accepting of AEs if treatment benefit is demonstrated.
5. **Post-approval studies**. The panel will likely discuss what post-approval/ confirmatory studies will be required to build the safety and efficacy database.

Estimates (Dec)

(US$)	2013A	2014A	2015E	2016E	2017E
EPS	(0.29)	(0.17)	(0.76)	(0.39)	0.80
GAAP EPS	(1.28)	(0.90)	(0.60)	(1.98)	(0.79)
EPS Change (YoY)	NA	41.4%	-347.1%	48.7%	NM
Consensus EPS (Bloomberg)			(0.71)	(0.86)	0.69
DPS	0	0	0	0	0

Valuation (Dec)

	2013A	2014A	2015E	2016E	2017E
P/E	NM	NM	NM	NM	134.6x
GAAP P/E	NM	NM	NM	NM	NM
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA	NM	NM	NM	NM	NM
Free Cash Flow Yield	-0.7%	-1.1%	-1.0%	-1.6%	-1.4%

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Stock Data

Price	107.70 USD
Price Objective	165.00 USD
Date Established	3-Aug-2015
Investment Opinion	C-1-9
52-Week Range	82.81 USD - 151.75 USD
Mrkt Val (mn) / Shares Out (mn)	17,250 USD / 160.2
Average Daily Value (mn)	155.87 USD
BofAML Ticker / Exchange	BMRN / NAS
Bloomberg / Reuters	BMRN US / BMRN.OQ
ROE (2015E)	-6.1%
Net Dbt to Eqty (Dec-2014A)	-11.7%

Allegion

Premium growth, stable business model, margin opportunity - initiate with a Buy

Initiating Coverage: BUY | PO: 75.00 USD | Price: 64.72 USD

Bank of America Merrill Lynch

Equity | 18 November 2015

Unique growth opportunity in weak macro - Initiate at Buy

We initiate on Allegion (ALLE) with a Buy rating and $75 PO. We view ALLE, a key player in the fragmented safety and security market, as a solid growth story following spin-off from Ingersoll-Rand in '13. The company's efforts to reposition the portfolio strategically to align with core safety and security businesses and improve internal operations create upside to earnings and valuation. ALLE should deliver above average organic top-line and EPS growth through '17 vs our multi-industry coverage.

Solid market fundamentals support growth story

We believe that we are at the end of a multi-year global capex investment cycle and see signs of broader industrial slowdown. ALLE fits our framework of preference for quality, low volatility names, and is a unique opportunity in our sector to own growth. The company's significant exposure to US construction (roughly 65% of sales) is one of the few bright spots remaining in the weakening industrial environment. We remain upbeat on US construction markets (particularly institutional non-res) into '16, and see growing demand from a shift toward technology and electronic locks. We think ALLE is well positioned to benefit from these trends given its premium brand positioning in the highly fragmented safety and security market.

Stable performance and runway for margin improvement

We think there is significant runway for margin improvement given ALLE's efforts to streamline operations to better align with its served markets and improve internal efficiency. With ~60% of revenues generated from replacement and service, we highlight the lower volatility of ALLE's business model and consistently healthy EBITDA margins through the cycle.

$75 PO, above average margins & returns vs peers

We set our PO at $75, based on applying a 20x P/E multiple to our '17 estimates. This implies a 13.5x EV/EBITDA multiple. $75 puts ALLE in-line with Assa Abloy, the company's closest direct comparable, which we think is fair given runway for ALLE to improve cost structure and execution. 20x P/E is in-line with '16 multiples for other higher quality non-resi exposed industrial and security solutions names.

Estimates (Dec)

(US$)	2013A	2014A	2015E	2016E	2017E
EPS	2.18	2.48	2.87	3.38	3.79
GAAP EPS	0.37	1.91	1.57	3.38	3.79
EPS Change (YoY)	-9.9%	13.8%	15.7%	17.8%	12.1%
Consensus EPS (Bloomberg)			2.89	3.40	3.82
DPS	0	0.32	0.40	0.44	0.48

Valuation (Dec)

	2013A	2014A	2015E	2016E	2017E
P/E	29.7x	26.1x	22.6x	19.1x	17.1x
GAAP P/E	174.9x	33.9x	41.2x	19.1x	17.1x
Dividend Yield	0%	0.5%	0.6%	0.7%	0.7%
EV / EBITDA	18.8x	17.7x	16.6x	14.4x	13.3x
Free Cash Flow Yield	3.4%	3.3%	3.4%	5.6%	6.2%

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Stock Data

Price	64.72 USD
Price Objective	75.00 USD
Date Established	18-Nov-2015
Investment Opinion	A-1-7
52-Week Range	52.11 USD - 67.50 USD
Mrkt Val (mn) / Shares Out (mn)	6,207 USD / 95.9
Average Daily Value (mn)	52.98 USD
BofAML Ticker / Exchange	ALLE / NYS
Bloomberg / Reuters	ALLE US / ALLE.N
ROE (2015E)	361.3%
Net Dbt to Eqty (Dec-2014A)	NA

Fitbit

Upgrading to Buy; Platform play beginning to pick up steam

Bank of America Merrill Lynch

Rating Change: BUY | PO: 36.00 USD | Price: 28.76 USD

Equity | 17 November 2015

Upgrading to Buy on improving 2016 confidence

We are upgrading FIT to Buy based on: 1) conservative 4Q estimate given implied growth deceleration despite a partial and late 4Q14 product launch; 2) improved confidence in '16 as int'l sales ramp and corporate wellness programs build into the platform play; and 3) underwhelming competitive products for the holiday season. Like all consumer device companies, competitive risk remains but given the corporate buying and the limited competitive offerings near-term, we see this risk shifted into '17. We are raising our FY16 revenue/EPS estimate to $2.4bn/$1.19 from $2.3bn/$1.05 on a solid 3Q beat, though we lower our PO due to peer multiple compression (closet comp, GoPro is down 65% since Aug.) to $36 based on 30x FY2016 adjusted EPS estimate, a 2x premium to peers at 15x, but justified in our view given FIT's growth (33% vs group at 8% in FY16) and competitive position.

4Q guide conservative given product timing

4Q guide of $638mn at midpoint vs. (vs. our 4Q estimate of $658mn) look conservative on the implied growth deceleration in unit sales (118% in 3Q vs. our 40% estimate in 4Q). 4Q14 only had the Charge launch in Dec. and this holiday season will have Charge, Charge HR, and Surge to drive sales (79% of sales in 3Q15). Additionally, International advertising has expanded into more countries (28 in 3Q15) which should help lift 4Q15 int'l sales.

Health and wellness building platform play

Our prior Neutral rating was based on the Street valuing Fitbit as a platform play despite limited evidence that its platform advantage was sustainable. Now, however, we see the continued signup of large corporations onto the health and wellness platform (more than 20 companies signed on including Target, Barclays, and Aon Services) shows that the Fitbit platform play is beginning to build with new dashboard features. This should help drive FY16 revenue beats driven from increased device sales (likely 600K-700K+ units in FY16 or 8-10% of our annual est.) while the additional dashboard data should help Fitbit build a stronger consumer social vehicle for maintaining Fitbit user engagement long term.

New competitive products underwhelming

Several companies have released new or updated fitness trackers ahead of the holiday season including Microsoft Band 2, UP4 and Sony Smartband 2. Many of these products have minor improvements to last year's models with no "must have" features to draw consumers away from FIT, likely removing risk into '16. 1Q16 could be a difficult comp Q as it is the first full product comp Q but we expect FIT to launch new products in FY16 with new features/technology (R&D staff has tripled since 3Q14) reaccelerating growth.

Estimates (Dec)

(US$)	2013	2014A	2015E	2016E	2017E
EPS	NA	0.56	0.98	1.19	1.68
GAAP EPS	NA	2.15	0.98	0.99	1.46
EPS Change (YoY)	NA	NA	75.0%	21.4%	41.2%
Consensus EPS (Bloomberg)			0.95	1.12	1.45
DPS	NA	0	0	0	0

Valuation (Dec)

	2013	2014A	2015E	2016E	2017E
P/E	NA	51.4x	29.3x	24.2x	17.1x
GAAP P/E	NA	13.4x	29.3x	29.1x	19.7x
Dividend Yield	NA	0%	0%	0%	0%
EV / EBITDA	NA	6.1x	3.3x	2.5x	1.7x
Free Cash Flow Yield	NA	-0.5%	10.9%	15.3%	17.2%

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Stock Data

Price	28.76 USD
Price Objective	36.00 USD
Date Established	17-Nov-2015
Investment Opinion	C-1-9
52-Week Range	26.80 USD - 51.90 USD
Mrkt Val (mn) / Shares Out (mn)	1,699 USD / 59.1
Average Daily Value (mn)	136.73 USD
BofAML Ticker / Exchange	FIT / NYS
Bloomberg / Reuters	FIT US / FIT.N
ROE (2015E)	57.6%
Net Dbt to Eqty (Dec-2014A)	-44.1%

Table 1: Footnotes

Ticker	Company Name	Footnotes complete
AMG	Affiliated Mgrs.	Bbgijopsvw
AB	AllianceBernstein	Bbijopsvw
APO	Apollo	Bbijopsvw
ARES	Ares Management	Bbgijopsv
ASB	Associated Banc	Bbijopsv
BANC	Banc of California	Bbgijpsv
BOH	Bank of Hawaii	Bbijopsv
BBT	BB&T	Bbgijopsvw
BLK	BlackRock, Inc.	BCbgijopsvw
CBF	Capital Bank Fin.	Bbijopsv
DFS	Discover Finl	Bbijopsv
EWBC	East-West	Bbjop
EV	Eaton Vance	Bbijopsvw
EVER	EverBank Financial	Bbgijopsv
FII	Federated Inv.	Bbjopw
FRC	First Republic	Bbgijopsv
GS	Goldman Sachs	Bbgijopsvw
HBAN	Huntington	Bbijopsv
IBKC	IBERIABANK	Bbgijosv
IVZ	Invesco	Bbijopsv
JPM	JP Morgan Chase	BObgijopsvw
KKR	KKR	Bbijopsvw
MS	Morgan Stanley	BObijopsv
NYCB	New York Community	Bbgijopsv
OAK	Oaktree	Bbow
SBNY	Signature Bank	Bbjo
STT	State Street	BCbgijopsv
STI	SunTrust	Bbijopv
SNV	Synovus	Bbijops
AMTD	TD Ameritrade	Bbgijopsv
TCBI	Texas Capital	Bbijov
BX	Blackstone	Bbijopsvw
CG	Carlyle	Bbijopsvw
USB	U.S. Bancorp	Bbijopv
WFC	Wells Fargo	BObgijopsvw
BABA	Alibaba	Bb
GOOGL	Alphabet A	Bb
GOOG	Alphabet C	Bb
AMZN	Amazon.com	Bbgijopsv
EBAY	eBay	Bbijopsv
FB	Facebook	Bbijopsv
PYPL	PayPal	Bbijopsv
TWTR	Twitter	Bbijopsvw
W	Wayfair	Bbijops
GE	General Electric	Bbijopsvw
VZ	Verizon Comm	Bbgijopsvw
QCOM	QUALCOMM	Bbgijopsvw
CRM	Salesforce.com	Bbijopsvw
BMRN	BioMarin	Bbgijopsv
ALLE	Allegion	Bbgijopsv
FIT	Fitbit	Bbgijopsvw

Source: BofA Merrill Lynch Global Research

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S - Class B shares are limited voting
T - Class B shares are nonvoting
U - Class B shares are restricted voting
V - Class B shares are subordinate voting
W - Class S shares are subordinate voting
X - Common shares are subordinate voting
Y - Common shares are limited voting

Table 2: Stocks mentioned

BofAML Ticker	Bloomberg ticker	Company name	Price	Rating
AMG	AMG US	Affiliated Mgrs.	176.71	C-1-9
BABA	BABA US	Alibaba	77.87	C-1-9
ALLE	ALLE US	Allegion	66.68	A-1-7
AB	AB US	AllianceBernstein	25.54	B-2-7
GOOGL	GOOGL US	Alphabet A	759.94	B-1-9
GOOG	GOOG US	Alphabet C	738.41	B-1-9
AMZN	AMZN US	Amazon.com	661.27	B-1-9
APO	APO US	Apollo	17	C-1-7
ARES	ARES US	Ares Management	13.81	C-2-7
ASB	ASB US	Associated Banc	20.49	B-3-7
BANC	BANC US	Banc of California	14.63	C-2-7
BOH	BOH US	Bank of Hawaii	67.39	A-3-7
BBT	BBT US	BB&T	38.54	B-1-7
BMRN	BMRN US	BioMarin	99.8	C-1-9
BLK	BLK US	BlackRock, Inc.	359.09	B-1-7
CBF	CBF US	Capital Bank Fin.	33.76	C-1-9
DFS	DFS US	Discover Finl	57.65	C-1-7
EWBC	EWBC US	East-West	42.21	B-1-7
EV	EV US	Eaton Vance	37.88	B-3-7
EBAY	EBAY US	eBay	28.77	B-1-9
EVER	EVER US	EverBank Financial	16.76	C-3-7
FB	FB US	Facebook	106.26	C-1-9
FII	FII US	Federated Inv.	31.56	B-3-7
FRC	FRC US	First Republic	66.94	C-1-7
FIT	FIT US	Fitbit	29.01	C-1-9
GE	GE US	General Electric	30.27	B-1-7
GS	GS US	Goldman Sachs	193.03	B-1-7
HBAN	HBAN US	Huntington	11.73	C-1-7
IBKC	IBKC US	IBERIABANK	62.57	B-1-7
IVZ	IVZ US	Invesco	33.19	C-1-7
JPM	JPM US	JP Morgan Chase	67.66	B-1-7
KKR	KKR US	KKR	17.54	C-1-7
MS	MS US	Morgan Stanley	34.17	B-1-7
NYCB	NYCB US	New York Community	15.96	C-2-8
OAK	OAK US	Oaktree	49.35	C-1-7
PYPL	PYPL US	PayPal	36.19	C-2-9
QCOM	QCOM US	QUALCOMM	48.39	C-1-7
CRM	CRM US	Salesforce.com	80.64	C-1-9
SBNY	SBNY US	Signature Bank	155.6	B-1-9

Table 2: Stocks mentioned

BofAML Ticker	Bloomberg ticker	Company name	Price	Rating
STT	STT US	State Street	72.62	B-1-7
STI	STI US	SunTrust	43.6	B-2-7
SNV	SNV US	Synovus	32.88	C-1-7
AMTD	AMTD US	TD Ameritrade	36.58	B-2-7
TCBI	TCBI US	Texas Capital	58.54	C-1-9
BX	BX US	Blackstone	31.44	C-1-7
CG	CG US	Carlyle	17.33	C-1-7
TWTR	TWTR US	Twitter	26.32	C-2-9
USB	USB US	U.S. Bancorp	44.15	B-2-7
VZ	VZ US	Verizon Comm	45.76	A-1-7
W	W US	Wayfair	35.51	C-1-9
WFC	WFC US	Wells Fargo	55.97	B-1-7

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Affiliated Mgrs. (AMG)

Our $210 price objective is based on a target P/E of 15x our 2016E, a premium to peers to reflect strong relative organic growth and potential upside from acquisitions. This is partly offset by use of economic earnings instead of GAAP and a more leveraged balance sheet. Risks to our PO are market depreciation, lower performance fees, greater leverage, and difficulty completing acquisitions in volatile markets. Upside risks are equity appreciation, continued strong net inflows, and further acquisitions.

Alibaba (BABA)

We use a multi-year DCF to capture the impact from the long-term growth profile of the eCommerce business, capex, and investments of the company. Our PO is US$103, including US$84 from our DCF valuation of the Alibaba operations (9% WACC, mid-term FCF FY17-25E CAGR of 17%, 4% terminal growth), US$8 from its investments based on the reported value on the balance sheet, US$11 from Ali's value of Ant Financials, which we value at US$79b based on discounted FY18E PE comparison with global payment peers.

Downside risks to our PO are: 1) value-destructive acquisitions and investments, 2) expenses from geographical expansion, 3) regulation such as enforcement and policies such as VAT, 4) competition on user traffic, 5) increasing service demand from customers, such as delivery and returns, 6) industry competition in O2O or video to result in coupon wars or large marketing or content costs, 7) industry deceleration off a large base, 8) regulation on product quality/ origin, 9) dilution from more capital raising or equity incentive. Upside risk to our PO: 1) a higher than expected valuation of Ant Financials in the VC market, 2) mobile monetization catching up faster-than-expected, 3) revenue contribution from cloud computing ramps up faster-than-expected

Allegion (ALLE)

Our PO of $75 is based on applying a 20x P/E to our '17 EPS forecast of $3.79. $75 would translate into a 13.5x EV/EBITDA on '17 estimates. We focus on Assa Abloy (ASAZF) as a more direct comparable to ALLE. Based on our '17 estimates, $75 would put ALLE in-line with ASAZF on a P/E basis and EV/EBITDA basis, which we think is fair given runway for ALLE to improve cost structure and execution post spin-off from Ingersoll-Rand. 20x P/E is at a premium to other non-resi exposed industrial and security solutions names, which we think is fair given above average EBITDA margins consistently through the cycle and lower volatility of ALLE's business model with a sizable portion of revenues being replacement/service.

Risks are: 1) The cost takeout and restructuring plan may prove too ambitious, 2) Acquisition integration may be a risk to execution, 3) Emerging market slowdown

could impact the company's growth, reliant on increased security demand from urbanization

AllianceBernstein (AB)

Our $29 price objective is based on 14.5x target P/E on our 2016E, a discount vs our target for asset managers as a group, based on improving but inconsistent flows and limited active equity exposure as well as the MLP structure which means less liquidity, though a high distribution. Upside/downside risks to our price objective are market depreciation / appreciation, similar to other asset managers, underperformance, and an unpredictable yield since it is based on earnings rather than fixed. Because Alliance is an MLP, total potential return includes a variable distribution based on earnings.

Alphabet (GOOGL / GOOG)

Our price objective is $850/$850, representing 23x 2016E EPS of $34.00, plus $88/share in cash. Google has traded at 12-21x forward P/E over the last five years and we think a higher multiple is warranted given shareholder friendly actions that include the non-core revenue and operating loss disclosures, and stock buybacks.
Risks to our PO are: 1) Search revenue growth decelerates faster than anticipated due to market maturity, 2) mobile transition drives negative search behavior changes, 3) revenue growth pressure from competitor initiatives, 4) margins disappoint due to revenue mix and investment initiatives, and 5) negative regulatory changes, including EU antitrust. The stock has been subject to heavy volatility in the past based on revenue growth and margin trends and this volatility could increase if economic conditions deteriorate.

Amazon.com (AMZN)

Our price objective for Amazon is $740 based on on our sum of the parts analysis that values the AWS business at $202 per share based on 8.0x 2016 AWS revenue of $12.3bn and the retail business at $538 per share based on 1.20x our 2016 gross merchandise value (GMV) estimate of $218bn. Our 8.0x AWS multiple is a modest premium to the SaaS comp group, and 1.20x multiple is a modest premium to a retail comp group. We think the premiums are warranted given accelerating trends and 30% y/y gross profit growth through 2016E.

Our $740 price objective implies 2.6x 2016E sales, a multiple above the high end of Amazon's historical range of 0.8-2.1x. We would argue the historical P/S multiple should be increasing given positive 3rd party sales (3P) that is reported on a net basis, a higher AWS revenue contribution, and record gross profit margins. Slower growth today vs Amazon's history for the retail business would be a fair pushback on using a higher P/S multiples.

Risks to our price objective are a consumer spending slowdown, rich P/E multiple, margin or growth pressure from the digitization of media, more aggressive offline competition, hardware strategy, AWS investments and/or price cuts, Prime Instant Video content costs, and decelerating growth. The stock has been subject to heavy volatility in the past, based on margin trends, and this volatility could increase due to economic uncertainty.

Apollo Global Management (APO)

Our price objective (PO) for Apollo is $22, which implies a target price-to-ENI (P/ENI or P/E) multiple of 13x our 2016 ENI estimate. Our price objective is the result of our sum-of-the-parts (SOTP) analysis. Our SOTP analysis is based on the following components: a target multiple on fee-related earnings (15x, in line with top-tier asset manager multiples, given healthy growth and sticky assets), book value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.5x MOIC). Based on this method, we value the fee-related earnings at $11/share, the balance sheet (principal investments and accrued carry) at $4/share, and

the discounted value of future carry income and investment income at $7/share, which equates to a total value of $22, in line with our price objective.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in carried interest and partnership tax laws, regulatory and political risk, poor performance, weak fundraising, expansion risk, key person and talent risk, competition, a unique corporate structure that limits shareholder control, a limited float, and share lock-ups that could weigh on the stock.

Ares Management (ARES)

Our price objective (PO) for Ares is $19, which is based on a target price-to-ENI (P/ENI or P/E) multiple of 10x our 2016 ENI estimate. Our price objective is based on our sum-of-the-parts (SOTP) analysis. Our SOTP analysis includes the following components: a target multiple on fee related earnings (14x - in line with top tier asset manager multiples given healthy growth and sticky assets), adjusted value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.2x MOIC). Based on this method, we value the fee related earnings at $14/unit, the balance sheet (principal investments and accrued carry) at $4/unit, and the discounted value of future carry income and investment income at $1/unit, which equates to a total value of $19.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in tax laws related to carried interest and partnerships, legal and political risk, increased regulation, credit market disruptions, poor performance, weak fundraising, expansion risk, key person and talent risk, competition, a unique corporate structure that limits unitholder control, and lock ups.

Associated Banc-Corp (ASB)

We use an equal weighted three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $17.50 price objective and assign a 1.3x multiple to 2015E TBV and a 13.0x P/E multiple on 2015E, in-line with smid-cap peers. Our DCF assumes a two-stage cost of capital of 10% and a terminal growth rate of 5%. An upside risk to our Underperform rating and price objective is a less onerous residential RE cycle. Downside risks are a double dip in housing prices and deteriorating rental income for commercial properties.

Banc of California (BANC)

To arrive at our $16 price objective, we have employed a three-factor valuation methodology that incorporates target P/E, target P/TBV and a DCF model. For our P/E analysis, we use a 12x earnings multiple on BANC's 2016E core earnings below peer multiples due to lagging EPS growth. For our P/TBV valuation, we apply a 1.3x tangible book multiple to BANCs 2016 tangible book below peer multiples due to lagging ROTE. For our DCF analysis, we forecast net income growth stabilizes at 3% in the terminal stage. We also assume a beta of 1.1x in the terminal stage.

Downside risks to our price objective are slower than expected loan growth, and a reduction in the common dividend.

Bank of Hawaii Corp. (BOH)

We use an equal weighted three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $60 PO and assign a 2.4x multiple to 2016E TBV, representing a premium to peers, which we believe is appropriate given a stronger profitability and capital profile. Our 15.5x multiple on 2016E EPS is equal to the the peer median given average EPS growth relative to peers. Our DCF assumes a two-stage cost of capital of 9.8% and a terminal growth rate of 3%.

Downside risks to our price objective are a longer-than-anticipated low rate environment and a reversal of local economic improvement. Upside risks are a stronger-

than-expected economic rebound, better-than-expected capital distribution and a shorter-than-anticipated low rate environment.

BB&T Corporation (BBT)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $42 PO and assign a 2.1x multiple to 2015E TBV and 14.5x multiple on 2015E EPS. We have weighted the P/E and P/TBV factors equally at 40%, and our DCF analysis by 20%.

Our EPS multiple is in-line with BBT's historical avg, which reflects very high-growth years in the 1990s, a pace unlikely to be achieved near term given BBT's size as well as the challenging macro backdrop and industry headwinds. Our DCF assumes a two-stage cost of capital of 9.7% and 10.9% and a terminal growth rate of 4%.

Risks to our price objective are macro risks such as a double dip recession, the implementation of a strict liquidity coverage ratio and further regulation on overdraft income that restricts bank profitability. Specific to BBT, risks are enhanced regulatory scrutiny and capital standards as a Domestic SIFI, the announcement of a large, expensive deal, and the risk that the NPBC transaction does not consummate.

BioMarin (BMRN)

Our $165 PO is based on a probability-adjusted NPV analysis that includes $68 for marketed products Aldurazyme, Naglazyme, Kuvan, Firdapse, and Vimizim, and $94 for pipeline candidates ($36 for drisapersen, $9 for BMN-190, $23 for Peg-Pal, $8 for BMN-701, $17 for BMN-111), as well as $3 in cash. We use a WACC of 9.0% and a 2.5% terminal growth rate. We assign varying probabilities of success for the different pipeline assets based on development stage and available clinical data to date.

Downside risks are: 1) disappointing Vimizim launch, 2) delays in product approvals, particularly drisapersen, 3) delays in pipeline development, 4) unexpected safety findings, and 5) greater than expected competition

BlackRock, Inc. (BLK)

Our $350 price objective is based on a target P/E multiple of 16x our 2016E, at a premium to our target for the sector, given a higher growth rate with its ETF exposure and diversification. Downside risks to our price objective include market/AUM declines and operational issues or tracking errors within ETFs which could stymie the growth of iShares. Regulatory risks are possible capital requirements for money market providers or BLK's designation as a SIFI.

Capital Bank Financial Corp. (CBF)

Our $38 PO is based on an equal-weighted, two-factor valuation methodology that assumes: 1) a growth multiple on stated 2016E TBV, and 2) levered return on tangible equity (ROTE) plus TBV adjustment. We assign a 1.9x multiple on 2016E stated TBV reflective of our growth premium to estimated implied 2016 unlevered returns (ROTE).

Unlike the other regional banks we have under coverage, we did not take into account P/E valuation. While we believe significant upside potential exists in the successful execution of its growth strategies, we do not assume fully levered earnings for CBF (or other banks in our coverage) given the lack of certainty and visibility surrounding the related earnings impact. Downside risks to our PO are an inability to deploy excess capital and create value through acquisitions.

Discover Financial Services (DFS)

Our $70 price objective is based on an approximate 12x P/E multiple to our 2016E EPS estimate, which we think will be supported by positive credit trends, earnings growth and capital management. The applied P/E multiple is in-line with the historical average for DFS, reflecting a normalized valuation framework as investors look beyond the

cyclical downturn. We expect future EPS growth for DFS to be driven by low credit losses, improving consumer spending and modest balance sheet growth.

Downside risks to our price objective are: if the economy falls into a double-dip, credit costs could rise rapidly and compress margins more than our current forecast. Deteriorating economic conditions will likely hurt sentiment and drive DFS' valuation lower. On the other hand, if the US consumers recover faster than expected, DFS could beat our EPS estimates with more reserve release and asset growth. Its valuation should also expand on improving risk appetite.

East West Bancorp, Incorporated (EWBC)

Our three-pronged valuation methodology (target P/E, target P/TBV, and DCF analysis) drives our price objective of $45. We assume a target P/E of 18.0x and a target P/TBV of 2.3x given our forecast above peer EPS growth. Upside risks to our PO are a quick economic recovery (led by stabilization or appreciation in CA housing values) and a change-in-control premium. Downside risk to our PO is an even deeper economic slowdown driving corporate losses higher than we currently anticipate.

Eaton Vance (EV)

Our $37 price objective is based on a target PE of 14x calendar 2016E, at a discount to our asset-manager group target multiple, given recent outflows from high fee products, offset by distinct products in areas such as floating rate and overlay. Downside risks to our price objective are market depreciation and investment under-performance, as for all asset managers, and (should the economy slow) concentration in some credit areas, such as bank loan funds, high yield and longer-duration munis. Upside risks are improving performance, flows, or future traction from EV's ETF licensing initiative.

eBay (EBAY)

Our $33 is based on our sum of the parts (SOP) that values eBay at $31.50 based on16x 2016 EPS estimate plus the asset value of eBay Enterprise at $925mn or approx. $0.80 per share and eBay's MELI ownership at approx. $770mn or $0.60 per share. Our 16x P/E multiple is at the lower end of retail comps that trade at 15-20x. A risk to our 16x P/E Marketplace target multiple is that eBay is now growing at a rate below many retailers despite eCommerce industry growth that is well above the retail average.

Risks to our price objective are: 1) competition from Amazon and other new Marketplaces like Jet.com in the U.S., competition from Amazon, Alibaba and local incumbents in International markets and competition from multi-channel retailers that are aggressively investing in the online channel, 2) lingering impact from the Google algorithm change and vulnerability to future Google algorithm changes, 3) decelerating Marketplace and user growth, resulting in eCommerce market share losses, 4) currency risk including FX volatility impact on cross border trade, and 5) muted share repurchase activity vs. Street expectations. The stock has been subject to heavy volatility in the past based on GMV growth and market share trends and this volatility could increase due to economic uncertainty.

EverBank Financial Corp. (EVER)

We use an equal weighted three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $19 price objective. We assign a 1.3x multiple to 2016E TBV, in-line with other mortgage companies' multiples. We assign an 13x multiple on 2016E EPS, a discount to other smid-cap peers, based on our view that there is greater earnings risk associated with the volatility in EVER's businesses. Our DCF assumes a two-stage cost of capital of 12.1% and 10.5% and a terminal growth rate of 2%.

Downside risks to our PO are greater earnings volatility and the inability to grow loans as projected and provisioning at higher levels.

Facebook (FB)

Our $125 price objective is based on 40x our 2016E EPS, plus cash, a multiple equal to 1.2x growth, vs the social and online media peers at 1.3x. Our PO would represent 31x 2016 EPS adjusted for $15 in estimated asset value (cash, WhatsApp, Messenger, Oculus.

Risks are: 1) high valuation that discounts strong growth, 2) changes in user engagement impacts optimism on revenue opportunities and compresses the stock multiple, 3) privacy issues or push back on Facebook's policy changes impact revenue generation, 4) risks to executing Messenger, WhatsApp, and Oculus and is unproven as usage could fail with advertising or subscription pricing, 5) potential for higher investment to negatively impact margins, and 6) a macroeconomic impact on advertising pricing.

Federated Inv. (FII)

Our $31 price objective is based on a target PE of 15.5x 16E, in line with the sector given future MMF fee waiver upside and decent equity trends, partially offset by money market / regulatory exposure and mixed bond trends. Downside risks to our price objective are regulatory actions which could impact the cost of operating money market funds and their appeal as investment products, as well as continued fee waivers on money market funds. Upside risks are rising interest rates which would lower the need for fee waivers, and sustained outperformance by equity funds since they are higher fee.

First Republic Bank (FRC)

To arrive at our $75 price objective, we have employed a three-factor valuation methodology that incorporates target P/E, target P/TBV and an M&A multiple. For our P/E analysis, we use an 18.5x earnings multiple on FRC's 2016E core earnings and 7x the benefit of its accretable yield, in line with other smid cap peers. For our P/TBV valuation, we apply a 2.0x tangible book multiple to FRCs 2016 tangible book, in line with other high growth peers, excluding any benefit from accretable yield. We then add the present value of FRC's accretable yield. We lastly apply a deal multiple based on the recent M&A announcements to 2016E TBV.

Downside risks to our price objective are a flattening yield curve that would hurt earnings, increased competition that would slow loan growth and a higher level of provisioning.

Fitbit (FIT)

Our $36 price objective is based on 30x our 2016E P/E which is a big premium to the device manufacture peer group of 15x, but we believe is justified given Fitbit's significantly higher than peer group projected revenue growth, strong profit margins, and platform potential.

Potential upside drivers are: 1) international product launches and expansion, 2) higher than expected ASPs, 3) new product launches domestically, 4) slower than expected OpEx ramp, 5) software monetization, and 6) corporate wellness program growth.

Downside risks to our PO are: 1) integration risk from smartwatches and other wearables cannibalizing fitness tracker market, 2) fad risk as fitness trackers could be simple fitness fad with consumers, 3) competitive risk from competitors out innovating, and 4) execution risk on channel build and inventory management.

General Electric Company (GE)

Our PO of $33 is based on 18x P/E to the company's '17 Industrial EPS, which is at the higher end of the comparable range as we think the Street will reward the stock for premium growth in the Industrial space. We also add $6/sh of cash optionality by the end of '17 which is not yet in our Industrial EPS estimates.

We think an ongoing earnings shift from GE Capital to Industrial and a focus on Industrial execution turnaround will likely support multiple expansion into'16.

Risks to our PO are: 1) Timing of GECC exit and SIFI de-designation 2) Tax regulations, 3) O&G headwinds.

Goldman Sachs (GS)

We value the brokers based on the relationship between ROE (return on equity) and PB (price to book), which has a high historical correlation. Our $215 PO is based on a target PB multiple of 1.2x our forward book value estimate, which is in line with our forecasted 2016E ROE of roughly 11%.

Risks to the downside are a weaker economy/capital markets, increased macro issues, tougher regulation, and litigation, while risks to the upside are a stronger economy, moderating macro risks, market share gains, and less onerous regulatory and legal issues.

Huntington Bancshares Inc. (HBAN)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our PO of $13 and assign a 1.8x multiple to 2016E TBV and a 14x multiple on 2016E EPS versus peer multiples of 1.2x and 10.0x, respectively, and below historical multiples. This is due to more stringent capital standards and the negative fee income impact of pending regulatory reform. Our DCF analysis uses a cost of equity of 15.7% in the first stage and 11% in the second stage, and a terminal growth rate of 3%.

Risks to our price objective are an inability to offset regulatory fee income headwinds and a dip in housing prices. Other risks are an inability to return capital to shareholders in a timely fashion or overpaying for an acquisition target.

IBERIABANK Corp (IBKC)

We use a three-factor valuation framework (P/TBV, P/E, DCF) to arrive at our $70 price objective and assign a 1.6x multiple to our YE15E TBV, in line with multiples of other high growth peers. We place a 15x multiple on our 2015E EPS, in line with IBKC's historical pre-crisis P/E multiple. Our DCF assumes a two-stage cost of capital of 10% and a terminal growth rate of 3%.
Downside risks to our price objective are regulatory issues, deteriorating credit quality, and if M&A synergies do not materialize. Upside risks include sooner than expected rate hike or better than expected improvement in the US economy.

Invesco (IVZ)

Our $38 price objective is based on a target P/E multiple of 14.5x our 2016E, above our target for the group based on a strong relative organic growth outlook. Risks to our price objective are market depreciation and investment underperformance, as for all asset managers, along with volatile flows in IVZ's passive strategies, non-US currency and market risk.

JPMorgan Chase & Co. (JPM)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $73 PO, assigning a 1.4x multiple to 2016E TBV and 11x multiple on 2016E EPS. We have weighted the P/E and P/TBV factors equally at 40%, and our DCF analysis by 20%.

Near term, we view JPM's current market P/E multiple as overly discounted, but expect money center banks will likely continue to trade at a discount to the regionals. Our 11x multiple is a 2x discount to our median multiple as we believe in the near future, money centers will continue to trade at a discount to regional peers. Our DCF assumes a two-stage cost of capital of 10% and a terminal growth rate of 4%.

Risks to our price objective are macro risks such as a longer than expected low interest rate environment and further regulation and scrutiny of the financials industry. Specific to JPM, risks are enhanced regulatory and capital standards as a Global SIFI, mortgage putback risk, material decline in investment banking/trading profitability, and increased litigation on matters such as private label securitization, foreclosures, etc.

KKR & Co. (KKR)

Our price objective (PO) for KKR is $23, which results in a target price-to-ENI (P/ENI or P/E) multiple of 12x our 2016 ENI estimate. Our price objective is the result of our sum-of-the-parts (SOTP) analysis. Our SOTP analysis is based on the following components: a target multiple on fee related earnings (14x - in line with top tier asset manager multiples given healthy growth and sticky assets), adjusted value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.4x MOIC). Based on this method, we value the fee related earnings at $7/unit, the balance sheet (principal investments and accrued carry) at $12/unit, and the discounted value of future carry income and investment income at $4/unit, which equates to a total value of $23, in line with our price objective.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in tax laws related to carried interest and partnerships, regulatory and political risk, poor performance, weak fundraising, principal investment and balance sheet risk, expansion risk, key person and talent risk, competition, a unique corporate structure that limits shareholder control, and share lock-ups that could weigh on the stock.

Morgan Stanley (MS)

We value the brokers based on the relationship between ROE (return on equity) and PB (price to book), which has a high historical correlation. Our $39 PO is based on a target PB multiple of approximately 1.1x our forward book value estimate, which is in line with our improving ROE estimate.

Risks are a weak economy, low rates for longer, a significant reduction in capital markets activity, weak returns, another shock to the financial system, ongoing competition and talent risk, tighter regulation, significantly higher capital requirements, and ongoing litigation risks.

New York Community Bancorp (NYCB)

Our price objective is $17 and we use a three factor valuation model equally weighing valuations using P/E, P/TBV and DCF models. To arrive at our P/E valuation of $17, we assign a 14x multiple to our blended '16/'17e EPS or inline with the median of other CCAR banks with $50-100bn in assets.To arrive at our $16 P/TBV valuation we applied a 2x multiple to our 2016e TBV of $8.2, a premium to NY/Thrift and smid cap peers given NYCB's superior return profile. We arrive at our $18 DCF valuation using we assume a 2% terminal growth rate and a WACC of 8%.

Upside risks to our price objective are: 1) Change in SIFI threshold could drive a relief rally 2) Lower for longer rate backdrop 3) A period of heightened market volatility

Downside risks to our price objective are: 1) worse than expected impact on ROTE from increased capital standards from obtaining the SIFI designation 2) higher than expected impact from increasing rates on funding cost

Oaktree Capital Group (OAK)

Our price objective (PO) for Oaktree is $59, which is a target price-to-ANI (P/ANI or P/E) multiple of 20x our 2016 ANI estimate and 15x our 2016 ENI estimate. Our price objective is the result of our sum-of-the-parts (SOTP) analysis. Our SOTP analysis is based on the following components: a target multiple on fee related earnings (18x - in line with top tier asset manager multiples given healthy growth and sticky assets), book

value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.4x MOIC). Based on this method, we value the fee related earnings at $30/unit, the balance sheet (principal investments and accrued incentives) at $18/unit, and the discounted value of future carry income and investment income at $11/unit, which equates to a total value of $59, in line with our price objective.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in tax laws related to carried interest and partnerships, regulatory, legal and political risk, rising rates and fixed income underperforming equities, poor performance, weak fundraising, expansion risk, key person and talent risk, competition, a unique corporate structure that limits unitholder control, and share/unit lock-ups that could weigh on the stock.

PayPal (PYPL)

Our $39 price objective is based on 14x our 2016E EV/EBITDA and implies 26x 2016E P/E, which compares to a broad payment comp group that trades at 12x 2016E EV/EBITDA and 19 P/E. We expect higher revenue growth for PayPal in 2016 at 16% y/y vs. the comp group at 11% y/y. Our 14x EV/EBITDA is a discount to Visa and Mastercard at 17x and 16x respectively.

Risks to our price objective are an increasingly competitive global payments landscape, Apple and Google have a better competitive position on mobile given control of Android and iOS platforms, decelerating account growth, eBay revenue concentration, take rate compression driven by Braintree and merchant mix, credit risk from PayPal Credit, security risks and regulatory risk.

QUALCOMM (QCOM)

Our $75 PO is based on 14x our CY17 EPS estimate, a discount to the historical average multiple of 17x. We view the discount as appropriate given the lower growth for the smartphone market, our expectation for deceleration in licensing revenue growth, which contributes two-thirds of the profits, and risks of lower share of LTE chipsets in 2015 and beyond.

Risks to our price objective are: 1) Lower-than-expected royalty rates as the company migrates to 4G. 2) low adoption rate of smartphones worldwide due to global economic pressure 3) a worsening pricing environment 4) pressure on semiconductor pricing, as the company grows presence in emerging markets and 5) ability to maintain the royalty rate when the market expands to different types of devices, like tablets and other mobile wireless devices.

Salesforce.com (CRM)

Our $90 PO is based on 6.2x CY17E EV/revenues, in-line with large cap SaaS despite revenues 21% CY17E vs 29% for the comps since 1) CRM has the largest TAM (above $50bn excl. verticals) and longest path to growth and by far largest scale, 2) potentially significant operating leverage ahead (+2000bps ahead), 3) its significantly higher liquidity (4-5x). Our PO is also supported by potential $2pf EPS at RHT-like PEG ratio of 2+ at 20% revenue growth rate.

Risks to achieving our price objective are: competition, pricing pressure, senior management turnover, failure to execute, continued and sustained data center outages that might limit customer adoption, failure to meet service level demands, adoption of new products, valuation, operating margins not scaling, inability to manage rapid growth, and failure to attract, develop and sustain valuable sales, marketing, and R&D talent.

Signature Bank (SBNY)

We use an equal-weighted three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $175 PO and assign a 2.8x multiple to 2016E TBV, representing a premium to the group, which we believe is appropriate given a stronger profitability and capital profile, and above-peer-growth prospects. Our 22x multiple on 2016E is higher than peers given consistent above peer growth. Our DCF assumes a two-stage cost of capital of 10% and a terminal growth rate of 4%.

Risks to our price objective are required provisioning at higher-than-forecast levels, further deterioration in rental income for commercial properties, and a longer-than-anticipated low-rate environment.

State Street Corp. (STT)

Our $79 price objective is based on a 15x target multiple on 16E, in line with its pre-crisis multiple given higher equity exposure and healthy benefit from expected interest rate rises. Downside risks to our PO are an equity market correction, given an above average proportion of equity AUC and AUM, a further decline or prolonged low level of interest rates, or lower FX or securities lending volumes. Upside risks are continued equity market appreciation, rising interest rates, a recovery in trading volumes and demand for securities on loan.

SunTrust Banks, Inc. (STI)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $45 PO, assigning a 1.3x multiple to 2015E TBV and 12.5x multiple on 15E EPS. We have weighted the P/E and P/TBV factors equally at 40%, and our DCF analysis by 20%.

Our DCF assumes a two-stage cost of capital of 12% and a terminal growth rate of 4%.

Risks to our price objective are macro risks, such as a double-dip recession, the implementation of a strict liquidity coverage ratio and further regulation on overdraft income that restricts bank profitability. Specific to STI, risks are enhanced regulatory scrutiny and capital standards as a Domestic SIFI and failure to meet its expense reduction goals. Upside risks are higher-than-expected capital return, a general beta rally for bank stocks, and faster recognition of "normalized" earnings.

Synovus Financial Corp. (SNV)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $36 price objective and assign a 1.5x multiple to our forward '16 TBV, given peers are currently trading at 1.6x and a discount is warranted given their lower return profile. We place an 18x multiple on 2016E EPS, in line with the historical median for the stock. Our DCF assumes a two-stage cost of capital of 9%, and a terminal growth rate of 3%.

Downside risks to our price objective are potentially a slower than expected economic growth in their footprint or a potential takeout price that is lower than where the stock is trading today. Upside risks to our price objective are a quicker pickup in capital return than we are expecting and SNV being acquired above our price objective.

TD Ameritrade (AMTD)

We value the online brokers on a forward PE multiple relative to the expected growth rate and risks. Our PO for AMTD is $40, which is based on a target PE multiple of 23x our CY 2016E and 18x our CY 2017E, at premium to its historical average, given our view of its depressed earnings and longer-term potential. In order to come up with our PO, we consider three primary factors for AMTD and the online brokers: revenue mix and growth expectations (including rate pressures), competition, and management's ability to manage costs/margins and cash flow, as well as strategy. In addition to these factors, we look at the regulatory environment, macro backdrop, earnings volatility, and other risk factors.

Risks to our PO are a weak economic and market environment, which could weigh on net new asset flows, trading activity, and margin balances, a prolonged low interest rate environment, systems, operational, and technology risks, overpaying for acquisitions, and legal and regulatory risk.

Texas Capital Bancshares Inc. (TCBI)

We use a three-factor valuation framework (P/TBV, P/E, DCF) to arrive at our $65 price objective and assign a 2.4x multiple to our YE16E TBV, in line with multiples of other high growth peers. We place a 18x multiple on our 2016E EPS, in line with TCBI's historical pre-crisis P/E multiple. Our DCF assumes a two-stage cost of capital of 10% and a terminal growth rate of 4%.

Downside risks to our price objective are a longer than expected recovery in mortgage activity and a slowdown in economic activity in Texas. Upside risk to our price objective is better than expected ramp up in MCA business, and sooner than expected hike in rates.

The Blackstone Group (BX)

Our price objective (PO) for Blackstone is $40, which results in a target price-to-ENI (P/ENI or P/E) multiple of 14x our 2016 ENI estimate. Our price objective is the result of our sum-of-the-parts (SOTP) analysis. Our SOTP analysis is based on the following components: a target multiple on fee related earnings (19x - in line with top tier asset manager multiples given healthy growth and sticky assets), adjusted value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.8x MOIC). Based on this method, we value the fee related earnings at $19/unit, the balance sheet (principal investments and accrued carry) at $6/unit, and the discounted value of future carry income and investment income at $15/unit, which equates to a total value of $40, in line with our price objective.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in tax laws related to carried interest and partnerships, legal and political risk, increased regulation, poor performance, weak fundraising, expansion risk, key person and talent risk, competition, and a unique corporate structure that limits unitholder control.

The Carlyle Group (CG)

Our price objective (PO) for Carlyle is $23, which implies a target price-to-ENI (P/ENI or P/E) multiple of 11x our 2016 ENI estimate. Our price objective is the result of our sum-of-the-parts (SOTP) analysis. Our SOTP analysis is based on the following components: a target multiple on fee-related earnings (15x, in line with top-tier asset manager multiples, given healthy growth and sticky assets), adjusted value for the balance sheet investments and accrued carry, and a discounted value on the performance fee upside over a cycle (1.4x MOIC). Based on this method, we value the fee-related earnings at $12/share, the balance sheet (principal investments and accrued carry) at $5/share, and the discounted value of future carry income and investment income at $6/share, which equates to a total value of $23, in line with our price objective.

Risks to our PO: a weak macro and capital markets backdrop, potential changes in carried interest and partnership tax laws, regulatory and political risk, poor performance, weak fundraising, expansion risk, key person and talent risk, competition, a unique corporate structure that limits shareholder control, a limited float, and share lock-ups that could weigh on the stock.

Twitter (TWTR)

Our $32 price objective is based on 25x our 2016 EBITDA estimate, a premium to Facebook given margin expansion potential. But note that we expect a more narrow EBITDA multiple gap to Facebook vs history given slower user and revenue growth.

Risks are: 1) decelerating user growth that may raise concerns on long-term revenue opportunity, 2) pressure on usage due to emergence of competing services, 3) new ad initiatives may not perform well, resulting in lower advertiser demand for Twitter ads, 4) non-login users and third party application users are not monetizable, and 5) on a EV/EBITDA basis Twitter is more attractive today than in the past, but stock remains subject to multiple compression with high valuation vs media peers. 5) In our view, on a EV/EBITDA basis Twitter is more attractive but the stock remains subject to multiple compression with high valuation vs media peers.

U.S. Bancorp (USB)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $44 PO, assigning a 3.0x multiple to 2015E TBV and 13.5x multiple on 2015E EPS. We have weighted the P/E and P/TBV factors equally at 40%, and our DCF analysis by 20%. Our DCF assumes a two-stage cost of capital of 9.5% and 10.9% and a terminal growth rate of 5%.

Risks to our rating and price objective are macro risks such as a double dip recession, the implementation of a strict liquidity coverage ratio and further regulation on overdraft income that restricts bank profitability. Specific to USB, risks are enhanced regulatory scrutiny and capital standards as a Domestic SIFI and an announcement of a large expensive deal that could weigh on the stock price.

Verizon Communications Inc. (VZ)

Our price objective of $55 is based on a P/E multiple of 14x pro forma 2015E EPS of $3.96, which is in line with the company's recent relative multiple versus the S&P 500. We expect Verizon's valuation to move in line with its historical relative P/E multiple as concerns regarding pricing pressure and regulatory risk dissipate.

Downside risks to our price objective are accelerating access line losses, increasing competition in the consumer wireline market, execution risk on fiber to the premises deployment, a slowing economy and slowing wireless growth. Upside risks are greater wireless ARPU growth, expense reduction and a re-rating of risk in the market.

Wayfair (W)

With EBITDA losses expected through 2015 and earnings losses expected through 2016, we use price to sales and DCF analysis as our primary valuation methodologies.

Our $53 price objective is based on 1.4x 2016E EV/sales and is supported by our DCF analysis. Our 1.4x target multiple is a premium to W's eCommerce comp group at 1.2x and a premium to W's retail comp group (RH, WSM, BBBY, TCS, M, TGT) at 1.0x. We think the multiple is appropriate given strong top line rev. growth vs. peers, balanced by lower gross margins.

Downside risks are: 1) operating losses expected through 2016, making valuation analysis more complex, 2) competition from several well capitalized companies, 3) brand complexity (5 brands), 4) category limitations, 5) partner segment revenue headwinds, and 6) high venture capital ownership.

Wells Fargo & Company (WFC)

We use a three-factor valuation framework (P/E, P/TBV, DCF) to arrive at our $58 PO, assigning a 2.1x multiple to 2015E TBV and 12.7x multiple on 2015E EPS. We have weighted the P/E and P/TBV factors equally at 40%, and our DCF analysis by 20%.

Our 2.1x TBV multiple represents a 0.5x premium to our median multiple, but we believe this is justified due to WFC's superior returns on tangible equity (ROTE consistent between 17%-15% throughout our forecast period, versus 12% for peers). Our 12.7x EPS multiple is in line with our median multiple. We believe WFC deserves to trade at a

premium due to better earnings growth, but we are assuming WFC trades in line with peers due to a higher percentage of earnings from mortgage banking and accretable yield, as well as potentially greater regulatory scrutiny as the second largest US depository. Our DCF assumes a two-stage cost of capital of 11% and a terminal growth rate of 4%.

Risks to our Buy rating and price objective are an economic slowdown and the final implementation of a strict liquidity coverage ratio. Specific to WFC, risks are enhanced regulatory scrutiny and capital standards as a Global SIFI and any potential M&A that might be on unattractive terms for shareholders.

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BofA Merrill Lynch is currently acting as financial advisor to General Electric Co in connection with its proposed sale of the bulk of the assets of GE Capital Real Estate to Blackstone and Wells Fargo, which was announced on April 10, 2015.

BofA Merrill Lynch is currently acting as Financial Advisor to Blackstone Group L.P. in connection with its proposed sale of the parent company of the Center Parcs group and consequently its subsidiaries, including Center Parcs (Operating Company) Limited, to Brookfield Property Partners L.P. which was announced on June 2, 2015.

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BofA Merrill Lynch is currently acting as Financial Advisor to Fidelity National Information Services Inc in connection with its proposed acquisition of SunGard Data Systems Inc, which was announced on August 12,2015. Sungard is owned by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG

BofA Merrill Lynch is currently acting as Financial Advisor to Blackstone Group in connection with its proposed acquisition of a majority stake in Stearns Holdings, LLC, parent of Stearns Lending, LLC, which was announced on August 21, 2015.

BofA Merrill Lynch is currently acting as financial advisor to Global Jet Capital in connection with its proposed purchase of the aircraft lease and loan portfolio of GE Capital Corporate Aircraft in the Americas from General Electric Capital Corp., which was announced on October 5, 2015. Global Jet Capital is capitalized by three global

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BofA Merrill Lynch is currently acting as financial advisor to Blackstone Group LP. in connection with its proposed acquisition of BioMed Realty Trust, Inc., which was announced on October 8, 2015. The proposed transaction is subject to approval by shareholders of BioMed Realty Trust, Inc. This research report is not intended to (1) provide voting advice, (2) serve as an endorsement of the proposed transaction, or (3) result in the procurement, withholding or revocation of a proxy.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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