

CIF Sector Update Report (Spring 2014)

Sector: Health Care

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Presentation Date: 4/25/2014

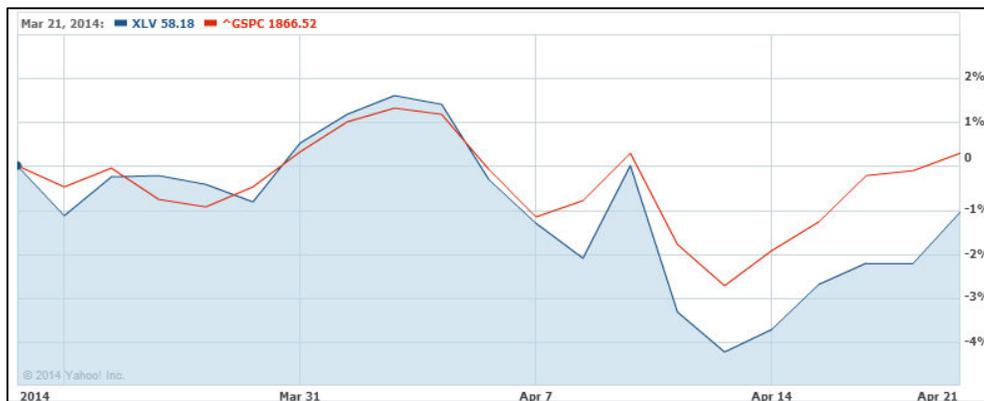
Review Period: Start Date: 4/1/2014

End Date: 4/21/2014

Section (A) Sector Performance Review

(A-1) Sector Performance Relative to SP500

Health Care Sector										
	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Capital Gain	# Shares	Current Value	vs. Sector	vs. S&P 500
S&P 500	SPY	\$ 187.04	\$ 187.01			0.02%				
Sector ETF	XLY	\$ 57.57	\$ 58.49			-1.57%	4020	\$231,431.40		-1.59%
Current Holdings										
Bristol Myers-Squibb	BMJ	\$ 50.51	\$ 51.95			-2.77%	530	\$ 26,770.30	-1.20%	-2.79%
Thermo-Fisher Scientific	TMO	\$ 119.36	\$ 120.24			-0.73%	170	\$ 20,291.20	0.84%	-0.75%



Over this sector update's review period from April 1st, 2014 to April 21st, 2014 the healthcare sector underperformed the broad market, represented by the S&P 500, by 1.20%. On April 3rd, 2014 the selloff of the biotech industry initiated as the NASDAQ's biotech index shed 2.70% of its value. This slide continued until April 8th, 2014 and brought down the entire healthcare sector with it even though President Obama released information saying the percentage of Americans without health insurance dipped to its lowest level in nearly six years and that the U.S. government said final payments to private health insurers for 2015 Medicare Advantage plans would be higher than expected. Finally on April 9th healthcare stocks broke their downward trend as minutes from the Federal Reserve's latest policy meeting revealed a more supportive central bank than investors had previously expected. This prompted the NASDAQ's biotech index to rise 4.1% as many constituents finished among the trading day's

biggest gainers. However, on April 10th biotech stocks experienced another day of substantial losses as the NASDAQ's biotech index dropped 5.6%, marking the biggest intraday losses since August of 2011. This major selloff continued investors bearish trading of healthcare stocks and was supported by the resignation Obama's health secretary, Kathleen Sebelius, as she was largely to blame for the botched rollout of Obama's healthcare reforms. Additionally the VIX, representing market volatility, rose 15% during this single day of trading. At this point, the high-valuation healthcare stocks were under pressure and investors worried they could be looking at more than a minor correction as earnings season loomed.

However, on April 11th, 2014 the healthcare sector began to show signs of life as U.S. March retail sales posted the biggest gains in one and a half years; subsequently boosting a majority of U.S. stocks. While many of the momentum names limited the healthcare sector's advances, the sector's largest holding, Johnson & Johnson, rose 2.1% on April 15th based on earnings that beat expectations and a raise in its full-year profit view. This provided relief to the healthcare sector that had been hit hard in the preceding weeks. The S&P 500 ended this trading week shortened by Easter with its biggest rally since July on positive news that the Affordable Care Act had increased private insurance enrollment to over 8 million. The rally continued on April 21st, 2014 as the NASDAQ booked its fifth straight gain and the healthcare sector ETF continued its upward trend towards eliminating any capital losses from the beginning of the investment review period. While this review period was plagued by a major selloff of stocks with biotech exposure the upward trend experienced by the healthcare sector over the past week brings hope that valuations have been correctly adjusted and stocks within the sector will continue to flourish.

(A-2) Big Sector Movers

Biggest Gainers

Allergan Inc. (AGN) +13.55%



Allergan Inc. (AGN) - Allergan, the specialty pharmaceutical company, makes most of its revenues from the popular wrinkle treatment Botox, breast implants and the only prescription drug to treat chronic dry eye. On April 21st, 2014 it was announced that activist investor Bill

Ackman is partnering with a Canadian pharmaceutical company, Valeant Pharmaceuticals International Inc. to purchase Allergan. News of the probable bid increased Allergan stock by as much as 21% in after-hours trading. Allergan has not yet commented on the potential takeover but they are expected to be valued around \$50 billion after the recent jump in their stock price.

Edwards Lifesciences Corp (EW) +9.69%



Edwards Lifesciences Corp. (EW) - On April 14th, 2014 shares of Edwards Lifesciences Corp. increased as much as 13% in the wake of winning a preliminary injunction limiting the sale of Medtronic Inc.'s CoreValue heart valve replacement system. This event supports Edwards Lifesciences as the forerunner of the transcatheter aortic valve replacement market. By blocking Medtronic from competing in the United States and international markets Edwards Lifesciences is continuing to expand their already wide industry moat. The same day this decision was announced CRT Capital also increased their rating of EW from fair value to a buy.

Biggest Losers

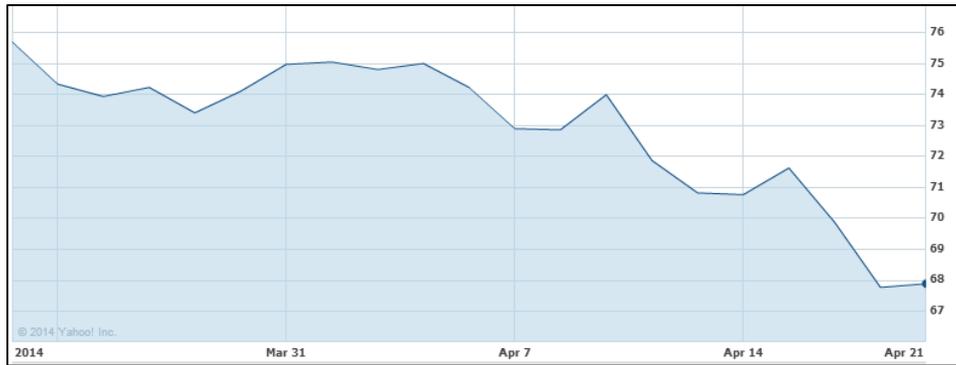
Vertex Pharmaceuticals Incorporated (VRTX) -11.32%



Vertex Pharmaceuticals Inc. (VRTX) - As one of the most pure biotech plays in the S&P 500 Vertex Pharmaceuticals was bound to experience a large decrease in their stock price as investors secured their profits which resulted in an industry-wide selloff. Vertex was hit harder than other

biotech companies because of their reliance on two key drugs, Kalydeco and Incivek. The latter is a hepatitis C treatment that has seen sales slow as the market becomes even more fragmented. Uncertainty surrounding upcoming clinical results could additionally be a factor weighing down on Vertex's shares.

Aetna Inc. (AET) -10.33%



Aetna Inc. (AET) - The diversified health care benefits company was the second biggest loser within the healthcare sector over the last month. Threats of industry changes resulting from the Affordable Care Act plagued the stock over the last month. When UnitedHealth Group, the nation's largest health insurer, reported earnings last month they cited ObamaCare taxes, Medicare Advantage cuts and costly drugs from high-valuation biotech stocks as threats that harmed their performance. These threats will additionally harm Aetna Inc. and their thinner economic moat than UnitedHealth Group will not aid them in withstanding the changing regulatory landscape sweeping the industry.

Forest Laboratories (FRX) +34.24%



Forest Laboratories (FRX) - The substantial appreciation of Forest Laboratories stock price over the last three months can largely be attributed to one event. On February 18th, 2014 it was announced Actavis would purchase Forest Laboratories for \$25 billion, catapulting Actavis into the world's top 15 drugmakers. Shares reacted quickly and significantly as FRX stock rose nearly 28% on the news. Investors perceived

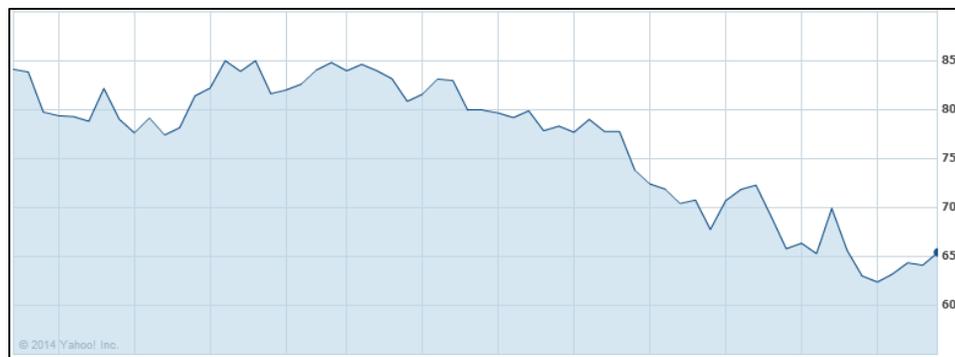
this merger as a positive transaction as both shares of Forest Laboratories and Actavis moved upward on the news.

Allergan Inc. (AGN) +18.26%



Allergan Inc. (AGN) - The second largest “winner” over my sector review period was Allergan Inc. as they posted gains of 18.26%. While a substantial amount of this positive performance is linked to Ackman’s potential purchase of the company described in the above 1-month movement chart, shares have been appreciating substantially since April 10th, 2014. This was influenced by news that competitor Johnson & Johnson would not move forward with a threat to introduce a product similar to Allergan’s Botox. Since Botox makes up roughly a third of Allergan’s revenues any potential threat from a large competitor to usurp market share would substantially harm their future sales. These two positive news releases account for the majority of Allergan’s encouraging performance.

Vertex Pharmaceuticals Inc. (VRTX) -23.41%



Vertex Pharmaceuticals Inc. (VRTX) - Described in the one month stock performance description for Vertex Pharmaceuticals provided above, Vertex’s exposure to the biotech industry’s selloff has caused a major depreciation of their stock price. Over the last few months investors began reevaluating their biotech investments and realized profits in their high-valuation investments. Since Vertex’s future performance largely relies on the performance of two drugs, one of which is already seen as inferior to other available treatments, investors are beginning to realize this stocks price tag may have been too high. As such, Vertex stock has declined

significantly and has seen resistance in its recovery as the industry as a whole has regained some of its value in the last week of trading.

Cigna Corp. (CI) -15.34%



Cigna Corp. (CI) - In early February 2014 Cigna Corp. stock slid on weaker-than-expected fourth-quarter profit and outlook in 2014. Revenues resulting from the health insurers’ premiums and fees rose 7% but Cigna’s costs on medical care for Medicare Advantage members substantial hurt their profits. As a result, net income fell 11% and they lowered their expected earnings for the year from \$7.29 per share to a range of \$6.80 to \$7.20 per share. This lowered their stock price roughly 9% during midday trading. The rest of the large price movements causing Cigna Corp to experience losses of 15.34% were attributed to industry wide events outlined above resulting from the changing regulatory environment for health insurers resulting from the Affordable Care Act.

(A-3) Two Largest Stocks in the Sector

1-Mo Price Chart (S&P 500, XLV Index, JNJ and PFE)



Johnson and Johnson (JNJ) - Over the past month Johnson & Johnson (JNJ) separated itself early as the top performer between the sector’s two largest constituents based on market capitalization. Even though JNJ is generally relegated as a “turtle” in the pharmaceutical industry their recent performance suggests competitors should take them more seriously. While they are

the largest stock in the healthcare sector, their diversified revenue streams do not make them a leading competitor in any one business segment. However, their dependable operations and attractive dividend make them a desirable investment in times of sector contraction. As such, investors looking to maintain exposure to the healthcare sector during a time with the sector's business cycle may be contracting have looked towards Johnson & Johnson to fill this void in their portfolios. Even though they may be seen as defensive their product pipeline presents real opportunities for investors to capitalize on potential growth. While JNJ is currently developing one of the industry's most attractive hepatitis C treatments, they are also evolving specialty treatments for leukemia and diabetes. With these treatments JNJ are major players in the pharmaceutical industry and can even outmaneuver other big pharma competitors.

Contrasting Johnson & Johnson's performance, Pfizer, the second largest sector participant, has underperformed the S&P 500 over the last month. On April 7th, 2014 Pfizer began experiencing losses when clinical trial results for their breast cancer drug, palbociclib failed to impress analysts. Despite results that showed an improvement over existing treatments, a selloff of Pfizer stock ensued. This could largely be attributed to the fact that this news release occurred in the midst of a major selloff occurring throughout the entire industry. Pfizer continued to depreciate across the following week as the biopharmaceutical player did not release any additional news disputing claims about their weaker than advertised product pipeline. However, on April 21st, 2014 shares of PFE increased over 2% as the company attempted to purchase European-based competitor AstraZeneca for \$100 billion-plus. While it is yet to be seen if PFE can complete an acquisition of such a large competitor, this move signals to investors that PFE is going to be aggressive with their cash reserves and is looking to strategically cement themselves as a biopharmaceutical leader.

(A-4) Short-term (up to Three Months) Outlook of the Sector

While investors of healthcare stocks have experienced extreme volatility over the past month indicators show it is still a viable sector to choose stock from in the coming months. While the Affordable Care Act is constantly changing the industry's competitive and regulatory landscape the government's relaxed policy towards implementing changes (i.e. extending the requirement that mandates companies provide government sponsored healthcare plans) should prove beneficial to companies within the sector. Additionally the ACA's ability to provide more healthcare benefits to Americans subsequently increases this sector's participant's potential market share. As such government assistance should continue to drive the sector in the immediate future.

As the government funnels additional participants and funds within the healthcare sector more profits are to be made. Biotechnology and pharmaceutical companies now rest in a unique position where they can charge massive amounts of money for their treatments. In today's environment these widely high prices are largely unregulated by the government, meaning that these companies can name their price if they are one of the only treatments on the market. This

supports the claim that companies offering novel treatments for specialty diseases could provide good investments in the immediate future.

Two of the most exciting sub-markets of the healthcare industry are oncology and HIV/AIDS treatments. Until today cancer and hepatitis C represent two of the most life-threatening and deadly diseases in America. However, technological breakthroughs are enabling these companies to provide treatments that cure these diseases. While some of these drugs will not generate revenues for years or maybe even decades, any positive information regarding their phase trials presents investors with the opportunity to experience large abnormal positive returns. As such big pharma players with diversified product portfolios that possess exposure to oncology and hepatitis C treatments provide investors with the greatest opportunities to benefit from the approval of novel treatments.

While all of these points indicate bullish sentiment towards the healthcare sector the extreme volatility cannot be ignored. Combine this with the uncertainty surrounding government regulations and the competitive landscape and today seems like an inopportune time to enter a long position in a healthcare stock. However, in the immediate future stocks look more attractive due to their recently reduced valuations and the sector should not experience drastic changes over the next three months.

Section (B) Sector Holding Updates

Company #1: <u>Bristol Myers-Squibb (BMY)</u>
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Date Recommended: 2/28/2014

Date Re-evaluated: 4/25/2014

(B-1) Company Updates and Stock Performance

Company Update

While news releases involving Bristol Myers have slowed leading up to their earnings release next week on April 29th, 2014, they were busy releasing clinical trial results and submitting applications to the FDA over this sector update's review period. Bristol Myers remains competitive in developing a product portfolio that is composed of treatments for a variety of life threatening illnesses. Currently in the biotechnology and pharmaceutical industry competitors are racing to receive approval for the treatment of novel hepatitis C treatments. BMY's regimen of daclatasvir and asunaprevir has shown success at treating hepatitis C while eliminating negative side effects associated with the current standard of treatment. However, industry competitors Merck & Co. and Gilead also present equally effective treatments that may be further in development than BMY's treatment. As such, the market for hepatitis C treatments seems fragmented for Bristol Myers and it would be difficult for them to gain a substantial

market share based on their competitor's equally effective products and late market entrance. Nonetheless, on April 7th, 2014 BMY announced they have submitted new drug applications (NDAs) with the U.S. Food and Drug Administration for use of daclatasvir in combination with other agents including their own treatment asunaprevir for multiple genotypes.

Since the Cougar Investment Fund purchased BMY they have experienced more positive outlooks for their cancer treatments than their hepatitis C medications. On March, 4th, 2014 an executive with BMY said the company is planning a phase-three trial of its drugs nivolumab and Yervoy to treat lung cancer. This was a huge uplift for BMY stock as it increased as much as 5% to \$56.41. While the FDA already approved Yervoy in March 2011 for the treatment of melanoma, the combination with nivolumab for the treatment of other cancer types is a major growth catalyst. The original investment thesis for BMY stock outlines that the future performance of BMY stock is largely tied to the performance of nivolumab. While a substantial amount of performance being tied to one product is seen as a company risk the past positive performance of nivolumab, significant potential market share and advanced positioning of nivolumab among comparable cancer treatments negate BMY's heavy reliance on nivolumab as a hazardous risk. Results from studies conducted to date indicate that nivolumab remains the most advanced immuno-oncology treatment given that it has multiple phase-three trials underway and is pursuing more combinations than competitors. As such, analysts expect nivolumab to generate \$500 million in sales by 2016 and \$5.0 billion by 2020. BMY's earnings release on April 29th, 2014 may provide more insight into when a phase-three trials involving nivolumab and Yervoy may begin.

In mid-March Bristol Myers received good news from the FDA that an additional indication of their anti-blood clot medicine, Eliquis, developed with Pfizer was granted approval. The drug is not approved for the prevention of blood clots in the legs and lungs of patients who have undergone surgery to receive artificial hips or knees. This is a significant milestone for this medicine as over one million knee and hip replacement surgeries occur yearly. A few days after this news released BMY announced they came to terms on a \$350 million agreement with Five Prime Therapeutics for the development, discovery and commercialization of immune-oncology drugs. The objective of this agreement is to identify potential candidates to use in tandem with BMY's nivolumab. Shares of Five Prime Therapeutics jumped 20% on the news. A week later on March 24th BMY also announced they would be working with one of their main competitors, Roche, to develop an oncology treatment for melanoma. While many of these drugs and treatments have yet to receive FDA approval future news releases providing updates on late stage phase trial results, FDA decisions and earnings releases are of significant importance.

Relative Performance

Over the review period BMY stock underperformed the S&P 500 and health care sector ETF (XLV). The S&P 500 presented losses over the first two weeks of my review period but recovered over the last ten days to post capital gains of .02%. Meanwhile the health care sector ETF (XLV) provided returns of negative 1.57% for the same time period. This was largely due to

a major selloff of the biotech industry. Over the review period from April 1st to April 21st the biotech industry ETF (XBI) has depreciated by 9.83%. BMY's recent transition to focus on producing more biotech treatments exposes their stock price to experience movements correlated to the biotech industry. As such, even though no news warranting a large reduction in BMY's stock price was published during the review period, their stock price reduced by 2.77%. Considering the superior performance of BMY compared to the biotech industry it is inferred that investors perceive BMY can continue to outperform biotech and pharmaceutical competitors based on their current product portfolio, pipeline and strategic positioning.

1-Year Price Chart



For most of the last year BMY stock has outperformed the S&P 500 and XLV Health Care sector ETF. This is largely due to BMY stock riding upward price movements related to high valuations of the biotech industry. However, the stock prices recent depreciation has caused it to provide equal returns to that of the S&P 500 and Health Care sector over this time period. The latest devaluation is largely caused by the adverse performance of the biotechnology industry. Since the CIF purchased BMY a major selloff of biotech stocks ensued resulting from astronomical industry valuations. Included in the above chart is the SPDR S&P Biotech ETF (XBI). This illustrates how the industry's selloff caused by astronomical industry valuations has significantly lowered the industry's returns. On February 28th, 2014, the day BMY was purchased, the biotech industry provided returns of 70% over the last year. As of April 14th, 2014 the biotech industry returns have been reduced to 25%. This selloff also affected BMY's stock price due to their exposure to biotechnology treatments. This caused BMY to enter a death cross in late March that mirrors the performance of the biotech industry. However, the decrease in BMY's stock price also put it in-line with analyst's fair-value estimates ranging from \$47.00 to \$55.12. One week ago on April 14th, 2014 our holding of BMY stock moved closer to its stop loss price of \$45.54 by declining as low as \$47.96. However, BMY stock has appreciated substantially with the rest of the biotech and pharmaceutical industries and has returned to the

\$50 price level as of April 21st, 2014. Hopefully the resistance shown at the \$48 price range represents a low point for Bristol-Myers stock price and that their earnings release on April 29th, 2014 will support upward price movements.

(B-2) Valuations, Estimates and Recommendations

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	35.10	32.51	32.95
P/S (TTM)	5.47	6.70	7.37
P/B (MRQ)	5.88	6.24	6.15
P/CF (TTM)	23.96	22.22	21.89

Re-evaluation Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	31.97	33.26	33.35
P/S (TTM)	5.00	4.73	5.16
P/B (MRQ)	5.36	6.67	6348
P/CF (TTM)	21.91	25.49	24.86

Since the initial stock report for BMY the P/E, P/S, P/B and P/CF ratios have decreased for BMY. When the CIF purchased BMY on February 28th, 2014 the company was trading close to a 52-week high in an industry with high valuations. As such, when the depreciation of the industry occurred over the last month all of BMY's ratios declined accordingly. Today BMY's P/E, P/B and P/CF ratios sit below the industry and sector averages while their P/S ratio remains below the sector average but is above the industry average. When the CIF purchased BMY stock only the P/S and P/B ratios were below the industry and sector averages. Citing that current ratios are predominately lower than the industry and sector averages the current price level in the \$50 range is a much more attractive price to initiate an investment than the \$53.62 price paid on February 28th.

Historical Surprises

Original Analysis

HISTORICAL SURPRISES				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	4,306.37	4,441.00	134.63	3.13
Quarter Ending Sep-13	3,994.92	4,065.00	70.08	1.75
Quarter Ending Jun-13	4,043.74	4,048.00	4.26	0.11
Quarter Ending Mar-13	3,875.79	3,831.00	44.79	1.16
Quarter Ending Dec-12	4,123.39	4,191.00	67.61	1.64
Earnings (per share)				
Quarter Ending Dec-13	0.43	0.51	0.08	18.38
Quarter Ending Sep-13	0.44	0.46	0.02	4.10
Quarter Ending Jun-13	0.44	0.44	0.00	0.50
Quarter Ending Mar-13	0.41	0.41	0.00	0.97
Quarter Ending Dec-12	0.43	0.47	0.04	10.33

Re-evaluation Analysis

HISTORICAL SURPRISES				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	4,306.37	4,441.00	134.63	3.13
Quarter Ending Sep-13	3,994.92	4,065.00	70.08	1.75
Quarter Ending Jun-13	4,043.74	4,048.00	4.26	0.11
Quarter Ending Mar-13	3,875.79	3,831.00	44.79	1.16
Quarter Ending Dec-12	4,123.39	4,191.00	67.61	1.64
Earnings (per share)				
Quarter Ending Dec-13	0.43	0.51	0.08	18.38
Quarter Ending Sep-13	0.44	0.46	0.02	4.10
Quarter Ending Jun-13	0.44	0.44	0.00	0.50
Quarter Ending Mar-13	0.41	0.41	0.00	0.97
Quarter Ending Dec-12	0.43	0.47	0.04	10.33

No changes in historical surprises were exhibited over the sector review period. BMY's next quarterly earnings report is on April 29th, 2014 which will then produce another historical surprise result.

Consensus Estimates

Original Analysis

CONSENSUS ESTIMATES ANALYSIS					
Sales and Profit Figures in US Dollar (USD)					
Earnings and Dividend Figures in US Dollar (USD)					
	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-14	10	4,026.85	4,480.88	3,699.64	4,257.70
Quarter Ending Jun-14	10	3,825.09	3,925.24	3,694.98	4,365.25
Year Ending Dec-14	17	15,609.70	16,250.00	14,953.00	17,822.30
Year Ending Dec-15	15	14,945.90	15,332.00	14,033.00	18,078.50
Earnings (per share)					
Quarter Ending Mar-14	13	0.45	0.58	0.37	0.48
Quarter Ending Jun-14	12	0.44	0.48	0.41	0.51
Year Ending Dec-14	19	1.77	1.86	1.70	2.18
Year Ending Dec-15	17	1.69	2.01	1.19	2.18
LT Growth Rate (%)	2	13.50	14.00	13.00	5.62

Re-Evaluation Analysis

CONSENSUS ESTIMATES ANALYSIS					
Sales and Profit Figures in US Dollar (USD)					
Earnings and Dividend Figures in US Dollar (USD)					
	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Jun-14	12	3,879.17	4,400.00	3,754.00	4,374.83
Quarter Ending Sep-14	12	3,736.02	3,912.70	3,600.00	4,390.13
Year Ending Dec-14	19	15,565.60	16,250.00	14,953.00	17,787.10
Year Ending Dec-15	17	15,004.40	15,372.10	14,033.00	17,960.20
Earnings (per share)					
Quarter Ending Jun-14	14	0.44	0.49	0.41	0.51
Quarter Ending Sep-14	14	0.44	0.48	0.34	0.56
Year Ending Dec-14	21	1.77	1.86	1.68	2.15
Year Ending Dec-15	19	1.67	2.01	1.19	2.11
LT Growth Rate (%)	3	14.33	16.00	13.00	8.60

Since BMY was originally purchased analysts' consensus estimates for sales and earnings have predominately decreased. Mean sales estimates for all quarterly and year ending December 2014 have all declined. However, mean sales estimates for the year ending December 2015 have increased as two additional analysts have provided higher estimate figures than when the original analysis was produced. Earnings have either remained constant or have been revised downward for each of the quarterly and annual earnings releases estimated by analysts. The most notable finding from comparing analysts' estimates across this time period was the difference in the long-term growth rate. Even though earnings were revised downward analysts raised BMY's mean long-term growth rate from 13.50% to 14.33%. This could be supported by the fact that BMY continues to represent the forerunner of the immuno-oncology market segment.

Estimate Revision Analysis

Original Analysis (2/28/2014)

ESTIMATES REVISIONS SUMMARY				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-14	1	1	3	1
Quarter Ending Jun-14	0	2	1	3
Year Ending Dec-14	0	2	8	5
Year Ending Dec-15	0	2	5	5
Earnings				
Quarter Ending Mar-14	1	1	3	1
Quarter Ending Jun-14	0	2	0	5
Year Ending Dec-14	2	0	3	7
Year Ending Dec-15	1	1	6	4

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Jun-14	3	1	3	1
Quarter Ending Sep-14	3	1	3	1
Year Ending Dec-14	1	3	2	3
Year Ending Dec-15	2	1	2	1
Earnings				
Quarter Ending Jun-14	2	1	2	2
Quarter Ending Sep-14	1	2	2	2
Year Ending Dec-14	1	2	2	2
Year Ending Dec-15	1	2	1	2

Comparing the analysts' estimate revisions summaries from BMY's initial stock report to the one posted on Reuters today gives a good indication of analysts' immediate and long-term outlooks for BMY. In the past week analysts' have made three upward revenue revisions for the next two quarters earnings releases while only making one downward revision. This contrasts analysts' expectations from the initial report which consisted of more negative revenue revisions than positive ones. Additionally analysts have also increased the amount of positive earnings revisions for the years ending December 2014 and 2015 since the initial stock selection report was created. Similar to the revenue revisions analysts also improved their outlook of BMY's earnings releases for the next quarter. However, analysts have actually lowered their earnings expectations for 2014 and 2015 since data was collected for the first stock report.

Analysts' Recommendations

Original Analysis

ANALYST RECOMMENDATIONS AND REVISIONS				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	4	4
(2) OUTPERFORM	8	7	6	6
(3) HOLD	7	9	9	10
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.25	2.33	2.35	2.38

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	4	4
(2) OUTPERFORM	8	8	8	7
(3) HOLD	7	7	7	9
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.25	2.25	2.25	2.33

Analyst estimates have not changed over since the original BMY stock report was written. Current estimates continue to maintain a 2.25 mean rating indicating a consensus outperform rating. This reiterates the point made in the preceding sections of this analysis that the depreciation of Bristol Myers' stock price was inflicted from market exposure rather than business specific risks.

(B-3) Technical Indicators

Moving Average: 10-Day & 50-Day RSI Indicator, 6-Mo Price Chart



Moving Average: 50-Day & 200-Day RSI Indicator, 2-Yr Price Chart



When the original stock report for BMY was completed the technical indicator chart with the 10 and 50 day moving averages indicated that BMY had just entered a “golden cross” (denoted by the blue arrow). This held true as BMY posted positive capital gains immediately following our purchase. However, soon thereafter BMY stock depreciated significantly and entered a “death cross”. The technical indicator chart listed with the 10 and 50 day moving averages shows BMY’s performance over the last six months. Each time the 10 day moving average experiences a trough (indicated by the red circles) the stock price enters a reversal (shown by the red arrows). This same chart shows that last week BMY’s 10 day moving average once again may have reached a low point where it will begin to appreciate back to previous levels in the \$53-\$56 price range. Little variation exists in the technical indicator chart with the 50 and 200 day moving averages. This chart shows that BMY’s 50 day moving average continues to stay above the 200 day moving average by a wide margin.

Immediately before BMY’s stock price began depreciating late last month the relative strength indicator (RSI) broke 80, indicating that BMY stock was overbought. However, following the depreciation of BMY’s stock price their RSI dropped below 20, pointing towards a vastly oversold stock. This large swing in investor sentiment shows just how volatile the current market is and how harshly investors react to the slightest news. BMY’s current RSI levels are trending upward in the 45 range which shows investors are once again initiating investments for BMY stock.

Company #2: Thermo-Fisher Scientific

Date Recommended: 3/26/2014

Date Re-evaluated: 4/25/2014

(B-1) Company Updates and Stock Performance

Company Update

From April 1st to the 21st, 2014 little information was released concerning Thermo Fisher Scientific Inc. One week into this healthcare sector updates' review period TMO, the world leader in serving science, announced they would announce financial results for the first quarter 2014 before the market opens on Wednesday, April 23, 2014. Another article specifically relating to TMO was published on April 7th, 2014 and warns investors about purchasing stock in companies like TMO that carry out leverage based acquisitions. While TMO entered this type of agreement to acquire Life Sciences, analysts do not expect the agreement to harm their future ability to absorb setbacks or grow through additional large purchases, which the article warns against. On April 12th, 2014 Goldman Sachs reiterated their "Buy" rating of TMO. As such, shares rose and it is anticipated they will continue to do so throughout their earnings release.

Since TMO operates within the medical devices sub-industry they were largely unaffected by the devaluation of highflying healthcare stocks. This proved to be beneficial as TMO experienced superior defensiveness compared to other stocks within the contracting sector.

Relative Performance

Over the review period TMO stock underperformed the S&P 500 and health care sector ETF (XLV). The S&P 500 presented losses over the first two weeks of my review period but recovered over the last ten days to post capital gains of .02%. Meanwhile the health care sector ETF (XLV) provided returns of negative 1.57% for the same time period. This was largely due to a major selloff of the high-valuation stocks within the sector. TMO's stock price also depreciated during this period as the stock experienced a reduction by .75%. This reduction was largely attributed to their sale of certain assets to General Electric's Healthcare Life Sciences division on March 24th, 2014. Investors did not receive this news well as it signals they sold these assets at a discount to price they originally paid to acquire them.

1-Year Price Chart



The above chart illustrates the superior performance of Thermo-Fisher stock compared to the S&P 500 and healthcare sector ETF. A majority of TMO's success can be attributed to the smooth transition and strong synergy with Life Technologies. TMO purchased Life Technologies on February 3rd, 2013 and have succeeded in implementing their business model since the acquisition was completed for \$13.6 billion.

(B-2) Valuations, Estimates and Recommendations

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	34.51	109.13	32.22
P/S (TTM)	3.61	6.13	5.73
P/B (MRQ)	2.59	3.38	6.09
P/CF (TTM)	20.74	20.05	22.00

Re-evaluation Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	34.15	96.12	33.35
P/S (TTM)	3.64	6.04	5.16
P/B (MRQ)	2.56	3.27	6.48
P/CF (TTM)	20.89	17.89	24.86

Since the CIF initiated a position in TMO stock declines have taken place among the industry and sector valuations. The industry P/E and P/CF ratios have depreciated from 109.13 to 96.12 and from 20.05 to 17.89 respectively. These depreciations indicate that the high-valuation stocks within the industry may be priced more accordingly to their fundamental valuations at this

time compared to when the CIF purchased TMO on March 28th, 2014. Conversely TMO stock has not experienced any significant reductions since the stock was purchased one month prior. In accordance with this claim TMO stock remains at a very similar level to when the stock was initially purchased. As such, it can be deduced that TMO stock avoided any significant adjustments in valuation over the last month and that it was fairly priced when the long stock position was initiated.

Historical Surprises

Original Analysis

HISTORICAL SURPRISES				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	3,306.59	3,466.90	160.31	4.85
Quarter Ending Sep-13	3,177.56	3,191.80	14.24	0.45
Quarter Ending Jun-13	3,216.91	3,240.10	23.19	0.72
Quarter Ending Mar-13	3,174.06	3,191.50	17.44	0.55
Quarter Ending Dec-12	3,144.61	3,259.30	114.69	3.65
Earnings (per share)				
Quarter Ending Dec-13	1.37	1.43	0.06	4.02
Quarter Ending Sep-13	1.28	1.30	0.02	1.48
Quarter Ending Jun-13	1.30	1.32	0.02	1.42
Quarter Ending Mar-13	1.29	1.37	0.08	6.19
Quarter Ending Dec-12	1.28	1.36	0.08	6.15

Re-evaluation Analysis

HISTORICAL SURPRISES				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	3,306.59	3,466.90	160.31	4.85
Quarter Ending Sep-13	3,177.56	3,191.80	14.24	0.45
Quarter Ending Jun-13	3,216.91	3,240.10	23.19	0.72
Quarter Ending Mar-13	3,174.06	3,191.50	17.44	0.55
Quarter Ending Dec-12	3,144.61	3,259.30	114.69	3.65
Earnings (per share)				
Quarter Ending Dec-13	1.37	1.43	0.06	4.02
Quarter Ending Sep-13	1.28	1.30	0.02	1.48
Quarter Ending Jun-13	1.30	1.32	0.02	1.42
Quarter Ending Mar-13	1.29	1.37	0.08	6.19
Quarter Ending Dec-12	1.28	1.36	0.08	6.15

No changes in historical surprises were exhibited over the sector review period. TMO's next quarterly earnings report is on April 23th, 2014 which will then produce another historical surprise result.

Consensus Estimates

Original Analysis

Consensus Estimates Analysis CONSENSUS ESTIMATES ANALYSIS Sales and Profit Figures in US Dollar (USD) Earnings and Dividend Figures in US Dollar (USD)							
	# of Estimates	Mean	High	Low	1 Year Ago	% Difference High&Mean	% Difference Low&Mean
SALES (in millions)							
Quarter Ending Mar-14	14	3,687.48	3,881.00	3,295.00	3,303.61	5.25%	-10.64%
Quarter Ending Jun-14	14	4,267.72	4,344.34	4,211.10	3,344.42	1.80%	-1.33%
Year Ending Dec-14	15	16,820.80	17,711.00	16,220.00	13,487.90	5.29%	-3.57%
Year Ending Dec-15	13	17,877.50	18,132.60	17,485.00	14,043.40	1.43%	-2.20%
Earnings (per share)							
Quarter Ending Mar-14	15	1.42	1.53	1.33	1.42	7.75%	-6.34%
Quarter Ending Jun-14	15	1.73	1.79	1.65	1.47	3.47%	-4.62%
Year Ending Dec-14	16	6.84	6.96	6.76	6	1.75%	-1.17%
Year Ending Dec-15	15	7.86	8.16	7.6	6.66	3.82%	-3.31%
LT Growth Rate (%)	5	14	17.8	12	11.32	27.14%	-14.29%

Re-Evaluation Analysis

CONSENSUS ESTIMATES ANALYSIS						
Sales and Profit Figures in US Dollar (USD) Earnings and Dividend Figures in US Dollar (USD)						
	# of Estimates	Mean	High	Low	1 Year Ago	
SALES (in millions)						
Quarter Ending Jun-14	14	4,268.87	4,337.64	4,211.10	3,329.86	
Quarter Ending Sep-14	14	4,222.75	4,278.10	4,142.00	3,320.78	
Year Ending Dec-14	15	16,778.50	17,063.40	16,220.00	13,472.00	
Year Ending Dec-15	14	17,838.60	18,192.20	17,485.00	13,980.80	
Earnings (per share)						
Quarter Ending Jun-14	14	1.73	1.78	1.69	1.47	
Quarter Ending Sep-14	14	1.75	1.78	1.69	1.47	
Year Ending Dec-14	15	6.84	6.97	6.78	6.00	
Year Ending Dec-15	15	7.84	8.18	7.60	6.60	
LT Growth Rate (%)	5	14.02	17.80	12.00	11.41	

For the quarter ending June 14th analysts' mean sales estimate was revised upwards while their earnings estimate remained constant at \$1.73 per share. For the year ending December 2014 sales have been revised downward slightly while earnings remain the same at \$6.84 per share. Additionally, for the year ending December 2015 both sales and earnings have experienced a reduction in their mean values. While these reductions indicate analysts hold a more bearish sentiment of TMO's future performance than they did one month ago, the reductions are so slight that the investment thesis supporting the CIF's purchase of TMO remains unchanged.

Estimate Revision Analysis
Original Analysis (3/26/2014)

ESTIMATES REVISIONS SUMMARY				
Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-14	0	0	0	0
Quarter Ending Jun-14	1	0	1	0
Year Ending Dec-14	2	0	2	0
Year Ending Dec-15	1	0	1	0
Earnings				
Quarter Ending Mar-14	1	0	1	1
Quarter Ending Jun-14	1	0	1	0
Year Ending Dec-14	2	0	3	1
Year Ending Dec-15	2	0	3	0

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY				
Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Jun-14	1	0	4	1
Quarter Ending Sep-14	1	0	4	1
Year Ending Dec-14	2	0	5	2
Year Ending Dec-15	2	0	3	2
Earnings				
Quarter Ending Jun-14	2	0	6	0
Quarter Ending Sep-14	2	0	5	0
Year Ending Dec-14	1	0	5	2
Year Ending Dec-15	2	0	6	1

Since the CIF purchased TMO analysts' estimates revisions indicate an increasingly bullish sentiment about their future performance. In the last week upward revisions for TMO's revenues and earnings have been made for each quarter and year listed while not one downward revision exists. In addition, a large majority of the revisions made in the last four weeks were from analysts improving their estimates while only a small amount lowered their predictions for

TMO. This indicates that analysts not only expect TMO to perform in the immediate future but also over the next two calendar years.

Analysts' Recommendations

Original Analysis

ANALYST RECOMMENDATIONS AND REVISIONS				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	9	9	9	9
(2) OUTPERFORM	6	6	5	5
(3) HOLD	0	0	2	2
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.40	1.40	1.56	1.56

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	9	9	9	9
(2) OUTPERFORM	6	6	5	5
(3) HOLD	0	0	1	2
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.40	1.40	1.47	1.56

Analyst estimates have not changed over since the original TMO stock report was written. Current estimates continue to maintain a 1.40 mean rating indicating a consensus “BUY” rating.

(B-3) Technical Indicators

Moving Average: 10-Day & 50-Day RSI Indicator, 6-Mo Price Chart



Moving Average: 50-Day & 200-Day RSI Indicator, 2-Yr Price Chart



When the original report was created TMO was headed towards a “death cross” in the six month price technical analysis chart. Shortly after the CIF purchased TMO and many stocks across the healthcare sector depreciated TMO entered the “death cross” shown in the first report. Recently TMO’s stock price has seen stock price resistance similar to BMY and it will be interesting to see how both stocks fare in the forthcoming trading sessions. In the two year price

chart TMO’s 50-day moving average remains sure handedly above the 200-day moving average. This is also similar to BMY’s recent performance and indicates that both stocks should continue to perform well in the immediate future.

At the present day TMO’s RSI remains close to 50, indicating that the stock is neither overbought nor oversold. As such, this is a neutral position to enter a long position in TMO stock. Reviewing the RSI when the CIF purchased TMO stock indicates that it was purchased at a superior entry point when the RSI hovered around 25.

Section (C) Sector Holding Recommendations

Company Name	Ticker Symbol	Date Recommended	Date Re-evaluated	Recommendation		
				Sell	Adjust “Target Price”	Adjust “Stop-loss Price”
Thermo Fisher Scientific, Inc.	TMO	3/26/2014	4/25/2014	N/A	N/A	N/A
Bristol Myers-Squibb	BMY	2/28/2014	4/25/2014	N/A	\$58.00	N/A

Thermo Fisher Scientific, Inc. (TMO)

After reviewing the performance of TMO from April 1st to April 21st, 2014 the analysis provided no significant changes to the original investment thesis proposed on March 28th, 2014. As such, no alterations to the initial investment holding will be recommended.

Bristol Myers-Squibb (BMY)

At the center of much controversy within the CIF, BMY has been one of the most interesting holdings of our portfolio this semester. While the stock initially posted capital gains of roughly 6%, it fell shortly thereafter to record capital losses in excess of 9%. This prompted the class to almost change the stop-loss price which would have sold BMY stock when it fell below \$48. However, the class voted against this change and BMY has rewarded the decision by advancing towards the initial investment price of \$53 per share. As evident from this narrative, this is an extremely volatile industry. However, the sector and industry’s earnings potential cannot be ignored. That is why rather than increase the stop-loss price this update recommends that the CIF lower the target price for BMY. Now that the industry’s valuations are much closer to matching fundamental valuations than when the CIF purchased BMY on February 28th it

would be feasible for BMY to post capital gains of 8% following a positive earnings release next week that contains possibly contain positive news regarding their potential blockbuster treatment nivolumab. As such I recommend we revise the target share price to \$58.00.

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