

## Morning Summary

**Asian markets** sank on the imposition of additional tariffs on \$200B of Chinese goods. Shanghai underperformed falling 1.8%, Hong Kong dropped 1.3% and Taiwan fell 75bps. Elsewhere, the Kospi and ASX each declined 60bps and the Nikkei fell 1.2%. Economic data was headlined by Japanese core machinery orders which fell by less than expected.

**European markets** opened lower and have been tracking sideways with France, Germany and the UK each lower by 1.25%. Focus will be on President Trump and the NATO summit in Brussels.

**US equity futures** are more than 70bps lower following the latest round of US tariffs. Economic data today includes PPI at 8:30am and Wholesale Inventories at 10am. Crude futures traded higher post market Tuesday after API reported a larger-than-expected 6.8mm bbl draw as well as a nearly-2mm bbl gasoline draw, however both oil benchmarks have since slipped (Brent -2.2%, WTI -65bps) with the broader risk-off move and as Libyan officials said exports from the country's eastern ports will resume today. **In M&A news**, Fox (**FOXA**) raised its offer for Sky (**SKY LN**) to £14/sh. LaSalle Hotel (**LHO**) holder Pebblebrook (**PEB**) filed a proxy statement with the SEC soliciting votes against Blackstone's (**BX**) proposed acquisition of LHO. Roadrunner (**RRTS**) has hired Barclays to advise the company as it evaluates financial alternatives to raise capital including a possible rights offering. Oclaro (**OCLR**) shareholders voted to approve its acquisition by Lumentum (**LITE**). Biocryst (**BCRX**) terminated the previously-announced merger with Idera Pharmaceuticals (**IDRA**). Veritas Capital completed the \$1bn acquisition of GE's (**GE**) ambulatory care and workforce management software units. Vodafone (**VOD LN**, **VOD US**) acquired Greek telco, CVYTA Telecommunications Hellas for a total enterprise value of €118M. Hydro One (**H CN**) and Avista (**AVA**) received final merger approval in Montana. Constellation Brands (**STZ**) acquired Four Corners Brewing for an undisclosed sum. National Storage (**NSA**) announced plans for a 5.9mm share secondary in part to fund the acquisition of a 25% stake in a JV with Heitman Capital created to acquire a real estate portfolio company managed by Brookfield Asset Management (**BAM**). Finally, Systemax (**SYX**) received an offer to purchase its France unit from Bechtle (**BC8 GR**). **In other news**, JD.com's (**JD**) finance unit, JD Finance, has raised ~\$2bn from Chinese investors in the most recent fundraising round in advance of an expected IPO. Pfizer (**PFE**) said the company will reorganize into 3 businesses – a science-based innovative medicines unit that includes a new hospitals business, an established medicines unit and a consumer health unit. Asterias Biotherapeutics (**AST**) announced a positive outcome from a safety review. Reata Pharmaceuticals (**RETA**) received FDA orphan drug designation. Lockheed (**LMT**), Raytheon (**RTN**) and Northrop Grumman (**NOC**) all received defense contracts from the US government with a maximum size of \$4.1bn. Finally, Hawaiian (**HA**) reported better passenger traffic.

*Earnings:* Fastenal (**FAST**) beat EPS estimates

*Analyst Actions:* Conn's (**CONN**) raised to buy at Stifel, Texas Instruments (**TXN**) raised to buy at Longbow

*Secondary/Note offerings:*

- **SRE - Sempra Energy prices concurrent offerings; 9.8M-share common stock offering priced at \$113.75/sh.**  
**Common stock offering:** 9.8M shares of its common stock in connection with forward sale agreements at \$113.75 per share. **Mandatory Convertible Preferred Stock:** 5M shares of its 6.75-percent Mandatory Convertible Preferred Stock, Series B, at \$100 per share. The net proceeds from the Mandatory Convertible Preferred Stock offering will be approximately \$491.8M
- **IOTS - Adesto Technologies 6.7M-share offering priced at \$6.00/sh through Cowen, Needham, Canaccord Genuity, and Roth**
- **NSA - National Storage Affiliates announces 5.9M share offering through BMO**
- **NTRA - Natera announces proposed \$75.0M common stock offering through J.P. Morgan, Morgan Stanley, and Cowen**
- **HMNY - Helios & Matheson Analytics announces proposed offering of common stock and warrants through Canaccord**

- **ASMB** - Assembly Biosciences announces 3M share offering through Jefferies, Leerink, William Blair and Mizuho Securities USA
- **CTMX** - CytomX Therapeutics announces \$125M common stock offering through Goldman Sachs, Citigroup and Barclays
- **ARQL** - ArQule announces 11M share offering priced at \$5.50 per share through Leerink

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## M&A And Corporate Action News

- **BCRX, IDRA**- Idera Pharmaceuticals, Inc. (NASDAQ:IDRA) announced today that the Agreement and Plan of Merger and Reorganization (the "Merger Agreement") entered into by and among Idera and BioCryst on January 22, 2018, has been terminated. The Merger Agreement was terminated following the July 10, 2018 special meeting of BioCryst stockholders at which BioCryst's stockholders voted against the proposed mergers. Separately, a majority of Idera's stockholders voted in favor of the adoption of the Merger Agreement at a special meeting of Idera stockholders, also held on July 10, 2018.
- **DVMT, VMW**- Holders of at least 10% of DVMT shares, which track Dell's controlling stake in VMware, are disappointed with terms of deal announced last week and may oppose it, the Wall Street Journal reported, citing people familiar. The holders include several teams at BlackRock, as well as Farallon Capital Management and Canyon Capital Advisors. BlackRock is DVMT's third-largest shareholder with 4.8% stake, while Farallon and Canyon own about 3.5% and 1.5%, respectively, the WSJ said, citing FactSet. Their chief complaint is that deal undervalues the tracking stock; several of the shareholders believe offer should go further toward closing gap between DVMT and the VMware shares they are meant to track. Elliott Management is still reviewing the deal and hasn't decided whether to support it, people familiar said; the fund had been hoping Dell would make a more comprehensive deal including a full purchase of VMware.
- **PFE**- Pfizer Says Still Evaluating Strategic Alternatives for Consumer Healthcare.
- **GE**- Veritas Capital ("Veritas"), a leading private equity investment firm, and General Electric (NYSE:GE), today announced that an affiliate of Veritas has completed its acquisition of GE Healthcare's Enterprise Financial Management (Revenue-Cycle, Centricity Business), Ambulatory Care Management (Centricity Practice Solution) and Workforce Management (formerly API Healthcare) assets for \$1.05 billion in cash.
- **EXC**- FirstEnergy Solutions Corp. ("FES") announced today that it has agreed to sell its retail and wholesale load-serving business to Constellation, a subsidiary of Exelon Corporation (NYSE: EXC), for a purchase price of \$140 million in cash, subject to certain purchase price adjustments.
- **FOXA, CMCSA, SKY LN**- Rupert Murdoch's 21st Century Fox Inc. boosted its bid for Sky Plc to \$14.00 from \$10.75 vs. CMCSA's \$12.50 bid.
- **LHO, BX, PEB**- Pebblebrook Hotel Trust says it has filed a preliminary proxy statement with the U.S. SEC urging shareholders of LaSalle Hotel Properties to vote with Pebblebrook against LaSalle's merger agreement with BRE Landmark, an affiliate of The Blackstone Group L.P. at a price of \$33.50 per share.
- **H CN, AVA**- Hydro One (H CN) and Avista (AVA) received final merger approval in Montana; still needs FCC.

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## Consumer News

### Notable Headlines:

- **VOXX- (offered down 15%)** VOXX International reports Q1 EPS (\$0.04) vs FactSet (\$0.07). **Reports Q1:** Revenue \$100.9M vs FactSet \$114.0M. EBITDA \$1.5M vs FactSet \$11.8M.
- **FAST- (trading up 6%)** Fastenal reports Q2 EPS \$0.74 vs FactSet \$0.66. **Reports Q2:** Revenue \$1.27B vs FactSet \$1.26B. Increases quarterly dividend by 8.1% to \$0.40 from \$0.37. Payable 22-Aug-18; record 25-Jul-18.
- **WDFC**- WD-40 Company reports Q3 EPS \$1.15 vs FactSet \$1.05. **Reports Q3:** Revenue \$107.0M vs FactSet \$103.3M. **FY Guidance (Aug 2018):** EPS \$4.05-4.10 vs FactSet \$4.09. Revenue \$403-411M vs FactSet \$408.1M.
- **JBSS**- John Sanfilippo & Son declares \$2.00 special cash dividend. Board declared a special cash dividend of \$2.00 per share on all issued and outstanding shares of common stock of the company and \$2.00 per share on all issued and outstanding shares of Class A common stock of the company. In addition to the Special Dividend, the board declared a regular annual cash dividend of \$0.55 per share on all issued and outstanding shares of common stock of the company and \$0.55 per share on all issued and outstanding shares of Class A common stock of the company.

- **FUN-** Cedar Fair reports preliminary net revenues through 4-Jul-18 of ~\$563M. **Revenues Through July 4th Holiday Weekend:** Cedar Fair Entertainment Company today reported preliminary net revenues through 8-Jul-18, of approximately \$563M, on 11.1M guest visits, average in-park per capita spending of \$45.87 and out-of-park revenues of \$70M. This period represents approximately 40% of the company's total operating days for 2018. When compared with the same period a year ago, net revenues were down 2%, or \$10M, the result of a 3%, or 314,000-visit, decrease in attendance. This was partially offset by a 3%, or \$2M, increase in out-of-park revenues, including resort accommodations, and a slight increase in average in-park per capita spending when compared with the same period last year.

*Analyst Actions:*

- **VIPS-** Vipshop downgraded to neutral from buy at Goldman Sachs
- **KDP-** Keurig Dr Pepper initiated hold at Stifel Nicolaus
- **CONN-** Conn's upgraded to buy from hold at Stifel Nicolaus
- **SHOO-** Steven Madden downgraded to neutral from outperform at Wedbush Securities
- **JACK-** Jack In The Box added to Best Ideas List at Wedbush

*Syndicate:*

- **STZ-** Constellation Brands acquires Four Corners Brewing for undisclosed terms. With flagship brands like Local Buzz Honey-Rye Golden Ale and El Chingón IPA, Four Corners will join Constellation's Craft & Specialty Beer Group.
- **LQDT-** Liquidity Services to acquire Machinio Corp for \$20M. Liquidity Services, Inc. announced it has acquired Machinio Corp., a global online platform for listing used equipment for sale in the construction, machine tool, transportation, printing and agriculture sectors. Liquidity Services has paid approximately \$20.0M of consideration for 100% of the equity in Machinio, consisting of approximately \$18.0M in cash, subject to working capital adjustments under the terms of the stock purchase agreement, and \$2.0M in restricted stock issued to Machinio's executives in exchange for stock in Machinio.

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**Financial News**

*Notable Headlines:*

- **Trump Tariff Barrage Pushes China Feud to Point of No Return** U.S. President Donald Trump is pushing his trade conflict with China toward a point where neither side can back down. By Aug. 30, as the U.S. nears mid-term elections vital for Trump's legislative agenda, the White House will be ready to impose 10 percent tariffs on \$200 billion of Chinese-made products, ranging from clothing to television parts to refrigerators. The levies announced Tuesday -- together with some \$50 billion already in the works -- stand to raise import prices on almost half of everything the U.S. buys from the Asian nation. China has seven weeks to make a deal or dig in and try to outlast the U.S. leader. President Xi Jinping, facing his own political pressures to look tough, has vowed to respond blow-for-blow. He's already imposed retaliatory duties targeting Trump's base including Iowa soybeans and Kentucky bourbon. Yet matching the latest U.S. barrage would force China to either levy much higher tariffs or take more disruptive steps like canceling purchase orders, encouraging consumer boycotts and putting up regulatory hurdles. Not only does that risk provoking Trump to follow through on threats to tax virtually all Chinese products, it could unleash nationalist sentiment on both sides that fuels a deeper struggle for geopolitical dominance.
- **Trump Tax-Cut Optimism Fades into Trade-War Gloom at Top Banks** It was supposed to be the best of times for the biggest U.S. banks: Rising interest rates and corporate tax cuts would boost profitability and spur lending, while deregulation lowered costs. The optimism didn't last. Loan books probably expanded only slightly last quarter while revenue failed to match the acceleration posted in the first three months of the year, based on the latest analyst estimates. And the outlook isn't brightening. A flattening yield curve and a potential trade war threaten to make the second half even worse. "We're not expecting very strong results for the big banks," said Jim Shanahan, an analyst at Edward Jones & Co. "Management teams are still cautious. Corporate-tax reform hasn't given them the confidence to invest in capital and hire people. It has a lot to do with concerns about this burgeoning trade war." Investors will get the first details on Friday, when JPMorgan Chase & Co., Wells Fargo & Co. and Citigroup Inc. report second-quarter results. After the six biggest U.S. banks posted a 7 percent jump in revenue in the first quarter, analysts predict the second quarter's bounce was less than half that, for a combined \$109 billion, according to data compiled by Bloomberg. Banks were supposed to be among the biggest beneficiaries of the tax overhaul. Wells Fargo Chief Financial Officer John Shrewsbury said in a January phone interview that he expected a flurry

of activity as firms boosted capital expenditures and lower tax rates made some deals easier to complete. JPMorgan CFO Marianne Lake said the same month that the tax changes were a “big win for the economy” and the certainty would give clients “confidence to act.” But the five largest banks are now expected to post a 4.7 percent drop in investment-banking fees, which include revenue from merger advice and helping companies sell new debt and equity. And the four biggest money-center banks probably boosted loans by only about 2 percent compared with a year earlier.

- **Deutsche Bank Is Said to Woo Buyout Giants to Finance More Deals** Deutsche Bank AG is deploying top executives, as well as billions of dollars, as it seeks to win more business with Wall Street’s most active dealmakers. Chief Executive Officer Christian Sewing and other senior managers at the bank have fanned out in recent weeks to meet leaders of big U.S. private equity firms, looking to strengthen relationships and drum up mandates for financing buyouts, according to people with knowledge of the strategy. The charm offensive follows a decision by the bank this year to make more money available for non-investment-grade debt -- dedicating roughly \$16 billion of its balance sheet to the effort, up from about \$12 billion previously, one person said. “It’s a piece that does fit as part of our strengths within the Americas, we’re not going to hide from that,” said Mark Fedorcik, co-president of the investment banking business, who declined to comment on balance-sheet commitment. “We have strong relationships historically with private equity.”
- **SCHW- Charles Schwab reports Daily Average Trades for 02-06 July 614,384 vs prior month 851,720 Clients’ Daily Average Trades** Revenue trades 301,999 vs prior month 377,305. Asset-based trade’s 125,178 vs prior month 231,677. Other trades 187,207 vs prior month 242,739
- **LHO- LaSalle holder Pebblebrook (PEB) files proxy statement against proposed acquisition by Blackstone -- 13D/A** On 10-Jul-18, Pebblebrook filed a preliminary proxy statement with the SEC soliciting proxies from shareholders of the company to vote “AGAINST” all three of the proposals to be voted on at the special meeting of shareholders of LaSalle. Additional details in the 13D filing linked below. Note that on 11-Jun-18 PEB submitted a revised higher offer to acquire LaSalle for implied price of \$37.80/sh

#### *Analyst Actions:*

- **VICI- VICI Properties initiated market perform at Wells Fargo**

#### *Syndicate:*

- **SAR- Saratoga Investment commences 1M share offering through Ladenburg Thalmann, BB&T Capital Markets, B.Riley FBR, Compass Point and Janney Montgomery Scott**
- **NSA- National Storage Affiliates commenced underwritten public offering of 5.9 mln common shares of beneficial interest of the Company** The Company expects to use the additional proceeds from the offering, together with amounts it expects to redraw from the Revolver, to make approximately \$160.8 million in capital contributions to, in exchange for a 25% ownership interest in, a joint venture with an affiliate of Heitman Capital that has been recently formed to acquire from Simply Self Storage, a portfolio company of a private real estate fund managed by Brookfield Asset Management (BAM), two REITs that own a portfolio of self-storage properties for an aggregate purchase price of approximately \$1.325 billion.

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**Tech/Media News**

#### *Notable Headlines:*

- **CMCSA** – Comcast expected to counter Fox's increased offer of £14 per share for Sky plc -- CNBC, citing a source . CNBC also reports that Comcast's bid for Fox assets depends on the outcome of Sky
- **OCLR** - Oclaro stockholders approve acquisition by Lumentum. OCLR announced that, based on the vote tally from Oclaro's Special Meeting of Stockholders held earlier today, Oclaro's stockholders approved the merger agreement under which Lumentum Holdings Inc. (LITE) will acquire Oclaro. Stockholders also approved other proposals relating to the transaction.
- **JD** - JD.com's finance unit valued at CNY120B (\$18B) – Reuters. People with direct knowledge of the matter say JD Finance has raise at elast CNY13B (~\$2B) from Chinese investors in the latest fundraising round ahead of an expected IPO. Valuation now stands at CNY120B (\$18B), and sources add that the final valuation may rise further.

- **ADI** - Analog Devices, Inc. announced that it has signed a collaboration memorandum of understanding (MOU) with Baidu to jointly advance autonomous driving. The collaboration is expected to enhance autonomous driving solutions for Project Apollo, Baidu's autonomous driving system platform, including sensor fusion, algorithms and ecosystem partners.
- **VOXX** - VOXX International reports Q1 EPS (\$0.04) vs FactSet (\$0.07) -- 1 estimate Reports Q1: Revenue \$100.9M vs FactSet \$114.0M -- 1 estimate
- EBITDA \$1.5M vs FactSet \$11.8M -- 1 estimate
- **GSUM** – Gridsum renews contract with SAIC Volkswagen. GSUM announced that it has renewed its contract with SAIC Volkswagen Automotive Co Ltd., an automobile manufacturing company headquartered in Anting, China and a joint venture between Volkswagen Group and SAIC Motor.

*Analyst Actions:*

- **YEXT** - Yext downgraded to sector weight from overweight at KeyBanc
- **TRIP** - TripAdvisor upgraded to overweight from equal-weight at Barclays
- **TXN** - Texas Instruments upgraded to buy from neutral at Longbow Research
- **VIPS** - Vipshop downgraded to neutral from buy at Goldman Sachs
- **MSI** - Motorola Solutions upgraded to outperform from market perform at Cowen
- **FB** - Facebook initiated buy at Nomura/Instinet
- **GOOGL** – Alphabet initiated buy at Nomura/Instinet
- **SPOT** – Spotify initiated buy at Nomura/Instinet
- **TWTR** – Twitter initiated reduce at Nomura/Instinet
- **SIRI** – Sirius XM initiated outperform by Credit Suisse
- **CBS** – CBS initiated outperform by Credit Suisse
- **FOXA** – 21<sup>st</sup> Century Fox initiated outperform by Credit Suisse
- **NFLX** – Netflix initiated outperform by Credit Suisse
- **VZ** – Verizon initiated outperform by Credit Suisse
- **DISH** – Dish Networks initiated underperform by Credit Suisse
- **T** - AT&T initiated underperform by Credit Suisse
- **PYPL** – Paypal price target increased to \$105 at Susquehanna

*Syndicate:*

- **IOTS** - Adesto Technologies 6.7M-share offering priced at \$6.00/sh through Cowen, Needham, Canaccord Genuity, and Roth

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**Energy**

**Summary:** Crude futures traded higher post market Tuesday after API reported a larger-than-expected 6.8mm bbl draw as well as a nearly-2mm bbl gasoline draw. Both oil benchmarks have since slipped (Brent -2.1%, WTI -90bps) with the broader risk-off move and as Libyan officials said exports from the country's eastern ports will resume today. OPEC released its monthly at 7:50am EST in which it forecast that rival, non-OPEC production growth in 2019 will be enough to meet an expected demand increase of 1.45mm bpd. The EIA will report weekly US inventory data at 10:30am. In the news, the Times of Oman reported that India, which is Iran's second largest oil customer behind China, cut purchases by 15.9% last month led by private refiners after acknowledging companies will have to look for alternative supply in response to US sanctions. US officials spent 3 days meeting with Saudi officials to discuss measures to reach The President's goal of eliminating oil purchases from Iran without disrupting oil markets. The NATO meeting in Brussels began with President Trump criticizing Germany's dependence on Russian energy saying that its support of the Nord Stream 2 line from Siberia into Western Europe shows that Germany is controlled by the Kremlin. In company news, Hydro One (**H CN**) and Avista (**AVA**) received final merger approval in Montana, and Sanchez Energy's (**SN**) COO has resigned to pursue an opportunity

with another unnamed company.

*Notable Headlines:*

- **GPRK - GeoPark provides Q2 operational update. Q2 2018 Highlights:** 37% Growth in Oil and Gas Production; Consolidated oil and gas production up 37% to 35,870 boepd (up 11% compared to 1Q2018); Oil production increased by 38% to 30,249 bopd (up 11% compared to 1Q2018); Colombian production increased by 33% to 27,940 boepd (up 6% compared to 1Q2018); Gas production increased by 34% to 33.7 mmcfpd (up 16% compared to 1Q2018). **Upcoming 3Q2018 Catalysts:** Testing four drilled wells and drilling ten new wells, including seven development wells, two exploration wells and one appraisal well (Colombia, Argentina and Chile)

*Syndicate:*

- **SRE - Sempra Energy prices concurrent offerings;** 9.8M-share common stock offering priced at \$113.75/sh. Common stock offering: 9.8M shares of its common stock in connection with forward sale agreements at \$113.75 per share. Mandatory Convertible Preferred Stock: 5M shares of its 6.75-percent Mandatory Convertible Preferred Stock, Series B, at \$100 per share. The net proceeds from the Mandatory Convertible Preferred Stock offering will be approximately \$491.8M

*Analyst Actions:*

- **FANG - Diamondback Energy** initiated positive at Susquehanna with \$164 target
- **PE - Parsley Energy** initiated positive at Susquehanna with \$38 target
- **CDEV - Centennial Resource Development** initiated neutral at Susquehanna with \$21 target
- **TLP - TransMontaigne Partners** downgraded to hold from buy at Stifel Nicolaus. Cites the offer from ArcLight. Target cut to \$40 from \$43
- **PBR - Petrobras** upgraded to overweight from underweight at Barclays; target remains \$14
- **HES - Hess Corporation** downgraded to underweight from equal-weight at Barclays; target increased however to \$66 from \$55

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**Industrial News**

*Notable Headlines:*

- **AVY-** Avery Dennison board approves termination of defined benefit pension plan. On 9-Jul-18, the board of Avery Dennison approved the termination of the Avery Dennison Pension Plan, a tax-qualified U.S. defined benefit plan, effective as of 28-Sep. The Plan is currently underfunded by an estimated \$240M on a Plan termination basis. The company plans to borrow commercial paper to contribute \$200M in cash to the Plan prior to 15-Aug-18 and deduct that contribution on its 2017 U.S. income tax return. Termination of the Plan is expected to settle a long-term liability currently estimated to be ~\$950M.
- **SXT-** Sensient technologies acquires Mazza innovation; terms not disclosed. Mazza is a botanical extraction technology company.
- **FAST-** Fastenal reports Q2 EPS \$0.74 vs FactSet \$0.66. Revenue \$1.27B vs FactSet \$1.26B. We believe the combined effects of discrete tax items and the lower tax rate resulting from the impact of the Tax Act benefited our basic and diluted EPS by approximately \$0.15 in Q2 of 2018.
- **MSM-** MSC Industrial reports Q3 EPS \$1.39 vs FactSet \$1.39. Revenue \$828.3M vs FactSet \$834.7M. **Q4 GUIDANCE:** EPS \$1.24-1.30, including \$0.03 dilution from AIS, vs FactSet \$1.36; Revenue \$829-844M vs FactSet \$847.4M. At the midpoint, average daily sales are expected to increase roughly 9.3% compared to last year's Q4. Excluding acquisitions, the company expects net sales for Q4 of FY18 to be between \$778M and \$793M, with average daily sales at the midpoint expected to increase roughly 4.0% compared to last year's Q4. The company expects diluted EPS for Q4 of FY18 to be between \$1.26 and \$1.32.
- **LMT/RTN/NOC-** Raytheon, Lockheed, Northrop Grumman each being awarded MAIDIQ U.S. defense contracts with minimum amount \$10K and maximum amount of \$4.10B. The primary purpose of this multiple award indefinite-delivery/indefinite-quantity (MAIDIQ) contract is to provide autonomous acquisition and persistent precision tracking and discrimination to optimize the defensive capability of the Ballistic Missile Defense system and counter evolving threats.
- **FAST-** Fastenal increases quarterly dividend by 8.1% to \$0.40 from \$0.37.

- **WMS-** Advanced Drainage Systems discloses resolution of previously disclosed SEC investigation; to pay \$1M penalty. As of 10-Jul-18, Advanced Drainage Systems has resolved the previously disclosed investigation by the SEC regarding the company's historical accounting practices. As part of a settlement with the SEC, the company consented to the entry of an administrative order without admitting or denying the findings therein. The order requires the company to cease and desist from committing or causing any violations and any future violations of certain provisions of the federal securities laws and the rules promulgated thereunder and to pay a civil monetary penalty of \$1M to the SEC. The company previously accrued an expense for the penalty amount during the quarter ended 31-Mar-18.
- **JBLU-** JetBlue announced it has ordered 60 Airbus A220-300 aircraft – previously called the Bombardier CS300 – for delivery beginning in 2020, with the option for 60 additional aircraft beginning in 2025. As part of the agreement, JetBlue has also reshaped its Airbus orderbook, including converting its order for 25 A320neos to the A321neo and adjusting the delivery schedule.
- **HAYN-** Haynes International announces ratification of labor agreement covering ~482 employees. The company and the USW reached a tentative agreement on 1-Jul-18. This agreement succeeds an existing agreement that expired 30-Jun-18.
- **AIR-** AAR Corp reports Q4 adjusted EPS \$0.54 vs FactSet \$0.51. Revenue \$473.5M vs FactSet \$483.5M; Adjusted EBITDA \$41.1M vs FactSet \$39.0M. Reaffirms FY Guidance: EPS \$2.50-2.80 vs FactSet \$2.71; Revenue \$2.1B-2.2B vs FactSet \$2.14B; Adjusted EBITDA \$180M-190M vs FactSet \$184.7M.
- **GE-** Veritas Capital completes acquisition of revenue-cycle, ambulatory care and workforce management software units from GE Healthcare for \$1B.
- **RRTS-** Roadrunner appoints special committee to evaluate financing alternatives and engages Barclays as advisor. RRTS confirmed today that the company is now current with SEC filing requirements after filing on June 29, 2018, its Form 10-Q for the quarter ended March 31, 2018. The company expects to file its second quarter Form 10-Q and future filings on a timely basis. The company reported positive comparable trends in its Truckload & Express Services and Ascent Global Logistics segments in the first quarter of 2018 versus the first quarter of 2017. The company expects continued positive trends in these segments in 2018. Roadrunner also expects sequential quarterly improvement in LTL operating results in the 2018 second quarter and anticipates improvements in operating trends in the second half of 2018 compared to the first half.
- **BA-** Thailand's flag carrier to buy 23 new aircraft worth ~100b baht (\$3 billion) to modernize its fleet.

#### *Analyst Actions:*

- **MYE-** Myers Industries initiated neutral at JPMorgan
- **TDG-** Transdigm upgraded to outperform from market perform at Cowen
- **CHRW-** C.H. Robinson upgraded to neutral from underweight; target remains \$86 – JPM
- **WERN-** Werner Enterprises downgraded to underweight from neutral; target cut to \$35 from \$42 – JPM
- **WLK-** Westlake Chemical downgraded to neutral from buy at Nomura/Instinet
- **CPA-** Copa Holdings downgraded to neutral from buy at Buckingham
- **AIR-** AAR Corp price target raised to \$52 from \$48 at Canaccord
- **CHRW-** C.H. Robinson upgraded to Neutral at JP Morgan

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**Health Care**

#### *Notable Headlines:*

- **AST-** Asterias Biotherapeutics **trading up 29%** after the company announced that the Safety Review Committee for the first clinical trial of AST-VAC2, held a scheduled meeting to review the safety and tolerability data generated in the first patient enrolled in the study and recommended continuation of the study and moving to parallel enrollment of the second and third patients in the advanced cancer cohort, as planned per the study's protocol. This initial clinical trial will examine the safety and tolerability of AST-VAC2 in non-small cell lung cancer as the study's primary endpoints.
- **SCYX-** SCYNEXIS, Inc. **trading up 13%** after the company announced positive results from its Phase 2b, dose-finding study evaluating oral SCY-078 for the treatment of vulvovaginal candidiasis. SCY-078, the first representative of a novel oral and intravenous triterpenoid antifungal family, is in clinical development for the treatment of multiple serious fungal infections, including VVC, invasive candidiasis, invasive aspergillosis and refractory invasive fungal infections.

- **ANGO-** AngioDynamics forecast revenue for the full year; the guidance midpoint met the average analyst estimate; sees FY revenue \$344 million to \$349 million, estimate \$347.5 million; sees FY adjusted EPS 82c to 86c, estimate 87c; sees FY free cash flow \$38 million to \$43 million
- **MRK-** Merck announced that the FDA has accepted and granted priority review for a new supplemental Biologics License Application seeking approval for KEYTRUDA, Merck's anti-PD-1 therapy, as a treatment for previously treated patients with advanced hepatocellular carcinoma. This sBLA, which is seeking accelerated approval for this new indication, is based on data from the Phase 2 KEYNOTE-224 trial, which were recently presented at the 2018 American Society of Clinical Oncology Annual Meeting and published simultaneously in The Lancet Oncology. The FDA has set a Prescription Drug User Fee Act, or target action, date of Nov. 9, 2018.
- **BCRX-** BioCryst shareholders voted against the merger at their special meeting Tuesday, while Idera shareholders voted in favor. BioCryst will reimburse Idera \$6m in connection with the termination.
- **VSAR-** Aravive said Phase 1 trial of AVB-S6-500 met safety endpoint. The company has completed both the single ascending dose and repeat dose portions of its Phase 1 study of AVB-S6-500 in healthy volunteers. The study met the safety and tolerability endpoints for the trial
- **PFE-** Pfizer announced it will organize the company into three businesses: Innovative Medicines business, Established Medicines and Consumer Healthcare business.
- **AKCA, IONS-** Akcea and Ionis Pharmaceuticals announced that TEGSEDI has received marketing authorization approval from the European Commission for the treatment of stage 1 or stage 2 polyneuropathy in adult patients with hereditary transthyretin amyloidosis. This follows the positive opinion recommending approval provided by the Committee for Medicinal Products for Human Use of European Medicines Agency.
- **OVID-** Ovid Therapeutics announced that it has initiated the Phase 2 ROCKET clinical trial evaluating OV101 for the treatment of adolescents and young adult males with Fragile X syndrome.
- **BMY-** Bristol-Myers Squibb announced Opdivo 3 mg/kg plus low-dose Yervoy 1 mg/kg received approval from the FDA for the treatment of adult and pediatric patients 12 years and older with microsatellite instability high or mismatch repair deficient metastatic colorectal cancer that has progressed following treatment with a fluoropyrimidine, oxaliplatin and irinotecan. Approval for this indication has been granted under accelerated approval based on overall response rate and duration of response. Continued approval for this indication may be contingent upon verification and description of clinical benefit in confirmatory trials.
- **CARA-** Cara Therapeutics announced that the first patients have been dosed in a Phase 2 trial of Oral KORSUVA for the treatment of pruritus in stage III-V CKD patients.
- **APDN-** Applied DNA and UL announce strategic partnership. UL announced that together with Applied DNA Sciences Inc. they have joined forces to form a strategic partnership that will lay the foundation for a significant new development in product authentication and supply chain traceability. This partnership will enable UL to offer a series of Verification Marks for point-of-origin and product content, utilizing Applied DNA's SigNature molecular tags.
- **RETA-** Reata received EC orphan drug designation for Omaveloxolone for the treatment of Friedreich's ataxia, based on the positive opinion from the Committee for Orphan Medicinal Products of the European Medicines Agency.
- **URGN-** UroGen Pharma announces that it submitted to the FDA an Investigational New Drug application for UGN-102 for the treatment of patients with low-grade non-muscle invasive bladder cancer at the end of Q2 2018. If accepted, the company expects to begin a Phase 2B clinical trial in the United States in Q3 2018.
- **ABBV-** AbbVie comments on phase 3 study of Ibrutinib (IMBRUVICA) in blood cancer DLBCL; did not meet primary endpoint; clinically meaningful improvements were observed in sub-population. The DBL3001 study evaluated the addition of ibrutinib to a chemotherapy regimen consisting of five different agents used in combination, rituximab, cyclophosphamide, doxorubicin, vincristine, and prednisone, versus R-CHOP plus placebo.

*Analyst Actions:*

- **MYGN-** Myriad Genetics upgraded to overweight from equal-weight at Morgan Stanley
- **SCYX-** Scynexis upgraded to buy from hold at Needham
- **XCUR-** Exicure initiated buy at Ladenburg Thalmann
- **ILMN-** Illumina estimates raised at Leerink following checks
- **JAZZ-** Jazz Pharmaceuticals downgraded to equal-weight from overweight at Morgan Stanley
- **ESPR-** Esperion Therapeutics downgraded to market perform from outperform at Northland Capital Markets

*Syndicate:*

- **ARQL-** ArQule announces 11M share offering priced at \$5.50 per share through Leerink
- **ASMB-** Assembly Biosciences announces 3M share offering through Jefferies, Leerink, William Blair and Mizuho Securities USA
- **SLS-** SELLAS Life Sciences Group files amended S-1; to offer 7M shares and pre-funded warrants through Cantor and Oppenheimer
- **BIOC-** Biocept files amended S-1; increases offering to \$49.9M from \$26M through Maxim and Dawson James

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