September 14, 2018

The Wedbush Week Ahead

Week of September 17, 2018

Analysts
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Economic Calendar

Monday – Empire State Mfg (8:30AM)

Tuesday – Housing Market Index (10AM)

Wednesday – MBA Mortgage Apps (7AM), Housing Starts (8:30AM)

Thursday – Jobless Claims (8:30AM), Philly Fed Biz Outlook (8:30AM), Existing Home Sales (10AM)

Friday – Quad Witching, PMI Composite Flash (9:45AM)

Company	*Date*	*Action Item*	*Read*
AZO	Tues, Sept. 18th	Sales/Margin	**Positive**

Source: Wedbush Securities, Inc.

Consumer

Within consumer, we continue to watch the relative price action between discretionary and staples. On a month-to-date basis, staples have outperformed discretionary, due to defensive positioning. Retail has been a notable pocket of weakness over last few sessions with restaurants in particular tapping the brakes following recent strength. (We still favor QSR plays on that front ***SONC***, ***JACK***, ***WEN*** and ***CMG*** SS.)

Hardlines: We see more potential for upside than downside for ***AZO*** into Q4 earnings on Tuesday. While investor anxiety about AZO comps has been rising recently, we continue to see upside to the consensus +2.1% estimate, driven by advantageous late spring and summer weather and favorable macro. This view is despite comps likely being clipped by the company's removal of online promotions in February, a decision that has since been reversed.

Homebuilders/building: We continue to monitor the ITB as the ETF struggles to claim its 50MA. Affordability concerns, as well as potential hurricane delays (*Big Bad Flo: Potential Winners and Losers from Hurricane Florence*), have bears negative on the group. We will receive more color on the current state of the housing market through the Housing Market Index on Tuesday, Housing Starts on Wednesday, and Existing Home Sales on Thursday. Note we added DHI to our *Best Ideas List* on Thursday; the potential for mortgage rates to move meaningfully higher has been and continues to be the rallying cry for housing bears. However, with mortgage rates in a fairly narrow band since April and home price appreciation slowing v. last year's pace, we do not see that argument as applicable to the current environment.

Healthcare

Healthcare saw relative outperformance vs. the broader markets this week thanks to MedTech and Large-Cap Pharma. Biotech has been volatile with an increase of news flow out of several sell-side conferences and various program/data releases. Flows on the desk have been better to buy for out-of-favor small-cap biotech, as investors defend positions and Long Only's look to buy late stage assets. We saw selling of large-cap MedTech strength, hospitals, SMID-cap biotech outperformance, while shorts have been showing up with some courage. In the week ahead, we have several Wedbush coverage names on our radar with expected updates: **ASND**, **KNSA, NITE**, **PCRX,** and **VRNA**.

For ***KNSA***, initial Ph 1a/1b KPL-716 data in moderate-to-severe atopic dermatitis patients experiencing moderate-to-severe itch (pruritus) will be presented Saturday, September 15 at the European Academy of Dermatology and Venereology (EADV) Congress in Paris. We expect significant reductions in pruritus from the single-dose portion of the study—which we define as an NRS itch improvement of three or greater—to increase confidence that the anti-OSMRβ antibody can succeed in subsequent, larger studies. Assuming positive results, KNSA will likely first advance KPL-716 into a Ph 2 study in prurigo nodularis, a chronic inflammatory skin condition characterized by multiple firm and pruritic nodules.

ASND is scheduled to present data regarding their lead candidate, TransCon-hGH, at the Ninth International Congress of the Growth Hormone Research and Insulin-like Growth Factors Society (GRS & IGF; Sep 14-17; Seattle). Phase 3 studies for this candidate remain on track and the next major milestone is data release for the pivotal heiGHt trial and the enliGHten extension trial, both anticipated in 1Q19. **CLSD** plans to present previously announced positive data from its Phase 3 PEACHTREE trial of CLS-TA for the treatment of macular edema associated with non-infectious uveitis at the 51st Annual Scientific Meeting of the Retina Society (Sep 12-15; San Francisco). We view current CLSD prices as appealing in light of multiple significant near-term milestones, the soonest of which is anticipated to be preliminary Phase 3 data of CLS-TA for retinal vein occlusion – in Q4:18. **VRNA** will be discussing an expanded dataset from the Phase 2b trial of RPL554 for maintenance COPD in an oral presentation at the European Respiratory Society International Congress (ERS; Sep 15-19; Paris).

UPCOMING EVENTS

CONFERENCES

Date	Event	City
November 14, 2018	**2018 Chicago Financials Forum**	Chicago

CONFERENCE CALLS

Date	Event	Time
September 14, 2018	**Video Game Sales Recap | ATVI, EA, GME, NTDOY, TTWO, UBI**	10:30 ET
	Wedbush Host: Michael Pachter, Digital Media	
October 9, 2018	**Wingstop Inc. Management Access Call | WING**	10:30 ET
	Michael Skipworth, CFO	
	Wedbush Host: Nick Setyan, Restaurants	

NON-DEAL ROADSHOWS

Date	Event	City
September 17, 2018	**Total System Services, Inc. Headquarter Visit | TSS**	Austin
	Kelly Knutson, CEO, Consumer Solutions	
	Wedbush Host: Moshe Katri, Payments/IT Services	
September 20, 2018	**Chuy's Holdings, Inc. | CHUY**	San Francisco
	Steven Hislop, CEO and Jon Howie, CFO	
	Wedbush Host: Nick Setyan, Restaurants	
September 24, 2018	**XOMA Corporation | XOMA**	San Francisco
	Jim Neal, CEO and Tom Burns, CFO	
	Wedbush Host: Liana Moussatos, Emerging Pharmaceuticals	
September 27-29, 2018	**Builders FirstSource, Inc. | BLDR**	KC / San Fran
	Peter Jackson, CFO	
	Wedbush Host: Jay McCanless, Homebuilders	
October 2-3, 2018	**Carvana Co. | CVNA**	Boston / New York
	Ernie Garcia III, CEO and Mike Levin, VP of IR	
	Wedbush Host: Seth Basham, Specialty Retail Hardlines	
October 11, 2018	**Kiniksa Pharmaceuticals, Ltd. | KNSA**	Boston
	Sanj Patel, CEO, John Paolini, CMO, and Mark Ragosa, IR	
	Wedbush Host: David Nierengarten, Biotechnology	
October 16-17, 2018	**Applied Genetic Technologies Corp | AGTC**	LA / San Fran
	Sue Washer, CEO	
	Wedbush Host: David Nierengarten, Biotechnology	
October 17, 2018	**Express, Inc. | EXPR**	Dallas
	David Kornberg, CEO and President; Perry Pericleous, CFO; and Mark Rupe, VP, IR	

	Wedbush Host: Jen Redding, Specialty Retail	
November 6, 2018	**Shake Shack Inc. Management Lunch & Test Kitchen Tour | SHAK**	New York
	Tara Comonte, CFO and Leo Rhodes, VP of Finance & IR Wedbush Host: Nick Setyan, Restaurants	
November 8-9, 2018	**Del Taco Restaurants, Inc.** | **TACO**	New York / Chicago
	John Cappasola, CEO and Steven Brake, CFO Wedbush Host: Nick Setyan, Restaurants	

Wedbush Best Ideas List

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Benchmark Indices are unmanaged and cannot be invested in directly.

Analyst Certification

I, Jesse Bigelow, certifies that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Mentioned Companies

Company	Rating	Price	Target
Applied Genetic Technologies	OUTPERFORM	$3.90	$8.00
Activision Blizzard	OUTPERFORM	$80.43	$85.00
Builders FirstSource	OUTPERFORM	$16.21	$27.00
Chuy's Holdings	NEUTRAL	$27.65	$28.00
Carvana Co.	NEUTRAL	$64.01	$40.00
Electronic Arts	OUTPERFORM	$113.84	$158.00
Express	NEUTRAL	$10.47	$9.00
GameStop	OUTPERFORM	$17.04	$19.00
Kiniksa Pharmaceuticals	OUTPERFORM	$24.98	$31.00
Shake Shack	NEUTRAL	$57.15	$62.00
Del Taco Restaurants	OUTPERFORM	$12.06	$17.00
Total System Services	OUTPERFORM	$99.63	$110.00
Take-Two Interactive Software	OUTPERFORM	$136.26	$150.00
Ubisoft Entertainment	OUTPERFORM	€93.56	€113.00
Wingstop Inc.	OUTPERFORM	$65.94	$70.00
Xoma	OUTPERFORM	$16.32	$33.00

Investment Rating System:

OUTPERFORM: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

NEUTRAL: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

UNDERPERFORM: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe of the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating distribution (as of September 14, 2018)	Investment Banking Relationships (as of September 14, 2018)
OUTPERFORM: 59.87% NEUTRAL: 38.19% UNDERPERFORM: 1.94%	OUTPERFORM: 12.43% NEUTRAL: 0.85% UNDERPERFORM: 0.00%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

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3. WS co-managed a public offering of securities for Carvana Co. and Kiniksa Pharmaceuticals within the last 12 months.

4. WS has received compensation for investment banking services from Kiniksa Pharmaceuticals within the last 12 months.

5. WS provided Carvana Co. and Kiniksa Pharmaceuticals with investment banking services within the last 12 months.

7. WS expects to receive compensation for investment banking services from Carvana Co. and Kiniksa Pharmaceuticals within the next 3 months.

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*WS changed its rating system from (Strong Buy/ Buy/ Hold/ Sell) to (Outperform/ Neutral/ Underperform) on July 14, 2009.

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Applicable disclosure information is also available upon request by contacting Leslie Lippai in the Research Department at (212) 833-1375, by email to leslie.lippai@wedbush.com, or the Business Conduct Department (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

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