ANALYST CURRENT FAVORITES®

APRIL 24, 2019 | 7:06 AM EDT

OVERVIEW

This publication contains current favorite stock ideas from the analysts in Equity Research. Analysts may only have one "buy" idea (from their stocks under coverage rated Strong Buy or Outperform) on the list at any given time. This list is updated only as changes to the list occur, and, thus, might not reflect the most current stock ratings or analyst selections in the event of interim changes.

CHANGE	COMPANY	TICKER	CLOSE	RATING	TARGET	INDUSTRY
	Aaron's, Inc.	AAN-NYSE	$52.92	SB1	$61.00	Furniture & Furnishings
	Becton, Dickinson and Company	BDX-NYSE	$228.04	SB1	$280.00	Hospital Supplies & Equipment
	BGC Partners, Inc.	BGCP-NASDAQ	$5.46	SB1	$9.00	Brokerages & Exchanges
	Cadence Bancorporation	CADE-NYSE	$20.99	SB1	$25.00	Banking
	CareDx, Inc.	CDNA-NASDAQ	$26.65	SB1	$46.00	Diagnostics & Clinical Laboratories
	CareTrust REIT, Inc.	CTRE-NASDAQ	$23.70	SB1	$25.00	Healthcare REITs
	Casella Waste Systems, Inc.	CWST-NASDAQ	$35.94	SB1	$41.00	Waste Services
	CommScope Holding Company, Inc.	COMM-NASDAQ	$26.03	SB1	$32.00	Data Infrastructure
	CVS Health Corporation	CVS-NYSE	$52.96	SB1	$90.00	Integrated Benefits Management
	CyrusOne Inc.	CONE-NASDAQ	$55.65	SB1	$65.00	Data Centers
	Dine Brands Global, Inc.	DIN-NYSE	$89.50	SB1	$125.00	Restaurants
	Dollar General Corporation	DG-NYSE	$124.23	SB1	$127.00	Value Retailers
	EchoStar Corporation	SATS-NASDAQ	$39.93	SB1	$67.00	Satellite
	Fastenal Company	FAST-NASDAQ	$71.10	SB1	$78.00	Specialty/Industrial Distribution
	Gilead Sciences, Inc.	GILD-NASDAQ	$63.04	SB1	$86.00	Biotechnology
	Granite Point Mortgage Trust Inc.	GPMT-NYSE	$19.19	SB1	$21.00	Mortgage REITs
X	Halliburton Company	HAL-NYSE	$31.15	SB1	$45.00	Diversified Oilfield Services
	Hilton Worldwide Holdings Inc.	HLT-NYSE	$87.91	SB1	$92.00	Lodging
	ICU Medical, Inc.	ICUI-NASDAQ	$225.09	SB1	$300.00	Medical Devices
	IPG Photonics	IPGP-NASDAQ	$178.69	SB1	$180.00	Advanced Industrial Technology
	Itron, Inc.	ITRI-NASDAQ	$51.40	SB1	$75.00	Power
	Marathon Petroleum Corporation	MPC-NYSE	$61.06	SB1	$85.00	Independent Refiners
✔	Oil States International, Inc.	OIS-NYSE	$19.40	SB1	$27.00	Manufacturing & Fabrication
	Patterson-UTI Energy, Inc.	PTEN-NASDAQ	$15.83	SB1	$20.00	Onshore Drillers
	Polaris Industries Inc.	PII-NYSE	$97.75	SB1	$115.00	Leisure Products
	Retail Opportunity Investments Corp.	ROIC-NASDAQ	$17.12	SB1	$20.00	Shopping Center REITs
	RingCentral, Inc.	RNG-NYSE	$111.31	SB1	$116.00	Application Software
	ServiceNow, Inc.	NOW-NYSE	$243.55	SB1	$285.00	Infrastructure Software
	SkyWest, Inc.	SKYW-NASDAQ	$59.88	SB1	$70.00	Regional Airlines
	SYNNEX Corporation	SNX-NYSE	$107.65	SB1	$140.00	IT Supply Chain
	Tempur Sealy International, Inc.	TPX-NYSE	$61.92	SB1	$70.00	Residential Furniture
	Union Bankshares Corporation	UBSH-NASDAQ	$35.49	SB1	$42.00	Banking
	Viper Energy Partners LP	VNOM-NASDAQ	$34.32	SB1	$50.00	Exploration and Production
	Willis Towers Watson Public Limited Company	WLTW-NASDAQ	$180.00	SB1	$200.00	Brokerage & Technology
	Wintrust Financial Corporation	WTFC-NASDAQ	$76.78	SB1	$89.00	Banking
	Worldpay, Inc.	WP-NYSE	$113.47	SB1	$123.00	Financial Technology & Payments

CLOSE DATE AS OF APR-23-2019 | ✔=Addition X=Deletion | SB1 - Strong Buy, MO2 - Outperform

Companies on the Raymond James Ltd. (Canadian) Research Restricted List will not appear on the Analyst Current Favorites®.

ADDITIONS

Oil States International, Inc.

We recently upgraded shares of Oil States International to a Strong Buy rating in late March, highlighting a historically low valuation, and a favorable "low bar" from consensus estimates. We see the 1Q19 earnings call as a potentially major catalyst for the name, and are making it our new Analyst Current Favorite. We believe the release of its new factory-assembled "integrated" perf guns allow it to further establish market

position in the perforation market, as well as stem recently lost market share. The release is expected in 2Q19 and if successful, the product release should drive estimates higher for both revenues and margins throughout 2019.

DELETIONS

Halliburton Company

We are removing shares of Halliburton as catalysts approach for some of our other high conviction names. While HAL remains our top choice among the Large Cap universe, oil prices remain the major mover for the name. As a rise in oil prices should lift most if not all our coverage higher, we favor the near-term catalysts for OIS, which is our new current favorite.

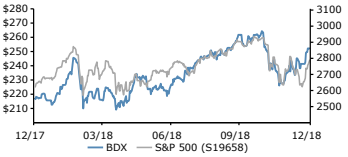
CURRENT LIST

Aaron's, Inc.

AAN-NYSE | $52.92 close
SB1 | $61.00 target
Market Cap (mln) $3,587
Dividend Yield 0.3%
Home & Other Retailers | Furniture & Furnishings
Budd Bugatch, CFA

We believe AAN shares represent an attractive risk/reward dynamic skewed heavily toward reward heading into 2019 for the following reasons: 1) emphasis on centralized and digitized decision making; 2) addition of the rapid customer on-boarding process; 3) the addition of Sunday business hours to core store locations; and 4) eCommerce and Progressive remain strong growth engines.

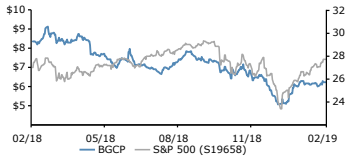
Becton, Dickinson and Company



BDX-NYSE | $228.04 close
SB1 | $280.00 target
Market Cap (mln) $61,356
Dividend Yield 1.4%
Hospital Supplies and Equipment
Lawrence Keusch

BDX is our Analyst Current Favorite, given solid mid-single digit organic growth and mid-teens EPS increases with levers for upside from FY18-FY20. Strong free cash flow generation of $10 billion from adds to the story, driving rapid deleveraging to 3.0x in FY20 from 4.7x post-deal close. We see opportunities for multiple expansion, justified by accelerating organic revenue growth to 5-6% and mid-teens EPS growth through fiscal 2020.

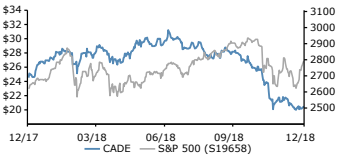
BGC Partners, Inc.



BGCP-NASDAQ | $5.46 close
SB1 | $9.00 target
Market Cap (mln) $1,844
Dividend Yield 10.3%
Capital Markets | Brokerages & Exchanges
Patrick O'Shaughnessy, CFA

We continue to be attracted to BGCP following the spin-off of the Newmark subsidiary in late-2018. BGC's standalone financial services business operates as an inter-dealer broker, a business model that is somewhat counter-cyclical in that volatility typically drives improved financial results. Recent results and the company's 1Q19 revenue outlook suggests that the underlying business is healthy, while a playbook of increased M&A, particularly in the insurance brokerage business, may support upside to results. Along with a valuation below the company's closest peer (and historical averages) as well as a healthy dividend yield, this suggests a favorable set-up to BGC shares.

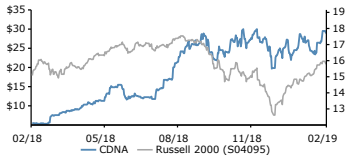
Cadence Bancorporation



CADE-NYSE | $20.99 close
SB1 | $25.00 target
Market Cap (mln) $2,702
Dividend Yield 3.3%
Banking
Michael Rose

While shares are off to a solid start since last April's IPO, notably outperforming the S&P 500 and major bank indexes, we believe Cadence is in the earlier innings of its life cycle on the path to building a financially and demographically attractive, SEC conference-focused banking franchise with top tier growth, operating efficiency, and profitability. Moreover, while it is still early days in regard to its recently announced acquisition of State Bank Financial, the enhanced franchise value and growth potential (both on the loan and fee income fronts) from the combination is under-appreciated by the market, in our view. Nearer term, we see upside to current Street forecasts from robust loan growth, continued momentum on the deposit front (inhibiting deposit beta creep), and benign credit trends. Moreover, recent secondary offerings of primary shareholders has increased trading liquidity ownership drops from ~41% to ~26% pro forma for the State Bank acquisition, further relieving the liquidity overhang.

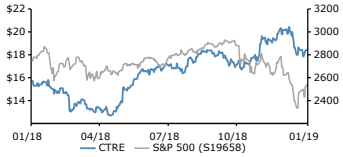
CareDx, Inc.



CDNA-NASDAQ | $26.65 close
SB1 | $46.00 target
Market Cap (mln) $1,112
Dividend Yield 0.0%
Diagnostics & Clinical Laboratories
John Hsu, CFA

Our Conviction in CareDx, inc. reflects: (1) above peer organic revenue growth of 39% through 2020; (2) a growing platform of tests and services across the pre-and post-transplant continuum, including three organs now measured with AlloSure (lung, heart, and kidney), with significant $2B+ total addressable market; 3) we expect 2019 guidance, provided on March 6 to be a positive catalyst as the company is poised to continue penetrating high volume transplant centers, in year two of the AlloSure Kidney launch; and 4) EBITDA margins should expand to 20%+ in 2020, driven by higher volumes against a highly levereagable cost base, given one team that sells all post-transplant product lines.

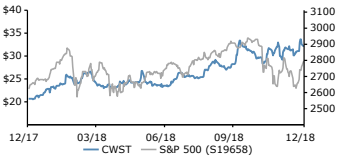
CareTrust REIT, Inc.



CTRE-NASDAQ | $23.70 close
SB1 | $25.00 target
Market Cap (mln) $2,245
Dividend Yield 3.8%
REITs | Healthcare REITs
Jonathan Hughes, CFA

We believe the recent pullback in CTRE shares has created an attractive entry point for investors to gain exposure to the skilled nursing sector. All-time low leverage (3.5x net debt/EBITDA), a favorable cost of capital (CTRE shares trade 29% above our NAV estimate), and a full acquisition pipeline ($125-150M) further support our favorable outlook. We believe management's differentiated acquisition strategy (acquiring underutilized/undermanaged assets and replacing operators) and its disciplined use of debt/equity capital will continue to drive strong earnings and NAV growth for shareholders in the current environment.

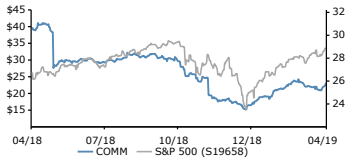
Casella Waste Systems, Inc.



CWST-NASDAQ | $35.94 close
SB1 | $41.00 target
Market Cap (mln) $1,671
Dividend Yield 0.0%
Waste and Industrial Services | Waste Services
Patrick Tyler Brown, CFA

Given the targets outlined in its new 2021 financial plan, we believe Casella Waste (CWST) provides significant opportunity for investors. The company is on pace to achieve its 2018 financial targets one year ahead of schedule and is now poised to focus more on growth opportunities, both organically and through acquisitions. Together with leveraging the SG&A line, Casella could generate double-digit EBITDA and FCF growth annually and possibly top investor expectations from what we see as discrete benefits from a tightening Northeastern disposal market. We believe this outlook deserves a more in-line valuation multiple with its solid waste peers, and despite the outperformance in shares over the past year, we continue to see upside as Casella executes on its new 2021 plan.

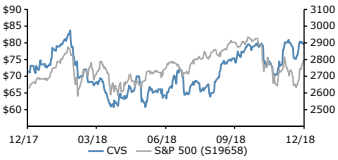
CommScope Holding Company, Inc.



COMM-NASDAQ | $26.03 close
SB1 | $32.00 target
Market Cap (mln) $5,008
Dividend Yield 0.0%
Data Infrastructure
Simon Leopold

We see CommScope as having material upside from the pending ARRIS acquisition. We think the deal should close soon and our scenario yields over 40% 2020 EPS accretion vs. the Street at 25-43%. We think declining memory costs provide an underappreciated tailwind for gross margin. Further, we see CommScope among the players best positioned to grow from 5G Mobility opportunities. With healthy cash flow, we anticipate CommScope will work to de-lever its balance sheet, which we think will help the stock.

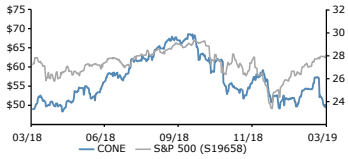
CVS Health Corporation



CVS-NYSE | $52.96 close
SB1 | $90.00 target
Market Cap (mln) $68,763
Dividend Yield 3.8%
Drug Stores
John W. Ransom

In the short term, we think there is optionality in CVS given the extreme valuation discount to its peers, in part due to arb pressure on the AET deal. Long term, we note that the proposed transaction will create a new type of healthcare entity – one that not only bundles a large PBM/ drug store, but also creates the potential for lower-cost primary care access. We view the deal as more evolutionary than revolutionary in the short term: the PBM/health plan model already exists (UnitedHealthcare-Optum); CVS and Aetna have been partners for six years and the plans to overhaul the store base are rather modest in the short term.

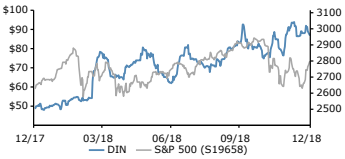
CyrusOne Inc.



CONE-NASDAQ | $55.65 close
SB1 | $65.00 target
Market Cap (mln) $6,029
Dividend Yield 3.3%
Telecommunications Services | Data Centers
Frank G. Louthan, IV

CyrusOne has pulled back following its more conservative guidance, and we believe the opportunity exists to beat these numbers over the next 12 months. European expansion and timing of large hyperscale projects both bode well for CONE, in our view. Trading at a discount to the group, we believe the near term opportunity is favorable for CONE.

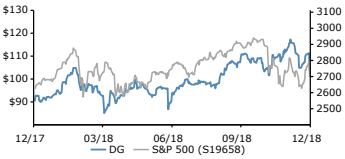
Dine Brands Global, Inc.



DIN-NYSE | $89.50 close
SB1 | $125.00 target
Market Cap (mln) $1,582
Dividend Yield 3.1%
Restaurants
Brian M. Vaccaro, CFA

DIN is our Analyst Current Favorite following the company's strong 3Q results and continued positive Applebee's comps in October despite lapping much more difficult comparisons. Said comp momentum (which equates to strong sequential improvements in various multi-year stack trends) gives us increased confidence that Applebee's can sustain positive comps into 2019 which should allow 2019 EPS to exceed $7/share (vs. $5.25 in 2018) as company advertising contribution and royalty collections normalize. Combined with the stock's discount valuation to highly franchised peers, we see a compelling risk/reward from current levels.

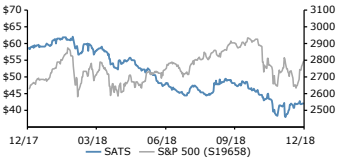
Dollar General Corporation



DG-NYSE | $124.23 close
SB1 | $127.00 target
Market Cap (mln) $32,198
Dividend Yield 1.0%
Hardline Retail | Value Retailers
Dan Wewer, CFA

It is our view that DG is one of the most attractive "all weather" investments in hardline retail as the company can deliver 8% to 9% annual revenue growth, while maintaining the defensive characteristics of a consumer staple (85% of total revenues). This compares to 2-3% revenue growth rates from large consumer packaged goods companies. Additional bullish themes for Dollar General include: a) expanding market share, b) impressive ROI from store remodels, c) operational improvements contributing to lower shrink accruals, and d) growing cash dividends and share buybacks.

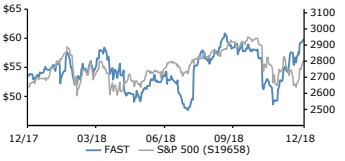
EchoStar Corporation



SATS-NASDAQ | $39.93 close
SB1 | $67.00 target
Market Cap (mln) $3,807
Dividend Yield 0.0%
Telecommunications Services | Satellite
Ric Prentiss

We are making SATS our Analyst Current Favorite® as we believe there is significant value to be realized, especially with the company trading at a mere 4.2x 2019E C-EBITDA. In addition to the growth at the Hughes operations, EchoStar also has non-operational assets (49% ownership stake in DISH Mexico and 15B MHz Pops of S-Band spectrum in the EU) plus a very strong balance sheet with leverage of only 0.2x, that we believe will be put to work.

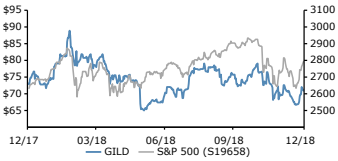
Fastenal Company



FAST-NASDAQ | $71.10 close
SB1 | $78.00 target
Market Cap (mln) $20,357
Dividend Yield 2.4%
Specialty/Industrial Distribution
Sam J. Darkatsh

Fastenal is a distributor of fasteners and MRO products primarily for industrial and non-residential end-markets. Through initiatives such as vending and onsite customer locations, Fastenal has developed a high-touch business model that helps customers save on total inventory management cost, as opposed to just product cost – an advantage that has increasingly come into focus as investors worry about the potential threat of Amazon. We expect onsite sales to continue to drive double-digit organic growth, pricing to improve in 2H18, and for incremental EBIT margins to be ~20% in 2H18. Even with double-digit organic growth trends, positive pricing, and a defensible business model, FAST is trading at 1.2x the current market multiple vs. a five-year median of 1.3x.

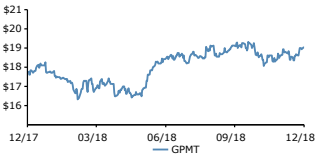
Gilead Sciences, Inc.



GILD-NASDAQ | $63.04 close
SB1 | $86.00 target
Market Cap (mln) $80,370
Dividend Yield 4.0%
Biotechnology
Steve Seedhouse, Ph.D.

Our conviction in Gilead is largely driven by our view that the HCV franchise (primarily Epclusa) will be stable, while the HIV franchise (driven by new drug Biktarvy) can continue to grow to ~$20B at peak (vs. ~$14B in 2017). For HCV, market data suggests that prescriptions/ pricing have in fact stabilized to some extent, and 2018 HCV guidance ($3.5-4.0B) appears attainable. For HIV, a strong Biktarvy launch and continued, robust HIV prophylaxis (PrEP) segment sales support our above consensus estimates in 2020. The rest of the pipeline offers intriguing long-term potential growth drivers (selonsertib for NASH, filgotinib for autoimmune diseases, CAR-T platform via Kite acquisition) which we believe could drive upside to Street estimates if data readouts over the next 6-12 months are positive. Finally, Gilead's free cash flow (~$9-12B/year Ex acquisitions through 2030 in our model) provides significant capital allocation flexibility going forward.

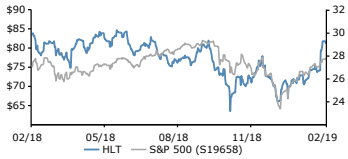
Granite Point Mortgage Trust Inc.



GPMT-NYSE | $19.19 close
SB1 | $21.00 target
Market Cap (mln) $1,001
Dividend Yield 8.8%
REITs | Mortgage REITs
Stephen Laws

Granite Point (GPMT) is our Analyst Current Favorite given our expectation of earnings and dividend growth and the attractive valuation. We expect core earnings to increase as 1) the portfolio of senior floating-rate CRE mortgages benefits from higher LIBOR and 2) portfolio leverage increases as the company originates new investments. Given our core earnings estimates, we expect GPMT to increase the dividend in 4Q18, which would be the fourth dividend increase since the IPO in June 2017. Given our expectation of earnings and dividend growth and with shares trading at a discount to peers, GPMT is our top pick in the CRE mortgage REIT sector.

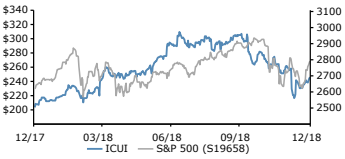
Hilton Worldwide Holdings Inc.



HLT-NYSE | $87.91 close
SB1 | $92.00 target
Market Cap (mln) $25,696
Dividend Yield 0.7%
Lodging
William A. Crow

We continue to believe that Hilton shares offer investors an attractive risk/reward relationship. Since the IPO in late 2013, Hilton has spun off its owned hotel portfolio (Park Hotels), spun its timeshare business (Hilton Grand Vacations), materially reduced leverage (it now boasts an investment grade balance sheet), built one of the largest new unit pipelines in the industry, introduced new brands (both traditional brands and "soft" brands), initiated a dividend, and aggressively repurchased shares. Relative to Marriott, Hilton's capital return to shareholders remains in its early stages, but its commitment appears no less firm. What Hilton offers is a rare, valuable, and growth-sustaining combination of capital-light, fee-heavy, unit growth-driven consumer (and business) cyclical global businesses that is highly resistant to "death by Amazon." All of this is set against a backdrop of growing global travel and increased demand for leading brands, distribution, and loyalty platforms by hotel owners desperately seeking to lower consumer acquisition costs and offset margin pressure related to wage inflation and upward pressure on other costs.

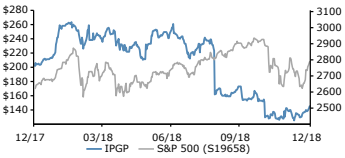
ICU Medical, Inc.



ICUI-NASDAQ | $225.09 close
SB1 | $300.00 target
Market Cap (mln) $4,637
Dividend Yield 0.0%
Medical Devices
Jayson Bedford

ICUI remains our Analyst Current Favorite in the Medical Device group. We continue to view ICU as one of the best margin expansion stories in our coverage list, and, with a clean balance sheet, we increasingly believe M&A optionality will become a bigger part of the story going forward. Given management's track record and their value discipline, we have confidence that ICU can deploy capital efficiently and create further shareholder value.

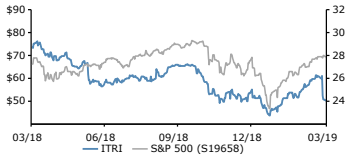
IPG Photonics



IPGP-NASDAQ | $178.69 close
SB1 | $180.00 target
Market Cap (mln) $9,490
Dividend Yield 0.0%
Advanced Industrial Technology
Brian Gesuale

We view IPGP's valuation as compelling, the company's cost reductions should enable margin stability during a more aggressive pricing cycle, and the demand environment is showing very early signs of a rebound. This peak to trough decline is the stock's third worst since 2006 - exceeded only by the global recession of 2008-2009 and the 2011 U.S. sovereign debt downgrade. We believe its relative multiple is bottoming versus the peer group, the S&P 500, and Cognex (another leader in Factory 4.0).

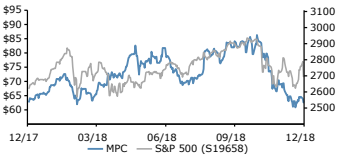
Itron, Inc.



ITRI-NASDAQ | $51.40 close
SB1 | $75.00 target
Market Cap (mln) $2,048
Dividend Yield 0.0%
Renewable Energy and Clean Technology | Power
Pavel Molchanov

After being pressured in 2018 by a combination of fears of a U.S. economic slowdown as well as margin pressure due to component shortages, ITRI shares began 2019 with a healthy bounce. However, the recently released 2019 EPS guidance erased much of the year-to-date gains. The EPS outlook was below Street expectations, partly due to income tax rate nuances, but more fundamentally due to the fact that the components issue is still not fully resolved. The supply chain tightness is subsiding, though it will take until mid-2019 for the margin structure to sustainably normalize. Reflecting the choppy market sentiment on the stock, this remains a deep value name – including our estimated 2019 free cash flow yield of more than 7%. Taking a broader perspective, the backdrop for our bullish stance on Itron is the massive worldwide need for power grid modernization, a theme to which Itron is uniquely leveraged among U.S.-listed companies. This includes not only smart meters but also the networking and SaaS aspects of grid infrastructure. The Internet of Things (smart street lighting, etc.) and water efficiency are also appealing elements of the Itron product mix. The stock is not pricing in any scarcity premium, nor do our estimates ascribe any credit for revenue uplift from a prospective infrastructure package that Congress may consider in the future. If multiples remain as low as they currently are, our view is that Itron would plausibly become a takeover target for the many large strategics that are interested in the grid tech space. Of note, five of the six U.S.-listed grid tech pure-plays have been acquired over the past three years.

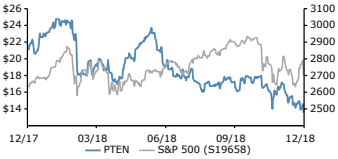
Marathon Petroleum Corporation



MPC-NYSE | $61.06 close
SB1 | $85.00 target
Market Cap (mln) $41,072
Dividend Yield 3.5%
Independent Refiners
Justin Jenkins

Marathon Petroleum is our top pick in our refining coverage given its exposure to positive fundamental themes (crude oil differentials, IMO 2020, etc.) and opportunities for upside to both growth and synergies from the completion of the merger with peer refining company Andeavor (on October 1). We believe the company will be able to exceed its synergy targets, capitalize on attractive growth opportunities (especially in midstream and retail), and also return meaningful amounts of cash to shareholders through dividends and buybacks.

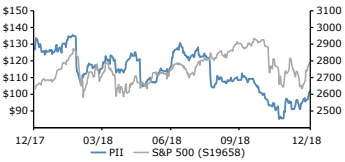
Patterson-UTI Energy, Inc.



PTEN-NASDAQ | $15.83 close
SB1 | $20.00 target
Market Cap (mln) $3,297
Dividend Yield 1.0%
Oilfield Services | Onshore Drillers
J. Marshall Adkins

Patterson UTI (PTEN) is our Analyst Current Favorite given our expectation of earnings and free cash flow yield growth and the attractive valuation. We expect core earnings and free cash flow to increase as 1) its high spec AC rig fleet continues to be fully booked, causing increasing day-rates, 2) it has a strong balance sheet (~20% debt/cap) and financial flexibility to take advantage of its deep inventory of potential rig upgrades (~30 rigs) and 3) its pressure pumping fleet continues to be nearly fully booked and is bound to profit off of a tightening market that has the potential for an incremental 2.5 million horsepower demand in 2H18. Lastly, Patterson has been trading at a ~20% discount to its onshore drilling peers. Given our expectation of earnings/free cash flow growth and the company's favorable valuation, we are adding PTEN to the Analyst Current Favorites® list.

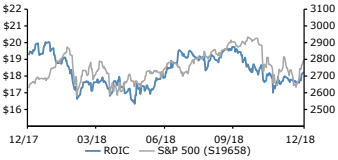
Polaris Industries Inc.



PII-NYSE | $97.75 close
SB1 | $115.00 target
Market Cap (mln) $5,966
Dividend Yield 2.5%
Leisure Products
Joseph Altobello, CFA

Our constructive view on PII is based on our belief that while the near term tariff-related risks and uncertainties facing the company are significant, we believe these risks are already well-reflected in the shares, while the core business remains healthy and thus presents an attractive risk/reward opportunity.

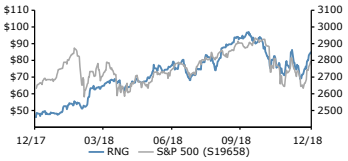
Retail Opportunity Investments Corp.



ROIC-NASDAQ | $17.12 close
SB1 | $20.00 target
Market Cap (mln) $1,954
Dividend Yield 4.6%
REITs | Shopping Centers
Collin Mings, CFA

We believe the recent pullback in ROIC shares has created an attractive entry point for investors (over the last four years shares have traded at a 9% premium to consensus NAV on average). Our constructive stance stems from our view that the company: 1) is primed to continue to execute its relationship-driven, off-market acquisition strategy; 2) owns a high-quality portfolio that will continue to register strong same-store NOI growth; and 3) is likely on the radar of some potential acquirers. CEO and industry veteran Stuart Tanz has amassed a high-quality, West Coast portfolio, and we have confidence in management's ability to continue to drive above-average earnings and NAV growth (consensus NAV estimates have climbed an average of 11% per year since 2011). Longer term, we believe Retail Opportunity Investments Corp.'s clean portfolio and limited structural complexity position it as a prime consolidation candidate as well.

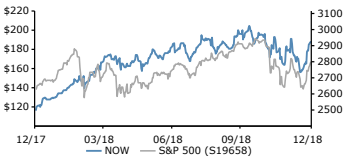
RingCentral, Inc.



RNG-NYSE | $111.31 close
SB1 | $116.00 target
Market Cap (mln) $9,112
Dividend Yield 0.0%
Application Software
Brian Peterson, CFA

We believe that RNG is well positioned to sustain recent momentum across the enterprise and channel segments, which should drive continued upside for consensus projections over the next several quarters. Moreover, shares trade at a discount to the 30% growth SaaS group, which we don't view as warranted given RNG's solid competitive positioning and compelling market opportunity.

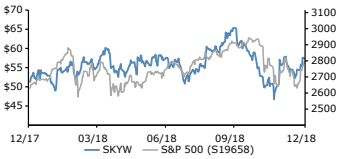
ServiceNow, Inc.



NOW-NYSE | $243.55 close
SB1 | $285.00 target
Market Cap (mln) $43,961
Dividend Yield 0.0%
Infrastructure Software
Michael Turits, Ph.D.

ServiceNow (NOW) is our Analyst Current Favorite and we would view recent underperformance relative th the NASDAQ as an opportunity to buy. While there has been some concern about the recent CEO transition, we believe former Ebay CEO and Bain & Co. executive John Donahoe has the strategic qualifications to drive the company to its target of $4 billion in revenue by 2020, with ServiceNow continuing to displace legacy ITSM vendors and broadening into a wide range of IT and business service applications. We came away from the May analyst day impressed by the maturity of the transition from "platform" to product company in areas including ITSM, Customer Service Management, HR Service Delivery and Security Operations. ServiceNow is now underpinning these applications with its machine learning-based Intelligent Automation Engine derived from its DxContinuum acquisition. In line with discussions we've held with a broad range of CIOs and IT decision makers, we see ServiceNow emerging as one of a small handful of key, strategic enterprise SaaS providers.

SkyWest, Inc.



SKYW-NASDAQ | $59.88 close
SB1 | $70.00 target
Market Cap (mln) $3,093
Dividend Yield 0.8%
Airlines | Regional Airlines
Savanthi Syth, CFA

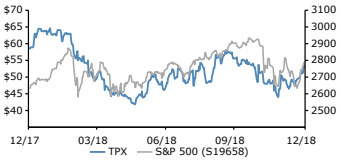
As a predominantly contract business model, SKYW's earnings have limited exposure to fuel/fare volatility over the near- to medium-term and larger well-established regional airlines in general are well positioned as legacy carriers focus on hub-feeding small/mid-markets with limited low-cost competition, which can most profitably be served regional carriers, and look to lower the number of partners to improve operational efficiency. SKYW in particular is relatively well positioned in the current environment, being the only swing provider of 50-seat lift. Moreover, shares have declined materially recently, in our opinion, due to concerns related to (1) macro (e.g., fuel), which has limited impact on its earnings; (2) balance sheet leverage, even though there is a guaranteed revenue stream to cover most obligations; and (3) to a much lesser degree, the new pilot contract, which we believe will only have a modest net negative impact on earnings.

SYNNEX Corporation

SNX-NYSE | $107.65 close
SB1 | $140.00 target
Market Cap (mln) $5,514
Dividend Yield 1.4%
IT Supply Chain
Adam Tindle, CFA

Shares are down nearly 10% since we removed the stock just earlier this month, and valuation has become more compelling. We continue to see a multi-year path to a significantly improved margin profile, mix of services profitability, and significant earnings growth fueled by these factors (plus debt paydown) that should result in meaningful accretion to patient shareholders. In essence, we believe the business is poised to improve to levels that are consistent with companies trading at EV/EBITDA multiples in the high single digit range vs. SNX's ~6x today.

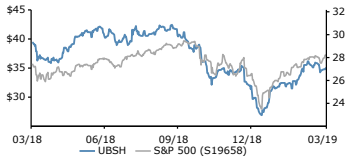
Tempur Sealy International, Inc.



TPX-NYSE | $61.92 close
SB1 | $70.00 target
Market Cap (mln) $3,388
Dividend Yield 0.0%
Furniture & Furnishings
Suppliers | Residential Furniture
Bobby Griffin, CFA

We placing Tempur Sealy (TPX) on our Analyst Current Favorites® list. Admittedly, there is a fair amount of noise in the bedding industry. Nonetheless, as we detailed following 3Q18 earnings, we view the risk/reward on TPX skewed toward reward for the following reasons: **1)** the ~3% 3Q18 y/y N.A. revenue growth and 29% Tempur-Pedic unit growth illustrates that not only the company's core N.A. business is improving (despite a challenging environment), but also the new Tempur-Pedic product introductions are resonating well in the marketplace; **2)** the potential for import relief from anti-dumping in CY19, combined with further margin benefits from pricing actions (~$10 million a quarter) and the higher-end Tempur-Pedic introductions create a better backdrop for improved profitability going forward; and **3)** while not a core aspect of our thesis, with Mattress Firm now out of bankruptcy as a healthier company, we believe there is the opportunity for the companies to do some type of business together again in 2019.

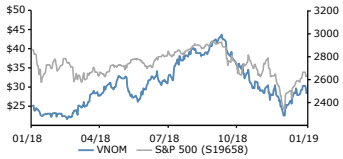
Union Bankshares Corporation



UBSH-NASDAQ | $35.49 close
SB1 | $42.00 target
Market Cap (mln) $2,911
Dividend Yield 2.6%
Banking
William J. Wallace IV

We view the risk/reward dynamic as very attractive given above-peer profitability expectations (2020E return on tangible common equity of 15.8% vs. mid-cap peers at 14.8%) as we believe the company is executing on its strategy of being Virginia' premier regional commercial bank while delivering top-tier financial performance. Moreover, we view its recent acquisition of Access National positively as it bolster's Union's scale and scarcity value in Virginia. Plainly, we believe UBSH should be a core holding for investors.

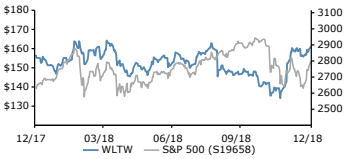
Viper Energy Partners LP



VNOM-NASDAQ | $34.32 close
SB1 | $50.00 target
Market Cap (mln) $2,099
Dividend Yield 5.9%
Exploration and Production
John Freeman, CFA

VNOM is the fastest growing royalty E&P company under coverage, with an RJ forecasted 2018-2020 distribution CAGR of over 40%, almost double that of the peer group, despite sporting an attractive yield of ~8% (vs. peers at ~9%) and trading at an over 40% discount to our NAV valuation. Furthermore, given its unique business model by which it solely owns royalty interests in oil and gas wells, VNOM does not carry the risk of capital budget overruns and service cost inflation. Operating within the lucrative Permian basin, VNOM also has substantial exposure to both rising oil prices and increasing well productivities, placing it in prime position to benefit from a positive macro environment. Finally, recall that VNOM transitioned from an MLP to a taxable entity early last year, an overlooked move that continues to provide enhanced liquidity and greatly expands the investor base. Given these positive attributes, we have elected to make VNOM our Analyst Current Favorite®.

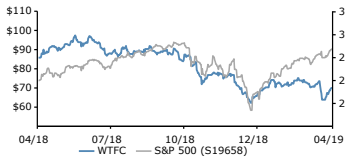
Willis Towers Watson Public Limited Company



WLTW-NASDAQ | $180.00 close
SB1 | $200.00 target
Market Cap (mln) $23,260
Dividend Yield 1.4%
Insurance | Brokerage and Technology
C. Gregory Peters

Willis Towers Watson (WLTW) is our Analyst Current Favorite given the company's heavily discounted valuation and free cash flow prospects. WLTW stock has underperformed (-6.6% vs. peer group 12.5%) YTD, with most of the weakness experienced over the past two months (-11.1%) following disappointing margin improvement results in 2Q18. WLTW currently trades at 0.01% above its 52-week low. We believe the stock offers a compelling value proposition considering there are substantial opportunities for WLTW to report operating improvement over the next several quarters. At current levels we believe WLTW's relative multiple to be bottoming versus the peer group, setting an attractive risk/reward profile. Finally, we remain constructive on WLTW considering our outlook for organic growth, margin improvement, and free cash flow; which returns an above peer average FCF yield.

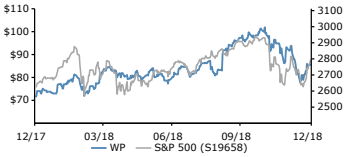
Wintrust Financial Corporation



WTFC-NASDAQ | $76.78 close
SB1 | $89.00 target
Market Cap (mln) $4,349
Dividend Yield 1.3%
Banking
David J. Long, CFA

We like Wintrust's set up into 1Q earnings season: 1.) recall that Wintrust is highly asset sensitive, therefore its asset yields will benefit from the December rate hike; 2.) the bank will realize a full quarter impact to funding cost improvement from its CDEC acquisition that closed in mid-December, which may keep total funding costs flat; and 3.) market-related items that negatively impacted 4Q results should lessen (currency translation and MSR valuation) or be reversed (equity securities) in 1Q. In the intermediate term, we are bullish on Wintrust due to its better-than-peer growth profile, superior credit quality history, quality management team, and consistent growth of EPS and TBV.

Worldpay, Inc.



WP-NYSE | $113.47 close
SB1 | $123.00 target
Market Cap (mln) $36,477
Dividend Yield 0.0%
Financial Technology & Payments
John Davis

Worldpay (WP) is our Analyst Current Favorites given our view that accelerating revenue growth in 2H18 should alleviate fears around the core business and will likely turn focus to the strategic value created by the landmark Vantiv/Worldpay merger. Specifically, we believe the new WP should be able to capitalize on the two horse global cross border e-commerce race and together with a longer-term integrated opportunity in the UK/Europe drive accelerating revenue growth through 2019/2020. To be clear, we believe this is a multi-year story and we see potentially significant upside to current 2020 consensus estimates and even our above consensus forecast could prove overly conservative. As such, we recommend investors begin building positions as fear has created an opportunity to buy a best-in-class asset as a discount to rival GPN.

IMPORTANT INVESTOR DISCLOSURES

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities that are responsible for the creation and distribution of research in their respective areas: in Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; in Europe, Raymond James Euro Equities SAS (also trading as Raymond James International), 40 rue La Boetie, 75008, Paris, France, +33 1 45 64 0500, and Raymond James Financial International Ltd., Broadwalk House, 5 Appold Street, London, England EC2A 2AG, +44 203 798 5600.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Any foreign securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities mentioned in this report. Please ask your Financial Advisor for additional details and to determine if a particular security is eligible for purchase in your state.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Raymond James ("RJ") research reports are disseminated and available to RJ's retail and institutional clients simultaneously via electronic publication to RJ's internal proprietary websites (RJ Client Access & RJ Capital Markets). Not all research reports are directly distributed to clients or third-party aggregators. Certain research reports may only be disseminated on RJ's internal Proprietary websites; however, such research reports will not contain estimates or changes to earnings forecasts, target price, valuation or investment or suitability rating. Individual Research Analysts may also opt to circulate published research to one or more clients electronically. This electronic communication is discretionary and is done only after the research has been publically disseminated via RJ's internal factors including, but not limited to, the client's individual preference as to the frequency and manner of receiving communications from Research Analysts. For research reports, models, or other data available on a particular security, please contact your Sales Representative or visit RJ Client Access or RJ Capital Markets.

Links to third-party websites are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection of use of information regarding any website's users and/or members.

Additional information is available on request.

Analyst Information

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of Raymond James & Associates, Inc., are not registered/qualified as research analysts under FINRA rules, are not associated persons of Raymond James & Associates, Inc., and are not subject to FINRA Rule 2241 restrictions on communications with covered companies, public companies, and trading securities held by a research analyst account.

Analysts Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination, including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

Ratings and Definitions

Raymond James & Associates (U.S.) definitions: Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of 15% is expected to be realized over the next 12 months. **Outperform (MO2)** Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months. **Market Perform (MP3)** Expected to perform generally in line with the S&P 500 over the next 12 months. **Underperform (MU4)** Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold. Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Ltd. (Canada) definitions: Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. **Outperform (MO2)** The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. **Market Perform (MP3)** The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. **Underperform (MU4)** The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

	Coverage Universe Rating Distribution*		Investment Banking Relationships	
	RJA	RJL	RJA	RJL
Strong Buy and Outperform (Buy)	56%	67%	21%	27%
Market Perform (Hold)	40%	30%	9%	9%
Underperform (Sell)	4%	3%	5%	0%

** Columns may not add to 100% due to rounding.*

Suitability Ratings (SR)

Medium Risk/Income (M/INC) Lower to average risk equities of companies with sound financials, consistent earnings, and dividend yields above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital.

Medium Risk/Growth (M/GRW) Lower to average risk equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, a potential dividend yield, and/or share repurchase program.

High Risk/Income (H/INC) Medium to higher risk equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and potential risk of principal. Securities of companies in this category may have a less predictable income stream from dividends or distributions of capital.

High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

High Risk/Speculation (H/SPEC) High risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal.

Raymond James Relationship Disclosures

Certain affiliates of the RJ Group expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next three months.

Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors, including an assessment of industry size, structure, business trends, and overall attractiveness; management effectiveness; competition; visibility; financial condition; and expected total return, among other factors. These factors are subject to change depending on

overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates our target price and rating changes for the subject companies over the past three years.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the business of the subject companies and the projected target prices and recommendations included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product/service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at raymondjames.bluematrix.com/sellside/Disclosures.action**. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see RaymondJames.com for office locations) or by calling 727-567-1000, toll free 800-237-5643.**

International Disclosures

For clients in the United Kingdom:

For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Conduct Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Conduct Authority in the United Kingdom.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Euro Equities: Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

For Canadian clients:

This report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report. In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements.