

As we wait to hear the final count on the Brexit vote, we noticed something strange in the political bookie statistics, the number of bets being placed are 2:1 for leaving but odds only show a 17% probability of leaving when weighted by bet amount. Even though the market is discounting a no vote, it seems that there could be an upset when the votes are tallied on an equal weighting.

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Amgen, Inc (NASDAQ: AMGN)

Better than expected market opportunity for Parsabiv driving EPS increases.

Raymond James analyst, Christopher Raymond, raised revenue estimates based on new nephrology survey data indicating strong uptake for Parsabiv, Amgen's IV calcimimetic, which could be approved this summer (PDUFA date is August 24). Most investors have largely discounted this asset and the analyst was struck by physicians' enthusiasm for the drug - both from a clinical and economic standpoint. Parsabiv could serve as an unanticipated source of revenue upside, even beyond 2017. The analyst sees a unique opportunity for nephrologists to manage SHPT more profitably with better clinical outcomes - a combination that we think makes for rapid conversion and uptake. Indeed, feedback from a new Spherix Global Insights survey (n=94) indicates just that.

The net effect is an EPS bump of \$0.12 for 2017. Considering this new information, the analyst is now modeling total Sensipar/Parsabiv revenue of \$1.50 billion, \$1.66 billion, \$1.34 billion and \$1.21 billion for 2016-2019, respectively, levels well above consensus.

In addition to earnings upside, the stock is trading at a discount to the market implying low expectations. The company has a P/E of 15.9x, a significant discount to the S&P's 19.4x despite double digit Free Cash Flow growth.



Harris Corporation (NYSE: HRS)

- New contract award for \$1.7 billion for radios to Afghanistan
- Expansion of the MNVR (mid-tier networking vehicular radio) program
- Dividend yield of 2.4% should help protect the stock on the downside.

New contract awards show robust end market and offer EPS upside

The U.S. Army awarded Harris a \$1.7 billion firm-fixed-price, IDIQ, foreign military sales (FMS) contract to provide the Harris family of radios (along with ancillaries, spare parts and services) to the government of Afghanistan. The contract's estimated completion date is June 15, 2021.

The contract represents a boost to Harris's international tactical effort, which was weak last quarter due to several anticipated orders that "slipped to the right," including Iraq and an unnamed Middle Eastern country. Management most recently sized the international deal pipeline at \$2.9 billion, up from \$2.5 billion a year ago.

In addition to the above order, Harris got another piece of good news earlier this week on the company's MNVR (mid-tier networking vehicular radio) program. According to Inside Defense, the U.S. Army is "ready to proceed to the next development phase...with a milestone C decision expected this summer," following a successful test last month at the latest Network Integration Evaluation (NIE). The program is expected to eventually ramp to \$40-45 million per year, up from \$8-10 million last year.

The stock does not look cheap on a P/E basis trading at 14x next year's earnings but only expected to grow EPS at 3% however, the company's 2.4% dividend yield offers support as well.

