August 4, 2011

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This Morning's Highlights

WLT: Walter Misses 2Q11 And Guides Significantly Lower – Downgrading To Hold On Continued Operational Issues

DNDN: Shifting To The Wrong – We're Not Shifting Anything "Growth Rate To The Right"; Downgrading To Sell And Lowering Target Price To $6

ASCA: ASCA Shows Best in Class Can Get Better; Reiterate Buy

PNK: PNK Reports Impressive 2Q

AWK: Reports Solid 2Q11 Results; Raising 2012 Estimates, Reiterating Buy Rating, $38 Target Price

CWT: Reports 2Q11; Maintaining Buy Rating and $22 Target Price

WTR: Reports 2Q11; Maintaining Buy Rating, $29 Target Price

TTEK: More of the Same; Reports Strong Quarterly Results and Raises Guidance (Again), Reiterating Buy Rating, $34 Target Price

ATVI: Review of Activision 2Q11 Results

CMCSA: Review of Comcast 2Q11 Results

Walter Energy Inc.

WLT $110.48
Hold (from Buy)/Target Price: NA (from $156)

Walter Misses 2Q11 And Guides Significantly Lower – Downgrading To Hold On Continued Operational Issues

Jeremy Sussman, 212-702-6606
Jeremy.Sussman@bmur.com

Lucas Pipes, 212-702-6636
Lucas.Pipes@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (000)
FY10	$0.88	$2.16	$2.57	$1.85	$7.44	14.9x	$1,587.73
Prior	-	-	-	-	-	-	-
FY11	$1.66A	$2.36A	$3.07	$3.08	$10.31	10.7x	$2,781.64
Prior	-	*$3.74*	*$4.20*	*$4.31*	*$14.17*	-	-
FY12	-	-	-	-	$13.11	8.4x	$3,295.81
Prior	-	-	-	-	*$16.20*	-	-

Price	$110.48
52-Week High/Low	$143.76 - 66.23
Shares Outstanding (000)	62,226.00
Market Cap. (000)	$6,874,728.48
Average Daily Volume (000)	2,297.66

Investment Summary

Walter Energy reported a sizable 2Q11 miss, with adjusted EPS coming in at $2.36 versus the Street at $3.98. The primary reason for the miss was lower-than-expected production at Walter's met coal mines, relative to our estimates. Due to "difficult geology" in Alabama and "weather-related challenges" in Canada, Walter sold 2.7 million metric tons in 2Q11, versus our estimate of 3.1 million tons. Looking ahead, the company expects total 2H11 met coal sales (from both the U.S. and Canada) to be 5.9 million metric tons, or roughly 2.95 million metric tons per quarter. We had been modeling in 2H11 met coal sales of 7.3 million metric tons, which is almost 20% above the company's new estimate. This is now the 5th quarter in a row that Walter has taken down full-year estimates. As such, we are significantly lowering our 2011 and 2012 estimates, and downgrading the stock from Buy to Hold. Please see page 2 for a detailed breakdown of our new estimates. We will have a follow up note out after the conference call (800.988.9542, passcode: WLT) at 9:00 am ET, should anything incremental come from it.

Discussion

- **Lower-Than-Expected 2Q11 Results:** Walter reported adjusted EPS of $2.36, versus the Street at $3.98. EBITDA came in at $261 million versus the Street at $424 million. Due to "difficult geology" in Alabama and "weather-related challenges" in Canada, Walter sold 2.7 million metric tons in 2Q11, versus our estimate of 3.1 million tons.

- **2H11 Guidance Much Lower Than Expected:** In addition, Walter lowered 2H11 guidance, which marked the 5th quarter in a row that the company has taken down full-year production estimates. Management now expects total 2H11 met coal sales (from both the U.S. and Canada) to be 5.9 million metric tons, or roughly 2.95 million metric tons per quarter. We had been modeling in 2H11 met coal sales of 7.3 million metric tons, which is almost 20% above the company's new estimate. On the other hand, it was encouraging to see that 2013 met coal sales are expected to be 50% higher than in 2011. This was just marginally below our expectations. However, we need the company to "show us" that it can hit its production targets before we are comfortable giving it full credit for this type of growth.

- **Walter As A Near-Term Takeover Candidate?:** Recently, an investment fund that owns 1.5% of Walter's total stock urged the company to pursue a sale. In our view, this is unlikely to occur for 3 reasons: 1) The fund's logic that Walter is among the cheapest stocks in the space simply isn't true. On our new estimates, Walter is easily the most expensive pure-play coal stock in our universe on a 2012 EV/EBITDA basis. 2) We do not believe the Board wants to pursue a sale. We think they made this clear in a recent update to investors, and we expect them to reiterate this on today's call. 3) The fund wanting the company to sell owns just 1.5% of Walter. We don't believe management will lose any sleep over their thoughts.

- **Lower-Than-Expected Margins:** In 2Q11, Walter's met coal volumes were lower than we had expected, coming in at 2.7 million metric tons versus our estimate of 3.1 million metric tons. This hurt the company on the cost front, as companywide met coal cash costs (excluding legacy liabilities) came in well above $100/metric ton, which was roughly 20% higher than our expectations. Average met coal prices of roughly $234/metric ton were slightly higher than our expectations.

Dendreon Corp.

DNDN $35.84
Sell (from Buy)/Target Price: $6 (from $60)

Shifting To The Wrong – We're Not Shifting Anything "Growth Rate To The Right"; Downgrading To Sell And Lowering Target Price To $6

Jonathan Aschoff, Ph.D., 212-702-6652
aschoffj@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$(0.44)	$(0.50)	$(0.56)	$(0.64)	$(3.18)	NM	$48.06
Prior	-	-	-	-	-	-	-
FY11	$(0.77)A	$(0.79)A	$(0.63)	$(0.32)	$(2.50)	NM	$210.54
Prior	-	*$(0.68)*	*$(0.59)*	*$(0.23)*	*$(2.36)*	-	-
FY12	-	-	-	-	$(0.71)	NM	$376.07
Prior	-	-	-	-	*$0.11*	-	-

Price	$35.84
52-Week High/Low	$43.96 - 31.31
Shares Outstanding (mm)	145.83
Market Cap. (mm)	$5,226.62
Average Daily Volume (mm)	2.42

Investment Summary

Dendreon reported underwhelming 2Q11 revenue of almost $50 million and more importantly withdrew its 2011 revenue guidance of $350-$400 million, instead replacing it with the expectation for modest sequential growth for 2H11. Dendreon believes that investors should interpret this as a reimbursement hurdle that simply "shifts the revenue growth curve to the right". We, however, believe that doctors and patients view Provenge as less impressive than does Dendreon and that more of the problem resides in low demand and high price, rather than reimbursement hurdles, especially given the positive Medicare actions and the absence of more immediate and tangible benefits such as PSA reduction, pain reduction, and RECIST criteria responses with Provenge.

With such lackluster performance (versus the expectation set by management), we do not see how Provenge is going to fare any better with the looming competition coming from other agents soon to compete in the pre-chemo market, not the least of which is Zytiga, which in the post-chemo market managed to sell about $60 million in just its first two months. We also project the Phase 3 Zytiga overall survival benefit in the pre-chemo setting to substantially beat that of Provenge, given that it modestly beat Provenge's pre-chemo result in the more difficult to treat post-chemo setting.

Dendreon has had the bulk of its sales in the academic institutional setting, which is not as sensitive to reimbursement delays as is the more independent community physician setting, but we fear that before the community physicians embrace Provenge, it will have cheaper, more

immediately beneficial options.

2Q11 results. Dendreon reported revenue of $49.6 million which was below consensus of $57.7 million. The company reported EPS of $(0.79) also missing consensus of $(0.70). SG&A of $105 million and R&D of $18.6 million were higher than we had expected, which is understandable during product launch and facility expansion. Dendreon ended 2Q11 with $674 million in cash and cash equivalents. Furthermore, Dendreon reported COGS that were 58% of its quarterly revenue, due primarily to the NJ facility start-up costs transferring from SG&A to COGS.

Valuation. Our target price is derived by applying a multiple of 30 and discount rate of 15% to our fully taxed 2013 EPS estimate of $0.24.

Risks. Risks to the achievement of our target price include the following: (1) market penetration of Provenge; (2) regulatory approval of Provenge; (3) business development; and (4) high stock price volatility.

Ameristar Casinos, Inc.

ASCA $21.88
Buy/Target Price: $32 (from $30)

ASCA Shows Best in Class Can Get Better; Reiterate Buy

Ryan Worst, CFA, 212-702-6645
worstr@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	EBITDA (mm)
FY10	$0.18	$0.14	$0.20	$0.18	$0.71	30.9x	$324.23
Prior	-	-	-	-	-	-	-
FY11	$0.41A	$0.50A	$0.58	$0.41	$1.90	11.5x	$364.02
Prior	-	*$0.51*	*$0.50*	*$0.35*	*$1.76*	-	-
FY12	$0.67	$0.60	$0.59	$0.41	$2.27	9.6x	$362.05
Prior	*$0.54*	*$0.48*	*$0.50*	*$0.34*	*$1.86*	-	-

Price	$21.88
52-Week High/Low	$24.50 - 14.50
Shares Outstanding (mm)	32.22
Market Cap. (mm)	$705.02
Average Daily Volume (mm)	0.42
Total Debt (mm)	$1,999.22
Net Debt (mm)	$1,915.67
Total Debt/EBITDA	5.72x

Investment Summary

ASCA's 2Q illustrates the quality of the company's properties and its long-term FCF generating ability. Despite already having industry leading margins, ASCA's property EBITDA margins expanded more than PENN (PENN $40.07, Buy) or PNK (PNK $13.90, Hold) supporting our view that ASCA will benefit most from a consumer turnaround. 2Q EBITDA increased 17% YoY as industry leading 30.5% property level margins a year ago expanded 420bps to 35.0% in 2Q11. We note that Ameristar's closest comp, Pinnacle Entertainment, trades at a FCF (before expansion capex) multiple of 8.0x despite more development and competitive risk while ASCA trades at 5.5x. Our $32 target price (raised from $30) is based on a 2012 FCF multiple of 8.0x.

Discussion

- ASCA reported 2Q operating EBITDA of $94MM, $3MM above our estimate and $7MM above Consensus. Net revenue increased 4% YoY to $305MM vs. a 2% YoY increase in 1Q. The company as well as Pinnacle indicated that consumer trends in 2Q continued through July despite the recent change in sentiment. Operating EPS of $0.50 exceeded Consensus of $0.45.

- With interest rates low, debt maturities significantly extended, and one of the major variable costs, marketing, on the decline throughout the industry, we continue to believe the gaming space is a good way to invest in a potential consumer turnaround. ASCA, given its strong FCF ($4.00 per share), high margin on incremental revenues, and lack of competitive and development risk, remains our favorite pick in the sector. Additionally, we believe ASCA will take a disciplined and opportunistic approach to expansion/acquisitions given its significant ~$400MM of excess credit capacity.

- **Property level margins improved 400bps YoY vs. 300bp improvement in 1Q.** Management indicated that net revenues continue to benefit from a favorable promotional environment. Although gaming revenues were flat YoY, promotional expenditures declined $13MM YoY, a trend throughout the industry that began in 1Q. Most properties had record quarters and as we expected, Vicksburg was impacted only slightly by the flooding in Mississippi as EBITDA increased 5% YoY.

- St. Charles recorded impressive results as EBITDA increased 25% to $25MM, providing us with confidence that the company will again perform better than expected when its Kansas City property faces a smaller supply addition in 2012.

- **Increasing estimates.** We are increasing our 2011 and 2012 EBITDA estimates $8MM and $18MM to $364MM and $362MM, respectively, while our EPS estimates increase $0.14 and $0.41 to $1.90 and $2.27, respectively.

Valuation

- ASCA trades at a 2012 EV/EBITDA multiple of 6.9x, slightly below the group at 7.1x, while on a FCF basis it trades at a significant discount. We believe as ASCA reduces debt rapidly investors will award the shares with a FCF multiple more in-line with the group. Our new $32 target price is based on a FCF multiple of 8.0x.

Pinnacle Entertainment, Inc.

PNK $13.90
Hold/Target Price: NA

PNK Reports Impressive 2Q

Ryan Worst, CFA, 212-702-6645
worstr@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	EBITDA (mm)
FY10	$0.07	$(0.14)	$0.09	$(0.01)	$0.00	NM	$218.14
Prior	-	-	-	-	-	-	-
FY11	$0.10A	$0.17A	$0.14	$0.08	$0.49	28.5x	$260.62
Prior	-	*$0.08*	*$0.08*	*$0.03*	*$0.28*	-	-
FY12	$0.13	$0.19	$0.15	$0.07	$0.54	25.8x	$272.07
Prior	*$0.12*	*$0.09*	*$0.08*	*$0.01*	*$0.30*	-	-

Price	$13.90
52-Week High/Low	$15.57 - 9.77
Shares Outstanding (mm)	61.92
Market Cap. (mm)	$860.67
Average Daily Volume (mm)	0.56
Total Debt (mm)	$1,187.34
Net Debt (mm)	$1,045.13
Total Debt/EBITDA	4.87x

Investment Summary

PNK reported a strong 2Q with EBITDA exceeding our forecast by $6MM as margins improved substantially in Lake Charles and St. Louis. We expect the new management team to continue to drive margin improvement and for PNK to benefit from a potential consumer turnaround. However, given the longer-term development risks in Baton Rouge and Cincinnati (two markets we consider mature), as well as competitive risk at its largest property in Lake Charles, we remain on the sidelines. Accordingly, we are maintaining a Hold rating.

Discussion

- **2Q Upside.** Pinnacle Entertainment reported 2Q operating EBITDA of $69.1MM; $6MM above our forecast and $8.0MM above Consensus. Adjusted operating EPS for 2Q was $0.17 vs. our estimate of $0.08 and Consensus of $0.05.

- **Property level margins improved 390bps from last year.** PNK's two St. Louis properties generated $22.6MM in EBITDA as margins improved 680bps from River City's 1st full quarter of operations last year to 23.4%. Additionally, L'Auberge in Lake Charles reported its best quarter ever as revenue increased 15% and EBITDA increased 38% to $30.6MM. Clearly the re-launch of PNK's player rewards program got off to a profitable start as any incremental costs were more than offset by revenue gains or cost reductions.

- **Increasing estimates in 2011 and 2012.** We are raising our 2011 EBITDA and EPS estimates $16MM and $0.20 to $261MM and $0.49, respectively, while our 2012 estimates increase $17MM and $0.24 to $672MM and $0.54, respectively. Our 2012 estimates incorporate a 4Q EBITDA contribution of PNK's Baton Rouge casino which is expected to open during the summer of 2012.

- **Longer-term risk.** Given the maturity of the Baton Rouge market, we believe it will be difficult for PNK's $357MM property to generate a good ROI, which could be a negative for the stock. We are equally concerned with the recent $45MM investment in River Downs near Cincinnati and the potential ROI in the market that also seems quite saturated to us.

Valuation

- PNK shares trade at an adjusted 2012 EV/EBITDA multiple of 7.3x vs. ASCA (ASCA $21.88, Buy) at 6.9x. Considering the ongoing operating improvement, PNK does not seem expensive to us. However, in our view, Ameristar is a better way to capitalize on the gaming sector's strong cash flows and improving fundamentals with significantly less risk than PNK.

American Water Works Company, Inc.

AWK $28.29
Buy/Target Price: $38

Reports Solid 2Q11 Results; Raising 2012 Estimates, Reiterating Buy Rating, $38 Target Price

Michael Gaugler, 212-702-6539
gauglerm@bmur.com

Christopher Noon, 212-702-6623
noonc@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$0.18	$0.39	$0.71	$0.23	$1.50	18.8x	$2,674.37
Prior	-	-	-	-	-	-	-
FY11	$0.24A	$0.48A	$0.67	$0.36	$1.75	16.1x	$2,781.83
Prior	-	*$0.45*	*$0.73*	*$0.33*	-	-	-
FY12	$0.27	$0.50	$0.74	$0.40	$1.91	14.8x	$3,005.32
Prior	*$0.26*	*$0.49*	*$0.75*	*$0.39*	*$1.89*	-	-

Price	$28.29
52-Week High/Low	$30.70 - 21.72
Shares Outstanding (mm)	175.36
Market Cap. (mm)	$4,960.82
Average Daily Volume (mm)	0.98

Investment Summary – AWK posted solid 2Q11 results against tough weather comparisons on a YOY basis. Although revenues fell short of our and consensus expectations, we note effects from discontinued operations were not factored into our forecasts. EPS of $0.48 was nicely above our and the consensus estimates of $0.45 and $0.46, respectively, as higher revenues YOY and improved expense ratios fell to the bottom line.

Based on 2Q11 results, the current favorable 3Q11 weather pattern and company guidance (which is now guiding to the high end of the $1.65 - $1.75 range for 2011), we're reiterating our Buy rating and $38 target price, based on the shares attaining a P/E multiple of 20x our raised 2012 EPS estimate of $1.91. We also note the company has increased its dividend, and is now yielding 3.25%. Risks to the achievement of our target price include weather, regulatory environment, acquisition integration, and changes in interest rates.

Discussion

- **Solid 2Q11 results against tough weather comparisons**. Even with rate case benefits and tight expense controls, 2Q11 (as compared to 2Q10) was going to be a difficult quarter to show substantial top and bottom line growth. 2Q10 started out hot and dry, and ended the same way. 2Q11 started out cool and wet, and didn't change all that much until mid-June. Despite the unfavorable weather, AWK managed to show revenue growth of 6.2% and EPS growth of 15.6%. Revenues came in below our and consensus forecasts; our forecasts made no allowances for the impact of discontinued operations, and we speculate consensus numbers didn't either. EPS of $0.48 was nicely above our $0.45 and the consensus estimate of $0.46. Additionally, the company guided to the high end of their current 2011 expected EPS range of $1.65 – $1.75.

- **Rate case activity remains robust**. AWK was granted $10.7MM from rate activity in 2Q11, and another $4.8MM from the State of Virginia (announced yesterday). Filed rate cases across 11 states requesting approximately $315MM are now in process. Current activity bodes well for 2012 results.

- **Augmenting growth via geographic rationalization and acquisitions continues**. American Water Works previous announcements regarding asset swaps with Aqua America (WTR $21.78, Buy) should allow both companies to benefit from economies-of-scale and allow for more leverage with public utility commissions in the affected states. AWK has also been active on the acquisition front, adding to its existing footprint in the State of Missouri by purchasing several water and wastewater systems, where it now serves 1.5MM people. We expect acquisition activity and geographic rationalization to continue.

- **Tis' the season to increase dividends.** AWK also bumped up its annual dividend, from $0.22 to $0.23 per share.

California Water Service Group

CWT $18.36
Buy/Target Price: $22

Reports 2Q11; Maintaining Buy Rating and $22 Target Price

Michael Gaugler, 212-702-6539
gauglerm@bmur.com

Christopher Noon, 212-702-6623
noonc@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$0.10	$0.50	$0.98	$0.23	$1.81	10.2x	$460,399.00
Prior	-	-	-	-	-	-	-
FY11	$0.05A	$0.29A	$0.57	$0.19	$1.10	16.7x	$496,460.36
Prior	-	*$0.22*	*$0.51*	*$0.24*	*$1.02*	-	-
FY12	$0.05	$0.31	$0.57	$0.20	$1.13	16.2x	$530,231.10
Prior	*$0.05*	*$0.26*	*$0.51*	*$0.26*	*$1.09*	-	-

Price	$18.36
52-Week High/Low	$19.37 - 16.93
Shares Outstanding (mm)	41.75
Market Cap. (mm)	$766.57
Average Daily Volume (mm)	0.26

Investment Summary

California Water Service Group's 2Q11 exceeded top and bottom line expectations. On the top line, revenue of $131.4 million (an 11% YoY increase) came in nicely ahead of our $124.2 million estimate, while EPS of $0.29 came in well above our $0.22 estimate. The revenue increase was due to rate increases, while less water usage from existing customers offset some of the increase. The net effect of the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA) was an increase of $2.7 million to revenue.

Quarterly results aside, with the shares yielding 3.4% and trading at 16x our 2012 EPS estimate of $1.13, we consider them attractive at current levels. We maintain our Buy rating and $22 target price, based on the shares attaining a level of 20x our 2012 EPS estimate of $1.13. Risks to the achievement of our target price include integration of acquisitions, weather, environmental regulations, regulation of rates, energy costs, and interest rates.

Discussion

- **2Q11 results nicely exceeded expectations.** Revenue in the quarter of $131.4 million increased 11% from the same quarter last year. Contributing to the results were $12 million in additional revenue from rate increases and $0.8 million from new customers. Partially offsetting the increases was a decrease in water using from existing customers of $2.4 million. The net effect of the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA) was an increase of $2.7 million to revenue. Operating expenses and maintenance expenses increased at a rate of 10% and 3%, respectively, which led operating margin to expand to 24.9% in the quarter vs. 23.2% the same quarter a year ago.

- **Rate update.** On May 1, 2011, California Water Service Company filed its Cost of Capital application seeking an increase in its ROE from 10.2% to 11.25%, and expects to receive a decision from the CPUC by the end of the year.

- **Adjusting estimates.** We have made the following adjustments to our estimates: our 2011 EPS estimate is now $1.10 from $1.02, and our 2012 EPS estimate is now $1.13 from $1.09. We consider the changes immaterial from a valuation perspective.

Valuation. With the shares trading at just 16x our 2012 EPS estimate of $1.13, we consider them attractively priced. We expect the company to continue to benefit from regulatory relief over the next three years given the new rates that went into effect January 1st as a result of the 2009 General Rate Case, so revenues and earnings should continue to improve on a YoY basis. With that as a backdrop, we are maintaining our Buy rating and $22 target price, based on the shares attaining a level of 20x our 2012 EPS estimate of $1.13. We also note the shares yield a healthy 3.4%. The total return outlook is favorable in our opinion, and we recommend investors purchase shares from current levels.

Aqua America, Inc.

WTR $21.78
Buy/Target Price: $29

Reports 2Q11; Maintaining Buy Rating, $29 Target Price

Michael Gaugler, 212-702-6539
gauglerm@bmur.com

Christopher Noon, 212-702-6623
noonc@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$0.16	$0.22	$0.32	$0.21	$0.90	24.1x	$726.07
Prior	-	-	-	-	-	-	-
FY11	$0.19A	$0.25A	$0.34	$0.24	$1.02	21.4x	$773.48
Prior	-	*$0.23*	*$0.32*	*$0.24*	*$0.99*	-	-
FY12	$0.21	$0.27	$0.38	$0.25	$1.10	19.7x	$804.18
Prior	-	*$0.27*	*$0.36*	*$0.25*	*$1.10*	-	-

Price	$21.78
52-Week High/Low	$23.79 - 18.90
Shares Outstanding (mm)	138.22
Market Cap. (mm)	$3,010.37
Average Daily Volume (mm)	0.57

Investment Summary – Aqua America does it again. Despite less-than-stellar weather conditions in 2Q11, WTR managed to make our Street-high $0.27 EPS estimate (on slightly lower revenues, no less) equating to flat YOY performance. The company also increased its dividend 6.5%; that makes 21 dividend increases in 20 years, and the 65th consecutive year of dividends payments. The accomplishments in 2Q11 are all the more impressive given the asset swaps and sales WTR is/has been transacting with Connecticut Water Service (CTWS $26.67, Buy) and American Water Works (AWK $28.29, Buy). We also note that the stage is set for outperformance in 3Q11, given the extremely hot and dry weather conditions not only in the Northeast, but in Texas as well, where WTR has size. We are maintaining our Buy rating and $29 target price, based on the shares attaining a level of 26x our 2012 EPS estimate of $1.10.

Discussion

- **2Q11 results met expectations.** While revenue in the quarter of $188.2 million (a 5.5% YoY increase) came in just below our $193 million estimate, EPS of $0.27 (core adjusted EPS of $0.25) matched our Street-high estimate. Net income and cash generation in the quarter were positively impacted by increased sales, cost controls, and the net state tax benefits of $3.5 million from the 100% bonus depreciation on the company's capital spending in Pennsylvania, which will continue to positively impact earnings through the remainder of the year. Without the bonus depreciation, net income still grew $34.1 million from the same quarter last year (14%).

- **O&M expenses up slightly.** O&M expenses in the quarter of $70.4 million increased just 1.6% from the same quarter last year, which equates to an O&M-to-revenue ratio of just 37.4%, down 140 basis points from 2Q10. WTR management continues to do a great job at stripping out costs of the business model.

- **Rate update.** YTD, Aqua has received rate awards of $18 million in Pennsylvania, Indiana, and Ohio. Currently, there are $25 million of rate cases pending before seven state regulatory bodies. The company plans to request an additional $45 - $50 million later in 2011, thru the filing of rate cases and infrastructure surcharges in seven states. We expect a positive impact from this activity to materialize in 2012 results.

- **Capex continues.** Through the first six months of the year, Aqua has invested $134.4 million in infrastructure improvements, and remains on track to invest $325 million this year, which would be a company record. And this is the first time that cash generation ($160 million) in the first half of the year exceeded capital spending.

Tetra Tech Inc.

TTEK $20.78
Buy/Target Price: $34

More of the Same; Reports Strong Quarterly Results and Raises Guidance (Again), Reiterating Buy Rating, $34 Target Price

Michael Gaugler, 212-702-6539
gauglerm@bmur.com

Christopher Noon, 212-702-6623
noonc@bmur.com

EPS	Dec	Mar	Jun	Sep	FY	P/E	FY Rev. (mm)
FY10	$0.30	$0.23	$0.33	$0.37	$1.24	16.8x	$1,460.23
Prior	-	-	-	-	-	-	-
FY11	$0.36A	$0.28A	$0.39A	$0.39	$1.41	14.7x	$1,777.00
Prior	-	-	*$0.36*	-	*$1.38*	-	-
FY12	$0.38	$0.30	$0.42	$0.47	$1.55	13.4x	$1,807.02
Prior	-	-	-	-	-	-	-

Price	$20.78
52-Week High/Low	$27.16 - 18.00
Shares Outstanding (mm)	62.30
Market Cap. (mm)	$1,294.49
Average Daily Volume (mm)	0.36

Investment Summary - As the title of our note indicates, Tetra Tech once again posted strong quarterly results, exceeding consensus expectations on the top and bottom line, and again raising its annual guidance. We also note backlog increased YOY. This positive pattern has become a regular occurrence since we picked up coverage in early 2010, and we continue to espouse our investment thesis that sooner or later, TTEK will be given credit in terms of share price valuation for the revenue and earnings growth they have and continue to demonstrate. At the current P/E multiple of 13x forward earnings, we believe the shares are now appropriate for VALUE investors, a marked change from the growth investors we would normally expect to see examining/owning the name.

Our 4Q11 estimates fall within the company's guidance range, so we are making no changes to our forward estimates (except for the flow thru from the better-than-expected results in Q3). We reiterate our Buy rating and $34 target price, based on the shares achieving a P/E level of 22x our 2012 EPS estimate of $1.55, a level the shares have traded at since 1997. Risks to the achievement of our target price include political and economic conditions in service territories, government funding cancellations, timely appropriations of federal spending, project and cost management, and future acquisition integration**.**

Discussion

- **3QFY11 results exceed expectations.** Net revenues of $480MM exceeded our and the consensus forecasts of $$465MM and $460MM, respectively. Strength in the commercial and international markets in the water, mining and energy service industries drove the outperformance. In terms of customers, U.S. Federal (34% of revs) was down 4% YOY, while State and Local (11% of revs) fell 11%. U.S. Commercial (24% of revs) was up 6%, and International (31% of revs) was up 200%. On a consolidated basis, net revenues climbed 30% YOY. On the bottom line, diluted EPS of $0.39 was well above our and the consensus estimates of $0.36 and $0.35, respectively.

- **Backlog up again YOY**. The company's backlog at the end of 3Q stood at $1.88B, up 11.8% YoY versus 3QFY10. We note that the U.S. State Department CJPS Contract (with a contract ceiling of $10B) is not yet shown as "funded" in the company's backlog. We anxiously await the anticipated change in the status to "funded" in a future quarter. It could have a very positive impact.

- **The forward outlook remains bright**. The company continues to see stability in its government markets, and strong growth from the aforementioned commercial and international markets. Past acquisitions are expected to boost the international revenues to 40% of total revenues. And the company's balance remains relatively unlevered ($17.2MM in net debt at the end of Q3), providing ample capacity to consummate future transactions.

Activision Blizzard, Inc.

ATVI $11.82
Buy/Target Price: $15.00

Review of Activision 2Q11 Results

Todd Mitchell, 212-702-6602
Todd.Mitchell@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$0.09	$0.06	$0.12	$0.53	$0.79	15.0x	$4,803.00
Prior	-	-	-	-	-	-	-
FY11	$0.13A	$0.10A	$0.03	$0.51	$0.77	15.4x	$4,100.00
Prior	-	*$0.06*	*$0.08*	*$0.50*	*$0.77*	-	-
FY12	-	-	-	-	$0.95	12.4x	$4,756.00
Prior	-	-	-	-	*$0.96*	-	-

Price	$11.82
52-Week High/Low	$12.65 - 10.40
Shares Outstanding (mm)	1,144.16
Market Cap. (mm)	$13,524.02
Average Daily Volume (mm)	6.65

Investment Summary

Activision's results show operating leverage of digital model. Activision beat revenue estimates by over $100 million and doubled non-GAAP EPS expectations, in a quarter when it had only one major packaged goods release. Revenue and margin expansion were driven by continued strong sales of *Call of Duty*: *Black Ops*, which ranked among the top selling titles every month of the quarter, and a significant increase in digital revenue due to the release of new DLC for *Black Ops.* We believe this demonstrates the durability of Activision's digital model: cultivating only the largest, owned IPs, leverage scale, create a self-reinforcing ecosystem, continuously monetized the customer. Activision has three of these IPs up and running, and hopes to get to seven. Activision's adroit navigating of *COD* through this transition, a successful launch of *Skylanders,* and other new IP in the pipeline create the potential for strong EPS growth in 2012.

Key Points

- ***Call of Duty: Black Ops* and related DLC drive upside to estimates and guidance.** Activision reported a 2% increase in 2Q11 revenue to $699 million and non-GAAP EPS of $0.10, versus our estimate of $609 million and $0.06, and guidance of $575 million and $0.04. Results were driven by continued strong sales of *Call of Duty: Black Ops* and the release of its third DLC *Annihilation,* both with very high margin contributions. Non-GAAP operating margins were 23.6% versus 14.8% a year ago, on a comparable revenue base.

- **Management raised guidance for the year, but pulled in expectations for 3Q11.** Non-GAAP revenue guidance is now $4.1 billion, up from $3.95 billion, and non-GAAP EPS guidance is $0.77, up from $0.73. However, 3Q revenue is expected to be $530 million and non-GAAP EPS of $0.01, versus consensus going into the print of $632 million and $0.06, respectively. Revenues should decline on a lighter release slate, while margins will likely be hit by marketing to support the launch of *Skylanders*, which is now expected in mid-October.

- **We think 3Q11 guidance is light, but are taking a conservative stance on 4Q11.** We project 3Q11 revenue of $560 million and non-GAAP EPS of $0.03, both ahead of guidance, but are maintaining our 2011 estimates of $4.1 billion and $0.77. Our new estimates reflect the removal of *Diablo III* from 4Q11 net an increase in our forecast for *Skylanders*. Our estimates imply a 10% non-GAAP operating margin in 3Q11, and 31% for the year. *Diablo III* in, or out, probably does not change 4Q11 profitability, so expect upside to non-GAAP EPS if it is released.

- **Transitioning model points to the potential for strong EPS growth in 2012.** The challenge for Activision will be maintain current games' popularity while launching new IPs. Neither Blizzard games is on fire, but attrition is not that fast either, and we think *COD* will keep its core user base through another iteration. We believe new IP could broaden the line-up significantly in 2012, at a higher contribution margin, pointing to the potential for upside to current non-GAAP estimates.

Valuation

We rate shares of ATVI buy based on a price target of $15. At $15, shares of ATVI would trade at 19.4x estimated 2011 non-GAAP EPS of $0.77 and 15.8x estimated 2012 non-GAAP EPS of $0.95. We believe this is about right given our outlook for a 2010-to-2014 CAGR of non-GAAP EPS of 12%, and our 2011-to-2014 CAGR of of 15%.

Comcast Corporation

CMCSA $22.77
Buy/Target Price: $32

Review of Comcast 2Q11 Results

Todd Mitchell, 212-702-6602
Todd.Mitchell@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY10	$0.31	$0.31	$0.31	$0.36	$1.29	17.7x	$53,994.00
Prior	-	-	-	-	-	-	-
FY11	$0.34A	$0.37A	$0.42	$0.43	$1.60	14.2x	$56,730.00
Prior	-	*$0.41*	*$0.40*	*$0.46*	*$1.60*	-	-
FY12	-	-	-	-	$1.85	12.3x	$59,762.00
Prior	-	-	-	-	*$1.90*	-	-

Price	$22.77
52-Week High/Low	$27.16 - 16.76
Shares Outstanding (mm)	2,084.37
Market Cap. (mm)	$47,461.01
Average Daily Volume (mm)	19.05

Investment Summary

Relative outperformance from Cable with upside from NBCU. Against the backdrop of a lackluster economy, seasonal weakness, and an increase in competitive activity, Comcast reported better-than-expected financial results. The bears can hang on PSU net adds that were modestly lower than expected (although up year-over-year), that upside came from lower-than-expected costs at NBCU, and gripe about management not upping its buyback. However, when compared to TWC's (TWC $69.47, Hold) or Charter's results, Comcast's PSU, ARPU and margin trends were downright robust, reflective of a strong service profile and relatively defensive footprint, while double-digit growth in every one of NBCU's segments highlight the opportunities (and fortuitous timing) of its acquisition. Spending at NBCU is expected to pick up in 2H11, and overall capital expenditures for the year are now expected to rise above 2010 levels, but we still expect close to 20% growth in FCF and believe Comcast's historical investments, both in its enhanced cable service profile, and the acquisition of NBCU, will provide it with the ability to outperform going forward.

Key Points

- **PSU net adds were lighter than expected, but better than other cable MSO.** PSU net adds increased 18% to 99,000 from 84,000 a year ago, but were short of our estimate of 155,000. Video subs fell by 238,000, down from losses of 265,000 a year ago, but higher than our forecast of 200,000. HSD net adds increased 21% year-over-year to 144,000 from 119,000 a year ago, but fell short of our estimate for 190,000. Some of this was made up by voice net adds which declined 16% to 193,000 from 230,000 a year ago, but came in ahead of our estimate of 165,000.
- **Upside to our estimates, and expectations, was driven strong growth at NBCU.** Content segment revenue grew 17% to $5.2 billion, with double-digit revenue gains in all reporting sub-segments. Cable Networks and Broadcast Television benefitted from a strong advertising environment and expanded licensing deals while Filmed Entertainment generated strong box office results for *Fast Five* and *Bridesmaids.* Segment EBITDA rose 5%, versus our forecast for a decline, even after factoring in one-time items, due to lower-than-projected content costs.
- **We continue to anticipate solid cable results and see upside from a stronger NBCU.** We now look for a 5% increase in 2011 consolidated revenue to $56.7 billion, up from our prior estimate of $55.9 billion, and a 6% increase in total EBITDA to $18.2 billion, up from our prior estimate of $18.0 billion. We are maintaining our 2011 EPS estimate of $1.60, a 24% increase from $1.29 in 2010, and we now expect a 19% increase in FCF to $6.4 billion, down from our prior estimate of $6.7 billion, on a $200 million increase in our outlook for total capital expenditures to $5.17 billion.

Valuation

We maintain our Buy rating and $32 price target for CMCSA. Shares of CMCSA are currently trading at 6.0x 2011E Cable EV/EBITDA and 5.6x 2012E EV/EBITDA. Our target price of $32 for shares of CMCSA is based on 7.0x 2012E Cable EV/EBITDA, in line with the historical average 12-month forward multiple for the group of 6.8x. Alternatively, at $32, shares of CMCSA would be trading at the equivalent of 16.0x 2016E UFCF of $8.2 billion discounted to NPV at 11.3%. We believe Comcast is well positioned to meet the changing service profile of the MSO with a relatively small increase in capital intensity.

Important Disclosures

Ratings and Target Price History

For historical rating and target price information please use the following links:

ASCA: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=ASCA&analystid=93&re=1&width=500&height=350&wmf=1

ATVI: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=ATVI&analystid=93&re=1&width=500&height=350&wmf=1

AWK: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=AWK&analystid=93&re=1&width=500&height=350&wmf=1

CMCSA: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=CMCSA&analystid=93&re=1&width=500&height=350&wmf=1

CTWS: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=CTWS&analystid=93&re=1&width=500&height=350&wmf=1

CWT: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=CWT&analystid=93&re=1&width=500&height=350&wmf=1

DNDN: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=DNDN&analystid=93&re=1&width=500&height=350&wmf=1

ERTS: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=ERTS&analystid=93&re=1&width=500&height=350&wmf=1

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WTR: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=WTR&analystid=93&re=1&width=500&height=350&wmf=1

All prices are as of the market close on 8/3/11.

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Buy - Expected to appreciate by at least 10% within the next 12 months.
Hold - Fully valued, not expected to appreciate or decline materially within the next 12 months.
Sell - Expected to decline by at least 10% within the next 12 months.

	# of Securities	% of Total Securities	# of IB-Related Securities in Past 12 mos.	% of Total Securities
BUY	159	58.89%	19	11.95%
HOLD	74	27.41%	0	0%
SELL	8	2.96%	0	0%
NOT RATED	29	10.74%	3	10.34%
TOTAL	**270**			

Note : Stock price volatility may cause temporary non-alignment of some ratings with some target prices.

Valuation Methodology and Risks

Activision-Blizzard (ATVI): Our target price of $15 is based on 12.0x 2014E UFCF of $1.5 billion discounted to NPV at 14.4%. At $15, shares of ATVI would trade at 19.4x estimated 2011 non-GAAP EPS of $0.77 and 15.7x estimated 2012 non-GAAP EPS of $0.96. Risks include the loss of dominance of core franchises and the transition to digital business models pose risks to our outlook for ATVI.

American Water Works Co. (AWK): Our $38 target price is based on the shares trading at 20x our 2012 EPS estimate of $1.89. Risks to the achievement of our target price include weather, acquisition integration, regulatory environment, and changes in interest rates.

Ameristar Casinos (ASCA): Our target price of $30 is based on a 2012 FCF multiple of 8x. Risks to our target price include: (1) negative changes in the legislative or regulatory environment in which ASCA operates, such as an increase in gaming taxes, new gaming licenses, or smoking bans; (2) the pursuit of projects that do not garner an acceptable return; and/or (3) a weakened economy that results in decreased consumer spending on gaming.

Aqua America (WTR): Our $29 target price is based on the shares attaining a level of 26x our 2012 EPS estimate. Risks to the achievement of our target price include weather, acquisitions, interest rates, environmental / public health responsibilities and regulatory climate.

Comcast (CMCSA): Our target price of $32 for shares of CMCSA is based on 7.0x 2012E Cable EV/EBITDA, in line with the historical average 12 month forward multiple for the group of 6.8x. Alternatively, at $32, shares of CMCSA would be trading at the equivalent of 16.0x 2016E UFCF of $8.2 billion discounted to NPV at 11.3%. Risks include: (1) We believe the industry is about to shift to a period of capital intensity; (2)Greater variance in NBCU makes Comast's business model inherently more risky; (3) threat of disintermediation could come from over-the-top (OTT) services.

Connecticut Water Service (CTWS): Our $30 target price is based on the shares attaining a level of 24x our 2012 EPS estimate of $1.27. The shares have historically traded within a trailing P/E range of 17-30, and within a forward P/E range of 15-25. Risks to investing in shares of Connecticut Water include, but are not limited to, regulatory concerns, weather, execution risk, natural disasters, access to capital markets, state and federal laws and regulations, information technology reliability, acquisition integration, water supply contamination, and pension requirements.

Dendreon Corp. (DNDN): Our target price is derived by applying a multiple of 30 and discount rate of 15% to our fully taxed 2013 EPS estimate of $0.24. Risks to the achievement of our target price include the following: (1) market penetration of Provenge; (2) regulatory approval of Provenge; (3) business development; and (4) high stock price volatility.

Electronic Arts (ERTS): Our $29 price target is based on 25.0x our CY 2012 and 20.0x CY 2013 estimates. At $29 shares of ERTS would trade at

25.0x our CY 2012 non-GAAP EPS estimate of $1.15 (up 28% from our CY 2011 estimate of $0.90) and 20.7x our CY 2013 non-GAAP EPS estimate of $1.40 (up 21% over CY 2012). To achieve these estimates EA would need to grow its top-line revenue in the mid-single digits and achieve operating margins in 2013 of 15%. Given EA's current business mix shift, macro-drivers for this new business, and current levels of profitability, it is hard to argue that this is not achievable. Risks to the achievement of our target price include the following: We see EA's strategy for transitioning to digital as inherently risky. We remain skeptical of EA's strategy for transitioning to digital as too dependent on licensed properties and third-party distribution. Not only is their less visibility on this business, ultimately we think it is a more competitive, lower barrier to entrée, market which could see downward pressure on ASPs and margins as it matures.

Penn National Gaming (PENN): Our 12-month target price of $49 is based on a 2011E EV/EBITDA multiple of 8.5x adjusted for the value of its Ohio properties in development, which should open in 2012 less the expected competitive impact on its properties in West Virginia, Baton Rouge, Lawrenceburg and other markets. Penn currently trades at a 2011E EV/EBITDA multiple of 8.5x, compared to 7.9x for the group and yields about 8.5% on a FCF basis before expansion capex. PENN should trade at a significant premium given its balance sheet, growth opportunities, and history of strong ROI projects. Risks to our target price include: (1) negative changes in the legislative or regulatory environment in which Penn operates, such as an increase in gaming taxes or the issuance of new gaming licenses; (2) a significant increase in costs or delays for Penn's growth initiatives or the possibility that the projects do not garner an acceptable return; and/or (3) a weakened economy that results in decreased consumer spending on gaming.

Tetra Tech (TTEK): Our $34 target price is based on the shares attaining a level of 22x our 2012 EPS estimate of $1.55. Risks to the achievement of our target price include political and economic conditions in service territories, government funding cancellations, timely appropriations of federal spending, project and cost management, and future acquisition integration.

Analyst Certification

We, Jeremy Sussman, Lucas Pipes, Jonathan Aschoff, Ph.D., Ryan Worst, CFA, Michael Gaugler, Christopher Noon and Todd Mitchell, hereby certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers referred to in this document. The analyst and associate analyst further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

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