



ANALYST QUICK NOTES

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Innovative Companies

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Weekly Stock List: Innovative Companies

- Innovation may be hard to define, but to borrow from former U.S. Supreme Court Justice Potter Stewart, you know it when you see it. The United States economy is full of innovation. It has to be. Manufacturing industries that dominated the economy decades ago – textiles, televisions, even automobiles, to a large degree – have moved overseas, where costs are lower. Yet the U.S. economy is at its largest point in history and still growing. If U.S. corporations weren't innovating, creating new products and services and moving into new markets and applications, the domestic economy would be contracting, not expanding, and capital would not be flooding into the country. At Argus, an 80-year-old independent research firm that has innovated a time or two in its long history, we have focused on four types of innovative companies:
 - Industry Disruptors
 - First to Market
 - New Product Specialists
 - Product & Process Perfectors
- Here are five BUY-rated IT companies in Argus Coverage that are leaders in innovation:
 - Visa (V): Visa, a disruptive financial services innovator, is focused on maintaining its dominance in the payments industry by moving from plastic to digital payments. The company recently relocated its headquarters to One Market in San Francisco to attract the best talent for their digital innovation lab. Visa Labs has several innovations in their pipeline including a system that allows auto manufacturers to use car based payment technology through Bluetooth, as well as a mobile application that allows payment through various methods of biometric authentication.

- Raytheon (RTN): Raytheon is an emerging leader and among the first to market in cybersecurity. The company recently signed a deal with Vista Equity Partners to form a new company combining Vista's Websense with Raytheon Cyber Products, a business unit of Raytheon's Intelligence, Information and Services segment. The new company, called Forcepoint, leverages Raytheon's advanced cybersecurity technologies and Websense's industry leading Triton platform to provide a new level of defense-grade cybersecurity to combat the evolving cyber threat environment.
- Amgen (AMGN): Amgen, based in Thousand Oaks, California, is a leading global biotech company and an example of a New Product Specialist. Amgen's growth prospects appear solid as sales of established drugs continue to grow at a healthy clip. The company has also launched promising new products, including Repatha (for high cholesterol) and Kyprolis (for multiple myeloma).
- Costco (COST): We believe that Costco's financial strength and ability to deliver extreme values are key differentiators for the company – and the stock -- in the current market environment. Costco's business model is unique among retailers, as "membership fees" generate a substantial portion of profits, allowing the company to disrupt the industry with low prices. We believe that the company's constant effort to deliver low prices keeps it relevant at a time when shoppers are looking for online bargains.
- Charles Schwab (SCHW): Charles Schwab was among the first discount brokers and has become a leading provider of financial services. The company offers wealth management, securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Looking ahead, we expect Schwab to post above-peer-average growth thanks to its innovative products and continued market share gains. The company has challenged industry-pricing standards with many low- or no-cost offerings, including its popular ETFs. It has also seen rapid growth in its ETF-based Intelligent Portfolios.

For more information on these companies, please see our Analyst Reports on the website. We also have built a growth portfolio of innovative companies that is available for investment. For more details, contact the Argus sales department.

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