

January 11, 2012

Adding DNR, PAY, DIN, AXE; Removing RFMD, QCOM, V

Denbury Resources (DNR) is a Texas-based Exploration & Production company engaged in the acquisition, exploitation, and development of natural gas and crude oil properties. Morgan Keegan's Senior E&P Analyst, Chris Pikul, chose DNR for his 2012 Select Idea.

While we expect DNR's growth to be a respectable ~12%, more significantly, we expect investor confidence to improve dramatically as the Heidelberg and Tinsley fields recover from operational mishaps in 2011 and two new core fields (Oyster Bayou, Hastings) come online. Further, the company's projected \$1.4 Bn capex will be substantially paid for by cash flow (\$1.2 Bn) and non-core asset sales, maintaining balance sheet strength. At current levels, investors have largely dismissed the long-term growth profile through 2020, as tertiary volumes ramp toward 100K Bbls/day (from 31K in 2011). Additionally, the stock is currently trading below our proved-only NAV estimate of about \$19/share. While we think DNR's reserve value alone merits consideration, when coupled with key upcoming catalysts, we expect better stock performance in 2012. Thus the Focus Committee elected to add DNR to the Focus List.

VeriFone Systems (PAY) is the leading global provider of electronic Point of Sale solutions, providing both hardware devices and Software and Services solutions to retailers and merchant acquirers. The company is in the midst of transitioning from an historical non-recurring hardware sales business toward an emphasis on recurring services revenues: targeted to reach 50% of revenue by 2015 (through a combination of acquisitions and organic growth). Morgan Keegan's Senior Transaction Processing Analyst, Robert Dodd, chose PAY for his 2012 Select Idea.

Dodd is expecting outperformance by PAY for a number of reasons. Firstly, Hypercom performance and the company's underlying growth rate are misunderstood. Since reporting Q4 earnings, shares have underperformed the S&P by 15%. Why? There was confusion on the call leading some analysts to conclude that the Hypercom acquisition is underperforming and/or that the company guided to a slowdown in organic growth. We consider both of these points to be wrong, and as the company reports future earnings, underlying results will be better understood driving shares higher

Secondly, organic margins are set to expand. The company is in the process of shifting to more of a services type business, which carries higher margins. The target is for services to generate 50% of revenues by 2015 – services today generate only 21% of revenues. Combining 10% organic revenue growth with tuck-in acquisitions and margin expansion will allow for medium-term 20% EPS growth in our view, making today's 13x forward EPS multiple look cheap.

FOCUS LIST PERFORMANCE											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 YTD
MK FOCUS, GROSS	-19.8%	57.0%	32.0%	6.7%	16.7%	-7.2%	-31.2%	35.95%	22.6%	1.84%	0.79%
MK FOCUS, NET*	-20.6%	55.5%	30.7%	5.7%	15.5%	-8.2%	-31.9%	34.6%	21.3%	0.83%	0.79%
S&P 500	-23.4%	26.4%	9.0%	3.0%	13.6%	3.5%	-38.5%	23.5%	12.8%	0.00%	1.61%
NASDAQ	-31.5%	50.0%	8.6%	1.4%	9.5%	9.8%	-40.5%	43.9%	16.9%	-1.80%	2.65%
RUSSELL 2000	-21.6%	45.4%	17.0%	3.3%	17.0%	-2.8%	-34.8%	25.2%	26.3%	-5.45%	1.19%

As of Friday Jan 6, 2012

* MK FOCUS, NET includes a theoretical 1% charge for associated commissions or an annual fee for illustrative purposes only. Actual charges can vary based upon factors including account size and overall client relationship.

See the "Important Disclosure" Section for performance calculation methodology

Lastly, near field communication (NFC) news flow may provide a valuation boost to shares. ISIS and Google Wallet are set to rollout mobile payment services in some geographies next year with a larger scale rollout scheduled for 2013. Also, the iPhone 5 next year may include NFC technology. These 3 main catalysts are expected to drive the stock higher through 2012 and thus the Focus Committee has elected to add PAY to the Focus List.

DineEquity (DIN) is the largest full-services dining company in the world with over 3,400 restaurants in 18 countries and approximately \$7 billion in system-wide sales. Applebee's is the world's largest casual dining brand with over 1,900 restaurants (90% franchised), while IHOP is a leader in the family dining segment with over 1,400 restaurants (99% franchised). Morgan Keegan's Senior Restaurant Analyst, Destin Tompkins, chose DIN for his 2012 Select Idea.

Why we believe DIN is a good buy at current levels:

- We believe DIN shares hold the potential for 25%+ appreciation to our \$55 price target driven by its attractive franchised model (mitigating inflation pressures), high FCF, ongoing balance sheet de-leverage, and an attractive valuation.
- Given a fragile consumer environment combined with ongoing commodity inflation, we prefer the stable cash flow and lower capex needs provided by its ongoing refranchising (currently ~95% franchised transitioning to ~99%).
- Despite modest 2012 Same-Store Sales assumptions (in the 1%+ range), we project DIN to generate ~\$125 million in FCF (~17% yield) used primarily to pay down debt (debt/EBITDA projected below 5x by 2012) and increase financial flexibility.

While we acknowledge recent sales volatility, we believe this risk is at least partially reflected and valuation appears attractive trading at a significant discount to its franchisor peers, thus the Focus Committee has elected to add DIN to the Focus List.

Anixter International (AXE) is a leading worldwide distributor within three product categories: enterprise cabling and security, electrical/electronic wire/cable, and OEM supply of fasteners and other small parts. The company primarily operates in North America and Europe, but also has exposure within certain emerging markets. Morgan Keegan's Senior Industrial Distribution Analyst, Brent Rakers, chose AXE for his 2012 Select Idea.

Entering 2012, we believe the distribution industry environment remains favorable, as macro drivers and industry characteristics continue to be encouraging. Among the various distributors under coverage, we believe Anixter offers the most significant investment opportunity in 2012, as shares are well-positioned to benefit from industry growth trends and a continued recovery.

Despite strong fundamentals and EPS outperformance during FY2011, Anixter shares were flattish for the year likely given macro-economic uncertainty, currency/European concerns, and copper price volatility. We believe the company's outlook continues to be favorable for 2012 with a sizeable FY2012 EPS upside opportunity, the prospect for longer-term margin upside, a leadership position within industry verticals, attractive secular themes within end markets, appropriate mid- to late-cycle exposure, flexible balance sheet, and discounted valuation metrics. For these reasons, the Focus Committee has elected to add AXE to the Focus List.

The Focus Committee has elected to remove RFMD, QCOM, and V from the Focus List.

Shares of RF Micro Devices (RFMD) have depreciated rapidly over the past month, especially after RFMD management pre-released poor data from the Dec. Qtr, and thus the Focus Committee elected to take losses, while

reducing its exposure to the Tech sector, and remove RFMD from the list. Morgan Keegan's Senior Semiconductor Analyst, Harsh Kumar, maintains his Outperform rating on RFMD.

The Focus Committee has elected to remove Qualcomm (QCOM) from the Focus List, taking profits, while reducing its exposures to the Tech sector. Morgan Keegan's Senior Communications Technology Analyst, Tavis McCourt, maintains his Outperform rating on QCOM.

The Focus Committee has elected to remove Visa (V) from the Focus List in order to swap in VeriFone Systems (PAY), which the committee believes has a higher upside potential.

Stocks Emphasized for timely purchase include: Basic Energy Services (BAS), Fortinet (FTNT), and Ryder (R)

THE FOCUS LIST

The Morgan Keegan Focus Committee is responsible for identifying and making timely stock selections based on ideas generated from the firm's equity research. Led by the Director of Equity Research, the roster also includes members of Institutional Sales, the Equity Strategy Group, and Retail Sales. The Focus Committee generally meets on a weekly basis to discuss proposed changes to the list.

Stocks on the Focus List are most appropriate for aggressive clients/accounts willing to accept higher risks in an attempt to receive better than average returns. The Focus List is not a model portfolio, and only represents what the Committee currently believes to be the best ideas from Morgan Keegan's equity research universe. The accompanying Focus List Table is a complete listing of the Focus Committee's selections as of January 10, 2012, to determine if any of the stocks on the list are appropriate for you, please contact your Morgan Keegan Financial Advisor.

COMPANY NAME	SYMBOL	DATE ADDED
ANIXTER INTERNATIONAL	AXE	1/10/12
APPLE	AAPL	7/14/09
BASIC ENERGY SERVICES	BAS	10/4/11
DENBURY RESOURCES	DNR	1/10/12
DINEEQUITY	DIN	1/10/12
ENERGY XXI	EXXI	1/4/11
FEDEX	FDX	8/31/10
FORTINET INC	FTNT	1/4/11
KNOLOGY	KNOL	9/29/09
LEXINGTON REALTY	LXP	8/16/11
OLD DOMINION FREIGHT LINE	ODFL	1/4/11
RYDER SYSTEM	R	7/19/11
VERIFONE SYSTEMS	PAY	1/10/12
WESCO INTERNATIONAL	WCC	4/19/11

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This update is for informational purposes only and does not constitute a research report but rather serves as an overview of recent Focus Committee selections. The information contained in this update is based on sources considered to be reliable but is not represented to be complete and its accuracy is not guaranteed. This update does not constitute an offer to sell or a solicitation to buy any securities. Morgan Keegan & Co., Inc., a subsidiary of Regions Financial Corporation, and its officers, directors, shareholders, employees, affiliates, and members of their respective families may have positions in these securities and may, as principal or agent, buy and sell such securities before or concurrently with the publication of this update. An employee of Morgan Keegan & Co., Inc. and/or its parent company may be a member of the Boards of Directors of companies referred to in this update. Additional information is available upon request. The securities and other investment products described in this report are: (1) not insured by the FDIC. (2) Not deposits or other obligations of, nor guaranteed by Morgan Keegan & Co., Inc., Regions Financial Corporation or any of their affiliates. (3) Subject to investment risks, including possibly loss of the principal amount invested. This update is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. No security or investment strategy is suitable for all investors. Investors should seek financial advice regarding the appropriateness of investing in securities and implementing investment strategies discussed in this update and should understand that statements regarding future prospects may not be realized.

IMPORTANT DISCLOSURE

The Focus List is offered by Morgan Keegan as a registered broker-dealer and is not offered as an investment advisory product. The Focus List is not intended to serve as a portfolio, and the results depicted **do not represent actual trading**. A detailed report on the specific performance of each Focus List recommendation during the period beginning January 1, 2001 is available upon request. Calculations were based on a hypothetical initial investment in each stock at the number of whole shares most closely approximating \$1,000. Additions and deletions were valued at (i) the weighted-average price received by Morgan Keegan customers for same side transactions on the following trade date if a change was made while the market was closed, (ii) the weighted-average price received by Morgan Keegan customers for same-side transactions on that trade date if a change was made before 12:00pm ET on a date the market was open, or (iii) the weighted-average price received by Morgan Keegan customers for same-side transactions on the next following trade date if a change was made after 12:00pm ET on a date the market was open. All other stocks were valued at the market at the end of each relevant period. Dividends are not included in the performance calculations. MK Focus Gross states the performance without any fees or commissions. MK Focus Net restates the performance with a theoretical 1% charge for associated commissions or an annual fee. Currently, in certain programs, the maximum annual fee can be 2.5%. The 1% charge detailed herein is provided for illustrative purposes only and can vary based upon factors including account size and overall client relationship. The performance figures have been prepared by Morgan Keegan and have not been audited or verified by any independent accounting firm. **Past performance is not a guarantee of future results.**

Morgan Keegan uses the S&P 500 for a comparison benchmark for our Recommended List and Focus List performance because it is widely regarded as the industry standard large-cap U.S. equity market indicator and it is also the basis for our research rating system. In addition, we use the NASDAQ and Russell 2000 indices which closely correspond to different areas of our research coverage for comparison benchmarks for our Recommended List and Focus List performance. The NASDAQ is heavily comprised of technology stocks and more than 20% of our research coverage focuses on technology companies. The Russell 2000 is a smallcap index and approximately half of our research coverage concentrates on smallcap companies.

Indices are unmanaged. You cannot invest directly into an index.

The Focus List contains a limited number of stocks, generally concentrating on small and mid capitalization companies which are subject to increase price fluctuations due to market volatility. The Focus List is subject to the following risks:

Equity Risk — Equity risk is the risk that the value of the security will fluctuate in response to changes in earnings or other conditions affecting the issuer's profitability.

Market Risk — Market risk is the risk that the market value of a security may fluctuate, depending on the supply and demand for that type of security. Market risk may affect a single issuer, an industry, a sector of the economy or the entire market and is common to all investments.

Capitalization Risk — Capitalization risk is the risk that securities of smaller companies may be subject to more abrupt or erratic market movements than the securities of larger, more established companies since smaller companies tend to be more thinly traded and because they are subject to greater business risk. Transaction risks of smaller-company stocks may also be higher than those of larger companies.

Foreign Investments Risk — Investments in foreign securities may be riskier than investments in U.S. securities. Differences between the U.S. and foreign regulatory regimes and securities markets, including the less stringent investor protection and disclosure standards of some foreign markets, as well as political and economic developments in foreign countries, may affect the value of the fund's investments in foreign securities. Foreign securities will also subject the Fund's investments to changes in currency rates.

S&P 500 Index - It consists of 500 of the largest stocks in the U.S. stock market. It is a market value weighted index (stock price times number of shares outstanding after float adjustment), with each stock's weight in the index proportionate to its market value.

Nasdaq Index - Measures all Nasdaq domestic and international based common stocks listed on the Nasdaq Stock Market

Russell 2000 Index - It measures the performance of the small-cap segment of U.S. equities. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.