

# CUBIST PHARMACEUTICALS

NASDAQ: CBST  
Industry: Biotechnology

**SABRIENT**  
**STRONG**  
**BUY**  
**RATING**

## Stock Fundamentals as of January 25, 2010

Sabrient Rating	<b>Strong Buy</b>
Ticker	<b>CBST</b>
Market Cap Designation	<b>Mid-cap</b>
Market Capitalization (Billions)	<b>\$1.2</b>
Price	<b>\$20.22</b>
52-Week High/Low	<b>\$23.00/13.81</b>
EPS (TTM)	<b>\$1.36</b>
P/E Ratio (TTM)	<b>14.9</b>
Dividend Yield	<b>0.0%</b>
S&P 500 P/E Ratio	<b>22.1</b>
Price/Book Ratio	<b>2.5</b>
Price/Sales Ratio	<b>2.1</b>
30-Day Average Volume (Thousands)	<b>526.4</b>
Beta	<b>0.64</b>
Current Ratio	<b>N/A</b>
Short Interest Ratio	<b>8.2</b>
Shares Outstanding (Millions)	<b>58.0</b>

## Sabrient Ratings

Sabrient's Buy/Hold/Sell ratings are based on a combination of dynamic filters that determine which attributes of a stock are most predictive in the prevailing market and which stocks best reflect those attributes but are not yet rewarded.

Sabrient starts with an "extraction" process that uses the best performing filters to identify stocks having certain compelling attributes currently sought by the market. Then, a composite scoring process uses a weighted average of several key scores to quantify the relative likelihood of upside or downside price action. As a result, the Buy/Hold/Sell rating may, in certain cases, seem inconsistent with a simple average of the scores cited in this analysis.

A BUY rating means the stock is expected to outperform its relevant benchmark substantially over the next 6 months. A SELL rating means the stock is expected to underperform its relevant benchmark substantially over the next 6 months. A HOLD rating means the stock is expected to perform in line with its relevant benchmark over the next 6 months.

If a stock is rated HOLD, the investor should review the stock's history of Sabrient ratings to see if it has recently changed to HOLD from BUY or SELL. If so, this indicates one of the following: (1) there has been a significant change in the stock's fundamentals, (2) the stock is already appropriately rewarded or punished by the market, or (3) there simply has been some recent price consolidation that warrants attention. A reading of Sabrient's analysis should identify which it is.

More about Sabrient on Page 4

## Sabrient's Market Cap Designations

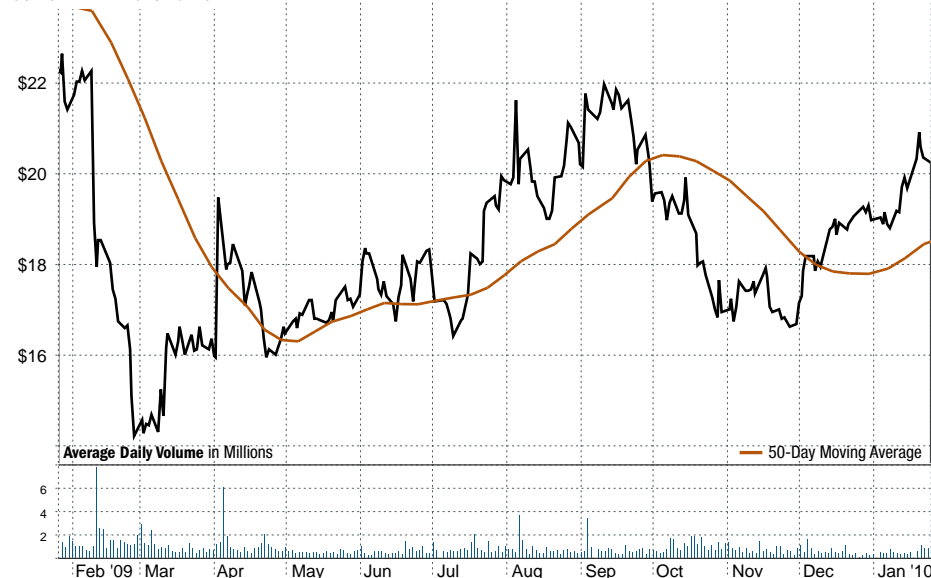
Large Cap	> \$5.0 Billion
Mid Cap	\$1.0 - \$5.0 Billion
Small Cap	\$150 Million - \$1.0 Billion
Micro Cap	< \$150.0 Million

Report prepared on **January 26, 2010** Page 1

Please see important disclaimer on page 5 of this report.

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## CUBIST PHARMACEUTICALS



## Company Profile

Cubist Pharmaceuticals, Inc. operates as a biopharmaceutical company focused on the research, development, and commercialization of pharmaceutical products that address unmet medical needs in the acute care environment.

**Earnings and Revenue Update:** For the quarter ended December 31, 2009, Cubist Pharmaceuticals reported earnings of \$22.7 million or \$0.38 per share compared with \$25.4 million or \$0.42 per share for the prior quarter and \$123.0 million or \$1.82 per share for the same quarter one year ago. Revenues were \$166.7 million for the quarter ended December 31, 2009 compared with \$143.5 million for the prior quarter and \$131.2 million for the same quarter one year ago. Last twelve months' earnings were \$1.36 per share compared with \$2.56 per share a year ago. Last twelve months' revenues were \$562.1 million compared with \$433.6 million a year ago.

## Sabrient Analysis

CBST is rated a Strong Buy for its exceptional value and growth attributes, which indicate future market outperformance.

- **Growth:** CBST earns exceptional marks as a growth stock with a Sabrient Growth Score of 92.5. Rigorous backtesting reveals that stocks with similar growth profiles outperform the market in the long term. A high growth stock does carry the risk of substantial downside price movement if the company should miss its earnings targets.
- **Value:** CBST earns a score of 91.1 for Sabrient's rigorous measurement of value, the Sabrient Value Score.
- **Momentum:** CBST posts a solid Sabrient Momentum Score of 69.7. This score reflects price, earnings and group momentum.
- **Timeliness:** This stock has a Sabrient Timeliness Score of 81.4. This measures technical strength based on short-term and long-term price performance and long-term group strength.

Sabrient Analysis continued on Page 3

**Sabrient**  
Leaders In Investment Research

# CUBIST PHARMACEUTICALS

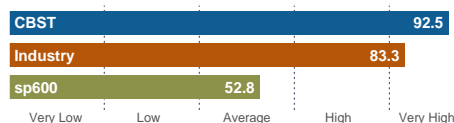
NASDAQ: **CBST**  
Industry: **Biotechnology**

**SABRIENT**  
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## Current Sabrient Scores Compared with Industry and Relevant Benchmark

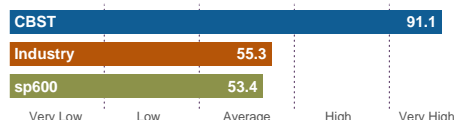
These Sabrient scores compare various aspects of CUBIST PHARMACEUTICALS with its industry and relevant benchmarks. The scores are percentile rankings from 0 to 99.9. Higher scores are better. We use a weighted average of several key scores to quantify the relative likelihood of upside or downside price action. Therefore, the Sabrient rating may seem inconsistent with a simple average of the scores cited in this analysis.

### Growth Score: 92.5



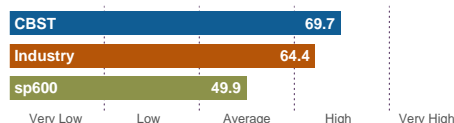
The Sabrient Growth Score reflects a company's historical and projected earnings growth, revenue and sales growth, projected cash flow, analyst activity, and changes in earnings estimates, each over various time periods. The higher the score, the better the combined performance of these key measures. With a Sabrient Growth Score of 92.5, Cubist Pharmaceuticals is marginally higher than the average of its industry group, which has a Sabrient Growth Score of 83.3.

### Value Score: 91.1



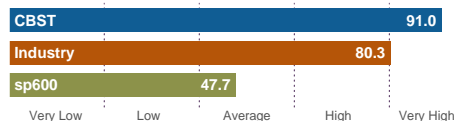
The Sabrient Value Score measures the relationship between a company's stock price and its intrinsic value, as indicated by earnings and balance sheet attributes, with an emphasis on earnings. Also considered are cash flow measures and fundamental valuation ratios. With a Sabrient Value Score of 91.1, Cubist Pharmaceuticals is substantially higher than the average of its industry group, which has a Sabrient Value Score of 55.3.

### Momentum Score: 69.7



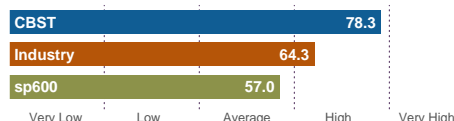
The Sabrient Momentum Score measures a company's earnings and price momentum, evenly weighted, and augmented by group strength, money flow, and relative volume. Core technical factors include current price relative to periodic highs and moving averages. With a Sabrient Momentum Score of 69.7, Cubist Pharmaceuticals is marginally higher than the average of its industry group, which carries a Sabrient Momentum Score of 64.4.

### Earnings Score: 91.0



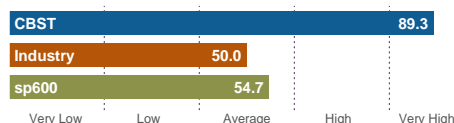
The Sabrient Earnings Score assesses a company's overall earnings performance and projected outlook. Time periods include an average look-back of three years with an emphasis on the past four quarters and a forward look of one to five years. With a Sabrient Earnings Score of 91.0, Cubist Pharmaceuticals is moderately higher than the average of its industry group, which has a Sabrient Earnings Score of 80.3.

### Balance Sheet Score: 78.3



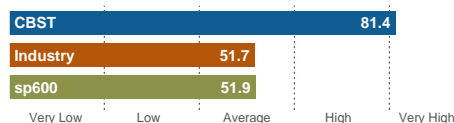
The Sabrient Balance Sheet Score measures a company's liquidity and debt issues, as well as receivables and inventory quality. This score is used to assess relative risk associated with a stock: the lower the score, most likely the higher the inherent risk. With a Sabrient Balance Sheet Score of 78.3, Cubist Pharmaceuticals is moderately higher than the average of its industry group, which carries a Sabrient Balance Sheet Score of 64.3.

### Fundamental Score: 89.3



The Sabrient Fundamental Score is the broad measure of a company's financial health, including its balance sheet, cash flow, revenue, and earnings quality. With a Sabrient Fundamental Score of 89.3, Cubist Pharmaceuticals is substantially higher than the average of its industry group, which carries a Sabrient Fundamental Score of 50.0.

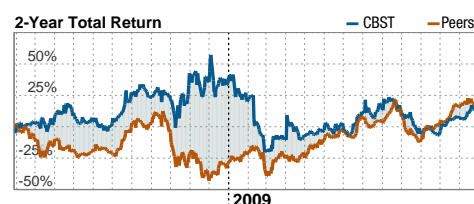
### Timeliness Score: 81.4



The Sabrient Timeliness Score is an assessment of a stock's short and long-term price strength as determined by various chart-based indicators and measures of group momentum and relative price performance. With a Sabrient Timeliness Score of 81.4, Cubist Pharmaceuticals is considerably higher than the average of its industry group, which carries a Sabrient Timeliness Score of 51.7.

## Peer Analysis

This table compares CBST with other similar-sized companies in the same industry group, focusing on Sabrient's growth, momentum and value scores, which represent the three main investing styles. The Peer Analysis chart compares CBST's 2-year total return with the average 2-year total return of these companies.



Symbol	Company	Growth Score	Momentum Score	Value Score	Market Cap.(B)
INCY	Incyte	52.5	96.4	3.8	\$1.2
MDVN	Medivation	83.5	91.2	12.6	\$1.2
<b>CBST</b>	<b>CUBIST PHARMACEUTICALS</b>	<b>92.5</b>	<b>69.7</b>	<b>91.1</b>	<b>\$1.2</b>
ACOR	Acorda	85.0	80.6	24.7	\$1.1
ISIS	ISIS Pharmaceuticals	89.1	21.6	41.7	\$1.1
MNKD	MannKind	66.0	97.6	5.0	\$1.1
SGEN	Seattle Genetics	79.3	58.9	31.8	\$1.1

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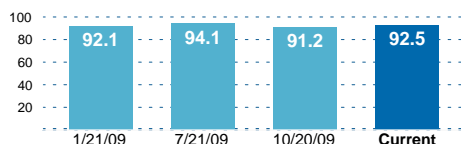
NASDAQ: CBST  
Industry: Biotechnology

**SABRIENT**  
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**BUY**  
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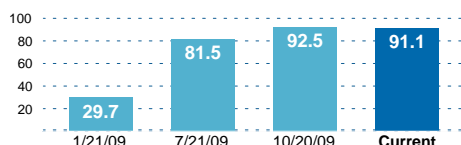
## Historical Sabrient Scores

The recent histories of key Sabrient scores provide insight into the stock's trends -- whether they are increasing or decreasing in strength in a particular area or simply holding steady. The Sabrient scores are percentile rankings from 0 to 99.9, with higher scores better. Keep in mind that Sabrient ratings may seem inconsistent with a simple average of these key scores because a weighted average of several key scores is used to quantify the relative likelihood of upside or downside price action.

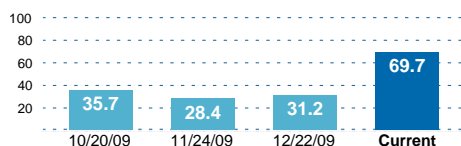
### Growth Score: 92.5



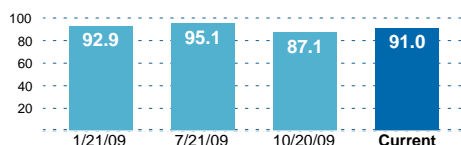
### Value Score: 91.1



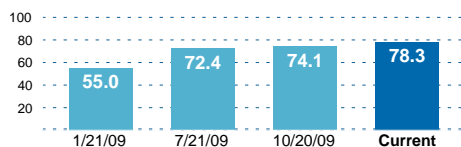
### Momentum Score: 69.7



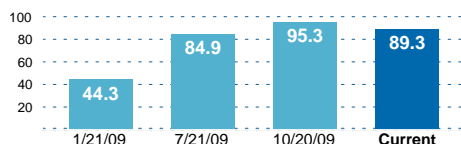
### Earnings Score: 91.0



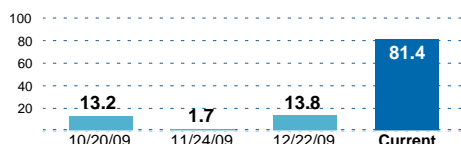
### Balance Sheet Score: 78.3



### Fundamental Score: 89.3



### Timeliness Score: 81.4



Sabrient Analysis continued from Page 1

- **Best Performing Filters:** To determine the likelihood of near-term performance, Sabrient builds and backtests "Smart Filters" to establish which caps, styles and attributes are drawing a premium in today's market. Currently, the three most predictive filters for the relevant segment are:

*Cash Flow vs. EPS Filter:* The Cash Flow vs. EPS Filter measures short-term cash flow and free cash flow growth against short-term revenue growth and earnings consistency. The filter outperformed its mid-cap benchmark by a substantial margin over the past three months. CBST scores 76.9 for this filter.

*Group Momentum Filter:* The Group Momentum Filter measures industry group performance in multiple periods with an emphasis on the last three months and serves as a proxy for broader market sentiment toward a group or niche. Backtesting shows that the filter has earned a significant premium to its mid-cap benchmark over the past three months. CBST scores 48.4 for this filter.

*Triple Rank Filter:* The Triple Rank Filter considers earnings momentum, price momentum and group momentum, along with a factor that measures the flow of money into a stock. The filter has significantly outperformed its mid-cap benchmark during the last 90 days. CBST scores 95.0 for this filter.

In summary, CBST's Strong Buy rating is based on a profile of forward-looking metrics which show this stock could significantly outperform the broader markets.

## What the Market Wants: January 2010

[Note: For email delivery of the weekly What the Market Wants, sign up at [www.sabrient.com](http://www.sabrient.com). To view this week's stocks ideas and market stats, see "What the Market Wants" at the Sabrient blog at <http://www.sabrient.com/blog/>.]

### WHO LET THE BEARS OUT?

By David Brown, Chief Market Strategist

(January 25, 2010)

Perhaps it was the new senator from Massachusetts who let the bears out, but I suppose it was a bit more than that. When the week began on Tuesday, after the Martin Luther King holiday, the bulls were grazing happily on GARP stocks, as contented as California cows. But then somebody opened that gate, and the bears roared through and the bulls ran for cover.

It wasn't exactly a massacre, but it was far from pretty. Consider that the best style/cap, Small-cap Value, was down 4.3% and the worst, Large-cap Value, was down 5.2%. Obviously, all style/caps were ravaged, and the week's carnage wiped out everything we had accomplished since Santa Claus came in December.

If Scott Brown didn't actually open the gate, the uncertainty caused by his election had something to do with it, along with China threatening to tighten lending standards and the U.S. economic indicators that were released last week. Those were a mixed bag. The Philly Fed (15.2 vs. 18 expected) and the LEI (1.1 vs. 0.7 expected) were okay, but initial jobless claims were worse than expected (482K vs. 440K expected) and the PPI could be taken either way.

Corporate earnings were also mixed. There were a number of major disappointments -- Bank of America (BAC), Citigroup (C), Morgan Stanley (MS), TD Ameritrade (AMTD) and Schwab (SCHW) -- as well as several major companies with excellent quarters -- Wells Fargo (WFC), eBay (EBAY), Northern Trust (NTRS), and Parker Hannifin (PH). But the bottom line is that uncertainty reigned, and the bears loved it.

This morning, the landscape changed again. Even though existing home sales came in worse than expected, falling 16.7% in December, the "Manic Monday" effect seems to have come into play. Described by Graham Summers in his article "The Formula Behind This Market Rally, In Simple Terms," this theory says that Mondays -- or the first market day of the week -- are generally bullish, spurred on by positive futures over the weekend and the Fed pumping up the money supply. Perhaps we experienced a Manic Monday today, because the S&P500 was up 0.46%. Also worth noting, after the close today (Monday), Apple (AAPL) reported incredible numbers, blowing away all estimates, and as I write this it is all over the board in afterhours trading.

Sectors. Before we look ahead, we should take a look back at last week, as painful as it is. All sectors were negative, with Materials the worst (-9%) just as projected by our SectorCast rankings. By the way, to see just how sweeping the damage was last week, the two worst industries were Metals & Mining, losing almost 11% for the week, and the totally unrelated Diversified Financial Services, down 10.7%.

Looking ahead, Telecom leads the way, but surprisingly, Financials leaped from last place to a strong second in the current SectorCast. Despite the terrific spanking given the large banks by the President last week, the great majority of regional banks escaped his wrath and did quite well. Healthcare rounds out the top three forward-looking sectors, while Materials remains at the bottom along with Consumer Discretionary and Industrials.

It is difficult to know exactly where to turn this week, given this changing landscape. But despite today's positive tone, I recommend extreme caution, sticking with conservatively priced stocks in the better sectors and appropriate hedges to protect the downside.

To see this week's stock ideas and market stats, go to the Sabrient blog at <http://www.sabrient.com/blog/>

Next update: Monday, February 1, 2010.

## Company Description

Cubist Pharmaceuticals, Inc. operates as a biopharmaceutical company focused on the research, development, and commercialization of pharmaceutical products that address unmet medical needs in the acute care environment. The company markets CUBICIN (daptomycin for injection), the first antibiotic in a new class of anti-infectives called lipopeptides in the United States. It began promoting MERREM I.V. (meropenem for injection) in the U.S. in July 2008. MERREM is an established spectrum antibiotic developed by AstraZeneca. The Cubist product pipeline includes ecallantide, a recombinant human protein in Phase 2 clinical trials; CONSERV-1 and CONSERV-2 for the reduction of blood loss during cardiac surgery; and two Phase 1 programs that address unmet medical needs, one in CDAD (Clostridium difficile-associated diarrhea) and the other in multi-drug resistant (MDR) Gram-negative infections. In addition, the company, in collaboration with Alnylam Pharmaceuticals, Inc., has a pre-IND and a Phase 2 program underway in novel treatments for respiratory syncytial virus infections using Alnylam's RNA-interference technology. Cubist was founded in 1992 and is headquartered in Lexington, Massachusetts.

## About Sabrient

Sabrient Systems is an independent research firm providing statistical analysis of a company's fundamental data to investment professionals. We use a computer-driven, quantitative methodology to identify stocks that appear poised to outperform or underperform the market.

The Sabrient methodology was developed by an experienced research team led by David Brown, a former NASA scientist and retired CEO of Telescan and designer of its premier stock search program, ProSearch. The research team employs a scientific approach to the creation and testing of multi-factor filters. Each filter targets a key area of traditional stock analysis, including value, growth, momentum, fundamentals, earnings, balance sheet, and group strength. Using an adaptive process, filters are continually tested and monitored to ensure that only the best performing filters are at work.

Sabrient's ratings begin with an extraction process in which each of the few best-performing filters scans the universe of equities to identify stocks having certain compelling attributes sought, but not sufficiently rewarded, by the current market. Then, a composite scoring system employs a broader set of "weighting" filters to rank the extracted stocks. To support individual investors, Sabrient uses the same sophisticated methodology to provide individual stock reports on a universe of approximately 5,600 stocks.

Sabrient regularly tests the performance of its stock selections, using its primary list of published rankings and statistical techniques it believes appropriate. These recommendations have consistently outperformed relevant benchmarks across a broad range of investing styles, market caps, time frames and market conditions, demonstrating the robustness of Sabrient's proprietary methodology. While past performance is no guarantee of future results, Sabrient believes it can maintain its strong performance through its rigorous, scientific approach to filter construction and ongoing backtesting within a dynamic and adaptive composite scoring system.

For more information on Sabrient and its performance, go to [www.sabrient.com](http://www.sabrient.com)

## Disclaimer

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