

Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2012E \$(1.11) from \$(1.03)	2012E \$1.9M from \$1.8M	No changes
	2013E \$(0.98) from \$(0.97)	2013E \$1.5M from \$1.6M	

NewLink Genetics

NLNK : NASDAQ : US\$12.81.

BUY

Target: US\$23.00

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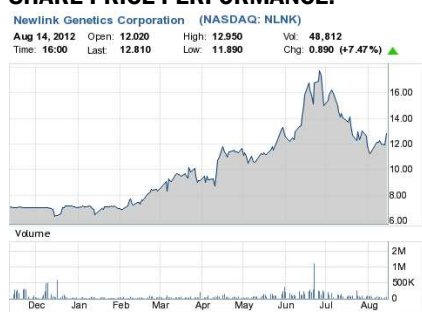
COMPANY STATISTICS:

52-week Range:	6.25 - 18.00
Market Cap (M):	US\$265
Avg. Daily Vol. (000s):	89
Shares Out (M):	20.672

EARNINGS SUMMARY:

FYE Dec		2011A	2012E	2013E
EPS:		(2.98)	(1.11)	(0.98)
Revenue:	Q1	0.6	0.5A	-
	Q2	0.5	0.6A	-
	Q3	0.4	0.4	-
	Q4	0.3	0.4	-
Total		1.9	1.9	1.5
EPS:	Q1	(1.07)	(0.23)A	-
	Q2	(1.20)	(0.31)A	-
	Q3	(1.09)	(0.28)	-
	Q4	(0.44)	(0.29)	-
Total		(2.98)	(1.11)	(0.98)

SHARE PRICE PERFORMANCE:



COMPANY DESCRIPTION:

NewLink Genetics is a biotechnology company devoted to the development of cell-based cancer vaccines and other cancer therapeutics.

All amounts in US\$ unless otherwise noted.

Life Sciences -- Biotechnology

Q2 EPS IN LINE; ON TRACK FOR FIRST INTERIM ANALYSIS IN Q1/13

NLNK reported Q2 GAAP EPS of \$(0.31), in line with consensus of \$(0.31) and below CGe of \$(0.25). The first interim analysis of the Phase 3 trial of HyperAcute (HA) Pancreas, a novel immunotherapy for surgically-resected pancreatic cancer, is expected in early 2013, with enrollment expected to be complete by YE13. Clinical trials of the HA platform for other cancer types (locally-advanced pancreatic cancer, P2b/3 in lung cancer, melanoma [stage IV] and advanced renal cell carcinoma), as well as an IDO pathway inhibitor, NLG8189 for solid tumors, are in progress. We model for peak U.S. HA Pancreas sales of \$565M in FY20.

- Conference highlights:** We hosted NLNK management at the Canaccord Genuity Growth Conference. They provided details of the Phase 3 HA Pancreas trial: it is powered to show a 18-20% improvement vs. 37% in Phase 2; assumes ~21 months OS in control arm vs. 17-18 months historically; and costs are low due to ~\$10K/patient payment to clinical sites vs. \$70K-\$100K/patient typically. They emphasized the need for U.S.-to-U.S. (where resections are more common than the E.U.) trial comparisons. NLNK will commercialize HA Pancreas in-house, targeting the ~120-150 surgical sites that perform >95% of pancreatic resections, aiming to enter NCCN guidelines and become SOC. The company intends to initiate several HA trials soon: randomized P2b locally advanced pancreatic cancer (~30% of pancreatic cancer), P2b/3 lung cancer, melanoma, and RCC, with prostate cancer following.
- Q2 EPS in line:** NLNK ended Q2 with \$31.1M in cash, equivalents, and certificates of deposit. Management reiterate guidance to exit FY12 with ~\$20M in cash, equivalents, and marketable securities.

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The recommendations and opinions expressed in this research report accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit Canaccord Genuity's [Online Disclosure Database](#).

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Figure 1: Q2/12 variance table

(\$thousands, except per share data)

	Jun 2Q12A	Jun 2Q12E	Variance A-E	Variance %	Y/Y %	Q/Q %
Revenue						
HyperAcute Pancreas (HAP) - U.S. Revenue	-	-	-	n/a	n/a	n/a
HyperAcute Pancreas (HAP) - E.U. Royalty	-	-	-	n/a	n/a	n/a
Grant revenue	590	450	140	24%	10%	25%
Collaboration revenue	-	-	-	n/a	n/a	n/a
Total Revenue	590	450	140	24%	10%	25%
COGS	-	-	-	n/a	n/a	n/a
Gross Profit	\$ 590	\$ 450	140	24%	10%	25%
Operating Expense						
R&D (GAAP)	4,740	4,050	690	15%	25%	24%
SG&A (GAAP)	2,151	1,550	601	28%	89%	48%
Total Operating Expense	6,891	5,600	1,291	19%	40%	30%
Operating Income (loss)	(6,301)	(5,150)	(1,151)	18%	43%	31%
Other income (expense)						
Miscellaneous Income	-	-	-	n/a	n/a	-100%
Forgiveness of Debt	-	-	-	n/a	n/a	n/a
Interest Income	4	3	1	17%	0%	0%
Interest Expense	(12)	(8)	(4)	33%	200%	50%
Total Other Income (Expense), Net	(8)	(5)	(3)	41%	n/a	-68%
Net income (loss) before Income Tax	(6,309)	(5,155)	(1,154)	18%	44%	30%
Less Net Loss Attributable to Noncontrolling Interest	-	-	-	n/a	n/a	n/a
Net Income (loss) attributable to NLNK before Income Tax	(6,309)	(5,155)	(1,154)	18%	44%	30%
Income Tax (benefit)	-	-	-	n/a	n/a	n/a
Net income (GAAP)	\$ (6,309)	\$ (5,155)	(1,154)	18%	44%	30%
EPS - Basic	\$ (0.31)	\$ (0.25)	(0.06)	18%	-75%	30%
EPS - Diluted	\$ (0.31)	\$ (0.25)	(0.06)	18%	-75%	30%
Weighted-Average Common Shares Outstanding						
Basic - GAAP	20,685	20,716	(31)	0%	467%	0%
Diluted - GAAP	20,685	20,716	(31)	0%	467%	0%

Source: Canaccord Genuity research, Company reports

Figure 2: Upcoming expected milestones

Timing	Product	Indication	Event
Early 2013	HyperAcute Pancreas	Pancreatic Cancer	First P3 interim analysis
2H13 (6-9 months post)	HyperAcute Pancreas	Pancreatic Cancer	Second P3 interim analysis
2014	HyperAcute Pancreas	Pancreatic Cancer	Final P3 analysis
2013	HyperAcute Lung	NSCLC	First P2B/3 interim analysis
1Q14	D-1MT	Breast Cancer	P1/2 primary completion
4Q14	D-1MT	Prostate Cancer	P2 primary completion

Source: Canaccord Genuity research, Company reports

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Figure 3: Changes to model

(\$thousands, except per share data)

	FY12E		FY13E		FY14E		FY15E		FY16E		FY17E		FY18E		FY19E		FY20E	
	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior
Revenue																		
HyperAcute Pancreas (HAP) - U.S. Revenue	-	-	-	-	-	-	37,634	37,634	131,689	131,689	279,037	279,037	410,256	410,256	506,672	506,672	564,912	564,912
HyperAcute Pancreas (HAP) - E.U. Royalty	-	-	-	-	-	-	-	-	3,877	3,877	18,351	18,351	38,523	38,523	60,539	60,539	70,348	70,348
Grant revenue	1,901	1,761	1,499	1,639	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collaboration revenue	-	-	-	-	1,389	1,389	5,556	5,556	5,556	5,556	5,556	5,556	5,556	5,556	5,556	5,556	5,556	5,556
Total Revenue	\$ 1,901	\$ 1,761	\$ 1,499	\$ 1,639	\$ 1,389	\$ 1,389	\$ 43,190	\$ 43,190	\$ 141,122	\$ 141,122	\$ 302,943	\$ 302,943	\$ 454,335	\$ 454,335	\$ 572,767	\$ 572,767	\$ 640,816	\$ 640,816
COGS	-	-	-	-	-	-	6,774	6,774	26,338	26,338	55,807	55,807	73,846	73,846	81,068	81,068	84,737	84,737
Gross Profit	1,901	1,761	1,499	1,639	1,389	1,389	36,415	36,415	114,784	114,784	247,136	247,136	380,489	380,489	491,699	491,699	556,079	556,079
Operating Expense																		
R&D (GAAP)	17,270	16,530	19,050	19,050	21,555	21,555	24,176	24,176	26,689	26,689	29,122	29,122	31,677	31,677	34,050	34,050	36,500	36,500
SG&A (GAAP)	7,574	6,633	8,050	8,050	15,300	15,300	28,800	28,800	33,800	33,800	38,912	38,912	43,998	43,998	48,923	48,923	53,908	53,908
Total Operating Expense	24,844	23,163	27,100	27,100	36,855	36,855	52,976	52,976	60,489	60,489	68,034	68,034	75,675	75,675	82,973	82,973	90,408	90,408
Operating Income (loss)	(22,943)	(21,402)	(25,601)	(25,461)	(35,466)	(35,466)	(16,561)	(16,561)	54,295	54,295	179,102	179,102	304,814	304,814	408,726	408,726	465,671	465,671
Other income (expense)																		
Miscellaneous Income	(21)	(21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forgiveness of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	13	12	16	16	11	11	10	10	17	17	56	65	150	184	314	369	550	612
Interest Expense	(44)	(32)	(40)	(28)	(36)	(24)	(32)	(20)	(28)	(16)	(24)	(12)	(5)	(2)	-	-	-	-
Total Other Income (Expense), Net	(52)	(41)	(24)	(12)	(25)	(13)	(22)	(10)	(11)	1	32	53	145	182	314	369	550	612
Net income (loss) before Income Tax	(22,995)	(21,443)	(25,625)	(25,473)	(35,491)	(35,479)	(16,583)	(16,571)	54,284	54,297	179,133	179,155	304,958	304,995	409,040	409,095	466,221	466,283
Less Net Loss Attributable to Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to NLNK before Income Tax	(22,995)	(21,443)	(25,625)	(25,473)	(35,491)	(35,479)	(16,583)	(16,571)	54,284	54,297	179,133	179,155	304,958	304,995	409,040	409,095	466,221	466,283
Income Tax (benefit)	-	-	-	-	-	-	-	-	2,714	2,715	26,870	26,873	76,240	76,249	143,164	143,183	163,177	163,199
Net income (GAAP)	(22,995)	(21,443)	(25,625)	(25,473)	(35,491)	(35,479)	(16,583)	(16,571)	51,570	51,582	152,263	152,282	228,719	228,746	265,876	265,912	303,043	303,064
EPS - Basic	(1.11)	(1.03)	(0.98)	(0.97)	(1.35)	(1.34)	(0.62)	(0.62)	1.85	1.85	5.34	5.34	7.68	7.67	8.65	8.64	9.60	9.59
EPS - Diluted	(1.11)	(1.03)	(0.98)	(0.97)	(1.35)	(1.34)	(0.62)	(0.62)	1.67	1.67	4.88	4.88	7.26	7.26	8.36	8.35	9.44	9.43
Weighted-Average Common Shares Outstanding																		
Basic - GAAP	20,745	20,768	26,101	26,133	26,362	26,394	26,626	26,658	27,885	27,917	28,494	28,527	29,772	29,805	30,731	30,765	31,568	31,602
Diluted - GAAP	20,745	20,768	26,101	26,133	26,362	26,394	26,626	26,658	30,862	30,895	31,171	31,204	31,482	31,516	31,797	31,831	32,115	32,149

Source: Canaccord Genuity research, Company reports

15 August 2012

Figure 4: NLNK income statement

Consolidated Income Statement
(\$thousands, except per share data)

	FY 2009A	FY 2010A	Mar 1Q11A	Jun 2Q11A	Sep 3Q11A	Dec 4Q11A	FY 2011A	Mar 1Q12A	Jun 2Q12A	Sep 3Q12E	Dec 4Q12E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Revenue																				
HyperAcute Pancreas (HAP) - U.S. Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,634	131,689	279,037	410,256	506,672	564,912
HyperAcute Pancreas (HAP) - E.U. Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,877	18,351	38,523	60,539	70,348
Grant revenue	934	2,079	604	537	430	301	1,872	471	590	430	410	1,901	1,499	-	-	-	-	-	-	-
Collaboration revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	1,389	5,556	5,556	5,556	5,556	5,556	5,556
Total Revenue	\$ 934	\$ 2,079	\$ 604	\$ 537	\$ 430	\$ 301	\$ 1,872	\$ 471	\$ 590	\$ 430	\$ 410	\$ 1,901	\$ 1,499	\$ 1,389	\$ 43,190	\$ 141,122	\$ 302,943	\$ 454,335	\$ 572,767	\$ 640,816
COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,774	26,338	55,807	73,846	81,068	84,737
Gross Profit	934	2,079	604	537	430	301	1,872	471	590	430	410	1,901	1,499	1,389	36,415	114,784	247,136	380,489	491,699	556,079
Operating Expense																				
R&D (GAAP)	7,578	12,666	3,180	3,795	3,301	3,979	14,255	3,830	4,740	4,250	4,450	17,270	19,050	21,555	24,176	26,689	29,122	31,677	34,050	36,500
SG&A (GAAP)	3,705	6,074	1,316	1,136	1,101	2,126	5,679	1,458	2,151	1,990	1,975	7,574	8,050	15,300	28,800	33,800	38,912	43,998	48,923	53,908
Total Operating Expense	11,283	18,740	4,496	4,931	4,402	6,105	19,934	5,288	6,891	6,240	6,425	24,844	27,100	36,855	52,976	60,489	68,034	75,675	82,973	90,408
Operating Income (loss)	(10,349)	(16,661)	(3,892)	(4,394)	(3,972)	(5,804)	(18,062)	(4,817)	(6,301)	(5,810)	(6,015)	(22,943)	(25,601)	(35,466)	(16,561)	54,295	179,102	304,814	408,726	465,671
Other income (expense)																				
Miscellaneous Income	19	71	1	-	-	4	5	(21)	-	-	-	(21)	-	-	-	-	-	-	-	-
Forgiveness of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	132	75	4	4	2	1	11	4	4	3	2	13	16	11	10	17	56	150	314	550
Interest Expense	(9)	(47)	(11)	(4)	(16)	(11)	(42)	(8)	(12)	(12)	(12)	(44)	(40)	(36)	(32)	(28)	(24)	(5)	-	-
Total Other Income (Expense), Net	142	99	(6)	-	(14)	(6)	(26)	(25)	(8)	(9)	(10)	(52)	(24)	(25)	(22)	(11)	32	145	314	550
Net income (loss) before Income Tax	(10,207)	(16,562)	(3,898)	(4,394)	(3,986)	(5,810)	(18,088)	(4,842)	(6,309)	(5,819)	(6,025)	(22,995)	(25,625)	(35,491)	(16,583)	54,284	179,133	304,958	409,040	466,221
Less Net Loss Attributable to Noncontrolling Interest	233	349	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to NLNK before Income Tax	(9,974)	(16,213)	(3,897)	(4,394)	(3,986)	(5,810)	(18,087)	(4,842)	(6,309)	(5,819)	(6,025)	(22,995)	(25,625)	(35,491)	(16,583)	54,284	179,133	304,958	409,040	466,221
Income Tax (benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,714	26,870	76,240	143,164	163,177
Net income (GAAP)	(9,974)	(16,213)	(3,897)	(4,394)	(3,986)	(5,810)	(18,087)	(4,842)	(6,309)	(5,819)	(6,025)	(22,995)	(25,625)	(35,491)	(16,583)	51,570	152,263	228,719	265,876	303,043
EPS - Basic	\$ (3.16)	\$ (4.84)	\$ (1.07)	\$ (1.20)	\$ (1.09)	\$ (0.44)	\$ (2.98)	\$ (0.23)	\$ (0.31)	\$ (0.28)	\$ (0.29)	\$ (1.11)	\$ (0.98)	\$ (1.35)	\$ (0.62)	\$ 1.85	\$ 5.34	\$ 7.68	\$ 8.65	\$ 9.60
EPS - Diluted	\$ (3.16)	\$ (4.84)	\$ (1.07)	\$ (1.20)	\$ (1.09)	\$ (0.44)	\$ (2.98)	\$ (0.23)	\$ (0.31)	\$ (0.28)	\$ (0.29)	\$ (1.11)	\$ (0.98)	\$ (1.35)	\$ (0.62)	\$ 1.67	\$ 4.88	\$ 7.26	\$ 8.36	\$ 9.44
Weighted-Average Common Shares Outstanding																				
Basic - GAAP	3,160	3,352	3,636	3,647	3,647	13,238	6,065	20,613	20,685	20,788	20,892	20,745	26,101	26,362	26,626	27,885	28,494	29,772	30,731	31,568
Diluted - GAAP	3,160	3,352	3,636	3,647	3,647	13,238	6,065	20,613	20,685	20,788	20,892	20,745	26,101	26,362	26,626	30,862	31,171	31,482	31,797	32,115

Source: Canaccord Genuity research, Company reports

Valuation

We arrive at our 12-month price target of \$23 by applying a 25x multiple to our FY17 fully diluted GAAP EPS estimate of \$4.88, discounted back to mid-2013 at 45%.

Investment risks

The primary investment risks for NLNK include the following:

- 1) HAP clinical development risks -- Given the Phase 2 study was uncontrolled, will the efficacy seen be replicated in a Phase 3 controlled trial? Can the relatively clean safety profile demonstrated in the Phase 2 trial be sustained in the Phase 3 trial? In addition, immunotherapy remains an emerging field, with few immunotherapies approved to date;
- 2) Regulatory risks including failure to secure U.S. and E.U. approval;
- 3) Commercial risk, including the possibility that the drug does not achieve the peak commercial revenue estimates in our model (due to market size, penetration rates, and/or pricing);
- 4) Product competition;
- 5) Financing risk -- We model for an equity offering in 2013.

APPENDIX: IMPORTANT DISCLOSURES

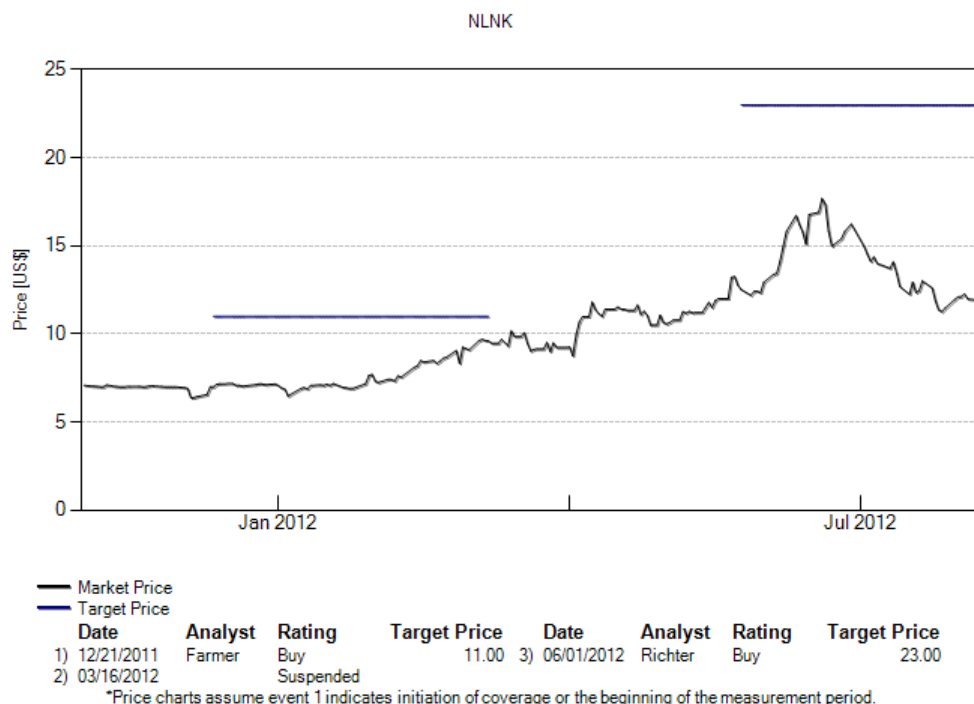
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Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Site Visit:

An analyst has visited the issuer's material operations in Ames, Iowa. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:***Distribution of Ratings:**

Global Stock Ratings
(as of 3 July 2012)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	590	60.9%	30.5%
Speculative Buy	88	9.1%	51.1%
Hold	263	27.1%	11.8%
Sell	28	2.9%	3.6%
	969	100.0%	

Canaccord Genuity Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier:

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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Company	Disclosure
NewLink Genetics	1A, 2, 3, 5, 7
1	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
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10	Those persons identified as the author(s) of this research, or any individual involved in the preparation of this research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
11	A partner, director, officer, employee or agent of Canaccord Genuity and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
12	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the research (as disclosed above).
13	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Genuity or any of its affiliated companies.
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