

Equity Research

**Mara Goldstein**

212-610-2215

mgoldstein@cantor.com

## NewLink Genetics Corporation (NLNK-\$15.02)

**Rating: BUY**

**Target Price: \$18.00**

### Moving Forward with Pivotal Pancreatic, Other Trials - Reiterate BUY

<u>EPS</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
<b>2010A</b>	(1.02)A	(1.21)A	(1.49)A	(1.12)A
<b>2011A</b>	(1.07)A	(1.20)A	(1.09)A	(0.44)A
<b>2012E</b>	(0.23)A	(0.31)A	(0.42)E	(0.39)E
<b>2013E</b>	—	—	—	—
<u>REV</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
<b>2010A</b>	0.3A	0.4A	0.4A	1.0A
<b>2011A</b>	0.6A	0.5A	0.4A	0.4A
<b>2012E</b>	0.5A	0.6A	0.2E	0.2E
<b>2013E</b>	—	—	—	—
<u>FY</u>	<u>2010A</u>	<u>2011A</u>	<u>2012E</u>	<u>2013E</u>
<b>EPS</b>	(4.84)A	(2.98)A	(1.35)E	(1.49)E
<b>REV</b>	2.1A	2.0A	1.5E	1.0E
<b>EV/REV</b>	—	—	—	—

- Following our attendance at a seminar on pancreatic cancer in New York on October 12, 2012, we continue to believe that shares of NewLink Genetics represent an interesting and potentially rewarding opportunity in the cancer immunotherapy space.
- The HyperAcute Pancreas Phase III trial continues to enroll at a rapid pace, and we believe the trial could be over 60% enrolled at this point. This supports the notion of an interim review sometime in 1Q:13 following the recording of 50% of events. The passage of the analysis with a recommendation to continue should be treated as a positive event, as it would remove futility as an outcome. Our expectation is that the trial will continue to its prespecified endpoint and not terminate early for efficacy, given the challenges associated with early stoppage.
- Enrollment in the Phase III pancreatic cancer trial has been occurring at a solid pace, and the company is set to begin enrollment for a second trial in pancreatic cancer. This trial will examine HyperAcute Pancreas (algenpantucel-L) in patients with borderline resectable or locally advanced unresectable pancreatic cancer, and this trial holds the potential to dramatically expand the treatable patient population.
- Another new trial, tergenpumatucel-L, is a HyperAcute-immunotherapy based trial in patients with progressive or relapse Stage IIIB/IV non-small cell lung cancer. This trial will determine the appropriate dose in the Phase II portion, then roll into an overall efficacy trial. Few details have yet to emerge on this trial, but we like the adaptive feature that appears to allow for the continuation of dose-appropriate patients from the Phase II program into the Phase III portion of the trial.
- We like NewLink for the platform technology and pipeline addressing large and lucrative unmet medical needs. Our price target remains \$18, and our rating remains BUY.

#### Current Statistics

<b>Market Cap (\$Mil)</b>	<b>\$313.9</b>	<b>Float Shares (Mil):</b>	<b>NA</b>
<b>Short Interest (Mil):</b>	<b>NA</b>		
<b>52 Wk. Range</b>	<b>\$18.00-\$6.25</b>		
<b>Avg. Daily Trading Volume (3 mo.):</b>	<b>72,699</b>		
<b>Shares Out (Mil):</b>	<b>20.901</b>		

#### Company Description

NewLink Genetics is a development-stage company focused on cancer treatments. Founded in 1999, NewLink has two technology platforms, HyperAcute (allogeneic vaccine) and IDO inhibition (oral, small molecule) in various stages of trials. The HyperAcute program is the furthest in development, with the lead candidate, HyperAcute Pancreas, in a Phase III trial for pancreatic cancer. NewLink also has mid-stage trials underway in non small cell lung cancer and melanoma.

*Solid Pipeline with Many  
Milestones, Compelling  
Data*

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## Summary

NewLink is working in the rapidly developing field of cancer immunotherapy. The company has a novel approach based on a solid scientific foundation and is working in areas of tremendous unmet need. We have identified what we believe to be critical success factors for a cancer immunotherapy company and further believe that NewLink meets these criteria. The company has identified appropriate clinical settings with which to test its technology (modest disease burden, consistent booster dosing), has a robust trial design, is addressing critical unmet medical needs, and has a scalable, financially reasonable manufacturing process and technology, in our opinion. Additionally, the stage and depth of NewLink's clinical program is compelling, in our view, and there are multiple opportunities for milestone updates over the next 24 months. We are particularly encouraged by the Phase II HyperAcute Pancreas study, as two- and three-year disease free and overall survival showed a strong and sustained response to the vaccine in a statistically significant manner.

- **Indications and Unmet Medical Needs.** Initial clinical programs are focused on pancreatic cancer, lung cancer, and melanoma – three diseases of major unmet medical need. The company has identified patient populations within these groups that are likely to benefit from the HyperAcute immunotherapy program and has designed clinical trials around appropriate patient populations. In addition to the HyperAcute Pancreas (algenpantucel-L) Phase III trial, the company has recently announced a second trial in pancreatic cancer (borderline resectable or locally advanced unresectable) and a Phase II/III trial in non-small cell lung cancer (tergenpumatucel-L, progressive or relapsed Stage IIIB/IV disease). Further, NLG8189 (indoximod) is at the forefront of the immunotherapeutic development, and this program, which has been largely under the radar for most investors, could come into greater focus over the next year. In fact, this agent is being examined in combination with Provenge, which is being spearheaded by Dendreon (innovator of Provenge) and an academic center.
- **Trial design.** NewLink's Phase III trial of HyperAcute Pancreas is a large, randomized Phase III clinical trial consisting of over 700 patients. The company has vetted the trial design with the FDA, and it will be conducted with a Special Protocol Assessment (SPA), mitigating the risk that the FDA takes issue with the trial design or other elements once the trial has been completed. With three-year data from the Phase II trial very close to maturity, overall survival that is dramatically greater than historical control is very suggestive of sustained durable response for HyperAcute Pancreas, which in turn, provides us with a greater level of comfort with the current Phase III program.
- **Manufacturing.** NewLink's HyperAcute technology consists of human pancreatic cell lines transduced with a retroviral vector expressing the murine  $\alpha$ -GT. As such, there is no need to harvest patient cells, which is time-consuming and expensive, providing the company with a streamlined manufacturing process with attractive margins.
- **NLG8189 is upside, in our view.** This candidate is a novel immunotherapeutic that inhibits the ability of cancer cells to suppress T cell response. To date, management has been quite conservative about this program given its early stage of development. Data from a Phase I and Phase Ib trial, one in combination with docetaxel and the other with a dendritic cell vaccine, were disclosed at ASCO, demonstrating that this pathway and compound appear to be viable candidates for advancement. Early work has thus far been conducted by the NCI and a program with Dendreon's Provenge has recently been announced.
- **Milestones.** A key component of valuation building for biotechnology companies is derived from milestone events. Though major data releases are behind the company, we believe clinical news flow will stay strong. Our expectation is that the fully mature three-year data for HyperAcute Pancreas will be presented or published in a scientific journal, updates on other

HyperAcute programs, such as enrollment, will be forthcoming, particularly the Phase III resectable pancreatic cancer trial, and importantly, an interim look could occur in 1Q:13.

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## Valuation

Our 12-month price target is \$18 based on our view that the Phase II data generated by HyperAcute Pancreas provide an element of de-risking to the Phase III trial. Hence, we now use a five-year discount rate of 45%. Our price target is based on a 40x multiple on our 2017 EPS forecast of \$2.87 discounted by 45%. We have used a multiple on 2017 EPS consistent with valuation for early-stage biotechnology companies, which ranges from 30-50x forward EPS, reflecting opportunity for rapid growth. In arriving at this range, we explored historical data as well as forward consensus multiples for companies with newly launched products.

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## Risks

NewLink is a development-stage company, and investment is subject to risk. These risks include but are not limited to:

- Development of new drugs carries a high failure rate, either because the drug in question fails to show efficacy or significant safety issues arise during the clinical trial process. Additionally, regulatory authorities such as the Food & Drug Administration (FDA) may delay the approval process or reject NewLink's clinical findings. Because we can never dismiss such a possibility, we use a high discount rate in our valuation model to compensate for such risk. We note that NewLink's HyperAcute Pancreas program is being conducted under a Special Protocol Assessment (SPA), and while it is not a guarantee that the FDA will endorse NewLink's data, it mitigates risk against the FDA disputing the company's clinical trial design.
- Some of NewLink's clinical programs that are being co-sponsored by the NCI are in investigator-initiated clinical trials, which means that the company does not have full control over the conduct of the trials or the release of data, and this may impact trial results and/or milestones as it relates to public disclosure of clinical data.
- NewLink's manufacturing process has been validated in its early clinical trial work. However, we cannot exclude the possibility that this process may not be seamless from clinical trials to commercialization.
- The clinical landscape is crowded with hundreds of oncology clinical trials. It is possible that other technologies show greater benefit to patients than NewLink's product candidates, thus rendering products obsolete or non-competitive.
- NewLink has a large intellectual property estate protecting its technology, know-how, and applications of such. However, it is always possible that a party will bring forward infringement claims that would need to be heard by a court.
- NewLink has a history of net losses. We are forecasting profitability for NewLink in 2016 based on market acceptance of HyperAcute Pancreas, but profitability could be delayed or not reached at all, depending on a variety of clinical and regulatory factors.

## Exhibit 1: Sales &amp; Earnings by Quarter

NewLink Genetics Corporation														
All figures in millions, Year Ended 31 Dec	2012E	4Q12E	9Mos12E	3Q12E	6Mos12A	2Q12A	1Q12A	2011A	4Q11A	9Mos11A	3Q11A	6Mos11A	2Q11A	1Q11A
<b>Revenue</b>	<b>\$1.49</b>	<b>\$0.20</b>	<b>\$1.29</b>	<b>\$0.23</b>	<b>\$1.06</b>	<b>\$0.59</b>	<b>\$0.47</b>	<b>\$1.87</b>	<b>\$0.30</b>	<b>\$1.57</b>	<b>\$0.43</b>	<b>\$1.14</b>	<b>\$0.54</b>	<b>\$0.60</b>
Cost of Goods Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Gross Profit</b>	<b>\$1.49</b>	<b>\$0.20</b>	<b>\$1.29</b>	<b>\$0.23</b>	<b>\$1.06</b>	<b>\$0.59</b>	<b>\$0.47</b>	<b>\$1.87</b>	<b>\$0.30</b>	<b>\$1.57</b>	<b>\$0.43</b>	<b>\$1.14</b>	<b>\$0.54</b>	<b>\$0.60</b>
Gross Profit Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Operating Expenses														
SG&A	10.20	3.36	6.84	3.24	3.60	2.15	1.45	5.68	2.13	3.55	1.10	2.45	1.14	1.32
R&D	19.38	5.14	14.24	5.67	8.57	4.74	3.83	14.26	3.98	10.28	3.30	6.98	3.80	3.18
Total Operating Expenses	\$29.58	\$8.50	\$21.08	\$8.91	\$12.17	\$6.89	\$5.28	\$19.93	6.11	13.83	4.40	\$9.43	\$4.93	4.50
<b>Profit (Loss) from Operations</b>	<b>(\$28.09)</b>	<b>(\$8.30)</b>	<b>(\$19.79)</b>	<b>(\$8.68)</b>	<b>(\$11.11)</b>	<b>(\$6.30)</b>	<b>(\$4.81)</b>	<b>(\$18.06)</b>	<b>(\$5.80)</b>	<b>(\$12.26)</b>	<b>(\$3.97)</b>	<b>(\$8.29)</b>	<b>(\$4.39)</b>	<b>(\$3.89)</b>
Operating Profit Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Other Income (Expense)	(0.17)	(0.08)	(0.09)	(0.06)	(0.03)	(0.01)	(0.03)	(\$0.03)	(0.06)	(0.02)	(0.01)	(\$0.01)	\$0.00	(0.01)
<b>Pretax Income</b>	<b>(\$28.26)</b>	<b>(\$8.38)</b>	<b>(\$19.88)</b>	<b>(\$8.74)</b>	<b>(\$11.14)</b>	<b>(\$6.31)</b>	<b>(\$4.84)</b>	<b>(\$18.09)</b>	<b>(\$5.86)</b>	<b>(\$12.28)</b>	<b>(\$3.99)</b>	<b>(\$8.29)</b>	<b>(\$4.39)</b>	<b>(\$3.90)</b>
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Income Tax Paid (Benefit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Income (Loss)</b>	<b>(\$28.26)</b>	<b>(\$8.38)</b>	<b>(\$19.88)</b>	<b>(\$8.74)</b>	<b>(\$11.14)</b>	<b>(\$6.31)</b>	<b>(\$4.83)</b>	<b>(\$18.09)</b>	<b>(\$5.86)</b>	<b>(\$12.28)</b>	<b>(\$3.99)</b>	<b>(\$8.29)</b>	<b>(\$4.39)</b>	<b>(\$3.90)</b>
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<b>Basic &amp; Diluted Net Loss Per Share</b>	<b>(\$1.35)</b>	<b>(\$0.39)</b>	<b>(\$0.95)</b>	<b>(\$0.42)</b>	<b>(\$0.54)</b>	<b>(\$0.31)</b>	<b>(\$0.23)</b>	<b>(\$2.98)</b>	<b>(\$0.44)</b>	<b>(\$3.36)</b>	<b>(\$1.09)</b>	<b>(\$2.28)</b>	<b>(\$1.20)</b>	<b>(\$1.07)</b>
Average Shares Outstanding	20.88	21.23	20.82	21.00	20.65	20.68	20.61	6.07	13.24	3.65	3.66	3.64	3.65	3.64

Source: NewLink Genetics, Cantor Fitzgerald research

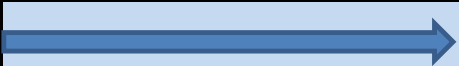






**Exhibit 2: Annual Income Statement**
**NewLink Genetics Corporation**

<i>All figures in millions, Year Ended 31 December</i>	<b>2017E</b>	<b>2016E</b>	<b>2015E</b>	<b>2014E</b>	<b>2013E</b>	<b>2012E</b>	<b>2011A</b>
<b>Revenue</b>	<b>\$391.54</b>	<b>\$270.00</b>	<b>\$51.89</b>	<b>\$0.65</b>	<b>\$1.01</b>	<b>\$1.49</b>	<b>\$1.87</b>
Cost of Goods Sold	83.68	68.75	15.47	0.00	0.00	0.00	0.00
<b>Gross Profit</b>	<b>\$307.86</b>	<b>\$201.25</b>	<b>\$36.41</b>	<b>\$0.65</b>	<b>\$1.01</b>	<b>\$1.49</b>	<b>\$1.87</b>
<i>Gross Profit Margin</i>	<i>78.63%</i>	<i>74.54%</i>	<i>70.18%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>
Operating Expenses							
SG&A	104.37	58.84	30.93	25.52	13.16	10.20	5.68
R&D	99.83	62.23	42.36	32.71	22.87	19.38	14.26
Total Operating Expenses	\$204.20	\$121.07	\$73.29	\$58.23	\$36.03	\$29.58	\$19.93
<b>Profit (Loss) from Operations</b>	<b>\$103.66</b>	<b>\$80.18</b>	<b>(\$36.88)</b>	<b>(\$57.58)</b>	<b>(\$35.02)</b>	<b>(\$28.09)</b>	<b>(\$18.06)</b>
<i>Operating Profit Margin</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>
Other Income (Expense)	\$2.35	\$1.83	\$1.64	(\$0.03)	(\$0.00)	(\$0.17)	(\$0.03)
<b>Pretax Income</b>	<b>\$106.01</b>	<b>\$82.01</b>	<b>(\$35.24)</b>	<b>(\$57.61)</b>	<b>(\$35.02)</b>	<b>(\$28.26)</b>	<b>(\$18.09)</b>
<i>Pretax Margin</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>
Net loss attributable to noncontrolling interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Income (Loss)</b>	<b>\$106.01</b>	<b>\$82.01</b>	<b>(\$35.24)</b>	<b>(\$57.61)</b>	<b>(\$35.02)</b>	<b>(\$28.26)</b>	<b>(\$18.09)</b>
<i>Net Margin</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>
<b>Basic &amp; Diluted Net Loss Per Share</b>	<b>\$2.87</b>	<b>\$2.73</b>	<b>(\$1.28)</b>	<b>(\$2.34)</b>	<b>(\$1.49)</b>	<b>(\$1.35)</b>	<b>(\$2.98)</b>
Shares Outstanding	37.00	30.00	27.50	24.65	23.43	20.88	6.07

<i>Percent Change, Year-Over-Year</i>	<b>2016E</b>	<b>2016E</b>	<b>2015E</b>	<b>2014E</b>	<b>2013E</b>	<b>2012E</b>	<b>2011E</b>
Revenue	45.01%	420.38%	7882.43%	-35.64%	-32.26%	-20.35%	-9.96%
SG&A	77.38	90.24	21.20	93.92	28.99	79.64	(6.50)
R&D	60.42	46.91	29.50	43.03	18.01	35.95	12.55
Operating Expenses	68.66	65.19	25.86	61.62	21.80	48.40	6.37
Other Income, net	NM	NM	NM	NM	NM	NM	NM

Source: NewLink Genetics, Cantor Fitzgerald research

**Exhibit 3: R&D Pipeline**

Product Name	Description/Indication	Core Technology	Phase of Development				Comments
			PreClinical	Phase I	Phase II	Phase III	
HyperAcute Pancreas	Allogenic vaccine/resectable pancreatic cancer, Stage I & II patients	HyperAcute					722-patient trial, >400 enrolled, interim look 1Q13. Pending Phase II final 3 year data.
HyperAcute Pancreas	Allogenic vaccine/borderline resectable or locally advanced unresectable disease	HyperAcute					Announced 10/10/12.
HyperAcute Lung	Allogenic vaccine/progressive or relapsed Stage IIIB/IV NSCLC	HyperAcute					Announced 10/3/12.
HyperAcute Melanoma	Allogeneic vaccine/non-visceral metastatic melanoma	HyperAcute					Data expected, likely next step is Phase II/III
HyperAcute Prostate	Allogeneic vaccine/prostate cancer	HyperAcute					Possible partnering candidate
Indoximod (NLG8189)	IDO inhibitor/asymptomatic or minimally symptomatic metastatic, hormone refractory prostate cancer in combo w/Provenge	IDO pathway inhibitor					Sponsored by Dendreon & Masonic Cancer Center (Univ. of Minnesota)
2nd generation IDO	Small molecule inhibitor of IDO/solid tumors	IDO pathway inhibitor					Higher potency vs. D-1MT

Source: NewLink Genetics, Cantor Fitzgerald research

Biotechnology	Mara Goldstein - 212.610.2215
Cantor Fitzgerald	mgoldstein@cantor.com

Mkt Cap. Range	Company	Ticker	Rating	Price 10/13/12	Market Cap.	52-Week		Performance			Earnings Per Share (a)			Revenue Per Share (a)			Per Share Cash (a)	EV (a)	Short Interest
						High	Low	YTD	QTD	1-Year	2011A	2012E	2013E	2011A	2012E	2013E			
Small Cap	Agenus	AGEN	NC	\$4.72	\$115.5	\$7.41	\$1.92	136.0%	-12.3%	58.4%	(\$1.21)	(\$0.60)	(\$1.09)	\$0.11	\$0.64	\$0.15	\$1.04	\$130.8	1,226,448
	Astex	ASTX	NC	2.90	270.5	3.49	1.51	53.4	39.4	50.3	0.07	(0.05)	0.05	0.72	0.73	0.65	1.28	151.2	4,580,223
	Celldex	CLDX	BUY	5.96	353.4	6.71	2.29	129.2	9.0	151.5	(1.13)	(0.93)	(0.90)	0.16	0.16	0.05	1.33	289.1	5,377,689
	Celsion	CLSN	NC	5.33	177.1	6.09	1.63	213.5	62.0	94.5	(1.11)	(0.72)	(0.68)	0.06	0.00	0.23	0.72	158.2	4,669,740
	Curis	CRIS	NC	4.00	318.5	5.65	3.06	(14.5)	(27.3)	30.3	(0.13)	(0.13)	(0.19)	0.19	0.28	0.26	0.56	273.8	6,338,467
	Endocyte	ECYT	NC	9.55	342.6	11.63	3.02	154.0	15.8	(6.3)	(1.40)	(0.43)	(0.08)	0.01	0.33	0.64	5.75	136.2	2,430,161
	Galena Biopharma	GALE	BUY	1.82	122.3	3.54	0.36	372.1	11.7	160.5	(0.32)	(0.66)	(0.49)	0.00	0.00	0.00	0.34	99.3	6,643,897
	NewLink Genetics (b)	NLNK	BUY	14.35	299.9	18.00	6.25	103.8	(6.8)	105.0	(2.98)	(1.35)	(1.49)	0.09	0.07	0.05	1.49	269.9	2,057,300
	Oncothyreon	ONTY	BUY	4.97	284.2	9.23	3.35	(34.4)	(14.9)	(19.1)	(1.12)	(0.55)	(0.29)	0.00	0.00	0.18	1.33	208.0	8,541,072
	Sunesis Pharma	SNSS	BUY	5.80	273.2	6.85	1.13	395.7	87.1	342.7	(0.43)	(0.82)	(0.61)	0.11	0.03	0.00	0.62	253.6	4,088,589
	Vical	VICL	NC	4.03	346.8	4.82	2.51	(8.6)	8.3	60.6	(0.10)	(0.28)	(0.39)	0.35	0.20	0.19	1.10	251.9	5,506,223
	Average				\$289.3			140.1%	21.2%	96.1%	(0.76)	(0.57)	(0.52)	0.19	0.26	0.26	1.56	202.0	4,678,164
Mid Cap	Ariad	ARIA	NC	\$24.00	\$3,988.92	\$25.39	\$9.55	95.9%	33.4%	155.3%	(\$0.87)	(\$1.17)	(\$1.29)	\$0.15	\$0.07	\$0.40	\$1.51	\$3,750.6	9,149,731
	Dendreon	DNDN	HOLD	4.44	685.37	17.04	4.17	(41.6)	(40.4)	(49.7)	(2.31)	(1.89)	(1.76)	1.42	2.06	2.56	2.80	831.9	45,834,576
	Exelixis	EXEL	NC	4.77	851.95	8.25	3.94	0.6	(20.8)	(14.6)	0.78	(1.08)	(1.15)	1.62	0.30	0.37	1.16	827.6	38,660,434
	Immunogen (c)	IMGN	HOLD	14.72	1,238.1	18.10	10.68	27.1	(15.6)	37.1	(0.95)	(0.95)	(0.81)	0.19	0.19	0.39	1.92	1,076.9	7,671,633
	Incyte	INCY	NC	18.12	2,369.7	26.30	11.76	20.7	(27.1)	15.8	(1.26)	(0.33)	0.12	0.72	1.89	3.01	3.23	2,225.2	19,863,579
	Medivation	MDVN	NC	54.91	4,044.9	58.83	7.97	138.2	16.1	537.7	(0.56)	(0.33)	(0.84)	0.82	1.94	2.25	4.68	3,890.6	4,045,813
	ONYX Pharma	ONXX	NC	87.03	5,665.3	91.42	30.53	98.0	28.2	163.3	0.66	(3.42)	(2.02)	6.87	4.55	5.22	8.77	5,262.7	5,982,038
	Pharmacyclics	PCYC	NC	64.77	4,506.2	70.48	10.83	337.0	9.3	442.0	(0.59)	0.25	(0.43)	1.18	1.21	1.30	2.93	4,302.6	4,498,652
	Seattle Genetics	SGEN	HOLD	25.30	2,990.6	29.83	14.61	51.4	(3.7)	17.6	(1.34)	(0.53)	(0.43)	0.80	1.71	2.10	2.79	2,660.3	24,737,002
	Spectrum Pharm	SPPI	NC	12.04	725.3	17.48	8.08	(17.7)	(24.8)	49.9	0.84	1.35	1.19	3.20	3.77	4.00	3.22	531.8	30,799,510
	Average				\$2,706.6			68.2%	-8.8%	133.2%	(\$0.56)	(\$0.81)	(\$0.74)	\$1.70	\$1.77	\$2.16	\$3.30	\$2,536.0	19,124,297
Large Cap	Alexion	ALXN	NC	\$111.30	\$21,487.5	\$119.54	\$62.02	55.7%	7.2%	70.8%	\$1.38	\$1.90	\$2.64	\$4.09	\$5.65	\$7.30	\$4.18	\$20,909.3	5,036,047
	Amgen	AMGN	NC	85.43	66,439.6	87.45	54.59	33.0	14.9	51.8	5.33	6.32	6.92	20.04	21.04	21.76	28.90	68,342.6	12,688,095
	Biogen Idec	BIIB	NC	149.38	35,305.5	157.18	98.11	35.7	2.6	49.4	5.90	6.43	7.32	21.36	22.75	25.00	5.95	34,996.5	1,868,550
	Celgene	CELG	BUY	79.91	34,475.1	81.24	58.53	18.2	23.2	26.9	3.79	4.81	5.63	11.16	12.88	14.46	5.94	33,576.1	4,910,267
	Gilead	GILD	NC	68.78	52,036.8	70.39	34.45	68.0	33.2	75.0	3.86	3.79	4.33	11.08	12.14	13.17	2.26	59,509.7	26,051,768
	Regeneron	REGN	NC	152.48	14,326.3	164.07	49.58	175.1	26.3	142.0	(0.55)	3.52	5.30	4.75	11.34	15.46	3.20	14,471.5	4,985,891
	Vertex	VRTX	NC	58.48	12,620.4	66.10	26.50	76.1	5.3	31.6	0.08	1.72	1.27	6.54	8.88	9.30	5.93	11,946.9	7,080,658
	Average				\$33,813.0			58.0%	15.1%	53.8%	\$2.83	\$4.07	\$4.77	\$11.29	\$13.53	\$15.21	\$8.05	\$24,948.1	8,945,897
Indices	S&P 500	SP50	NA	1,441.5		1,474.51	1,158.15	14.6%	-0.2%	24.8%	96.6	103.1	114.8	1,086.9	1,109.5	1,155.4			
	Dow Jones Ind	DJII	NA	13,473.5		13,703.53	11,192.81	10.3	(0.3)	21.3	995.4	1,057.3	1,142.0	10,620.8	10,943.2	11,444.8			
	NASDAQ Comp	COMP	NA	3,065.0		3,196.93	2,441.48	17.7	(1.6)	23.6	154.3	177.9	210.6	1,518.0	1,646.2	1,780.1			
	Amex Biotech Index	BTK	NA	1,553.8		1,623.59	1,001.33	42.4	(0.9)	39.1	57.3	68.6	82.8	255.4	288.0	311.1			
	NASDAQ Biotech	NBI	NA	1,491.7		1,548.59	957.29	37.5	(0.4)	52.6	45.5	51.7	66.2	266.2	299.6	327.1			
Mkt Cap. Range	Company	Ticker	Rating	Price Change From		P/E			Price/Sales			Price/Debt		BV		EV/			
				High	Low	2011A	2012E	2013E	2011A	2012E	2013E	Cash	Debt	BV	EBITDA	Net Inc.	FCF	Sales	BV
Mid	Spectrum Pharm	SPPI	NC	152.0%	-28.4%	14.3	8.9	10.1	3.76	3.20	3.01	\$3.74	NM	\$3.78	8.7	6.5	12.4	2.3	2.8
Large	Alexion	ALXN	NC	13.23	16.30	80.7	58.6	42.1	27.20	19.70	15.25	26.65	NM	18.20	77.9	57.0	84.3	19.2	17.7
Large	Amgen	AMGN	NC	73.08	(13.29)	16.0	13.5	12.3	4.26	4.06	3.93	2.96	2.73	3.57	10.8	13.9	16.9	4.2	3.7
Large	Biogen Idec	BIIB	NC	40.24	26.14	25.3	23.2	20.4	6.99	6.57	5.98	25.11	32.25	5.63	16.1	23.0	23.0	6.5	5.6
Large	Celgene	CELG	BUY	4.91	1.24	21.1	16.6	14.2	7.16	6.20	5.52	13.46	20.74	6.34	20.2	16.2	20.0	6.0	6.2
Large	Gilead	GILD	NC	98.40	60.09	17.8	18.1	15.9	6.21	5.66	5.22	30.47	5.72	7.69	14.2	20.7	17.0	6.5	8.8
Large	Regeneron	REGN	NC	317.64	(7.17)	NM	NM	28.8	32.13	13.44	9.87	47.59	32.10	29.13	NM	43.7	NM	13.6	29.4
Large	Vertex	VRTX	NC	124.43	66.14	771.4	34.1	46.2	8.95	6.58	6.29	9.86	31.55	15.56	46.5	32.3	109.5	6.2	14.73
Large Cap Only (d)						32.5	29.4	16.3	13.3	8.9	7.4	\$22.30	\$20.85	\$12.30	30.9	29.5	45.1	8.9	12.3

(a) All figures consensus estimates except for rated companies. Rated companies are Cantor Fitzgerald estimates. EPS and revenue per share exclude option expense and other one-time items, when available, otherwise EPS actual and estimates reflect non GAAP format.

(b) NewLink Genetics as of first day of trading post-IPO

(c) ImmunoGen CY estimates represent fiscal year-end (June) figures.

(d) Excludes Spectrum Pharmaceuticals (SPPI)

Source: Cantor Fitzgerald, FactSet

## Companies Mentioned:

Agenesis Inc. (AGEN - NASDAQ): NC  
 Alexion Pharmaceuticals Inc. (ALXN - NASDAQ): NC  
 Amgen Inc. (AMGN - NASDAQ): NC  
 Ariad Pharmaceuticals Inc. (ARIA - NASDAQ): NC  
 Astex Pharmaceuticals Inc. (ASTX - NASDAQ): NC  
 Biogen Idec (BIIB - NASDAQ): NC  
 Celgene Corporation (CELG - NASDAQ): BUY  
 Celldex Therapeutics, Inc. (CLDX - NASDAQ): BUY  
 Celsion Corp. (CLSN - NASDAQ): NC  
 Curis Inc. (CRIS - NASDAQ): NC  
 Dendreon Corporation (DNDN - NASDAQ): HOLD  
 Endocyte Inc. (ECYT - NASDAQ): NC  
 Exelixis Inc. (EXEL - NASDAQ): NC  
 Galena Biopharma (GALE - NASDAQ): BUY  
 Gilead Sciences Inc. (GILD - NASDAQ): NC  
 ImmunoGen, Inc. (IMGN - NASDAQ): HOLD  
 Incyte Corporation (INCY - NASDAQ): NC  
 Medivation Inc. (MDVN - NASDAQ): NC  
 NewLink Genetics Corporation (NLNK - NASDAQ): BUY  
 Oncothyreon Inc. (ONTY - NASDAQ): BUY  
 ONYX Pharmaceuticals Inc. (ONXX - NASDAQ): NC  
 Pharmacyclics Inc. (PCYC - NASDAQ): NC  
 Regeneron Pharmaceuticals Inc. (REGN - NASDAQ): NC  
 Seattle Genetics, Inc. (SGEN - NASDAQ): HOLD  
 Spectrum Pharmaceuticals Inc. (SPPI - NASDAQ): NC  
 Sunesis Pharmaceuticals, Inc. (SNSS - NASDAQ): BUY  
 Vertex Pharmaceuticals Inc. (VRTX - NASDAQ): NC  
 Vical Incorporated (VICL - NASDAQ): NC

## Disclosures Appendix

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Rating	Cantor		IB Serv./Past 12 Mos.	
	Count	Percent	Count	Percent
BUY [B]	80	51.61	14	17.50
HOLD [H]	65	41.94	3	4.62
SELL [S]	10	6.45	0	0.00