

NewLink Genetics

NLNK : NASDAQ : US\$7.00

BUY

Target: US\$11.00

George Farmer, Ph.D.

1.212.849.3921

gfarmer@canaccordgenuity.com

David Peng, Ph.D.

1.212.849.3923

dpeng@canaccordgenuity.com

COMPANY STATISTICS:

52-week Range: 6.25 - 7.26
 Market Cap (M): US\$144.1
 Avg. Daily Vol. (000s): 178.0
 Shares Out: 20.6

EARNINGS SUMMARY:

FYE Dec	2010A	2011E	2012E
Revenue (M):	2.1	2.0	2.0
EPS:	(2.24)	(2.46)	(0.98)

Revenue (M):	Q1	-	-	-
	Q2	-	-	-
	Q3	0.4	0.4A	-
	Q4	-	0.4	-
Total		2.1	2.0	2.0
EPS:	Q1	-	-	-
	Q2	-	-	-
	Q3	(1.49)	(1.09)A	-
	Q4	-	(0.31)	-
Total		(2.24)	(2.46)	(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

NOVEL CANCER VACCINE PLATFORM SHOWS PROMISE; INITIATING COVERAGE WITH A BUY RATING

Recommendation. We initiate coverage of NLNK with a BUY rating and \$11 target, seeing an attractive risk/reward associated with potential success of the company's Phase III trial evaluating HyperAcute Pancreas as add-on to adjuvant pancreatic cancer standard-of-care.

Investment highlights

- In our view, 70-patient Phase II data evaluating HyperAcute Pancreas (HAP) combined with standard-of-care for post-surgery adjuvant treatment of resectable pancreatic cancer compares favorably with historical controls. For example, this trial is tracking with a projected median survival of 24.4 months vs. ~ 20 months seen in studies employing standard-of-care alone. Importantly, NLNK's Phase II enrolled patients with a much poorer prognosis. We see high potential for success of the ongoing Phase III registration trial as the dosing protocol could yield an additional efficacy margin over Phase II results. Further insight should come from mature Phase II two-year survival data expected in mid-2012 and a possible interim Phase III analysis in late 2012.
- We anticipate brisk commercial HAP uptake if approval is granted, considering 1) its highly attractive tolerability profile, 2) the high unmet medical need it would serve, and 3) off-the-shelf allogeneic vaccine technology (on which HAP is derived) that is free of complicated delivery logistics. We model for \$650M peak US sales in 2018.
- We look for additional clinical data before modeling for potential of the HyperAcute platform in other indications such as non-small cell lung cancer and melanoma. IDO pathway inhibitor D-1MT provides another intriguing opportunity for long-term upside.

Valuation and risks. Our \$11 price target is based on a risk-adjusted DCF assuming exit by acquisition, 20% likelihood of HyperAcute Pancreas Phase III success. Risks include clinical trial failures and changes in competitive landscapes.

Canaccord Genuity is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF. : AIM)

The recommendations and opinions expressed in this Investment Research 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](#).

Figure 1: NLNK investment synopsis

Key investment driver(s): <ul style="list-style-type: none"> Potential success of the Phase III trial of HyperAcute Pancreas for post-surgery adjuvant treatment of resected pancreatic cancer
Investment themes. We rate shares a BUY based on: <ul style="list-style-type: none"> Promising Phase II overall survival data that compares favorably with historical controls. Excellent tolerability observed to date for HyperAcute Pancreas. Upside potential for the HyperAcute technology platform in other cancer indications.
CG differentiation from the Street: <ul style="list-style-type: none"> Criticism lobbed collectively against immunotherapeutic approaches to cancer treatment may miss key differentiating attributes of the HyperAcute platform.
Critical financial metrics. Estimated 2011-end cash of \$38M, which we view as sufficient into H2/13.
Risks to BUY thesis: <ul style="list-style-type: none"> Failure of the HyperAcute Pancreas Phase III trial. Inability to obtain FDA regulatory approval for HyperAcute Pancreas. Changes in competitive landscapes.

Source: Canaccord Genuity

INVESTMENT SUMMARY

We launch coverage of NewLink Genetics with a BUY rating and \$11 price target. Lead asset HyperAcute Pancreas (HAP), an allogeneic cell-based immunotherapeutic, moves through Phase III development as add-on to adjuvant standard-of-care treatment of surgically resected pancreatic cancer. Informed by data supporting the unique HAP mechanism of action and by maturing Phase II data, we see a reasonably high likelihood of Phase III success and subsequently broad use in this niche treatment setting. We believe outcome of an interim analysis could come in H2/12, with final data expected 2014.

Of the 70 Stage I and II surgically resected pancreatic cancer patients treated with two different HAP doses plus standard-of-care chemotherapy/radiation in the Phase II proof-of-concept trial, 86% were alive after one-year. More impressively, in the subgroup treated with the higher of two doses, only one patient had died within one year of surgery. When compared to the most relevant randomized Phase III trial evaluating adjuvant pancreatic cancer therapy outcomes (RTOG-9704), 31% of patients had died within one-year. Management estimates a median survival of 24.4 months in the intent-to-treat, which also compares favorably to the 18.8-month median survival in RTOG-9704. Importantly,

standard diagnostic criteria indicated that 25% of patients in NLNK's Phase II trial had a worse prognosis than those in RTOG-9704, lending further support to HAP clinical activity.

NLNK's HyperAcute technology platform is applicable to practically all solid tumor treatment settings. All of NLNK's other vaccines in development, including HAP, are derived from the same genetic manipulation protocol applied to different tumor-specific cell line collections. End products are easily scalable and delivered to practitioners without complicated logistics. Other vaccines awaiting further development include HyperAcute Melanoma and Lung for treatment of metastatic melanoma and non-small cell lung cancer, respectively. NLNK is also developing a novel small molecule IDO enzyme inhibitor designed to enhance tumor vulnerability to immune system attack.

Following an initial public offering last month, we see shares trading at an attractive valuation relative to our \$11 price target based on a DCF assuming exit by acquisition and sales potential from HAP only. This target assumes only a 20% chance of HAP success, which we think is greater given prevailing data, and peak sales of \$650M in 2018. We expect that revived investor interest in cancer immunotherapy following successful clinical outcomes with high-profile, FDA-approved products Provenge (Dendreon) and Yervoy (Bristol Myers Squibb) will lift NLNK shares as clinical progress continues.

Figure 2: NewLink Genetics pipeline

Product	Partner	Indication	Status
HyperAcute Pancreas	None	Adjuvant pancreatic cancer	Phase III
HyperAcute Lung	None	Non-small cell lung cancer	Phase II
HyperAcute Melanoma	None	Advanced melanoma	Phase II
D-1MT (IDO inhibitor)	None	Solid tumors	Phase Ib

Source: Company data

Figure 3: NewLink Genetics expected upcoming events

Event	Expected timing
HyperAcute Pancreas Phase II 2-yr survival data	mid 2012
HyperAcute Pancreas Phase III 1st interim analysis	late 2012
HyperAcute Lung Phase IIb trial start	H1/12
HyperAcute Melanoma Phase IIb trial start	2012

Source: Company data and Canaccord Genuity

FINANCIALS

Revenues

We model for US market launch of HyperAcute Pancreas in 2015, estimating sales in 2015, 2016, and 2017 of \$56M, \$341M, and \$524M, respectively.

Operating expenses

We model for \$56M in R&D spend over the next three years, which could increase depending on progress of pipeline candidates.

Earnings

We model for full-year profitability in 2015, estimating EPS in 2015, 2016, and 2017 of \$0.46, \$5.54, and \$8.43, respectively.

Balance sheet

NLNK raised net proceeds of \$37.5M in its initial public offering, which contribute to an estimated 2011-end balance of about \$38M in cash. NLNK had \$7.2M in notes payable and lease obligations as of September 30, 2011. Based on our burn projections, we estimate sufficient cash into H2/13.

VALUATION

We arrive at our \$11 price target via a DCF model based on what we believe a potential acquirer might pay for NewLink Genetics' outstanding shares. Cash flows are risk-adjusted based on assumptions including:

- 20% chance of HyperAcute Pancreas marketing approval.
- HyperAcute Pancreas launch in 2015 for treatment of resected pancreatic cancer.
- Sales of HyperAcute Pancreas only. Sales of HyperAcute Lung, HyperAcute Melanoma, and D-1MT are not reflected in our model at this time.
- A potential acquirer would dissolve all company R&D efforts after integration.
- An impossibly high barrier to entry for any biosimilar vaccine.

Figure 4: NLNK DCF valuation

	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
HyperAcute Pancreas sales	0.0	0.0	0.0	55.6	341.3	523.8	655.0	670.2	685.7	701.5	717.8
TOTAL product sales	-	-	-	55.6	341.3	523.8	655.0	670.2	685.7	701.5	717.8
Gross margin				86%	86%	86%	86%	86%	86%	86%	86%
SG&A (% of sales)				45%	38%	35%	35%	35%	35%	35%	35%
total SG&A				(25.0)	(129.7)	(183.3)	(229.3)	(234.6)	(240.0)	(245.5)	(251.2)
Commercial profit		-	-	22.8	163.8	267.1	334.1	341.8	349.7	357.8	366.1
R&D	(16.1)	(18.5)	(21.3)	(24.5)	(28.2)						
Operating profit	(16.1)	(18.5)	(21.3)	(1.7)	135.7	267.1	334.1	341.8	349.7	357.8	366.1
Tax rate	0%	0%	0%	38%	38%	38%	38%	38%	38%	38%	38%
Post-tax net income	(16.1)	(18.5)	(21.3)	(1.0)	84.1	165.6	207.1	211.9	216.8	221.8	227.0
success rate adjustment	100%	100%	100%	100%	20%	20%	20%	20%	20%	20%	20%
NPV adjusted cash flows	(16.1)	(16.5)	(17.0)	(0.7)	10.7	18.8	21.0	19.2	17.5	16.0	14.6
Sum NPV (\$M)	67.4										
PV of Terminal Value	149.1										
Shares outstanding	20.6										
NPV/share	\$10.52										

Source: Canaccord Genuity estimates

21 December 2011

Figure 5: NLNK annual income statement (\$M except EPS)

	2010A	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Revenues								
HyperAcute Pancreas	0.0	0.0	0.0	0.0	0.0	55.6	341.3	523.8
Total Product Revenue	0.0	0.0	0.0	0.0	0.0	55.6	341.3	523.8
Grant revenue	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	2.1	2.0	2.0	2.0	2.0	57.6	343.3	525.8
Operating Expenses								
Cost of goods sold	0.0	0.0	0.0	0.0	0.0	7.8	47.8	73.3
<i>as % of product sales</i>						14%	14%	14%
Research & development	(13.2)	(14.0)	(16.1)	(18.5)	(21.3)	(24.5)	(28.2)	(32.4)
General & administrative	(5.0)	(5.4)	(6.2)	(7.1)	(10.0)	(21.1)	(119.5)	(183.3)
<i>as % product sales</i>						38%	35%	35%
Total Operating Expenses	(18.3)	(19.4)	(22.3)	(25.6)	(31.2)	(37.8)	(99.8)	(142.4)
Operating Income	(16.2)	(17.4)	(20.3)	(23.6)	(29.2)	19.8	243.5	383.4
Interest income	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Interest expense	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income (loss)	(16.1)	(17.4)	(20.3)	(23.6)	(29.3)	19.7	243.4	383.4
Income tax	0.0	0.0	0.0	0.0	0.0	6.9	85.2	134.2
Tax rate	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.4
Consolidated net income	(16.1)	(17.4)	(20.3)	(23.6)	(29.3)	12.8	158.2	249.2
Net income, non-controlling interest	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to NewLink	(15.7)	(17.4)	(20.3)	(23.6)	(29.3)	12.8	158.2	249.2
EPS (basic)	(\$2.24)	(\$2.46)	(\$0.98)	(\$1.10)	(\$1.30)	\$0.54	\$6.44	\$9.74
EPS (diluted)	(\$2.24)	(\$2.46)	(\$0.98)	(\$1.10)	(\$1.30)	\$0.46	\$5.54	\$8.43
Basic Shares (M)	7.0	7.1	20.6	21.6	22.6	23.6	24.6	25.6
Diluted Shares (M)	7.0	7.1	20.6	21.6	22.6	27.6	28.6	29.6

Source: Company data and Canaccord Genuity estimates

21 December 2011

Figure 6: NLNK quarterly income statement (\$M except EPS)

	Mar-10 1Q10A	Jun-10 2Q10A	Sep-10 3Q10A	Dec-10 4Q10A	2010A Annual	Mar-11 1Q11A	Jun-11 2Q11A	Sep-11 3Q11A	Dec-11 4Q11E	2011E Annual
Revenues										
Grant revenue	NA	NA	0.4	NA	2.1	NA	NA	0.4	0.4	2.0
Total Revenue	NA	NA	0.4	NA	2.1	NA	NA	0.4	0.4	2.0
Operating Expenses										
Research & development	NA	NA	(3.9)	NA	(13.2)	NA	NA	(3.3)	(3.7)	(14.0)
General & administrative	NA	NA	(1.5)	NA	(5.0)	NA	NA	(1.1)	(1.8)	(5.4)
Other	NA	NA	-	NA	-	NA	NA	-	-	-
Total Operating Expenses	NA	NA	(5.5)	NA	(18.3)	NA	NA	(4.4)	(5.5)	(19.4)
Operating Income (loss)	NA	NA	(5.1)	NA	(16.2)	NA	NA	(4.0)	(5.1)	(17.4)
Interest income	NA	NA	(0.0)	NA	0.1	NA	NA	0.0	0.0	0.0
Interest expense	NA	NA	(0.0)	NA	(0.0)	NA	NA	(0.0)	(0.0)	(0.0)
Other income (expense)	NA	NA	0.1	NA	0.1	NA	NA	-	(0.0)	-
Consolidated net income	NA	NA	(5.1)	NA	(16.1)	NA	NA	(4.0)	(5.1)	(17.4)
Loss attributable to non-controlling interest	NA	NA	0.0	NA	0.3	NA	NA	-	(0.0)	-
Pre-tax income (loss)	NA	NA	(5.0)	NA	(15.7)	NA	NA	(4.0)	(5.1)	(17.4)
Net income to NewLink	NA	NA	(5.0)	NA	(15.7)	NA	NA	(4.0)	(5.1)	(17.4)
EPS	NA	NA	(\$1.49)	NA	(\$2.24)	NA	NA	(\$1.09)	(\$0.29)	(\$2.46)
Basic and diluted shares outstanding	NA	NA	3.4	NA	7.0	NA	NA	3.7	17.4	7.1

NA: not available

Source: Company data and Canaccord Genuity estimates

Investment risks

Risks to our BUY thesis on NLNK include:

1. Failure of clinical trials
2. Regulatory challenges
3. Changes in competitive treatment landscapes

APPENDIX: IMPORTANT DISCLOSURES**Analyst Certification:**

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment 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 investment 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.

Distribution of Ratings:

Global Stock Ratings
(as of 1 December 2011)

Rating	Coverage Universe		IB Clients	
	#	%	%	
Buy	489	61.6%	36.6%	
Speculative Buy	88	11.1%	68.2%	
Hold	203	25.6%	19.7%	
Sell	14	1.8%	14.3%	
	794	100%		

Canaccord 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.

Canaccord Research Disclosures as of 21 December 2011

Company	Disclosure
NewLink Genetics	1A, 2, 3, 5, 7

- 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.
- In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
- In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
- Canaccord Genuity acts as corporate broker for the relevant issuer and/or Canaccord Genuity or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
- Canaccord Genuity or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
- In the past 12 months, Canaccord Genuity, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
- Canaccord Genuity intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
- The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.

- | | |
|----|---|
| 9 | The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases. |
| 10 | Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment 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 investment 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 investment research (as disclosed above). |
| 13 | As of the month end immediately preceding the date of publication of this investment 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. |
| 14 | Other specific disclosures as described above. |

Canaccord Genuity is the business name used by certain subsidiaries of Canaccord Financial Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, and Canaccord Genuity Corp.

The authoring analysts who are responsible for the preparation of this investment research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in Boston, New York, San Francisco and Houston or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London and Edinburgh (UK).

In the event that this is compendium investment research (covering six or more relevant issuers), Canaccord Genuity and its affiliated companies may choose to provide specific disclosures of the subject companies by reference, as well as its policies and procedures regarding the dissemination of investment research. To access this material or for more information, please send a request to Canaccord Genuity Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or disclosures@canaccordgenuity.com.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. This investment research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this investment research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute Canaccord Genuity's judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the

recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this investment research.

For Canadian Residents: This Investment Research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this Investment Research and its dissemination in Canada. Canadian clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular jurisdiction.

For United Kingdom Residents: This investment research is distributed in the United Kingdom, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Services Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom to retail clients, as defined under the rules of the Financial Services Authority.

For United States Residents: Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analyst(s) preparing this report that are not employed by Canaccord Genuity Inc are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Such analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

For European Residents: If this Investment Research is intended for disclosure in any jurisdiction other than the United Kingdom, the US or Canada, then the relevant rules and regulatory requirements of that jurisdiction will apply.

Additional information is available on request.

Copyright © Canaccord Genuity Corp. 2011. – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited 2011. – Member LSE, authorized and regulated by the Financial Services Authority.

Copyright © Canaccord Genuity Inc. 2011. – Member FINRA/SIPC

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, and Canaccord Genuity Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.