

Equity Research

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NewLink Genetics Corporation (NLNK-\$11.92)

Rating: BUY

Target Price: \$18.00

Forging Ahead, Major Milestone in Sight; Updated Model for 2Q:12 EPS, Maintain BUY

EPS	1Q	2Q	3Q	4Q
2010A	(1.02)A	(1.21)A	(1.49)A	(1.12)A
2011A	(1.07)A	(1.20)A	(1.09)A	(0.44)A
2012E	(0.23)A	(0.31)A	(0.42)E	(0.39)E
Prev	—	(0.46)E	(0.56)E	(0.54)E
2013E	—	—	—	—
REV	1Q	2Q	3Q	4Q
2010A	0.3A	0.4A	0.4A	1.0A
2011A	0.6A	0.5A	0.4A	0.4A
2012E	0.5A	0.6A	0.2E	0.2E
Prev	0.4A	0.3E	0.3E	0.3E
2013E	—	—	—	—
FY	2010A	2011A	2012E	2013E
EPS	(4.84)A	(2.98)A	(1.35)E	(1.49)E
Prev	—	—	(1.77)E	(2.07)E
REV	2.1A	2.0A	1.5E	1.0E
Prev	—	—	1.3E	—
EV/REV	—	—	—	—

- NewLink reported 2Q:12 EPS of (\$0.31), a smaller loss than our forecast largely due to lighter R&D expenses in the quarter vs. our model. SG&A was higher than we had forecasted, reflecting a combination of increased personnel and other general corporate expenses. Grant revenue was \$0.59 million, also higher than we had projected.
- We have updated our financial model to reflect lighter spending this year than we had anticipated. This is principally because we had expected additional HyperAcute trials in new indications at this point in the year. These trials have not yet been initiated, and thus we have lowered our projected expenditures for the year. Our new forecast for 2012 is (\$1.35).
- We have also made adjustments to our model based on the lower base of R&D and SG&A expenditures we expect this year. As such, our EPS forecast in 2013 is now (\$1.49).
- We have also adjusted our model to reflect the potential that HyperAcute Pancreas reaches the market ahead of our early expectations by six months or so. This is due to the rapid enrollment rate in the Phase III trial, which, according to the company, is now "well past" the halfway point. This changes our revenue forecast in 2014 by roughly \$20 million and adds a penny to our EPS forecast in 2017.
- While the shares have pulled back so far in 3Q:12, the company continues on track with its clinical program. We like the company because it offers a combination of compelling clinical data (Phase II dataset for HyperAcute Pancreas), broad applications of its platform technology and its scalability, combined with the potential for near-term news flow (HyperAcute Pancreas Phase III in interim look is likely in 1Q:13).
- 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

Market Cap (\$Mil)	\$246.4	Float Shares (Mil):	NA
Short Interest (Mil):	NA		
52 Wk. Range	\$18.00-\$6.25		
Avg. Daily Trading Volume (3 mo.):	139,879		
Shares Out (Mil):	20.672		

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.

The Disclosure Section may be found on pages 8 - 9 of this report.

*Solid Pipeline with Many
Milestones, Compelling
Data*

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, we expect the company to advance its non small cell lung cancer (NSCLC) program into a later-stage trial. Further, NLG8189 is at the forefront of the immunotherapeutic development, and this program, largely overlooked, could come into greater focus over the next year.
- **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 Agency 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 100% 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 α -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.
- **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 and updates on other HyperAcute programs and their advancement into later-stage trials will be forthcoming, as will an update from the Phase III HyperAcute Pancreas trial. As the HyperAcute Phase III trial has passed the enrollment halfway mark, we believe a scheduled (based on number of events) interim look could occur in 1Q:13.

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.

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 & 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
Revenue	\$1.49	\$0.20	\$1.29	\$0.23	\$1.06	\$0.59	\$0.47	\$1.87	\$0.30	\$1.57	\$0.43	\$1.14	\$0.54	\$0.60
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
Gross Profit	\$1.49	\$0.20	\$1.29	\$0.23	\$1.06	\$0.59	\$0.47	\$1.87	\$0.30	\$1.57	\$0.43	\$1.14	\$0.54	\$0.60
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
Profit (Loss) from Operations	(\$28.09)	(\$8.30)	(\$19.79)	(\$8.68)	(\$11.11)	(\$6.30)	(\$4.81)	(\$18.06)	(\$5.80)	(\$12.26)	(\$3.97)	(\$8.29)	(\$4.39)	(\$3.89)
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)
Pretax Income	(\$28.26)	(\$8.38)	(\$19.88)	(\$8.74)	(\$11.14)	(\$6.31)	(\$4.84)	(\$18.09)	(\$5.86)	(\$12.28)	(\$3.99)	(\$8.29)	(\$4.39)	(\$3.90)
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
Net Income (Loss)	(\$28.26)	(\$8.38)	(\$19.88)	(\$8.74)	(\$11.14)	(\$6.31)	(\$4.83)	(\$18.09)	(\$5.86)	(\$12.28)	(\$3.99)	(\$8.29)	(\$4.39)	(\$3.90)
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Basic & Diluted Net Loss Per Share	(\$1.35)	(\$0.39)	(\$0.95)	(\$0.42)	(\$0.54)	(\$0.31)	(\$0.23)	(\$2.98)	(\$0.44)	(\$3.36)	(\$1.09)	(\$2.28)	(\$1.20)	(\$1.07)
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 estimates






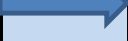


Exhibit 2: Annual Income Statement
NewLink Genetics Corporation

<i>All figures in millions, Year Ended 31 December</i>	2017E	2016E	2015E	2014E	2013E	2012E	2011A
Revenue	\$391.54	\$270.00	\$51.89	\$0.65	\$1.01	\$1.49	\$1.87
Cost of Goods Sold	83.68	68.75	15.47	0.00	0.00	0.00	0.00
Gross Profit	\$307.86	\$201.25	\$36.41	\$0.65	\$1.01	\$1.49	\$1.87
<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
Profit (Loss) from Operations	\$103.66	\$80.18	(\$36.88)	(\$57.58)	(\$35.02)	(\$28.09)	(\$18.06)
<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)
Pretax Income	\$106.01	\$82.01	(\$35.24)	(\$57.61)	(\$35.02)	(\$28.26)	(\$18.09)
<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
Net Income (Loss)	\$106.01	\$82.01	(\$35.24)	(\$57.61)	(\$35.02)	(\$28.26)	(\$18.09)
<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>
Basic & Diluted Net Loss Per Share	\$2.87	\$2.73	(\$1.28)	(\$2.34)	(\$1.49)	(\$1.35)	(\$2.98)
Shares Outstanding	37.00	30.00	27.50	24.65	23.43	20.88	6.07

<i>Percent Change, Year-Over-Year</i>	2016E	2016E	2015E	2014E	2013E	2012E	2011E
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 estimates

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, >300 enrolled, interim look 1Q13. Phase II 2 & 3 year data ASCO 2012.
HyperAcute Pancreas	Allogenic vaccine/resectable pancreatic cancer, locally advanced disease	HyperAcute					Increases the market size for HyperAcute Pancreas.
HyperAcute Lung	Allogenic vaccine/NSCLC	HyperAcute					Phase II/III expected shortly.
HyperAcute Melanoma	Allogenic vaccine/non-visceral metastatic melanoma	HyperAcute					Data expected, likely next step is Phase II/III
HyperAcute Prostate	Allogenic vaccine/prostate cancer	HyperAcute					Possible partnering candidate
HyperAcute various	Exhibit 16: Pancreatic Cancer Model	HyperAcute					May explore NCI funding
D-1MT	Small molecule inhibitor of IDO/solid tumors	IDO pathway inhibitor					Two posters @ ASCO demonstrate feasibility for advancement.
2nd generation IDO	Small molecule inhibitor of IDO/solid tumors	IDO pathway inhibitor					Higher potency vs. D-1MT

Source: NewLink Genetics, Cantor Fitzgerald

Exhibit 4: Select Biotechnology Stocks (all market capitalization ranges)

Biotechnology	Mara Goldstein - 212.610.2215
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Mkt Cap. Range	Company	Ticker	Rating	8/13/12	1/3/12	4/2/12	4/17/11	Market Cap.	52-Week		Performance			Earnings Per Share (a)			Revenue Per Share (a)			Per Share	EV (a)	Short
									High	Low	YTD	QTD	1-Year	2011A	2012E	2013E	2011A	2012E	2013E	Cash (a)		Interest
Small Cap	Agenus	AGEN	NC	\$4.49	\$2.00	\$5.38	\$3.24	\$109.9	\$7.41	\$1.92	124.5%	-16.5%	38.6%	(\$1.21)	(\$0.60)	(\$1.10)	\$0.11	\$0.64	\$0.15	\$1.04	\$84.4	1,298,811
	Astex	ASTX	NC	2.41	1.89	2.08	2.32	224.8	2.95	1.51	27.5	15.9	3.9	0.07	(0.01)	(0.18)	0.72	0.73	0.65	1.28	105.5	4,850,945
	Celldex	CLDX	BUY	4.57	2.60	5.47	2.62	271.0	5.72	2.05	75.8	(16.5)	74.4	(1.13)	(0.93)	(0.90)	0.16	0.16	0.05	-	271.0	6,485,162
	Celsion	CLSN	NC	3.28	1.70	1.89	2.96	109.0	4.06	1.63	92.9	73.5	10.8	(1.11)	(0.77)	(0.65)	0.06	0.00	0.23	0.74	84.5	2,998,119
	Curis	CRIS	NC	4.25	4.68	5.50	3.08	338.4	5.65	2.70	(9.2)	(22.7)	38.0	(0.13)	(0.13)	(0.20)	0.19	0.28	0.26	0.56	293.7	7,582,561
	Endocyte	ECYT	NC	9.18	3.76	8.25	11.11	329.3	12.65	3.02	144.1	11.3	(17.4)	(1.40)	(0.46)	(0.08)	0.01	0.33	0.64	5.90	117.8	3,172,586
	Galena Biopharma	GALE	BUY	1.55	0.39	1.73	0.88	104.1	3.54	0.36	302.1	(10.6)	76.2	(0.32)	(0.66)	(0.49)	0.00	0.00	0.00	0.34	81.1	6,388,967
	Newlink Genetics (b)	NLNK	BUY	11.92	7.04	9.51	7.00	246.4	18.00	6.25	69.3	25.3	70.3	(2.98)	(1.35)	(1.49)	0.09	0.07	0.05	1.73	211.8	1,565,507
	Oncothyreon	ONTY	BUY	4.30	7.58	5.84	6.68	245.9	9.23	3.35	(43.3)	(26.4)	(35.6)	(1.12)	(0.55)	(0.29)	0.00	0.00	0.18	-	245.9	9,373,026
	Sunesis Pharma	SNSS	BUY	2.95	1.17	3.10	1.49	139.0	3.57	1.01	152.1	(4.8)	98.0	(0.43)	(0.82)	(0.61)	0.11	0.03	0.00	0.62	119.3	3,069,162
Vical	VICL	NC	3.44	4.41	3.72	3.63	296.0	4.82	2.22	(22.0)	(7.5)	(5.2)	(0.10)	(0.28)	(0.40)	0.35	0.20	0.19	1.10	201.2	4,910,544	
	Average							\$240.8			80.0%	1.3%	27.0%	(0.76)	(0.58)	(0.54)	0.19	0.26	0.26	1.29	165.1	4,699,581
Mid Cap	Ariad	ARIA	NC	\$19.39	\$12.25	\$18.00	\$9.27	\$3,222.71	\$19.72	\$7.72	58.3%	7.8%	109.2%	(\$0.87)	(\$0.94)	(\$0.80)	\$0.15	\$0.07	\$0.40	\$1.51	\$2,972.4	8,604,972
	Dendreon	DNDN	HOLD	4.64	7.60	7.45	10.37	716.24	17.04	4.17	(38.9)	(37.7)	(55.3)	(2.31)	(1.89)	(1.76)	1.42	2.37	3.02	2.80	862.8	40,872,954
	Exelixis	EXEL	NC	4.47	4.74	6.02	6.80	799.21	8.25	3.94	(5.6)	(25.7)	(34.3)	0.78	(1.08)	(1.15)	1.62	0.30	0.37	-	799.2	26,488,487
	Immunogen (c)	IMGN	HOLD	12.78	11.58	17.45	10.62	1,066.4	18.10	9.64	10.4	(26.8)	20.3	(0.95)	(0.95)	(0.81)	0.20	0.20	0.40	1.93	905.4	7,528,066
	Incyte	INCY	NC	18.19	15.01	24.84	14.83	2,378.9	26.30	11.76	21.2	(26.8)	22.7	(1.26)	(0.25)	0.30	0.72	1.89	3.01	3.23	2,234.3	15,624,564
	Medivation	MDVY	NC	97.13	46.11	94.61	16.48	3,577.5	103.89	14.32	110.6	2.7	489.4	(1.11)	(0.73)	(1.99)	1.64	3.88	4.49	9.35	3,423.2	2,109,286
	ONYX Pharma	ONXX	NC	71.36	43.95	67.91	31.34	4,645.3	79.20	29.24	62.4	5.1	127.7	0.66	(3.35)	(2.06)	6.87	4.55	5.22	8.77	4,242.9	5,938,780
	Pharmacylics	PCYC	NC	57.75	14.82	28.47	10.15	3,987.5	60.05	9.52	289.7	102.8	469.0	(0.59)	0.17	(0.19)	0.12	1.22	1.30	3.11	3,772.6	4,889,950
	Seattle Genetics	SGEN	NC	24.23	16.72	26.27	13.93	2,864.2	28.00	13.61	45.0	(7.8)	73.9	(1.34)	(0.36)	(0.25)	0.80	1.80	2.24	2.79	2,533.8	28,704,843
	Spectrum Pharm	SPPI	NC	12.64	14.63	16.00	8.90	761.5	17.48	6.94	(13.6)	(21.0)	42.0	0.84	1.35	1.44	3.20	3.77	4.00	3.22	567.8	23,038,384
	Average							\$2,401.9			53.5%	-3.9%	128.4%	(\$0.62)	(\$0.80)	(\$0.73)	\$1.67	\$2.00	\$2.45	\$3.67	\$2,231.4	16,380,029
Large Cap	Alexion	ALXN	NC	\$103.68	\$71.50	\$103.83	\$52.59	\$20,016.4	\$109.96	\$49.50	45.0%	-0.1%	97.1%	\$1.38	\$1.89	\$2.63	\$4.09	\$5.65	\$7.30	\$4.18	\$19,438.1	5,871,500
	Amgen	AMGN	NC	82.23	64.21	74.36	50.00	63,950.9	84.39	50.18	28.1	10.6	64.5	5.33	6.33	6.92	20.04	21.04	21.76	28.90	65,853.9	12,586,634
	Biogen Idec	BIIB	NC	144.54	110.05	145.61	90.98	34,161.6	150.29	86.86	31.3	(0.7)	58.9	5.90	6.39	7.29	21.36	22.75	25.00	5.95	33,852.5	2,455,267
	Celgene	CELG	BUY	71.85	67.60	64.88	54.43	30,997.8	80.42	53.50	6.3	10.7	32.0	3.79	4.81	5.63	11.16	12.88	14.46	5.94	30,098.8	6,313,904
	Gilead	GILD	NC	56.63	40.93	51.64	37.43	42,844.5	58.84	34.45	38.4	9.7	51.3	3.86	3.79	4.27	11.08	12.14	13.17	2.26	50,317.4	18,055,394
	Regeneron	REGN	NC	135.36	55.43	120.76	54.18	12,717.7	145.04	49.58	144.2	12.1	149.8	(0.55)	3.54	5.05	4.75	11.34	15.46	3.20	12,863.0	4,966,877
	Vertex	VRTX	NC	51.42	33.21	55.56	44.49	11,096.8	66.10	26.50	54.8	(7.5)	15.6	0.08	1.83	1.49	6.54	8.88	9.30	5.93	10,423.3	5,249,269
		Average							\$30,826.5			43.3%	5.0%	53.2%	\$2.83	\$4.08	\$4.75	\$11.29	\$13.53	\$15.21	\$8.05	\$22,818.0
Indices	S&P 500	SP50	NA	1,404.1	1,257.6	1,365.5	1,178.8		1,422.38	1,074.77	11.6%	2.8%	19.1%	96.3	103.1	115.4	1,094.8	1,104.2	1,150.7			
	Dow Jones Ind	DJII	NA	13,169.4	12,217.6	12,871.4	11,269.0		13,359.62	10,362.26	7.8	2.3	16.9	976.8	1,040.6	1,133.8	10,024.6	10,354.6	10,820.0			
	NASDAQ Comp	COMP	NA	3,022.5	2,605.2	2,951.2	2,508.0		3,134.17	2,298.89	16.0	2.4	20.5	153.8	179.9	213.6	1,802.5	1,977.0	2,133.1			
	Amex Biotech Index	BTK	NA	1,436.2	1,091.4	1,508.2	1,129.5		1,537.90	1,001.33	31.6	(4.8)	27.2	58.0	70.2	84.6	258.4	291.3	314.4			
	NASDAQ Biotech	NBI	NA	1,380.2	1,084.7	1,385.2	943.7		1,440.71	905.18	27.2	(0.4)	46.3	45.5	52.0	66.1	264.7	297.6	324.7			
Mkt Cap. Range	Company	Ticker	Rating	Price Change From		P/E			Price/Sales			3-5 Year	P/E	Price/			EV/			Days to		
				High	Low	2011A	2012E	2013E	2011A	2012E	2013E	EPS Growth	Growth	Cash	Debt	BV	EBITDA	Net Inc.	FCF	Sales	BV	Cover
Mid	Spectrum Pharm	SPPI	NC	152.0%	-28.4%	15.0	9.4	8.8	3.95	3.35	3.16	126.04%	6.96	\$3.93	NM	\$3.97	9.3	7.0	13.3	2.5	3.0	12.5
Large	Alexion	ALXN	NC	13.23	16.30	75.2	54.8	39.4	25.34	18.36	14.21	132.94	0.30	24.83	NM	16.95	72.4	53.2	78.3	17.8	16.5	3.0
Large	Amgen	AMGN	NC	73.08	(13.29)	15.4	13.0	11.9	4.10	3.91	3.78	112.46	0.11	2.85	2.62	3.44	10.4	13.4	16.3	4.0	3.5	2.2
Large	Biogen Idec	BIIB	NC	40.24	26.14	24.5	22.6	19.8	6.77	6.35	5.78	114.82	0.17	24.30	31.21	5.45	15.6	22.4	22.3	6.3	5.4	2.2
Large	Celgene	CELG	BUY	4.91	1.24	19.0	14.9	12.8	6.44	5.58	4.97	121.15	0.11	12.10	18.64	5.70	18.1	14.5	18.0	5.4	5.5	1.7
Large	Gilead	GILD	NC	98.40	60.09	14.7	14.9	13.3	5.11	4.66	4.30	117.58	0.11	25.09	4.71	6.33	12.0	17.6	14.3	5.5	7.4	3.0
Large	Regeneron	REGN	NC	317.64	(7.17)	NM	NM	26.8	28.53	11.93	8.76	NM	NM	42.25	28.50	25.86	NM	38.6	NM	12.1	26.2	4.7
Large	Vertex	VRTX	NC	124.43	66.14	678.3	28.1	34.4	7.87	5.79	5.53	NM	NM	8.67	27.74	13.68	40.6	26.4	95.5	5.4	12.85	2.5
	Large Cap Only (d)					29.5	25.8	15.0	12.0	8.1	6.8	119.8%	0.16	\$20.01	\$18.90	\$11.06	28.2	26.6	40.8	8.1	11.1	2.7

(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:

Agenus 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): NC
 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
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HOLD [H]	51	38.35	3	5.88
SELL [S]	11	8.27	0	0.00