

## ChemoCentryx, Inc.

### Updating Model Post 1Q

ChemoCentryx reported 1Q12 results with a GAAP EPS loss of \$0.28 below our expectation (loss of \$0.12) driven by lower revenues that were partially offset by lower operating expenses. ChemoCentryx ended 1Q with cash of \$146M, including net proceeds of \$57M from the recent IPO and private placements. Importantly, although there was nothing game changing, the pipeline continues to progress. Recall, Traficet-EN, partnered with GSK, continues in a broad phase 3 program for Crohn's disease. Physician feedback on Traficet-EN has been positive given comparable efficacy, improved dosing (oral vs. injection) and a cleaner safety profile relative to biologics (~\$2B peak translating to ~\$350M in royalties). Additionally, ChemoCentryx remains focused on advancing CCX140 (wholly owned) in diabetic nephropathy (DN). To that end, completion of the ongoing phase 2 trial of CCX140 remains on track for YE12. We believe CCX140 has blockbuster potential and view the phase 2 data as a key derisking event. As such, we reiterate our Overweight rating.

- **Review of Key Catalysts.** Traficet-EN is currently in four phase 3 trials in moderate-to-severe Crohn's disease with data from SHIELD-1 (induction) expected in 1H13. Additionally, CCX140 is in a phase 2 trial for DN which is expected to be completed by year end with data likely in 1Q13. Enrollment in a phase 2 trial of CCX168 in ANCA-Associated vasculitis is expected to be completed by YE12. Additionally, other agents, currently in preclinical testing, are expected to enter clinical testing by year end.
- **Adjusting estimates.** Following 1Q12 results we are fine tuning our model. Specifically in 2012, we have modestly decreased operating expenses. Our 2012 GAAP EPS changes to (\$0.72) from (\$0.60), while our 2013-2014 estimates of (\$1.00), and (\$1.45), respectively remain unchanged.
- **Reiterate Overweight rating.**

## Overweight

CCXI, CCXI US

Price: \$10.90

Price Target: \$16.00

### US Biotechnology

**Geoff Meacham** <sup>AC</sup>

(1-212) 622-6531

geoffrey.c.meacham@jpmorgan.com

**Michael E Ulz**

(1-212) 622-0900

michael.e.ulz@jpmorgan.com

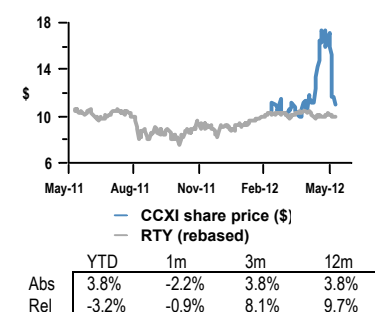
**Anupam Rama**

(1-212) 622-0105

anupam.rama@jpmorgan.com

J.P. Morgan Securities LLC

### Price Performance



### ChemoCentryx, Inc. (CCXI;CCXI US)

FYE Dec	2011A	2012E (Prev)	2012E (Curr)	2013E
EPS Reported (\$)				
Q1 (Mar)	(1.07)	(0.12)	(0.28)A	-
Q2 (Jun)	(0.27)	(0.13)	(0.10)	-
Q3 (Sep)	(0.37)	(0.16)	(0.16)	-
Q4 (Dec)	0.61	(0.19)	(0.19)	-
FY	(1.10)	(0.60)	(0.72)	(1.00)

Source: Company data, Bloomberg, J.P. Morgan estimates.

### Company Data

Price (\$)	10.79
Date Of Price	09 May 12
52-week Range (\$)	17.73 - 9.87
Mkt Cap (\$ mn)	431.60
Fiscal Year End	Dec
Shares O/S (mn)	40
Price Target (\$)	16.00
Price Target End Date	31 Dec 12

### See page 4 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

## Changes to Our Model

Table 1: Changes to Our Model

	2012E OLD	2012E NEW	2013E OLD	2013E NEW	2014E OLD	2014E NEW
Total Revenue	35.2	27.4	35.0	35.0	35.0	35.0
R&D	46.1	41.4	57.6	57.6	72.0	72.0
SG&A	14.0	13.1	23.1	23.1	36.9	37.0
Total Op Ex	60.1	54.5	80.7	80.7	108.9	109.0
Net income	-23.9	-27.0	-43.7	-43.7	-71.9	-72.0
<b>EPS</b>	<b>-0.60</b>	<b>-0.72</b>	<b>-1.00</b>	<b>-1.00</b>	<b>-1.45</b>	<b>-1.45</b>
<i>fully diluted shares</i>	39.4	38.2	43.5	43.5	49.5	49.5

Source: J.P. Morgan estimates.

## Investment Thesis

ChemoCentryx is an early stage biotechnology company with a focus on developing oral drugs targeting the chemokine system, which is involved in autoimmune and inflammatory diseases as well as cancer. The company has a significant and validating partnership with GSK and its pipeline is anchored by Traficet-EN, a unique oral agent for Crohn's disease in phase 3 trials at GSK. In our view, Traficet-EN has blockbuster potential (with ChemoCentryx receiving royalties), this is supported by highly positive physician feedback. Additionally, ChemoCentryx has a robust pipeline, including CCX140, an unpartnered asset in phase 2 trials for diabetic nephropathy.

## Valuation

Our December 2012 PT of \$16 is based on a sum-of-the-parts analysis. This value is derived from Traficet-EN for Crohn's disease in the US/EU (\$8/share), CCX140 for DN in the US only (\$4/share), and cash (\$4/share). We note that our Traficet-EN and CCX140 revenue estimates are probability adjusted by 70% and 15% respectively. Additionally, we assume no terminal value and a discount rate of 15%, which we believe appropriately reflects the risks of clinical development.

## Risks to Rating and Price Target

Risk to our Overweight rating include (1) Traficet-EN could fail to demonstrate a meaningful benefit phase trials in Crohn's disease (2) CCX140 could fail in phase 2 trials for DN (3) Despite the potential for meaningful clinical data, Traficet-EN could fail to gain broad adoption in Crohn's disease.

## ChemoCentryx, Inc.: Summary of Financials

Income Statement - Annual	FY11A	FY12E	FY13E	FY14E	Income Statement - Quarterly	1Q12A	2Q12E	3Q12E	4Q12E
Revenues	32	27	35	35	Revenues	1A	9	9	9
Cost of products sold	-	-	-	0	Cost of products sold	-	-	-	-
Gross profit	32	27	35	35	Gross profit	1A	9	9	9
SG&A	8	13	23	37	SG&A	3A	3	4	4
R&D	28	41	58	72	R&D	7A	10	12	13
Operating Income	(4)	(27)	(46)	(74)	Operating income	(8)A	(4)	(7)	(8)
Note: EBITDA	-	-	-	-	Note: EBITDA	-	-	-	-
Net interest income / (expense)	(0)	0	2	2	Net interest income / (expense)	(1)A	0	0	0
Other income / (expense)	0	0	0	0	Other income / (expense)	0A	0	0	0
Pretax income	(5)	(27)	(44)	(72)	Pretax income	(9)A	(4)	(6)	(8)
Income taxes	0	0	0	0	Income taxes	0A	0	0	0
Net income - GAAP	(5)	(27)	(44)	(72)	Net income - GAAP	(9)A	(4)	(6)	(8)
Net income - recurring	-	-	-	-	Net income - recurring	-	-	-	-
Diluted shares outstanding	23	38	44	50	Diluted shares outstanding	33A	40	40	40
EPS - excluding non-recurring	(1.10)	(0.72)	(1.00)	(1.45)	EPS - excluding non-recurring	(0.28)A	(0.10)	(0.16)	(0.19)
EPS - recurring	(1.10)	(0.72)	(1.00)	(1.45)	EPS - recurring	(0.28)A	(0.10)	(0.16)	(0.19)
Balance Sheet and Cash Flow Data	FY11A	FY12E	FY13E	FY14E	Ratio Analysis	FY11A	FY12E	FY13E	FY14E
Cash and cash equivalents	29	59	67	74	Sales growth	(9.2%)	(13.4%)	27.7%	0.0%
Accounts receivable	15	18	22	26	EBIT growth	(27.5%)	527.1%	68.8%	61.8%
Inventories	-	-	-	-	EPS growth	901.8%	(34.3%)	39.0%	44.7%
Other current assets	1	1	1	1	Gross margin	100.0%	100.0%	100.0%	100.0%
Current assets	114	147	159	170	EBIT margin	(13.6%)	(98.7%)	(130.6%)	(211.3%)
PP&E	8	8	9	9	EBITDA margin	-	-	-	-
Total assets	118	152	164	175	Tax rate	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0	Net margin	(15.1%)	(98.3%)	(124.9%)	(205.6%)
Total liabilities	21	21	21	21	Debt / EBITDA	-	-	-	-
Shareholders' equity	97	130	142	154	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Net income (including charges)	(5)	(27)	(44)	(72)	Return on assets (ROA)	(4.0%)	(17.8%)	(26.7%)	(41.0%)
D&A	1	1	1	1	Return on equity (ROE)	(4.9%)	(20.7%)	(30.7%)	(46.7%)
Change in working capital	(2)	(3)	(4)	(4)	Return on invested capital (ROIC)	-	-	-	-
Other	-	-	-	-	Enterprise value / sales	12.0	12.8	9.8	9.6
Cash flow from operations	(6)	(29)	(46)	(75)	Enterprise value / EBITDA	-	-	-	-
Capex	(1)	(1)	(2)	(2)	Free cash flow yield	(1.6%)	(6.3%)	(10.0%)	(16.0%)
Free cash flow	(8)	(30)	(48)	(77)					
Cash flow from investing activities	(1)	(1)	(2)	(2)					
Cash flow from financing activities	25	60	56	84					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

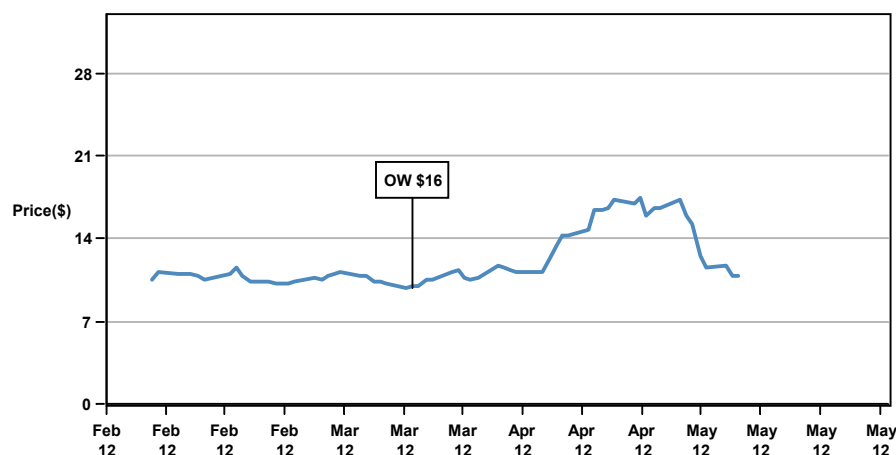
**Analyst Certification:** The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

## Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of ChemoCentryx, Inc..
- **Lead or Co-manager:** J.P. Morgan acted as lead or co-manager in a public offering of equity and/or debt securities for ChemoCentryx, Inc. within the past 12 months.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: ChemoCentryx, Inc..
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: ChemoCentryx, Inc..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation for investment banking ChemoCentryx, Inc..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from ChemoCentryx, Inc..

**Company-Specific Disclosures:** Important disclosures, including price charts, are available for compendium reports and all J.P. Morgan–covered companies by visiting <https://mm.jpmorgan.com/disclosures/company>, calling 1-800-477-0406, or emailing [research.disclosure.inquiries@jpmorgan.com](mailto:research.disclosure.inquiries@jpmorgan.com) with your request.

ChemoCentryx, Inc. (CCXI, CCXI US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage Mar 19, 2012.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings: OW = Overweight, N= Neutral, UW = Underweight

### Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] In our Asia (ex-Australia) and UK small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts'

coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, [www.morganmarkets.com](http://www.morganmarkets.com).

**Coverage Universe: Meacham, Geoffrey:** AMAG Pharmaceuticals (AMAG), AVEO Pharmaceuticals, Inc. (AVEO), Acorda Therapeutics Inc. (ACOR), Alexion Pharmaceuticals (ALXN), Allos Therapeutics (ALTH), Alnylam Pharmaceuticals (ALNY), Amgen Inc (AMGN), Amicus Therapeutics (FOLD), Biogen Idec (BIIB), Celgene (CELG), ChemoCentryx, Inc. (CCXI), Gilead Sciences (GILD), Idenix Pharmaceuticals (IDIX), InterMune (ITMN), Ironwood Pharmaceuticals (IRWD), Medivation (MDVN), Merrimack Pharmaceuticals (MACK), PDL BioPharma (PDLI), Regeneron Pharmaceuticals (REGN), Synageva BioPharma (GEVA), United Therapeutics (UTHR), Vertex Pharmaceuticals (VRTX), ViroPharma Incorporated (VPHM)

#### J.P. Morgan Equity Research Ratings Distribution, as of April 3, 2012

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	45%	43%	12%
IB clients*	51%	45%	34%
JPMS Equity Research Coverage	43%	48%	9%
IB clients*	70%	61%	53%

\*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

**Equity Valuation and Risks:** For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.morganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email [research.disclosure.inquiries@jpmorgan.com](mailto:research.disclosure.inquiries@jpmorgan.com).

**Equity Analysts' Compensation:** The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

#### Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

**Options related research:** If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

#### Legal Entities Disclosures

**U.S.:** JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorized and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [MICA (P) 088/04/2012 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:**

JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

#### Country and Region Specific Disclosures

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Securities Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules.

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised April 18, 2012.

**Copyright 2012 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**