



COMPANY UPDATE | COMMENT

MARCH 8, 2013

Durata Therapeutics, Inc. (NASDAQ: DRTX)

Dalbavancin NDA by Mid-2013; Approval in 1H:14 Possible

Outperform Speculative Risk

Price:	8.94	Price Target:	15.00
Shares O/S (MM):	18.4	Implied All-In Return:	68%
Dividend:	0.00	Market Cap (MM):	164
		Yield:	0.0%

Event

DRTX announced 4Q:12 results and provided an update on dalbavancin regulatory news flow

Investment Opinion

DRTX valuation continues to reflect a lot of ambivalence regarding dalbavancin's potential in the acute, severe skin infection market. Since both Phase III trials have already read out positively, the company is on track to file an NDA and MAA, dalbavancin is wholly owned, and given the differentiated dosage and administration, we believe much of the doubt stems from dalbavancin's commercial potential. We believe some of these concerns could be alleviated in 2013 and that the risk-reward on DRTX shares remains favorable.

- **Phase III trials already reported out positive.** DISCOVER 1 and 2 Phase III studies met their primary endpoint of dalbavancin being non-inferior to vancomycin / linezolid. Given that dalbavancin is a long-acting antibiotic, focus has been on safety as well which to date has been clean.
- **NDA prep underway; file around mid-2013.** Given the fact that there was a prior NDA for dalbavancin, the FDA has general familiarity, the trials were conducted under an SPA and met their primary and secondary endpoints we think regulatory risk is low. The expected review timeline is roughly 1-year though it could be tightened to a shorter time frame pending further discussions.
- **Further studies likely.** The most likely next important study could be a Phase II/III pediatric osteomyelitis study pending discussions with the FDA. Results from the Phase I osteomyelitis study are expected in 2013. DRTX could also generate and present early stage data in diabetic foot and pneumonia related studies prior to dalbavancin getting approved.
- **Commercial prep already underway.** We expect DRTX to commercialize dalbavancin by itself in the US and to partner outside. We believe the market is well defined and addressable with likely 100-120 sales reps. Currently, we assume a partnership outside the US in 2013.
- **4Q:12 results; solid cash position.** R&D expenses were lower than forecast and we have reduced our expense forecasts going forward. DRTX further augmented its cash position with a \$20M loan (minimal dilution of ~65,000 shares from warrants) and we expect the company to end YE:13 with \$30-40M assuming a partnership. DRTX also highlighted a global effective tax rate is likely to be mid-to-high teens.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 7.



RBC Capital Markets, LLC

Adnan Butt (Analyst)
(415) 633-8588; adnan.butt@rbccm.com

Michael J. Yee (Analyst)
(415) 633-8522; michael.yee@rbccm.com

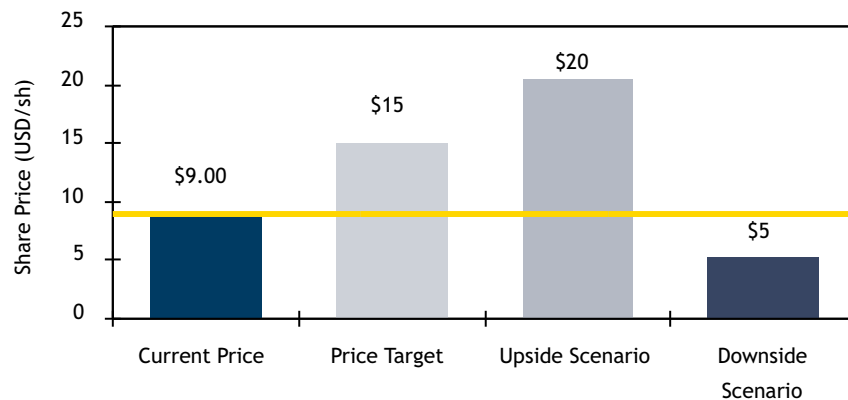
Charmaine Chan (Associate)
(415) 633-8621; charmaine.chan@rbccm.com

FY Dec	2012A	2013E	2014E	
Rpt EPS	(7.48)	(2.33)	(1.80)	
Prev.	(8.63)	(2.70)	(1.65)	
Revenue (MM)	0.0	1.3	47.8	
Prev.			50.6	
Rpt EPS	Q1	Q2	Q3	Q4
2012	(132.12)A	(260.25)A	(1.47)A	(0.72)A
Prev.				(1.23)E
2013	(0.70)E	(0.71)E	(0.52)E	(0.47)E
Prev.	(1.17)E	(1.02)E	(0.43)E	(0.31)E
Revenue (MM)				
2012	0.0A	0.0A	0.0A	0.0A
2013	0.0E	0.0E	0.0E	1.3E

All values in USD unless otherwise noted.

Details

Valuation Scenarios: Base, Upside and Downside Case



Source: RBC Capital Markets estimates (Priced at approx. 10:45am ET, March 8, 2013.)

- **Base case: \$15/share.** We arrive at a \$15 price target using the average of two methodologies. Our sum-of-the parts analysis for dalbavancin arrives at a value of \$15/share, including approximately \$3-4/share for the value of EU royalties. We assume that dalbavancin is protected through 2023 with patents and/or exclusivity.
- **Upside case: \$20/share.** We assume peak dalbavancin market share will be 7-8% up from 5-6% assumed in our base case scenario.
- **Downside case: \$5/share.** Our downside case assumes that dalbavancin penetration will be roughly half that in the base case scenario. However, the discount at 17.5% remains conservatively high and could come down upon approval or a partnership.

Phase III DISCOVER 1 and DISCOVER 2 Top-Line Efficacy

Endpoint	Patient Population	DISCOVER 1				Patient Population	DISCOVER 2			
		Dalbavancin	Vancomycin / linezolid	Difference (95% Confidence Interval)	Absolute Difference		Dalbavancin	Vancomycin / linezolid	Difference (95% Confidence Interval)	Absolute Difference
Primary (early response)	ITT	83.3%	81.8%	1.5% (-4.6, +7.9)	1.6%	ITT	76.8%	78.3%	-1.5% (-7.4, +4.6)	-1.4%
>20% reduction in lesion area at 48-72 hrs	ITT	89.6%	90.9%	-1.3% (-6.1, +3.7)	-1.3%	ITT	87.6%	85.9%	+1.7% (-3.2, +6.7)	1.7%
Patients with MRSA		84.1%	82.1%		2.0%		76.1%	85.7%		-9.6%
Medically Evaluable		85.7%	96.8%		-11.1%		97.7%	100.0%		-2.3%
Secondary Endpoints										
Clinical status at EOT (day 14-15)*	CE*	87.0%	91.4%	-4.4% (-9.6, +1.6)**	-4.4%	CE*	93.5%	92.7%	+0.8% (-3.3, +4.9)	0.8%
	ITT	81.9%	86.7%		-4.7%	ITT	88.7%	85.6%	+3.1% (-1.8, +8.0)	3.1%
Patients with MRSA		85.7%	96.8%		-11.1%		97.7%	100.0%		-2.3%
Investigator assessment at EOT (day 14-15)	CE	94.7%	97.5%	-2.8% (-6.7, 0.7)	-2.8%	CE	96.9%	96.0%	+0.9% (-2.2, +4.1)	0.9%
	ITT	90.3%	91.9%		-1.7%	ITT	92.2%	90.2%	+2.0% (-1.9, 6.4)	2.0%
Clinical status at SFU (day 28)	CE	93.8%	96.1%		-2.3%	CE	96.3%	92.6%		3.6%
	ITT	83.7%	88.1%		-4.4%	ITT	88.1%	84.5%		3.6%
Investigator assessment at SFU (day 28)	CE	94.2%	97.4%		-3.1%	CE	95.2%	94.9%		0.4%
	ITT	86.1%	89.5%		-3.4%	ITT	87.9%	86.1%		1.7%

*EMA primary endpoint.

Source: Company reports.

Phase III DISCOVER 1 and 2 Top-Line Safety

	DISCOVER 1		DISCOVER 2	
	Dalbavancin	Vancomycin / linezolid	Dalbavancin	Vancomycin / linezolid
N	284	284	368	367
Adverse events	39.8%	41.2%	33.2%	39.2%
Treatment emergent adverse events	34.9%	39.4%	31.3%	36.8%
TEAE with onset through D28 visit	33.8%	38.0%	29.3%	34.1%
TEAE with onset after D28 visit	4.2%	8.5%	3.8%	5.7%
Drug related TEAE	12.3%	18.3%	12.2%	10.1%
TESAE	1.8%	4.2%	3.3%	3.8%
Drug related SAE	0.0%	0.7%	0.5%	0.5%
TESAE leading to death	0.0%	1.8%	0.3%	0.5%
TEAE leading to discontinuation	1.8%	2.1%	2.4%	1.9%

	Unrelated	Unrelated	Unrelated	Unrelated
Patients with at least one TEAE through D28	21.5%	19.7%	17.1%	24.0%
TEAE at >= 2% in any arm				
Nausea	1.8%	0.4%	1.6%	2.2%
Diarrhea	0.7%	0.7%	0.3%	0.3%
Headache	1.8%	2.5%	2.2%	1.6%
Pruritis	0.0%	0.7%	0.5%	0.3%
Hypertension	2.5%	2.5%		
Rash	0.7%	0.4%		
Asthenia	0.4%	1.8%		
Vomiting			1.6%	0.5%

Source: Company reports.

4Q:12 Financial Results: Actual vs. Estimated

(\$ in millions, except per share)	Actual	Estimated	Variance
Fiscal Year Ends December			
Dalbavancin sales (US) (probability adj.)	-	-	-
Dalbavancin (royalties) (probability adj.)	-	-	-
Contracts, licensing fees, and milestones	-	-	-
Total Revenues	-	-	-
Cost of goods sold	-	-	-
Research & development	9.4	19.8	(10.3)
SG&A	3.6	2.8	0.8
Contingent consideration	-	-	-
Total Operating Expenses	13.3	22.8	(9.4)
Operating Income (Loss)	(13.3)	(22.8)	9.4
Interest income	0.0	0.1	(0.0)
Interest expense	-	-	-
Total Other Income (expense)	0.0	0.1	(0.0)
Income before Tax	(13.3)	(22.7)	9.4
Provision for taxes	-	-	-
Net Income (Loss)	(13.3)	(22.7)	9.4
EPS - Basic (GAAP)	(\$0.72)	(\$1.23)	\$0.51
EPS - Diluted* (GAAP)	(\$0.72)	(\$1.23)	\$0.51
Shares Outstanding - Basic (MM)	18.5	18.4	0.1
Shares Outstanding - Diluted (MM)	20.0	19.9	0.1

Source: Company reports and RBC Capital Markets estimates.

Upcoming Events

Timing	Expected News Flow	Program
Early 2013	Initiate bone penetration study	Dalbavancin
Early 2013	Second Phase III trial in abSSSI	Competitor: TSRX Tedizolid
Mid 2013	File NDA	Dalbavancin
Mid 2013	Second Phase III trial in abSSSI	Competitor: MDCO Oritavancin
2H:13	File MAA	Dalbavancin
2013	Phase I osteomyelitis results	Dalbavancin
2013	Initiate lung penetration study	Dalbavancin
2013/2014	Potential initiation of Phase III pediatric osteomyelitis study	Dalbavancin
1H:14	Potential approval for abSSSI in the US	Dalbavancin
2H:14	Potential approval for abSSSI in the EU	Dalbavancin

Source: Company reports and RBC Capital Markets estimates.

Products and Pipeline

Product	Stage	Indication	Partner
Dalbavancin	Phase III	abSSSI	Proprietary
	Phase I	Osteomyelitis	
	Planned	Diabetic foot infection	

Source: Company reports.

Valuation

Our sum-of-the parts analysis for dalbavancin arrives at a value of \$15/share, including approximately \$3-4/share for the value of EU royalties. We assume that dalbavancin is protected through 2023 with patents and/or exclusivity.

Upside to our forecasts could come from adjustments to our conservative 17.5% discount rate, a lower than forecast tax rate, especially in the outer years, competitor setbacks, and a higher than forecast penetration.

Price Target Impediment

Our price target is dependent primarily on the clinical, regulatory and commercial success of Dalbavancin for acute bacterial skin and skin structure infections (abSSSI). Any setbacks in clinical development, delay in launch, increased competition or other limitations to the market potential of Dalbavancin could negatively impact our valuation. Upside could come from pricing, compliance, better than anticipated market penetration, new partnerships, clinical success of programs that are not included in our valuation, setbacks for potential competitors, and/or a takeout.

Company Description

Durata Therapeutics is focused on the development and commercialization of novel therapeutics for patients with infectious diseases and acute illnesses. Enrollment in two global Phase III clinical trials with Dalbavancin, DRTX's primary value driver, for the treatment of acute bacterial skin and skin structure infections (abSSSI) is ongoing and results are expected in YE:12 from the first study and early 2012 from the second study. Dalbavancin is an intravenous antibiotic product candidate designed for once-weekly dosing, which differentiates from currently marketed antibiotics and increase the convenience of treating patients in the out-patient and in-patient settings, while lowering the overall cost of care to the healthcare system. Assuming a positive outcome, Durata will submit an NDA to the FDA in 1H:13 and an MAA to the EMA in 2H:13. Currently, the company plans to commercialize Dalbavancin directly in the US and EU with a targeted hospital sales force.

Durata Therapeutics (Nasdaq: DRTX)

Adnan Butt (415) 633-8588

Annual and Quarterly Income Statement

Adnan.Butt@rbccm.com

(\$ in millions, except per share)

	2011A	1Q12A	2Q12A	3Q12A	4Q12A	2012A	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Fiscal Year Ends December																	
Dalbavancin sales (US) (probability adj.)	-	-	-	-	-	-	-	-	-	-	-	42.8	102.8	155.9	259.8	357.7	425.7
Dalbavancin (royalties) (probability adj.)	-	-	-	-	-	-	-	-	-	-	-	-	7.7	11.7	19.5	26.8	31.9
Contracts, licensing fees, and milestones	-	-	-	-	-	-	-	-	-	1.3	1.3	5.0	5.0	5.0	5.0	3.8	-
Total Revenues	-	-	-	-	-	-	-	-	-	1.3	1.3	47.8	115.5	172.6	284.3	388.3	457.6
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	6.4	14.4	18.7	31.2	42.9	51.1
Research & development	30.1	6.8	16.5	19.0	9.4	51.7	9.2	9.0	8.8	8.7	35.7	29.0	33.0	38.0	43.0	47.0	54.9
SG&A	4.3	1.2	2.4	2.6	3.6	9.8	3.7	3.9	4.1	4.3	16.0	58.0	73.0	88.0	103.0	110.0	115.0
Contingent consideration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	35.6	8.3	19.2	21.8	13.3	62.6	13.1	13.1	13.1	13.2	52.5	94.2	121.2	145.5	178.0	200.7	221.8
Operating Income (Loss)	(35.6)	(8.3)	(19.2)	(21.8)	(13.3)	(62.6)	(13.1)	(13.1)	(13.1)	(12.0)	(51.3)	(46.4)	(5.7)	27.1	106.3	187.6	235.8
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.3	0.8	2.2	0.4	0.5	0.6	1.0	2.0
Interest expense	-	-	-	-	-	-	(0.1)	(0.4)	(0.4)	(0.4)	(1.4)	(3.0)	(4.2)	(4.2)	(2.5)	(2.5)	(1.3)
Total Other Income (expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.2)	(0.1)	(0.6)	(0.8)	(3.8)	(3.7)	(1.9)	(1.5)	0.8
Income before Tax	(35.5)	(8.3)	(19.2)	(21.8)	(13.3)	(62.5)	(13.1)	(13.4)	(13.3)	(12.1)	(51.8)	(47.2)	(9.5)	23.4	104.4	186.1	236.6
Provision for taxes	(2.5)	-	-	-	-	-	-	-	-	-	-	-	-	8.2	36.5	65.1	82.8
Net Income (Loss)	(33.0)	(8.3)	(19.2)	(21.8)	(13.3)	(62.5)	(13.1)	(13.4)	(13.3)	(12.1)	(51.8)	(47.2)	(9.5)	15.2	67.8	121.0	153.8
EPS - Basic (GAAP)	(\$27.22)	(\$132.12)	(\$260.25)	(\$1.47)	(\$0.72)	(\$7.48)	(\$0.70)	(\$0.71)	(\$0.52)	(\$0.47)	(\$2.33)	(\$1.80)	(\$0.35)	\$0.55	\$2.42	\$4.22	\$5.26
EPS - Diluted* (GAAP)	(\$27.22)	(\$132.12)	(\$260.25)	(\$1.47)	(\$0.72)	(\$6.06)	(\$0.70)	(\$0.71)	(\$0.52)	(\$0.47)	(\$2.33)	(\$1.80)	(\$0.35)	\$0.51	\$2.22	\$3.88	\$4.85
Shares Outstanding - Basic (MM)	1.2	0.1	0.1	14.8	18.5	8.4	18.6	18.7	25.8	25.9	22.3	26.3	27.0	27.5	28.1	28.7	29.2
Shares Outstanding - Diluted (MM)	-	-	-	20.3	21.0	10.3	21.1	21.2	28.3	28.4	24.8	28.8	29.5	30.0	30.6	31.2	31.7

Dalbavancin - Revenues	2011A	1Q12A	2Q12A	3Q12A	4Q12A	2012A	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Dalbavancin - US							-	-	-	-	-	42.8	102.8	155.9	259.8	357.7	425.7
Dalbavancin - EU							-	-	-	-	-	-	51.4	78.0	129.9	178.9	212.8
Dalbavancin Royalties - EU							-	-	-	-	-	-	7.7	11.7	19.5	26.8	31.9

Margin Analysis	2011A	1Q12A	2Q12A	3Q12A	4Q12A	2012A	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Gross margin											85.0%	85.0%	86.0%	88.0%	88.0%	88.0%	88.0%
Cost of goods											15%	15%	14%	12%	12%	12%	12%
Research & development											2856%	61%	29%	22%	15%	12%	12%
Sales, general & administrative											1280%	121%	63%	51%	36%	28%	25%
Operating margin													-5%	16%	37%	48%	52%
Tax rate											0%	35%	35%	35%	35%	35%	35%
Net margin													-8%	9%	24%	31%	34%

Source: Company reports and RBC Capital Markets estimates.

Required Disclosures

Conflicts Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Durata Therapeutics, Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Durata Therapeutics, Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates expects to receive or intends to seek compensation for investment banking services from Durata Therapeutics, Inc. in the next three months.

RBC Capital Markets is currently providing Durata Therapeutics, Inc. with investment banking services.

RBC Capital Markets has provided Durata Therapeutics, Inc. with investment banking services in the past 12 months.

The author is employed by RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in New York, USA.

Explanation of RBC Capital Markets Equity Rating System

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers (any of the following criteria may be present):

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

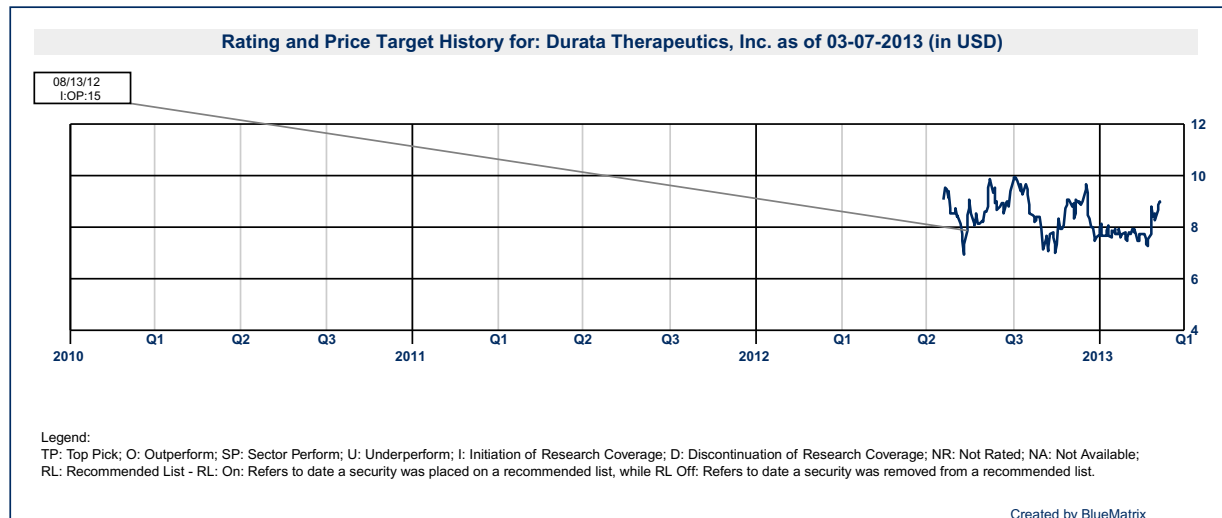
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

Distribution of Ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Distribution of Ratings RBC Capital Markets, Equity Research				
Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY[TP/O]	782	50.54	281	35.93
HOLD[SP]	695	44.93	181	26.04
SELL[U]	70	4.52	8	11.43



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a business unit of the Wealth Management Division of RBC Capital Markets, LLC. These Recommended Lists include a former list called the Prime Opportunity List (RL 3), the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: Midcap 111 (RL9), and the Guided Portfolio: ADR (RL 10). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Conflicts Policy

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to

<https://www.rbccm.com/global/file-414164.pdf>

or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. We reserve the right to amend or supplement this policy at any time.

Dissemination of Research and Short-Term Trade Ideas

RBC Capital Markets endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets' research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in ratings, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third-party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets' research. RBC Capital Markets also provides eligible clients with access to SPARC on its proprietary INSIGHT website. SPARC contains market color and commentary, and may also contain Short-Term Trade Ideas regarding the securities of subject companies discussed in this or other research reports. SPARC may be accessed via the following hyperlink: <https://www.rbcinsight.com>. A Short-Term Trade Idea reflects the research analyst's directional view regarding the price of the security of a subject company in the coming days or weeks, based on market and trading events. A Short-Term Trade Idea may differ from the price targets and/or recommendations in our published research reports reflecting the research analyst's views of the longer-term (one year) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. Thus, it is possible that the security of a subject company that is considered a long-term 'Sector Perform' or even an 'Underperform' might be a short-term buying opportunity as a result of temporary selling pressure in the market; conversely, the security of a subject company that is rated a long-term 'Outperform' could be considered susceptible to a short-term downward price correction. Short-Term Trade Ideas are not ratings, nor are they part of any ratings system, and RBC Capital Markets generally does not intend, nor undertakes any obligation, to maintain or update Short-Term Trade Ideas. Short-Term Trade Ideas discussed in SPARC may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any Short-Term Trade Ideas discussed therein.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Disclaimer

RBC Capital Markets is the business name used by certain branches and subsidiaries of the Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, RBC Capital Markets (Hong Kong) Limited, Royal Bank of Canada, Hong Kong Branch and Royal Bank of Canada, Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. RBC Capital Markets may be restricted from publishing research reports, from time to time, due to regulatory restrictions and/or internal compliance policies. If this is the case, the latest published research reports available to clients may not reflect recent material changes in the applicable industry and/or applicable subject companies. RBC Capital Markets research reports are current only as of the date set forth on the research reports. This report is not, and under no circumstances should be construed as, a solicitation to act as 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. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents:

This publication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE, SIPC), which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC.

To Canadian Residents:

This publication has been approved by RBC Dominion Securities Inc. (member IIROC). Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents:

This publication has been approved by RBC Europe Limited ('RBCEL') which is authorized and regulated by Financial Services Authority ('FSA'), in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FSA. However, targeted distribution may be made to selected retail clients of RBC and its affiliates. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To Persons Receiving This Advice in Australia:

This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

To Hong Kong Residents:

This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited and RBC Capital Markets (Hong Kong) Limited, licensed corporations under the Securities and Futures Ordinance or, by the Royal Bank of Canada, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited, RBC Capital Markets (Hong Kong) Limited or Royal Bank of Canada, Hong Kong Branch at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number is 2848-1388).

To Singapore Residents:

This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch and Royal Bank of Canada (Asia) Limited, registered entities granted offshore bank and merchant bank status by the Monetary Authority of Singapore, respectively. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch or Royal Bank of Canada (Asia) Limited.

To Japanese Residents:

Unless otherwise exempted by Japanese law, this publication is distributed in Japan by or through RBC Capital Markets (Japan) Ltd., a registered type one financial instruments firm and/or Royal Bank of Canada, Tokyo Branch, a licensed foreign bank.

® Registered trademark of Royal Bank of Canada. RBC Capital Markets is a trademark of Royal Bank of Canada. Used under license.

Copyright © RBC Capital Markets, LLC 2013 - Member SIPC
 Copyright © RBC Dominion Securities Inc. 2013 - Member CIPF
 Copyright © RBC Europe Limited 2013
 Copyright © Royal Bank of Canada 2013
 All rights reserved

