

Groundwork set to advance pipeline

Development strategy & timeline set; risk/reward attractive

Buy

Price: \$11.78

Clinical development strategy & 2014 milestones updated

CNAT refined its clinical development strategy for emricasan, its 1st-in-class oral caspase inhibitor for treating liver disease & fibrosis. We look for Acute-on-Chronic Liver Failure (ACLF) safety & efficacy results before the end of 1H14 to drive performance. CNAT is also on track to initiate a Ph-2 trial in Non-Alcoholic Steatohepatitis (NASH) in 1H14, followed by two new Ph-2b trials in Chronic Liver Failure (CLF) & HCV-POLT in 2H14. We recommend accumulating CNAT's shares in front of the ACLF results. We reiterate our Buy recommendation given CNAT's attractive risk-reward based on our conservative sales & DCF assumptions across the populations mentioned above. Our emricasan sales are heavily risk-adjusted, with 2028E sales of \$430M ([click here](#) to see our 32pg. CNAT initiation report & models).

ACLF results in 1H14, as additional Phase 2 trials rollout

CNAT is accelerating enrollment for its 60-patient, 28-day Phase IIb ACLF trial by supplementing its 17 actively enrolling UK sites with 12 US sites. The ACLF trial is on track to read out in 1H14, for which we expect pharmacokinetic, safety, & favorable AST/ALT biomarker results. The addition of the US clinical sites should help facilitate enrollment for its other clinical trials. Following a brief hold, CNAT has narrowed its focus in HCV-POLT to post-liver transplant patients with re-established fibrosis following anti-viral therapy. CNAT views this indication as its "best near-term opportunity to demonstrate proof of concept for emricasan as an anti-fibrosis agent". Our model assumes a 2-year, 260 patient trials with biopsy & biomarker endpoints starting in 2H14 with top line results and a potential filing in 2017 as a fairly limited number of patients have started therapy on GILD's Solvaldi. Our discussions with management indicated no change in CNAT's 18 month cash burn rate, which should fund trials into 2H15.

Emricasan safety data suggests combo potential

The early discontinuation of Intercept's (ICPT) FLINT trial of obeticholic acid (OCA) for NASH has generated heightened investor interest given presumed efficacy, but also cholesterol/lipid level concerns. Based on the available preclinical & Ph-I/II data, we are comfortable with emricasan's safety profile. Pre-clinical data from a high fat diet, murine NASH model showed lower cholesterol levels for emricasan vs. an active control (141mg vs. 183mg) but similar triglyceride levels (89mg vs. 96mg). Additionally, the Ph-IIb trial in HCV patients showed significant reductions (36%-46%, $p < 0.001$) in AST & ALT levels with the different doses & AE rates comparable to placebo. Consequently, we do not view the NASH opportunity as a zero-sum game with emricasan, OCA, or GILD's simtuzumab emerging with a dominant position, but rather as complementary through a combination therapy approach.

John T. Boris
212-319-5645
john.t.boris@suntrust.com

SEE PAGE 7 FOR REQUIRED DISCLOSURE INFORMATION

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Catalysts in 2014: 1) top line Phase IIb ACLF results in 1H14; 2) initiation of Phase II NASH trial in 1H14; 3) initiation of the Phase IIb CLF & POLT trials in 2H14.

Exhibit 1: Conatus Pharmaceuticals - Discounted Cash Flow (DCF) Valuation

(\$ in thousands)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
EBIT	(20,120)	(22,027)	(19,601)	(13,818)	308	23,782	65,892	90,810	138,906	172,899	206,695	241,471	265,282	286,566	300,174
EBIT margin	N/A	N/A	N/A	(201.9%)	1.3%	42.9%	62.1%	65.4%	68.3%	69.5%	70.4%	71.1%	71.0%	70.8%	70.5%
- Taxes	0	0	0	0	0	0	0	(28,449)	(47,836)	(61,640)	(75,411)	(89,621)	(99,488)	(116,304)	(122,274)
+ Depreciation & Amortization	46	46	46	46	72	123	172	219	321	392	463	536	589	638	671
- Change in working capital	36	(14)	(14)	(688)	4,687	(14,552)	(15,841)	(12,209)	(11,046)	(10,398)	(10,207)	(9,886)	(7,851)	(7,250)	(4,837)
- Capex	0	0	0	0	(11)	(28)	(53)	(69)	(102)	(124)	(147)	(170)	(187)	(202)	(213)
Free cash flow	(20,038)	(21,995)	(19,568)	(14,459)	5,056	9,326	50,170	50,302	80,243	101,129	121,394	142,330	158,345	163,448	173,522
Discount factor	0.86	0.73	0.62	0.53	0.45	0.38	0.33	0.28	0.24	0.20	0.17	0.15	0.12	0.11	0.09
Timing adjustment	0.96	1.96	2.96	3.96	4.96	5.96	6.96	7.96	8.96	9.96	10.96	11.96	12.96	13.96	14.96
Discounted free cash flow	(17,162)	(16,042)	(12,154)	(7,648)	2,277.2	3,577.2	16,387.9	13,992.6	19,008.4	20,400.5	20,854.1	20,821.8	19,726.7	17,340.4	15,676.9
Valuation			Cost of Capital Assumptions												
PV of DCF (2014E -2028E)	117,058						Beta (relative to S&P 500)		2.00						
PV of terminal value	96,382						Equity risk premium		7.25%						
Firm value	\$213,440						Risk-free rate		3.00%						
+ Cash 3Q13A	59,592						Cost of equity		17.50%						
- Debt + Preferred	1,000														
Common Equity value	\$272,032						Pre-tax cost of debt		7.0%						
Diluted Shares outstanding	15,608						Tax rate		40.0%						
Value per share	\$17.43						After-tax cost of debt		4.2%						
Current stock price	\$11.78														
Premium / discount to current price	48%						WACC		17.4%						
As of 01/13/2014							Terminal growth rate		1.0%						

Source: STRH estimates, company reports

Exhibit 2: Conatus Pharmaceuticals - DCF Sensitivity Analysis

Sensitivity analysis (WACC vs. terminal growth rate)										
		Terminal Growth								
		(1.00%)	(0.50%)	0.00%	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%
WACC	15.4%	\$21.19	\$21.48	\$21.79	\$22.11	\$22.46	\$22.83	\$23.23	\$23.66	\$24.13
	15.9%	\$19.91	\$20.17	\$20.44	\$20.72	\$21.03	\$21.36	\$21.71	\$22.09	\$22.49
	16.4%	\$18.74	\$18.96	\$19.20	\$19.45	\$19.72	\$20.01	\$20.32	\$20.65	\$21.01
	16.9%	\$17.65	\$17.85	\$18.06	\$18.29	\$18.53	\$18.78	\$19.05	\$19.34	\$19.66
	17.4%	\$16.65	\$16.83	\$17.02	\$17.22	\$17.43	\$17.65	\$17.89	\$18.15	\$18.42
	17.9%	\$15.73	\$15.88	\$16.05	\$16.23	\$16.42	\$16.62	\$16.83	\$17.06	\$17.30
	18.4%	\$14.87	\$15.01	\$15.16	\$15.32	\$15.49	\$15.67	\$15.85	\$16.06	\$16.27
	18.9%	\$14.08	\$14.21	\$14.34	\$14.48	\$14.63	\$14.79	\$14.96	\$15.13	\$15.32
	19.4%	\$13.34	\$13.46	\$13.58	\$13.70	\$13.84	\$13.98	\$14.13	\$14.29	\$14.45

Source: STRH estimates, company reports

Exhibit 3: Conatus Pharmaceuticals - Income Statement 2011 - 2020E

(\$ in thousands, except per share data)	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total risk-adjusted revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,843	\$22,953	\$55,432	\$106,173
Cost of goods sold (\$20K/kilo)	0	0					0	0	0	0	1,026	3,443	8,315	15,926
Gross profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,816	\$19,510	\$47,118	\$90,247
Research & Development	9,487	5,528	968	1,117	1,886	2,455	6,425	12,900	14,380	11,550	5,474	3,328	4,712	4,247
Total SG&A	2,875	3,086	749	670	1,108	1,640	4,167	7,220	7,647	8,051	14,160	15,874	18,624	20,109
Total expenses	\$12,361	\$8,615	\$1,717	\$1,788	\$2,993	\$4,095	\$10,592	\$20,120	\$22,027	\$19,601	\$19,634	\$19,202	\$23,335	\$24,355
Operating Profit (Loss)	(\$12,361)	(\$8,615)	(\$1,717)	(\$1,788)	(\$2,993)	(4,095)	(\$10,592)	(\$20,120)	(\$22,027)	(\$19,601)	(\$13,818)	\$308	\$23,782	\$65,892
Interest Income	\$28	\$26	0	0	8	30	\$38	\$110	\$131	\$154	\$56	\$7	\$38	\$205
Interest Expense	(114)	(70)	(18)	(196)	(204)	(150)	(550)	(70)	(70)	(70)	(70)	(70)	(70)	(35)
Other Income (Expense)	450	(90)	(563)	(2,890)	(131)	(100)	(3,684)	0	0	0	(6,000)	(6,000)	0	0
(Loss) gain on change in fair value of warrant liability	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income (Loss)	(\$11,997)	(\$8,749)	(\$2,297)	(\$4,873)	(\$3,321)	(\$4,315)	(\$14,806)	(\$20,080)	(\$21,966)	(\$19,517)	(\$19,832)	(\$5,755)	\$23,750	\$66,062
Tax Expense (Benefit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income (Loss)	(\$11,997)	(\$8,749)	(\$2,297)	\$224	(\$3,321)	(\$4,315)	(\$9,709)	(\$20,080)	(\$21,966)	(\$19,517)	(\$19,832)	(\$5,755)	\$23,750	\$66,062
EPS - basic		(\$0.95)	(\$0.25)	\$0.20	(\$0.28)	(\$0.28)	(\$0.61)	(\$1.29)	(\$1.05)	(\$0.94)	(\$0.95)	(\$0.28)	\$1.14	\$3.17
EPS - diluted	(\$1.44)	(\$0.95)	(\$0.25)	\$0.16	(\$0.28)	(\$0.28)	(\$0.65)	(\$1.29)	(\$1.05)	(\$0.94)	(\$0.95)	(\$0.28)	\$1.14	\$3.17
Basic share outstanding		9,255	9,299	1,139	11,664	15,608	9,427	15,608	20,871	20,871	20,871	20,871	20,871	20,871
Diluted shares outstanding	8,342	9,255	9,299	1,439	11,664	15,608	9,503	15,608	20,871	20,871	20,871	20,871	20,871	20,871
Margin analysis	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Gross margin (on sales)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	85.0%	85.0%	85.0%	85.0%
Research & Development	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80.0%	14.5%	8.5%	4.0%
General & Administrative	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	127.1%	25.3%	14.5%	8.5%
Sales & Marketing	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	79.9%	43.8%	19.1%	10.4%
Total SG&A	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	206.9%	69.2%	33.6%	18.9%
Operating profit	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-201.9%	1.3%	42.9%	62.1%
Pretax income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-289.8%	-25.1%	42.8%	62.2%
Effective tax rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	0.0%	0.0%
Net income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-289.8%	-25.1%	42.8%	62.2%
YoY % change	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total risk-adjusted revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	235.4%	141.5%	91.5%
Gross Profit	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	235.4%	141.5%	91.5%
Research & Development	NM	-41.7%	-16.7%	-0.2%	6.3%	66.7%	16.2%	100.8%	11.5%	-19.7%	-52.6%	-39.2%	41.6%	-9.9%
General & Administrative	NM	7.4%	-0.2%	3.2%	50.2%	72.7%	35.0%	57.7%	6.0%	5.8%	18.0%	-33.1%	38.6%	11.9%
Sales & Marketing	NM	NM	NM	NM	NM	NM	NM	NM	5.0%	0.0%	700.8%	84.1%	5.0%	5.0%
Total SG&A	NM	7.4%					35.0%	73.3%	5.9%	5.3%	75.9%	12.1%	17.3%	8.0%
Operating profit	NM	-30.3%					23.0%	89.9%	9.5%	-11.0%	-29.5%	-102.2%	7628.4%	177.1%
Pretax income	NM	-27.1%	20.7%	166.7%	28.5%	77.2%	69.2%	35.6%	9.4%	-11.1%	1.6%	-71.0%	-512.7%	178.2%
Tax Expense (Benefit)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Income (Loss)	NM	-27.1%	20.7%	-112.2%	28.5%	77.2%	11.0%	106.8%	9.4%	-11.1%	1.6%	-71.0%	-512.7%	178.2%
EPS - diluted	NM	-34.3%	20.2%	-108.6%	-88.9%	-107.6%	-31.0%	97.1%	-18.2%	-11.1%	1.6%	-71.0%	-512.7%	178.2%

Source: STRH estimates, company reports

Exhibit 4: Conatus Pharmaceuticals - Consolidated Balance Sheet 2011 - 2020E

(\$ in thousands except per share data)	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Assets														
Cash and cash equivalents	\$3,073	\$4,036	\$4,840	\$3,281	\$35,135	\$36,842	\$36,842	\$17,106	\$45,453	\$26,268	\$6,259	\$6,472	\$18,594	\$73,280
Short-term investments	13,685	3,989	255	255	24,457	219	219	184	148	112	77	41	5	0
Accounts and trade receivables	0	0	0	0	0	0	0	0	0	0	3,079	6,886	16,630	31,852
Inventories	0	0	0	0	0	0	0	0	50	100	462	1,377	3,326	5,096
Prepaid and other current assets	165	76	83	158	614	76	76	76	76	76	137	459	1,109	2,123
Total current assets	\$16,923	\$8,102	\$5,179	\$3,694	\$60,206	\$37,137	\$37,137	\$17,366	\$45,727	\$26,556	\$10,014	\$15,235	\$39,662	\$112,352
Property and equipment, net	\$21	\$30	\$27	\$24	\$22	\$20	\$20	\$9	(\$2)	(\$13)	(\$24)	(\$48)	(\$108)	(\$222)
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other noncurrent assets	14	14	40	1,539	14	40	40	40	40	40	7	23	55	106
Total noncurrent assets	\$36	\$44	\$67	\$1,564	\$36	\$60	\$60	\$49	\$38	\$28	(\$17)	(\$25)	(\$53)	(\$116)
Total assets	\$16,959	\$8,146	\$5,246	\$5,257	\$60,242	\$37,197	\$37,197	\$17,415	\$45,765	\$26,584	\$9,997	\$15,209	\$39,610	\$112,235
Liabilities and Stockholders' Equity														
Current Liabilities:														
Short-term debt	\$0	0	0	975	0	0	0	0	0	0	0	0	1,000	0
Accounts payable & accrued expenses	\$1,179	1,087	390	1,354	775	1,087	1,087	1,087	1,087	1,087	770	2,410	3,326	3,185
Accrued compensation	542	326	351	370	381	326	326	326	326	326	3,421	11,476	8,315	10,617
Total current liabilities	\$1,721	\$1,413	\$741	\$2,699	\$1,156	\$1,413	\$1,413	\$1,413	\$1,413	\$1,413	\$4,191	\$13,887	\$12,641	\$13,803
Preferred stock warrant liability	69	160	708	4,104	0	160	160	157	154	151	148	145	142	139
Note payable	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	\$2,790	\$2,573	\$2,448	\$7,803	\$2,156	\$2,573	\$2,573	\$2,570	\$2,567	\$2,564	\$5,339	\$15,031	\$12,783	\$13,942
Stockholders' Equity:														
Common Stock (Series A)	\$32,209	\$32,209	\$32,209	\$24,709	\$0	\$91,367	\$91,367	\$91,541	\$141,733	\$141,944	\$142,286	\$143,434	\$146,205	\$151,514
Common Stock (Series B)	31,700	31,700	31,700	26,681	0	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700
Common Stock	1	1	0	0	2	1	1	1	1	1	1	1	1	1
Additional paid-in capital	323	470	0	12,050	127,378	470	470	470	470	470	470	470	470	470
Accumulated other comprehensive income (deficit)	(4)	1	0	0	12	1	1	1	1	1	1	1	1	1
(Deficit)/Earnings accumulated	(50,058)	(58,808)	(61,111)	(65,984)	(69,305)	(64,691)	(64,691)	(84,644)	(106,482)	(125,871)	(145,576)	(151,203)	(127,326)	(61,168)
Total stockholders' equity (deficit)	\$14,169	\$5,573	\$2,798	(\$2,545)	\$58,086	\$58,848	\$58,848	\$39,069	\$67,422	\$48,244	\$28,882	\$24,402	\$51,051	\$122,518
Total liabilities and stockholders' equity (deficit)	\$16,959	\$8,146	\$5,246	\$5,257	\$60,242	\$61,421	\$61,421	\$41,639	\$69,989	\$50,808	\$34,221	\$39,433	\$63,834	\$136,459

Source: STRH estimates, company reports.

Exhibit 5: Conatus Pharmaceuticals - Statement of Cash Flows 2011 to 2020E

(\$ in thousands except per share data)	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Cash flows from operating activities:														
Net Income (loss)	(\$11,997)	(\$8,749)	(\$2,297)	(\$4,873)	(\$3,321)	(\$4,315)	(\$9,709)	(\$20,080)	(\$21,966)	(\$19,517)	(\$19,832)	(\$5,755)	\$23,750	\$66,062
Depreciation and amortization	294	181	12	3	2	2	19	46	46	46	46	72	123	172
Stock-based compensation expense	160	144	21	4	75	57	158	174	192	211	342	1,148	2,772	5,309
Loss (gain) on changes in fair value of warrant liability							0	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Deferred income taxes							0	0	0	0	0	0	0	0
Change in lease liability							0	0	0	0	0	0	0	0
Other	(455)	92	547	2,895	219	(3,569)	92	92	92	92	92	92	92	92
Changes in assets and liabilities:														
Short term investments						3,770	3,770	36	36	36	36	36	36	5
Accounts and trade receivables							0	0	0	0	(3,079)	(3,807)	(9,744)	(15,222)
Inventories							0	0	(50)	(50)	(362)	(915)	(1,949)	(1,770)
Prepaid expenses & other current assets	(68)	89	(7)	(75)	(456)	537	0	0	0	0	(61)	(322)	(650)	(1,015)
Deferred tax assets						0	0	0	0	0	0	0	0	0
Other non-current assets	102	0	(26)	26	0	(26)	(26)	0	0	0	33	(16)	(32)	(51)
Accounts payable and other current liabilities	176	(92)	(697)	71	305	322	0	0	0	0	2,778	9,695	(2,246)	2,162
Other long-term liabilities	(308)	(229)	15	(15)	18	(18)	0	0	0	0	0	0	0	0
Net cash generated (used) in operating activities	(\$12,096)	(\$8,564)	(\$2,431)	(\$1,965)	(\$3,157)	(\$3,239)	(\$5,696)	(\$19,735)	(\$21,653)	(\$19,185)	(\$20,009)	\$224	\$12,149	\$55,739
Cash flows from investing activities:														
Maturities of investments	\$18,936	\$19,838	\$3,725	\$0	\$0	\$0	\$3,725	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchases of investments	(32,908)	(10,309)	0	0	(24,224)	0	(24,224)	0	0	0	0	0	0	0
Capital Expenditures	(16)	(18)	0	0	0	0	0	0	0	0	0	(11)	(28)	(53)
Net cash generated (used) in investing activities	(\$13,989)	\$9,511	\$3,725	\$0	(\$24,224)	\$0	(\$20,499)	\$0	\$0	\$0	\$0	(\$11)	(\$28)	(\$53)
Cash flows from financing activities:														
Short-term borrowings	\$0	\$0	\$0	\$1,001	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000	(\$1,000)
Proceeds from issuance of common stock	0	16	11	3	61,408	(2,421)	59,000	0	50,000	0	0	0	0	0
Proceeds from exercise of stock options / warrants (net of costs)	26,424	0	0	0	0	(0)	0	0	0	0	0	0	0	0
Share repurchase	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of debt	0	0	0	0	0	0	0	0	0	0	0	0	(1,000)	0
Repayment of debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of finance leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	(500)	(599)	(2,172)	0	0	0	0	0	0	0	0	0
Net cash flow provided (used) by financing activities	\$26,424	\$16	(\$489)	\$405	\$59,236	(\$2,422)	\$59,000	\$0	\$50,000	\$0	\$0	\$0	\$0	(\$1,000)
Impact from Foreign Exchange		0	0	0	0	0	0	0	0	0	0	0	0	0
Net increase (decrease) in cash and cash equivalents	\$340	\$963	\$804	(\$1,560)	\$31,855	(\$5,661)	\$32,806	(\$19,735)	\$28,347	(\$19,185)	(\$20,009)	\$213	\$12,122	\$54,686
Cash and cash equivalents, beginning of period	\$2,733	\$3,073	\$4,036	\$4,840	\$3,281	\$35,135	\$4,036	\$36,842	\$17,106	\$45,453	\$26,268	\$6,259	\$6,472	\$18,594
Cash and cash equivalents, end of period	\$3,073	\$4,036	\$4,840	\$3,281	\$35,135	\$36,842	\$36,842	\$17,106	\$45,453	\$26,268	\$6,259	\$6,472	\$18,594	\$73,280

Source: STRH estimates, company reports

Companies Mentioned in This Note

Gilead Sciences (GILD, \$73.14, NR)
Intercept Pharmaceuticals (ICPT, \$364.36, NR)

Analyst Certification

I, John T. Boris , hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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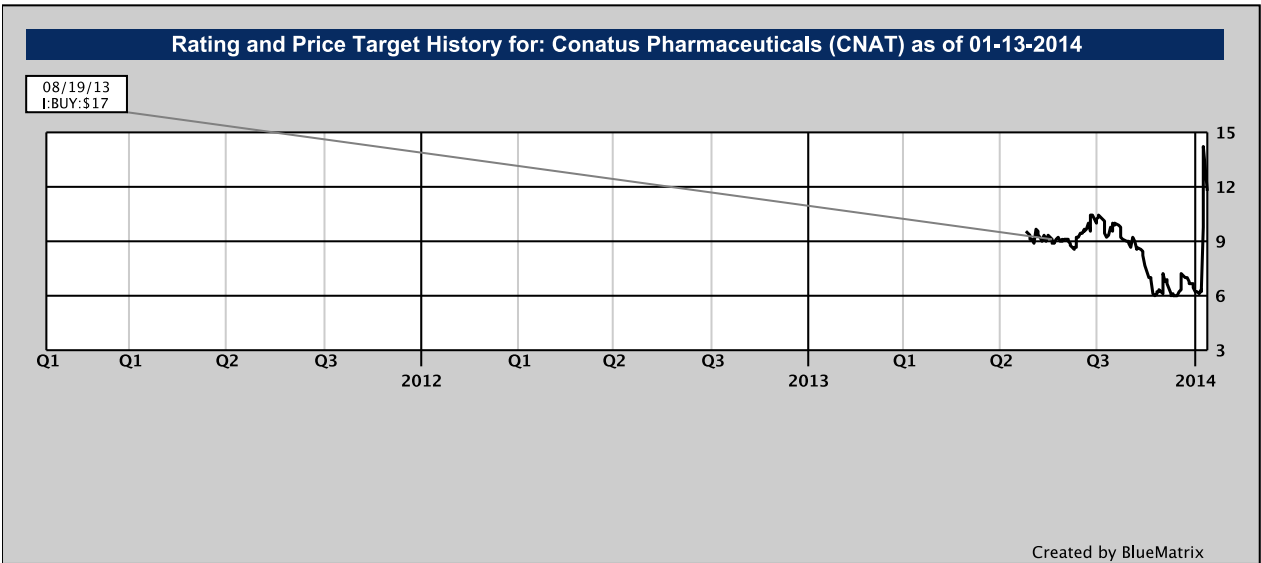
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3 designations based on total returns* within a 12-month period**

- **Buy** – total return \geq 15% (10% for low-Beta securities)***
- **Reduce** – total return \leq negative 10% (5% for low Beta securities)
- **Neutral** – total return is within the bounds above
- **NR** – NOT RATED, STRH does not provide equity research coverage
- **CS** – Coverage Suspended

*Total return (price appreciation + dividends)

**Price targets are within a 12-month period, unless otherwise noted

***Low Beta defined as industries with an average Beta of .0.8, using Bloomberg's 5-year average Beta

Legend for Rating and Price Target History Charts:

D = drop coverage

I = initiate coverage

T = transfer coverage

SunTrust Robinson Humphrey ratings distribution (as of 01/13/2014):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	213	49.31%	Buy	65	30.52%
Neutral	210	48.61%	Neutral	34	16.19%
Sell/Reduce	9	2.08%	Sell/Reduce	0	0.00%

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