Zacks Small-Cap Research

April 11, 2014
Grant Zeng, CFA
312-265-9466
gzeng@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

# Northwest Biotherapeutics (NWBO-NASDAQ)

**NWBO:** German approval is a significant milestone, Interim data analysis an important progress of ongoing Phase III--*Outperform*

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | N/A |
| Date of Last Change | 10/30/2011 |
| Current Price (04/10/14) | $6.85 |
| **Twelve-Month Target Price** | **$12.00** |

## OUTLOOK

NWBO is making multiple progresses in its ongoing Phase III clinical trial of DCVax-L for brain cancer and Phase I/II trial of DCVax-Direct for solid tumors. Phase III of DCVax-L has been initiated in the UK, and about to begin in Germany soon. Hospital Exemption in Germany further validates its immunotherapy platform.

Recent financing boosted the Company's balance sheet.

Current valuation is attractive. We maintain our Outperform rating.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$9.18** |
| **52-Week Low** | **$3.15** |
| **One-Year Return (%)** | **88.80** |
| **Beta** | **2.80** |
| **Average Daily Volume (sh)** | **1,882,776** |
| **Shares Outstanding (mil)** | **46** |
| **Market Capitalization ($mil)** | **$322** |
| **Short Interest Ratio (days)** | **2.91** |
| **Institutional Ownership (%)** | **2.0** |
| **Insider Ownership (%)** | **5.0** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2011 Estimate** | **N/A** |
| **P/E using 2012 Estimate** | **N/A** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **High,** |
| **Type of Stock** | **N/A** |
| **Industry** | **Med-Biomed/Gene** |
| **Zacks Rank in Industry** | **N/A** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2013 | 0.14 A | 0.27 A | 0.40 A | 0.00 A | 0.81 A |
| 2014 | 0.00 E | 0.00 E | 0.05 E | 0.08 E | 0.13 E |
| 2015 | | | | | 0.50 E |
| 2016 | | | | | 1.50 E |

**Earnings per Share**
(EPS is operating earnings before non recurring items)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2013 | -$0.54 A | -$0.40 A | -$0.44 A | -$0.42 A | -$1.78 A |
| 2014 | -$0.34 E | -$0.34 E | -$0.33 E | -$0.34 E | -$1.35 E |
| 2015 | | | | | -$0.58 E |
| 2016 | | | | | -$0.59 E |

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

## WHAT'S NEW

- **German Approvals represent a significant milestone;**
- **Interim data analysis an important progress of Phase III trial;**
- **Balance sheet boosted by new financing;**
- **Top line results for Phase III of DCVax-L expected by end of 2014;**
- **Phase I/II DCVax-direct initiated, and enrollment will be accelerated;**
- **Valuation is attractive; Price target raised to$12.00;**

### *Two German Approvals Further Validate DCVax Platform Technology*

On March 10, 2014, Northwest Biotherapeutics (NWBO) announced that it has received **approval** from the German Health Authority of a "**Hospital Exemption**" early access program.

Under this Hospital Exemption, Northwest may provide DCVax-L to patients for the treatment of **any glioma** brain cancers (both Glioblastoma multiforme and lower grade gliomas), both newly diagnosed and recurrent, outside of the Company's clinical trial and charge full price. The patients may be from Germany or elsewhere. This approval has a term of five years, and can be re-applied for and re-issued at the end of that period.

Meanwhile, NWBO announced that the German reimbursement authority has determined that DCVax-L treatments for glioma brain cancers are **eligible to obtain reimbursement** from the Health Insurers of the German healthcare system. Applications for such reimbursement eligibility may only be submitted to the Health Insurers by German hospitals, not by a company. Six major hospital centers across Germany applied for such reimbursement eligibility for DCVax-L for glioma brain cancers. The amount and terms for such reimbursement will be negotiated by NWBO, the hospitals and the Health Insurer over the coming months, and will be applied to patients case by case. In the meantime, patients may self-pay for DCVax-L.

**We view the two approvals in Germany a significant milestone for NWBO in the following aspects**.

- First, the approvals will allow the company to record product revenue in 2014. The revenue may not be meaningful, but this marks the first time in the company's history that product sales will be booked for revenue.

- **More importantly**, the approvals further **validate** the company's DCVax immunotherapy platform technology.

- Furthermore, the German approvals also provide NWBO the opportunity to begin practicing for future commercial operations.

The evaluation of NWBO's application by the German regulatory authorities included comprehensive and detailed scrutiny of all aspects of the DCVax-L technology, all DCVax-L clinical data to date, all manufacturing processes, all product characteristics (including potency, composition, sterility and other aspects), all frozen storage of DCVax-L and frozen shelf life, and all distribution and handling of the DCVax-L products.

The approval for DCVax-L of hospital exemption is the **first such approval** granted by the German regulatory authorities in multiple key ways. Only two prior approvals have been given in the more than 2-1/2 years since the law was put in place, and those were for two German companies with tissue engineered products which had already been on the market commercially under prior laws and were grandfathered for regulatory purposes, and which did not have pharmacological effects.

In contrast, DCVax-L is the first product of its kind to receive Hospital Exemption approval from the German regulators, in the following key ways:

- the first immunotherapy;
- the first product which exerts pharmacological effects;
- the first product that has never previously been on the market commercially;
- the first product developed by a non-German company, not previously under the German regulators' oversight; and
- the first "somatic" cell therapy product (a somatic cell is any cell of the body other than a reproductive or embryonic cell).

Furthermore, **the scope** of the Hospital Exemption granted for DCVax-L is broader than the scope of the ongoing Phase III clinical trial. The Hospital Exemption for DCVax-L applies to all glioma brain cancers, including both the most severe grade (Grade IV, Glioblastoma multiforme or GBM) and lower grade gliomas, while the clinical trial includes only GBM. The Hospital Exemption also includes both newly diagnosed and recurrent gliomas, while the clinical trial includes only newly diagnosed.

DCVax-L products that are to be covered by the Hospital Exemption in Germany must be manufactured in Germany, but can be administered to patients from anywhere. The Company will provide annual data reports to the German regulatory authority during the five-year term of the Hospital Exemption. The Company expects to activate this program over the coming months.

The German approval also provides NWBO the opportunity to begin practicing for future commercial operations.

As a follow-up to this announcement, the Company will periodically provide further information about its Hospital Exemption program and reimbursement as the information becomes available.

***Important Progress Made in Interim Data Analysis By DSMD for Phase III of DCVax-L***

On March 7, 2014, NWBO announced that the Data Safety Monitoring Board (DSMB) has made an unblinded review of the safety data for the Company's ongoing international Phase III GBM Trial of DCVax-L, and has recommended that the trial continue as planned. The DSMB's review of the efficacy data is still pending.

We view this recommendation an important step in the ongoing progress of the Phase III DCVax-L trial. The DSMB usually has three kind of recommendations based on interim data.

- Stop trial early due to excellent safety data and efficacy data, this is a rare case;
- Continue the trial based on good safety data and efficacy data; this is the most common case. In such a case, the safety data are good, and the efficacy data are fine, but have not reached statistically significance;
- Discontinue the trial due to poor safety and efficacy data;

NWBO did not disclose the interim data. Our guess is that the safety data are excellent, and the efficacy data have not reached statistical significance. This is understandable. At this point, the number of patients is still not enough to power the statistics.

We plan to update investors once the second interim analysis is available.

***New financing Boosts Balance Sheet***

As of December 31, 2013, NWBO had cash and cash equivalents of $18.5 million. Current cash balance will last through 2Q14.

On April 10, 2014, NWBO entered into an agreement with a single institutional investor for a registered direct placement of up to **$32 million**. The Stock Purchase Agreement provides for the sale of an initial $15 million of common stock at $6.60 per share (approximately 8% discount to the closing market price). The Stock Purchase Agreement also provides a non-transferable Oversubscription Option for the investor to purchase up to $17 million of common stock at $7.50 per share (approximately 5% premium to the closing market price) during the twelve months following the initial closing.

On Nov. 20, 2013, Northwest Biotherapeutics, Inc. (NWBO) announced the pricing of an underwritten public offering of 4.9 million units at a public offering price of $4.80 per unit, resulting in gross proceeds of **$23.5 million**.

Each unit consists of one share of common stock, and a warrant to purchase 0.5 shares of common stock at an exercise price of $6.00 per share. The warrants are immediately exercisable and expire on the fifth anniversary of the date of issuance. The shares of common stock and warrants are immediately separable and will be issued separately.

These two financings are important to NWBO. They not only provide much needed cash for advancing its clinical programs, but also validate the company's technology.

***Top Line Results of Phase III DCVax-L for Brain Cancer Expected by the End of 2014***

This **Phase III trial of DCVax-L** is for newly diagnosed Glioblastoma multiforme (GBM), the most common and most lethal form of brain cancer.

The trial is well **under way in the US**, with over 50 active sites at present, and is expected to enroll an aggregate total of 312 patients in the US and Europe.

On May 16, 2013, NWBO announced that **Phase III** clinical trial with DCVax®-L for brain cancer has been initiated at King's College Hospital **in the UK**. This is one of the first late-stage clinical trials in Europe with active immune therapies. Three other sites in the UK are also preparing to open.

On September 17, 2013, NWBO announced that the **German regulatory authority** has approved the Company's implementation of the three minor amendments required by the authority's initial decision announced in August, and has authorized the Company's **Phase III GBM** clinical trial to open **in Germany.**

This rapid regulatory response enables NWBO to proceed with its Phase III trial in Germany, where the Company plans to include more than 20 top German hospital centers. These German centers will be joining more than 55 clinical trial sites currently operating in the US, as well as sites in the UK, as part of NWBO's international 312-patient, double blind, randomized, placebo-controlled Phase III clinical trial of DCVax®-L for Glioblastoma multiforme (GBM).

NWBO will now proceed with the final administrative steps with the individual German hospital centers, in order for enrollment to begin.

NWBO expects to complete enrollment by the late summer, and potentially reaching top line results by the end of this year.

***DCVax®-Direct Phase I/II trial initiated for all solid Tumor cancers***

On June 13, 2013, NWBO announced that its 60-patient **Phase I/II** clinical trial of DCVax-Direct for all inoperable solid tumor cancers has been initiated at The University of Texas MD Anderson Cancer Center in Houston, Texas.

On September 24, 2013, NWBO announced that the MD Anderson Cancer Center Orlando has become the second site participating in the Phase I/II clinical trial of DCVax-Direct. MD Anderson-Orlando is one of the predominant cancer centers in the Southeast United States. The wide range of cancers treated at the institution make it an excellent fit for this Phase I/II trial which is very broadly targeted, enrolling patients with all types of solid tumors for which surgery is not possible.

These two prominent centers bring a very strong combined patient flow, which will help accelerate the enrollment of the trial. In addition, other trial sites in the US and Europe are in various stages of preparation.

DCVax-Direct offers a potential new treatment option for the many clinical situations in which patients' tumors are considered inoperable either because of the location or type of cancer, or because of the spread of multiple tumors. A large number of patients with lung, colon, pancreatic, liver, ovarian, melanoma, head and neck, and other cancers such as sarcomas face this situation today, and it carries a bleak prognosis.

It is anticipated that multiple other leading centers in both the US and UK will be joining as trial sites as well. Since the Company's announcement of plans for this trial, NWBO has received inquiries from both patients and medical centers across the country seeking to participate.

The trial is expected to enroll groups or "cohorts" of patients with numerous different types of cancers, including pancreatic, colon, liver, melanoma, and various other cancers.

The trial is a combined Phase I and II trial. In the **Phase I stage**, the trial will test various dose levels of DCVax-Direct. The trial will then proceed directly into the **Phase II stage** to test the efficacy of the DCVax-Direct treatment. The primary endpoint for measurement of efficacy will be tumor regression (i.e., shrinkage or elimination).

As is standard with Phase I/II trials, this trial will not be blinded – the clinical results in patients will be seen as the trial progresses. Accordingly, it is anticipated that early results of the trial may be emerging throughout the remainder of 2013.

This endpoint of tumor regression is a particularly important one clinically: once tumors are established, if they cannot be surgically removed, it is very difficult to stop their growth and their spread. This endpoint is also important from a regulatory standpoint: it is the endpoint used most frequently for FDA-granted accelerated approval. Further, this endpoint is a rapid one: typically, if tumor regression is going to occur, it is anticipated to be seen within a few months after treatment – far sooner than other clinical trial endpoints such as progression free survival (PFS) or overall survival (OS).

Through over 10 years of research and development, NWBO has developed a unique DCVax-Direct technology with potential for any solid tumors. DCVax-Direct uses the DCVax platform to activate DCs in a manner suitable for direct injection into solid tumors. DCVax-Direct is designed to treat cancer patients whose **tumor tissue is not available** as their tumors are considered to be inoperable. The patient’s dendritic cells are activated, but without addition of cancer antigens. The cells adhere to the plastic culture surface, which results in activation.

In multiple **pre-clinical** studies of various cancers in animals, direct injection of DCVax-Direct into some of the tumors in each animal resulted in complete clearance of all tumors in 80% to 100% of all of the animals in the various studies – both the tumors that were injected and the tumors that were not injected, indicating a systemic immune response. Further, the tumors were cleared relatively rapidly: within weeks after the DCVax-Direct injections. Equally as important, sixty days after the tumors were cleared from the animals in these pre-clinical studies, the animals were re-injected with the same tumor cells that readily established tumors at the outset of the studies. This time, tumors failed to establish, indicating immune memory.

Current treatments for solid tumors typically involve cytotoxic therapy aimed at killing tumor cells. Such treatments include radiation therapy, chemotherapy, or other cell killing treatments such as cryotherapy. These treatments can still be used along with DCVax-Direct as they can potentially prepare the tumor tissue for the injection of DCVax-Direct. The ability to still use conventional cytotoxic agents along with DCVax-Direct will enable DCVax-Direct to be adopted in the market without requiring any change of existing clinical practice if so desired.

**DCVax-Direct** is the Company's third major product line in addition to **DCVax-L** and **DCVax-Prostate.**

***Price Target Raised to $12.00 per share***

We maintain our Outperform rating on NWBO and raise our 12-month price target to $12.00 per share from previous $7.50 per share. Our call is based on the key progress the Company has made in the last few months.

Northwest is engaged in the business of developing cell-based immunotherapies for the treatment of various cancers. This is a relatively new area and has come to investors' attention due to recent two developments: the first in class immunotherapeutic drug Provenge from Dendreon was approved by the FDA in April 2010 and the 2011 Nobel Prize in Physiology or Medicine was awarded to the discovery of dendritic cells (DCs) as immune master cells.

NWBO's batch manufacturing process and cryopreservation technology allow for sharp price reduction of DCVax products. In addition to the cost reduction, DCVax is also superior in terms of ease of administration, and higher concentration of DCs.

Both DCVax-L and DCVax-Prostate are in late stage of development and both, if approved, have blockbuster potential. The Company needs to find a partner for DCVax-Prostate. In addition, NWBO initiated a Phase I/II clinical trial for its third candidate DCVax-Direct for solid tumors.

Currently, the Company shares are trading at about $7.00 per share which values the Company at about $322 million based on 46 million shares outstanding. This is certainly a discount compared to its peers. Most small biotech companies of development stage are valued from $50 million to $1000 million depending on how advanced the pipeline is and which indications the company is targeting. NWBO is a late stage development biotech company, and its lead candidate DCVax-L is under a Phase III clinical trial. Another lead candidate DCVax-Prostate is also cleared for a Phase III trial. Market potential is huge for either product.

Our price target of $12.00 per share values NWBO at $552 million in market cap. Apparently, risk is high for NWBO at this stage. The major concern is cash burn. As the company moves forward with the Phase III of DCVax-L and Phase I/II DCVax-Direct, R&D expense is soaring. We will keep a close eye on the company's balance sheet. That said, return should also be high.

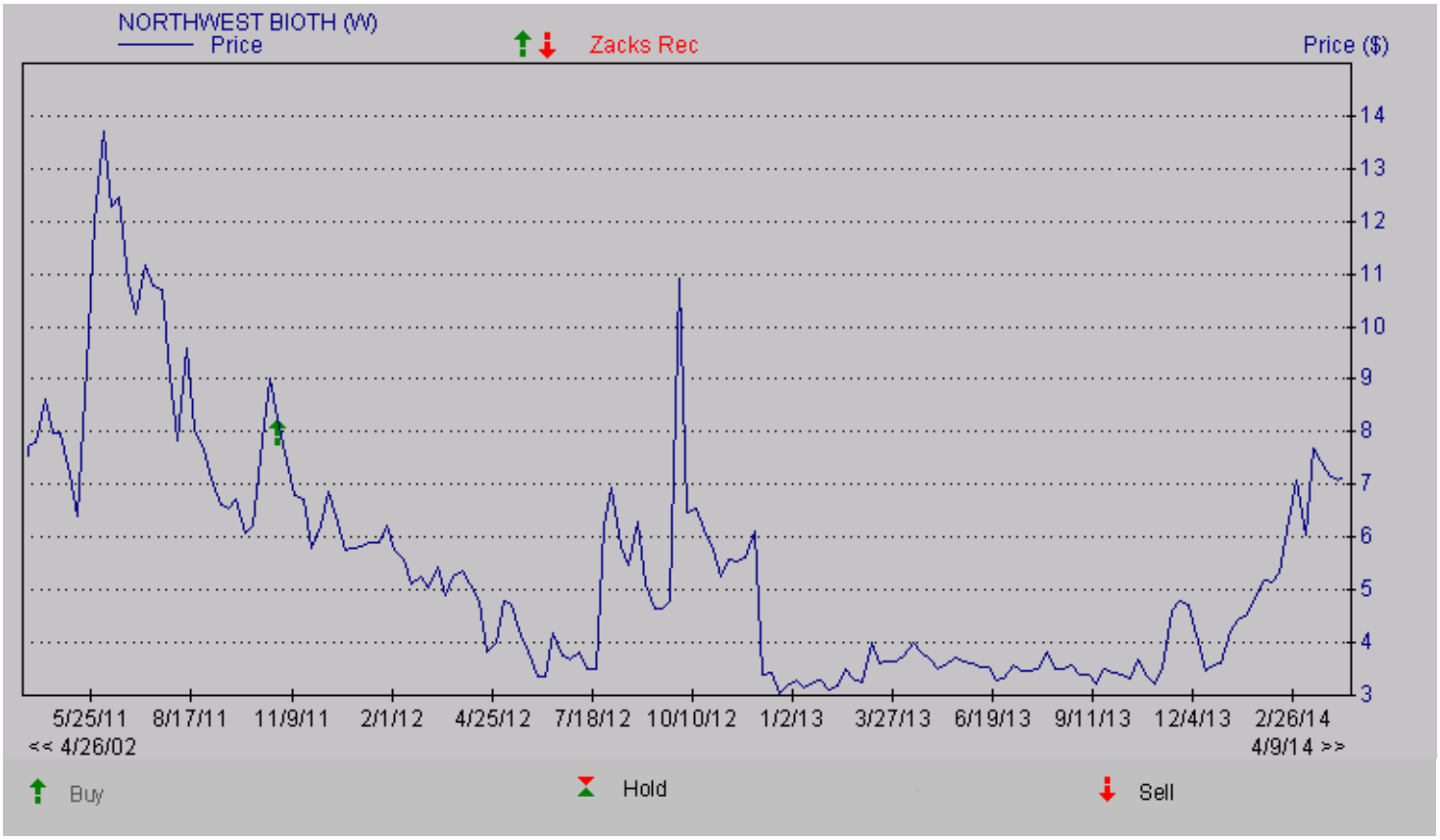
## PROJECTED INCOME STATEMENT

| | 2013A (Dec) | | | | | 2014E (Dec) | | | | | 2015E (Dec) | 2016E (Dec) | 2017E (Dec) | 2018E (Dec) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ in million except per share data | Q1A | Q2A | Q3A | Q4A | FYA | Q1E | Q2E | Q3E | Q4E | FYE | FYE | FYE | FYE | FYE |
| *Product Sales* | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.05 | $0.08 | $0.13 | $0.50 | $1.50 | $3.00 | $5.00 |
| *Contract R&D from related parties* | $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 |
| *Research grants and other* | $0.14 | $0.27 | $0.40 | $0.00 | $0.81 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Total Revenues** | **$0.14** | **$0.27** | **$0.40** | **$0.00** | **$0.81** | **$0.00** | **$0.00** | **$0.05** | **$0.08** | **$0.13** | **$0.50** | **$1.50** | **$3.00** | **$5.00** |
| *YOY Growth* | - | - | *233.3%* | *-100.0%* | *4.8%* | *-100.0%* | *-100.0%* | *-87.5%* | - | *-83.9%* | *284.6%* | *200.0%* | *100.0%* | *66.7%* |
| *CoGS* | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.02 | 0.08 | 0.23 | 0.45 | 0.75 |
| **Gross Income** | **$0.14** | **$0.27** | **$0.40** | **$0.00** | **$0.81** | **$0.00** | **$0.00** | **$0.04** | **$0.07** | **$0.11** | **$0.43** | **$1.28** | **$2.55** | **$4.25** |
| *Gross Margin* | *100.0%* | *100.0%* | *100.0%* | - | *100.0%* | - | - | *85.0%* | *85.0%* | *85.0%* | *85.0%* | *85.0%* | *85.0%* | *85.0%* |
| R&D | $11.61 | $8.38 | $12.79 | $11.12 | $43.91 | $11.50 | $11.80 | $12.50 | $13.50 | $49.30 | $15.00 | $17.50 | $20.00 | $22.50 |
| *% R&D* | - | - | - | - | - | - | - | *25000.0%* | *16875.0%* | *37923.1%* | *3000.0%* | *1166.7%* | *666.7%* | *450.0%* |
| SG&A | $2.47 | $3.29 | $3.06 | $3.55 | $12.36 | $3.50 | $3.80 | $4.00 | $4.20 | $15.50 | $17.50 | $19.50 | $21.00 | $22.50 |
| *% SG&A* | - | - | - | - | - | - | - | *8000.0%* | *5250.0%* | *11923.1%* | *3500.0%* | *1300.0%* | *700.0%* | *450.0%* |
| Other expenses | $0.00 | $0.00 | $0.00 | $0.01 | $0.01 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| *% Other* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Operating Income** | **($13.9)** | **($11.4)** | **($15.5)** | **($14.7)** | **($55.5)** | **($15.0)** | **($15.6)** | **($16.5)** | **($17.6)** | **($64.7)** | **($32.1)** | **($35.7)** | **($38.5)** | **($40.8)** |
| *Operating Margin* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Net | ($0.5) | ($0.2) | ($7.5) | ($2.2) | ($10.3) | ($0.5) | ($0.5) | ($0.5) | ($0.5) | ($2.0) | ($2.5) | ($2.5) | ($2.5) | ($2.5) |
| **Pre-Tax Income** | **($14.4)** | **($11.6)** | **($22.9)** | **($16.9)** | **($65.8)** | **($15.5)** | **($16.1)** | **($17.0)** | **($18.1)** | **($66.7)** | **($34.6)** | **($38.2)** | **($41.0)** | **($43.3)** |
| Income taxes(benefit) | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| *Tax Rate* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Reported Net Income** | **($14.4)** | **($11.6)** | **($22.9)** | **($16.9)** | **($65.8)** | **($15.5)** | **($16.1)** | **($17.0)** | **($18.1)** | **($66.7)** | **($34.6)** | **($38.2)** | **($41.0)** | **($43.3)** |
| *YOY Growth* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Net Margin* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Diluted Shares Out* | *26.7* | *29.1* | *35.3* | *40.4* | *32.9* | *45.7* | *47.0* | *52.0* | *53.0* | *49.4* | *60.0* | *65.0* | *70.0* | *75.0* |
| **Reported EPS** | **($0.54)** | **($0.40)** | **($0.65)** | **($0.42)** | **($2.00)** | **($0.34)** | **($0.34)** | **($0.33)** | **($0.34)** | **($1.35)** | **($0.58)** | **($0.59)** | **($0.59)** | **($0.58)** |
| *YOY Growth* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| One time charge | *$0.00* | *$0.00* | *$7.45* | *$0.00* | *$7.45* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* |
| **Non GAAP Net Income** | **($14.4)** | **($11.6)** | **($15.5)** | **($16.9)** | **($58.3)** | **($15.5)** | **($16.1)** | **($17.0)** | **($18.1)** | **($66.7)** | **($34.6)** | **($38.2)** | **($41.0)** | **($43.3)** |
| **Non GAAP EPS** | **($0.54)** | **($0.40)** | **($0.44)** | **($0.42)** | **($1.78)** | **($0.34)** | **($0.34)** | **($0.33)** | **($0.34)** | **($1.35)** | **($0.58)** | **($0.59)** | **($0.59)** | **($0.58)** |

*Source: Company filings and Zacks Investment Research estimates*

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

## HISTORICAL ZACKS RECOMMENDATIONS




## DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Grant Zeng, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1081 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.7%, Hold/Neutral- 74.9%, Sell/Underperform – 7.5%. Data is as of midnight on the business day immediately prior to this publication.