Zacks Small-Cap Research

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Tekmira Pharmaceuticals (TKMR-NASDAQ)

TKMR: Agreement with Monsanto further validates technology, Phase I TKM-Ebola initiated, very strong balance sheet -- Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	03/11/2013
Current Price (01/15/14)	$11.45
Twelve- Month Target Price	**$25.00**

OUTLOOK

We are optimistic about the great potential of TKMR's LNP delivery technology, which enables the systemic delivery of RNAi drug candidates. Tekmira has built a diversified pipeline which targets multiple indications including cancers and infections. Lead drug candidate TKM-PLK1 is in Phase I/II clinical trials. Government sponsored TKM-Ebola is under accelerated "Animal Rule" development. Partnerships should build shareholder value in a rapid and cost-effective way.

We continue to rate the Company's shares Outperform.

SUMMARY DATA

52-Week High	**$12.04**
52-Week Low	**$4.28**
One-Year Return (%)	**112.95**
Beta	**1.38**
Average Daily Volume (sh)	**236,528**
Shares Outstanding (mil)	**19**
Market Capitalization ($mil)	**$216**
Short Interest Ratio (days)	**0.57**
Institutional Ownership (%)	**20**
Insider Ownership (%)	**6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**9.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2013 Estimate	**N/A**
P/E using 2014 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Average,**
Type of Stock	**Small-Growth**
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)
2012	3.6 A	3.6 A	3.0 A	3.9 A	14.1 E
2013	2.2 A	2.9 A	3.1 A	7.7 E	15.9 E
2014					17.5 E
2015					24.0 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.20 A	-$0.18 A	-$0.12 A	-$0.36 A	-$0.89 A
2013	-$0.18 A	-$0.22 A	-$0.25 A	-$0.09 E	-$0.71 E
2014					-$0.68 E
					-$0.48 E

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

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WHAT'S NEW

- **Phase I human clinical trial of TKM-Ebola initiated;**
- **Entering into development agreement with Monsanto;**
- **$5 million milestone payment received from Alnylam;**
- **Maintain Outperform rating and raise price target to $25 from previous $18;**

Tekmira Initiates Phase I Clinical Trial of TKM-Ebola

On Jan. 14, 2014, Tekmira announced that it has dosed the first subject in a **Phase I** human clinical trial of **TKM-Ebola**, an anti-Ebola viral therapeutic that is being developed under a US$140 million contract with the U.S. Department of Defense.

The TKM-Ebola Phase I clinical trial is a randomized, single-blind, placebo-controlled study involving single ascending doses and multiple ascending doses of TKM-Ebola. The study will assess the safety, tolerability and pharmacokinetics of administering TKM-Ebola to healthy adult subjects. Four subjects will be enrolled per cohort. There are four planned cohorts for a total of **16 subjects** in the single dose arm, and three planned cohorts for a total of **12 subjects** in the multiple dose arm of the trial. Each cohort will enroll three subjects who receive TKM-Ebola, and one who will receive placebo.

The Phase I data generated will guide the determination of the appropriate dose of this drug for the potential use as a medical countermeasure against this lethal hemorrhagic fever virus. Data from this trial will be available in the **second half of this year**.

This Phase I trial will use second generation of the company's lipid nanoparticle (LNP) technology, which is more potent than the first generation LNP. Preclinical data indicate that the new formulation is significantly more potent, achieving greater levels of anti-viral activity and 100% survival at significantly lower doses than earlier generation products.

TKM-Ebola is being developed under specific FDA regulatory guidelines called the "**Animal Rule**." The Animal Rule provides that under certain circumstances, where it is unethical or not feasible to conduct human efficacy studies, the FDA may grant marketing approval based on adequate and well-controlled animal studies when the results of those studies establish that the drug is reasonably likely to produce clinical benefit in humans. Demonstration of the product's safety in humans is still required.

We think the "Animal Rule" means a lot for Tekmira, because this can accelerate the development of TKM-Ebola. Once approved by the FDA, Tekmira will have the opportunity to negotiate a stock-pile contract with the US government. These stock-pile or procurement contracts have been very lucrative for other companies supplying similar drugs to the US government.

Development Agreement Signed With Monsanto

On Jan. 13, 2014, Tekmira announced that it has signed an Option Agreement with **Monsanto,** pursuant to which Monsanto may obtain a license to use Tekmira's proprietary **delivery technology**. The transaction will support the application of Tekmira's proprietary delivery technology and related intellectual property (IP) for use in **agriculture**. The potential value of the transaction could reach up to US$86.2 million following the successful completion of milestones. Tekmira expects to receive a near term payment of net US$16.5 million.

The agreement announced follows Monsanto's initial testing of Tekmira's proprietary delivery technology and the demonstration of initial positive results from use of that technology in the field of agriculture. The companies' agreement and research collaboration will now focus on the development of new innovative

biological solutions for farmers, which have the potential to provide new options for sustainable pest, virus and weed control.

Over the option period, which is expected to be approximately four years, Tekmira will provide lipid formulations to Monsanto's research and development activities, and Monsanto will make certain payments to Tekmira to maintain its option rights. At any time during the option period, Monsanto may choose to exercise its option, in which case Monsanto will pay to Tekmira an option exercise fee and will receive a worldwide, exclusive right to use Tekmira's proprietary delivery technology in the field of agriculture. Monsanto may elect to terminate this option at their discretion. Tekmira retains all rights to therapeutics uses of all current IP and IP developed under the agreement.

We think the Monsanto agreement is a very important milestone for Tekmira. It not only boosts the company's balance sheet in a non-dilutive way, but also validates the company proprietary delivery technology. This agreement also expands the application of Tekmira's RNAi delivery technology into a new area.

As a core pillar of its business strategy, Tekmira will continue to seek out a wide range of partnerships where the company's delivery technology can enable the programs of its collaborators.

$5 Million Milestone Payment Received From Alnylam

On Dec. 16, 2013, Tekmira received a US$5M milestone from Alnylam Pharmaceuticals for Phase III Initiation of LNP-Enabled Patisiran (ALN-TTR02). In addition, Tekmira is entitled to ongoing royalties related to the product upon commercialization.

Patisiran is an RNAi therapeutic targeting transthyretin (TTR) for the treatment of TTR-mediated amyloidosis (ATTR). Patisiran is enabled by Tekmira's lipid nanoparticle (LNP) technology. Tekmira is also entitled to receive royalties from Alnylam based on the commercial sales of any LNP-enabled products, including patisiran.

This is an important milestone for Tekmira. The company's LNP delivery technology is enabling the most advanced applications of RNAi in the clinic. The initiation of the Phase III trial further validates the efficacy and safety of Tekmira's LNP technology platform.

The milestone payment also boosts the company's balance sheet.

At September 30, 2013, Tekmira had $36.9 million in cash and cash equivalents.

In October, Tekmira completed a public offering financing of 4,312,500 common shares priced at US$8.00 for gross proceeds of US$34.5 million. Net estimated proceeds were approximately $33.1 million (US$32.1 million).

Including the net proceeds of the financing, the $5 million milestone payment from Alnylam, and payment from Monsanto, cash on hand will be sufficient to last until late 2016.

Transition from a Platform Technology to a Product-focused Company

Tekmira is one of the pioneers in the field of RNAi therapeutics. The Company has been at the forefront of the RNAi technology revolution over the last decade and has been involved in the research and development of RNAi therapeutics since the early days of RNAi discovery and has developed the "gold-standard" systemic RNAi delivery technology: **lipid nanoparticle (LNP) platform**.

LNP has generated robust preclinical and clinical data so far. With the success of the delivery technology, Tekmira recently has shifted its focus **to be product-focused**.

Tekmira's therapeutic product pipeline consists of **internally developed products** as well as **partnered programs.** The Company's internal pipeline has been developed with its own research and development resources. Partnered programs are developed by the Company's partners using Tekmira's LNP technology.

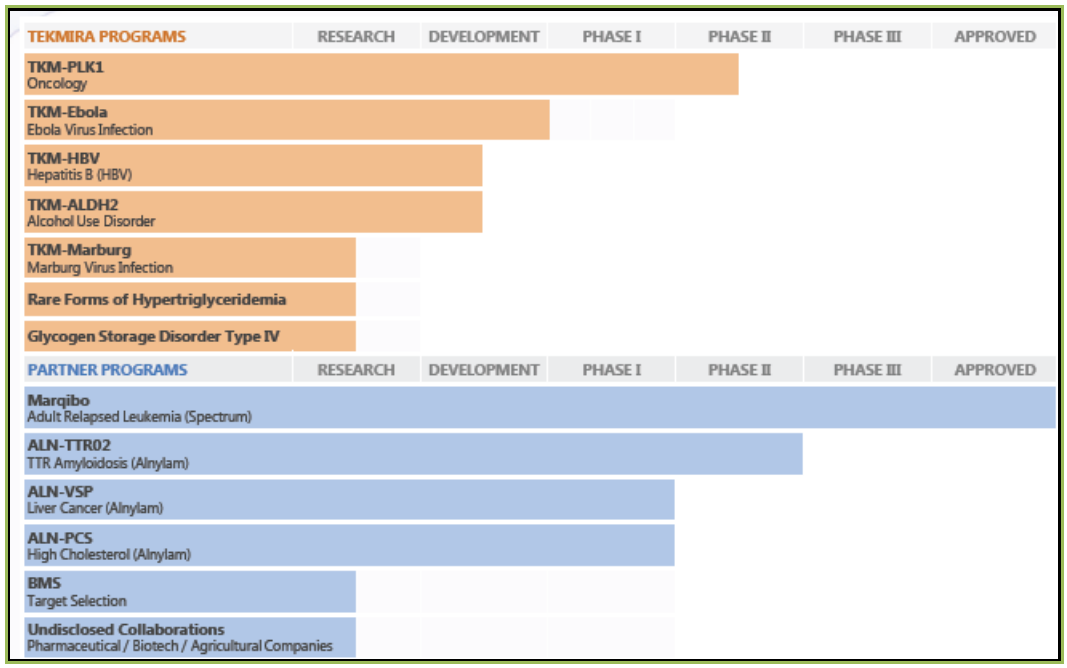
The lead internal program is its oncology product candidate, **TKM-PLK1**, which is in a **Phase I/II** clinical study for cancers. TKM-PLK1 has been shown in preclinical animal studies to selectively kill cancer cells, while sparing normal cells in adjacent healthy tissue. TKM-PLK1 targets PLK1 (polo-like kinase 1), a protein involved in tumor cell proliferation and a validated oncology target. Inhibition of PLK1 expression prevents the tumor cell from completing cell division, resulting in cell cycle arrest and death of the cancer cell.

In addition to TEK-PLK1 and TEK-Ebola, Tekmira is also developing other internal programs, which are in **preclinical studies** including TKM-HBV for chronic HBV infection, TKM-ALDH2 for alcohol dependence, and other candidates for rare disease.

For the partnered programs, Tekmira has licensed its LNP delivery technology to Alnylam and Merck. In addition, Tekmira has ongoing research relationships with Bristol-Myers Squibb, the United States National Cancer Institute, the U.S. Government, through their TMT program, and other undisclosed pharmaceutical and biotechnology companies.

Outside the field of RNAi, Tekmira has legacy licensing agreements with Talon Therapeutics, which was acquired by Spectrum Pharma.

Tekmira's current focus is on advancing products that utilize its proprietary LNP technology for the delivery of small interfering RNA (siRNA) and multivalent RNA (MV-RNA). These products are intended to treat diseases through a process known as RNA interference, which prevents the production of disease associated proteins.



Tekmira Enters into HBV Market

On October 8, 2013, Tekmira (TKMR) presented a webinar for the update of its pipeline. The big takeaway is that Tekmira is heading into anti hepatitis B (HBV) research area.

This is obviously a huge market and one that Tekmira feels their LNP delivery technology is ideally suited for.

Hepatitis B Virus (HBV) infection is highly prevalent worldwide, and represents a major global health problem. Two billion people globally have been infected with HBV, and approximately 350 million are chronic carriers, including approximately 1.5-2.2 million people in the US. Among the chronically infected, 15% - 40% will develop cirrhosis and/or hepatocellular carcinoma. Each year approximately 5000 people in the US and 1 million worldwide die from cirrhosis, liver failure or hepatocellular carcinoma resulting from HBV infection.

The chronic hepatitis B patient population still has substantial unmet medical needs that must be addressed for effective treatment and control of the disease. Current treatment regimens, based on interferons and antivirals, are not reliably effective in eradicating infection in chronically infected patients. These regimens are often rendered ineffective by the emergence of resistant strains of the virus and suffer from problematic dosing schedules and debilitating side effects that negatively impact patient compliance.

Current Treatments for HBV

In contrast to hepatitis C, the complete eradication of HBV from host hepatocytes cannot be achieved with currently available agents due to the persistence of HBV viral DNA within hepatocytes. The goal of therapy is to stop the progression of liver inflammation to fibrosis, cirrhosis, and cancer. Because these outcomes take decades to develop, treatment decisions are made on the basis of surrogate markers, including serum ALT levels, liver histology (as determined by biopsy), and measures of viral replication activity. The latter include serum viral load, serum levels of HBeAg and anti-HBe, and to a lesser extent, serum levels of HBsAg and anti-HBs.

The elimination of HBeAg and the appearance of anti-HBe (HBe seroconversion) are associated with a reduced rate of progression of liver disease and liver-related mortality, irrespective of whether it occurs spontaneously or as the result of treatment. Patients who subsequently eliminate HBsAg and become anti-HBs positive (HBsAg seroconversion) have a dramatically reduced risk of viral relapse compared to those with HBeAg seroconversion only. Such patients are for the most part considered **functionally cured.** Unfortunately, HBsAg seroconversion is rarely achieved with currently available treatment regimens.

Currently **seven drugs** are available in the US for the treatment of HBV. They are classified as two classes:

- **Interferons** include Pegasys and Intron A,
- **Nucleosides/Nucleosides** include Lamivudine, Telbivudine, Entecavir, Tenofovir, and Adefovir dipivoxil.

Brand Name	Generic Name	Company	Approval Year	Patent Expiration	2012 WW Sales
Pegasys	pegylated α-interferon-2a	Roche	2005	2018	$692M
Intron A	α-interferon-2b	Roche	1992	2002	< $5M
Viread	tenofovir	Gilead	2008	2018	$701M
Tyzeka	telbivudine	Novartis	2006	2019	$136M
Hepsera	Adenovir	Gilead	2002	2014	$108M
Epivir	lamivudine	GSK	1998	2010	$13M
Barraclude	entecavir	Bristol-Myers	2005	2015	$1388M

Drug	Admin.	Treatment Duration	Tolerability	Resistance Develop.	Efficacy of Treatment on		
					Viral Load	HBeAg	HBsAg
Pegasys	Sub-Q	1 Year	Poor	Very Good	Fair	Fair	Poor
Intron A	Sub-Q	1 Year	Poor	Very Good	Fair	Fair	Poor
Barraclude	Oral	Indefinite	Good	Good	Good	Poor	Poor
Tyzeka	Oral	Indefinite	Good	Fair	Good	Poor	Poor
Hepsera	Oral	Indefinite	Good	Good	Poor	Poor	Poor
Epivir	Oral	Indefinite	Good	Poor	Fair	Poor	Poor
Viread	Oral	Indefinite	Good	Good	Good	Poor	Poor

None of the above available treatment options offers a significant opportunity for HBsAg clearance, which is considered a **functional cure**.

Treatment with **peginterferon** provides a modest chance at a long term sustained response, but is associated with severe side effects in a treatment regimen that generally lasts a full year. **Nucleosides and nucleotides** dramatically reduce viral load and have a mild side effect profile, but must be taken for many years or for life, because viral rebound usually occurs when therapy is stopped. Furthermore, nucleotides have only a modest effect on other markers of infection such as HBeAg and HBsAg.

The observation that peginterferon is much more likely to provide a sustained post-treatment antiviral response than nucleotides in spite of its more modest effect on serum viral load, suggests that approaches that both reduce viral replication and accelerate clearance of infected hepatocytes are more likely to be successful in producing a post-treatment sustained response, HBeAg seroconversion, and possibly HBsAg seroconversion as well. A treatment that shared interferon's ability to enhance immune system-mediated clearance of infected hepatocytes without its severe side effect profile would be a valuable addition to the armamentarium of anti-HBV drugs.

The Potential for TKM-HBV

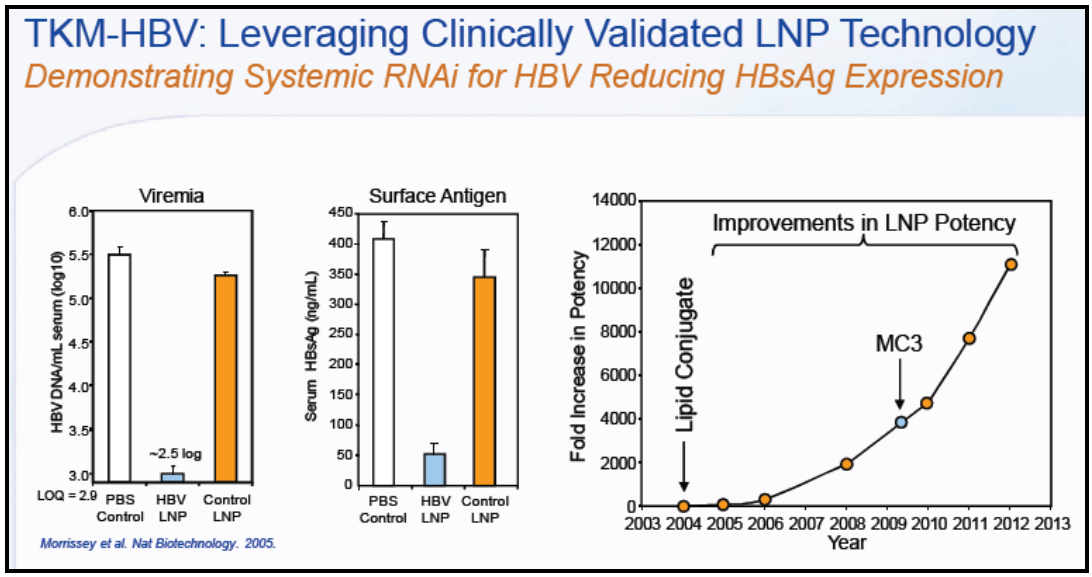
Apparently, HBV market represents a multi-billion dollar opportunity and current therapeutic regimes have limitations. There is an unmet medical need for HBV patients, especially for patients with chronic HBV infection. Any new medicine with increased efficacy and/or safety profile will be in high demand.

TKM-HBV is an RNAi therapeutic in development which may provide a meaningful alternative for the treatment of HBV. TKM-HBV is a multi-valent therapeutic targeting multiple sites in the HBV genome avoiding resistance. TKM-HBV is developed through bioinformatic analysis of 37,457 sequences derived from 4078 distinct HBV genomes. Multiple triggers in TKM-HBV provide broad coverage across genotypes C, A, B and D. TKM-HBV is designed to inhibit HBsAg expression, leading to seroconversion and functional cure.

TKM-HBV has a differentiated mechanism of action compared to that of existing anti-HBV drugs. The mechanism of RNA interference could provide a powerful new treatment for hepatitis B through the unique ability to specifically reduce the amount of circulating HBV antigens. Experts in the field of HBV therapeutics hypothesize that the large excess of viral proteins in chronic HBV patients functions to absorb antibodies that would otherwise neutralize the virus, and that potent reduction of HBV antigens would allow the patient's immune system to clear the infection, leading to a functional cure.

TKM-HBV is a third generation LNP product, leveraging Tekmira's improvements in both formulation and payload technology. TKM-HBV has demonstrated great efficacy in reducing HBV DNA and HBsAg expression in animal models.

Tekmira intends to complete preclinical work and file an IND for TKM-HBV **2H2014**. Phase I data in chronically infected HBV patients will be available in 2015.



New Phase I Data for PLK1 Presented at NA-NETS Conference

On October 4, 2013, Tekmira presented additional TKM-PLK1 **Phase I data** at 6th Annual North American Neuroendocrine Tumor Society (NA-NETS) Conference held in Charleston, South Carolina.

As a reminder, on December 22, 2010, Tekmira initiated a **Phase I clinical trial** of TKM-PLK1. The Phase I clinical trial, conducted at medical centers in the United States, is an open label, multi-dose, dose escalation study designed to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1 as well as determining the maximum tolerated dose. Secondary objectives of the trial are to measure tumor response and the pharmacodynamic effects of TKM-PLK1 in patients providing biopsies.

Tekmira has enrolled **a total of 36 patients** in a population of advanced cancer patients with solid tumors. Doses ranged from 0.15 mg/kg to 0.90 mg/kg during the dose escalation portion of the trial, with the maximum tolerated dose (MTD) of 0.75 mg/kg administered to the expansion cohort. A total of 174 doses were administered with a mean number of 5.3 doses per patient (range of 1-31 doses). No dose dependent changes in liver function tests were observed.

Tekmira already presented the preliminary results of its **Phase I** clinical trial with **TKM-PLK1** at the annual meeting of the American Association for Cancer Research **(AACR)** in an oral presentation on April 9, 2013.

The new data presented at the NA-NETS showed that forty percent (6 out of 15) of patients evaluable for response, treated at a dose equal to or greater than 0.6 mg/kg, showed clinical benefit. Of the 36 patients enrolled, three out of the four Adrenocortical Carcinoma **ACC** patients (75%) treated with TKM-PLK1 achieved stable disease, including one patient who saw a 19.3% reduction in tumor size and is still on study receiving TKM-PLK1. Of the two Gastrointestinal Neuroendocrine Tumors GI-NET patients enrolled, both experienced clinical benefit: one patient had a partial response based on RECIST criteria, and the other GI-NET patient achieved stable disease and showed a greater than 50% reduction in Chromogranin-A (CgA) levels, a key biomarker used to predict clinical outcome and tumor response.

TKM-PLK1 Clinical Benefit

6 of 15 (40%) evaluable subjects treated at ≥ 0.60 mg/kg had clinical benefit

Subject	Dose	Tumor Type	# Prior Regimens	Best Response	Duration on Study
003-13	0.60	Colon*	3	SD	6 mo.
003-20	0.90/0.60	NET*	1	PR	11 mo.
003-24	0.75	NET	1	SD	4 mo.
002-25	0.75	ACC*	3	SD	6 mo.
002-35	0.75/0.60	ACC*	2	SD	1.75 mo.
002-39	0.75	ACC*	2	SD**	4 mo.(ongoing)

*Subject had progressive disease prior to study. **Subject showed tumor size reduction of 19.3% after Cycle 2

New TKM-PLK1 Phase I/II Clinical Trial is Underway

Based on the above Phase I data, on Aug. 12, 2013, Tekmira initiated a new **Phase I/II** clinical trial with TKM-PLK1.

The new Phase I/II trial will enroll patients with either advanced Gastrointestinal Neuroendocrine Tumors (**GI-NET**) or Adrenocortical Carcinoma (**ACC)**. By focusing on these indications, where drug activity in the previous Phase I trial was observed, Tekmira aims to collect additional data on the efficacy of TKM-PLK1 to guide future development and regulatory strategy for this promising agent.

The GI-NET and ACC Phase I/II clinical trial will be a multi-center, single arm, open label study designed to measure efficacy using RECIST and tumor biomarkers for GI-NET patients, as well as to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1. TKM-PLK1 will be administered weekly with each four-week cycle consisting of three once-weekly doses followed by a rest week. It is expected that approximately 20 patients with advanced GI-NET or ACC tumors will be enrolled in this trial, with a minimum of 10 GI-NET patients to be enrolled.

Results from this trial are expected to be available by **mid-2014**. If supported by the data, Tekmira will commence a **pivotal trial** in GI-NET by the end of 2014.

In addition, the company anticipates initiating a separate **Phase I/II** clinical trial with TKM-PLK1, which will enroll patients with Hepatocellular Carcinoma (**HCC**) in the first half of 2014. This clinical trial will be a multi-center, open label, non-randomized, dose escalation study designed to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1 as well as determine the maximum tolerated dose in HCC patients and measure the anti-tumor activity of TKM-PLK1 in HCC patients.

Neuroendocrine tumors (NETs) arise from a variety of anatomic sites and share the capacity for production of hormones and vasoactive peptides. Because of their perceived rarity, NETs have not historically been a focus of rigorous clinical research. However, the diagnosed incidence of NETs has been increasing, and the estimated prevalence in the United States exceeds 100,000 individuals. According to the Carcinoid Cancer Foundation, it is estimated that more than 12,000 new cases of carcinoid/NETs are diagnosed each year, and at least 115,000 people are living with carcinoid/NETs in the United States. Metastatic gastrointestinal carcinoid (neuroendocrine) tumors often have a poor prognosis and may have an aggressive clinical course.

Currently, treatment options for patients with neuroendocrine tumors are limited. Tekmira's TKM-PLK1 has the potential to become a standard of care for NET patients if successful.

Valuation Still Attractive

We maintain our Outperform rating and raise our price target to $25.00 from previous $18.00.

Although there has been a huge run in the past few months, we think that Tekmira shares are still undervalued at its current market price. We have multiple reasons for our argument.

Tekmira is one of the pioneers and leaders in the field of RNAi therapeutics. We are optimistic about the Company's **LNP delivery platform technology**, which has proven to have the power to systemically deliver RNA drug candidates to a variety of organs and cells throughout the body.

Based on the LNP platform, Tekmira has built a diversified pipeline, which targets cancer and other indications. Its internal lead drug candidate TKM-PLK1 for cancers is in a Phase I/II clinical trial and preliminary data has shown promising efficacy and favorable safety profile. A pivotal study will be initiated by the end of 2014.

Tekmira has also established a strong partnership with the US government and biotech/pharmaceutical companies to utilize its LNP technology to advance RNAi therapeutics. These partnerships not only provide non-dilutive financing, but also validate the technology and diversify the Company's risk. The government sponsored TKM-Ebola program is being developed under specific FDA "**Animal Rule**", which means that the development for TKM-Ebola could be accelerated since no human clinical trial for efficacy is required. The company also entered into new areas such as HBV and Marburg virus.

Our call also considers the Company's strong balance sheet. Tekmira's cash balance should last into early 2016 according to our long term financial model. This is compelling for a small cap biotech company. The Company will also receive royalty payments from Marqibo sales. Further, Tekmira will continue to monetize its LNP platform technology and receive license fees and milestone payments from its partners. Tekmira is well positioned to execute its long term growth strategy.

Based on our analysis, we think Tekmira shares are still undervalued at this time. Currently, shares of Tekmira are trading at around $11.45 per share, which values the Company at $217 million in market cap based on 19 million outstanding shares. Most small biotech companies of development stage are valued from $50 million to $500 million depending on how advanced the pipeline is and which indications the company is targeting. Tekmira's TKM-PLK1 for cancer is in Phase I/II clinical studies, and the Company's TKM-Ebola product is being developed under the accelerated FDA "Animal Rule". TKM-PLK1 has the potential for the treatment of multiple cancers providing a large market opportunity. In the next year or so, Tekmira will advance additional programs into the clinic. TKM-HBV targets a big HBV market.

We think at this time Tekmira should be valued between $300 and $500 million in market cap. If we look at the below table of RNA based biotech companies, we think Tekmira should be worth more than Regulus. Our price target of $25 values Tekmira at $475 million in market cap which we think is conservative.

Name	Ticker	Share Price	Market Cap ($million)	Phase I	Phase II	Phase III	Marketed Products
Isis	ISIS	$47.66	$5,530.00	5	15	2	1
Alnylam	ALNY	$84.61	$5,370.00	4	3	0	0
Regulus	RGLS	$7.48	$312.00	0	0	0	0
Arrowhead	ARWR	$13.00	$503.00	2	1	0	0
Sarepta	SRPT	$19.98	$751.00	3	1	0	0
RXi	RXII	$4.95	$58.00	1	0	0	0
Bio-Path	BPTH	$4.94	$416.00	1	0	0	0
Tekmira	**TKMR**	**$11.45**	**$216.00**	**3**	**2**	**0**	**0**
Average		**$24.26**	**$1,644.50**				

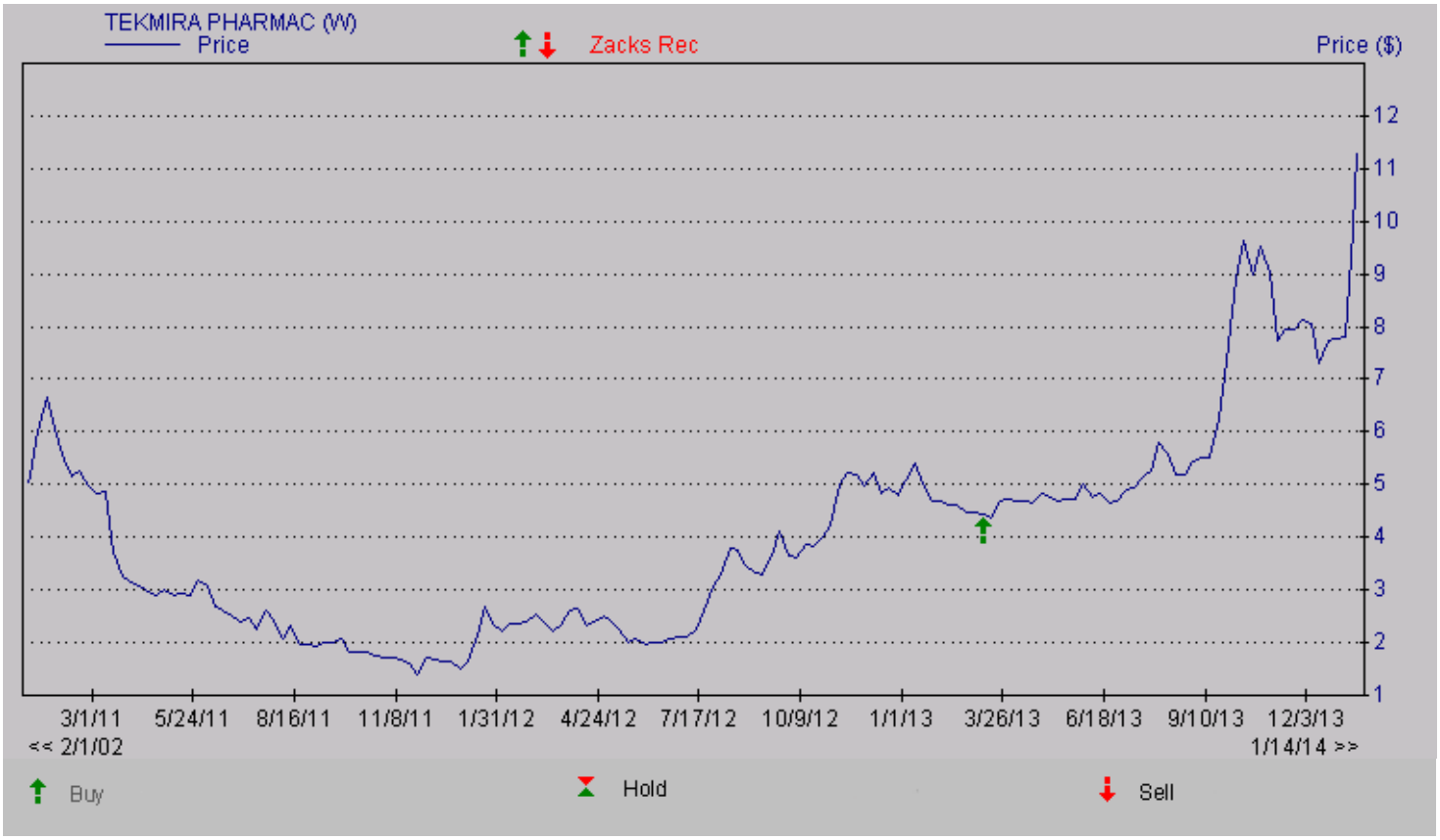
PROJECTED INCOME STATEMENT

	2011	2012					2013					2014	2015	2016
$ Cdn in millions except per share data	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FYE	FYE	FYE	FYE
Collaborations and Contracts	$16.1	$3.6	$2.6	$2.1	$3.9	$12.1	$2.2	$2.9	$3.0	$2.5	$10.7	$12.5	$14.0	$16.0
YOY Growth	*8.0%*	*-17.9%*	*-41.0%*	*-43.5%*	*3.8%*	*-25.0%*	*-38.4%*	*12.6%*	*48.3%*	*-35.5%*	*-11.8%*	*17.1%*	*12.0%*	*14.3%*
License/Milestone/Royalty	$0.5	$0.0	$1.0	$1.0	$0.0	$2.0	$0.0	$0.0	$0.0	$5.2	$5.2	$5.0	$5.0	$5.0
YOY Growth	*-91.9%*	-	-	*89.3%*	-	*283.5%*	-	*-100.0%*	*-99.8%*	-	*158.8%*	*-3.9%*	*0.0%*	*0.0%*
Product Sales													$5.0	$10.0
YOY Growth														*100.0%*
Total Revenues	**$16.6**	**$3.6**	**$3.6**	**$3.0**	**$3.9**	**$14.1**	**$2.2**	**$2.9**	**$3.1**	**$7.7**	**$15.9**	**$17.5**	**$24.0**	**$31.0**
YOY Growth	*-22.0%*	*-17.9%*	*-17.9%*	*-26.7%*	*3.8%*	*-15.3%*	*-38.4%*	*-19.1%*	*0.1%*	*98.7%*	*12.5%*	*10.2%*	*37.1%*	*29.2%*
CoGS	$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
Gross Income	**$16.6**	**$3.6**	**$3.6**	**$3.0**	**$3.9**	**$14.1**	**$2.2**	**$2.9**	**$3.1**	**$7.7**	**$15.9**	**$17.5**	**$24.0**	**$31.0**
Gross Margin	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
R&D	$19.9	$4.1	$3.6	$3.1	$7.2	$18.0	$4.2	$5.1	$5.7	$8.5	$23.4	$27.5	$30.0	$32.5
% R&D	*119.5%*	*116.1%*	*98.7%*	*101.8%*	*186.3%*	*127.8%*	*190.8%*	*172.8%*	*185.8%*	*110.4%*	*147.5%*	*157.1%*	*125.0%*	*104.8%*
SG&A	$6.3	$1.8	$2.4	$1.5	$2.4	$8.1	$0.9	$0.9	$1.0	$1.0	$3.8	$4.5	$5.4	$6.5
% SG&A	*37.9%*	*51.1%*	*66.4%*	*49.4%*	*62.1%*	*57.7%*	*41.9%*	*29.8%*	*32.4%*	*13.0%*	*23.8%*	*25.9%*	*22.7%*	*21.1%*
Depreciation & Others	$1.0	$0.2	$0.2	$0.2	$0.2	$0.9	$0.2	$0.2	$0.2	$0.1	$0.6	$0.5	$0.4	$0.2
% Other	*5.9%*	*6.8%*	*6.2%*	*7.0%*	*4.7%*	*6.1%*	*7.8%*	*5.4%*	*5.0%*	*1.8%*	*3.9%*	*2.9%*	*1.7%*	*0.6%*
Operating Income	**($10.5)**	**($2.6)**	**($2.6)**	**($1.8)**	**($5.9)**	**($12.9)**	**($3.1)**	**($3.2)**	**($3.8)**	**($1.9)**	**($11.9)**	**($15.0)**	**($11.8)**	**($8.2)**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income (Net)	$0.6	($0.5)	$0.7	($1.7)	$44.2	$42.7	$0.5	$0.1	($2.3)	$0.2	$1.6	$0.8	$0.8	$0.5
Pre-Tax Income	**($9.9)**	**($3.2)**	**($1.9)**	**($3.4)**	**$38.3**	**$29.8**	**($2.6)**	**($3.1)**	**($6.1)**	**($1.7)**	**($13.6)**	**($14.2)**	**($11.0)**	**($7.7)**
Net 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	*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%*
Reported Net Income	**($9.9)**	**($3.2)**	**($1.9)**	**($3.4)**	**$38.3**	**$29.8**	**($2.6)**	**($3.1)**	**($6.1)**	**($1.7)**	**($13.6)**	**($14.2)**	**($11.0)**	**($7.7)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Weighted avg. Shares Out	*11.3*	*12.8*	*14.0*	*14.0*	*16.5*	*14.3*	*14.3*	*14.4*	*14.5*	*18.9*	*15.5*	*21.0*	*23.0*	*25.0*
Reported EPS	**($0.88)**	**($0.25)**	**($0.14)**	**($0.25)**	**$2.32**	**$2.08**	**($0.18)**	**($0.22)**	**($0.42)**	**($0.09)**	**($0.87)**	**($0.68)**	**($0.48)**	**($0.31)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	($0.5)	$0.55	($0.6)	$1.74	($44.3)	($42.6)	$0.00	$0.00	$2.51	$0.00	$2.51	$0.00	$0.00	$0.00
Non GAAP Net Income	**($10.4)**	**($2.6)**	**($2.6)**	**($1.7)**	**($5.9)**	**($12.8)**	**($2.6)**	**($3.1)**	**($3.6)**	**($1.7)**	**($11.0)**	**($14.2)**	**($11.0)**	**($7.7)**
Non GAAP EPS	**($0.92)**	**($0.20)**	**($0.18)**	**($0.12)**	**($0.36)**	**($0.89)**	**($0.18)**	**($0.22)**	**($0.25)**	**($0.09)**	**($0.71)**	**($0.68)**	**($0.48)**	**($0.31)**

Source: Company filings and Zacks estimates

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