Zacks Small-Cap Research

July 1, 2013
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Tekmira Pharmaceuticals (TKMR-NASDAQ)

TKMR: Tekmira's LNP Technology Enables Alnylam's Positive Phase II ALN-TTR02 Data, On track to advance TKM-PLK1 and TKM-Ebola, Strong balance sheet--Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	03/11/2013
Current Price (06/28/13)	$4.70
Twelve- Month Target Price	**$12.00**

OUTLOOK

Tekmira is a development stage biotech company. We are optimistic about the great potential of the Company's LNP delivery technology, which enables the systemic delivery of RNAi drug candidates. Tekmira has built a diversified pipeline which targets multiple indications including cancer and infection. Lead drug candidate TKM-PLK1 will enter into a Phase II clinical trial in 2013. 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	**$5.60**
52-Week Low	**$2.05**
One-Year Return (%)	**122.75**
Beta	**0.21**
Average Daily Volume (sh)	**28,967**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$68**
Short Interest Ratio (days)	**1.62**
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)
2011	4.3 A	4.4 A	4.2 A	3.7 A	16.6 A
2012	3.6 A	3.6 A	3.0 A	3.9 A	14.1 E
2013	2.2 A	2.5 E	7.5 E	7.5 E	19.7 E
2014					17.5 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.30 A	-$0.34 A	-$0.14 A	-$0.17 A	-$0.92 A
2012	-$0.20 A	-$0.18 A	-$0.12 A	-$0.36 A	-$0.89 A
2013	-$0.18 A	-$0.24 E	-$0.03 E	-$0.13 E	-$0.57 E
2014					-$0.93 E

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

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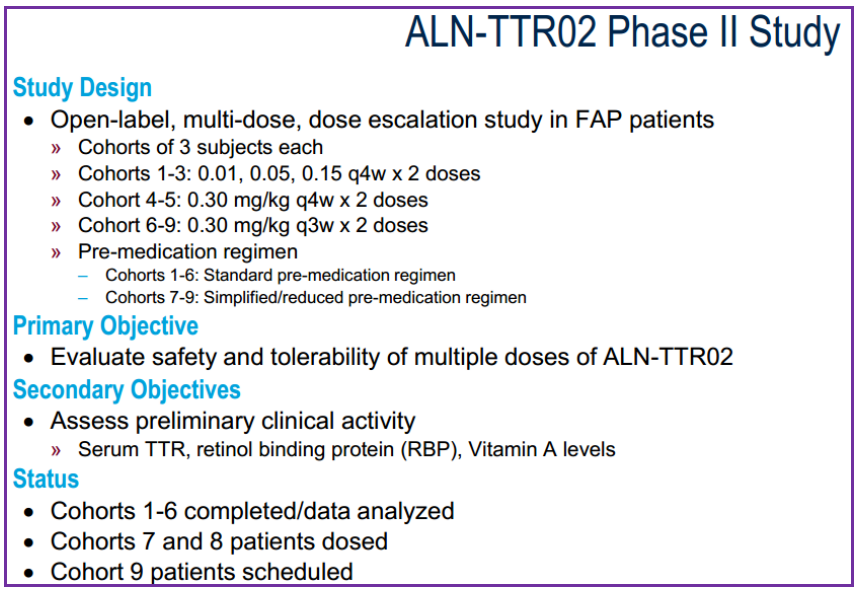
WHAT'S NEW

Tekmira's LNP Technology Enables Alnylam's Positive Phase II ALN-TTR02 Data

On June 30, 2013, Alnylam Pharmaceuticals (ALNY) announced positive clinical results from its Phase II trial of ALN-TTR02, an RNAi therapeutic targeting the transthyretin (TTR) gene for the treatment of TTR-mediated amyloidosis (ATTR). The data were presented at the 2013 Biennial Meeting of the Peripheral Nerve Society, held June 29 – July 3 in St. Malo, France.

The Phase II trial with ALN-TTR02 is an open-label, multi-center, multi-dose, dose-escalation trial to evaluate the safety and tolerability of two doses of ALN-TTR02 and to demonstrate clinical activity based on serial measurement of circulating serum levels of wild-type and mutant TTR. The study was designed to treat up to 30 ATTR polyneuropathy patients with ALN-TTR02 administered at doses of 0.01 to 0.30 mg/kg, using either a **once-every-four-week** or **once-every-three-week** dosing regimen. To date, 25 patients in eight cohorts have been dosed in the study, and all patients for the final cohort have been scheduled for dosing. The international study is being conducted at 10 sites in Portugal, France, Sweden, Germany, Spain, Brazil, and the U.S.



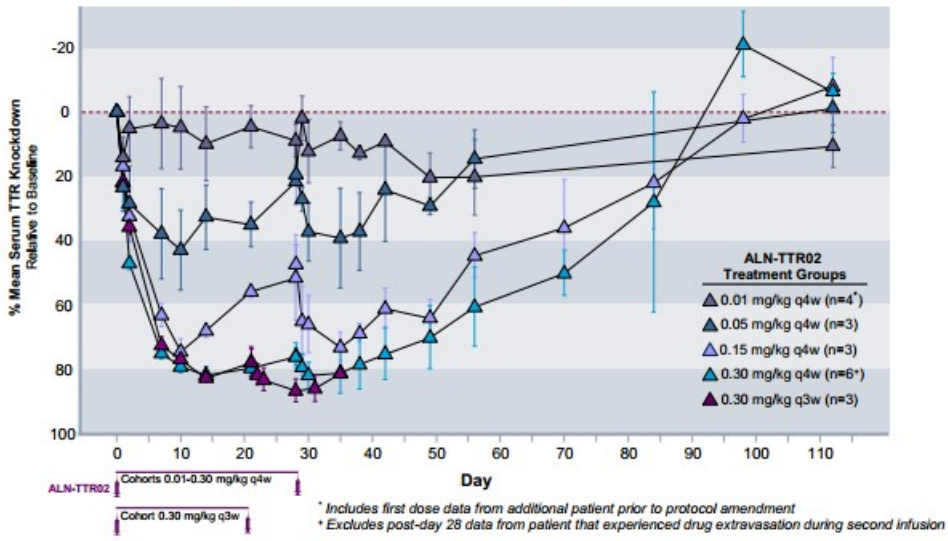
Data from the first 19 patients enrolled and analyzed in this study showed that multiple doses of ALN-TTR02 resulted in rapid, dose-dependent, and durable knockdown of serum TTR levels. As compared with the lowest dose group of 0.01 mg/kg, there was a statistically significant knockdown of serum TTR at doses of 0.15 mg/kg ($p<0.01$) and 0.30 mg/kg ($p<0.001$). At 0.30 mg/kg administered once every four weeks, mean TTR knockdown at nadir of 82.6% and 84.8% was observed following the first and second doses, respectively, and maximum TTR knockdown was up to 90.8%. At 0.30 mg/kg administered once every three weeks, mean TTR knockdown at nadir of 83.1% and 87.4% was observed following the first and second doses, respectively, and maximum TTR knockdown was up to 92.8%.

Summary of Serum TTR Knockdown by Dose Group

Dose Group (mg/kg)	Dose 1		Dose 2	
	Maximum TTR KD (%)	TTR KD @ Nadir (Mean % ±SD)	Maximum TTR KD (%)	TTR KD @ Nadir (Mean % ±SD)
0.01 q4w (n=4⁺)	37.8	20.1 ± 13.2	34.4	32.9 ± 2.3
0.05 q4w (n=3)	58.0	48.4 ± 16.2	58.5	46.9 ± 15
0.15 q4w (n=3)	81.7	74.5 ± 6.8***	86.0	77 ± 7.8**
0.30 q4w (n=6^)	87.5	82.6 ± 5.9***	90.8	84.8 ± 10.5***
0.30 q3w (n=3)	83.8	83.1 ± 1.1***	92.8	87.4 ± 5.9***

⁺ Includes first dose data from additional patient prior to protocol amendment
^ Excludes post-day 28 data from patient that experienced drug extravasation during second infusion
**p < 0.01 vs. 0.01 mg/kg group; p values from ANCOVA models including baseline TTR as covariate and dose group as factor
*** p < 0.001 *vs.* 0.01 mg/kg group

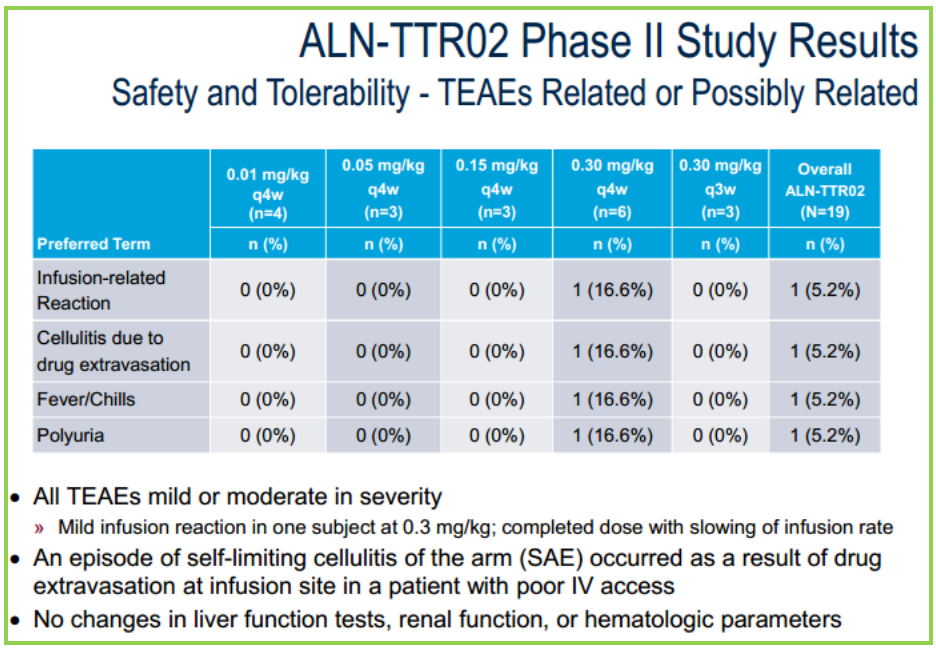
Dose Response and Duration of TTR Knockdown



A number of additional analyses were performed in this first-ever study of ALN-TTR02 in ATTR patients. First, a proprietary mass spectrometry method was used to measure serum levels of wild-type and mutant V30M proteins. These results demonstrated an essentially 1:1 knockdown of mutant and wild-type TTR (r^2=0.95, p<0.001) with superimposable pharmacodynamic effects toward both protein species. Furthermore, a similar degree of TTR knockdown was observed in patients on concurrent TTR stabilizer therapy (specifically, tafamidis or diflunisal) compared to those who received ALN-TTR02 alone. These results demonstrate the absence of any interference by TTR stabilizer drugs with the pharmacologic activity of ALN-TTR02. Finally, serum TTR reductions were highly correlated with parallel changes in retinol binding protein (RBP) (r^2=0.85, p<0.001) and vitamin A levels (r^2=0.84, p<0.001).

Multiple doses of ALN-TTR02 were found to be generally safe and well tolerated. There were no significant adverse events or discontinuations associated with drug up through 0.30 mg/kg. There were no abnormalities in liver function tests, renal function, or hematologic parameters. Adverse events

included a mild infusion-related reaction that occurred in one patient who was able to complete dosing with slowing of the infusion rate. An episode of self-limiting cellulitis of the arm, a serious adverse event, occurred as a result of drug extravasation at the infusion site in a patient with poor intravenous access. In the ongoing dosing in patients at 0.30 mg/kg once every three weeks using a reduced and simplified pre-medication regimen, there have been no reports to date of any infusion-related reactions. The new pre-medication regimen includes a reduced steroid dose administered prior to ALN-TTR02 infusion.



ALN-TTR02 Phase II Study Results

Safety and Tolerability - TEAEs Related or Possibly Related

Preferred Term	0.01 mg/kg q4w (n=4) n (%)	0.05 mg/kg q4w (n=3) n (%)	0.15 mg/kg q4w (n=3) n (%)	0.30 mg/kg q4w (n=6) n (%)	0.30 mg/kg q3w (n=3) n (%)	Overall ALN-TTR02 (N=19) n (%)
Infusion-related Reaction	0 (0%)	0 (0%)	0 (0%)	1 (16.6%)	0 (0%)	1 (5.2%)
Cellulitis due to drug extravasation	0 (0%)	0 (0%)	0 (0%)	1 (16.6%)	0 (0%)	1 (5.2%)
Fever/Chills	0 (0%)	0 (0%)	0 (0%)	1 (16.6%)	0 (0%)	1 (5.2%)
Polyuria	0 (0%)	0 (0%)	0 (0%)	1 (16.6%)	0 (0%)	1 (5.2%)

- All TEAEs mild or moderate in severity
  - » Mild infusion reaction in one subject at 0.3 mg/kg; completed dose with slowing of infusion rate
- An episode of self-limiting cellulitis of the arm (SAE) occurred as a result of drug extravasation at infusion site in a patient with poor IV access
- No changes in liver function tests, renal function, or hematologic parameters

Alnylam intends to present the final data from this ALN-TTR02 Phase II study at the IXth International Symposium on Familial Amyloidotic Polyneuropathy (ISFAP) to be held in Rio de Janeiro, Brazil, November 10 – 13, 2013. In addition, the company remains on track to initiate in mid-2013 an open-label extension (OLE) study of ALN-TTR02 for patients treated in the Phase II study. The ALN-TTR02 OLE study will include a number of clinical endpoint measurements, such as neuropathy impairment score, or "NIS," with initial data expected to be presented in 2014.

In addition, the company intends to start a **Phase III pivotal trial** for ALN-TTR02 in familial amyloidotic polyneuropathy (FAP) patients **by the end of 2013.**

What Is The Impact On Tekmira?

Positive data from the Phase II trial of ALN-TTR02 will have a huge impact on Tekmira.

Some investors may be focused on the $5 million milestone payment Tekmira will receive when ALN-TTR02 enters a pivotal Phase III clinical trial, which should occur by the end of 2013 and the royalty payments based on commercial sales of ALN-TTR02. Both are important for Tekmira because milestone and royalty payments boost Tekmira's balance sheet in a non-dilutive way. However, the most important thing for Tekmira from the ALN-TTR02 Phase II data is that ALN-TTR02 is the most advanced RNAi therapeutic candidate and that positive data from the Phase II trial further validate Tekmira's LNP platform technology. Also, Positive data from the Phase II trial will further strength Tekmira's leadership in the field of RNAi therapeutics.

Balance Sheet Continues To Be Strong

On May 14, 2013, Tekmira reported financial results for the first quarter ended March 31, 2013.

Revenue was $2.2 million for 1Q2013 as compared to $3.6 million for 1Q2012. Under a DoD contract to develop TKM-Ebola, Tekmira is being reimbursed for costs incurred, including an allocation of overheads, and is being paid an incentive fee. For this contract, Tekmira recorded $2.0 million in revenue in Q1 2013 as compared to $3.5 million in Q1 2012.

Research, development, collaborations and contracts expenses were $4.2 million in 1Q2013 as compared to $4.1 million in 1Q2012.

General and administrative expenses were $0.9 million in 1Q2013 as compared to $1.8 million in 1Q2012. 1Q2012 general and administrative expenses were higher as they included legal fees incurred in respect of a lawsuit against Alnylam and AlCana that was settled in November 2012.

For 1Q2013, net loss was $2.6 million ($0.18 per common share) as compared to a net loss of $3.2 million ($0.25 per common share) for 1Q2012.

Tekmira exited first quarter of 2013 with a strong balance sheet. As of March 31, 2013, the Company had cash and cash equivalents of $43.8 million. According to our long term model, current funds on hand, plus expected income, including payments from current licensees, collaborative partners and the DoD will be sufficient to continue product development into 2015. Tekmira expects to have an aggregate balance of cash and cash equivalents and short-term investments of greater than $35.0 million at the end of 2013.

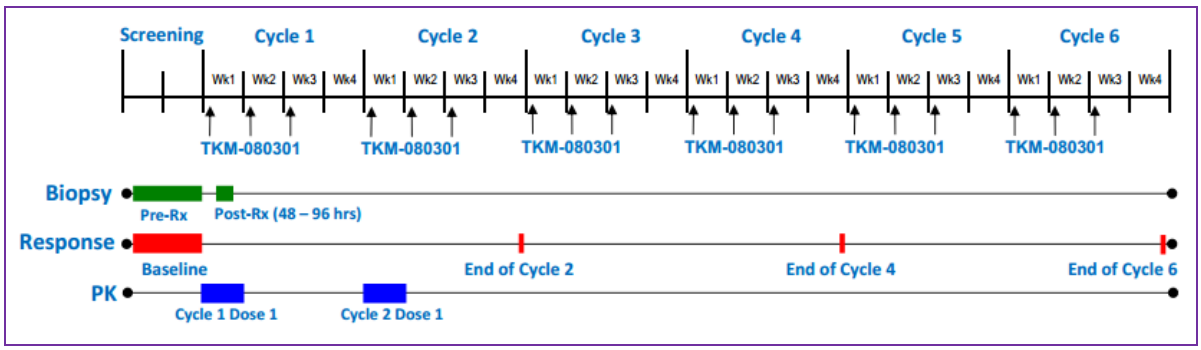
Phase I Data of TKM-PLK1 Are Encouraging

On April 9, 2013, Tekmira Pharmaceuticals (TKMR) announced the 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 entitled "A phase I dose escalation study of TKM-080301, a RNAi therapeutic directed against PLK1, in patients with **advanced solid tumors**."

As a reminder, TKM-PLK1 is Tekmira's lead internal product candidate, which employs Tekmira's **lipid nanoparticle (LNP) delivery technology**, and targets PLK1 (polo-like kinase 1), a protein involved in tumor cell proliferation and a validated oncology target. Tekmira initiated the Phase I clinical trial of TKM-PLK1 in December, 2010. The Phase I clinical trial is an open label, multi-dose, dose escalation study with

- Primary Objectives: to evaluate safety, tolerability and determine maximum tolerated dose (MTD);
- Secondary Objectives: to evaluate pharmacokinetics and anti-tumor activity;
- Exploratory Objectives: to evaluate pharmacodynamic measures including RNAi effects in pre- and post-dose biopsy samples;

In this Phase I trial, TKM-PLK1 was administered to 24 patients at doses ranging from 0.15 mg/kg to 0.90 mg/kg. Patients were dosed on a weekly protocol with each four week cycle consisting of three once weekly doses followed by a rest week. A total of 152 doses were administered with a mean number of 6.3 doses per patient (range of 1-31 doses). Patients had a mean of 5.1 prior treatment regimens (range of 1-14). Treatment may continue until disease progression.



Below are the highlights of the Phase I results:

- TKM-PLK1 was generally well-tolerated. The most common grade 1-2 adverse events were rigors (33%) and fever (25%). No dose-dependent changes in liver function tests were observed. Dose-limiting toxicities included: one grade 3 transient thrombocytopenia in one patient (at 0.9 mg/kg) and one grade 3 hypoxia/dyspnea in another patient (at 0.9 mg/kg).

Toxicity (N=24)	%[a]	Grade **1 & 2**	Grade **3 & 4**[b]
Rigors	33%	8	-
Fever	25%	6	-
Fatigue	17%	4	-
Altered Taste	17%	4	-
Headache	13%	3	-
Infusion Reaction	13%	2	1
Nausea	13%	3	-
Vomiting	8%	2	-
Diarrhea	8%	2	-

- Based on these data, the MTD is estimated to be 0.75 mg/kg. A 10-patient **expansion cohort** is currently enrolling patients at 0.75 mg/kg, with 5 subjects treated and data expected later this year.

- Of 9 patients evaluable for response, treated at a dose equal to or greater than 0.6 mg/kg, 4 (44%) showed clinical benefit. In particular, one patient with progressive, metastatic appendiceal carcinoid (neuroendocrine, NET) cancer had a durable partial tumor response based on RECIST criteria, continuing for more than 10 months. Three other patients achieved stable disease, including one patient with metastatic appendiceal carcinoid cancer, another patient with metastatic colorectal cancer, and a third patient with metastatic adrenocortical carcinoma.

	Doses < 0.6 mg/kg	Doses ≥ 0.6 mg/kg
# Treated	8	16
# Treated beyond Cycle 1	4	10
# Evaluable for Response	3	9
# with Clinical Benefit	0	4

▪ 4 of 9 (44%) 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	5.5 mo. (ongoing)

- Pharmacokinetic data showed that Cmax (peak serum concentration of drug) and area under the curve (AUC) were dose proportional, without evidence of drug accumulation, and that the pharmacokinetic profile of TKM-PLK1 is maintained through multiple cycles.

- Importantly, the data confirm that the drug exposure levels achieved in this trial, incorporating Tekmira's second generation LNP formulation specifically designed to facilitate siRNA delivery to disseminated disease sites, are several fold greater than were achieved in clinical trials using earlier LNP formulations.

- RNAi effect was confirmed in biopsy samples.

We think the Phase I data of TKM-PLK1 are encouraging though it was a small trial. We are pleased to see that TKM-PLK1 was generally well-tolerated and has shown some anti-tumor activity. We are especially impressed by the 44% evaluable patients who showed clinical benefits.

Phase II Trial of TKM-PLK1 is Planned in 2H13

Based on the Phase I data, Tekmira plans to initiate a **Phase II** clinical trial of TKM-PLK1 in patients with previously treated gastrointestinal **carcinoid (neuroendocrine) cancer** in 2H2013.

The rationale for neuroendocrine cancer is that although a variety of tumor types were treated in this Phase I study including colorectal, neuroendocrine, cholangiocarcinoma, adrenocortical, breast, ovarian, mesothelioma, lung, and unspecified adenocarcinoma, neuroendocrine cancer patients had the best response. Of the two patients enrolled with gastrointestinal carcinoid (neuroendocrine) cancer, both responded to treatment with TKM-PLK1 with one partial response and on in stable disease.

The Company is currently working on the design of the Phase II trial. Details of the trial design will be disclosed later this year. Tekmira is also evaluating additional indications for Phase II development and will provide guidance later this year.

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.

Tekmira is on Track to Advance TKM-Ebola Program

On May 8, 2013, Tekmira announced that its contract with the U.S. Department of Defense (DoD) has been modified to support development plans that integrate advancements in Tekmira's lipid nanoparticle (LNP) formulation and manufacturing technologies, and provide for additional funding for the TKM-Ebola program.

Ebola is a virus, which, for many years, has been associated with periodic outbreaks of **hemorrhagic fever** in human populations with mortality rates reaching 90%. Currently there are no approved treatments for Ebola or other hemorrhagic fever viruses.

TKM-Ebola is an anti-Ebola viral therapeutic, being developed under a contract with the U.S. DoD's Joint Project Manager Transformational Medical Technologies (JPM-TMT) Office with a total contract value of approximately $140 million.

The Development History of TKM-Ebola

In May 2010, Tekmira published a series of **preclinical studies** demonstrating the ability of an RNAi therapeutic utilizing its LNP technology to protect non-human primates from Ebola virus. Tekmira conducted the studies in collaboration with infectious disease researchers from Boston University and the United States Army Medical Research Institute for Infectious Diseases (USAMRIID) and were funded in part by the U.S. Government's Transformational Medical Technologies (TMT) program.

These preclinical studies demonstrated that when siRNA targeting the Ebola virus and delivered by Tekmira's LNP technology were used to treat previously infected non-human primates, the result was 100 percent protection from an otherwise lethal dose of Zaire Ebola virus.

On July 14, 2010, Tekmira signed a contract with the **United States Department of Defense (DoD)** to advance an RNAi therapeutic utilizing the Company's LNP technology to treat Ebola virus infection. In the initial phase of the contract, Tekmira is eligible to **receive up to US$34.8 million**. This initial funding is for the development of **TKM-Ebola**, including completion of preclinical development, filing an IND application with the FDA and the completion of a Phase I human safety clinical trial. The United States DoD has the option of extending the contract beyond the initial funding period to support the advancement of TKM-Ebola through to the completion of clinical development and FDA approval. Based on the budget for the extended contract this would provide the Company with a total of up to US$140.0 million in funding for the entire program.

In November 2011, an Investigational New Drug (IND) application for TKM-Ebola was approved by the FDA. In February 2012, Tekmira initiated the TKM-Ebola **Phase I** clinical trial, which is a placebo-controlled, single-blind, single-ascending dose study with additional multiple-ascending dose cohorts in healthy human volunteers. The objective of the Phase I trial is to assess the safety and tolerability of TKM-Ebola and evaluate the pharmacokinetics and systemic exposure following both a single-ascending dose and multiple-ascending doses of TKM-Ebola.

On August 6, 2012, Tekmira received a temporary stop-work order from the United States DoD with respect to the TKM-Ebola program. On October 2, 2012, Tekmira disclosed that the temporary stop-work order was lifted by the United States DoD and work will continue on development of the TKM-Ebola product.

During the course of the development of TKM-Ebola, the LNP technology has been significantly improved. Therefore, Tekmira has submitted a modification request to the existing contract to the United States DoD in order to integrate recent advancements in LNP formulation and manufacturing technology, including lyophilization, in the TKM-Ebola development program. The program will utilize an **LNP formulation that is more than 10-fold** more potent than previous formulations and more potent than all other LNP formulations currently being evaluated in clinical trials.

Under the **modification to the existing contract**, funding has been increased by $6.9 million, from $34.8 million to $41.7 million for the first phase of the contract.

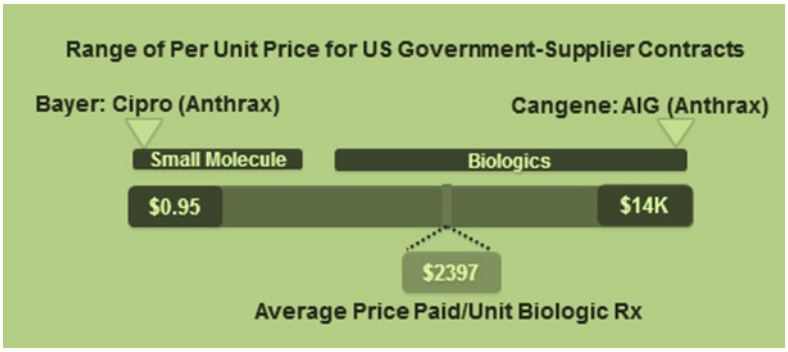
Tekmira has initiated **pre-clinical** and chemistry, manufacturing and control studies that support the use of these improvements in the program. This development strategy will be accommodated by modifications to the existing contract, allowing both Tekmira and TMT to benefit from the significant advancements in LNP formulation technology made by Tekmira since the commencement of the TMT-funded program in July 2010. It is expected that the LNP formulation work will be completed and submitted to the FDA **in the second half of 2013** in order to initiate a **new Phase I** clinical trial.

TKM-Ebola, Accelerated Program Could Provide Significant Near-Term Cash Flow

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.



Why We Think Tekmira Shares Are Undervalued

We have pointed out in our previous reports that Tekmira shares are 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 completing a Phase I clinical trial and preliminary data has shown promising efficacy and favorable safety profile. A Phase II study will be initiated in 2H13.

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.

Our call also considers the Company's strong balance sheet. The settlement with Alnylam provided a $65 million up-front payment to Tekmira in 2012 and another $10 million milestone payment is anticipated for 2013. Tekmira's cash balance should last into 2015 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 which we expect will start in 2013. Further, Tekmira will continue to monetize its LNP platform technology and receive license fees and milestone payments from its partners. With the Alnylam settlement completed, Tekmira is well positioned to execute its long term growth strategy.

Based on our analysis, we think Tekmira shares are undervalued at this time. Currently, shares of Tekmira are trading at around $5.00 per share, which values the Company at a $70 million market cap. 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 will enter a Phase II clinical study this year, 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 may advance additional programs into the clinic.

We think at this time Tekmira should be valued between $150 and $400 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 $12 values Tekmira at $168 million in market cap which we think is conservative.

Name	Ticker	Share Price	Market Cap ($mm)	Phase I	Phase II	Phase III	Marketed Products
Isis	ISIS	$23.63	$2,450	5	15	2	1
Alnylam	ALNY	$30.36	$1,890	4	3	0	0
Regulus	RGLS	$10.07	$363	0	0	0	0
Arrowhead	ARWR	$2.03	$61	3	0	0	0
Sarepta	SRPT	$38.48	$1,230	3	1	0	0
RXi	RXII	$0.20	$68	1	0	0	0
Bio-Path	BPTH	$0.51	$33	1	0	0	0
Tekmira	TKMR	$4.75	$70	3	2	0	0
Average		**$13.75**	**$771.00**				

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	$2.5	$2.5	$2.5	$9.7	$12.5	$14.0	$16.0
YOY Growth	*8.0%*	*-17.9%*	*-41.0%*	*-43.5%*	*3.8%*	*-25.0%*	*-38.4%*	*-3.9%*	*21.6%*	*-35.5%*	*-19.9%*	*28.9%*	*12.0%*	*14.3%*
License/Milestone/Royalty	$0.5	$0.0	$1.0	$1.0	$0.0	$2.0	$0.0	$0.0	$5.0	$5.0	$10.0	$5.0	$5.0	$5.0
YOY Growth	*-91.9%*	-	-	*89.3%*	-	*283.5%*	-	*-100.0%*	*404.0%*	*#DIV/0!*	*397.5%*	*-50.0%*	*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**	**$2.5**	**$7.5**	**$7.5**	**$19.7**	**$17.5**	**$24.0**	**$31.0**
YOY Growth	*-22.0%*	*-17.9%*	*-17.9%*	*-26.7%*	*3.8%*	*-15.3%*	*-38.4%*	*-30.9%*	*146.1%*	*93.5%*	*39.6%*	*-11.1%*	*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**	**$2.5**	**$7.5**	**$7.5**	**$19.7**	**$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	$5.0	$7.0	$8.5	$24.7	$27.5	$30.0	$32.5
% R&D	*119.5%*	*116.1%*	*98.7%*	*101.8%*	*186.3%*	*127.8%*	*190.8%*	*200.0%*	*93.3%*	*113.3%*	*125.4%*	*157.1%*	*125.0%*	*104.8%*
SG&A	$6.3	$1.8	$2.4	$1.5	$2.4	$8.1	$0.9	$1.0	$1.0	$1.0	$3.9	$4.7	$5.6	$6.8
% SG&A	*37.9%*	*51.1%*	*66.4%*	*49.4%*	*62.1%*	*57.7%*	*41.9%*	*40.0%*	*13.3%*	*13.3%*	*19.9%*	*26.9%*	*23.5%*	*21.8%*
Depreciation & Others	$1.0	$0.2	$0.2	$0.2	$0.2	$0.9	$0.2	$0.2	$0.1	$0.1	$0.7	$0.5	$0.4	$0.2
% Other	*5.9%*	*6.8%*	*6.2%*	*7.0%*	*4.7%*	*6.1%*	*7.8%*	*8.0%*	*1.9%*	*1.9%*	*3.3%*	*2.9%*	*1.7%*	*0.6%*
Operating Income	**($10.5)**	**($2.6)**	**($2.6)**	**($1.8)**	**($5.9)**	**($12.9)**	**($3.1)**	**($3.7)**	**($0.6)**	**($2.1)**	**($9.6)**	**($15.2)**	**($12.0)**	**($8.5)**
Operating Margin	-	-	-	-	-	-	-	-	*-8.5%*	*-28.5%*	-	-	-	-
Other Income (Net)	$0.6	($0.5)	$0.7	($1.7)	$44.2	$42.7	$0.5	$0.2	$0.2	$0.2	$1.1	$0.8	$0.8	$0.5
Pre-Tax Income	**($9.9)**	**($3.2)**	**($1.9)**	**($3.4)**	**$38.3**	**$29.8**	**($2.6)**	**($3.5)**	**($0.4)**	**($1.9)**	**($8.5)**	**($14.4)**	**($11.2)**	**($8.0)**
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)**	**($3.5)**	**($0.4)**	**($1.9)**	**($8.5)**	**($14.4)**	**($11.2)**	**($8.0)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Weighted avg. Shares Out	*11.3*	*12.8*	*14.0*	*14.0*	*16.5*	*14.3*	*14.3*	*14.5*	*15.0*	*15.5*	*14.8*	*15.5*	*17.5*	*20.0*
Reported EPS	**($0.88)**	**($0.25)**	**($0.14)**	**($0.25)**	**$2.32**	**$2.08**	**($0.18)**	**($0.24)**	**($0.03)**	**($0.13)**	**($0.57)**	**($0.93)**	**($0.64)**	**($0.40)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	($0.5)	$0.55	($0.6)	$1.74	($44.3)	($42.6)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Non GAAP Net Income	**($10.4)**	**($2.6)**	**($2.6)**	**($1.7)**	**($5.9)**	**($12.8)**	**($2.6)**	**($3.5)**	**($0.4)**	**($1.9)**	**($8.5)**	**($14.4)**	**($11.2)**	**($8.0)**
Non GAAP EPS	**($0.92)**	**($0.20)**	**($0.18)**	**($0.12)**	**($0.36)**	**($0.89)**	**($0.18)**	**($0.24)**	**($0.03)**	**($0.13)**	**($0.57)**	**($0.93)**	**($0.64)**	**($0.40)**

Source: Company filings and Zacks estimates

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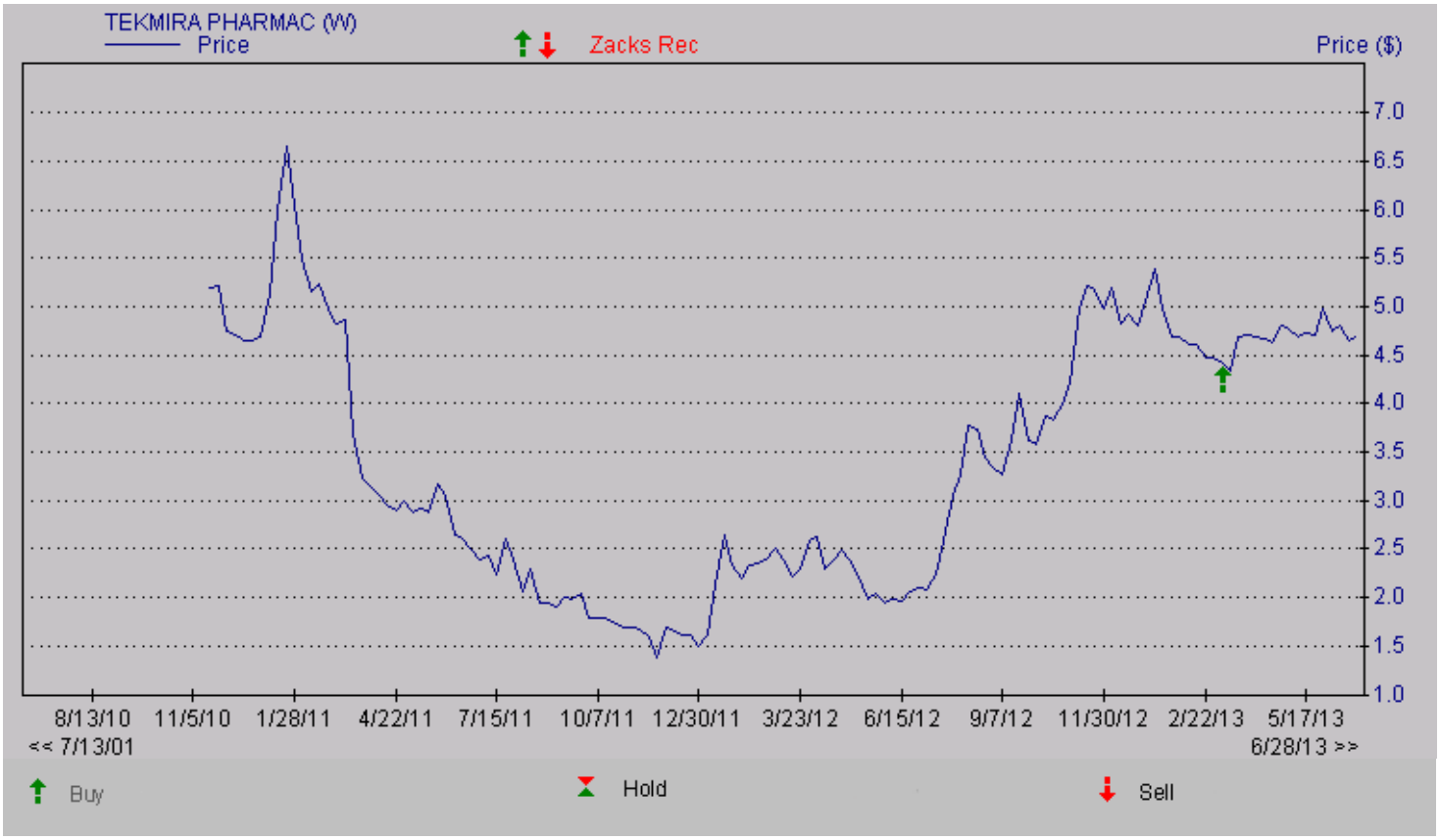
HISTORICAL ZACKS RECOMMENDATIONS



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