

## BioDelivery Sciences International (BDSI - \$ 8.65)

### Raising Price Target to \$12 from \$9

BioDelivery announces strong top-line Phase III BEMA Buprenorphine results. We expect BioDelivery to continue to execute early and often on 2014 catalysts.

- Strong Data and Milestone Payment.** BioDelivery Sciences and its partner Endo Pharmaceuticals announced the top-line results of its BEMA Buprenorphine Phase III trial in opioid naïve patients with moderate to severe chronic pain. The study met its primary efficacy endpoint of improved chronic pain relief compared to placebo with statistically significant results ( $p < .005$ ). The database lock and subsequent announcement resulted in a milestone payment of \$10.0 million from Endo. The company expects to submit an NDA later this year which will trigger an additional milestone payment. The on-going Phase III opioid experienced patient trial will result in an additional \$10.0 million milestone payment, which we continue to expect will occur in mid-2014.
- Trial Redesign Leads to Favorable Results.** On September 28, 2011, the company announced disappointing preliminary findings of a Phase III study as the primary endpoint of overall pain intensity difference between BEMA Buprenorphine and placebo was not achieved. The earlier study data did not result in statistically significant results in the population which BDSI attributed to a high placebo response in the opioid naïve population. Further review of the resulting data indicated statistical significance among segmented naïve and experienced patients but the examined populations were not large enough to exhibit a significant difference between BEMA Buprenorphine and placebo. Overall, the trial, while not successful, did provide beneficial knowledge in the design of the two Phase III clinical studies with subgroups of opioid naïve and opioid experienced patients. We had been expecting positive data from the redesigned Phase III trial in opioid naïve patients and continue to expect positive data from the other Phase III study in opioid experienced patients.
- Maintain BUY Rating, Raising Price Target.** We are raising our price target to \$12 from \$9 due to, what we believe to be, an increased probability of FDA approval of BEMA Buprenorphine. Our price target is based on the NPV of our probability-adjusted forecasts for Bunavail, BEMA Buprenorphine, Clonidine Topical Gel, and Onsolis.

#### Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
<b>FY_15E</b>	NA	NA	NA	NA	-0.09	NM
<b>FY_14E</b>	-0.33	-0.06	-0.30	0.00	-0.69	NM
<b>FY_13E</b>	-0.37A	-0.36A	-0.46A	-0.26	-1.45	NM
<b>FY_12A</b>	0.29	0.23	-0.46	0.17	0.24	NM

Source: Laidlaw & Company estimates

Healthcare / Specialty Pharma

Ticker:	<b>BDSI</b>
Rating:	<b>Buy</b>
Price Target:	raise <b>\$ 12.00</b>

#### Trading Data:

Last Price (01/24/2014)	\$ 8.65
52-Week High (1/24/2014)	\$ 8.98
52-Week Low (3/1/2013)	\$ 3.52
Market Cap. (MM)	\$ 331
Shares Out. (MM)	38

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**Figure 1: BDSI 2014 Catalysts**

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**BEMA Buprenorphine Phase III Data**

- Announced strong top-line data from opioid naive patient trial on January 23, 2014. Received \$10 million milestone payment as a result of database lock.
- Experienced patient database lock expected for 3Q14, will result in additional milestone payment from Endo.

**PDUFA Date For Bunavail, Possible Commercialization**

- Review by FDA expected to be completed by June 7, 2014.
- Commercialization of Bunavail is planned for 2H14 assuming approval.

**Initiation of Phase III Clonidine Topical Gel Trial**

- The study is expected to begin in 1Q14 with completed enrollment targeted for end of year.

**Onsolis Re-launch in US**

- Working with partner Meda Pharmaceuticals to market the drug in the US by 2H14. Re-launch has been postponed since March 2012.

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*Source: Company reports*

## Risks to Owning the Stock

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There are many standard risks for development stage specialty pharmaceutical companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with relying on third parties to formulate and manufacture products and the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include: patent infringement risk, financing risk, currency risk, product liability (both clinical and non-clinical), patent protection risk and potential governmental price controls. The stock of small cap specialty pharmaceutical companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. BioDelivery is susceptible to all of these risks.

Downside risks specific to BioDelivery include the likelihood of the need to sell more stock to raise capital for the continuation of the company's clinical trials and the launch of Bunavail. However, we believe investors already assume that the company will have to raise funds for the continued development of the company's products and the launch. We expect the company will have to raise capital in each of the next two years and have included those assumptions in our models. The value of the stock is hinged on binary events, including the success of the two Phase III trials for BEMA Buprenorphine and the FDA approval of Bunavail. Longer-term value for the company is based on the ultimate market potential and expectations for the company's drugs, and the successful commercialization of these drugs.

BioDelivery is exposed to litigation by third parties based on claims that its technologies, processes, formulations, methods, or products infringe the intellectual property rights of others or that it has misappropriated the trade secrets of others. On October 29, 2013, Reckitt Benckiser, Inc., RB Pharmaceuticals Limited, and MonoSol RX, LLC filed an action against BioDelivery relating to Bunavail the United States District Court for the Eastern District of North Carolina for alleged patent infringement. The plaintiffs claim that the formulation for Bunavail, which has never been disclosed publicly, infringes its patent (U.S. Patent No. 8,475,832). This action could be in response to a recent decision in which the FDA ruled in favor of BioDelivery's position in two Citizen Petitions filed by the plaintiffs that sought to prevent the FDA from accepting and filing BioDelivery's NDA for Bunavail. The two Citizen Petitions, filed on December 2, 2011 and August 13, 2013, respectively, included requests that the FDA refuse to accept for filing any NDAs submitted using the 505(b)(2) regulatory pathway for buprenorphine/naloxone products consisting of a polymer film for application to the buccal mucosal membranes (such as Bunavail), unless such application references the NDA for Suboxone (buprenorphine/naloxone) sublingual film (and not the Suboxone sublingual tablet NDA).

Figure 2: Income Statement

BioDelivery Sciences <i>Income Statement (millions, except per share data)</i>	FY 2012				FY 2013E				FY 2014E				FY_11 Dec	FY_12 Dec	FY_13E Dec	FY_14E Dec	FY_15E Dec
	Q1_12	Q2_12	Q3_12	Q4_12	Q1_13	Q2_13	Q3_13	Q4_13E	Q1_14E	Q2_14E	Q3_14	Q4_14E					
	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec					
Product sales	-	-	-	-	-	-	-	-	-	-	1.0	4.0	-	-	-	5.0	14.3
Product royalties	-	-	-	1.1	-	0.9	0.9	1.0	1.1	1.1	1.2	1.3	2.7	1.1	2.8	4.6	5.6
Research revenues	0.0	-	-	(0.0)	-	-	-	-	-	-	-	-	0.2	0.0	-	-	-
Contract revenues	16.5	16.3	1.9	18.8	1.6	1.9	2.1	1.8	1.8	1.8	1.8	16.7	0.3	53.4	7.4	37.2	57.2
<b>Revenue</b>	<b>16.5</b>	<b>16.3</b>	<b>1.9</b>	<b>19.9</b>	<b>1.6</b>	<b>2.8</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>	<b>17.9</b>	<b>4.0</b>	<b>22.0</b>	<b>3.3</b>	<b>54.5</b>	<b>10.2</b>	<b>46.8</b>	<b>77.0</b>
Cost of product royalties	0.4	0.4	0.4	0.8	0.4	0.7	0.6	0.7	0.7	0.8	0.8	0.9	1.8	1.9	2.4	3.2	3.9
Cost of sales	-	-	-	-	-	-	-	-	-	-	2.0	6.0	-	-	-	8.0	10.0
<b>Gross Profit</b>	<b>16.1</b>	<b>15.9</b>	<b>1.5</b>	<b>19.1</b>	<b>1.2</b>	<b>2.1</b>	<b>2.4</b>	<b>2.1</b>	<b>2.1</b>	<b>17.2</b>	<b>1.2</b>	<b>15.1</b>	<b>1.5</b>	<b>52.6</b>	<b>7.8</b>	<b>35.6</b>	<b>63.2</b>
<i>Operating expenses:</i>																	
Selling, general and administrative	2.8	2.2	3.0	2.1	2.9	3.1	3.0	2.9	4.5	8.3	8.4	9.6	7.6	10.1	12.0	30.7	32.1
Research and development	4.7	6.5	12.5	11.6	12.0	12.8	16.4	9.0	9.1	9.2	4.1	3.4	20.8	35.4	50.2	25.9	26.1
Related party general and administrative, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	0.1	0.1	0.0	-	-
Other non-GAAP adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses (ex-COGS)</b>	<b>7.6</b>	<b>8.8</b>	<b>15.6</b>	<b>13.7</b>	<b>15.0</b>	<b>15.9</b>	<b>19.4</b>	<b>11.9</b>	<b>13.6</b>	<b>17.5</b>	<b>12.5</b>	<b>13.0</b>	<b>28.5</b>	<b>45.6</b>	<b>62.2</b>	<b>56.6</b>	<b>58.2</b>
<b>Total Operating Expenses (non-GAAP, ex-COGS)</b>	<b>7.6</b>	<b>8.8</b>	<b>15.6</b>	<b>13.7</b>	<b>15.0</b>	<b>15.9</b>	<b>19.4</b>	<b>11.9</b>	<b>13.6</b>	<b>17.5</b>	<b>12.5</b>	<b>13.0</b>	<b>28.5</b>	<b>45.6</b>	<b>62.2</b>	<b>56.6</b>	<b>58.2</b>
<b>Operating Income/(loss)</b>	<b>8.6</b>	<b>7.1</b>	<b>(14.1)</b>	<b>5.4</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.1)</b>	<b>(9.8)</b>	<b>(11.5)</b>	<b>(0.3)</b>	<b>(11.3)</b>	<b>2.1</b>	<b>(27.0)</b>	<b>7.1</b>	<b>(54.4)</b>	<b>(20.9)</b>	<b>4.9</b>
<b>Operating Income/(loss) non-GAAP</b>	<b>8.6</b>	<b>7.1</b>	<b>(14.1)</b>	<b>5.4</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.1)</b>	<b>(9.8)</b>	<b>(11.5)</b>	<b>(0.3)</b>	<b>(11.3)</b>	<b>2.1</b>	<b>(27.0)</b>	<b>7.1</b>	<b>(54.4)</b>	<b>(20.9)</b>	<b>4.9</b>
<i>Other Income:</i>																	
Interest income	0.1	0.1	0.1	0.1	0.1	0.1	(0.5)	(0.4)	(1.6)	(2.2)	(2.2)	(2.2)	0.2	0.3	(0.7)	(8.2)	(8.8)
Derivative gain (loss)	(1.9)	(3.5)	(3.5)	3.3	1.0	0.4	(0.9)	-	-	-	-	-	3.5	(5.6)	0.5	0.0	0.0
Other (expense) income, net	(0.0)	0.1	0.0	(0.0)	(0.0)	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0
<b>Income (loss) before provision for income taxes (GAAP)</b>	<b>6.8</b>	<b>3.8</b>	<b>(17.5)</b>	<b>8.7</b>	<b>(12.6)</b>	<b>(13.4)</b>	<b>(18.5)</b>	<b>(10.2)</b>	<b>(13.1)</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(0.0)</b>	<b>(23.3)</b>	<b>1.8</b>	<b>(54.8)</b>	<b>(29.1)</b>	<b>(3.9)</b>
<b>Income (loss) before provision for income taxes (non-GAAP)</b>	<b>8.6</b>	<b>7.3</b>	<b>(14.0)</b>	<b>5.4</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.6)</b>	<b>(10.2)</b>	<b>(13.1)</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(0.0)</b>	<b>(26.8)</b>	<b>7.4</b>	<b>(55.3)</b>	<b>(29.1)</b>	<b>(3.9)</b>
<i>Tax: (%) non-GAAP</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>2.4%</i>	<i>NM</i>	<i>NM</i>	<i>0.0%</i>	<i>0.0%</i>	<i>NM</i>	<i>NM</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>1.8%</i>	<i>NM</i>	<i>0.0%</i>	<i>0.0%</i>
<b>Income tax provision GAAP</b>	0.0	0.0	0.0	0.1	0.1	0.0	-	-	0.0	0.0	-	-	-	0.1	0.1	0.0	-
Non-GAAP tax adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income (loss) GAAP</b>	<b>6.8</b>	<b>3.8</b>	<b>(17.5)</b>	<b>8.6</b>	<b>(12.7)</b>	<b>(13.4)</b>	<b>(18.5)</b>	<b>(10.2)</b>	<b>(13.1)</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(0.0)</b>	<b>(23.3)</b>	<b>1.7</b>	<b>(54.8)</b>	<b>(29.1)</b>	<b>(3.9)</b>
<b>Net income (loss) non-GAAP</b>	<b>8.6</b>	<b>7.3</b>	<b>(14.0)</b>	<b>5.3</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.6)</b>	<b>(10.2)</b>	<b>(13.1)</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(0.0)</b>	<b>(26.8)</b>	<b>7.2</b>	<b>(55.3)</b>	<b>(29.1)</b>	<b>(3.9)</b>
<b>EPS (GAAP)</b>	<b>\$0.23</b>	<b>\$0.12</b>	<b>(\$0.58)</b>	<b>\$0.28</b>	<b>(\$0.34)</b>	<b>(\$0.35)</b>	<b>(\$0.49)</b>	<b>(\$0.26)</b>	<b>(\$0.33)</b>	<b>(\$0.06)</b>	<b>(\$0.30)</b>	<b>(\$0.00)</b>	<b>(\$0.82)</b>	<b>\$0.05</b>	<b>(\$1.44)</b>	<b>(\$0.69)</b>	<b>(\$0.09)</b>
<b>EPS (non-GAAP)</b>	<b>\$0.29</b>	<b>\$0.23</b>	<b>(\$0.46)</b>	<b>\$0.17</b>	<b>(\$0.37)</b>	<b>(\$0.36)</b>	<b>(\$0.46)</b>	<b>(\$0.26)</b>	<b>(\$0.33)</b>	<b>(\$0.06)</b>	<b>(\$0.30)</b>	<b>(\$0.00)</b>	<b>(\$0.95)</b>	<b>\$0.24</b>	<b>(\$1.45)</b>	<b>(\$0.69)</b>	<b>(\$0.09)</b>
Weighted Diluted Shares outstanding (millions)	29.6	31.1	30.1	30.7	37.5	38.0	38.1	38.8	39.6	40.4	44.8	45.2	28.3	30.7	38.1	42.5	45.2
Weighted Diluted Shares YOY change (%)					26.8%	22.0%	26.6%	26.6%	5.6%	6.3%	17.6%	16.5%		8.4%	24.2%	11.6%	6.2%

Source: Bloomberg LP; Company reports; Laidlaw &amp; Company estimates

Figure 3: Balance Sheet

BioDelivery Sciences	FY 2012				FY 2013E				FY_11 Dec	FY_12 Dec	FY_13E Dec	FY_14E Dec	FY_15E Dec
	Q1_12 Mar	Q2_12 Jun	Q3_12 Sept	Q4_12 Dec	Q1_13 Mar	Q2_13 Jun	Q3_13 Sept	Q4_13E Dec					
<i>Balance Sheet (\$ millions, except per share data)</i>													
<b>Assets:</b>													
Cash and cash equivalents	32.1	43.0	31.3	63.2	49.7	37.4	38.3	25.2	10.8	63.2	25.2	12.3	17.5
Accounts receivable, other	0.2	0.0	0.0	0.5	0.2	0.5	0.9	0.8	0.1	0.5	0.8	5.8	8.6
Prepaid expenses and other current assets	0.6	0.1	0.2	0.2	0.5	0.3	0.5	0.4	0.2	0.2	0.4	0.4	0.4
<b>Total Current Assets</b>	<b>32.9</b>	<b>43.2</b>	<b>31.6</b>	<b>63.9</b>	<b>50.4</b>	<b>38.2</b>	<b>39.6</b>	<b>26.4</b>	<b>11.1</b>	<b>63.9</b>	<b>26.4</b>	<b>18.5</b>	<b>26.6</b>
Equipment, net	3.2	3.1	2.9	2.8	2.7	2.6	0.2	0.2	3.3	2.8	0.2	0.2	0.2
Goodwill	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Total other intangible assets	6.9	6.7	6.4	6.2	5.9	5.7	2.5	2.5	6.2	6.2	2.5	2.5	2.5
Derivative asset, warrant	0.7	0.4	0.2	0.1	0.0	-	5.4	5.4	0.4	0.1	5.4	5.4	5.4
Other assets	0.0	0.0	0.0	0.0	-	-	0.1	0.1	0.0	0.0	0.1	0.1	0.1
<b>Total Assets</b>	<b>46.4</b>	<b>56.1</b>	<b>43.9</b>	<b>75.7</b>	<b>61.8</b>	<b>49.3</b>	<b>50.6</b>	<b>37.4</b>	<b>23.6</b>	<b>75.7</b>	<b>37.4</b>	<b>29.5</b>	<b>37.6</b>
<b>Liabilities &amp; Shareholders' Equity:</b>													
Accounts payable and other accrued liabilities	5.0	5.8	7.4	10.8	9.5	12.0	11.1	6.8	5.1	10.8	6.8	6.2	6.4
Notes payable, current	-	-	-	-	-	-	5.3	5.3	-	-	5.3	5.3	5.3
Deferred revenue, current	12.5	15.1	22.7	8.0	7.2	5.6	4.1	3.8	12.5	8.0	3.8	3.6	4.0
Derivative liabilities	2.4	5.6	8.9	4.5	3.5	3.0	3.9	3.9	0.3	4.5	3.9	3.9	3.9
<b>Total Current Liabilities</b>	<b>20.0</b>	<b>26.5</b>	<b>39.1</b>	<b>23.2</b>	<b>20.2</b>	<b>20.6</b>	<b>24.4</b>	<b>19.9</b>	<b>17.9</b>	<b>23.2</b>	<b>19.9</b>	<b>19.1</b>	<b>19.6</b>
Note Payable, less current maturities	-	-	-	-	-	-	13.8	13.3	-	-	-	-	-
Deferred revenue, long-term	1.6	1.5	4.3	2.7	1.9	1.6	1.3	1.3	1.6	2.7	1.3	4.8	4.8
<b>Total Liabilities</b>	<b>21.5</b>	<b>28.0</b>	<b>43.3</b>	<b>26.0</b>	<b>22.1</b>	<b>22.2</b>	<b>39.5</b>	<b>34.5</b>	<b>19.5</b>	<b>26.0</b>	<b>21.2</b>	<b>23.8</b>	<b>24.4</b>
<b>Stockholders' Equity</b>	<b>24.9</b>	<b>28.1</b>	<b>0.6</b>	<b>49.8</b>	<b>39.7</b>	<b>27.1</b>	<b>11.0</b>	<b>2.9</b>	<b>4.1</b>	<b>49.8</b>	<b>16.2</b>	<b>5.6</b>	<b>13.1</b>
<b>Total Liabilities &amp; Equity</b>	<b>46.4</b>	<b>56.1</b>	<b>43.9</b>	<b>75.7</b>	<b>61.8</b>	<b>49.3</b>	<b>50.6</b>	<b>37.4</b>	<b>23.6</b>	<b>75.7</b>	<b>37.4</b>	<b>29.5</b>	<b>37.6</b>

Source: Bloomberg LP; Company reports; Laidlaw &amp; Company estimate

**Figure 4: Cash flow Statement**

<b>BioDelivery Sciences</b>	<b>FY_11</b>	<b>FY_12</b>	<b>FY_13E</b>	<b>FY_14E</b>	<b>FY_15E</b>
<i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i>	Dec	Dec	Dec	Dec	Dec
<b>Cash flows from operating activities:</b>					
<b>Net income</b>	(23.3)	1.7	(54.8)	(29.1)	(3.9)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Depreciation and amortization	1.3	1.5	1.2	1.2	1.2
Accretion of Discount	-	0.1	0.1	-	-
Derivative (gain) loss	(3.5)	5.6	(0.5)	-	-
Purchase of Arcion license with common stock	-	-	2.1	-	-
Stock-based compensation expense	1.2	1.6	3.6	-	-
<i>Changes in assets and liabilities:</i>					
Accounts receivable	0.5	(0.4)	(0.3)	(5.0)	(2.8)
Prepaid expenses and other assets	0.0	0.0	(0.1)	-	-
Accounts payable and other accrued expenses	0.4	5.6	0.3	0.6	(0.2)
Income tax payable	-	0.1	(4.2)	-	-
Deferred revenue	0.0	(3.4)	(5.1)	0.2	(0.3)
<b>Net cash provided by (used in) operating activities</b>	<b>(23.3)</b>	<b>12.3</b>	<b>(57.7)</b>	<b>(32.1)</b>	<b>(5.9)</b>
<b>Cash flow from investing activities:</b>					
Purchases of property and equipment	(0.3)	(0.0)	(0.0)	(0.0)	(0.0)
Purchases of intangible assets	-	(1.1)	-	-	-
<b>Cash provided by investing activities</b>	<b>(0.3)</b>	<b>(1.1)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from sale of securities	14.0	38.4	20.0	25.0	20.0
Proceeds from exercise of stock options	0.3	2.1	0.3	-	-
Deferred financing activities	-	-	(0.2)	-	-
Repayment of note	-	-	(0.4)	(8.2)	(8.8)
Change in amounts due to related parties	0.0	(0.0)	(0.1)	-	-
Other	1.7	0.9	-	2.4	-
<b>Cash (used in) provided by financing activities</b>	<b>16.1</b>	<b>41.3</b>	<b>19.6</b>	<b>19.2</b>	<b>11.2</b>
Effect of exchange rates on cash	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	(7.5)	52.5	(38.1)	(12.9)	5.3
Cash and cash equivalents at beginning of the period	18.2	10.8	63.3	25.2	12.3
Cash and cash equivalents at end of period	<b>10.8</b>	<b>63.3</b>	<b>25.2</b>	<b>12.3</b>	<b>17.5</b>

Source: Bloomberg LP; Company reports; Laidlaw &amp; Company estimates

## DISCLOSURES:

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*Additional information available upon request.*

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### RATINGS INFORMATION

#### Rating and Price Target Change History



#### 3 Year Rating Change History

Date	Rating	Closing Price (\$)
11/26/2013	Buy (B)	4.81

#### 3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
11/26/2013	9.00	4.81
01/24/2014	12.00	6.25*

\* Previous Close 1/23/2014

Source: Laidlaw & Company

Created by: Blue-Compass.net

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
<b>Strong Buy (SB)</b>	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
<b>Buy (B)</b>	Expected to outperform the sector average over 12 months.	83.33%	33.33%	16.67%
<b>Hold (H)</b>	Expected returns to be in line with the sector average over 12 months.	16.67%	0.00%	0.00%
<b>Sell (S)</b>	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

### ADDITIONAL COMPANIES MENTIONED

Endo Health Solutions Inc. (ENDP, Not Rated)  
Reckitt Benckiser Group PLC (RB/LN, Not Rated)

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**NOTES:**