

## BioDelivery Sciences International (BDSI - \$ 17.20)

Healthcare / Biotechnology

### BioDelivery to Develop Long-Acting Injectable Buprenorphine

BDSI announced an exclusive agreement with Evonik Industries to develop and commercialize an injectable formulation of buprenorphine for the treatment of opioid addiction and chronic pain.

Ticker: **BDSI**  
Rating: **Buy**  
Price Target: **\$ 20.00**

- Product Pipeline Expansion.** Today, BioDelivery announced an agreement with Evonik Industries to develop and commercialize a long-acting subcutaneous injectable formulation of buprenorphine. The product will be developed under the 505(b)(2) process with an NDA filing projected in 2017. We estimate that the program will require a total of 500 patients and believe financial terms of the agreement could be announced following the development of the final formulation later this year. Our estimated timeline to approval is on Page 2.
- Long-Acting Injection Could Offer Large Opportunity.** A long-acting injectable form of buprenorphine could provide up to 30 days of continuous treatment from a single injection for both opioid addiction and chronic pain. Treatment delivered in a physician office or clinic setting could address two significant hurdles in the treatment of opioid addiction, diversion and compliance. The subcutaneous injection delivery could have an obvious and immediate impact on diversion, or recreational use of a prescription drug. Patient compliance could be significantly improved due to the once a month delivery of the drug. It is estimated that approximately two out of three patients being treated for opioid dependence drop out of their treatment regimen. With 2.5 million people in the U.S. dependent on prescription opioids and heroin, we believe this product has significant upside potential for BioDelivery if it reaches commercialization.
- Updating Estimates and Introducing 2015 Quarterly Estimates.** We are lowering our 3Q14 revenue estimate by \$1.2 million to \$3.4 million due to lower contract revenue estimates and we are lowering our 4Q14 estimate to \$3.3 million from \$11.0 million due to the method that the company is recording sales in the Bunavail rollout that does not record stocking, which we had assumed. We are lowering our 2014 and 2015 revenue estimates to \$41.3 million and \$58.4 million from \$50.2 million and \$83.5 million, respectively. We are changing our 3Q14 and 4Q14 non-GAAP EPS estimates to a loss of \$0.25 and a loss of \$0.28 from a loss of \$0.26 and a loss of \$0.20, respectively. Our 2014 and 2015 non-GAAP EPS estimates are a loss of \$0.60 in each year, down from a loss of \$0.53 and a loss of \$0.12, respectively. Our FY16 non-GAAP EPS estimate is \$0.98, up from our prior estimate of \$0.76. We have introduced 2015 quarterly estimates.
- Maintaining BUY Rating and Price Target.** We are maintaining our price target of \$20, which is based on the NPV of our probability-adjusted forecasts for Bunavail, BEMA Buprenorphine, Clonidine Topical Gel, and Onsolis.

#### Trading Data:

Last Price (10/28/2014)	\$ 17.20
52-Week High (9/12/2014)	\$ 18.48
52-Week Low (11/14/2013)	\$ 4.16
Market Cap. (MM)	\$ 848
Shares Out. (MM)	49

#### Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
<b>FY_16E</b>	NE	NE	NE	NE	0.98	17.6
<b>FY_15E</b>	-0.04	-0.22	-0.19	-0.14	-0.60	NM
<b>FY_14E</b>	0.00A	-0.05A	-0.25	-0.28	-0.60	NM
<b>FY_13A</b>	-0.37	-0.36	-0.46	-0.33	-1.52	NM

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Source: Laidlaw & Company estimates

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Figure 1: Estimated Injectable Buprenorphine Development Timeline

Finalized Formulation and Animal Studies Start	4Q14
IND Filing	Late 2014 / Early 2015
Phase II Trials Launched	Late 2015
Phase II Trials Completed	2016
Phase III Trials Launched	Late 2016
Phase III Completion	2017
NDA Filing	2H17

Source: Company reports; Laidlaw & Company estimates

Figure 2: Catalyst Summary

**BEMA Buprenorphine Phase III Data**

- Announced strong top-line data from opioid naive patient trial on January 23, 2014. Received \$10 million milestone payment from Endo as a result of database lock.
- Positive top-line experienced patient data announced July 7, 2014. Database lock resulted in \$10 million milestone payment from Endo.
- NDA filing expected by late 2014 / early 2015. NDA filing will trigger an additional \$10 million milestone payment, approval will result in \$50 million payment.

**Bunavail Approval, Commercialization**

- FDA approved June 6, 2014.
- Commercialization is underway with a team of approximately 60 sales representatives. Expect first weekly prescription sales data in early to mid-November.

**Phase III Clonidine Topical Gel Trial (Fast Track Designation)**

- Enrollment of first pivotal Phase III completed. Interim Analysis results announced August 6, 2014, study requires approximately 80 additional patients to power statistical significance at 90% confidence.
- Topline results for the first Phase III trial are projected by end of 1Q15 (study remains ahead of schedule) with the second Phase III trial to be initiated. We expect NDA filing in 2016 and potential approval in 2017.

**Onsolis Re-launch in US**

- Working with partner Meda Pharmaceuticals to market the drug in the US by 2H14.

Source: Company reports; Laidlaw & Company estimates

## 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. In addition, 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. 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.

The value of the stock is hinged on binary events, including the FDA approval of BEMA Buprenorphine. 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 BEMA Buprenorphine and the FDA approved drug Bunavail.

Figure 3: Income Statement

BioDelivery Sciences <i>Income Statement (millions, except per share data)</i>	FY 2013				FY 2014E				FY 2015E				FY_11 Dec	FY_12 Dec	FY_13 Dec	FY_14E Dec	FY_15E Dec	FY_16E Dec
	Q1_13	Q2_13	Q3_13	Q4_13	Q1_14	Q2_14	Q3_14E	Q4_14E	Q1_15E	Q2_15E	Q3_15E	Q4_15E						
	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec						
Product sales	-	-	-	-	-	-	-	1.0	5.0	7.5	11.0	14.0	-	-	-	1.0	37.5	61.3
Product royalty revenues	-	0.9	0.9	(0.0)	1.0	0.9	0.9	0.9	0.5	1.0	1.0	6.0	2.7	1.1	1.8	3.6	8.5	14.7
Research revenues	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.0	-	-	-	-
Research and development reimbursements	-	-	-	2.8	8.5	2.3	1.9	0.9	0.8	0.6	0.3	0.3	1.2	-	2.8	13.6	2.0	-
Contract revenues	1.6	1.9	2.1	1.2	11.3	10.7	0.6	0.5	10.2	0.2	-	-	0.3	53.4	6.8	23.1	10.4	60.0
<b>Revenue</b>	<b>1.6</b>	<b>2.8</b>	<b>3.0</b>	<b>4.0</b>	<b>20.7</b>	<b>13.9</b>	<b>3.4</b>	<b>3.3</b>	<b>16.5</b>	<b>9.3</b>	<b>12.3</b>	<b>20.3</b>	<b>4.5</b>	<b>54.5</b>	<b>11.4</b>	<b>41.3</b>	<b>58.4</b>	<b>136.0</b>
Cost of product royalties	0.4	0.7	0.6	0.4	0.7	0.7	0.7	0.7	0.4	0.7	0.7	4.2	1.8	1.9	2.1	2.7	6.0	10.3
Cost of sales	-	-	-	-	-	-	-	0.6	2.5	3.4	4.3	4.8	-	-	-	0.6	15.0	15.9
<b>Gross Profit</b>	<b>1.2</b>	<b>2.1</b>	<b>2.4</b>	<b>3.6</b>	<b>20.0</b>	<b>13.2</b>	<b>2.7</b>	<b>2.1</b>	<b>13.6</b>	<b>5.2</b>	<b>7.3</b>	<b>11.2</b>	<b>2.7</b>	<b>52.6</b>	<b>9.3</b>	<b>38.0</b>	<b>37.4</b>	<b>120.0</b>
<i>Operating expenses:</i>																		
Selling, general and administrative	2.9	3.1	3.0	3.2	4.6	7.2	8.3	9.3	8.4	8.4	8.4	9.4	7.6	10.1	12.3	29.5	34.6	35.5
Research and development	12.0	12.8	16.4	12.1	14.6	8.0	6.8	6.8	7.3	7.9	8.3	9.0	20.8	35.4	53.3	36.2	32.5	31.0
Related party general and administrative, net	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	0.1	0.1	0.0	0.0	-	-
Other non-GAAP adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses (ex-COGS)</b>	<b>15.0</b>	<b>15.9</b>	<b>19.4</b>	<b>15.4</b>	<b>19.3</b>	<b>15.2</b>	<b>15.1</b>	<b>16.1</b>	<b>15.7</b>	<b>16.3</b>	<b>16.7</b>	<b>18.4</b>	<b>28.5</b>	<b>45.6</b>	<b>65.7</b>	<b>65.7</b>	<b>67.1</b>	<b>66.5</b>
<b>Total Operating Expenses (non-GAAP, ex-COGS)</b>	<b>15.0</b>	<b>15.9</b>	<b>19.4</b>	<b>15.4</b>	<b>19.3</b>	<b>15.2</b>	<b>15.1</b>	<b>16.1</b>	<b>15.7</b>	<b>16.3</b>	<b>16.7</b>	<b>18.4</b>	<b>28.5</b>	<b>45.6</b>	<b>65.7</b>	<b>65.7</b>	<b>67.1</b>	<b>66.5</b>
<b>Operating Income/(loss)</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.1)</b>	<b>(11.8)</b>	<b>0.7</b>	<b>(2.0)</b>	<b>(12.3)</b>	<b>(14.0)</b>	<b>(2.1)</b>	<b>(11.1)</b>	<b>(9.4)</b>	<b>(7.2)</b>	<b>(25.8)</b>	<b>7.1</b>	<b>(56.4)</b>	<b>(27.6)</b>	<b>(29.7)</b>	<b>53.6</b>
<b>Operating Income/(loss) non-GAAP</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.1)</b>	<b>(11.8)</b>	<b>0.7</b>	<b>(2.0)</b>	<b>(12.3)</b>	<b>(14.0)</b>	<b>(2.1)</b>	<b>(11.1)</b>	<b>(9.4)</b>	<b>(7.2)</b>	<b>(25.8)</b>	<b>7.1</b>	<b>(56.4)</b>	<b>(27.6)</b>	<b>(29.7)</b>	<b>53.6</b>
<i>Other Income:</i>																		
Interest income	0.1	0.1	(0.5)	(0.6)	(0.6)	(0.5)	(0.2)	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	0.2	0.3	(0.9)	(1.4)	(0.9)	(0.4)
Derivative gain (loss)	1.0	0.4	(0.9)	(0.4)	(4.8)	(4.1)	-	-	-	-	-	-	3.5	(5.6)	0.1	(8.9)	-	-
Other (expense) income, net	(0.0)	(0.1)	(0.0)	(0.1)	0.0	0.0	-	-	-	-	-	-	0.0	0.0	(0.2)	0.0	-	-
<b>Income (loss) before provision for income taxes (GAAP)</b>	<b>(12.6)</b>	<b>(13.4)</b>	<b>(18.5)</b>	<b>(12.9)</b>	<b>(4.6)</b>	<b>(6.7)</b>	<b>(12.5)</b>	<b>(14.1)</b>	<b>(2.2)</b>	<b>(11.3)</b>	<b>(9.7)</b>	<b>(7.5)</b>	<b>(22.1)</b>	<b>1.8</b>	<b>(57.4)</b>	<b>(37.9)</b>	<b>(30.6)</b>	<b>53.2</b>
<b>Income (loss) before provision for income taxes (non-GAAP)</b>	<b>(13.7)</b>	<b>(13.8)</b>	<b>(17.6)</b>	<b>(12.5)</b>	<b>0.2</b>	<b>(2.6)</b>	<b>(12.5)</b>	<b>(14.1)</b>	<b>(2.2)</b>	<b>(11.3)</b>	<b>(9.7)</b>	<b>(7.5)</b>	<b>(25.6)</b>	<b>7.4</b>	<b>(57.5)</b>	<b>(29.0)</b>	<b>(30.6)</b>	<b>53.2</b>
<i>Tax: (%) non-GAAP</i>	<i>NM</i>	<i>NM</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</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>	<i>0.0%</i>
<b>Income tax provision GAAP</b>	<b>0.1</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>
Non-GAAP tax adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(12.7)	(13.4)	(18.5)	(12.9)	(4.6)	(6.7)	(12.5)	(14.1)	(2.2)	(11.3)	(9.7)	(7.5)	(22.1)	1.7	(57.4)	(37.9)	(30.6)	53.2
Net income (loss) non-GAAP	(13.7)	(13.8)	(17.6)	(12.5)	0.2	(2.6)	(12.5)	(14.1)	(2.2)	(11.3)	(9.7)	(7.5)	(25.6)	7.2	(57.5)	(29.0)	(30.6)	53.2
<b>EPS (GAAP)</b>	<b>(\$0.34)</b>	<b>(\$0.35)</b>	<b>(\$0.49)</b>	<b>(\$0.34)</b>	<b>(\$0.11)</b>	<b>(\$0.14)</b>	<b>(\$0.25)</b>	<b>(\$0.28)</b>	<b>(\$0.04)</b>	<b>(\$0.22)</b>	<b>(\$0.19)</b>	<b>(\$0.14)</b>	<b>(\$0.78)</b>	<b>\$0.05</b>	<b>(\$1.51)</b>	<b>(\$0.79)</b>	<b>(\$0.60)</b>	<b>\$0.98</b>
<b>EPS (non-GAAP)</b>	<b>(\$0.37)</b>	<b>(\$0.36)</b>	<b>(\$0.46)</b>	<b>(\$0.33)</b>	<b>\$0.00</b>	<b>(\$0.05)</b>	<b>(\$0.25)</b>	<b>(\$0.28)</b>	<b>(\$0.04)</b>	<b>(\$0.22)</b>	<b>(\$0.19)</b>	<b>(\$0.14)</b>	<b>(\$0.90)</b>	<b>\$0.24</b>	<b>(\$1.52)</b>	<b>(\$0.60)</b>	<b>(\$0.60)</b>	<b>\$0.98</b>
Weighted Diluted Shares outstanding (millions)	37.5	38.0	38.1	38.2	44.0	48.5	49.5	50.5	51.0	51.2	51.5	51.8	28.3	30.7	37.9	48.1	51.4	54.3
Weighted Diluted Shares YOY change (%)	26.8%	22.0%	26.6%	24.4%	17.4%	27.7%	30.0%	32.2%	15.8%	5.6%	4.1%	2.5%	-	8.4%	23.6%	26.9%	6.7%	5.8%

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

Figure 4: Balance Sheet

BioDelivery Sciences <i>Balance Sheet (\$ millions, except per share data)</i>	FY 2013				FY 2014E				FY 2015E				FY_11	FY_12	FY_13	FY_14E	FY_15E	FY_16E
	Q1_13 Mar	Q2_13 Jun	Q3_13 Sept	Q4_13 Dec	Q1_14 Mar	Q2_14 Jun	Q3_14E Sept	Q4_14E Dec	Q1_15E Mar	Q2_15E Jun	Q3_15E Sept	Q4_15E Dec	Dec	Dec	Dec	Dec	Dec	Dec
<b>Assets:</b>																		
Cash and cash equivalents	49.7	37.4	38.3	23.2	88.2	78.4	74.2	62.3	56.2	44.0	35.7	28.2	10.8	63.2	23.2	62.3	28.2	78.8
Accounts receivable, other	0.2	0.5	0.9	2.8	2.5	12.6	3.1	1.0	3.1	5.7	4.6	5.6	0.1	0.5	2.8	1.0	5.6	9.1
Inventory	-	-	-	-	-	0.8	3.0	3.2	3.6	3.8	4.0	4.1	-	-	-	3.2	4.1	7.1
Prepaid expenses and other current assets	0.5	0.3	0.5	0.6	0.7	0.6	0.1	0.1	0.7	0.4	0.5	0.4	0.2	0.2	0.6	0.1	0.4	0.4
<b>Total Current Assets</b>	<b>50.4</b>	<b>38.2</b>	<b>39.6</b>	<b>26.6</b>	<b>91.4</b>	<b>92.4</b>	<b>80.4</b>	<b>66.7</b>	<b>63.6</b>	<b>54.0</b>	<b>44.8</b>	<b>38.3</b>	<b>11.1</b>	<b>63.9</b>	<b>26.6</b>	<b>66.7</b>	<b>38.3</b>	<b>95.4</b>
Equipment, net	2.7	2.6	0.2	0.2	0.2	0.2	0.3	0.3	0.5	0.7	0.9	1.1	3.3	2.8	0.2	0.3	1.1	1.9
Idle Equipment, net	-	-	-	2.8	3.3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	-	-	2.8	3.5	3.5	3.5
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	2.7	2.7	2.7	2.7	2.7
Total other intangible assets	5.9	5.7	2.5	5.2	5.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7	6.2	6.2	5.2	4.7	4.7	4.7
Derivative asset, warrant	0.0	-	5.4	-	-	-	-	-	-	-	-	-	0.4	0.1	-	-	-	-
Other assets	-	-	0.1	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.5	0.3	0.3	0.3
<b>Total Assets</b>	<b>61.8</b>	<b>49.3</b>	<b>50.6</b>	<b>38.0</b>	<b>103.0</b>	<b>103.8</b>	<b>91.9</b>	<b>78.2</b>	<b>75.3</b>	<b>65.9</b>	<b>56.9</b>	<b>50.6</b>	<b>23.6</b>	<b>75.7</b>	<b>38.0</b>	<b>78.2</b>	<b>50.6</b>	<b>108.5</b>
<b>Liabilities &amp; Shareholders' Equity:</b>																		
Accounts payable and other accrued liabilities	9.5	12.0	11.1	10.4	8.8	9.5	9.4	10.0	9.8	10.2	10.4	11.5	5.1	10.8	10.4	10.0	11.5	11.4
Notes payable, current	-	-	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	-	-	7.3	7.3	7.3	7.3
Deferred revenue, current	7.2	5.6	4.1	2.9	1.9	1.3	0.3	0.3	1.5	0.9	1.2	1.9	12.5	8.0	2.9	0.3	1.9	4.4
Derivative liabilities	3.5	3.0	3.9	4.3	7.5	10.8	10.8	10.8	10.8	10.8	10.8	10.8	0.3	4.5	4.3	10.8	10.8	10.8
<b>Total Current Liabilities</b>	<b>20.2</b>	<b>20.6</b>	<b>24.4</b>	<b>25.0</b>	<b>25.6</b>	<b>28.9</b>	<b>27.8</b>	<b>28.4</b>	<b>29.4</b>	<b>29.1</b>	<b>29.7</b>	<b>31.5</b>	<b>17.9</b>	<b>23.2</b>	<b>25.0</b>	<b>28.4</b>	<b>31.5</b>	<b>33.9</b>
Note Payable, less current maturities	-	-	13.8	11.8	9.9	8.0	6.0	3.9	3.0	2.0	1.1	0.1	-	-	11.8	3.9	0.1	0.0
Deferred revenue, long-term	1.9	1.6	1.3	1.3	2.2	4.4	2.1	2.0	10.2	5.7	7.6	0.5	1.6	2.7	1.3	2.0	0.5	1.1
Other long-term liabilities	-	-	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	-	-	0.7	0.7	0.7	0.7
<b>Total Liabilities</b>	<b>22.1</b>	<b>22.2</b>	<b>39.5</b>	<b>38.8</b>	<b>38.4</b>	<b>42.0</b>	<b>36.5</b>	<b>35.1</b>	<b>43.2</b>	<b>37.6</b>	<b>39.0</b>	<b>32.8</b>	<b>19.5</b>	<b>26.0</b>	<b>38.8</b>	<b>35.1</b>	<b>32.8</b>	<b>35.7</b>
<b>Stockholders' Equity</b>	<b>39.7</b>	<b>27.1</b>	<b>11.0</b>	<b>(0.8)</b>	<b>64.6</b>	<b>61.8</b>	<b>55.3</b>	<b>43.1</b>	<b>32.1</b>	<b>28.3</b>	<b>17.9</b>	<b>17.8</b>	<b>4.1</b>	<b>49.8</b>	<b>-0.8</b>	<b>43.1</b>	<b>17.8</b>	<b>72.8</b>
<b>Total Liabilities &amp; Equity</b>	<b>61.8</b>	<b>49.3</b>	<b>50.6</b>	<b>38.0</b>	<b>103.0</b>	<b>103.8</b>	<b>91.9</b>	<b>78.2</b>	<b>75.3</b>	<b>65.9</b>	<b>56.9</b>	<b>50.6</b>	<b>23.6</b>	<b>75.7</b>	<b>38.0</b>	<b>78.2</b>	<b>50.6</b>	<b>108.5</b>

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

Figure 5: Cash Flow Statement

<b>BioDelivery Sciences</b>	<b>FY_11</b>	<b>FY_12</b>	<b>FY_13</b>	<b>FY_14E</b>	<b>FY_15E</b>	<b>FY_16E</b>
<i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i>	<b>Dec</b>	<b>Dec</b>	<b>Dec</b>	<b>Dec</b>	<b>Dec</b>	<b>Dec</b>
<b>Cash flows from operating activities:</b>						
<b>Net income</b>	(22.1)	1.7	(57.4)	(37.9)	(30.6)	53.2
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>						
Depreciation and amortization	1.3	1.5	1.3	0.9	0.7	0.7
Accretion of Discount	-	-	0.2	0.8	1.0	1.0
Derivative (gain) loss	(3.5)	5.6	(0.1)	8.9	-	-
Purchase of Arcion license with common stock	-	-	2.1	-	-	-
Stock-based compensation expense	1.2	1.6	3.3	5.1	5.3	5.6
<i>Changes in assets and liabilities:</i>						
Accounts receivable	0.5	(0.4)	(2.3)	1.8	(4.6)	(3.5)
Inventory	-	-	-	(3.2)	(0.9)	(3.0)
Prepaid expenses and other assets	0.0	0.0	(0.1)	0.5	(0.2)	-
Accounts payable and other accrued expenses	0.4	5.6	(0.7)	(0.1)	1.4	0.1
Income tax payable	-	0.1	-	-	-	-
Deferred revenue	0.0	(3.4)	(6.5)	2.5	(1.6)	(2.5)
<b>Net cash provided by (used in) operating activities</b>	<b>(22.0)</b>	<b>12.2</b>	<b>(60.1)</b>	<b>(20.7)</b>	<b>(29.5)</b>	<b>51.5</b>
<b>Cash flow from investing activities:</b>						
Purchases of property and equipment	(0.3)	(0.0)	(0.1)	(1.1)	(0.8)	(0.8)
Purchases of intangible assets	-	(1.1)	-	-	-	-
<b>Cash provided by investing activities</b>	<b>(0.3)</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(0.8)</b>
<b>Cash flows from financing activities:</b>						
Proceeds from sale of securities	14.0	38.4	-	62.0	-	-
Proceeds from exercise of stock options	0.3	2.1	0.4	2.8	-	-
Proceeds from exercise of common stock warrants	-	-	0.1	4.0	-	-
Proceeds from notes payable and warrants	-	-	20.0	-	-	-
Deferred financing activities	-	-	(0.2)	-	-	-
Repayment of note	-	-	-	(8.1)	(3.8)	(0.1)
Return of short swing profits	-	-	-	0.1	-	-
Change in amounts due to related parties	0.0	(0.0)	-	-	-	-
Other	1.7	0.9	-	-	-	-
<b>Cash (used in) provided by financing activities</b>	<b>16.1</b>	<b>41.3</b>	<b>20.2</b>	<b>60.8</b>	<b>(3.8)</b>	<b>(0.1)</b>
Effect of exchange rates on cash	-	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	(6.2)	52.4	(40.0)	39.1	(34.1)	50.5
Cash and cash equivalents at beginning of the period	18.2	10.8	63.2	23.2	62.3	28.2
Cash and cash equivalents at end of period	<b>12.0</b>	<b>63.2</b>	<b>23.2</b>	<b>62.3</b>	<b>28.2</b>	<b>78.8</b>

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

## DISCLOSURES:

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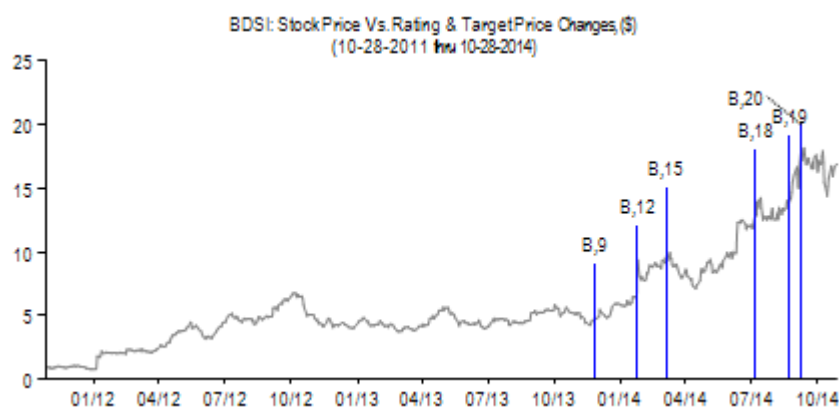
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#### Rating and Price Target Change History



#### 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	9.41
03/05/2014	15.00	9.60
07/07/2014	18.00	13.06
08/22/2014	19.00	13.82
09/08/2014	20.00	17.98

Source: Laidlaw & Company

Created by: Blue-Compass.net

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			Investment Banking	Brokerage
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<b>Sell (S)</b>	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

### ADDITIONAL COMPANIES MENTIONED

Evonik Industries AG (EVK GR, Not Rated)

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**NOTES:**