

Nevro

Let the Launch Begin: Senza Approved, Raising PT to \$54

We're reiterating our OW rating and raising our Y/E price target on NVRO from \$46 to \$54. Friday's FDA approval sets the stage for the most compelling new product launch in the field of neurostimulation to treat chronic pain in more than a decade. Despite three well established, much larger competitors, we expect Nevro to capture at least 10% of the US pain stim market by 2017 and 18-19% by 2019. This is what's embedded in our forecast today, and for several reasons we view this as conservative, but naturally it will come down to execution. Internationally, Nevro has already captured >20% of the rechargeable market (40% of EU market, as opposed to 90% of the US) prior to the December presentation of its US pivotal trial data (demonstrating superiority in both back and leg pain) and its forthcoming publication in JAMA. This will be a closely followed US launch and we are bullish on Senza's prospects.

- **Nevro will be hosting a conference call Monday morning at 8:30am ET.** On the back of Friday night's approval, management is moving up the release of its 1Q results to Monday morning. So, on the call the company will discuss its 1Q OUS performance with its US plans now that FDA approval is in hand. The dial-in number for the 8:30am ET call is (877) 201-0168; Conference ID: 41475428
- **Our model calls for Nevro to capture 5% of the US market in 2016, rising to 18-19% by 2019.** This implies that domestic revenues climb from \$64M in 2016 to \$271M over this same period, or a CAGR of 62%. To put this ramp in some context, when Boston Scientific entered the US SCS market in 2004 with what we would regard as a less differentiated product offering (rechargeable IPGs vs. primary cell), it proceeded to capture 27% share in four years.
- **If we use Nevro's international experience as a guide, our US market share assumptions could prove conservative.** We estimate that the international SCS market in 2014 was ~\$375M, of which ~\$150M (40%) were rechargeable devices, similar to Senza. Within this rechargeable segment, Nevro achieved 20-25% market share, but if you only consider the markets where Senza is sold, then Nevro's share may be 30% or higher. In European rechargeable markets where Senza is sold (namely the UK, Germany, Netherlands, and Ireland), Nevro's share is closer to 30%, and in Australia, where the market is ~90% rechargeable, like the US, Senza's share is significantly higher.

Nevro Corp. (NVRO;NVRO US)

FYE Dec	2013A	2014A	2015E	2015E	2016E	2016E	2017E	2017E	2018E
			(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)	
EPS - Recurring (\$)									
Q1 (Mar)	-	(0.43)	(0.58)	(0.57)	-	-	-	-	-
Q2 (Jun)	-	(0.46)	(0.78)	(0.90)	-	-	-	-	-
Q3 (Sep)	-	(0.48)	(0.72)	(0.72)	-	-	-	-	-
Q4 (Dec)	-	(0.33)	(0.62)	(0.62)	-	-	-	-	-
FY	(1.60)	(1.66)	(2.70)	(2.80)	(2.50)	(2.62)	(1.35)	(1.46)	0.00
Revenue FY (\$ mn)	24	33	55	56	107	107	179	180	256

Source: Company data, Bloomberg, J.P. Morgan estimates.

See page 5 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Overweight

NVRO, NVRO US

Price: \$45.36

▲ Price Target: \$54.00

Previous: \$46.00

Medical Supplies & Devices

Michael Weinstein ^{AC}

(1-212) 622-6635

mike.weinstein@jpmorgan.com

Bloomberg JPMA WEINSTEIN <GO>

Christopher Pasquale

(1-212) 622-6590

christopher.t.pasquale@jpmorgan.com

Robbie Marcus, CFA

(1-212) 622-6657

robert.j.marcus@jpmorgan.com

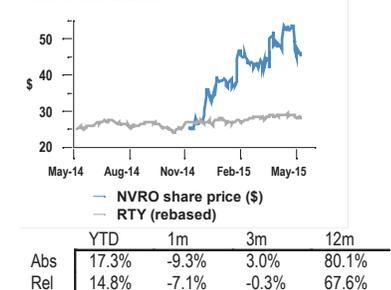
Ross Comeaux

(1-212) 622-1895

ross.w.comeaux@jpmorgan.com

J.P. Morgan Securities LLC

Price Performance



Company Data

Price (\$)	45.36
Date Of Price	08 May 15
52-week Range (\$)	55.05-18.00
Market Cap (\$ mn)	1,126.29
Fiscal Year End	Dec
Shares O/S (mn)	25
Price Target (\$)	54.00
Price Target End Date	31-Dec-15

- **Senza has the strongest clinical profile of any SCS.** Senza is indicated as an aid in the management of chronic intractable pain of the trunk and/or limbs, including unilateral or bilateral pain associated with failed back surgery syndrome, intractable low back pain and leg pain. The label includes the results of the SENZAUS pivotal trial, the largest prospective randomized SCS trial ever conducted and the only head-to-head comparison in the field. The study enrolled 241 patients across 11 sites and compared Senza HF10 therapy to Boston Scientific's Precision Plus traditional SCS system on a 1:1 basis. On an intent-to-treat (ITT) basis, which includes all randomized patients, the Senza arm demonstrated a 75.7% response rate ($\geq 50\%$ reduction in back pain) compared to control at just 37.7%. This was both noninferior ($p < 0.001$) and superior ($p < 0.001$) on a post-hoc basis. Given the lack of available SCS clinical data, we believe that even on a post-hoc basis Senza's superior results will resonate strongly with clinicians.
- **Longer-term, we see HF10 as a platform technology.** Nevro is in the early stages of evaluating Senza in a number of other indications. The first and most immediate of these is in treating pain in pre-spinal surgery patients (i.e. "virgin back"), which is not currently reimbursed by payers due to a lack of clinical evidence. Chronic intractable neck and upper extremity pain is another promising pipeline opportunity, in addition to chronic migraine. Senza's lack of paresthesia is essential for SCS treatment in these patient populations, as the tingling sensation in or near a patient's head would likely be a non-starter that would limit commercial adoption.

Michael Weinstein
(1-212) 622-6635
mike.weinstein@jpmorgan.com

North America Equity Research
10 May 2015

J.P.Morgan

Investment Thesis, Valuation and Risks

Nevro (*Overweight; Price Target: \$54.00*)

Investment Thesis

Nevro develops implantable spinal cord stimulators (SCS) for the treatment of chronic back, leg, and other types of pain. We expect the company's Senza device to revolutionize the established SCS market through its differentiated high-frequency stimulation therapy (HF10), unparalleled clinical evidence, and the ability to successfully treat patients with back pain—a population historically poorly served by SCS therapy. While Senza is only approved internationally today, we expect a US launch by early 2016 to drive significant revenue growth over the next few years, making Nevro one of the best growth stories in small-cap MedTech, in our view.

Valuation

We're reiterating our OW rating and raising our YE price target on NVRO from \$46 to \$54. Our December 2015 price target of \$54 values Nevro at 7.0x our 2018 revenue forecast discounted back two years at a rate of 20%. This represents a premium to its immediate peer group of high-growth MedTech names, which we feel is justified given (1) a 2014-19E sales CAGR that is 2x higher (61% vs. 29%); (2) clinically superior head-to-head data vs. the competition in an established market with broad reimbursement; and (3) the potential to drive market expansion in an underpenetrated multi-billion dollar opportunity.

Risks to Rating and Price Target

Risks to our Overweight rating and \$54 price target include: (1) the SCS market is highly concentrated with entrenched competitors that are larger than Nevro; (2) Senza faces clinical and regulatory risk ahead of US approval; (3) Nevro has yet to launch commercially in the US; (4) Nevro's intellectual property could face legal challenges; and (5) Nevro has a history of losses and is expected to require additional capital.

Michael Weinstein
(1-212) 622-6635
mike.weinstein@jpmorgan.com

North America Equity Research
10 May 2015

J.P.Morgan

Neuro: Summary of Financials

Income Statement - Annual	FY14A	FY15E	FY16E	FY17E	Income Statement - Quarterly	1Q15E	2Q15E	3Q15E	4Q15E
Revenues	33	56	107	180	Revenues	7	10	16	23
Cost of products sold	(11)	(19)	(32)	(48)	Cost of products sold	(2)	(3)	(6)	(8)
Gross profit	-	-	-	-	Gross profit	-	-	-	-
SG&A	(30)	(80)	(110)	(134)	SG&A	(13)	(21)	(22)	(24)
R&D	(20)	(25)	(28)	(30)	R&D	(6)	(7)	(6)	(6)
Operating income	(28)	(69)	(63)	(33)	Operating income	(14)	(22)	(18)	(16)
EBITDA	(28)	(69)	(62)	(32)	EBITDA	(14)	(22)	(18)	(16)
Net interest (income) / expense	(0)	(3)	(5)	(5)	Net interest (income) / expense	(0)	(1)	(1)	(1)
Other income / (expense)	(2)	0	0	0	Other income / (expense)	0	0	0	0
Income taxes	(0)	(0)	(0)	(1)	Income taxes	(0)	(0)	(0)	(0)
Net income - GAAP	(31)	(73)	(68)	(38)	Net income - GAAP	(14)	(22)	(20)	(17)
Net income - recurring	(31)	(73)	(68)	(38)	Net income - recurring	(14)	(22)	(20)	(17)
Diluted shares outstanding	19	26	26	26	Diluted shares outstanding	25	25	27	27
EPS - excluding non-recurring	(1.66)	(2.80)	(2.62)	(1.46)	EPS - excluding non-recurring	(0.57)	(0.90)	(0.72)	(0.62)
EPS - recurring	(1.66)	(2.80)	(2.62)	(1.46)	EPS - recurring	(0.57)	(0.90)	(0.72)	(0.62)
Balance Sheet and Cash Flow Data	FY14A	FY15E	FY16E	FY17E	Ratio Analysis	FY14A	FY15E	FY16E	FY17E
Cash and cash equivalents	25	82	112	224	Sales growth	38.6%	72.0%	90.6%	68.2%
Accounts receivable	7	8	8	8	EBIT growth	12.5%	144.7%	(9.2%)	(47.9%)
Inventories	15	19	25	25	EPS growth - recurring	3.5%	69.1%	(6.7%)	(44.1%)
Other current assets	3	3	3	4	Gross margin	-	-	-	-
Current assets	201	188	187	279	EBIT margin	(86.5%)	(114.6%)	(53.9%)	(14.5%)
PP&E	1	1	1	1	EBITDA margin	(86.2%)	(114.6%)	(53.3%)	(14.0%)
Total assets	202	190	189	281	Tax rate	(1.6%)	(0.4%)	(0.6%)	(1.3%)
Total debt	20	20	40	50	Net margin	(94.2%)	(130.2%)	(64.0%)	(21.3%)
Total liabilities	30	31	52	62	Net Debt / EBITDA	20.6%	97.7%	128.2%	694.6%
Shareholders' equity	172	158	137	219	Net Debt / Capital (book)	(3.5%)	(65.6%)	(114.2%)	(391.2%)
Net income (including charges)	(31)	(14)	(22)	(20)	Return on assets (ROA)	(15.2%)	(37.2%)	(36.1%)	(16.3%)
D&A	0	0	0	0	Return on equity (ROE)	(17.8%)	(44.1%)	(46.3%)	(21.6%)
Change in working capital	(4)	(5)	(6)	1	Enterprise value / sales	34.4	19.0	9.9	5.3
Other	3	0	1	1	Enterprise value / EBITDA	NM	NM	NM	NM
Cash flow from operations	(31)	(19)	(28)	(18)	Free cash flow yield	(3.8%)	(1.3%)	(1.9%)	(1.1%)
Capex	(1)	(0)	(0)	(0)					
Free cash flow	(32)	(15)	(23)	(13)					
Cash flow from investing activities	(108)	76	38	19					
Cash flow from financing activities	152	0	20	110					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per -share data).Fiscal year ends Dec

Michael Weinstein
 (1-212) 622-6635
 mike.weinstein@jpmorgan.com

North America Equity Research
 10 May 2015



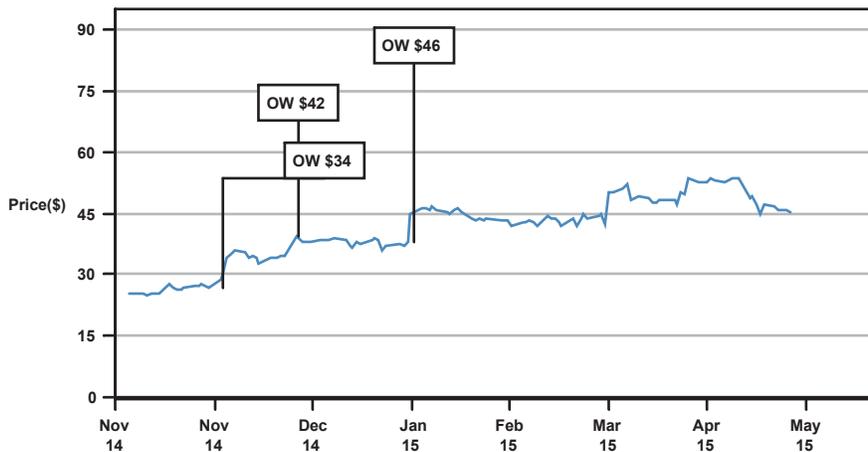
Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Lead or Co-manager:** J.P. Morgan acted as lead or co-manager in a public offering of equity and/or debt securities for Nevro within the past 12 months.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Nevro.
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: Nevro.
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking Nevro.
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from Nevro.

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan-covered companies by visiting <https://jpmm.com/research/disclosures>, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan’s Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com

Nevro (NVRO, NVRO US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
01-Dec-14	OW	26.99	34.00
22-Dec-14	OW	39.37	42.00
23-Jan-15	OW	37.76	46.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Dec 01, 2014.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of

Michael Weinstein
(1-212) 622-6635
mike.weinstein@jpmorgan.com

North America Equity Research
10 May 2015

J.P.Morgan

the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Weinstein, Michael N: Abbott Laboratories (ABT), Baxter Intl (BAX), Becton, Dickinson & Co (BDX), Boston Scientific Corporation (BSX), C.R. Bard Inc. (BCR), Dexcom (DXCM), Edwards Lifesciences (EW), Inogen Inc (INGN), Insulet Corp (PODD), Intersect ENT (XENT), Johnson & Johnson (JNJ), Medtronic PLC (MDT) Nevro (NVRO), St Jude Medical (STJ), Stryker Corp (SYK), Tornier (TRNX), TriVascular Technologies (TRIV), Zimmer Holdings (ZMH)

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	43%	44%	13%
IB clients*	55%	49%	37%
JPMS Equity Research Coverage	44%	48%	9%
IB clients*	75%	68%	54%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.:** JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmpil.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand:** This material is issued and distributed in Thailand by JPMorgan

Michael Weinstein
 (1-212) 622-6635
 mike.weinstein@jpmorgan.com

North America Equity Research
 10 May 2015

J.P.Morgan

Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan:** JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146 -X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan:** This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil:** Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any

Michael Weinstein
(1-212) 622-6635
mike.weinstein@jpmorgan.com

North America Equity Research
10 May 2015

J.P.Morgan

financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised March 28, 2015.

Copyright 2015 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.