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February 14, 2013

Stock Rating
Overweight

Industry View
In-Line

Tesaro Inc.

Now Two Phase III Assets

What's Changed

Price Target **\$19.00 to \$22.00**

Validation of a rapid path to Phase III for Tesaro's PARP inhibitor niraparib was the key positive from the quarter. Moreover, the rolapitant Phase III data in 2H13 should be the next major catalyst.

Niraparib direct to Phase III by mid-2013. A potentially rapid registration path for niraparib was part of our Overweight thesis and news that Phase III will begin by mid-year is a clear positive. The design provides a good combination of probability of success and breadth of addressable market by inclusion of both BRCA1/2 mutant and wild type ovarian cancers (where PARP inhibitors have shown activity in a similar setting).

IV rolapitant timelines suggest moderate delay.

Commentary indicates the IV formulation human trial work will begin only in 2013 a delay relative to the original 4Q12 plan. The delay relates to the FDA requiring a new IND vs an IND amendment to the oral IND but management remains comfortable with the 2015 launch timelines. Recall, successful IV development is key as this represents ~75% of our long-term sales. Oral timelines remain on track for Phase III data in 2H13.

TSR-011 on track, but competition intense. Tesaro is initiating the fourth dosing cohort in a Phase I/II trial for the ALK inhibitor, a dose that should be above the IC90 for ALK. Following MTD determination, the trial will expand to three cohorts including 1) ALK inhibitor naïve ALK+ NSCLC, 2) ALK inhibitor experienced ALK+ NSCLC, and 3) other ALK+ tumors. Tesaro expects the first data could be reported later this year.

Snapshot of the quarter. R&D was \$15.6MM vs MSe of \$17.8MM and G&A of \$2.1MM vs. MSe of \$2.0 MM for a net loss per share of \$0.70 versus MSe of \$0.74. Tesaro ended 4Q with ~\$125MM in cash.

Key Ratios and Statistics

Reuters: TSRO.O Bloomberg: TSRO US

Biotechnology / United States of America

Price target	\$22.00
Shr price, close (Feb 14, 2013)	\$19.77
Mkt cap, curr (mm)	\$529
52-Week Range	\$20.00-11.05

Fiscal Year ending	12/11	12/12	12/13e	12/14e
ModelWare EPS (\$)	(0.32)	(2.30)	(2.82)	(2.64)
Prior ModelWare EPS (\$)	-	(2.39)	(2.63)	(2.29)
P/E	NM	NM	NM	NM
Consensus EPS (\$)	-	(3.64)	(2.38)	(2.13)
Div yld (%)	-	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

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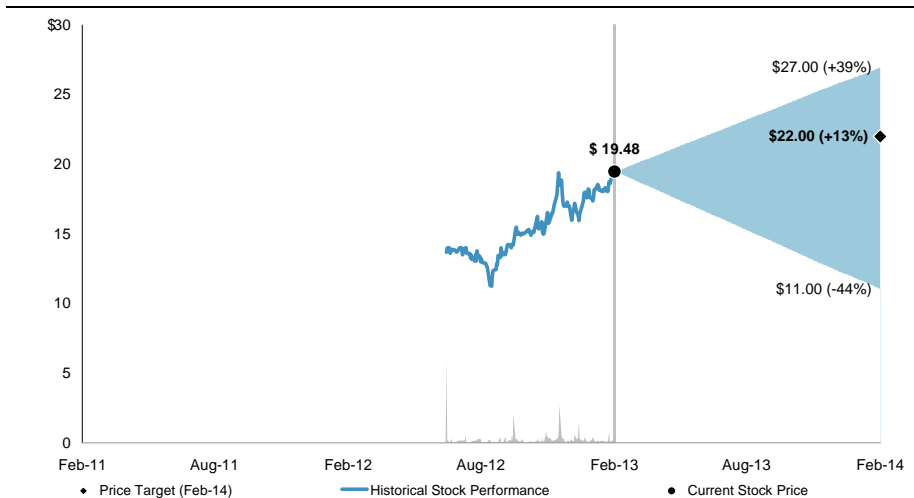
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

February 14, 2013

Tesaro Inc.

Risk-Reward Snapshot: Tesaro (TSRO, Overweight, \$22 Price Target)

Risk-Reward View: Rolapitant the Focus but Early-Stage Pipeline Can Create Value



Source: Thomson Reuters, Morgan Stanley Research estimates

Price Target \$22		Based on base case scenario. PT is derived from a DCF analysis, which assumes a discount rate of 17.0% and no terminal value.
Bull Case \$27	DCF-based Valuation	Rolapitant ~\$500-600 MM in peak sales, Pipeline Delivers CINV Franchise: Rolapitant achieves differentiated efficacy tripling the NK-1 market Pipeline: Same as base case
Base Case \$22	DCF-based Valuation	Rolapitant reaches ~\$325 MM in sales, Pipeline a Toss-Up CINV Franchise: Management succeeds in matching the success with Aloxi and converts Rolapitant into a \$325MM drug with the NK-1 market doubling in size Pipeline: Niraparib succeeds in Phase II (included in our model) or ALK shows a favorable benefit/risk profile in Phase I
Bear Case \$11	DCF-based Valuation	Rolapitant Disappoints, No Pipeline Success CINV Franchise: Rolapitant reaches only \$150-200 MM in sales on just ~25% penetration of NK-1 inhibitor market and minimal expansion of the NK-1 market despite significant commercial efforts Pipeline: Both niraparib and ALK fail to deliver

Investment Thesis

- Lower-risk lead asset rolapitant has a high probability of meeting Phase III endpoints in 2H13
- NK-1 Inhibitors are a validated drug class for CINV with significant market growth potential
- Management team has deep experience in supportive care
- Cancer therapeutics pipeline is early but interesting

Key Value Drivers & Debates

- Degree of differentiation between Rolapitant and Merck's EMEND is a key question
- ALK program is early with a crowded development landscape

- Clarity on trials plan for niraparib

Key Risks

- Phase II for Rolapitant was only in HEC (Highly Emetogenic Chemotherapy) population
- Generic versions of EMEND and competition from Helsinn/Eisai
- IV Rolapitant is key commercial driver but will not launch until 2015
- NK-1 inhibitor market needs to grow
- Competitive landscape for pipeline

Key Catalysts

Eisai/Helsinn's netupitant Phase III in MEC – 1H13 (MSe)
 IV rolapitant Phase I initiation – 2013
 TSR-011 Phase I data – 2013 (MSe)
 Rolapitant Phase III data – 2H13

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Tesaro Inc.

Valuation

DCF supports \$22 per share price target

Discounted cash flow is our primary valuation metric for TSRO. We view this as appropriate given still long timelines to Phase III data for rolapitant (2H13) and commercialization in late 2014 and late 2015 for the oral and IV forms respectively. Our model includes rolapitant and niraparib. We model each drug to their respective patent lives (including term extension) or 2030 for rolapitant and 2033 for niraparib. Our price target rises from \$19 to \$22 after rolling forward the discount period and using a slightly lower 17.0% vs 17.5% discount rate to reflect niraparib moving directly into Phase III.

We do not include any terminal value meaning R&D spend on TSR-011 (~\$22 MM annually between 2019 and 2029) is modestly dilutive to our valuation. That said, we assume the rolapitant commercial infrastructure is largely leveragable for niraparib. We include an additional \$7-\$14 MM in SG&A in connection with the niraparib launch.

We use a relatively high discount rate of 17.0% to reflect: 1) the commercial risks facing rolapitant including generic EMEND, 2) Phase III risks for the rolapitant, and 3) the earlier stage of the therapeutics pipeline including niraparib, which has only completed Phase I so significant risks remain.

Key Risks to Our Price Target

There are several risks to our valuation: 1) Generic versions of oral EMEND are expected in 2015 and oral rolapitant is launching just 1 year earlier, 2) IV rolapitant launch in 2015 is a key commercial driver for supportive care program and IV EMEND goes generic in 2019, 3) adoption of rolapitant among community physicians may be challenging since use of NK-1 inhibitors in this setting is more limited currently, 4) intense competitive landscape for cancer therapeutics assets with several programs more advanced in development by companies with greater resources, 5) Tesaro will likely require additional capital prior to reaching sustainable profitability.

Exhibit 1

DCF Supports \$22 per share in 12 Months

Discounted Cash Flow (\$MM):	
WACC Applied (%)	17.0%
Discounted Net Cash Flow	\$445
Cash	\$125
Equity Value	\$570
Shares Outstanding (MM)	26.4
Equity Value per Share (\$)	\$22

Source: Company Data, Morgan Stanley Research estimates

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Tesaro Inc.

Exhibit 2

Income Statement

(Dollars in millions, except per share data)

Fiscal year ends Dec. 31

	2010A	2011A	1Q12A	2Q12A	3Q12A	4Q12E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Rolapitant Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3	\$40	\$124	\$213	\$314	\$294	\$310	\$324	\$326	\$328	\$329	\$331	\$333	\$334	\$336	\$20
TSR-011 Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Niraparib Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$57	\$96	\$162	\$194	\$214	\$240	\$267	\$279	\$290	\$298	\$306	\$315	\$324
Other Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0.0	\$10	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	ND	\$0	\$0	\$0	\$0	\$0	\$0	\$0.0	\$13	\$45	\$124	\$271	\$410	\$456	\$504	\$539	\$566	\$595	\$608	\$621	\$631	\$641	\$651	\$344
% Growth y/y			NM	NM	NM	NM	NM	NM	NM	247.3%	175.2%	118.0%	51.6%	11.3%	10.5%	6.8%	5.1%	5.1%	2.1%	2.2%	1.6%	1.6%	1.7%	-47.2%
Cost of Sales																								
COGS		\$0	0	0	0	0	\$0	\$0	\$1	\$7	\$21	\$51	\$81	\$70	\$77	\$79	\$82	\$87	\$89	\$91	\$93	\$94	\$96	\$55
% of revenue		NM	NM	NM	NM	NM	NM	NM	17.0%	17.0%	17.0%	23.9%	25.7%	23.9%	25.0%	24.5%	25.3%	26.6%	27.0%	27.5%	27.8%	28.2%	28.5%	277.7%
Gross Profit		\$0	0	0	0	0	\$0	\$0	\$12	\$38	\$103	\$219	\$329	\$386	\$427	\$459	\$484	\$508	\$519	\$530	\$538	\$547	\$555	\$289
Gross Margin		NM	NM	NM	NM	NM	NM	NM	96.1%	84.9%	83.0%	81.1%	80.3%	84.6%	84.6%	85.3%	85.4%	85.4%	85.4%	85.3%	85.3%	85.3%	85.3%	84.1%
R&D	ND	\$12	8.2	18.5	11.9	15.6	\$54	\$71	\$73	\$45	\$43	\$59	\$27	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22
% of revenue		NM	NM	NM	NM	NM	NM	NM	562%	100%	35%	22%	7%	5%	4%	4%	4%	4%	4%	4%	3%	3%	3%	6%
SG&A Total		\$3	1	2	2	2	\$7	\$9	\$26	\$42	\$50	\$83	\$119	\$129	\$133	\$130	\$132	\$103	\$101	\$80	\$65	\$64	\$54	\$50
% of revenue		NM	NM	NM	NM	NM	NM	NM	200%	93%	40%	31%	29%	28%	26%	24%	23%	17%	17%	13%	10%	10%	8%	15%
Sales & Marketing		\$0	0	0	0	0	\$0	\$0	\$15	\$30	\$37	\$56	\$78	\$88	\$88	\$81	\$81	\$55	\$59	\$50	\$40	\$38	\$34	\$30
% of revenue		NM	NM	NM	NM	NM	NM	NM	115%	66%	30%	21%	19%	19%	17%	15%	14%	9%	10%	8%	6%	6%	5%	9%
G&A		\$3	1.2	1.7	1.7	2.1	\$7	\$9	\$11	\$12	\$12	\$27	\$41	\$41	\$45	\$48	\$51	\$48	\$43	\$30	\$25	\$26	\$20	\$20
% of revenue		NM	NM	NM	NM	NM	NM	NM	84.7%	26.6%	10.0%	10.0%	10.0%	9.0%	9.0%	9.0%	9.0%	8.0%	7.0%	4.8%	4.0%	4.0%	3.0%	12%
Total Operating Expenses		\$15	9	20	14	19	\$61	\$80	\$99	\$87	\$93	\$142	\$146	\$151	\$155	\$152	\$154	\$125	\$123	\$102	\$87	\$96	\$76	\$72
Operating Income (Loss)		(\$15)	(\$9)	(\$20)	(\$14)	(\$19)	(\$61)	(\$80)	(\$87)	(\$48)	\$11	\$77	\$184	\$236	\$272	\$308	\$330	\$383	\$395	\$428	\$451	\$461	\$480	\$217
Operating Margin		NM	NM	NM	NM	NM	NM	NM	NM	NM	10.2%	35.2%	55.8%	61.0%	63.7%	67.0%	68.1%	75.5%	76.2%	80.8%	83.8%	84.3%	86.4%	75.1%
Pretax Income (Loss)		(\$16)	(\$9.35)	(\$20.18)	(\$13.56)	(\$18.697)	(\$61)	(\$79)	(\$86)	(\$48)	\$11	\$78	\$184	\$237	\$275	\$311	\$334	\$389	\$402	\$436	\$461	\$472	\$493	\$231
Provision for Income Taxes	ND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4	\$28	\$59	\$96	\$109	\$117	\$136	\$141	\$153	\$161	\$165	\$172	\$81
Effective Tax Rate		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	5.0%	15.0%	25.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income		(\$16.4)	(\$9.3)	(\$20.2)	(\$13.6)	(\$18.7)	(\$60.8)	(\$79.2)	(\$86.0)	(\$48.1)	\$10.9	\$73.7	\$156.8	\$178.0	\$178.5	\$202.2	\$217.1	\$252.9	\$261.5	\$283.5	\$299.4	\$306.9	\$320.3	\$150.4
Net Income, Fully Taxed		(\$16.4)	(\$9.3)	(\$20.2)	(\$13.6)	(\$18.7)	(\$60.8)	(\$79.2)	(\$86.0)	(\$48.1)	\$10.9	\$50.4	\$119.9	\$154.3	\$178.5	\$202.2	\$217.1	\$252.9	\$261.5	\$283.5	\$299.4	\$306.9	\$320.3	\$150.4
Basic EPS				(\$21.31)	(\$0.52)	(\$0.70)	(\$2.30)	(\$2.82)	(\$2.64)	(\$1.40)	\$0.30	\$1.36	\$3.18	\$4.01	\$4.55	\$5.05	\$5.32	\$6.07	\$6.16	\$6.55	\$6.78	\$6.81	\$6.97	\$3.21
Diluted EPS				(\$21.31)	(\$0.52)	(\$0.70)	(\$2.30)	(\$2.82)	(\$2.64)	(\$1.40)	\$0.30	\$1.90	\$3.96	\$4.41	\$4.33	\$4.81	\$5.07	\$5.79	\$5.86	\$6.23	\$6.45	\$6.49	\$6.64	\$3.06
Diluted EPS, Fully Taxed				(\$21.31)	(\$0.52)	(\$0.70)	(\$2.30)	(\$2.82)	(\$2.64)	(\$1.40)	\$0.30	\$1.30	\$3.03	\$3.82	\$4.33	\$4.81	\$5.07	\$5.79	\$5.86	\$6.23	\$6.45	\$6.49	\$6.64	\$3.06

Source: Company Data, Morgan Stanley Research estimates

February 14, 2013

Tesaro Inc.

Exhibit 3

Balance Sheet

(Dollars in millions, except per share data)
Fiscal year ends Dec. 31

	2011A	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Assets																			
Cash & Marketable Securities	\$40	\$123	\$149	\$68	\$74	\$66	\$100	\$231	\$422	\$595	\$796	\$1,015	\$1,261	\$1,522	\$1,802	\$2,098	\$2,404	\$2,722	\$2,937
Inventory	0.0	0.0	0.0	0.5	3.6	9.9	16.2	20.5	22.8	25.2	24.2	22.6	23.8	24.3	24.8	25.2	25.6	26.1	13.8
Accounts receivable	0.0	0.0	0.0	0.9	4.5	12.4	27.1	36.9	41.1	45.4	48.5	51.0	53.5	54.7	55.9	56.8	57.7	58.6	30.9
Prepaid expenses and other current assets	2.6	3.0	4.0	4.5	4.5	11.2	18.9	24.6	27.4	30.3	32.3	34.0	35.7	36.5	37.3	37.8	38.4	39.1	20.6
Total current assets	\$42	\$126	\$153	\$74	\$87	\$100	\$163	\$313	\$513	\$696	\$901	\$1,122	\$1,374	\$1,637	\$1,920	\$2,218	\$2,526	\$2,846	\$3,002
Restricted cash	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Property and equipment, net	0.1	0.3	0.6	1.0	2.9	5.1	8.6	12.1	15.7	19.6	23.5	27.5	31.4	35.2	38.7	42.1	45.2	48.2	47.8
Other assets	0.1	0.2	0.3	0.4	0.4	1.0	1.9	2.9	3.2	3.5	3.8	4.0	4.2	4.3	4.3	4.4	4.5	4.6	2.4
Total assets	\$43	\$126.5	\$154.0	\$75.3	\$90.0	\$105.8	\$173.2	\$328.4	\$532.4	\$719.2	\$928.6	\$1,153.7	\$1,409.3	\$1,676.8	\$1,962.9	\$2,264.9	\$2,575.8	\$2,898.7	\$3,052.3
Liabilities																			
Accounts payable	0.6	3.0	4.4	5.4	4.8	4.6	7.1	7.3	7.5	7.7	7.6	7.7	6.2	6.2	5.1	4.4	4.3	3.8	3.6
Accrued expenses	3.0	4.3	5.6	6.9	6.1	6.5	10.0	10.2	10.5	10.8	10.6	10.8	8.7	8.6	7.1	6.1	6.0	5.3	5.0
Loans payable, net of discount	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	0.0	0.0	0.0	0.0	0.0
Deferred Taxes	0.0	0.0	0.0	0.0	0.0	0.0	3.9	31.5	73.1	73.1	73.1	73.1	73.1	73.1	73.1	73.1	73.1	73.1	73.1
Deferred revenue	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	0.0	0.0	0.0	0.0	0.0
Deferred rent & other liabilities	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	0.0	0.0	0.0	0.0	0.0
Total current liabilities	\$4	\$7	\$10	\$12	\$11	\$11	\$21	\$49	\$91	\$92	\$91	\$92	\$88	\$88	\$85	\$84	\$83	\$82	\$82
Loans payable, less current portion and discount	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	0.0	0.0	0.0	0.0	0.0
Deferred revenue, net of current portion	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	0.0	0.0	0.0	0.0	0.0
Deferred rent, net of current portion	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	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	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	0.0	0.0	0.0	0.0	0.0
Warrants to purchase preferred stock	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	0.0	0.0	0.0	0.0	0.0
Total liabilities	\$4	\$7	\$10	\$12	\$11	\$11	\$21	\$49	\$91	\$92	\$91	\$92	\$88	\$88	\$85	\$84	\$83	\$82	\$82
Preferred stock	64.3	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	0.0	0.0	0.0	0.0
Stockholders' equity																			
Common stock	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	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	0.3	205.4	309.4	314.3	378.6	383.3	390.4	397.7	405.2	412.9	420.5	428.2	434.5	440.6	445.7	450.1	454.4	458.1	461.7
Accumulated deficit / Retained Earnings	(25.4)	(86.1)	(165.4)	(251.4)	(299.5)	(288.6)	(238.2)	(118.3)	36.0	214.6	416.7	633.9	886.7	1,148.2	1,431.8	1,731.2	2,038.1	2,358.3	2,508.8
Accumulated other comprehensive income	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	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	(\$25)	\$119	\$144	\$63	\$79	\$95	\$152	\$279	\$441	\$627	\$837	\$1,062	\$1,321	\$1,589	\$1,877	\$2,181	\$2,492	\$2,816	\$2,971
Total liabilities and stockholder's equity	\$43	\$127	\$154	\$75	\$90	\$106	\$173	\$328	\$532	\$719	\$929	\$1,154	\$1,409	\$1,677	\$1,963	\$2,265	\$2,576	\$2,899	\$3,052

Source: Company Data, Morgan Stanley Research estimates

February 14, 2013

Tesaro Inc.

Exhibit 4

Cash Flow Statement

(Dollars in millions, except per share data)

Fiscal year ends Dec. 31

	2011A	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
CASH FLOWS FROM OPERATING ACTIVITIES:																			
Net (loss) income	(\$16.4)	(\$60.8)	(\$79.2)	(\$86.0)	(\$48.1)	\$10.9	\$50.4	\$119.9	\$154.3	\$178.5	\$202.2	\$217.1	\$252.9	\$261.5	\$283.5	\$299.4	\$306.9	\$320.3	\$150.4
Depreciation and amortization	0.0	0.0	0.0	0.1	0.2	0.3	0.5	0.7	0.9	1.2	1.4	1.7	2.0	2.3	2.6	2.9	3.3	3.6	3.8
Stock-based compensation expense	0.3	1.2	4.0	5.0	4.3	4.6	7.1	7.3	7.5	7.7	7.6	6.2	6.2	5.1	4.4	4.3	3.8	3.6	
Non-cash interest expense	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	0.0	0.0	0.0	0.0	
Loss on disposal of PPE	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	0.0	0.0	0.0	0.0	
Acquired in-process research and development	0.5	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	0.0	0.0	0.0	
Increase in fair value of investor rights obligation	1.0	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	0.0	0.0	0.0	0.0	
Other	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	0.0	0.0	0.0	0.0	
Tax Credit from NOL's	0.0	0.0	0.0	0.0	0.0	0.0	3.9	27.7	41.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Changes in working capital:	0	3	2	0	(8)	(21)	(24)	(20)	(9)	(9)	(5)	(2)	(9)	(3)	(5)	(4)	(2)	(3)	60
Accounts receivable	0.0	0.0	0.0	(0.9)	(3.6)	(7.9)	(14.6)	(9.9)	(4.2)	(4.3)	(3.1)	(2.5)	(2.6)	(1.2)	(1.2)	(0.9)	(0.9)	(1.0)	27.7
Prepaid expenses and other current assets	(2.7)	(0.4)	(1.0)	(0.5)	(0.0)	(6.7)	(7.8)	(5.7)	(2.8)	(2.9)	(2.1)	(1.7)	(1.7)	(0.8)	(0.8)	(0.6)	(0.6)	(0.6)	18.4
Other noncurrent assets	0.0	(0.1)	(0.1)	(0.1)	0.1	(0.6)	(0.9)	(1.0)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	2.2
Restricted cash	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	0.0	0.0	0.0	0.0	
Accounts payable	0.5	2.4	1.4	1.0	(0.7)	(0.1)	2.5	0.2	0.3	0.2	(0.2)	0.1	(1.5)	(0.1)	(1.1)	(0.7)	(0.1)	(0.5)	(0.2)
Accrued expenses	2.6	1.3	1.3	1.3	(0.9)	0.4	3.5	0.2	0.4	0.3	(0.2)	0.2	(2.1)	(0.1)	(1.5)	(1.0)	(0.1)	(0.7)	(0.2)
Deferred rent & other liabilities	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	0.0	0.0	0.0	0.0	
Deferred revenue	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	0.0	0.0	0.0	0.0	
Inventory	0.0	0.0	0.0	(0.5)	(3.2)	(6.3)	(6.3)	(4.3)	(2.3)	(2.4)	1.0	1.6	(1.2)	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	12.3
Net cash used in operating activities	(\$14)	(\$56)	(\$74)	(\$81)	(\$52)	(\$5)	\$38	\$135	\$195	\$178	\$206	\$224	\$252	\$267	\$286	\$303	\$312	\$324	\$218
CASH FLOWS FROM INVESTING ACTIVITIES																			
Purchases of PPE	(0.1)	(0.2)	(0.3)	(0.5)	(2.0)	(2.5)	(4.1)	(4.1)	(4.6)	(5.0)	(5.4)	(5.7)	(5.9)	(6.1)	(6.2)	(6.3)	(6.4)	(6.5)	(3.4)
Acquisition of ALK license	(0.5)	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	0.0	0.0	0.0	
Restricted Cash	(0.1)	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	0.0	0.0	0.0	
Purchases of marketable securities	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	0.0	0.0	0.0	0.0	
Proceeds from maturities and sales of marketable securities	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	0.0	0.0	0.0	0.0	
Other	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	0.0	0.0	0.0	0.0	
Net cash used in investing activities	(\$0.7)	(\$0.2)	(\$0.3)	(\$0.5)	(\$2.0)	(\$2.5)	(\$4.1)	(\$4.1)	(\$4.6)	(\$5.0)	(\$5.4)	(\$5.7)	(\$5.9)	(\$6.1)	(\$6.2)	(\$6.3)	(\$6.4)	(\$6.5)	(\$3.4)
CASH FLOWS FROM FINANCING ACTIVITIES																			
Proceeds from issuance of convertible preferred stock, net of issuance	52.1	58.5	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	0.0	0.0	
Proceeds from exercise of stock options and issuance of common ar	0.0	81.0	100.0	0.0	60.0	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 benefit from stock options	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	0.0	0.0	0.0	0.0	
Disbursements from repurchase of common stock	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	0.0	0.0	0.0	0.0	
Proceeds from issuance of loans payable	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	0.0	0.0	0.0	0.0	
Principal payments on loans payable	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	0.0	0.0	0.0	0.0	
Net cash provided by financing activities	\$52.1	\$139.5	\$100.0	\$0.0	\$60.0	\$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	\$0.0
Increase in cash and cash equivalents	37.3	83.0	26.1	(81.0)	6.1	(8.0)	34.2	131.1	190.8	173.0	201.1	218.5	246.0	261.3	279.9	296.7	305.9	317.8	214.5
Restatement	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	0.0	0.0	0.0	0.0	
Cash and equivalents at beginning of year	2.5	39.8	122.9	148.9	67.9	74.0	66.1	100.3	231.4	422.1	595.1	796.2	1,014.7	1,260.6	1,521.9	1,801.8	2,098.5	2,404.4	2,722.2
Cash and equivalents at end of year	\$39.8	\$122.9	\$148.9	\$67.9	\$74.0	\$66.1	\$100.3	\$231.4	\$422.1	\$595.1	\$796.2	\$1,014.7	\$1,260.6	\$1,521.9	\$1,801.8	\$2,098.5	\$2,404.4	\$2,722.2	\$2,936.7

Source: Company Data, Morgan Stanley Research estimates

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(as of January 31, 2013)

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	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1040	36%	400	39%	38%
Equal-weight/Hold	1278	44%	483	47%	38%
Not-Rated/Hold	106	4%	27	3%	25%
Underweight/Sell	479	17%	108	11%	23%
Total	2,903		1018		

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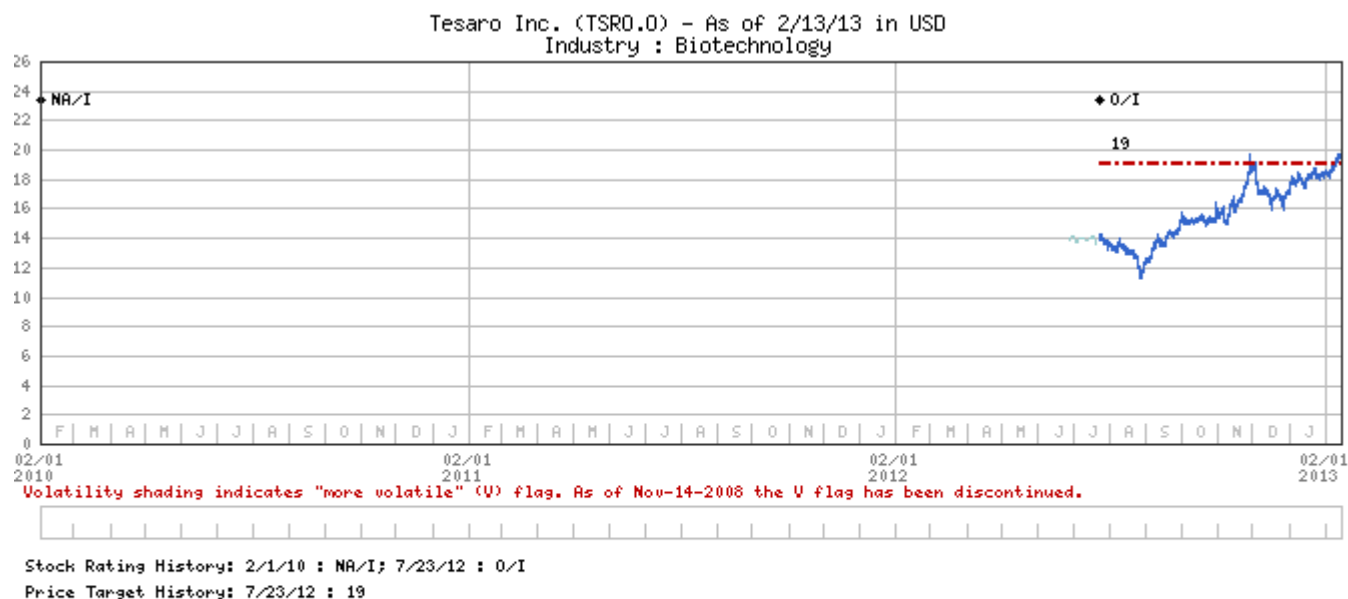
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Stock Price, Price Target and Rating History (See Rating Definitions)

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Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
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Industry Coverage: Biotechnology

Company (Ticker)	Rating (as of)	Price* (02/14/2013)
David Friedman, M.D.		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$16.84
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$87.63
Auxilium Pharmaceuticals (AUXL.O)	U (08/21/2012)	\$17.47
Cubist Pharmaceuticals Inc. (CBST.O)	O (10/03/2012)	\$41.82
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$4.76
Incyte Corporation (INCY.O)	U (01/23/2013)	\$20.56
InterMune (ITMN.O)	E (09/07/2010)	\$9.26
Ironwood Pharmaceuticals, Inc. (IRWD.O)	O (03/18/2011)	\$13.88
Lexicon Pharmaceuticals, Inc. (LXRX.O)	E (09/07/2010)	\$2.08
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$7.94
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$50.06
Theravance Inc (THRX.O)	U (01/31/2012)	\$22.03
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$45.66
XenoPort Inc (XNPT.O)	E (08/26/2011)	\$8.15
Sara Slifka		
Neurocrine Biosciences Inc (NBIX.O)	O (10/03/2012)	\$11.02
Optimer Pharmaceuticals (OPTR.O)	U (10/03/2012)	\$11.78
Marshall Urist, M.D., Ph.D.		
Amgen Inc. (AMGN.O)	E (02/09/2012)	\$84.72
Aveo Pharmaceuticals (AVEO.O)	E (02/09/2012)	\$7.31
Biogen Idec Inc. (BIIB.O)	O (02/09/2012)	\$164.59
Celgene Corp (CELG.O)	O (02/09/2012)	\$99.51
Elan Corporation PLC (ELN.N)	E (07/09/2012)	\$10.39
Gilead Sciences Inc. (GILD.O)	O (02/09/2012)	\$41.6
Immunogen Inc. (IMGN.O)	E (11/13/2012)	\$14.49
Onyx Pharmaceuticals Inc. (ONXX.O)	E (06/21/2012)	\$75.01
Tesaro Inc. (TSRO.O)	O (07/23/2012)	\$19.77

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.