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July 26, 2012

Stock Rating
Overweight

Industry View
In-Line

Tesaro Inc. Niraparib Development Plan is Next Catalyst

As expected, there were few pipeline updates with all three programs rolapitant, TSR-011, and niraparib on track. The focus for 2H12 remains on finalizing the niraparib development plan and initiation of clinical development for IV rolapitant and TSR-011.

Snapshot of quarter. R&D including the upfront for niraparib was \$18.5 MM vs MSe of \$15.3 MM and G&A of \$1.7 MM was in line with MSe. Tesaro ended 2Q with ~\$147 MM including ~\$73 MM in net IPO proceeds. We are making no major changes to our model.

Strategy for niraparib development the focus for 2H12. Tesaro expects to outline the niraparib development plan in the next few months. Few details have emerged to date apart from an expected focus on breast, gastric, lung and/or ovarian tumors. Generally, development strategies for niraparib could include **1)** a single-agent strategy (i.e. in BRCA1/2+ tumors) where activity has been seen to date, **2)** combination with chemotherapy as chemosensitization in multiple tumor types, or **3)** maintenance following chemotherapy with a focus on ovarian. On the competitive front, AstraZeneca advanced the PARP inhibitor olaparib (likely a new tablet formulation) into Phase 2 in BRCA+ ovarian cancer in 1Q12.

Competitive Updates to Watch in 2H12. **1)** Data for Ariad's ALK inhibitor AP26113 (3Q), **2)** Phase I data in 2H12 for BioMarin's PARP inhibitor BMN-763 in solid tumors, and **3)** Eisai/Helsinn's Phase III trial for the NK-1 inhibitor netupitant combined with Aloxi in moderately emetogenic chemotherapy (MEC).

Key Ratios and Statistics

Reuters: TSRO.O Bloomberg: TSRO US

Biotechnology / United States of America

Price target	\$19.00
Shr price, close (Jul 25, 2012)	\$14.00
Mkt cap, curr (mm)	\$380
52-Week Range	\$14.18-12.82

Fiscal Year ending	12/11	12/12e	12/13e	12/14e
ModelWare EPS (\$)	(0.32)	(2.56)	(2.51)	(2.29)
Prior ModelWare EPS (\$)	-	(2.37)	(2.55)	(2.29)
P/E	NM	NM	NM	NM
Consensus EPS (\$)	-	(2.80)	(2.38)	(2.32)
Div yld (%)	0.0	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

Quarterly ModelWare EPS

Quarter	2011	2012e Prior	2012e Current	2013e Prior	2013e Current
Q1	-	-	-	(0.78)	(0.76)
Q2	-	-	(21.31)a	(0.67)	(0.66)
Q3	-	-	(0.66)	(0.47)	(0.46)
Q4	-	(0.83)	(0.81)	(0.67)	(0.66)

e = Morgan Stanley Research estimates, a = Actual company reported data

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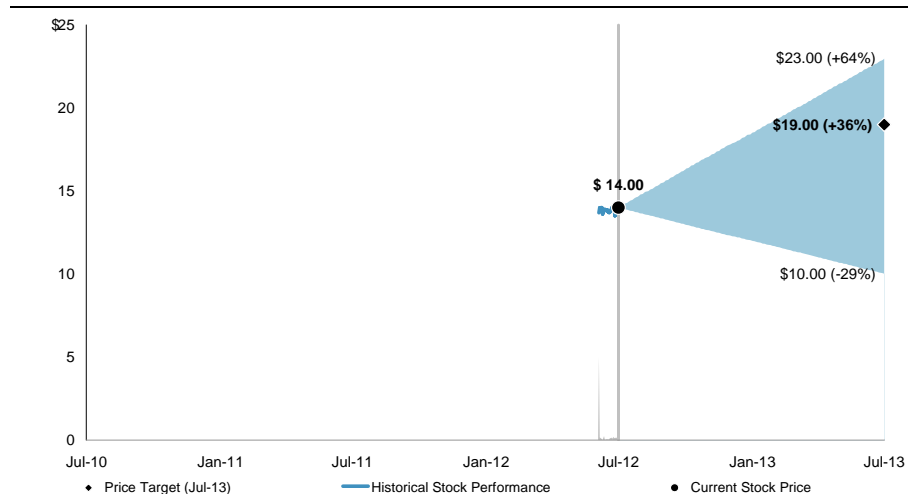
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

July 26, 2012

Tesaro Inc.

Risk-Reward Snapshot: Tesaro (TSRO, Overweight, \$19 Price Target)

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



Source: Thomson Reuters, Morgan Stanley Research estimates

Price Target \$19		Based on base case scenario. PT is derived from a DCF analysis, which assumes a discount rate of 17.5% and no terminal value.
Bull Case \$23	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 \$19	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 \$10	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

Niraparib development plan – 2H12
 Eisai/Helsinn's netupitant Phase III in MEC – 2H12
 IV rolapitant Phase I initiation – 4Q12
 TSR-011 Phase I initiation – 4Q12
 TSR-011 Phase I data – 2013 (MSe)
 Niraparib Phase II data – 2013 (MSe)
 Rolapitant Phase III data – 2H13

Valuation

DCF supports \$19 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.

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.

Exhibit 1

DCF Supports \$19 per share in 12 Months

Discounted Cash Flow (\$MM):	
WACC Applied (%)	17.5%
Discounted Net Cash Flow	\$358
Terminal Value	\$0
Firm Value	\$358
Cash	\$147
Equity Value	\$505
Shares Outstanding (MM)	27.1
Equity Value per Share (\$)	\$19

Source: Company Data, Morgan Stanley Research estimates

We use a relatively high discount rate of 17.5% 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.

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Tesaro Inc.

Exhibit 2

Income 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
Rolapitant Revenue	\$0	\$0	\$0	\$10	\$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
Niraparib Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$57	\$96	\$162	\$194	\$214	\$240	\$267	\$279	\$290	\$298	\$306	\$315	\$324
Other Revenue	\$0	\$0	\$2.5	\$10	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$0	\$0	\$3	\$20	\$45	\$124	\$271	\$410	\$456	\$504	\$539	\$566	\$595	\$608	\$621	\$631	\$641	\$651	\$344
% Growth y/y		NM	NM	700.4%	125.4%	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	\$2	\$7	\$21	\$51	\$81	\$70	\$77	\$79	\$82	\$87	\$89	\$91	\$93	\$94	\$96	\$55
% of revenue	NM	NM	NM	17.0%	17.0%	17.0%	23.9%	25.7%	23.8%	25.0%	24.5%	25.3%	26.6%	27.0%	27.5%	27.8%	28.2%	28.5%	277.7%
Gross Profit	\$0	\$0	\$3	\$18	\$38	\$103	\$219	\$329	\$386	\$427	\$459	\$484	\$508	\$519	\$530	\$538	\$547	\$555	\$289
Gross Margin	NM	NM	NM	91.5%	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	\$12	\$62	\$65	\$70	\$45	\$43	\$59	\$27	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22	\$22
% of revenue	NM	NM	2585%	350%	100%	35%	22%	7%	5%	4%	4%	4%	4%	4%	4%	3%	3%	3%	6%
SG&A Total	\$3	\$8	\$10	\$26	\$42	\$50	\$83	\$119	\$129	\$133	\$130	\$132	\$103	\$101	\$80	\$65	\$64	\$54	\$50
% of revenue	NM	NM	401%	130%	93%	40%	31%	29%	28%	26%	24%	23%	17%	13%	10%	10%	8%	15%	15%
Sales & Marketing	\$0	\$0	\$0	\$15	\$30	\$37	\$56	\$78	\$88	\$88	\$81	\$81	\$55	\$59	\$50	\$40	\$38	\$34	\$30
% of revenue	NM	NM	0%	75%	66%	30%	21%	19%	19%	17%	15%	14%	9%	10%	8%	6%	5%	9%	9%
G&A	\$3	\$8	\$10	\$11	\$12	\$12	\$27	\$41	\$41	\$45	\$48	\$51	\$48	\$43	\$30	\$25	\$26	\$20	\$20
% of revenue	NM	NM	401%	55.0%	26.6%	10.0%	10.0%	10.0%	9.0%	9.0%	9.0%	9.0%	8.0%	7.0%	4.8%	4.0%	3.0%	12%	12%
Total Operating Expenses	\$15	\$70	\$75	\$96	\$87	\$93	\$142	\$146	\$151	\$155	\$152	\$154	\$125	\$123	\$102	\$87	\$86	\$76	\$72
Operating Income (Loss)	(\$15)	(\$70)	(\$72)	(\$78)	(\$48)	\$11	\$77	\$184	\$236	\$272	\$308	\$330	\$383	\$395	\$428	\$451	\$461	\$480	\$217
Operating Margin	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%
Interest, Other Income	\$0	\$1	\$1	\$1	\$0	\$0	\$0	\$1	\$2	\$3	\$3	\$5	\$6	\$7	\$8	\$10	\$11	\$13	\$14
Interest, Other Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other income (expense), net	(\$1)	\$1	\$1	\$1	\$0	\$0	\$0	\$1	\$2	\$3	\$3	\$5	\$6	\$7	\$8	\$10	\$11	\$13	\$14
Pretax Income (Loss)	(\$16)	(\$69)	(\$71)	(\$77)	(\$48)	\$11	\$78	\$184	\$237	\$275	\$311	\$334	\$389	\$402	\$436	\$461	\$472	\$493	\$231
Provision for Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$4	\$28	\$69	\$96	\$109	\$117	\$136	\$141	\$153	\$161	\$165	\$172	\$81
Effective Tax Rate	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)	(\$69.3)	(\$71.5)	(\$77.1)	(\$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)	(\$69.3)	(\$71.5)	(\$77.1)	(\$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		(\$2.56)	(\$2.51)	(\$2.29)	(\$1.36)	\$0.29	\$1.32	\$3.09	\$4.42	\$4.91	\$5.17	\$5.90	\$5.98	\$6.36	\$6.58	\$6.61	\$6.77	\$3.12	
Diluted EPS		(\$2.56)	(\$2.51)	(\$2.29)	(\$1.36)	\$0.29	\$1.84	\$3.85	\$4.28	\$4.67	\$4.92	\$5.62	\$5.69	\$6.05	\$6.27	\$6.30	\$6.44	\$2.97	
Diluted EPS, Fully Taxed		(\$2.56)	(\$2.51)	(\$2.29)	(\$1.36)	\$0.29	\$1.26	\$2.94	\$3.71	\$4.21	\$4.67	\$4.92	\$5.62	\$5.69	\$6.05	\$6.27	\$6.30	\$6.44	\$2.97

Source: Company Data, Morgan Stanley Research estimates

July 26, 2012

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	\$116	\$147	\$75	\$72	\$64	\$98	\$229	\$417	\$590	\$791	\$1,009	\$1,255	\$1,517	\$1,796	\$2,093	\$2,399	\$2,717	\$2,931
Cash and cash equivalents	40	116	147	75	72	64	98	229	417	590	791	1,009	1,255	1,517	1,796	2,093	2,399	2,717	2,931
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	0.0
Inventory	0.0	0.0	0.0	0.7	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	0.2	1.4	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	\$119	\$151	\$81	\$85	\$97	\$160	\$311	\$508	\$691	\$896	\$1,117	\$1,368	\$1,632	\$1,914	\$2,213	\$2,521	\$2,841	\$2,997
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	\$119.3	\$152.4	\$82.8	\$87.9	\$103.6	\$171.0	\$326.2	\$527.2	\$713.9	\$923.3	\$1,148.4	\$1,404.0	\$1,671.5	\$1,957.5	\$2,259.5	\$2,570.4	\$2,893.3	\$3,046.9
Liabilities																			
Accounts payable	0.6	3.5	4.1	5.3	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	4.9	5.2	6.7	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	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1
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	\$8	\$9	\$12	\$11	\$11	\$21	\$49	\$88	\$89	\$88	\$89	\$85	\$85	\$82	\$81	\$80	\$79	\$79
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	\$8	\$9	\$12	\$11	\$11	\$21	\$49	\$88	\$89	\$88	\$89	\$85	\$85	\$82	\$81	\$80	\$79	\$79
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	205.5	309.3	314.1	368.4	373.0	380.1	387.4	394.9	402.7	410.3	418.0	424.2	430.4	435.5	439.9	444.1	447.9	451.5
Accumulated deficit / Retained Earnings	(25.4)	(94.7)	(166.2)	(243.3)	(291.4)	(280.5)	(230.1)	(110.2)	44.1	222.6	424.7	641.8	894.7	1,156.2	1,439.7	1,739.1	2,046.0	2,366.2	2,516.6
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)	\$111	\$143	\$71	\$77	\$92	\$150	\$277	\$439	\$625	\$835	\$1,060	\$1,319	\$1,587	\$1,875	\$2,179	\$2,490	\$2,814	\$2,968
Total liabilities and stockholder's equity	\$43	\$119	\$152	\$83	\$88	\$104	\$171	\$326	\$527	\$714	\$923	\$1,148	\$1,404	\$1,671	\$1,958	\$2,259	\$2,570	\$2,893	\$3,047

Source: Company Data, Morgan Stanley Research estimates

Morgan Stanley India Company Private Limited is currently acting as financial advisor to Dashtag ("Dashtag"), a wholly owned indirect subsidiary of Merck & Co., Inc. ("Merck"), with respect to the announced voluntary open offer by Dashtag and Merck to the public shareholders of Fulford (India) Limited ("Fulford") to acquire up to 21.07% of the total fully diluted voting equity share capital of Fulford. The proposed offer is subject to the consummation of the tender offer for the shares of Fulford, required regulatory approvals and other customary closing conditions. This report and the information provided herein is also not intended to (i) provide advice with respect to the tender offer, (ii) serve as an endorsement of the tender offer, or (iii) result in the procurement, withholding or revocation of a tender in the exchange or any other action by a security holder. Please refer to the notes at the end of the report.

July 26, 2012
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)	(\$69.3)	(\$71.5)	(\$77.1)	(\$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	1.4	3.7	4.8	4.3	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
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	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	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	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	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	0.0
Tax Credit from NOL's	0.0	0.0	0.0	0.0	0.0	0.0	3.9	27.7	38.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in working capital:	0	4	(0)	0	(7)	(21)	(24)	(20)	(9)	(9)	(5)	(2)	(9)	(3)	(5)	(4)	(2)	(3)	60
Accounts receivable	0.0	0.0	(0.2)	(1.2)	(3.1)	(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	0.0
Accounts payable	0.5	2.9	0.6	1.2	(0.5)	(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	1.9	0.3	1.5	(0.6)	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	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	0.0
Inventory	0.0	0.0	0.0	(0.7)	(2.9)	(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)	(\$64)	(\$68)	(\$72)	(\$51)	(\$5)	\$38	\$135	\$192	\$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	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	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	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	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	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	0.0
Proceeds from exercise of stock options and issuance of common an	0.0	81.0	100.0	0.0	50.0	0.0	0.0	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	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	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	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	0.0
Net cash provided by financing activities	\$52.1	\$139.5	\$100.0	\$0.0	\$50.0	\$0.0	\$0.0	\$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	75.8	31.6	(72.6)	(2.7)	(8.0)	34.2	131.0	187.7	173.0	201.0	218.5	245.9	261.2	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	0.0
Cash and equivalents at beginning of year	2.5	39.8	115.6	147.2	74.6	71.9	63.9	98.1	229.2	416.9	589.8	790.9	1,009.3	1,255.3	1,516.5	1,796.4	2,093.1	2,399.0	2,716.8
Cash and equivalents at end of year	\$39.8	\$115.6	\$147.2	\$74.6	\$71.9	\$63.9	\$98.1	\$229.2	\$416.9	\$589.8	\$790.9	\$1,009.3	\$1,255.3	\$1,516.5	\$1,796.4	\$2,093.1	\$2,399.0	\$2,716.8	\$2,931.3

Source: Company Data, Morgan Stanley Research estimates

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(as of June 30, 2012)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1139	39%	474	43%	42%
Equal-weight/Hold	1252	42%	478	43%	38%
Not-Rated/Hold	108	4%	33	3%	31%
Underweight/Sell	458	15%	119	11%	26%
Total	2,957		1104		

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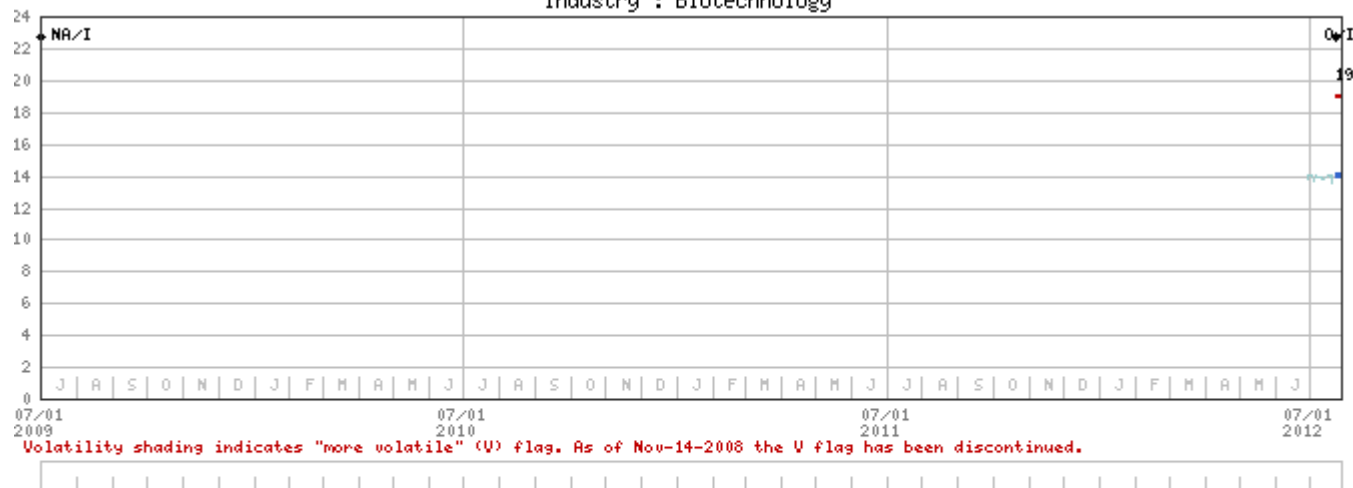
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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

July 26, 2012

Tesaro Inc.

Tesaro Inc. (TSRO.O) - As of 7/26/12 in USD
Industry : Biotechnology



Stock Rating History: 7/1/09 : NA/I; 7/23/12 : O/I

Price Target History: 7/23/12 : 19

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)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (07/25/2012)
David Friedman, M.D.		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$15.2
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$105.13
Amylin Pharmaceuticals (AMLN.O)	E (07/02/2012)	\$30.8
Auxilium Pharmaceuticals (AUXL.O)	E (03/18/2011)	\$26.09
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$10.39
Incyte Corporation (INCY.O)	E (02/16/2012)	\$24.09
InterMune (ITMN.O)	E (09/07/2010)	\$8.76
Ironwood Pharmaceuticals, Inc. (IRWD.O)	O (03/18/2011)	\$12.86
Lexicon Pharmaceuticals, Inc. (LXRX.O)	E (09/07/2010)	\$2.45
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$48.94
Theravance Inc (THRX.O)	U (01/31/2012)	\$29.75
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$49.08
XenoPort Inc (XNPT.O)	E (08/26/2011)	\$6.79
Marshall Urist, M.D., Ph.D.		
Amgen Inc. (AMGN.O)	E (02/09/2012)	\$77.96
Aveo Pharmaceuticals (AVEO.O)	E (02/09/2012)	\$13.08
Biogen Idec Inc. (BIIB.O)	O (02/09/2012)	\$143.45
Celgene Corp (CELG.O)	O (02/09/2012)	\$65.28
Elan Corporation PLC (ELN.N)	E (07/09/2012)	\$11.63
Gilead Sciences Inc. (GILD.O)	O (02/09/2012)	\$51.19
Hospira (HSP.N)	E (07/16/2009)	\$34.02
Onyx Pharmaceuticals Inc. (ONXX.O)	E (06/21/2012)	\$76.79
Sagent Pharmaceuticals Inc (SGNT.O)	O (05/31/2011)	\$19.41
Tesaro Inc. (TSRO.O)	O (07/23/2012)	\$14

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