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Stock Rating  
**Overweight**

Industry View  
**In-Line**

April 28, 2013

## Tesaro Inc.

### Moving Niraparib Forward Aggressively

#### What's Changed

Price Target **\$22.00 to \$29**

**In a complex competitive environment, we like Tesaro's aggressive pace, taking the company's 2nd late-stage asset niraparib, a PARP inhibitor, into a Phase III trial in breast cancer where there is proof of concept for the class in women with cancer predisposing BRCA mutations.**

**New Phase III trial in 2H13** comparing niraparib to chemotherapy in ~300 locally advanced or metastatic HER2 negative BRCA mutation positive breast cancer patients previously treated with an anthracycline/taxane. The primary endpoint is progression free survival and the trial includes an interim analysis that could provide a clear catalyst.

**Good rationale for PARP inhibitors in BRCA mutant breast cancer.** PARP inhibitors block a specific DNA repair pathway and are particularly active in women with inherited BRCA mutations that also impact DNA repair. AstraZeneca's olaparib (another PARP inhibitor) showed a 41% response rate in 27 BRCA mutation positive breast cancer patients with a clear dose response. We look forward to more detail on the BRCA mutant positive breast cancer patients in the niraparib Phase I/II trial at ASCO in June, and we expect the PARP inhibitor class will be a focus at ASCO 2013 with data from AstraZeneca, BioMarin, and Clovis as well.

**Target to \$29** as we lower our discount rate by 200 bps to 15% to reflect niraparib's clarified development path.

**Other programs on track** with **1)** rolapitant (for chemotherapy-induced nausea and vomiting) Phase III data on track for 2H13, **2)** IV rolapitant tracking toward a mid-2015 filing, and **3)** TSR-011 (ALK inhibitor) now in the 5<sup>th</sup> dose cohort and early data in 2H13 (likely at ESMO) could increase the profile of this asset.

#### Key Ratios and Statistics

Reuters: TSRO.O Bloomberg: TSRO US

Biotechnology / United States of America

Shr price, close (Apr 26, 2013) \$27.62  
Mkt cap, curr (mm) \$739  
52-Week Range \$27.62-11.05

Fiscal Year ending	12/12	12/13e	12/14e	12/15e
ModelWare EPS (\$)	(4.51)	(2.49)	(2.44)	(1.28)
Prior ModelWare EPS (\$)	-	(2.83)	(2.45)	(1.29)
P/E	NM	NM	NM	NM
Consensus EPS (\$)	(3.64)	(2.71)	(2.41)	(1.75)
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

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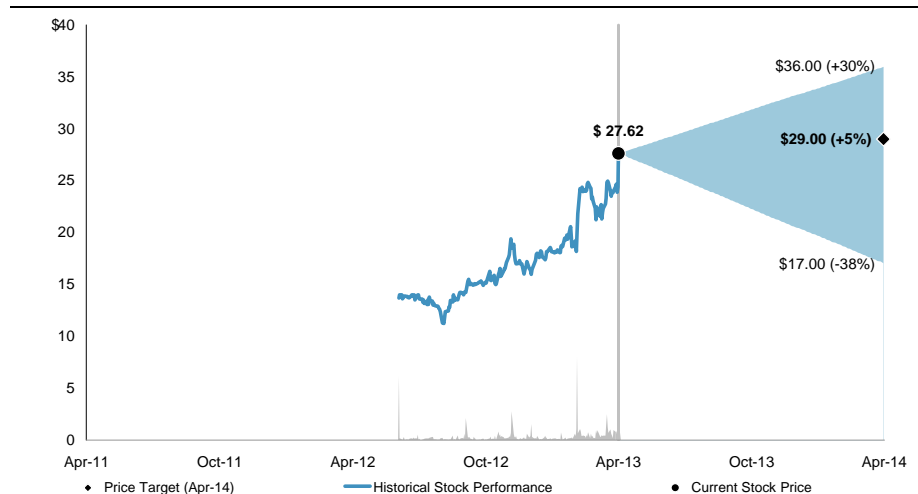
**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

April 28, 2013

Tesaro Inc.

## Risk-Reward Snapshot: Tesaro (TSRO, Overweight, \$29 Price Target)

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



Source: Thomson Reuters, Morgan Stanley Research estimates

<b>Price Target \$29</b>		Based on base case scenario. PT is derived from a DCF analysis, which assumes a discount rate of 15.0% and no terminal value.
<b>Bull Case \$36</b>	DCF-based Valuation	<b>Rolapitant ~\$500-600 MM in peak sales, Pipeline Delivers CINV Franchise:</b> Rolapitant achieves differentiated efficacy tripling the NK-1 market <b>Pipeline:</b> Same as base case
<b>Base Case \$29</b>	DCF-based Valuation	<b>Rolapitant reaches ~\$325 MM in sales, Pipeline a Toss-Up CINV Franchise:</b> Management succeeds in matching the success with Aloxi and converts Rolapitant into a \$325MM drug with the NK-1 market doubling in size <b>Pipeline:</b> Niraparib succeeds in Phase III (included in our model) or ALK shows a favorable benefit/risk profile in Phase I
<b>Bear Case \$17</b>	DCF-based Valuation	<b>Rolapitant Disappoints, No Pipeline Success CINV Franchise:</b> 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 <b>Pipeline:</b> 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
- PARP inhibitor program provides a second late stage asset with a first in Phase III drug in a competitive space

### 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
- Differentiation of niraparib vs other PARP inhibitors in development

### 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 – mid-2013 (MSe)  
Full niraparib Phase I/II data - ASCO  
IV rolapitant Phase I initiation – 2013  
TSR-011 Phase I data – 2013 (MSe)  
Rolapitant Phase III data – 2H13

April 28, 2013

Tesaro Inc.

## Valuation

Quarterly financials were as expected with loss per share of (\$0.66) vs (\$0.70) MSe. R&D was \$16.5MM versus \$17.3MM MSe and G&A was \$2.4MM versus \$2.0MM MSe. We are making no major changes to our expense or revenue assumptions.

Exhibit 1

### 1Q13 Variance Table

	1Q13A	1Q13 Mse	Variance
<b>Total Revenue</b>	\$0.0	\$0.0	NM
<b>R&amp;D</b>	\$16.5	\$17.3	-4%
<b>G&amp;A</b>	\$2.4	\$2.0	23%
<b>Operating Income</b>	(\$18.9)	(\$19.2)	-2%
<b>Pretax Income</b>	(\$18.9)	(\$19.2)	-2%
<b>Net Income</b>	(\$18.9)	(\$19.2)	-2%
<b>EPS</b>	(\$0.66)	(\$0.70)	-7%

Source: Company Data, Morgan Stanley Research

### \$29 per share price target

Discounted cash flow is our primary valuation metric for TSRO. We view this as appropriate given current 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 \$22 to \$29 after rolling forward the discount period and using a lower 15.0% vs 17.0% discount rate to reflect niraparib now in two Phase III trials, which clarifies the development path and leverages success probabilities across multiple indications. We do not include any terminal value meaning R&D spend on TSR-011 is modestly dilutive to our valuation. That said, we assume the rolapitant commercial infrastructure is largely leveragable for niraparib.

We use a higher discount rate of 15.0% than we would otherwise model for Phase III assets to reflect the remaining risks: 1) the commercial risks facing rolapitant including

generic EMEND (Merck's drug for chemotherapy-induced nausea and vomiting in the same NK-1 inhibitor class as rolapitant), 2) Phase III risks in proving a differentiated profile for rolapitant versus EMEND, and 3) still limited niraparib data, which has only completed Phase I/II and there are multiple other PARP inhibitors in development.

Exhibit 2

### DCF Supports \$29 per share in 12 Months

Discounted Cash Flow (\$MM):	
WACC Applied (%)	15.0%
<b>Discounted Net Cash Flow</b>	<b>\$788</b>
Cash	<b>\$136</b>
<b>Equity Value</b>	<b>\$924</b>
Shares Outstanding (MM)	32.1
<b>Equity Value per Share (\$)</b>	<b>\$29</b>

<b>Time of valuation</b>	<b>2014.5</b>
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Source: Company Data, Morgan Stanley Research estimates

### 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.

April 28, 2013  
Tesaro Inc.

Exhibit 3

## Income Statement

(Dollars in millions, except per share data)

Fiscal year ends Dec. 31

	2011A	2012A	1Q13	2Q13	3Q13	4Q13	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	\$0.0	\$10	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.0</b>	<b>\$0</b>	<b>\$0.0</b>	<b>\$13</b>	<b>\$45</b>	<b>\$124</b>	<b>\$271</b>	<b>\$410</b>	<b>\$456</b>	<b>\$504</b>	<b>\$539</b>	<b>\$566</b>	<b>\$595</b>	<b>\$608</b>	<b>\$621</b>	<b>\$631</b>	<b>\$641</b>	<b>\$651</b>	<b>\$344</b>
% 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%
<b>Cost of Sales</b>																							
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%	23.8%	25.0%	24.5%	25.3%	26.6%	27.0%	27.5%	27.8%	28.2%	28.5%	277.7%
<b>Gross Profit</b>	<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>	<b>\$12</b>	<b>\$38</b>	<b>\$103</b>	<b>\$219</b>	<b>\$329</b>	<b>\$386</b>	<b>\$427</b>	<b>\$459</b>	<b>\$484</b>	<b>\$508</b>	<b>\$519</b>	<b>\$530</b>	<b>\$538</b>	<b>\$547</b>	<b>\$555</b>	<b>\$289</b>
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%
<b>R&amp;D</b>	<b>\$12</b>	<b>\$54</b>	16.5	17.5	17.5	19.0	\$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	662%	100%	35%	22%	7%	5%	4%	4%	4%	4%	4%	4%	3%	3%	3%	6%
<b>SG&amp;A Total</b>	<b>\$3</b>	<b>\$8</b>	2	2	2	3	\$10	\$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	\$8	2.4	2.4	2.5	2.7	\$10	\$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%
<b>Total Operating Expenses</b>	<b>\$15</b>	<b>\$62</b>	19	20	20	22	\$81	\$99	\$87	\$93	\$142	\$146	\$151	\$155	\$152	\$154	\$125	\$123	\$102	\$87	\$86	\$76	\$72
<b>Operating Income (Loss)</b>	<b>(\$15)</b>	<b>(\$62)</b>	<b>(\$19)</b>	<b>(\$20)</b>	<b>(\$20)</b>	<b>(\$22)</b>	<b>(\$81)</b>	<b>(\$87)</b>	<b>(\$48)</b>	<b>\$11</b>	<b>\$77</b>	<b>\$184</b>	<b>\$236</b>	<b>\$272</b>	<b>\$308</b>	<b>\$330</b>	<b>\$383</b>	<b>\$395</b>	<b>\$428</b>	<b>\$451</b>	<b>\$461</b>	<b>\$480</b>	<b>\$217</b>
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%
<b>Pretax Income (Loss)</b>	<b>(\$16)</b>	<b>(\$62)</b>	<b>(\$19)</b>	<b>(\$20)</b>	<b>(\$20)</b>	<b>(\$22)</b>	<b>(\$80)</b>	<b>(\$86)</b>	<b>(\$48)</b>	<b>\$11</b>	<b>\$78</b>	<b>\$184</b>	<b>\$237</b>	<b>\$275</b>	<b>\$311</b>	<b>\$334</b>	<b>\$389</b>	<b>\$402</b>	<b>\$436</b>	<b>\$461</b>	<b>\$472</b>	<b>\$493</b>	<b>\$232</b>
Provision for Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4	\$28	\$59	\$96	\$109	\$117	\$136	\$141	\$153	\$161	\$165	\$173	\$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%
<b>Net Income</b>	<b>(\$16.4)</b>	<b>(\$61.8)</b>	<b>(\$18.9)</b>	<b>(\$19.9)</b>	<b>(\$20.0)</b>	<b>(\$21.7)</b>	<b>(\$80.1)</b>	<b>(\$86.2)</b>	<b>(\$48.2)</b>	<b>\$10.8</b>	<b>\$73.7</b>	<b>\$156.7</b>	<b>\$178.0</b>	<b>\$178.5</b>	<b>\$202.2</b>	<b>\$217.2</b>	<b>\$252.9</b>	<b>\$261.6</b>	<b>\$283.6</b>	<b>\$299.5</b>	<b>\$307.1</b>	<b>\$320.5</b>	<b>\$150.7</b>
<b>Net Income, Fully Taxed</b>	<b>(\$16.4)</b>	<b>(\$61.8)</b>	<b>(\$18.9)</b>	<b>(\$19.9)</b>	<b>(\$20.0)</b>	<b>(\$21.7)</b>	<b>(\$80.1)</b>	<b>(\$86.2)</b>	<b>(\$48.2)</b>	<b>\$10.8</b>	<b>\$50.4</b>	<b>\$119.9</b>	<b>\$154.3</b>	<b>\$178.5</b>	<b>\$202.2</b>	<b>\$217.2</b>	<b>\$252.9</b>	<b>\$261.6</b>	<b>\$283.6</b>	<b>\$299.5</b>	<b>\$307.1</b>	<b>\$320.5</b>	<b>\$150.7</b>
<b>Basic EPS</b>											\$0.28	\$1.27	\$2.94	\$3.69	\$4.15	\$4.58	\$4.80	\$5.44	\$5.48	\$5.79	\$5.96	\$5.96	\$6.06
<b>Diluted EPS</b>											\$0.27	\$1.77	\$3.66	\$4.05	\$3.96	\$4.37	\$4.57	\$5.18	\$5.22	\$5.52	\$5.68	\$5.67	\$5.77
<b>Diluted EPS, Fully Taxed</b>											\$0.27	\$1.77	\$3.66	\$4.05	\$3.96	\$4.37	\$4.57	\$5.18	\$5.22	\$5.52	\$5.68	\$5.67	\$5.77

Source: Company Data, Morgan Stanley Research estimates

April 28, 2013

Tesaro Inc.

## Exhibit 4

## Balance Sheet

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

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Assets</b>																			
<b>Cash &amp; Marketable Securities</b>	<b>\$40</b>	<b>\$125</b>	<b>\$136</b>	<b>\$55</b>	<b>\$61</b>	<b>\$53</b>	<b>\$87</b>	<b>\$220</b>	<b>\$414</b>	<b>\$592</b>	<b>\$799</b>	<b>\$1,023</b>	<b>\$1,277</b>	<b>\$1,547</b>	<b>\$1,837</b>	<b>\$2,145</b>	<b>\$2,465</b>	<b>\$2,798</b>	<b>\$3,031</b>
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	1.2	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
<b>Total current assets</b>	<b>\$42</b>	<b>\$127</b>	<b>\$140</b>	<b>\$61</b>	<b>\$73</b>	<b>\$86</b>	<b>\$150</b>	<b>\$302</b>	<b>\$506</b>	<b>\$693</b>	<b>\$904</b>	<b>\$1,131</b>	<b>\$1,390</b>	<b>\$1,662</b>	<b>\$1,955</b>	<b>\$2,265</b>	<b>\$2,586</b>	<b>\$2,922</b>	<b>\$3,097</b>
Restricted cash	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipment, net	0.1	0.2	0.5	0.9	2.8	5.0	8.6	12.0	15.6	19.5	23.4	27.4	31.3	35.1	38.7	42.0	45.2	48.1	47.7
Other assets	0.1	0.5	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
<b>Total assets</b>	<b>\$43</b>	<b>\$127.4</b>	<b>\$140.9</b>	<b>\$61.9</b>	<b>\$76.5</b>	<b>\$92.2</b>	<b>\$160.0</b>	<b>\$316.7</b>	<b>\$524.4</b>	<b>\$715.9</b>	<b>\$930.8</b>	<b>\$1,162.3</b>	<b>\$1,425.4</b>	<b>\$1,701.5</b>	<b>\$1,997.7</b>	<b>\$2,311.4</b>	<b>\$2,636.1</b>	<b>\$2,974.8</b>	<b>\$3,146.9</b>
<b>Liabilities</b>																			
Accounts payable	0.6	3.2	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	8.5	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	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0
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
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
<b>Total current liabilities</b>	<b>\$4</b>	<b>\$12</b>	<b>\$10</b>	<b>\$12</b>	<b>\$11</b>	<b>\$11</b>	<b>\$21</b>	<b>\$49</b>	<b>\$92</b>	<b>\$93</b>	<b>\$92</b>	<b>\$93</b>	<b>\$89</b>	<b>\$89</b>	<b>\$86</b>	<b>\$84</b>	<b>\$84</b>	<b>\$83</b>	<b>\$83</b>
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
<b>Total liabilities</b>	<b>\$4</b>	<b>\$12</b>	<b>\$10</b>	<b>\$12</b>	<b>\$11</b>	<b>\$11</b>	<b>\$21</b>	<b>\$49</b>	<b>\$92</b>	<b>\$93</b>	<b>\$92</b>	<b>\$93</b>	<b>\$89</b>	<b>\$89</b>	<b>\$86</b>	<b>\$84</b>	<b>\$84</b>	<b>\$83</b>	<b>\$83</b>
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	202.8	298.0	303.0	367.3	371.9	379.5	388.3	398.7	411.2	424.2	438.3	452.0	466.8	481.9	497.8	515.6	535.0	556.8
Accumulated deficit / Retained Earnings	(25.4)	(87.1)	(167.2)	(253.5)	(301.7)	(290.9)	(240.5)	(120.6)	33.7	212.2	414.3	631.5	864.4	1,146.0	1,429.6	1,729.1	2,036.2	2,356.7	2,507.4
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
<b>Total stockholders' equity</b>	<b>(\$25)</b>	<b>\$116</b>	<b>\$131</b>	<b>\$49</b>	<b>\$66</b>	<b>\$81</b>	<b>\$139</b>	<b>\$268</b>	<b>\$432</b>	<b>\$623</b>	<b>\$839</b>	<b>\$1,070</b>	<b>\$1,336</b>	<b>\$1,613</b>	<b>\$1,911</b>	<b>\$2,227</b>	<b>\$2,552</b>	<b>\$2,892</b>	<b>\$3,064</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$43</b>	<b>\$127</b>	<b>\$141</b>	<b>\$62</b>	<b>\$77</b>	<b>\$92</b>	<b>\$160</b>	<b>\$317</b>	<b>\$524</b>	<b>\$716</b>	<b>\$931</b>	<b>\$1,162</b>	<b>\$1,425</b>	<b>\$1,702</b>	<b>\$1,998</b>	<b>\$2,311</b>	<b>\$2,636</b>	<b>\$2,975</b>	<b>\$3,147</b>

Source: Company Data, Morgan Stanley Research estimates

April 28, 2013

Tesaro Inc.

## Exhibit 5

## Cash Flow Statement

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

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>																			
Net (loss) Income	(\$16.4)	(\$61.8)	(\$80.1)	(\$86.2)	(\$48.2)	\$10.8	\$50.4	\$119.9	\$154.3	\$178.5	\$202.2	\$217.2	\$252.9	\$261.6	\$283.6	\$299.5	\$307.1	\$326.5	\$150.7
Depreciation and amortization	0.0	0.1	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	1.8	4.0	5.0	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	8.0	0.0	0.0	0.0	0.0	0.0	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	42.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Changes in working capital:</b>	<b>0</b>	<b>9</b>	<b>(4)</b>	<b>0</b>	<b>(8)</b>	<b>(21)</b>	<b>(24)</b>	<b>(20)</b>	<b>(9)</b>	<b>(9)</b>	<b>(5)</b>	<b>(2)</b>	<b>(9)</b>	<b>(3)</b>	<b>(5)</b>	<b>(4)</b>	<b>(2)</b>	<b>(3)</b>	<b>60</b>
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)	1.0	(2.8)	(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	0.0	0.2	(0.1)	0.0	(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	2.6	1.3	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	5.6	(2.9)	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	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	(0.5)	(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
<b>Net cash used in operating activities</b>	<b>(\$14)</b>	<b>(\$43)</b>	<b>(\$80)</b>	<b>(\$81)</b>	<b>(\$52)</b>	<b>(\$6)</b>	<b>\$38</b>	<b>\$135</b>	<b>\$196</b>	<b>\$178</b>	<b>\$206</b>	<b>\$224</b>	<b>\$252</b>	<b>\$267</b>	<b>\$286</b>	<b>\$303</b>	<b>\$312</b>	<b>\$325</b>	<b>\$218</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>																			
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)	(8.0)	0.0	0.0	0.0	0.0	0.0	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)	0.2	0.0	0.0	0.0	0.0	0.0	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
<b>Net cash used in investing activities</b>	<b>(\$0.7)</b>	<b>(\$8.0)</b>	<b>(\$0.3)</b>	<b>(\$0.5)</b>	<b>(\$2.0)</b>	<b>(\$2.5)</b>	<b>(\$4.1)</b>	<b>(\$4.1)</b>	<b>(\$4.6)</b>	<b>(\$5.0)</b>	<b>(\$5.4)</b>	<b>(\$5.7)</b>	<b>(\$5.9)</b>	<b>(\$6.1)</b>	<b>(\$6.2)</b>	<b>(\$6.3)</b>	<b>(\$6.4)</b>	<b>(\$6.5)</b>	<b>(\$3.4)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>																			
Proceeds from issuance of convertible preferred stock, net of issuance	52.1	58.3	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
Proceeds from exercise of stock options and issuance of common an	0.0	0.0	91.2	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
Tax benefit from stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.5	2.9	4.7	5.5	6.4	7.4	8.6	10.0	11.6	13.5	15.7	18.2
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
<b>Net cash provided by financing activities</b>	<b>\$52.1</b>	<b>\$136.3</b>	<b>\$91.2</b>	<b>\$0.0</b>	<b>\$60.0</b>	<b>\$0.0</b>	<b>\$0.4</b>	<b>\$1.5</b>	<b>\$2.9</b>	<b>\$4.7</b>	<b>\$5.5</b>	<b>\$6.4</b>	<b>\$7.4</b>	<b>\$8.6</b>	<b>\$10.0</b>	<b>\$11.6</b>	<b>\$13.5</b>	<b>\$15.7</b>	<b>\$18.2</b>
Increase in cash and cash equivalents	37.3	85.6	10.6	(81.4)	6.1	(8.0)	34.6	132.5	194.5	177.7	206.5	224.9	253.4	269.9	290.0	308.5	319.5	333.7	233.0
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	125.4	136.1	54.7	60.7	52.7	87.3	219.8	414.3	592.0	798.5	1,023.4	1,276.8	1,546.7	1,836.7	2,145.2	2,464.7	2,798.4
<b>Cash and equivalents at end of year</b>	<b>\$39.8</b>	<b>\$125.4</b>	<b>\$136.1</b>	<b>\$54.7</b>	<b>\$60.7</b>	<b>\$52.7</b>	<b>\$87.3</b>	<b>\$219.8</b>	<b>\$414.3</b>	<b>\$592.0</b>	<b>\$798.5</b>	<b>\$1,023.4</b>	<b>\$1,276.8</b>	<b>\$1,546.7</b>	<b>\$1,836.7</b>	<b>\$2,145.2</b>	<b>\$2,464.7</b>	<b>\$2,798.4</b>	<b>\$3,031.4</b>

Source: Company Data, Morgan Stanley Research estimates



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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### Global Stock Ratings Distribution

April 28, 2013

Tesaro Inc.

(as of March 31, 2013)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1031</b>	<b>36%</b>	<b>402</b>	<b>39%</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1250</b>	<b>44%</b>	<b>480</b>	<b>47%</b>	<b>38%</b>
<b>Not-Rated/Hold</b>	<b>105</b>	<b>4%</b>	<b>27</b>	<b>3%</b>	<b>26%</b>
<b>Underweight/Sell</b>	<b>467</b>	<b>16%</b>	<b>113</b>	<b>11%</b>	<b>24%</b>
<b>Total</b>	<b>2,853</b>		<b>1022</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

## Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

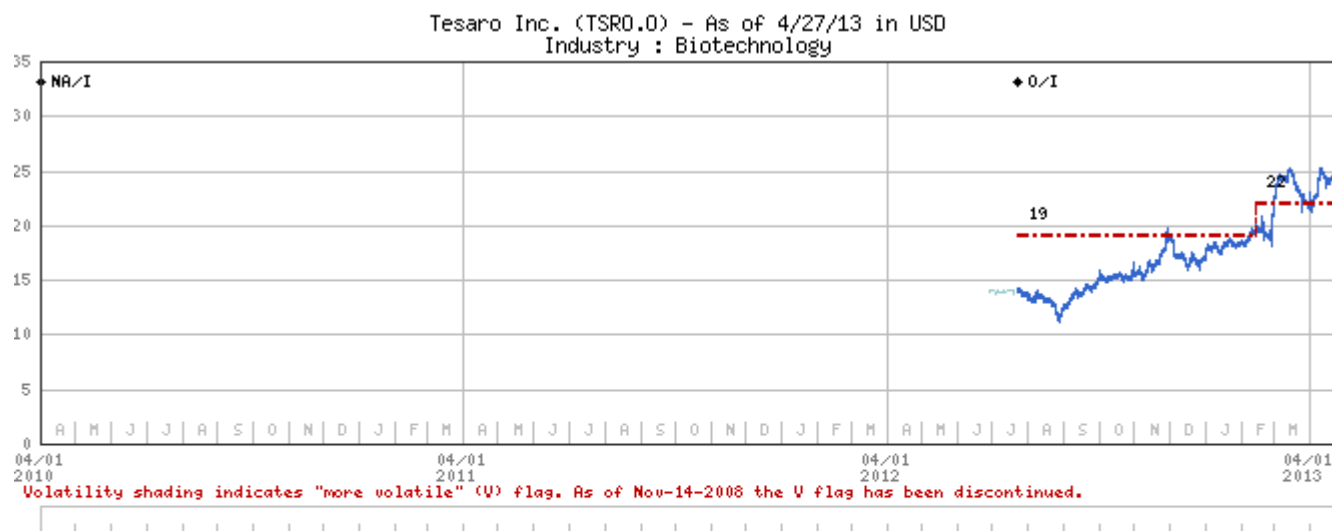
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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



April 28, 2013

Tesaro Inc.



Stock Rating History: 4/1/10 : NA/I; 7/23/12 : 0/I

Price Target History: 7/23/12 : 19; 2/14/13 : 22

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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Tesaro Inc.

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**Industry Coverage: Biotechnology**

Company (Ticker)	Rating (as of)	Price* (04/26/2013)
<b>David Friedman, M.D.</b>		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$21.89
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$99.34
Auxilium Pharmaceuticals (AUXL.O)	U (08/21/2012)	\$16.03
Cubist Pharmaceuticals Inc. (CBST.O)	O (10/03/2012)	\$46.44
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$3.85
Incyte Corporation (INCY.O)	U (01/23/2013)	\$22.5
InterMune (ITMN.O)	E (09/07/2010)	\$9.1
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$15.59
Lexicon Pharmaceuticals, Inc. (LXRX.O)	E (09/07/2010)	\$2.28
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$13.49
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$54.67
Theravance Inc (THRX.O)	U (01/31/2012)	\$34
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$79.02
XenoPort Inc (XNPT.O)	E (08/26/2011)	\$6.53
<b>Sara Slifka</b>		
Neurocrine Biosciences Inc (NBIX.O)	O (10/03/2012)	\$11.93
Optimer Pharmaceuticals (OPTR.O)	U (10/03/2012)	\$14.85
<b>Marshall Urist, M.D., Ph.D.</b>		
Amgen Inc. (AMGN.O)	E (02/09/2012)	\$108.38
Aveo Pharmaceuticals (AVEO.O)	E (02/09/2012)	\$7.53
Biogen Idec Inc. (BIIB.O)	O (02/09/2012)	\$213.59
Celgene Corp (CELG.O)	O (02/09/2012)	\$120.34
Elan Corporation PLC (ELN.N)	++	\$11.86
Gilead Sciences Inc. (GILD.O)	O (02/09/2012)	\$51.38
Immunogen Inc. (IMGN.O)	E (11/13/2012)	\$16.31
Infinity Pharmaceuticals Inc (INFI.O)	O (02/19/2013)	\$44.32
Onyx Pharmaceuticals Inc. (ONXX.O)	E (06/21/2012)	\$94.69
Pharmacyclics Inc. (PCYC.O)	E (03/19/2013)	\$81.65
Tesaro Inc. (TSRO.O)	O (07/23/2012)	\$27.62

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\* Historical prices are not split adjusted.