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May 12, 2014

Stock Rating
Overweight

Industry View
In-Line

Relypsa, Inc. Ph 1 Onset-Of-Action Patiromer Data Solid

Relypsa announced positive Ph 1 patiromer onset of action data. 1Q earnings were reported last week.

Relypsa reported top-line Ph 1 patiromer onset-of-action data. We comment on the data below. We have also updated our model for the quarter post-1Q earnings, and look forward to the 3Q14 patiromer NDA submission.

Data: The topline data show that 8.4g BID of patiromer stat. sig. lowered potassium (K+) levels 7 hours after the start of treatment, and this benefit was sustained out to 48 hours. K+ levels were lowered, on avg., from 5.93 mEq/L at baseline to 5.1 mEq/L (max reduction of 0.83 mEq/L) without any loss of effect/rebound during non-dosing, night-time hours. Key data points we would like to see with full data include 1) K+ lowering stratified by baseline K+, 2) the exact K+ trends over time including overnight K+ levels, and 3) the degree of any K+ excursions either high or low.

While we need to see full data, **we do believe these data compare quite favorably with the ZS-9 48 hr data**, acknowledging that the influence of the different baseline K+ levels (~5.9 for patiromer vs. ~5.1 for ZS-9) is unclear. First, **Relypsa notes no night-time rebound for patiromer**, while the ZS-9 data show a nighttime rebound of ~0.2 mEq/L, with the ZS-9 placebo arm also showing variability. Second, **patiromer reduced K+ by the same amount as ZS-9 (~0.8-0.9mEq/L) but at a ~50% of the total daily tested ZS-9 dose** (~16.8 gm for patiromer vs. 30 gm for ZS-9) and with seemingly more durability. To us, this implies a potential "potency" edge for patiromer. Third, Relypsa notes a sustained K+ decline at 48 hrs. This compares to ZS-9 where we see a ~0.2+ mEq/L rise from hour 38-48, similar to the nighttime rebound. Given, that durability of coverage and margin of safety are key for K+ control, we see these topline data as favorable for patiromer.

Acute Hyperkalemia Market: Our Relypsa valuation is predicated on chronic patiromer use, and we do not currently model patiromer use in the acute market. However, with ~30k Kayexalate TRx/month likely to be mostly in the acute setting, we will be evaluating the revenue potential in this setting as an incremental source of sales to our model. We view Kayexalate as an inferior drug to patiromer or ZS-9.

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Key Ratios and Statistics

Reuters: RLYP.O Bloomberg: RLYP US

Biotechnology / United States of America

Price target	\$57.00
Shr price, close (May 9, 2014)	\$19.60
Mkt cap, curr (mm)	\$263
52-Week Range	\$52.74-11.55

Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS (\$)	(20.40)	(0.33)	(5.58)	(3.89)
Prior ModelWare EPS (\$)	-	(0.58)	(5.58)	(3.63)
P/E	NM	NM	NM	NM
Consensus EPS (\$)\$	(3.41)	(2.69)	(3.11)	(2.59)

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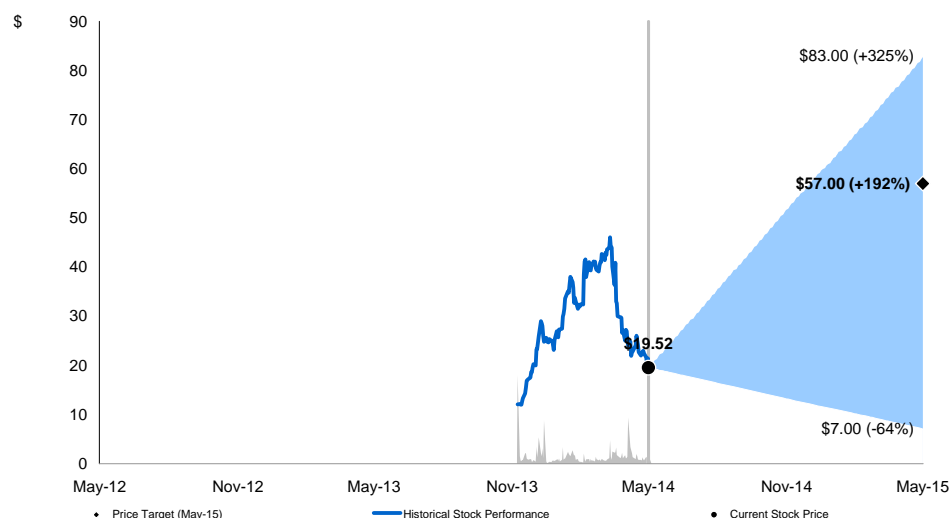
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

May 12, 2014

Relypsa, Inc.

Risk-Reward Snapshot: Relypsa (RLYP, OW, PT \$57)

Patiomer Drives Risk-Reward



Source: Morgan Stanley Research estimates, Thomson Reuters

Price Target \$57	We derive our PT from a discounted cash flow analysis that uses a WACC of 10% and a 0% terminal growth rate. The main revenue driver in our model is the launch of patiomer in the US in 2015 and in the EU in 2016.	
Bull Case \$83	DCF US 2022 Sales: CKD: ~\$1.3bn HF: ~\$150mn WW 2022 Sales: ~\$2.0bn (~\$1.5bn to Relypsa)	Patiomer success in addressable CKD and heart failure patients with higher share of the addressable market. We assume (2022): 1) ~27% share of addressable US chronic kidney disease market, 2) ~14% share of addressable US heart failure market, 3) The percentage of patients on RAASi grows by 2%/year, and 4) Relypsa partners patiomer in the EU with a low to mid-20% royalty.
Base Case \$57	DCF US 2022 Sales: CKD: ~\$800mn HF: ~\$100mn WW 2022 Sales: ~\$1.2bn (~\$950mn to Relypsa)	Patiomer success in addressable CKD and heart failure patients with solid share of the addressable market. We assume (2022): 1) ~18% share of addressable US chronic kidney disease market, 2) ~9% share of addressable US heart failure market, 3) The percentage of patients on RAASi grows by 1%/year, and 4) Relypsa partners patiomer in the EU with a low to mid-20% royalty.
Bear Case \$7	DCF US 2022 Sales: CKD: ~\$230mn HF: ~\$30mn WW 2022 Sales: ~\$260mn (~\$260mn to Relypsa)	Patiomer fails to gain sig. share of the addressable CKD and heart failure market. We assume (2022): 1) ~6% share of addressable US chronic kidney disease market, 2) ~3% share of addressable US heart failure market, 3) The percentage of patients on RAASi grows by 0.5%/year, 4) No EU sales or partnership, and 5) Relypsa is not able to sig. lower patiomer's COGS. Ultra-bear case: If the FDA does not approve patiomer, we see the stock trading down to the low single digits.

Investment Thesis

- We are OW Relypsa as we believe patiomer has \$850+mn revenue potential in hyperK+.
- Patiomer has shown solid data reducing serum K+ levels in hyperkalemic patients out to 52 weeks.
- Patiomer's safety profile is clean, with manageable mild-to-moderate GI tolerability and low levels of hypokalemia and hypomagnesemia, which have not led to clinically meaningful issues.
- We expect patiomer to be approved in the US following a 3Q14 NDA filing; the EU path forward is less clear to us.
- Many HF and CKD patients must reduce or discontinue RAASi therapy, drugs which have been shown to improve long-term outcomes, given high K+ levels. We see a compelling opportunity for patiomer as the drug reduces K+ levels and may allow HF and CKD patients to remain on their RAASi therapy.
- We expect that limited long-term data and tolerability issues will moderate the impact of competitors such as ZS-9 and kayexalate.

Risks to our price target

- 1) Patiomer may fail to receive FDA approval,
- 2) Relypsa may struggle to develop patiomer ex-US and/or find an ex-US partner,
- 3) Relypsa may have difficulty optimizing COGS,
- 4) Patiomer sales may disappoint,
- 5) the future lock-up expiry may weigh on the stock.

May 12, 2014

Relypsa, Inc.

Relypsa Valuation and Catalysts

Exhibit 1

DCF Drives Valuation

(\$ in mn)	2012	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Free Cash Flow	(38)	(66)	(14)	(84)	(62)	(39)	32	134	274	309	411	479	518	539	550	556	559	560	56
YoY growth	60.9%	74%	-78.9%	498%	-26%	-37%	-182%	324.1%	104.3%	12.8%	32.9%	16.4%	8.2%	4.1%	2.1%	1.0%	0.5%	0.3%	-90.0%
Net Cash Proxy for Dilution	\$0.0	-\$0.5	-\$8.4	-\$7.5	-\$6.7	-\$5.9	-\$5.2	-\$4.5	-\$4.7	-\$4.9	-\$5.1	-\$5.1	-\$5.1	-\$5.1	-\$5.1	-\$5.1	-\$5.1	-\$5.1	-\$5.1
Free Cash Flow for DCF	-\$38.2	-\$66.9	-\$22.4	-\$91.1	-\$68.5	-\$44.5	\$26.5	\$129.9	\$269.8	\$304.6	\$406.0	\$473.6	\$512.9	\$534.2	\$545.3	\$550.9	\$553.8	\$555.2	\$50.9
PV of Free Cash Flow			-22.4	-84.8	-57.9	-34.3	18.5	82.6	155.9	160.1	194.0	205.7	202.5	191.7	177.9	163.4	149.3	136.1	11.3

Source: Company data, Morgan Stanley Research estimates

Exhibit 2

DCF Valuation Suggests Significant Upside

Valuation Date	2014.25
Discount Rate	10%
Terminal Growth Rate	0%
Terminal Value Year	2030
Sum of Discounted FCF (\$mn)	\$1,655.4
Discounted Terminal Value (\$mn)	\$113.5
Net Cash (\$mn)	\$161.2
Equity Value (\$mn)	\$1,930
Equity Value/Sh	\$57
Shares Outstanding	33.9

Source: Company Data, Morgan Stanley Research estimates

\$57 PT includes patiomer in CKD and HF patients.

We derive our PT from a discounted cash flow (DCF) analysis that uses a WACC of 10% and a terminal growth rate of 0% post 2030. We incorporate the cash cost of stock options

Valuation Methodology: We use a DCF to value Relypsa as well as most other companies under coverage. We believe a DCF best captures the longer term nature of drug development and commercialization. We do not feel that a multiples analysis accomplishes the same goal, as it only evaluates a company during a snapshot in time.

Discount Rate: We typically use a discount rate of 10% for commercial stage companies or ones close to that level. We see this rate as reasonable for Relypsa as patiomer has little FDA approval risk given a clean Ph 3 program and an SPA.

Terminal Growth Rate: Our modeled cash flows extend to 2022. Beyond this, we grow free cash flow from 2023-2029 at 50% of the prior year's growth rate. We decline cash flows by 90% in 2030 due to the 2030 composition of matter patent expiry. Beyond 2030, we use a terminal growth rate of 0%.

Revenue: The revenue driver in our model is patiomer in hyperkalemic HF and CKD patients.

Economics: Relypsa currently has full rights to patiomer, but we model Relypsa partnering patiomer in the EU with a low to mid 20% royalty.

COGS: We model COGS of 60+% of US sales at patiomer launch (2015) and improving to 20% by 2022. Relypsa benefits from pre-approval inventory build in the early stages of commercialization.

Operating Expenses:

R&D: We model R&D decreasing through 2022 as Relypsa better matches costs with revenues.

SG&A: We model SG&A increasing significantly in 2015-16 as Relypsa begins building out a US sales force. Post 2016, SG&A increases modestly.

Financings: We model a ~\$90mn raise in 2016 to support commercial development.

Key Risks To Our Price Target Include: 1) Patiomer may fail to receive FDA approval, 2) Relypsa may struggle to develop patiomer ex-US and/or find an ex-US partner, 3) Relypsa may have difficulty optimizing COGS, 4) Patiomer sales may disappoint.

Exhibit 3

Relypsa Catalyst Calendar

Drug	Type	Event	Expected Timing
Patiromer	Regulatory	NDA filing	3Q14

Source: Company Data, Morgan Stanley Research

Exhibit 4

Relypsa Variance Table

	4Q13 Actual	1Q14 MS Est	1Q14 Actual	% Var. from est	Q/Q % chg
Total Revenues	\$0	\$0	\$0		
R&D	\$10	\$12	\$9	-21.6%	-2.7%
SG&A	\$3	\$5	\$4	-14.1%	34.0%
Total Operating Expenses	\$13	\$17	\$14	-19.4%	6.4%
Operating Income (Loss)	(\$13)	(\$17)	-\$14	-19.4%	6.4%
Net Income (Loss)	(\$2)	(\$20)	-\$16	-21.2%	824.0%
EPS - Diluted (GAAP)	(\$1.74)	(\$20.40)	(\$16.07)	-21.2%	824.0%
Basic Shares Outstanding	13	30	30	-0.3%	121.2%

Source: Company Data, Morgan Stanley Research

Exhibit 5

Relypsa Changes to Model

	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
US Patisomer Sales (\$mn)											
Current	0	0	0	15	82	169	268	391	541	691	868
Prior	0	0	0	15	82	169	268	391	541	691	868
WW Patisomer Sales(\$mn)											
Current	0	0	0	15	89	210	352	525	736	961	1,213
Prior	0	0	0	15	89	210	352	525	736	961	1,213
Total Revenues (\$mn)											
Current	0	0	75	15	83	178	286	420	584	751	946
Prior	0	0	75	15	83	178	286	420	584	751	946
COGS (\$mn)											
Current	0.0	0.0	0.0	0.0	25.6	93.1	127.2	156.3	175.7	172.8	173.5
Prior	0.0	0.0	0.0	0.0	25.6	93.1	127.2	156.3	175.7	172.8	173.5
SG&A (\$mn)											
Current	6.6	10.5	26.2	65.0	105.7	114.1	110.8	112.7	114.5	116.2	117.8
Prior	6.6	10.5	26.0	64.8	100.5	108.9	110.6	112.5	119.3	121.0	122.6
R&D (\$mn)											
Current	35.6	56.5	49.6	40.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Prior	35.6	56.5	54.0	40.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Interest, Other Income, net											
Current	(0.4)	(1.5)	0.1	0.6	0.5	0.5	0.5	0.9	1.9	3.4	5.2
Prior	(0.4)	(1.5)	(4.0)	0.6	0.5	0.5	0.5	0.9	1.9	3.4	5.2
Net Income, non-GAAP, ex-ESO (\$mn)											
Current	(44)	(74)	(11)	(101)	(76)	(58)	17	119	262	299	400
Prior	(44)	(74)	(19)	(101)	(71)	(53)	18	119	257	297	397
Diluted EPS with option expense											
Current	(\$8.36)	(\$20.40)	(\$0.33)	(\$5.58)	(\$3.89)	(\$2.75)	\$0.75	\$5.10	\$11.26	\$12.85	\$17.19
Prior	(\$8.36)	(\$20.40)	(\$0.58)	(\$5.58)	(\$3.63)	(\$2.51)	\$0.76	\$5.11	\$11.05	\$12.75	\$17.06
Diluted Shares Outstanding											
Current	5.2	3.6	32.8	18.1	19.6	21.0	23.2	23.2	23.2	23.3	23.3
Prior	5.2	3.6	33.0	18.1	19.6	21.0	23.2	23.2	23.2	23.3	23.3

Source: Company Data, Morgan Stanley Research

May 12, 2014

Relpsa, Inc.

Exhibit 6

Relpsa Quarterly Income Statement

(\$ in millions except per-share data)	1Q14A	2Q14E	3Q14E	4Q14E	2014E
Sales					
US Patisomer Sales					
EU Patisomer Sales					
WW Patisomer Sales					
Revenue to Relpsa					
US Patisomer Sales					
EU Patisomer Royalty					
WW Patisomer Revenue to Relpsa					
Other				75	75
Total Revenues	0.0	0.0	0.0	75.0	75.0
QoQ Revenue Growth	n/a	n/a	n/a	n/a	
Costs & Expenses:					
COGS	0	0	0	0	0
QoQ Growth		n/a	n/a	n/a	
% of Sales	n/a	n/a	n/a	0.0%	0.0%
R&D	9	11	13	15	50
QoQ Growth	-2.7%	21.3%	17.5%	14.9%	
% of Sales	n/a	n/a	n/a	0.0%	0.0%
SG&A	4	6	7	9	26
QoQ Growth	34.0%	34.9%	25.9%	20.6%	
% of Sales	n/a	n/a	n/a	0.0%	0.0%
Total Operating Expenses	13.7	17.2	20.7	24.2	75.8
Operating Income (Loss)	(14)	(17)	(21)	51	(1)
Operating Margin					
Other Income	0.0	0.0	0.0	0.0	0.1
Interest (Expense) Income	(0.39)	(0.4)	(0.4)	(0.4)	(1.59)
Pretax Income (Loss)	(\$14)	(\$18)	(\$21)	\$50	(\$2)
Provision For Income Taxes	0	0	0	0	0
Effective Tax Rate					
Non-GAAP Net Income (Loss)	(14.1)	(\$18)	(\$21)	\$50	(2.3)
Stock Compensation Expense	\$2.0	\$2.00	\$2.25	\$2.25	\$8.50
% of Operating Expenses	14.59%	11.63%	10.87%	9.30%	11.21%
Non-GAAP Net Income (incl. ESO)	(\$16.1)	(\$19.6)	(\$23.3)	\$48.2	(\$10.8)
GAAP Net Income (Loss)	(\$16.068)	(\$19.6)	(\$23.3)	\$48.2	(\$10.8)
EPS, Basic (Non-GAAP, Pre-ESO)	(\$0.47)	(\$0.52)	(\$0.62)	\$1.48	(\$0.07)
EPS, Diluted (Non-GAAP, Pre-ESO)	(\$0.47)	(\$0.52)	(\$0.62)	\$1.48	(\$0.07)
EPS - Diluted (GAAP, Post- ESO)	(\$0.54)	(\$0.58)	(\$0.69)	\$1.41	(\$0.33)
Shares Outstanding - Basic	29.71	33.61	33.95	34.05	32.83
Shares Outstanding - Diluted	29.71	33.61	33.95	34.05	32.83

Source: Company Data, Morgan Stanley Research

May 12, 2014

Relypsa, Inc.

Exhibit 7

Relypsa Annual Income Statement

(\$ in millions except per-share data)	2010A	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Sales													
US Patisomer Sales						15	82	169	268	391	541	691	868
EU Patisomer Sales						0	7	41	85	134	195	270	346
WW Patisomer Sales						15	89	210	352	525	736	961	1,213
Revenue to Relypsa													
US Patisomer Sales						15	82	169	268	391	541	691	868
EU Patisomer Royalty						0	2	9	19	29	43	60	78
WW Patisomer Revenue to Relypsa						15	83	178	286	420	584	751	946
Other			0	0	75	0	0	0	0	0	0	0	0
Total Revenues	0.0	0.0	0.0	0.0	75.0	14.6	83.5	178.2	286.5	420.1	583.6	751.0	945.5
YoY Revenue Growth								113%	61%	47%	39%	29%	26%
COGS				0	0	0	26	93	127	156	176	173	174
YoY Growth						-	-	263.7%	36.7%	22.8%	12.4%	-1.7%	0.4%
% of US Revenue						0.0%	31.3%	55.0%	47.5%	40.0%	32.5%	25.0%	20.0%
R&D	14	20	36	57	50	40	15	15	15	15	15	15	15
YoY Growth		40.7%	80.1%	59.0%	-12.2%	-19.4%	-62.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% of Revenue					66.2%	273.5%	18.0%	8.4%	5.2%	3.6%	2.6%	2.0%	1.6%
SG&A	3	5	7	10	26	65	106	114	111	113	115	116	118
YoY Growth		38.4%	39.7%	58.7%	150.1%	148.2%	62.6%	7.9%	-2.8%	1.7%	1.7%	1.4%	1.4%
% of Revenue					34.9%	444.4%	126.6%	64.0%	38.7%	26.8%	19.6%	15.5%	12.5%
Total Operating Expenses	17.4	24.5	42.2	67.0	75.8	105.0	146.3	222.1	253.1	283.9	305.2	303.9	306.4
Operating Income (Loss)	(17.4)	(24.5)	(42.2)	(67)	(1)	(90)	(63)	(44)	33	136	278	447	639
Operating Margin	-	-	-	-	(1.1%)	(617.9%)	(75.2%)	(24.6%)	11.7%	32.4%	47.7%	59.5%	67.6%
Other Income and Interest Income	0.5	0.1	(0.4)	(1.5)	0.1	0.6	0.5	0.5	0.5	0.9	1.9	3.4	5.2
Interest Expense	(1.46)	(0.42)	(0.01)	(1.45)	(1.59)	(0.63)	(1.42)	0.00	0.00	0.00	0.00	0.00	0.00
Pretax Income (Loss)	(\$18.4)	(\$25)	(\$43)	(\$70)	(\$2)	(\$90)	(\$64)	(\$43)	\$34	\$137	\$280	\$450	\$644
Provision For Income Taxes	0	0	0	0	0	0	0	0	0	0	0	133	226
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.5%	35.0%
Non-GAAP Net Income (Loss)	(\$18)	(\$25)	(\$43)	(\$70)	(\$2)	(\$90)	(\$64)	(\$43)	\$34	\$137	\$280	\$317	\$419
Stock Compensation Expense	\$1	\$1	\$1	\$4	\$9	\$11	\$13	\$15	\$17	\$19	\$19	\$19	\$19
% of Operating Expenses	3.6%	4.3%	2.8%	5.8%	11.2%	10.0%	8.5%	6.5%	6.5%	6.5%	6.1%	6.1%	6.0%
Non-GAAP Net Income (incl. ESO)	(\$19)	(\$26)	(\$44)	(\$74)	(\$11)	(\$101)	(\$76)	(\$58)	\$17	\$119	\$262	\$299	\$400
GAAP Net Income (Loss)	(\$19)	(\$26)	(\$44)	(\$74)	(\$11)	(\$101)	(\$76)	(\$58)	\$17	\$119	\$262	\$299	\$400
EPS, Basic (Non-GAAP, Pre-ESO)	(\$5.60)	(\$5.82)	(\$8.14)	(\$19.32)	(\$0.07)	(\$5.00)	(\$3.26)	(\$2.07)	\$1.60	\$6.43	\$13.07	\$14.73	\$19.34
EPS, Diluted (Non-GAAP, Pre-ESO)	(\$5.60)	(\$5.82)	(\$8.14)	(\$19.32)	(\$0.07)	(\$5.00)	(\$3.26)	(\$2.07)	\$1.46	\$5.90	\$12.05	\$13.64	\$17.99
EPS - Diluted (GAAP, Post- ESO)	(\$5.79)	(\$6.07)	(\$8.36)	(\$20.40)	(\$0.33)	(\$5.58)	(\$3.89)	(\$2.75)	\$0.75	\$5.10	\$11.26	\$12.85	\$17.19
Shares Outstanding - Basic	3.29	4.26	5.23	3.62	32.83	18.06	19.57	21.03	21.20	21.33	21.44	21.55	21.65
Shares Outstanding - Diluted	3.29	4.26	5.23	3.62	32.83	18.06	19.57	21.03	23.22	23.23	23.25	23.27	23.28

Source: Company Data, Morgan Stanley Research estimates

May 12, 2014

Relypsa, Inc.

Exhibit 8

Relypsa Balance Sheet

(\$ in millions)	2010A	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Assets													
Cash and Cash Equivalents	10.3	15.2	15.2	94.8	171.9	84.8	112.7	75.6	108.6	244.2	519.8	830.6	1,243.0
Short-term Investments	12.2	13.3	39.1	-	-	-	-	-	-	-	-	-	-
Other Receivables	-	-	3.0	0.2	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	0.6	1.0	1.0	1.7	1.9	2.6	3.6	5.5	6.3	7.0	7.5	7.5	7.6
Inventory	-	-	-	-	6.0	1.2	6.7	14.3	22.9	31.5	40.8	48.8	56.7
Total current assets	23.0	29.6	58.4	96.7	179.7	88.6	123.0	95.4	137.8	282.7	568.2	886.9	1,307.3
Property and Equipment, Net	1.2	0.6	5.4	5.6	8.0	10.7	10.0	9.8	8.3	7.4	7.3	7.2	7.3
Intangible Assets	0.1	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-
Other Assets	0.0	0.2	0.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Total assets	24.366	30.5	64.1	106.031	191.42994	103.1	136.7	108.9	149.9	293.9	579.3	897.8	1,318.4
Liabilities													
Accounts Payable	1.1	2.0	6.0	4.7	5.4	7.4	10.3	15.7	17.9	20.1	21.6	21.5	21.7
Accrued Payroll and Related Expenses	0.4	0.4	1.3	1.8	2.0	2.8	3.9	5.9	6.8	7.6	8.2	8.1	8.2
Accrued Liabilities	0.7	0.5	3.0	5.9	6.7	9.3	13.0	19.7	22.5	25.2	27.1	27.0	27.2
Deferred Rent	0.0	-	0.6	0.6	-	-	-	-	-	-	-	-	-
Convertible Preferred Stock Warrant Liability	-	0.3	19.5	-	-	-	-	-	-	-	-	-	-
Line of Credit	0.4	0.1	-	0.4	0.7	0.3	-	-	-	-	-	-	-
Capital Loan	4.8	0.7	-	4.3	-	-	-	-	-	-	-	-	-
Total current liabilities	7.4	3.9	30.4	17.8	14.8	19.9	27.2	41.4	47.1	52.9	56.8	56.6	57.0
Deferred Rent	-	-	3.6	4.4	-	-	-	-	-	-	-	-	-
Line of Credit - Non-Current Portion	0.1	-	-	0.6	-	-	-	-	-	-	-	-	-
Capital Loan - Non-Current Portion	0.6	-	-	8.3	7.6	2.5	-	-	-	-	-	-	-
Total Liabilities	8.1	3.9	34.1	31.2	22.4	22.4	27.2	41.4	47.1	52.9	56.8	56.6	57.0
Shareholder's Equity													
Convertible Preferred Stock	77.9	112.8	177.4	-	-	-	-	-	-	-	-	-	-
Common Stock (Plus APIC)	11.2	12.3	0.0	300.7	405.7	418.1	523.1	539.2	557.0	576.7	596.4	616.2	636.0
Accumulated Other Comprehensive Income	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Accumulated Deficit	(72.8)	(98.6)	(147.4)	(225.8)	(236.6)	(337.5)	(413.7)	(471.6)	(454.3)	(335.7)	(74.0)	225.0	625.4
Total Shareholder's Equity	16.3	26.6	30.057	74.9	169.0	80.6	109.4	67.5	102.7	241.0	522.5	841.2	1,261.4
Total Liabilities and Shareholder's Equity	24.4	30.5	64.132	106.0	191.4	103.1	136.7	108.9	149.9	293.9	579.3	897.8	1,318.4

Source: Company Data, Morgan Stanley Research estimates

May 12, 2014

Relypsa, Inc.

Exhibit 9

Relypsa Cash Flow Statement

(\$ in millions)	2010A	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
CASH FLOWS FROM OPERATING ACTIVITIES													
Net Income (Loss)	(19.1)	(25.8)	(43.7)	(73.8)	(10.8)	(100.9)	(76.2)	(57.9)	17.4	118.6	261.7	299.0	400.3
Depreciation and Amortization	0.9	0.8	0.4	1.1	1.9	3.1	3.7	4.6	4.0	3.7	3.2	3.2	2.9
Loss on Disposal of Property and Equipment	0.0	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 R&D	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock Based Compensation for Non-Employee Stock Option Grants	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock Based Compensation for Employee Stock Option Grants	0.4	0.7	1.2	3.9	8.5	10.5	12.5	14.5	16.5	18.5	18.5	18.5	18.5
Amortization of Debt Discount	0.0	0.0	0.0	0.1									
Amortization of Noncash Debt Issuance Costs	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
Accretion of final debt payment	0.0	0.0	0.0	0.4									
Conversion of bridge financing interest into Series B Preferred Stock	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
(Loss)/gain on remeasurement of fair value of Series A Preferred Stock													
warrant liabilities	0.0	(0.0)	0.5	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Loss)/gain on remeasurement of fair value of Series B Preferred Stock													
warrant 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
Change in assets and liabilities:													
Other Receivables	0.0	0.0	(3.0)	2.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid Expenses and Other Current Assets	0.2	(0.5)	0.0	(0.7)	(0.2)	(0.7)	(1.0)	(1.9)	(0.8)	(0.8)	(0.5)	0.0	(0.1)
Other Assets	0.6	(0.2)	(0.1)	(3.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Payable	(0.5)	0.9	1.5	1.3	0.6	2.1	2.9	5.4	2.2	2.2	1.5	(0.1)	0.2
Accrued and Other Liabilities	(0.2)	0.3	3.5	3.5	1.0	3.4	4.8	8.8	3.6	3.6	2.5	(0.1)	0.3
Deferred Rent	(0.0)	(0.0)	4.3	0.8	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	(6.0)	4.8	(5.5)	(7.6)	(8.7)	(8.6)	(9.3)	(8.0)	(7.9)
Net cash provided by (used in) operating activities	(17.215)	(23.561)	(35.510)	(62.6)	(9.7)	(77.7)	(58.8)	(34.2)	34.2	137.2	277.5	312.5	414.2
CASH FLOWS FROM INVESTING ACTIVITIES													
Purchases of Short-Term Investments	(12.2)	(18.1)	(46.2)	(10.1)	0	0	0	0	0	0	0	0	0
Proceeds from Sales of Short-Term Investments	2.8	17.0	20.4	49.2	0	0	0	0	0	0	0	0	0
Purchases of Property and Equipment	(0.1)	(0.2)	(3)	(4)	(4)	(6)	(3)	(4)	(3)	(3)	(3)	(3.0)	(3.1)
Net cash used in investing activities	(9.5)	(1)	(28.478)	35.3	(4.3)	(5.9)	(2.9)	(4.4)	(2.5)	(2.8)	(3.1)	(3.0)	(3.1)
CASH FLOWS FROM FINANCING ACTIVITIES													
Proceeds from Issuance of Convertible Preferred Stock	28.6	34.9	65	15	0	0	0	0	0	0	0	0	0
Proceeds from Bridge Debt Financing	6.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Exercise of Stock Options	0.1	0.1	0	0	2	2	2	2	1	1	1	1	1
Proceeds from Exercise of Warrants	0.0	0.0	0	0									
Proceeds from Issuance of Stock	0.0	0.0	0	78	94	0	91	0	0	0	0	0	0
Proceeds from Series Investments	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Term Loan	0.0	0.0	0	12	0	0	0	0	0	0	0	0	0
Repayment on Term Loan	0.0	0.0	0	0	(5)	(5)	(3)	0	0	0	0	0	0
Proceeds from Capital Loan	(2.4)	(4.8)	(1)	0	0	0	0	0	0	0	0	0	0
Proceeds from Line of Credit	0.0	0.0	0	1	0	0	0	0	0	0	0	0	0
Repayment on Line of Credit	(0.5)	(0.4)	(0)	(0)	(0)	(0)	(0)	0	0	0	0	0	0
Net cash provided by financing activities	31.8	29.8	63.960	106.843	91.1	(3.4)	89.6	1.5	1.4	1.2	1.2	1.3	1.3
Change in Cash and Cash Equivalents	5.050	4.972	(0.028)	79.5	77.1	(87.0)	27.9	(37.1)	33.0	135.5	275.7	310.7	412.5
Cash and Cash Equivalents at Beginning of Year	5.2	10.3	15.249	15.2	94.8	171.9	84.8	112.7	75.6	108.6	244.2	519.8	830.6
Cash and Cash Equivalents at End of Year	10.28	15.249	15.221	94.8	171.9	84.8	112.7	75.6	108.6	244.2	519.8	830.6	1,243.0
Marketable Securities	12.16	13.29	39.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and Marketable Securities at End of Year	22.44	28.54	54.4	94.759	171.9	84.8	112.7	75.6	108.6	244.2	519.8	830.6	1,243.0

Source: Company Data, Morgan Stanley Research estimates

May 12, 2014

Relypsa, Inc.



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(as of April 30, 2014)

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Equal-weight/Hold	1301	43%	455	48%	35%
Not-Rated/Hold	110	4%	22	2%	20%
Underweight/Sell	543	18%	109	12%	20%
Total	2,999		941		

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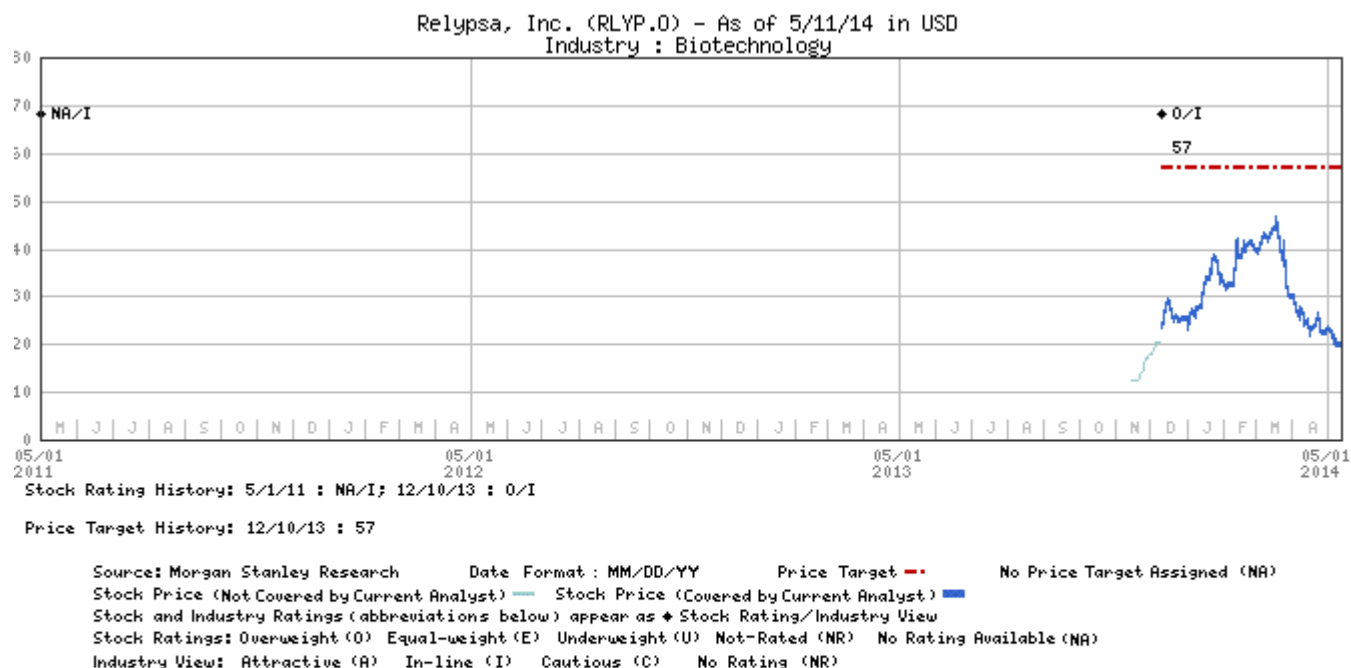
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Stock Price, Price Target and Rating History (See Rating Definitions)

May 12, 2014

Relypsa, Inc.



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

Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (05/09/2014)
David Friedman, M.D.		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$17.29
Akebia Therapeutics Inc (AKBA.O)	O (04/14/2014)	\$22.21
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$152.87
Alnylam Pharmaceuticals (ALNY.O)	E (01/14/2014)	\$54.33
Auxilium Pharmaceuticals (AUXL.O)	U (03/06/2014)	\$20.78
Chimerix Inc (CMRX.O)	O (05/06/2013)	\$15.4
Cubist Pharmaceuticals Inc. (CBST.O)	O (11/13/2013)	\$67.47
GW Pharmaceuticals PLC (GWPH.O)	O (04/22/2014)	\$68.62
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$5.12
Incyte Corporation (INCY.O)	U (01/23/2013)	\$52.08
InterMune (ITMN.O)	E (09/07/2010)	\$36.07
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$12.65
Lexicon Pharmaceuticals, Inc. (LXRX.O)	U (06/11/2013)	\$1.42
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$27.52
Neurocrine Biosciences Inc (NBIX.O)	E (01/08/2014)	\$13.84
Ophthotech Corp (OPHT.O)	O- (10/21/2013)	\$30.79
Portola Pharmaceuticals Inc (PTLA.O)	O (06/17/2013)	\$23.8
Relypsa, Inc. (RLYP.O)	O (12/10/2013)	\$19.6
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$83.8
Tesaro Inc. (TSRO.O)	E (02/04/2014)	\$24.01
Theravance Inc (THRX.O)	U (07/22/2013)	\$26.86
Ultragenyx Pharmaceutical Inc (RARE.O)	O (02/25/2014)	\$36.55
Versartis, Inc. (VSAR.O)	O (04/15/2014)	\$28.02
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$65.05
XenoPort Inc (XNPT.O)	U (06/11/2013)	\$3.28
Matthew Harrison		
Amgen Inc. (AMGN.O)	O (03/26/2014)	\$111.48
Biogen Idec Inc. (BIIB.O)	O (03/26/2014)	\$286.65
Celgene Corp (CELG.O)	E (03/26/2014)	\$146.67
Gilead Sciences Inc. (GILD.O)	E (03/26/2014)	\$79.76
Pharmacyclics Inc. (PCYC.O)	E (03/26/2014)	\$95.08
Regeneron Pharmaceuticals Inc. (REGN.O)	E (03/26/2014)	\$279.41