

Reason for report:

PROPRIETARY INSIGHTS

OPHTHOTECH CORPORATION

Increasing Our PT on Encouraging Survey Feedback, Favorable NVS Deal

• **Bottom Line:** We are increasing our OPHT Price Target to \$61 from \$45 after encouraging feedback from 43 surveyed MEDACorp ophthalmologists (LINK) and the recent NVS (OP) partnership which provided OPHT with \$200MM in cash upfront. Physicians project a robust market opportunity OPHT's Fovista in both treatment naive and not-well-controlled anti-VEGF-treated patients, the former of which presents upside to our \$747MM peak Fovista US risk-adjusted sales estimate in 2026. As the Fovista Phase III enrolls, OPHT stands to earn an additional \$130MM from NVS in enrollment-based milestones. **Reiterate OP on OPHT, raising our PT to \$61 from \$45/share.**

• **Physicians state that 53%, 33% and 15% of their anti-VEGF treated patients currently have better, the same, or worse visual acuity after receiving anti-VEGF therapy, which implies a robust market opportunity for Fovista, in our view.** Most surveyed physicians believe that the majority of their anti-VEGF-treated patients first improve but with prolonged follow-up will almost always decline. Our survey data is corroborated by various clinical studies, including previously published SEVEN-UP data that showed a long-term regression to baseline in anti-VEGF treated individuals and a recent study of >11K Lucentis treated patients published in *Ophthalmology* demonstrated that patients reverted to pre-treatment visual acuity levels by year 3 then declined further.

• **~91% of physicians believe the Fovista Phase II data is highly or modestly clinically significant, and at peak, respondents project that 27%, 13% and 47% of their treatment naïve, well-controlled and not-well controlled wet AMD patients will be on Fovista therapy.** Such estimates imply significant upside to our OPHT model we project ~33% peak Fovista penetration in 2027 in patients not-well-controlled by an anti-VEGF. While these projections ignore potential competition from REGN's (OP) co-formulation anti-VEGF/-PDGF product, REGN's program is currently well behind Fovista, given that the former is currently enrolled in a 24-patient, open-label Phase I and the latter is enrolled in a ~1000 patient Phase III.

• **Survey respondents are split ~60%/~40% regarding whether or not two injections for OPHT's Fovista/anti-VEGF are inconsequential or will represent a significant impediment to uptake.** Physicians highlighted the pros and cons of two anti-VEGF injections which provide insight into the bull/bear theses on OPHT. Many physicians believe that two injections are a non-issue, while others wonder if two injections will either be unattractive to patients or difficult to implement in the office. While a co-formulation product from REGN (or NVS/OPHT's preclinical co-formulation) could be more attractive than two separate injections to most physicians, we believe the flexibility to use Fovista with Avastin in the clinic could potentially provide a attractive combination product which cost less than Lucentis or Eylea monotherapy.

Key Stats:

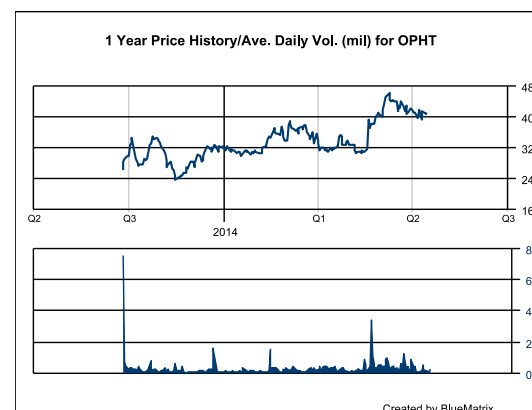
(NASDAQ:OPHT)

S&P 600 Health Care Index: 1,289.70
Price: \$40.20
Price Target: \$61.00 from \$45.00

Methodology: DCF, 12% WACC, 2% Terminal Growth Rate

52 Week High: \$47.99
 52 Week Low: \$22.61
 Shares Outstanding (mil): 35.7
 Market Capitalization (mil): \$1,435.1
 Cash Per Share: \$8.14
 Dividend (ann): \$0.00
 Dividend Yield: 0.0%

General: fully diluted shares outstanding, net cash per share YE13



Dec Yr	1Q	2Q	3Q	4Q	FY Rev	1Q	2Q	3Q	4Q	FY EPS	P/E
2013A	--	0.0	0.0	0.0	0.0	--	(12.39)	(10.26)	(0.65)	(6.34)	NM
2014E	0.0A	0.0	0.0	0.0	0.0	(0.64)A	(0.69)	(0.73)	(0.76)	(2.82)	NM
2015E	0.0	0.0	0.0	0.0	0.0	--	--	--	--	(3.01)	NM

Source: Company Information and Leerink Partners LLC Research

2Q13 Revenue and EPS are 1H13 Actuals, since quarterly numbers not provided in S1. GAAP EPS presented.

INVESTMENT THESIS

We rate OPHT shares Outperform. Ophthotech is a late stage biopharmaceutical company that is primarily focused on the development of Fovista, an anti-Platelet Derived Growth Factor (PDGF) agent that has shown a statistically significant capacity to augment vision in wet Age-Related Macular Degeneration (AMD) patients. In Phase IIb, a combination of Fovista and Roche/Genentech's Lucentis was able to provide patients with a ~62% additional benefit over Lucentis monotherapy on the Early Treatment Diabetic Retinopathy Study (ETDRS), a widely-used standardized chart of vision testing. A Phase III Fovista pivotal trial is underway that we believe to be de-risked based on its strong similarities to Phase II, greater statistical powering, and longer duration, the latter of which could be beneficial to OPHT since the delta between the Fovista add-on arm and the Lucentis monotherapy arm seemed to be widening at the end of the Phase IIb trial. While anti-VEGF (vascular endothelial growth factor) treatments such as Lucentis and REGN's (OP) Eylea have achieved rapid commercial success and strong uptake in wet AMD, we see an opportunity for Fovista to upgrade the wet AMD standard-of-care, especially in patients who begin to plateau or even decline after receiving currently available treatments for multiple years. Our view is corroborated by the results of the Lucentis long-term visual outcomes HORIZON extension study which showed that after 5 years of therapy, the aggregate visual capacity of Lucentis-treated patients returned to baseline pre-treatment levels. There are approximately 1.3 million cases of wet AMD in the US, and our belief in the commercial attractiveness of Fovista stems not only from its efficacy but literature estimates that the prevalence of wet AMD is growing rapidly with an estimated ~200,000 additional wet AMD diagnoses per year. We expect Fovista to ultimately be indicated as an add-on therapy to any anti-VEGF treatment, as Fovista is being studied in combination with each of Lucentis, Eylea, and Roche's Avastin in the ongoing Phase III program. OPHT holds strong method of treatment patent protection over Fovista in the US, EU, and Japan that expires in 2027 with extensions.

VALUATION

We estimate a \$61 per share value for OPHT based on a discounted cash flow analysis that assumes a 12% discount rate and a 2% terminal growth rate. We project Fovista revenue growth from 2018 through 2027 in the US and EU and cut it significantly thereafter at the expiration of OPHT's method-of-treatment patent. We see upside to our valuation from either: (1) less robust competition than we anticipate, or (2) the potential for Fovista to be best-in-class even in the face of anti-PDGF competition from co-formulated or augmented anti-VEGF agents.

RISKS TO VALUATION

Risks to our OPHT valuation include the possibility of disappointing clinical data, commercial shortfalls, or higher-than-anticipated regulatory hurdles. Since OPHT solely has one product in late-stage development, any of these could impact the stock significantly.

<i>Ophthotech P&L (\$MM except EPS)</i>	2012	1H13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E
Fovista Product Sales by OPHT (p/w)	-	-	-	-	-	-	-	-	-	-	-	-	-	241.8
Royalties on EU Fovista Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	25.9
Zumira (ARC1905) Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalties to Novo	-	-	-	-	-	-	-	-	-	-	-	-	-	19.2
Royalties to OSI (eyetech)	-	-	-	-	-	-	-	-	-	-	-	-	-	9.6
COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	29.0
R&D	6.8	6.7	11.1	15.4	33.2	14.4	16.0	17.0	18.0	65.4	85.0	86.7	88.4	90.2
SG&A	6.9	5.0	4.2	5.1	14.2	6.3	6.5	6.8	7.0	26.6	28.0	29.4	50.3	53.2
Operating Expenses	13.7	11.7	15.3	20.4	47.4	20.7	22.5	23.8	25.0	92.0	113.0	116.1	138.8	201.2
Operating Income	(13.7)	(11.7)	(15.3)	(20.4)	(47.4)	(20.7)	(22.5)	(23.8)	(25.0)	(92.0)	(113.0)	(116.1)	(138.8)	66.5
Interest income, expense (net)	(0.5)	(1.5)	-	-	(1.5)	0.0	-	-	-	0.0	-	-	-	-
Other income, expense (net)	(0.3)	(1.5)	(0.9)	0.1	(2.3)	-	-	-	-	-	-	-	-	-
EBT	(14.5)	(14.6)	(16.1)	(20.4)	(51.1)	(20.7)	(22.5)	(23.8)	(25.0)	(92.0)	(113.0)	(116.1)	(138.8)	66.5
Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(14.5)	(14.6)	(16.1)	(20.4)	(51.1)	(20.7)	(22.5)	(23.8)	(25.0)	(92.0)	(113.0)	(116.1)	(138.8)	66.5
Diluted EPS	(2.52)	(12.39)	(10.26)	(0.65)	(6.34)	(0.64)	(0.69)	(0.73)	(0.76)	(2.82)	(3.01)	(3.01)	(3.51)	1.51
Basic Shares Outstanding	8.6	1.5	1.8	31.4	9.0	32.3	32.5	32.7	32.9	32.6	37.6	38.6	39.6	40.6
Diluted Shares Outstanding	8.6	1.5	1.8	34.8	12.7	35.7	35.9	36.1	36.3	36.0	41.0	42.0	43.0	44.0

Note: Basic and Diluted Shares Outstanding for 1H13 and 3Q13 are lower since Ophthotech officially became a public company on September 25, 2013 after which we OPHT had 31.4MM basic shares outstanding for 4Q13

<i>Balance Sheet and Cash Flow Statement (\$MM)</i>	2012	1H13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E
Cash & Cash Equivalents	4.3	39.9	236.1	210.6	210.6	290.8	470.1	448.2	516.9	516.9	492.0	508.7	477.0	600.0
Debt	11.0	-	-	-	-	-	-	-	-	-	-	-	-	-

<i>Change in Cash</i>	(2.1)	28.0	196.2	(25.5)	198.8	80.2	179.3	(21.9)	68.7	306.3	(24.9)	16.7	(31.7)	122.9
Cash Flow From Operations	(13.1)	(13.7)	(14.9)	(22.8)	(47.4)	(16.1)	(20.7)	(21.9)	(23.0)	(82.0)	(103.9)	(106.8)	(127.7)	77.9
Net Income	(14.5)	(14.6)	(16.1)	(20.4)	(51.1)	(20.7)	(22.5)	(23.8)	(25.0)	(92.0)	(113.0)	(116.1)	(138.8)	66.5
Stock Option Expense	0.6	0.9	1.2	1.6	3.8	4.3	1.8	1.9	2.0	10.0	9.0	9.3	11.1	11.5
Other	0.8	-	-	(4.0)	-	0.3	-	-	-	-	-	-	-	-
Cash Flow From Investing	-	-	-	(2.7)	(2.7)	(225.0)	200.0	-	50.0	25.0	79.0	(1.5)	96.0	45.0
Sale (Purchase) of Marketable Securities	-	-	-	-	-	(224.2)	-	-	-	(224.2)	-	-	-	-
CapEx	-	-	-	-	-	(0.7)	-	-	-	(0.7)	(2.0)	(3.0)	(4.0)	(5.0)
D&A/Other	-	-	-	(2.7)	(2.7)	-	200.0	-	50.0	250.0	81.0	1.5	100.0	50.0
Cash Flow From Financing	11.0	41.7	192.0	-	221.7	97.1	-	-	41.7	138.8	-	125.0	-	-
Equity Issuance (Buyback/Costs)	0.0	-	192.0	-	192.0	55.4	-	-	-	55.4	-	125.0	-	-
Debt Issuance (Buyback/Costs)	11.0	-	-	-	(12.0)	-	-	-	-	-	-	-	-	-
Other	-	41.7	-	-	41.7	41.7	-	-	41.7	83.4	-	-	-	-

Source: SEC Filings and Leerink Partners Estimates

<i>OPTH DCF Analysis, \$MM</i>	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	TV
Free Cash Flow to Equity	(47.4)	(82.0)	(24.9)	(108.3)	(31.7)	122.9	191.4	255.4	331.1	393.3	410.3	432.7	451.1	468.4	471.2	269.9	237.3	
Discount Periods	0	0	0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.75	11.75	12.75	13.75	14.75	
Discounted FCFE	-	(61.5)	(22.9)	(88.8)	(23.2)	80.4	111.8	133.1	154.1	163.4	152.2	143.3	133.4	123.7	111.1	56.8	44.6	454.9

NPV	\$ 1,666.32
Net Cash YE14	\$ 516.92
OPHT Per Shr Val	\$ 61.08
Implied Mkt. Cap	\$ 2,183.2

Cost of Equity	12%
TG	2%
Diluted Shrs. Outstanding	35.7

Source: Leerink Partners Estimates

		<i>Cost of Capital</i>				
		10%	11%	12%	13%	14%
<i>Terminal Growth Rate</i>	-1%	\$ 69.71	\$ 63.29	\$ 57.86	\$ 53.20	\$ 49.18
	0%	\$ 71.34	\$ 64.49	\$ 58.75	\$ 53.88	\$ 49.71
	1%	\$ 73.32	\$ 65.93	\$ 59.81	\$ 54.68	\$ 50.31
	2%	\$ 75.81	\$ 67.68	\$ 61.08	\$ 55.61	\$ 51.01
	3%	\$ 79.01	\$ 69.88	\$ 62.63	\$ 56.74	\$ 51.84

Wet AMD Revenue Model - US	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total Wet AMD Patients	1,875,000	2,075,000	2,275,000	2,475,000	2,675,000	2,875,000	3,075,000	3,275,000
New Wet AMD Patients	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
VEGF Therapy Penetration New Ptnt Penetration	49%	50%	50%	50%	50%	50%	50%	50%
New VEGF Patients	98,000.00	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Wet AMD Patients on VEGF therapy	670,442	770,442	870,442	970,442	1,070,442	1,170,442	1,270,442	1,370,442
Lucentis Wet AMD Treaters Penetration	30%	28%	26%	24%	23%	22%	21%	20%
Patients on Lucentis	197,780	215,724	226,315	232,906	246,202	257,497	266,793	274,088
% not well controlled (suited for Fovista add-on)	-	-	-	-	20%	20%	20%	20%
# Fovista Candidates	-	-	-	-	49,240	51,499	53,359	54,818
% add-on Fovista	0%	0%	0%	0%	0%	15%	22%	30%
# Patients on Lucentis + Fovista	-	-	-	-	-	7,725	11,739	16,171
Fovista Cost Per Injection	-	-	-	-	\$1,500	\$1,500	\$1,500	\$1,500
Fovista Injections Per Year	-	-	-	-	0.0	8.5	8.2	7.8
Revenue to OPHT (Non risk adjusted)	-	-	-	-	\$0.0	\$98.5	\$144.4	\$189.2
Approval Probability	-	-	-	-	80%	80%	80%	80%
Probability Weighted Revenue to OPTH	-	-	-	-	\$0.0	\$78.8	\$115.5	\$151.4
Eylea Wet AMD Treaters Penetration	24%	26%	28%	31%	33%	34%	35%	36%
Patients on Eylea	157,554	200,315	243,724	300,837	353,246	397,950	444,655	493,359
% not well controlled (suited for Fovista add-on)	-	-	-	-	20%	20%	20%	20%
# Fovista Candidates	-	-	-	-	70,649	79,590	88,931	98,672
% add-on Fovista	0%	0%	0%	0%	0%	15%	20%	25%
# Patients on Eylea + Fovista	-	-	-	-	-	11,939	17,786	24,668
Fovista Cost Per Injection	-	-	-	-	\$1,500	\$1,500	\$1,500	\$1,500
Fovista Injections Per Year	-	-	-	-	0.0	8.5	8.2	7.8
Revenue to OPHT (Non risk adjusted)	-	-	-	-	0	152.2	218.8	288.6
Approval Probability	-	-	-	-	65%	65%	65%	65%
Probability Weighted Revenue to OPTH	-	-	-	-	0	98.9	142.2	187.6
Avastin Wet AMD Treaters Penetration	47%	46%	46%	45%	44%	44%	44%	44%
Patients on Avastin	315,108	354,403	400,403	436,699	470,994	514,994	558,994	602,994
% not well controlled (suited for Fovista add-on)	-	-	-	-	15%	15%	15%	15%
# Fovista Candidates	-	-	-	-	70,649	77,249	83,849	90,449
% add-on Fovista	0%	0%	0%	0%	0%	10%	18%	22%
# Patients on Avastin + Fovista	-	-	-	-	-	7,725	15,093	19,899
Fovista Cost Per Injection	-	-	-	-	\$1,500	\$1,500	\$1,500	\$1,500
Fovista Injections Per Year	-	-	-	-	0.0	8.5	8.2	7.8
Revenue to OPHT (Non risk adjusted)	-	-	-	-	0	98.5	185.6	232.8
Approval Probability	-	-	-	-	65%	65%	65%	65%
Probability Weighted Revenue to OPTH	-	-	-	-	0	64.0	120.7	151.3
Fovista Patients on Drug	-	-	-	-	-	27,388	44,618	60,738
Fovista Overall Penetration of US VEGF-treated Patients	-	-	-	-	-	2.3%	3.5%	4.4%
Gross Fovista Revenues	-	-	-	-	-	349	549	711
Risk-Adjusted Fovista Sales to P&L	-	-	-	-	\$0.0	242	378	490
Competitive Scenarios	Probability							
1 - PDGF/VEGF Competition Enters 2021	75%							
2 - No PDGF/VEGF Competition	25%							
Fovista Assumptions								
Fovista/Lucentis Combo Therapy Approval Probability	80%							
Fovista/Eylea Combo Therapy Approval Probability	65%							
Fovista/Avastin Combo Therapy Approval Probability	65%							
Fovista Cost Per Injection	\$1,500							
Fovista Injections Per Year					0	8.5	8.2	7.8

Source: SEC Filings, Company Reports and Leerink Partners Estimates

Wet AMD Revenue Model - EU and Japan	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total EU/Japan Wet AMD Patients (MM)	2,000,000	2,200,000	2,400,000	2,600,000	2,800,000	3,000,000	3,200,000	3,400,000
New Wet AMD Patients	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
VEGF Therapy Penetration New Pnt Penetration		20%	22%	26%	30%	35%	40%	40%
New VEGF Patients		40,000	44,000	52,000	60,000	70,000	80,000	80,000
Total Wet AMD Patients on VEGF therapy	285,249	325,249	369,249	421,249	481,249	551,249	631,249	711,249
Lucentis Wet AMD Treaters Penetration	63%	60%	58%	54%	50%	48%	46%	44%
Patients on Lucentis	180,000	195,149	214,164	227,474	240,625	264,600	290,375	312,950
% not well controlled (suited for Fovista add-on)	-	-	-	-	20%	20%	20%	20%
# Fovista Candidates	-	-	-	-	48,125	52,920	58,075	62,590
% add-on Fovista	0%	0%	0%	0%	0%	10.0%	21%	28%
# Patients on Lucentis + Fovista	-	-	-	-	-	5,292	11,905	17,525
Fovista Cost Per Injection	-	-	-	-	\$1,200	\$1,200	\$1,200	\$1,200
Fovista Injections Per Year	-	-	-	-	0	8.5	8.2	7.8
Revenue to Partner (Non risk adjusted)	-	-	-	-	0	54.0	117.1	164.0
Approval Probability	-	-	-	-	80%	80%	80%	80%
Probability Weighted Revenue to EU Partner	-	-	-	-	0	43.2	93.7	131.2
Eylea Wet AMD Treaters Penetration	13%	18%	22%	28%	34%	38%	41%	43%
Patients on Eylea	37,710	58,545	81,235	117,950	163,625	209,475	255,656	305,837
% not well controlled (suited for Fovista add-on)	-	-	-	-	20%	20%	20%	20%
# Fovista Candidates	-	-	-	-	32,725	41,895	51,131	61,167
% add-on Fovista	0%	0%	0%	0%	0%	10%	21%	28%
# Patients on Eylea + Fovista	-	-	-	-	-	4,189	10,482	17,127
Fovista Cost Per Injection	-	-	-	-	\$1,200	\$1,200	\$1,200	\$1,200
Fovista Injections Per Year	-	-	-	-	0	8.5	8.2	7.8
Revenue to Partner (Non risk adjusted)	-	-	-	-	0	42.7	103.1	160.3
Approval Probability	-	-	-	-	65%	65%	65%	65%
Probability Weighted Revenue to EU Partner	-	-	-	-	0	27.8	67.0	104.2
Avastin Wet AMD Treaters Penetration	24%	22%	20%	18%	16%	14%	14%	13%
Patients on Avastin	68,460	71,555	73,850	75,825	77,000	77,175	85,219	92,462
% not well controlled (suited for Fovista add-on)	-	-	-	-	15%	15%	15%	15%
# Fovista Candidates	-	-	-	-	11,550	11,576	12,783	13,869
% add-on Fovista	0%	0%	0%	0%	0%	10%	13%	17%
# Patients on Avastin + Fovista	-	-	-	-	-	1,158	1,662	2,358
Fovista Cost Per Injection	-	-	-	-	\$1,200	\$1,200	\$1,200	\$1,200
Fovista Injections Per Year	-	-	-	-	0	8.5	8.2	7.8
Revenue to Partner (Non risk adjusted)	-	-	-	-	0	11.8	16.4	22.1
Approval Probability	-	-	-	-	65%	65%	65%	65%
Probability Weighted Revenue to EU Partner	-	-	-	-	0.0	7.7	10.6	14.3
Fovista Overall Penetration of EU VEGF-treated Patients	0%	0%	0%	0%	0%	2%	4%	5%
Gross Fovista Revenues to Partner	-	-	-	-	-	109	237	346
Risk-Adjusted Fovista Revenues to Partner	-	-	-	-	-	79	171	250
<i>Royalty Rate on Fovista Sales</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>
Risk-Adjusted Fovista Royalties to P&L	-	-	-	-	-	26	57	82
Competitive Scenarios								
1 - PDGF/VEGF Competition Enters 2021	75%							
2 - No PDGF/VEGF Competition	25%							
Fovista Assumptions								
Fovista/Lucentis Combo Therapy Approval Probability	80%							
Fovista/Eylea Combo Therapy Approval Probability	65%							
Fovista/Avastin Combo Therapy Approval Probability	65%							
Fovista Cost Per Injection	\$1,200							
Royalty Rate on Fovista Sales	30%							
Fovista Injections Per Year					0	8.5	8.2	7.8

Source: SEC Filings, Company Reports and Leerink Partners Estimates

<i>OPHT Milestones</i>		
Product	Event	Timing
Fovista	Additional Indication Trials	2014
Zimura	Clinical Trial Initiation	4Q14/1Q15
Fovista	Data from Smaller AMD Trials	2015
Fovista	Pivotal Phase III Data	Mid-2016
Fovista	NDA/MAA Filings	2H16
Fovista	FDA/EMA Approval	2H17

Source: SEC Filings and Leerink Partners Estimates

Disclosures Appendix

Analyst Certification

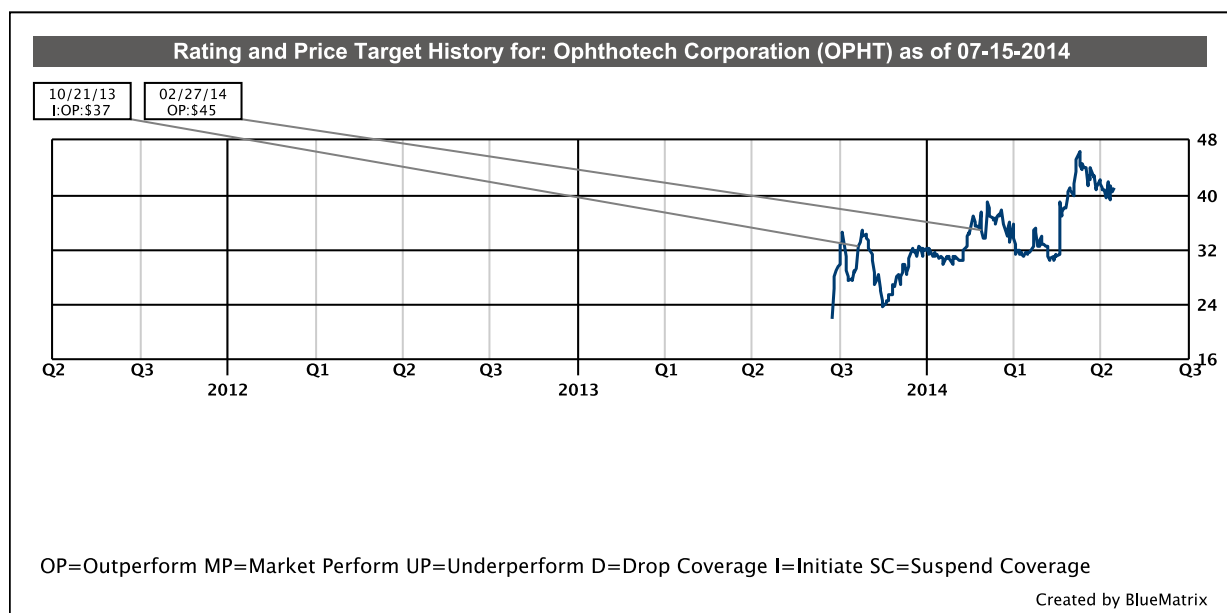
I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Valuation

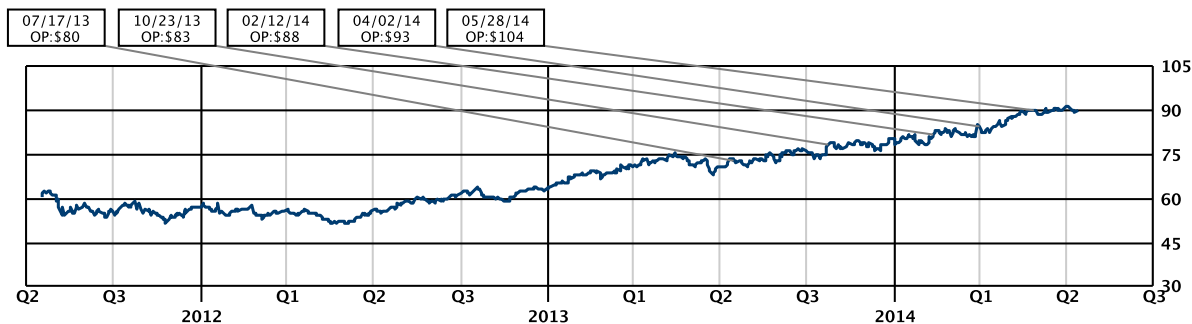
We estimate a \$61 per share value for OPHT based on a discounted cash flow analysis that assumes a 12% discount rate and a 2% terminal growth rate. We project Fovista revenue growth from 2018 through 2027 in the US and EU and cut it significantly thereafter at the expiration of OPHT's method-of-treatment patent. We see upside to our valuation from either: (1) less robust competition than we anticipate, or (2) the potential for Fovista to be best-in-class even in the face of anti-PDGF competition from co-formulated or augmented anti-VEGF agents.

Risks to Valuation

Risks to our OPHT valuation include the possibility of disappointing clinical data, commercial shortfalls, or higher-than-anticipated regulatory hurdles. Since OPHT solely has one product in late-stage development, any of these could impact the stock significantly.



Rating and Price Target History for: Novartis AG (NVS) as of 07-15-2014



Leerink Swann initiated coverage of NVS with an Outperform rating on November 9, 2010. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

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Rating and Price Target History for: Regeneron Pharmaceuticals, Inc. (REGN) as of 07-15-2014



Leerink Swann initiated coverage of REGN with an Outperform rating on June 2, 2011. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

Created by BlueMatrix

Distribution of Ratings/Investment Banking Services (IB) as of 06/30/14				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OP]	138	69.00	50	36.20
HOLD [MP]	62	31.00	2	3.20
SELL [UP]	0	0.00	0	0.00

Explanation of Ratings

Outperform (Buy): We expect this stock to outperform its benchmark over the next 12 months.

Market Perform (Hold/Neutral): We expect this stock to perform in line with its benchmark over the next 12 months.

Underperform (Sell): We expect this stock to underperform its benchmark over the next 12 months. The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.

For the purposes of these definitions the relevant benchmark will be the S&P 600® Health Care Index for issuers with a market capitalization of less than \$2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over \$2 billion.

Important Disclosures

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MEDACorp is a network of healthcare professionals, attorneys, physicians, key opinion leaders and other specialists accessed by Leerink and it provides information used by its analysts in preparing research.

In the past 12 months, the Firm has received compensation for providing investment banking services to Ophthotech Corporation .

Leerink Partners LLC makes a market in Ophthotech Corporation and Regeneron Pharmaceuticals, Inc.

Leerink Partners LLC is willing to sell to, or buy from, clients the common stock of Novartis AG on a principal basis.

Leerink Partners LLC has acted as a co-manager for a public offering of Ophthotech Corporation in the past 12 months.

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