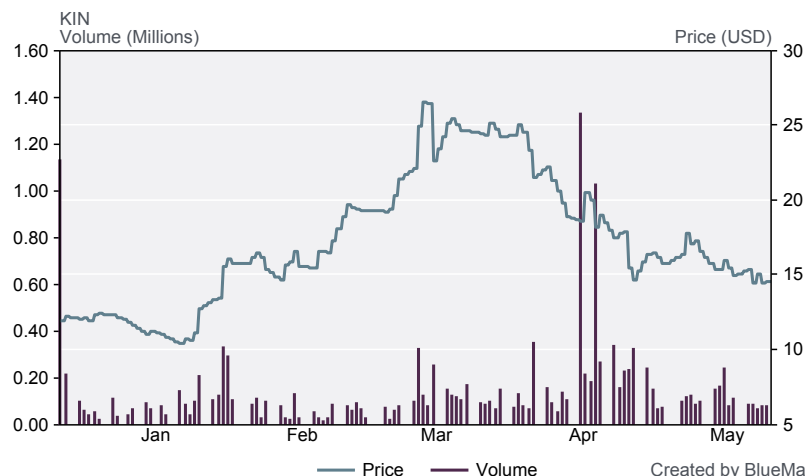


Kindred Biosciences, Inc.

KIN - BUY - Post 1Q14, Still Bullish on KIN's Pipeline Ahead of Data From Trials in Mid-'14

May 12, 2014

- Post 1Q14 results, we continue to be positive on KIN shares ahead of data from its pivotal trials, starting mid-'14. We view KIN's business model as having better risk/reward than its competitors, and KIN's management team has a successful record of launching Animal Health drugs.
- 1Q14 positives:** 1) Completed enrollment of CereKin study, KIN will file all sections of CereKin's NADA in '14 starting mid-year; 2) With recent financing KIN has more funds to accelerate pipeline and pursue M&A (focus on revenue producing deals); 3) Cash balance ~\$120MM; 4) ZTS' (BUY, \$30.81) Apoquel launch helps KIN because it increases awareness of the disease, and AtoKin is for long-term use; and 5) KIN expects a 70% success rate for its pipeline since most drugs that work for humans work for pets as well.
- KIN reported 1Q14 EPS of \$(0.38). This was \$0.18 lower than our estimate and consensus. Our Variance Analysis has the details. Since KIN is a development stage company, we believe that pipeline advancements are more important than quarterly earnings.
- We have updated our financial model to reflect 1Q14 results. The decrease in our '14 EPS is driven by increasing operating expenses per KIN's plans to accelerate the development of its pipeline; our '15 EPS has increased since KIN's share count is higher post the equity offering. KIN estimates \$25MM to \$35MM in '14 operating expenses (excluding stock based comp and acquisitions). KIN also expects R&D expenses to increase for the foreseeable future (including biologics programs).
- Potential Catalysts.** 1) Data from pivotal studies for CereKin (late July/early August), AtoKin, SentiKin released in '14; 2) Approvals for CereKin, AtoKin, SentiKin in '15+; 3) Additional pipeline advancements and approvals; 4) Partnerships & business development.



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KIN BUY

COMPANY UPDATE

Investment Thesis: Growth

SHARE PRICE	\$16.63
PRICE TARGET	\$31.00

Revenue (\$M) (FY Dec)	1Q	2Q	3Q	4Q	FY
2013	0.0	0.0	0.0	0.0	0.0
2014	0.0	0.0E	0.0E	0.0E	0.0E
2015	—	—	—	—	10.2E

Adjusted EPS (\$)	1Q	2Q	3Q	4Q	FY
2013	(0.06)	(0.09)	(0.21)	(0.40)	(1.13)
P/E					NM
2014	(0.38)	(0.36)E	(0.43)E	(0.47)E	(1.63)E
Prior	(0.20)	(0.22)E	(0.23)E	(0.26)E	(0.92)E
P/E					NM
2015	—	—	—	—	(1.59)E
Prior	—	—	—	—	(1.72)E
P/E					NM

Market Data & Valuation Multiples

52-Week Range	\$8.75 - \$26.99
Shares Out (M)	19.2
Market Cap (M)	\$320
ADV (3 mo; 000)	165

SCENARIO	VALUATION	INVESTMENT THESIS
Bull Case	2020E EPS: \$5.00 12-Month Bull-Case Scenario: \$48 Probability: 14% Upside/Downside Potential: 189%	<ul style="list-style-type: none"> • CereKin peak sales of \$130MM in 2020 • AtoKin peak sales of \$90MM in 2020 • SentiKin peak sales of \$125MM in 2020 • Launch of two to three products per year post-2H15 • Business development
Base Case	2020E EPS: \$3.53 12-Month Base-Case Scenario: \$31 Probability: 74% Upside/Downside Potential: 86%	<ul style="list-style-type: none"> • CereKin peak sales of \$112MM in 2020 • AtoKin peak sales of \$77MM in 2020 • SentiKin peak sales of \$104MM in 2020 • Launch of one product per year post-2H15 • No business development
Bear Case	2020E EPS: \$2.75 12-Month Bear-Case Scenario: \$15 Probability: 12% Upside/Downside Potential: -10%	<ul style="list-style-type: none"> • CereKin peak sales of \$90MM in 2020 • AtoKin peak sales of \$55MM in 2020 • SentiKin peak sales of \$90MM in 2020 • Launch of one product per year post-2H15 • No business development

Source: Guggenheim Securities, LLC

VALUATION METHODOLOGY AND RISKS

We use a DCF analysis to arrive at our 12-month price target of \$31. We used a WACC of 28% and exit multiples of 11x forward EBIT. This compares favorably to Kindred Bio's peers, which trade, on average, at a forward EV/EBIT of 17x. Risks to our valuation include: 1) Pipeline setbacks for drugs, 2) CereKin, AtoKin and SentiKin peak sales below expectations, And 3) Competition from larger and better capitalized animal health companies in the industry.

KINDRED BIO VARIANCE ANALYSIS

(in millions of \$US, except per share amounts)

	Actual 1Q14 Amount	Guggenheim Estimate 1Q14 Amount	Variance	Comments
Total Revenue	-	-	-	
COGS	-	-	-	
Gross Profit	-	-	-	
SG&A	1.7	0.8	0.9	Costs of being a public company
R&D	4.5	2.5	2.0	Significant increase in activity due to clinical programs
Other Operating Expenses	-	-	-	
Operating Income	(6.2)	(3.3)	(2.9)	
Non Operating Items	0.0	-	0.0	
Pre-Tax Income	(6.2)	(3.3)	(2.9)	
Taxes	-	-	-	
Tax Rate	0.0%	0.0%	-	
Net Income	(6.2)	(3.3)	(2.9)	
Averages Shares	16.2	16.2	0.0	
Cash EPS	-\$0.38	-\$0.20	-\$0.18	
Margin Analysis				
Revenues	NM	NM		
COGS	NM	NM		
Gross Margin	NM	NM		
SG&A	NM	NM		
R&D	NM	NM		
Net Income	NM	NM		

Source: Guggenheim Securities, LLC and Company reports

CATALYST CALENDAR

Date	Driver	Upcoming Event
2014		
Mid-2014	CereKin for Dogs	Data from pivotal study
Mid-2014	CereKin for Dogs	File NADA
Mid-2014	SentiKin for Horses	Start pivotal study in post-operative pain
2014	Pipeline	Start pivotal studies on 2 more drugs
2014	Pipeline	File INADs on additional drugs
2014	CereKin for Horses	Start pivotal study for OA pain
2014	CereKin for Horses	Announce data from pivotal study
4Q14	AtoKin for Dogs	Data from pivotal study
4Q14	AtoKin for Dogs	File NADA
4Q14	SentiKin for Dogs	Data from pivotal study
4Q14	SentiKin for Dogs	File NADA
2015+		
Starting 2H15	New products	Expect 2 to 4 new launches a year
2H15	CereKin for Dogs	Approval and launch expected
Late 2015	AtoKin for Dogs	Approval and launch expected
Late 2015/Early 2016	SentiKin for Dogs	Approval and launch expected
2016	CereKin for Horses	Approval and launch expected
2032	NOLs	Start to expire

Source: Guggenheim Securities, LLC and Company reports

FINANCIAL MODEL

Kindred Bio - Quarterly Income Statement Analysis 2012-2020E

(\$ in Millions)																			CAGR
(Year Ended December 31)	2012	2013	1Q14A	2Q14E	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	16E-20E	
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	7.2	10.2	84.4	169.3	259.2	335.5	404.6	48.0	
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	4.3	6.1	46.4	91.4	137.4	174.5	206.4		
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.9	4.1	38.0	77.9	121.8	161.0	198.3		
R&D	0.1	3.1	4.5	5.5	7.0	8.0	25.0	3.0	3.5	4.0	4.2	14.7	15.0	15.2	15.3	15.5	15.6		
SG&A	0.0	1.1	1.7	1.5	1.4	1.2	5.8	3.7	4.7	5.7	6.7	20.8	22.7	27.7	33.2	39.9	47.9		
Other (Income)/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		
Total Operating Expense	0.1	4.2	6.2	7.0	8.4	9.2	30.8	6.7	8.2	9.7	10.9	35.5	37.7	42.8	48.5	55.3	63.5		
Operating Income	(0.1)	(4.2)	(6.2)	(7.0)	(8.4)	(9.2)	(30.8)	(6.7)	(8.2)	(8.5)	(8.0)	(31.4)	0.3	35.0	73.3	105.7	134.8	366.1	
Interest 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		
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		
Non-Operating Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Pre-tax Income	(0.1)	(4.2)	(6.2)	(7.0)	(8.4)	(9.2)	(30.8)	(6.7)	(8.2)	(8.5)	(8.0)	(31.4)	0.3	35.0	73.3	105.7	134.8		
Tax Rate	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%	40.0%	40.0%		
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.0	29.3	42.3	53.9		
Net Income	(\$0.1)	(4.2)	(\$6.2)	(\$7.0)	(\$8.4)	(\$9.2)	(\$30.8)	(\$6.7)	(\$8.2)	(\$8.5)	(\$8.0)	(\$31.4)	\$0.3	\$21.0	\$44.0	\$63.4	\$80.9	310.2	
Average Shares Diluted	2.7	3.7	16.2	19.7	19.7	19.7	18.9	19.7	19.8	19.8	19.8	19.8	21.3	21.7	22.1	22.5	22.9		
Adjusted Diluted EPS	(\$0.04)	(\$1.13)	(\$0.38)	(\$0.36)	(\$0.43)	(\$0.47)	(\$1.63)	(\$0.34)	(\$0.41)	(\$0.43)	(\$0.40)	(\$1.59)	\$0.01	\$0.97	\$1.99	\$2.82	\$3.53	302.9	
%Change																			
Total Revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	726.0%	100.6%	53.1%	29.4%	20.6%		
COGS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	657.1%	96.9%	50.3%	27.0%	18.3%		
Gross Profit	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	829.2%	105.0%	56.4%	32.2%	23.1%		
R&D	NM	NM	2732.7%	1850.3%	633.9%	357.8%	695.6%	-33.3%	-36.4%	-42.9%	-47.5%	-41.2%	2.0%	1.0%	1.0%	1.0%	1.0%		
SG&A	NM	NM	2509.9%	1212.9%	440.2%	87.7%	436.5%	120.4%	213.3%	307.1%	458.3%	259.9%	9.1%	22.0%	20.0%	20.0%	20.0%		
Operating Income	NM	NM	2668.5%	1666.5%	592.5%	285.4%	629.4%	8.5%	17.1%	1.2%	-12.9%	2.1%	NM	12166.5%	109.2%	44.2%	27.5%		
Non-Operating Items	NM	NM	NM	NM	-100.0%	-100.0%	51.9%	-100.0%	NM	NM	NM	-100.0%	NM	NM	NM	NM	NM		
Pre-tax Income	NM	NM	2664.4%	1666.5%	594.0%	286.0%	630.2%	8.6%	17.1%	1.2%	-12.9%	2.1%	NM	12166.5%	109.2%	44.2%	27.5%		
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	0.0%	0.0%		
Taxes	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	109.2%	44.2%	27.5%		
Net Income	NM	NM	2664.4%	1666.5%	594.0%	286.0%	630.2%	8.6%	17.1%	1.2%	-12.9%	2.1%	NM	7259.9%	109.2%	44.2%	27.5%		

Source: Guggenheim Securities, LLC and Company Reports

(1) In 2012, financials are for the period from 9/25/12 (inception of the company) through 12/31/12.

(2) Do not assume any NOLs in our financial model.

Kindred Bio - Quarterly Margin Analysis 2012-2020E

	2012	2013	1Q14A	2Q14E	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	NM	NM	NM	NM	NM	NM	NM	NM	NM	60.0%	60.0%	60.0%	55.0%	54.0%	53.0%	52.0%	51.0%
Gross Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	40.0%	40.0%	40.0%	45.0%	46.0%	47.0%	48.0%	49.0%
R&D	NM	NM	NM	NM	NM	NM	NM	NM	NM	133.3%	58.2%	143.8%	17.8%	8.9%	5.9%	4.6%	3.9%
SG&A	NM	NM	NM	NM	NM	NM	NM	NM	NM	190.0%	92.8%	203.5%	26.9%	16.4%	12.8%	11.9%	11.8%
Oper. Inc.	NM	NM	NM	NM	NM	NM	NM	NM	NM	-283.3%	-111.0%	-307.4%	0.3%	20.7%	28.3%	31.5%	33.3%
Pretax Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-283.3%	-111.0%	-307.4%	0.3%	20.7%	28.3%	31.5%	33.3%
Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-283.3%	-111.0%	-307.4%	0.3%	12.4%	17.0%	18.9%	20.0%

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Quarterly Revenue Model 2012-2020E

(\$ in Millions)																	
(Year Ended December 31)	2012	2013	1Q14A	2Q14E	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q154E	2015E	2016E	2017E	2018E	2019E	2020E
Dogs (Osteoarthritis Pain, Pivotal Study, NADA Filing 2014)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	7.2	10.2	25.6	40.9	51.1	56.2	61.3
Horses (Osteoarthritis Pain, INAD Filed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.2	23.0	36.8	46.0	50.6
CereKin KIND-001 (IL-1 Inhibitor)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	7.2	10.2	34.8	63.9	87.9	102.2	111.9
Dogs (Atopic Dermatitis, INAD Filed, NADA Filing 2014)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0	45.5	56.0	66.5	77.0
AtoKin KIND-002 (Anti-Allergic Drug)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0	45.5	56.0	66.5	77.0
Dogs (Post-Operative Pain, INAD Filed, NADA Filing 2014)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	16.6	33.3	39.9	49.9
Horses (Post-Operative Pain, Pilot/Formulation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8	25.2	43.2	54.0
SentiKin (Centrally Acting Analgesic)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	27.4	58.5	83.1	103.9
Dogs (Cancer & Immune Disease, INAD Filed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cats (Cancer & Immune Disease, Pilot/Formulation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cats (GI Disease, INAD Filed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-006 (Promotility Agent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dogs (Allergic diseases in dogs, discovery/process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-502 (Anti-IgE Antibody)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dogs (Inflammatory Disease, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-506 (TNFR-Ig Fusion Protein)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dogs (Autoimmune Disease, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-507 (CLTA4-Ig Fusion Protein)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dogs (Cancer, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-504 (Vaccines for Cancer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dogs (Cancer, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIND-501 (Anti-VEGF Fusion Protein)	0.0	0.0	0.0	0.0	0.0	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	13.0	32.5	56.9	83.7	111.8
TOTAL REVENUES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	7.2	10.2	84.4	169.3	259.2	335.5	404.6
%Change																	
CereKin KIND-001 (IL-1 Inhibitor)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	240%	84%	38%	16%	10%
AtoKin KIND-002 (Anti-Allergic Drug)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	30%	23%	19%	16%
SentiKin (Centrally Acting Analgesic)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	1550%	113%	42%	25%
KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-006 (Promotility Agent)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-502 (Anti-IgE Antibody)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-506 (TNFR-Ig Fusion Protein)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-507 (CLTA4-Ig Fusion Protein)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-504 (Vaccines for Cancer)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-501 (Anti-VEGF Fusion Protein)	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Other	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	150%	75%	47%	34%
TOTAL REVENUES	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	726%	101%	53%	29%	21%

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Annual Revenue Model 2012-2020E

(\$ in Millions)	Year Ended December 31st,										2013E/	2014E/	2015E/	2016E/	2017E/	2018E/	2019E/	2020E/	CAGR
	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	16E-20E
CereKin KIND-001 (IL-1 Inhibitor)																			
Dogs (Osteoarthritis Pain, Pivotal Study, NADA Filing 2014)	0.0	0.0	0.0	10.2	25.6	40.9	51.1	56.2	61.3	NM	NM	NM	150.0%	60.0%	25.0%	10.0%	9.1%	24.5%	
Horses (Osteoarthritis Pain, INAD Filing)	0.0	0.0	0.0	0.0	9.2	23.0	36.8	46.0	50.6	NM	NM	NM	NM	150.0%	60.0%	25.0%	10.0%	53.1%	
Total CereKin KIND-001 (IL-1 Inhibitor)	0.0	0.0	0.0	10.2	34.8	63.9	87.9	102.2	111.9	NM	NM	NM	240.0%	83.8%	37.6%	16.3%	9.5%	34.0%	
AtoKin KIND-002 (Anti-Allergic Drug)																			
Dogs (Atopic Dermatitis, INAD Filing, NADA Filing 2014)	0.0	0.0	0.0	0.0	35.0	45.5	56.0	66.5	77.0	NM	NM	NM	NM	30.0%	23.1%	18.8%	15.8%	21.8%	
Total AtoKin KIND-002 (Anti-Allergic Drug)	0.0	0.0	0.0	0.0	35.0	45.5	56.0	66.5	77.0	NM	NM	NM	NM	30.0%	23.1%	18.8%	15.8%	21.8%	
SentiKin (Centrally Acting Analgesic)																			
Dogs (Post-Operative Pain, INAD Filing, NADA Filing 2014)	0.0	0.0	0.0	0.0	1.7	16.6	33.3	39.9	49.9	NM	NM	NM	NM	900.0%	100.0%	20.0%	25.0%	134.0%	
Horses (Post-Operative Pain, Pilot/Formulation)	0.0	0.0	0.0	0.0	0.0	10.8	25.2	43.2	54.0	NM	NM	NM	NM	NM	133.3%	71.4%	25.0%	NM	
Total SentiKin (Centrally Acting Analgesic)	0.0	0.0	0.0	0.0	1.7	27.4	58.5	83.1	103.9	NM	NM	NM	NM	1549.6%	113.1%	42.2%	25.0%	181.1%	
KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)																			
Dogs (Cancer & Immune Disease, INAD Filing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Cats (Cancer & Immune Disease, Pilot/Formulation)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-006 (Promotility Agent)																			
Cats (GI Disease, INAD Filing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-006 (Promotility Agent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-502 (Anti-IgE Antibody)																			
Dogs (Allergic diseases in dogs, discovery/process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-502 (Anti-IgE Antibody)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-506 (TNFR-Ig Fusion Protein)																			
Dogs (Inflammatory Disease, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-506 (TNFR-Ig Fusion Protein)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-507 (CLTA4-Ig Fusion Protein)																			
Dogs (Autoimmune Disease, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-507 (CLTA4-Ig Fusion Protein)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-504 (Vaccines for Cancer)																			
Dogs (Cancer, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-504 (Vaccines for Cancer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
KIND-501 (Anti-VEGF Fusion Protein)																			
Dogs (Cancer, mfg. process development)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	
Total KIND-501 (Anti-VEGF Fusion Protein)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Other	0.0	0.0	0.0	0.0	13.0	32.5	56.9	83.7	111.8	NM	NM	NM	NM	150.0%	75.0%	47.1%	33.6%	71.3%	
TOTAL REVENUES	0.0	0.0	0.0	10.2	84.4	169.3	259.2	335.5	404.6	NM	NM	NM	726.0%	100.6%	53.1%	29.4%	20.6%	108.7%	

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Cash Flow Analysis 2012-2020E

(\$ in Millions)									
(Year ended December 31)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Cash flows provided by Operating Activities:									
Net Income	(0.1)	(4.2)	(30.8)	(31.4)	0.3	21.0	44.0	63.4	80.9
Depreciation and Amortization	-	0.0	-	0.0	-	0.0	-	0.0	-
Other (includes cash separation and internal costs in 2013 and 2014)	0.0	0.9	-	-	-	-	-	-	-
Net Changes in Working Capital	0.0	1.7	(0.7)	(2.0)	(4.6)	(5.9)	(5.6)	(4.1)	(3.2)
Net cash provided by Operating Activities	(0.1)	(1.6)	(31.5)	(33.5)	(4.3)	15.1	38.4	59.3	77.7
Cash flows from Investing Activities									
Purchases of PP&E	-	(0.0)	-	-	-	-	-	-	-
Net proceeds from sale of assets	-	-	-	-	-	-	-	-	-
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Net cash used in Investing Activities	-	(0.0)	-	-	-	-	-	-	-
Cash flows from Financing Activities									
(Repayment) or Issuance of long term debt	-	11.1	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-
Other	1.0	54.9	58.1	-	-	-	-	-	-
Net cash (used in) provided by Financing Activities	1.0	66.0	58.1	-	-	-	-	-	-
Effect of exchange-rate on cash	-	-	-	-	-	-	-	-	-
Net (decrease) increase in cash and equivalents	0.9	64.4	26.6	(33.5)	(4.3)	15.1	38.4	59.3	77.7
Cash and equivalents at beginning of year	-	0.9	65.3	91.9	58.5	54.2	69.3	107.7	167.1
Cash and equivalents at end of year	0.9	65.3	91.9	58.5	54.2	69.3	107.7	167.1	244.7

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Balance Sheet Analysis 2012-2020E

(\$ in Millions)									
(Year ended December 31)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Assets									
Cash and Cash Equivalent	0.9	65.3	91.9	58.5	54.2	69.3	107.7	167.1	244.7
Accounts Receivable, less allowance for doubtful accounts	-	-	-	2.0	15.3	29.7	43.9	55.0	64.2
Inventories	-	-	-	3.1	18.6	36.6	55.0	69.8	82.5
Current deferred tax assets	-	-	-	-	-	-	-	-	-
Other current assets	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Current Assets	0.9	65.5	92.1	63.7	88.3	135.8	206.8	292.0	391.7
Plant, Property & Equipment	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Identifiable intangibles	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total Other Assets	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ASSETS	0.9	65.5	92.1	63.7	88.3	135.8	206.8	292.0	391.7
Liabilities & Shareholder's Equity									
Accounts Payable and Accrued Expenses	0.1	0.7	-	3.1	27.3	53.8	80.8	102.6	121.4
Other	0.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Current Liabilities	0.1	2.2	1.5	4.6	28.8	55.3	82.3	104.1	122.9
Long term debt	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	0.1	2.2	1.5	4.6	28.8	55.3	82.3	104.1	122.9
Shareholders Equity	0.9	63.3	90.6	59.2	59.4	80.5	124.5	187.9	268.8
Total Stockholder's Equity	0.9	63.3	90.6	59.2	59.4	80.5	124.5	187.9	268.8
Noncontrolling Interest	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	0.9	65.5	92.1	63.7	88.3	135.8	206.8	292.0	391.7

Source: Guggenheim Securities, LLC and Company Reports

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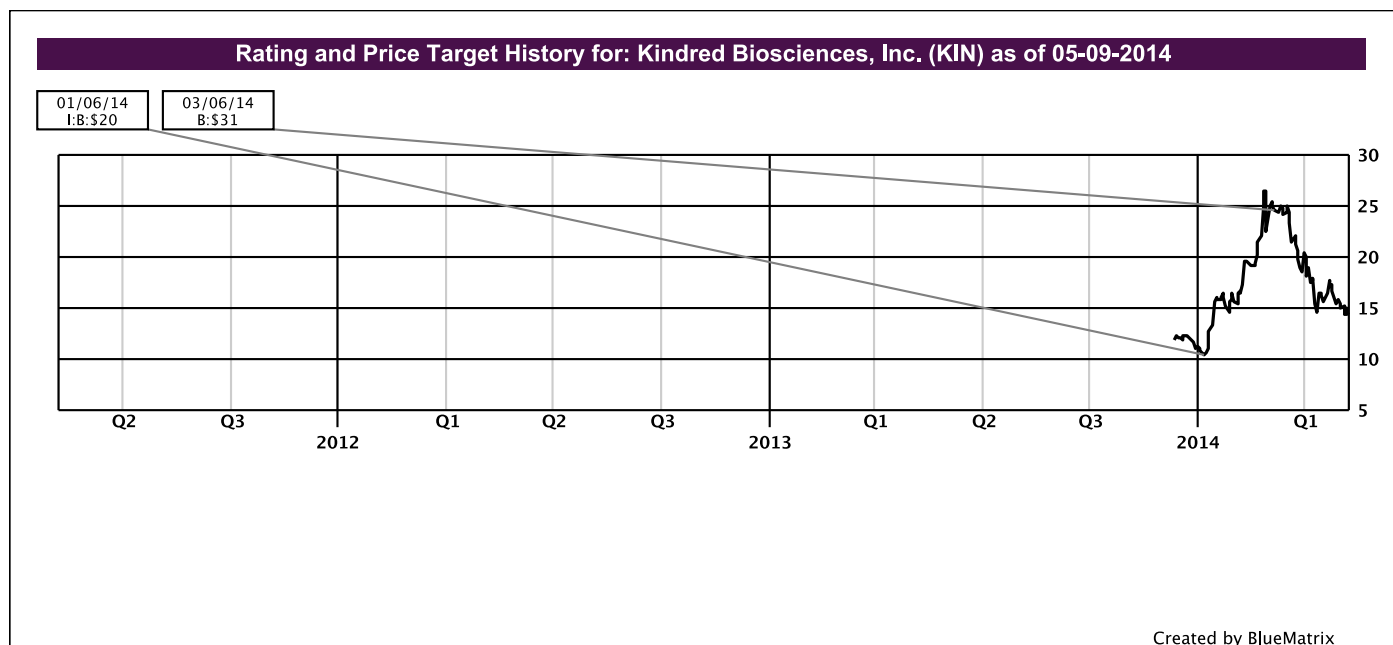
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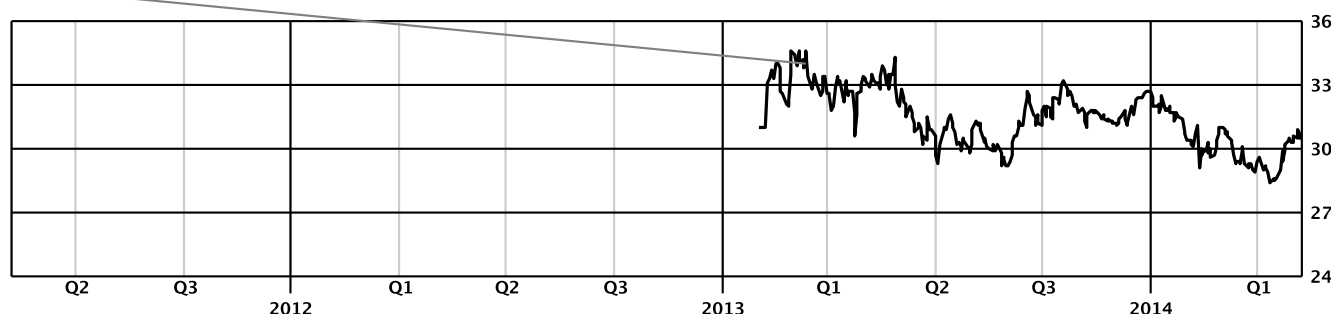
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Rating and Price Target History for: Zoetis Inc. (ZTS) as of 05-09-2014

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