

Kindred Biosciences, Inc.

KIN - BUY - 2Q14 Results Keep Us Positive Ahead of CereKin Data

August 13, 2014

- Post 2Q14 results, we are still positive on KIN shares because the company continues to advance its pipeline. We also expect positive results from KIN's first potential drug, CereKin, next week. Additionally, on the 2Q14 call, KIN said it is evaluating several potential M&A targets. Overall, 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.
- 2Q14 positives:** 1) Topline results for CereKin next week, completed study in 12 months and on budget; 2) Topline results for AtoKin & SentiKin targeted by end of '14; 3) Advances on new products, PK study of extended-release SentiKin for postoperative pain in cats, PK study of drug for appetite stimulation in cats initiated, PK study of drug for fever in horses to start 3Q14, progress in biologics program; 4) As of 6/30/14 had cash & equivalents of \$112.4MM.
- KIN reported 2Q14 EPS of \$(0.42). This was \$0.07 lower than consensus and \$0.06 lower than us. Our Variance Analysis has details. Since KIN is a development-stage company, pipeline advancements are more important than earnings. KIN reiterated its '14 guidance of operating expenses of \$25MM-\$35MM. We increased our operating expenses for 2H14+ since KIN is growing faster than we had anticipated. This lowers our '14 & '15 EPS estimates.
- Potential Catalysts.** 1) Data from pivotal studies for CereKin (August '14), 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

EARNINGS RELEASE

Investment Thesis: Growth

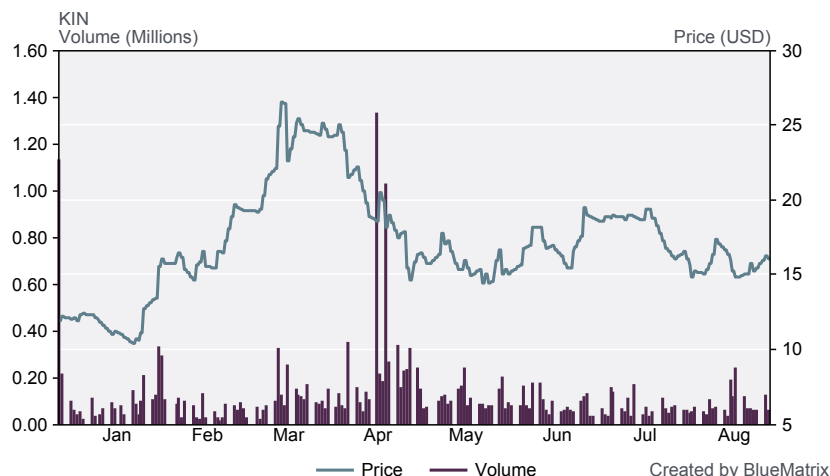
SHARE PRICE	\$15.82
PRICE TARGET	\$31.00

Revenue (\$M) (FY Dec)	1Q	2Q	3Q	4Q	FY
2013	0.0	0.0	0.0	0.0	0.0
2014	0.0	0.0	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)	(0.42)	(0.46)E	(0.47)E	(1.73)E
Prior	—	(0.36)	(0.43)E	—	(1.63)E
P/E					NM
2015	—	—	—	—	(1.99)E
Prior	—	—	—	—	(1.59)E
P/E					NM

Market Data & Valuation Multiples

52-Week Range	\$8.75 - \$26.99
Shares Out (M)	19.7
Market Cap (M)	\$312
ADV (3 mo; 000)	85



SCENARIO	VALUATION	INVESTMENT THESIS
Bull Case	2020E EPS: \$5.00 12-Month Bull-Case Scenario: \$48 Probability: 14% Upside/Downside Potential: 203%	<ul style="list-style-type: none"> • CereKin sales of \$130MM in 2020 • AtoKin sales of \$90MM in 2020 • SentiKin 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: 96%	<ul style="list-style-type: none"> • CereKin sales of \$112MM in 2020 • AtoKin sales of \$77MM in 2020 • SentiKin 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: \$14 Probability: 12% Upside/Downside Potential: -12%	<ul style="list-style-type: none"> • CereKin sales of \$90MM in 2020 • AtoKin sales of \$55MM in 2020 • SentiKin 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 use 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 2Q14 Amount	Guggenheim Estimate 2Q14 Amount	Variance	Comments
Total Revenue	-	-	-	
COGS	-	-	-	
Gross Profit	-	-	-	
SG&A	2.5	1.5	1.0	Cost of being a public company
R&D	5.6	5.5	0.1	
Other Operating Expenses	0.0	-	0.0	
Operating Income	(8.2)	(7.0)	(1.2)	
Non Operating Items	0.0	-	0.0	
Pre-Tax Income	(8.1)	(7.0)	(1.1)	
Taxes	-	-	-	
Tax Rate	-	-	-	
Net Income	(8.1)	(7.0)	(1.1)	
Averages Shares	19.4	19.7	(0.2)	
Cash EPS	-\$0.42	-\$0.36	-\$0.06	
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		
August 2014	CereKin for Dogs	Data from pivotal study
2014	CereKin for Dogs	File NADA
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 2012-2021E

(\$ in Millions)																				CAGR
(Year Ended December 31)	2012	2013	1Q14A	2Q14A	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	17E-21E	
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	468.3	29.0	
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	234.1		
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	234.1		
R&D	0.1	3.1	4.5	5.6	6.0	6.1	22.2	3.0	3.5	4.0	4.2	14.7	15.0	15.2	15.3	15.5	15.6	15.8		
SG&A	0.0	1.1	1.7	2.5	3.0	3.1	10.3	5.6	6.6	7.6	8.6	28.4	22.7	27.7	33.2	39.9	49.1	58.9		
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	0.0		
Total Operating Expense	0.1	4.2	6.2	8.2	9.0	9.2	32.5	8.6	10.1	11.6	12.8	43.1	37.7	42.8	48.5	55.3	64.7	74.6		
Operating Income	(0.1)	(4.2)	(6.2)	(8.2)	(9.0)	(9.2)	(32.5)	(8.6)	(10.1)	(10.4)	(9.9)	(39.0)	0.3	35.0	73.3	105.7	133.6	159.5	46.1	
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	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	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	0.0		
Pre-tax Income	(0.1)	(4.2)	(6.2)	(8.1)	(9.0)	(9.2)	(32.5)	(8.6)	(10.1)	(10.4)	(9.9)	(39.0)	0.3	35.0	73.3	105.7	133.6	159.5		
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%	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	53.4	63.8		
Net Income	(\$0.1)	(4.2)	(\$6.2)	(\$8.1)	(\$9.0)	(\$9.2)	(\$32.5)	(\$8.6)	(\$10.1)	(\$10.4)	(\$9.9)	(\$39.0)	\$0.3	\$21.0	\$44.0	\$63.4	\$80.2	\$95.7	46.1	
Average Shares Diluted	2.7	3.7	16.2	19.4	19.5	19.5	18.7	19.5	19.5	19.6	19.6	19.6	21.1	21.5	21.9	22.3	22.7	23.1		
Adjusted Diluted EPS	(\$0.04)	(\$1.13)	(\$0.38)	(\$0.42)	(\$0.46)	(\$0.47)	(\$1.73)	(\$0.44)	(\$0.52)	(\$0.53)	(\$0.51)	(\$1.99)	\$0.01	\$0.98	\$2.01	\$2.84	\$3.53	\$4.14	43.5	
%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%	15.7%		
COGS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	657.1%	96.9%	50.3%	27.0%	18.3%	13.5%		
Gross Profit	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	829.2%	105.0%	56.4%	32.2%	23.1%	18.1%		
R&D	NM	NM	2732.7%	1899.6%	529.1%	249.0%	607.7%	-33.3%	-37.9%	-33.3%	-31.1%	-33.9%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%		
SG&A	NM	NM	2509.9%	2087.3%	1057.6%	384.9%	854.3%	233.5%	164.1%	153.3%	177.4%	176.3%	-20.1%	22.0%	20.0%	20.0%	23.0%	20.0%		
Operating Income	NM	NM	2668.5%	1957.3%	642.0%	285.4%	671.0%	39.2%	23.9%	15.6%	7.7%	19.9%	NM	12166.5%	109.2%	44.2%	26.4%	19.4%		
Non-Operating Items	NM	NM	NM	NM	-100.0%	-100.0%	524.6%	-100.0%	-100.0%	NM	NM	-100.0%	NM	NM	NM	NM	NM	NM		
Pre-tax Income	NM	NM	2664.4%	1950.2%	643.6%	286.0%	671.2%	39.4%	24.3%	15.6%	7.7%	20.1%	NM	12166.5%	109.2%	44.2%	26.4%	19.4%		
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	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%	26.4%	19.4%		
Net Income	NM	NM	2664.4%	1950.2%	643.6%	286.0%	671.2%	39.4%	24.3%	15.6%	7.7%	20.1%	NM	7259.9%	109.2%	44.2%	26.4%	19.4%		

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.

Kindred Bio - Quarterly Margin Analysis 2012-2021E

	2012	2013	1Q14A	2Q14A	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
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%	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%	50.0%
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%	50.0%
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%	3.4%
SG&A	NM	NM	NM	NM	NM	NM	NM	NM	NM	253.3%	119.1%	277.9%	26.9%	16.4%	12.8%	11.9%	12.1%	12.6%
Oper. Inc.	NM	NM	NM	NM	NM	NM	NM	NM	NM	-346.7%	-137.3%	-381.7%	0.3%	20.7%	28.3%	31.5%	33.0%	34.1%
Pretax Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-346.7%	-137.3%	-381.7%	0.3%	20.7%	28.3%	31.5%	33.0%	34.1%
Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-346.7%	-137.3%	-381.7%	0.3%	12.4%	17.0%	18.9%	19.8%	20.4%

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Quarterly Revenue Model 2012-2021E

(\$ in Millions)																		
(Year Ended December 31)	2012	2013	1Q14A	2Q14A	3Q14E	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q154E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
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	66.4
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	55.2
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	121.6
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	87.5
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	87.5
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	56.5
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	61.2
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	117.7
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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	141.4
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	468.3
%Change																		
CereKin KIND-001 (IL-1 Inhibitor)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	240%	84%	38%	16%	10%	9%
AtoKin KIND-002 (Anti-Allergic Drug)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	30%	23%	19%	16%	14%
SentiKin (Centrally Acting Analgesic)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	1550%	113%	42%	25%	13%
KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)	NM	NM	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	NM	NM
KIND-502 (Anti-IgE Antibody)	NM	NM	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	NM	NM
KIND-507 (CLTA4-Ig Fusion Protein)	NM	NM	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	NM	NM
KIND-501 (Anti-VEGF Fusion Protein)	NM	NM	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	NM	150%	75%	47%	34%	26%
TOTAL REVENUES	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	726%	101%	53%	29%	21%	16%

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Annual Revenue Model 2012-2021E

(\$ in Millions)	Year Ended December 31st,										2013E/	2014E/	2015E/	2016E/	2017E/	2018E/	2019E/	2020E/	2021E/	CAGR
	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	
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	66.4	NM	NM	NM	150.0%	60.0%	25.0%	10.0%	9.1%	8.3%	12.9%
Horses (Osteoarthritis Pain, INAD Filed)	0.0	0.0	0.0	0.0	9.2	23.0	36.8	46.0	50.6	55.2	NM	NM	NM	NM	150.0%	60.0%	25.0%	10.0%	9.1%	24.5%
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	121.6	NM	NM	NM	240.0%	83.8%	37.6%	16.3%	9.5%	8.7%	17.5%
AtoKin KIND-002 (Anti-Allergic Drug)																				
Dogs (Atopic Dermatitis, INAD Filed, NADA Filing 2014)	0.0	0.0	0.0	0.0	35.0	45.5	56.0	66.5	77.0	87.5	NM	NM	NM	NM	30.0%	23.1%	18.8%	15.8%	13.6%	17.8%
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	87.5	NM	NM	NM	NM	30.0%	23.1%	18.8%	15.8%	13.6%	17.8%
SentiKin (Centrally Acting Analgesic)																				
Dogs (Post-Operative Pain, INAD Filed, NADA Filing 2014)	0.0	0.0	0.0	0.0	1.7	16.6	33.3	39.9	49.9	56.5	NM	NM	NM	NM	900.0%	100.0%	20.0%	25.0%	13.3%	35.8%
Horses (Post-Operative Pain, Pilot/Formulation)	0.0	0.0	0.0	0.0	0.0	10.8	25.2	43.2	54.0	61.2	NM	NM	NM	NM	NM	133.3%	71.4%	25.0%	13.3%	54.3%
Total SentiKin (Centrally Acting Analgesic)	0.0	0.0	0.0	0.0	1.7	27.4	58.5	83.1	103.9	117.7	NM	NM	NM	NM	1549.6%	113.1%	42.2%	25.0%	13.3%	43.9%
KIND-007 (Bruton's Tyrosine Kinase/BTK Inhibitor)																				
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	NM	0.0%	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	0.0	NM	0.0%	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	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
KIND-006 (Promotility Agent)																				
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	NM	0.0%	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	0.0	NM	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	0.0	NM	0.0%	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	0.0	NM	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	0.0	NM	0.0%	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	0.0	NM	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	0.0	NM	0.0%	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	0.0	NM	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	0.0	NM	0.0%	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	0.0	NM	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	0.0	NM	0.0%	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	0.0	NM	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	141.4	NM	NM	NM	NM	150.0%	75.0%	47.1%	33.6%	26.4%	44.4%
TOTAL REVENUES	0.0	0.0	0.0	10.2	84.4	169.3	259.2	335.5	404.6	468.3	NM	NM	NM	726.0%	100.6%	53.1%	29.4%	20.6%	15.7%	29.0%

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Cash Flow Analysis 2012-2021E

(\$ in Millions)										
(Year ended December 31)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Cash flows provided by Operating Activities:										
Net Income	(0.1)	(4.2)	(32.5)	(39.0)	0.3	21.0	44.0	63.4	80.2	95.7
Depreciation and Amortization	-	0.0	-	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)	(2.6)
Net cash provided by Operating Activities	(0.1)	(1.6)	(33.2)	(41.1)	(4.3)	15.1	38.4	59.3	76.9	93.1
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	24.9	(41.1)	(4.3)	15.1	38.4	59.3	76.9	93.1
Cash and equivalents at beginning of year	-	0.9	65.3	90.2	49.2	44.9	60.0	98.4	157.8	234.7
Cash and equivalents at end of year	0.9	65.3	90.2	49.2	44.9	60.0	98.4	157.8	234.7	327.8

Source: Guggenheim Securities, LLC and Company Reports

Kindred Bio - Balance Sheet Analysis 2012-2021E

(\$ in Millions)										
(Year ended December 31)	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Assets										
Cash and Cash Equivalent	0.9	65.3	90.2	49.2	44.9	60.0	98.4	157.8	234.7	327.8
Accounts Receivable, less allowance for doubtful accounts	-	-	-	2.0	15.3	29.7	43.9	55.0	64.2	72.0
Inventories	-	-	-	3.1	18.6	36.6	55.0	69.8	82.5	93.7
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	0.1
Total Current Assets	0.9	65.5	90.4	54.4	78.9	126.4	197.5	282.7	381.6	493.7
Plant, Property & Equipment	-	0.0	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	(0.0)
TOTAL ASSETS	0.9	65.5	90.4	54.4	79.0	126.4	197.5	282.7	381.6	493.7
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	137.7
Other	0.0	1.5	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	139.2
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	139.2
Shareholders Equity	0.9	63.3	88.9	49.8	50.1	71.1	115.1	178.5	258.7	354.4
Total Stockholder's Equity	0.9	63.3	88.9	49.8	50.1	71.1	115.1	178.5	258.7	354.4
Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	0.9	65.5	90.4	54.4	79.0	126.4	197.5	282.7	381.6	493.7

Source: Guggenheim Securities, LLC and Company Reports

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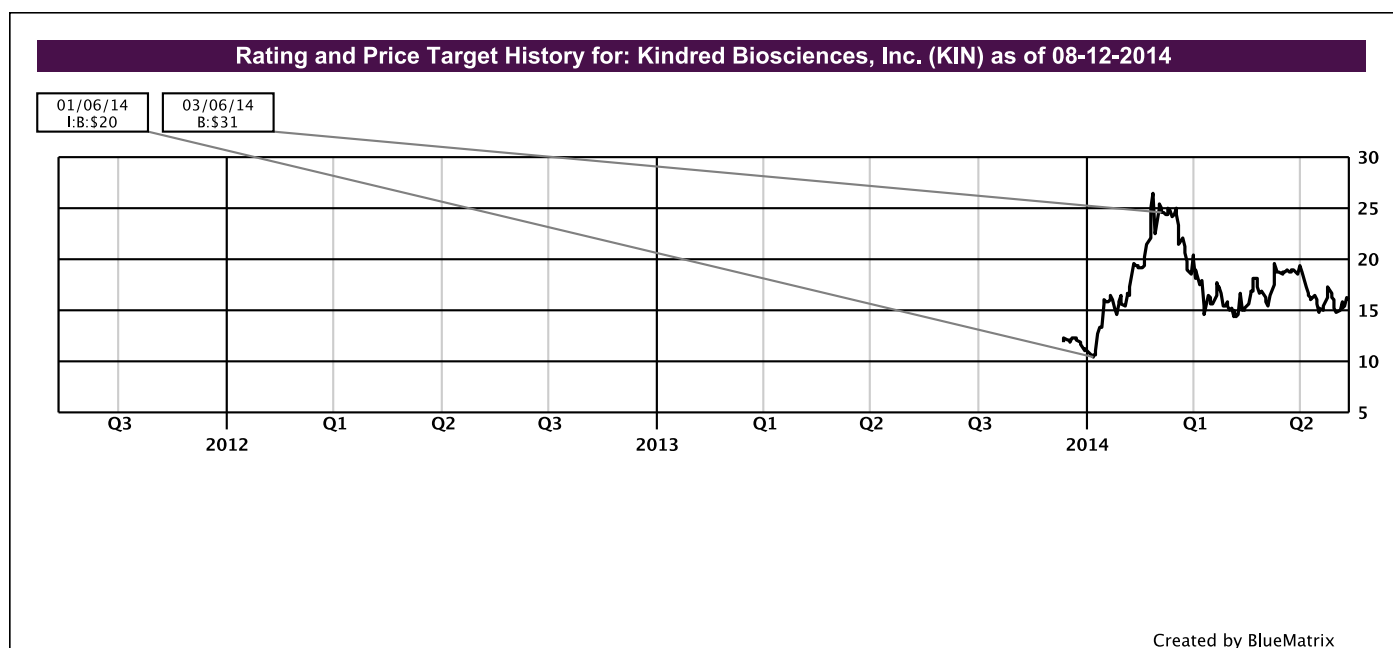
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