EQUITY RESEARCH

RBC Capital Markets

RBC Capital Markets, LLC
Adnan Butt (Analyst)
(415) 633-8588
adnan.butt@rbccm.com
Michael J. Yee (Analyst)
(415) 633-8522
michael.yee@rbccm.com
John Chung (Associate)
(415) 633-8620
john.chung@rbccm.com

June 25, 2014

Aerie Pharmaceuticals, Inc.

Roclatan Phase IIb de-risked AERI in multiple ways; More important catalysts ahead

Our view: We think positive Phase IIb results show the best potential drug for glaucoma, clarify ultimate market potential, reinforce future news flow and likelihood for eventual partnership(s) and/or take out.

Key points:

Roclatan Phase IIb data in glaucoma appear solid enough that it is hard to find any faults or weaknesses. AERI could now have a drug with a new mechanism of action with the best efficacy profile of any drug targeting glaucoma. In addition to the start of the Phase III Rhopressa study, catalysts we are now looking for are (i) Phase IIb details in Sep./Nov., which still matter, (ii) pre Phase III prep and Phase III start for Roclatan, (iv) Phase III data for Rhopressa, and (iv) the potential for partnerships, especially outside the US and EU, all in 2014 and 2015. Roclatan Phase III data could be available in 2016. AERI will also host an analyst event, most likely in September. We are raising our price target to $36, which is driven higher by an increased probability of success in Phase III studies and higher market potential.

Data likely good enough for approval IF this were a Phase III study. Roclatan demonstrated a statistically significant reduction in IOP vs. latanoprost and Rhopressa, the individual components of Roclatan, at all time points. More patients achieved greater IOP reductions with Roclatan than with latanoprost. Furthermore, 50% of patients on Roclatan achieved at least a 35% reduction in IOP vs. only 28% for those on latanoprost.

Safety, and more importantly tolerability, appear in line. Hyperemia was the expected adverse event with a rate of ~40% (largely mild, transient), which is in line with rates in low-to-mid teens for latanoprost, 25-45% for bimatoprost and 30-50% for travoprost. There were only 6 discontinuations in the 303 patient study, with possibly 1 (0.33%) due to hyperemia.

Roclatan Phase IIb details still matter in terms of seeing how efficacy trended over time, which looks solid so far, and safety, which looks clean.

Read-through from the Phase IIb to other studies, including the Rhopressa Phase III. Results give us confidence that the Phase III study for Rhopressa is likely to demonstrate statistical non-inferiority to timolol, the leading second-line beta blocker.

Market potential could be larger than what we account for. To have better efficacy than the market leader is a clear win for Roclatan. However, Rhopressa could be a significant revenue generator on its own right given it works in patients with lower or normal baseline IOPs.

Outperform

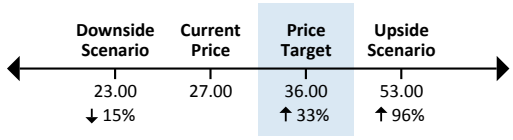
Speculative Risk

NASDAQ: AERI; USD 27.00

Price Target USD 36.00 ↑ 27.00

WHAT'S INSIDE	
☐ Rating/Risk Change	☑ Price Target Change
☐ In-Depth Report	☐ Est. Change
☐ Preview	☐ News Analysis

Scenario Analysis*



*Implied Total Returns

Key Statistics

Shares O/S (MM):	23.2	Market Cap (MM):	626
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume (MM):	17,275.00

Priced at 2:13 pm ET June 25, 2014.

RBC Estimates

FY Dec	2013A	2014E	2015E
Revenue	0.0	0.0	0.0
EPS, Adj Diluted	(2.57)	(1.55)	(1.50)
P/AEPS	NM	NM	NM

Revenue	Q1	Q2	Q3	Q4
2013	0.0A	0.0A	0.0A	0.0A
2014	0.0A	0.0E	0.0E	0.0E
EPS, Adj Diluted				
2013	(0.41)A	(0.28)A	(10.81)A	(0.62)A
2014	(0.28)A	(0.38)E	(0.39)E	(0.40)E

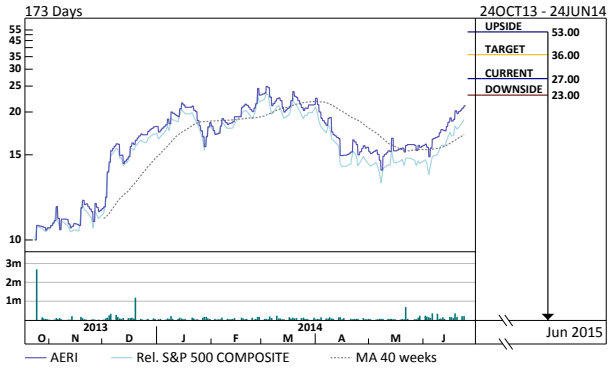
All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 10.

Target/Upside/Downside Scenarios

Exhibit 1: Aerie Pharmaceuticals, Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/ base case

We value AERI at $36 per share (prev. $27) which includes US/EU sales of Rhopressa and Roclatan. We assign a 80% probability of success and a value of ~$27 per share to the US and ~$9 per share to the EU opportunity. We assume a US launch in 2017 and an EU launch in 2018. We forecast peak Roclatan sales of ~$1.1B and ~$0.7B and Rhopressa sales of ~$0.4B and ~$0.3B in the US and EU, respectively. Finally, we assume patent protection through 2030 and include a terminal value based on a discount rate of 15% and a growth rate of -50%.

Upside scenario

Our upside scenario of $53 per share (prev. $43) includes ~$37 per share in value for the US opportunity and ~$16 per share in value for the EU opportunity. We forecast peak Roclatan sales of $1.6B in the US and $1.2B in the EU and Rhopressa sales of ~$380MM in the US and ~$360MM in the EU. We assign products in the pipeline a 80% probability of success, a discount rate of 15%, and a terminal growth rate of -50%.

Downside scenario

Our downside scenario of $23 per share (prev. $8) assumes includes ~$17 per share in value for the US opportunity and ~$6 in value for the EU. We forecast peak Roclatan sales of $1.1B in the US and $~$0.7B in the EU and Rhopressa sales of ~$380MM in the US and ~$270MM in the EU. We assign 50% probability of success, a discount rate of 15%, and a terminal growth rate of -50%.

Investment summary

We believe AERI shares offer the potential for significant upside as both products in development, Rhopressa and Roclatan, use a new mechanism of action for the treatment of glaucoma, a blockbuster potential market. Rhopressa and Roclatan will enter Phase III trials based on positive Phase IIb data. Results from these and additional studies are expected 2014–2016. Millions of patients worldwide suffer from glaucoma, most need multiple medications, and we forecast peak sales of AERI's products at ~$1B.

AERI owns 100% of the rights to Rhopressa and Roclatan worldwide and patent protection extends into 2030, which means the company is free to partner or be acquired. Given that ophthalmology remains an attractive therapeutic area and AERI's product candidates could have a convenient, one drop once per day efficacy and safety profile, progress through clinical and regulatory milestones, as well as a partnership, could all be upside catalysts.

Potential catalysts for AERI shares

- **Phase III data for Rhopressa in 2015.** Important catalyst as positive data could lead to an NDA and MAA filing.
- **Phase III data for Roclatan in 2016.** Key catalyst as clean safety and efficacy beyond latanoprost could make Roclatan the first-line drug of choice.
- **Potential partnership for Rhopressa and Roclatan.** AERI owns worldwide rights to both product candidates and a partnership is likely after Phase III data.
- **Potential approvals and launches in 2017 in the US and in 2018 in the EU** following regulatory filings in 2016

Risks to our investment thesis

- **Pivotal Phase III and earlier-stage studies could fail.** Rhopressa must show non-inferiority to a comparator over a longer period and Roclatan must show a benefit in patients, which raises risk of failure.
- **AERI could fail to find a partner** for Rhopressa and Roclatan outside the US.
- **Sales ramp of Rhopressa and Roclatan could lag expectations** as clinicians fail to take up AERI's drugs, payers put up hurdles for reimbursing branded drugs, and cheaper generic drugs with other mechanisms hamper market penetration.

News flow should continue to be solid through 2018.

Though positive Phase IIb results have de-risked AERI shares to a great extent, Phase III trials for Rhopressa are beginning and being planned for Roclatan, which means that news flow should stay strong over the next few months. Phase IIb details from Roclatan are also important in helping shape the ultimate market potential for this drug candidate.

- **Roclatan Phase IIb details still matter** in terms of seeing how efficacy trended over time, which looks solid so far, and safety, which looks clean. Data could be discussed at the September analyst day with more details released potentially at AAO. These are also details that a partner could seek before signing on.
- **Pre-clinical work remains before starting Roclatan Phase III**. Management made clear that the gating step to Phase III studies for Roclatan are pre-clinical studies and clinical trail supply, among other things. While we believe pre-clinical toxicology should stay clean, as Rhopressa, one of the constituent agents, is going into Phase III, a definitive decision to move ahead would still be a positive.
- **Phase III data for Rhopressa.** To date we have seen 1-month efficacy data for Rhopressa and Roclatan, as 1-month Phase II studies are standard in glaucoma. However, the FDA requires 3-month efficacy and 12-month safety before reviewing the application and the first window we get into longer term safety and efficacy is with Rhopressa Phase III data. As such, while Phase III Rhopressa data is key in its own right, it is going to be a meaningful read-through for Roclatan's potential as well.
- **Partnership(s) possible though not likely**. AERI management has expanded recently and could begin to opportunistically partner Rhopressa and Roclatan, especially in Asia. Any partnership could bring in some non-dilutive capital and would be a favorable validation of the pipeline's potential.
- **Even more important news flow starts in 2016.** Right now we estimate that full Phase III results for Rhopressa and top-line Phase III efficacy data for Roclatan could be available in 2016. These would be followed by NDA filings, which we forecast for Rhopressa in 2016 and Roclatan in 2017 pegging approvals in 2017 and 2018, respectively.

Exhibit 2: News Flow

Timing	Expected News Flow	Program
3Q:14	Initiate Phase III trials in glaucoma	Rhopressa (AR-13324)
2014 / 2015	Final 6- and 9-month data from 2 tox studies	Rhopressa (AR-13324)
2014 / 2015	Potential ex-US partnership(s)	
Mid-2015	Efficacy results from Phase III studies	Rhopressa (AR-13324)
1H / Mid-2015	Initiate Phase III trials in glaucoma	Roclatan (PG324)
2H:15 / Early 2016	Phase III results in glaucoma	Rhopressa (AR-13324)
2015 / 2016	Initiate Phase I trials	AR-13533
Mid-2016	File NDA	Rhopressa (AR-13324)
1H / Mid-2016	Efficacy results from Phase III studies	Roclatan (PG324)
2H:16 / Early 2017	Phase III results in glaucoma	Roclatan (PG324)
1H / mid-2017	Expect approval and launch	Rhopressa (AR-13324)
Mid-2017	File NDA	Roclatan (PG324)
Mid-2018	Expect approval and launch	Roclatan (PG324)

Source: Company reports and RBC Capital Markets estimates

Phase IIb efficacy good enough such that if it's replicated in a Phase III, Roclatan would be approvable.

The key is that Roclatan demonstrated a statistically significant reduction in IOP vs. latanoprost and Rhopressa, the individual components of Roclatan, at all time points. The FDA likely could require a drop of 1-3 mmHg higher than latanoprost and the difference in efficacy between Roclatan 0.02% and latanoprost in this Phase IIb study was 1.6-3.2 mmHg across all time points.

- **More patients achieved lower IOPs on Roclatan than latanoprost.** For patients achieving an IOP of 18 mmHg or less, 69% did so on Roclatan vs. 47% on latanoprost. That's 47% more patients achieving a 'healthy' IOP. Similarly, more patients on Roclatan achieved IOPs less than or equal to 17 mmHg, 16 mmHg or 15 mmHg than those on latanoprost. Furthermore, 50% of patients on Roclatan achieved at least a 35% reduction in IOP vs. only 28% for those on latanoprost, a near 2-fold difference in benefit.
- **Roclatan is clearly better than latanoprost but even Rhopressa appears comparable**. The difference between Rhopressa and Roclatan was 1.7-3.4 mmHg across all time points. In fact, while Roclatan is superior to latanoprost, even Rhopressa appears fairly comparable to latanoprost in this study based on IOP levels alone; however, the comparison could be deemed unfair as baseline values are different.

Exhibit 3: Intra day mean IOP and treatment difference

Mean IOP (mmHg) by Treatment Group and Treatment Difference in Mean IOP					
	0.02% Roclatan	0.005% Latanoprost		0.02% Rhopressa	
	n=72	n=73		n=78	
	Mean	Mean	vs. Roclatan	Mean	vs. Roclatan
		Day 8			
8:00 AM	17.0	19.6	-2.6	20.0	-3.1
10:00 AM	15.6	18.3	-2.7	18.0	-2.4
4:00 PM	15.6	18.6	-3.1	17.9	-2.3
		Day 15			
8:00 AM	16.5	19.6	-3.2	19.6	-3.1
10:00 AM	15.8	18.3	-2.4	18.7	-2.8
4:00 PM	15.7	18.3	-2.6	18.4	-2.7
		Day 29			
8:00 AM	16.9	19.2	-2.4	20.3	-3.4
10:00 AM	15.9	17.7	-1.8	18.6	-2.7
4:00 PM	16.8	18.4	-1.6	18.5	-1.7

Source: Company reports

Exhibit 4: Roclatan Phase IIb changes in IOP over time

	AR-13324		PG324 0.01%		PG324 0.02%		Latanoprost	
	Mean IOP	Change	Mean IOP	Change	Mean IOP	Change	Mean IOP	Change
Baseline	25.4		25.1		25.1		26.0	
Day 8	18.6	(6.8)	16.6	(8.5)	16.0	(9.1)	18.8	(7.2)
Day 15	18.8	(6.6)	17.0	(8.1)	15.9	(9.2)	18.7	(7.3)
Day 29	19.1	(6.3)	17.3	(7.8)	16.5	(8.6)	18.4	(7.6)
Baseline	25.4		25.1		25.1		26.0	
Day 8	18.6	-26.8%	16.6	-33.9%	16.0	-36.3%	18.8	-27.7%
Day 15	18.8	-26.0%	17.0	-32.3%	15.9	-36.7%	18.7	-28.1%
Day 29	19.1	-24.8%	17.3	-31.1%	16.5	-34.3%	18.4	-29.2%

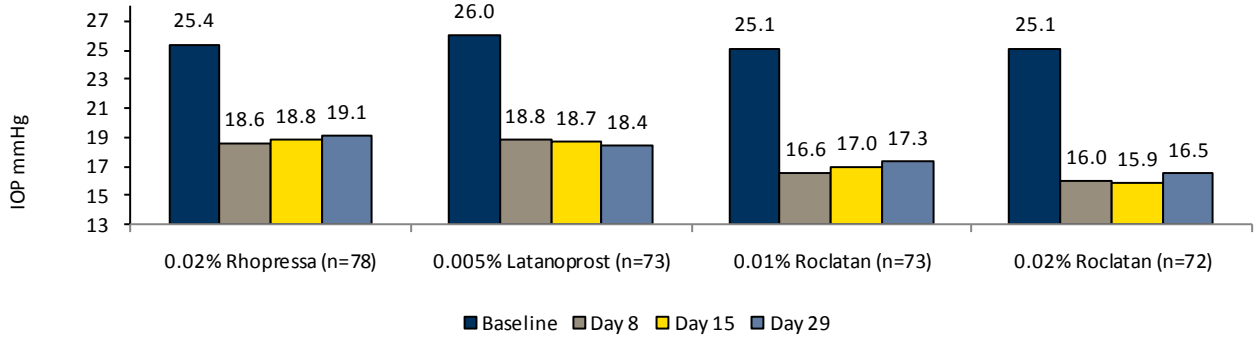
Source: Company reports

Exhibit 5: Rhopressa Phase IIb changes in IOP over time

	AR-13324		PG324 0.01%		PG324 0.02%		Latanoprost	
	Mean IOP	Change	Mean IOP	Change	Mean IOP	Change	Mean IOP	Change
Baseline	25.4		25.1		25.1		26.0	
Day 8	18.6	(6.8)	16.6	(8.5)	16.0	(9.1)	18.8	(7.2)
Day 15	18.8	(6.6)	17.0	(8.1)	15.9	(9.2)	18.7	(7.3)
Day 29	19.1	(6.3)	17.3	(7.8)	16.5	(8.6)	18.4	(7.6)
Baseline	25.4		25.1		25.1		26.0	
Day 8	18.6	-26.8%	16.6	-33.9%	16.0	-36.3%	18.8	-27.7%
Day 15	18.8	-26.0%	17.0	-32.3%	15.9	-36.7%	18.7	-28.1%
Day 29	19.1	-24.8%	17.3	-31.1%	16.5	-34.3%	18.4	-29.2%

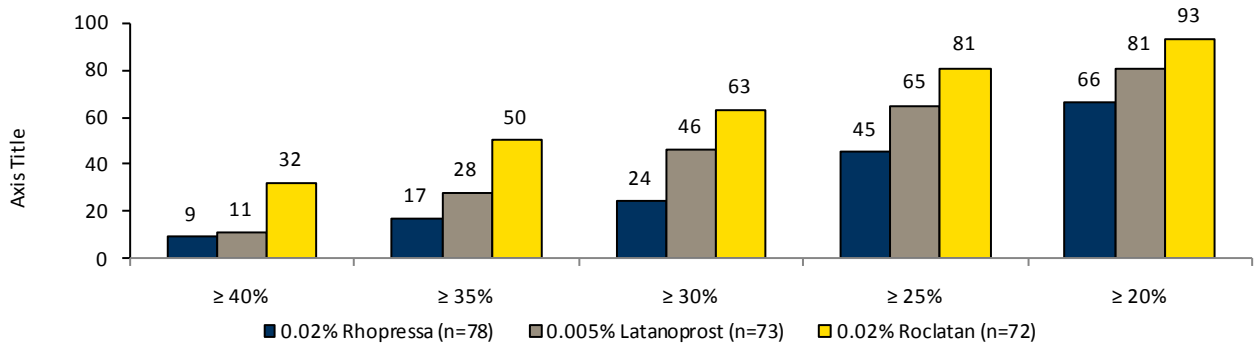
Source: Company reports

Exhibit 6: Phase IIb diurnal average IOP



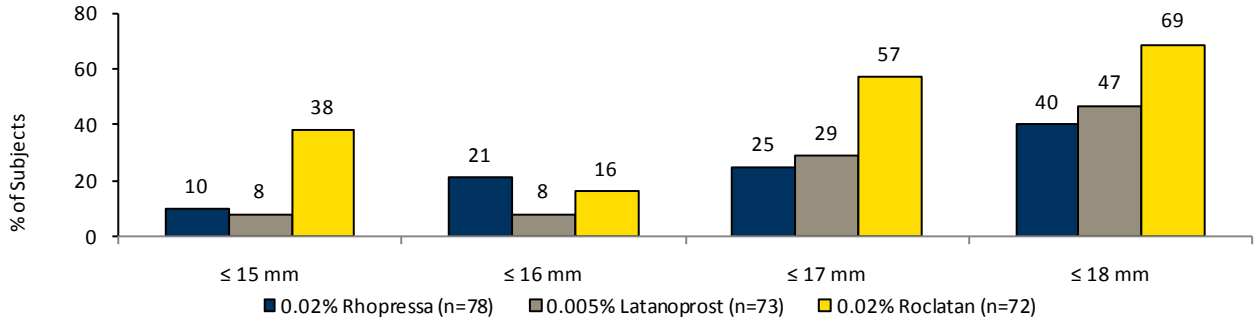
Source: Company reports

Exhibit 7: Day 29 - Percent of subjects / diurnal percent reductions



Source: Company reports

Exhibit 8: Day 29 - Percent of subjects /diurnal IOP



Source: Company reports

Safety, and more importantly tolerability, appears in-line.

The only adverse event listed of note was hyperemia, with a rate of ~40% and classified as largely mild and even transient in nature. Rates of hyperemia vary between low-to-mid teens for latanoprost, 25-45% for bimatoprost and 30-50% for travoprost. There were only 6 discontinuations in the 303 patient study, with possibly 1 (0.33%) due to hyperemia. Details are not yet available but to put things in perspective, this is approximately a 2% discontinuation rate and the latanoprost and travoprost labels state that discontinuations due to hyperemia alone were roughly 1-3%.

Read-through from the Phase IIb to other studies, including the Rhopressa Phase III.

Reductions from baseline in the Roclatan Phase IIb study are largely consistent with the Rhopressa Phase IIb study for latanoprost. However, reductions seem better for Rhopressa with a reduction from baseline of 6-7 mmHg or 25-27% vs. 6 mmHg or 22-24%. This gives us confidence that the Phase III study for Rhopressa is likely to demonstrate statistical non-inferiority to timolol, the leading second-line beta blocker. Furthermore, there is a clear benefit of Roclatan over Rhopressa alone with IOP reductions of 9 mmHg and 34-37% from baseline.

Market potential could be larger than what we account for.

A statistically significant benefit over the leading first-line glaucoma agent in a Phase III study would be a game changer. We would expect sales of $1-2B but possibly even more given that this level of efficacy may not have been seen before. AERI cited an internally conducted survey of 200 US and 100 EU doctors and a key takeaway was that doctors like the fact that Rhopressa can lower pressure for patients who already have low pressure. We know that prostaglandins work less well in patients with lower baseline IOPs. Accordingly, there is potential that Rhopressa could be a significant revenue generator in its own right.

Exhibit 9: Pipeline

Product	Mechanism	Stage	Indication
Rhopressa (AR-13324)	Dual-action ROCK / NET inhibitor	Phase III planned	Glaucoma
Roclatan (PG324)	Triple-action ROCK / NET inhibitor and latanoprost, a PGA	Phase III planned	Glaucoma
AR-13533	Dual-action ROCK / NET inhibitor	Pre-clinical	Glaucoma

Source: Company reports

Valuation

We value AERI at $36 per share which includes US/EU sales of Rhopressa and Roclatan. We assign a 80% probability of success and a value of ~$27 per share to the US and ~$9 per share to the EU opportunity. We assume a US launch in 2017 and an EU launch in 2018. We forecast peak Roclatan sales of ~$1.1B and ~$0.7B and Rhopressa sales of ~$0.4B and ~$0.3B in the US and EU, respectively. Finally, we assume patent protection through 2030 and include a terminal value based on a discount rate of 15% and a growth rate of -50%.

Price target impediments

Our price target is dependent solely on the clinical, regulatory, and commercial success of Rhopressa and Roclatan. A Phase III study for Rhopressa and Roclatan are expected in 2014 and 2015 respectively, and failure to demonstrate efficacy or safety in one or both of these studies would be a significant setback. Furthermore, any setbacks in regulatory approvals in the US or EU, delay in launch, failure to secure a partnership outside the US for Rhopressa and Roclatan, increased competition, or other limitations to the market potential of these products either due to better efficacy and/or safety outcomes or pricing pressure due to the availability of generic drugs for glaucoma could negatively impact our valuation.

Company description

Aerie Pharmaceuticals, Inc. is a biotechnology company targeting ophthalmic disorders specifically glaucoma, which is a blockbuster potential market. Sales of products targeting glaucoma totaled $4.5B globally and more than 30 million prescriptions for glaucoma drugs were written in the US alone. AERI's drug candidates work by inhibiting rho-kinase and the norepinephrine transporter, a new mechanism of action, something not seen for glaucoma in nearly two decades. Rhopressa could enter Phase III trials in 2014 and Roclatan could enter Phase II trials in 2014 and Phase III trials in 2015. These drugs could be used as stand-alone agents for first- or second-line therapy or combined with existing agents.

Aerie Pharmaceuticals - Income Statement
FYE December 31

Adnan Butt (415) 633-8588
Adnan.Butt@rbccm.com

(in MM; except per share)	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
REVENUES																			
AR-13324													6.6	70.0	149.3	238.8	297.0	271.3	241.0
PG324														9.4	40.3	128.8	228.9	390.4	572.3
Product Sales													6.6	79.5	189.6	367.6	525.9	661.8	813.3
Royalties														12.5	31.0	55.6	74.5	86.3	98.6
Other																			
Total Revenues													6.6	92.0	220.6	423.2	600.3	748.1	911.9
EXPENSES																			
COGS													0.7	7.9	19.0	36.8	52.6	66.2	81.3
R&D	3.2	3.2	2.4	3.2	11.9	5.4	5.5	5.7	5.9	22.5	25.0	27.5	17.5	7.5	1.5	1.5	1.5	1.5	1.5
SG&A	1.7	1.7	3.3	3.6	10.3	3.6	3.7	3.7	3.8	14.7	15.5	17.5	30.0	37.5	45.0	73.5	105.2	132.4	162.7
Other																			
Total Expenses	4.9	4.9	5.7	6.8	22.2	9.0	9.2	9.4	9.7	37.2	40.5	45.0	48.2	52.9	65.5	111.8	159.3	200.0	245.5
Operating Income (Expense)	(4.9)	(4.9)	(5.7)	(6.8)	(22.2)	(9.0)	(9.2)	(9.4)	(9.7)	(37.2)	(40.5)	(45.0)	(41.6)	39.1	155.1	311.4	441.1	548.1	666.4
OTHER																			
Interest income							0.1	0.1	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Interest expense	(0.2)	(0.2)			(0.4)		(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Other			(5.1)	(3.6)	(8.6)	2.3													
Total Other Income (Expense)	(0.2)	(0.2)	(5.1)	(3.6)	(9.0)	2.3	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Income before Tax	(5.1)	(5.1)	(10.9)	(10.3)	(31.2)	(6.7)	(9.1)	(9.4)	(9.6)	(37.1)	(40.3)	(44.7)	(41.3)	39.4	155.4	311.7	441.4	548.4	666.7
Taxes														13.4	52.8	106.0	150.1	186.4	226.7
Net income (loss)	(5.1)	(5.1)	(10.9)	(10.3)	(31.2)	(6.7)	(9.1)	(9.4)	(9.6)	(37.1)	(40.3)	(44.7)	(41.3)	26.0	102.6	205.7	291.3	361.9	440.0
EPS, Basic (GAAP)	($0.41)	($0.28)	($10.81)	($0.62)	($2.57)	($0.28)	($0.38)	($0.39)	($0.40)	($1.55)	($1.50)	($1.48)	($1.34)	$0.83	$3.20	$6.30	$8.74	$10.65	$12.69
EPS, Diluted (GAAP)	($0.24)	($0.19)	($1.13)	($0.41)	($1.51)	($0.23)	($0.32)	($0.32)	($0.33)	($1.29)	($1.26)	($1.26)	($1.15)	$0.71	$2.74	$5.40	$7.50	$9.15	$10.91
Shares outstanding, Basic	12.5	18.4	1.0	16.7	12.2	23.7	23.8	24.0	24.1	23.9	26.9	30.2	30.8	31.4	32.0	32.7	33.3	34.0	34.7
Shares outstanding, Diluted	21.0	26.9	9.6	25.2	20.7	28.4	28.6	28.8	29.0	28.7	31.9	35.4	36.0	36.7	37.4	38.1	38.8	39.6	40.3
Operating Ratios	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
COGS													10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Gross Margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
R&D	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	266.3%	8.2%	0.7%	0.4%	0.2%	0.2%	0.2%
SG&A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	456.6%	40.8%	20.4%	17.4%	17.5%	17.7%	17.8%
Operating Margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-632.9%	42.5%	70.3%	73.6%	73.5%	73.3%	73.1%
Taxes	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Net Margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-628.3%	28.2%	46.5%	48.6%	48.5%	48.4%	48.3%

Source: Company reports and RBC Capital Markets estimates.

Balance Sheet - Select Items	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Cash and cash equivalents		2.4	4.6	64.2	64.2	68.7	61.1	53.3	45.3	45.3	98.9	58.4	21.3	38.9	114.8	274.0	527.1	857.7	1,262.3
Prepaid expenses and other current assets		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total current assets		3.5	7.1	66.7	66.7	71.1	63.6	55.8	47.7	47.7	105.3	67.3	32.7	65.4	174.7	387.1	687.1	1,057.3	1,505.9
Property, plant and equipment, net		0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)	(0.7)
Total assets		3.7	7.2	66.9	66.9	71.2	63.7	55.8	47.7	47.7	105.2	67.2	32.5	65.1	174.3	386.7	686.6	1,056.7	1,505.2
Current Liabilities																			
Total current liabilities		11.8	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.6	19.1	19.6	20.1	20.6	23.1	25.2	27.5
Total liabilities		4.6	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Share Capital		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share Premium		0.1	1.1	69.5	69.5	69.5	69.5	69.5	69.5	69.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5
Accumulated deficit		(74.0)	(84.8)	(93.6)	(93.6)	(98.7)	(106.3)	(114.1)	(122.2)	(122.2)	(156.4)	(195.0)	(230.1)	(198.0)	(89.3)	122.6	420.0	788.0	1,234.2
Total stockholders' equity		(12.7)	(22.4)	37.3	37.3	32.1	24.5	16.7	8.6	8.6	68.5	29.9	(5.3)	26.8	135.5	347.4	644.8	1,012.9	1,459.0
Total liabilities and stockholders Equity		3.7	7.2	66.9	66.9	61.7	54.1	46.3	38.2	38.2	98.1	60.0	25.3	57.9	167.1	379.5	679.4	1,049.5	1,498.0
Cash Flow Statement - Select Items	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net Income (loss)	(5.1)	(5.1)	(20.9)	(10.3)	(31.2)	(6.7)	(9.1)	(9.4)	(9.6)	(37.1)	(40.3)	(44.7)	(41.3)	26.0	102.6	205.7	291.3	361.9	440.0
Depreciation and amortization		0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Stock based compensation		0.4	1.5	1.5	3.5	1.5	1.5	1.5	1.5	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Net cash provided (used) by operating activities	(5.1)	(2.5)	(11.6)	(8.7)	(17.8)	(5.1)	(7.5)	(7.8)	(8.1)	(30.8)	(38.0)	(40.4)	(37.0)	17.8	76.0	159.3	253.2	330.8	404.7
Purchase of property and equipment and intangible asse		(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net cash used in investing activities		(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Proceeds from issuances				68.4	68.4						94.0								
Net cash provided by (used in) financing activities		7.0	13.3	68.4	88.7						94.0								
Decrease in cash and cash equivalents	(5.1)	4.5	1.7	59.6	70.9	(5.1)	(7.6)	(7.8)	(8.1)	(30.9)	55.9	(40.5)	(37.1)	17.7	75.9	159.2	253.1	330.6	404.6
Cash and cash equivalents at the beginning of the year	2.9	(2.1)	2.9	4.6	2.9	73.8	68.7	61.1	53.3	73.8	43.0	98.9	58.4	21.3	38.9	114.8	274.0	527.1	857.7
Cash and cash equivalents at the end of the year	(2.1)	2.4	4.6	64.2	73.8	68.7	61.1	53.3	45.3	43.0	98.9	58.4	21.3	38.9	114.8	274.0	527.1	857.7	1,262.3

Source: Company reports and RBC Capital Markets estimates.

Required disclosures

Conflicts disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

Please note that current conflicts disclosures may differ from those as of the publication date on, and as set forth in, this report. To access current conflicts disclosures, clients should refer to https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?entityId=1 or send a request to RBC CM Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Aerie Pharmaceuticals, Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Aerie Pharmaceuticals, Inc. in the past 12 months.

RBC Capital Markets, LLC makes a market in the securities of Aerie Pharmaceuticals, Inc..

RBC Capital Markets has provided Aerie Pharmaceuticals, Inc. with investment banking services in the past 12 months.

The author is employed by RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in New York, USA.

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average. Although RBC Capital Markets' ratings of Top Pick (TP)/Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Ratings

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Rating

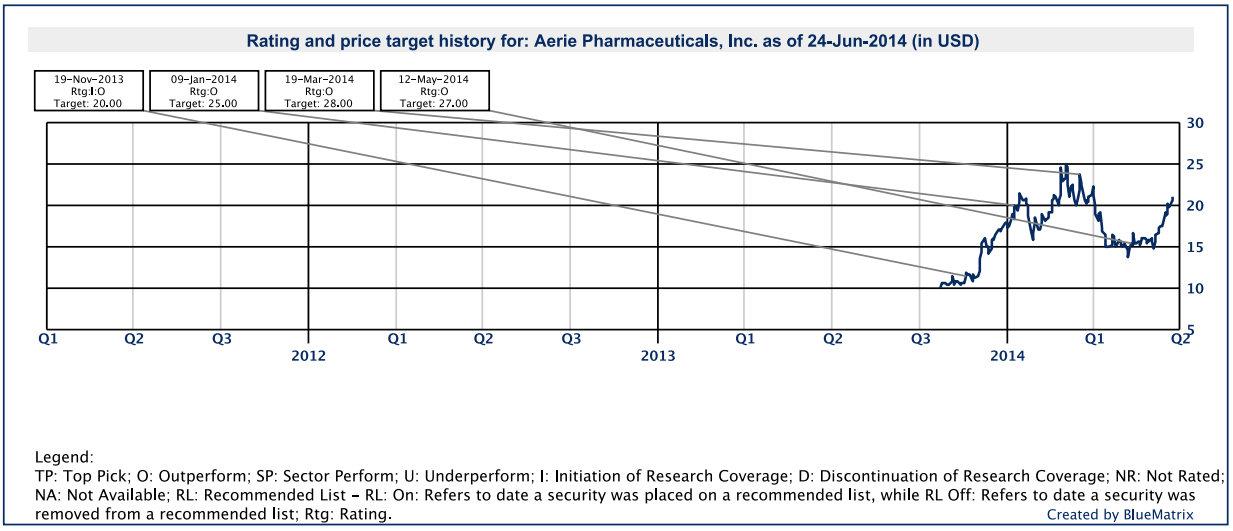
As of March 31, 2013, RBC Capital Markets suspends its Average and Above Average risk ratings. The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick(TP)/Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described below).

Distribution of ratings
RBC Capital Markets, Equity Research
As of 31-Mar-2014

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Top Pick & Outperform]	822	52.49	303	36.86
HOLD [Sector Perform]	654	41.76	170	25.99
SELL [Underperform]	90	5.75	11	12.22



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include a former list called the Prime Opportunity List (RL 3), the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: Midcap 111 (RL 9), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: Global Equity (U.S.) (RL 11). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Equity valuation and risks

For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at https://www.rbcinsight.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

Conflicts policy

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to
https://www.rbccm.com/global/file-414164.pdf
or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. We reserve the right to amend or supplement this policy at any time.

Dissemination of research and short-term trade ideas

RBC Capital Markets endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. Subject to any applicable regulatory considerations, "eligible clients" may include RBC Capital Markets institutional clients globally, the retail divisions of RBC Dominion Securities Inc. and RBC Capital Markets LLC, and affiliates. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in rating, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets research. RBC Capital Markets also provides eligible clients with access to SPARC on its proprietary INSIGHT website. SPARC contains market color and commentary, and may also contain Short-Term Trade Ideas regarding the securities of subject companies discussed in this or other research reports. SPARC may be accessed via the following hyperlink: https://www.rbcinsight.com. A Short-Term Trade Idea reflects the research analyst's directional view regarding the price of the security of a subject company in the coming days or weeks, based on market and trading events. A Short-Term Trade Idea may differ from the price targets and/or recommendations in our

published research reports reflecting the research analyst's views of the longer-term (one year) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. Thus, it is possible that the security of a subject company that is considered a long-term 'Sector Perform' or even an 'Underperform' might be a short-term buying opportunity as a result of temporary selling pressure in the market; conversely, the security of a subject company that is rated a long-term 'Outperform' could be considered susceptible to a short-term downward price correction. Short-Term Trade Ideas are not ratings, nor are they part of any ratings system, and RBC Capital Markets generally does not intend, nor undertakes any obligation, to maintain or update Short-Term Trade Ideas. Short-Term Trade Ideas discussed in SPARC may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any Short-Term Trade Ideas discussed therein.

Analyst certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Disclaimer

RBC Capital Markets is the business name used by certain branches and subsidiaries of the Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, RBC Capital Markets (Hong Kong) Limited, Royal Bank of Canada, Hong Kong Branch and Royal Bank of Canada, Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. RBC Capital Markets may be restricted from publishing research reports, from time to time, due to regulatory restrictions and/or internal compliance policies. If this is the case, the latest published research reports available to clients may not reflect recent material changes in the applicable industry and/or applicable subject companies. RBC Capital Markets research reports are current only as of the date set forth on the research reports. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents:
This publication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE, SIPC), which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC.

To Canadian Residents:
This publication has been approved by RBC Dominion Securities Inc.(member IIROC). Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents:
This publication has been approved by RBC Europe Limited ('RBCEL') which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority, in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FCA. However, targeted distribution may be made to selected retail clients of RBC and its affiliates. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To Persons Receiving This Advice in Australia:
This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on

this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product. This research report is not for retail investors as defined in section 761G of the Corporations Act.

To Hong Kong Residents:

This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited and RBC Capital Markets (Hong Kong) Limited, licensed corporations under the Securities and Futures Ordinance or, by the Royal Bank of Canada, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited, RBC Capital Markets (Hong Kong) Limited or Royal Bank of Canada, Hong Kong Branch at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number is 2848-1388).

To Singapore Residents:

This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch and Royal Bank of Canada (Asia) Limited, registered entities granted offshore bank and merchant bank status by the Monetary Authority of Singapore, respectively. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch or Royal Bank of Canada (Asia) Limited.

To Japanese Residents:

Unless otherwise exempted by Japanese law, this publication is distributed in Japan by or through RBC Capital Markets (Japan) Ltd., a registered type one financial instruments firm and/or Royal Bank of Canada, Tokyo Branch, a licensed foreign bank.