	Annual EPS	Annual revenue	Rating/Target
Today's Changes	2014E $(1.92) from $(1.38) 2014E $(2.05) from $(1.47)	No changes	No changes

Aerie Pharmaceuticals

AERI : NASDAQ : US$19.06

BUY

Target: US$28.00

Ritu Baral - Canaccord Genuity Inc. (US)
rbaral@canaccordgenuity.com 1.212.849.3917

COMPANY STATISTICS:

Shares Out (M):	20.3
Market Cap (M):	US$444.1
52-week Range:	US$10.31 – 27.15

EARNINGS SUMMARY:

FYE Dec		2013E	2014E	2015E
Revenue:		0.0	0.0	0.0
EPS:		(1.60)	(1.92)	(2.05)
Revenue:	Q1	-	0.0	-
	Q2	-	0.0	-
	Q3	0.0	0.0	-
	Q4	0.0	0.0	-
Total		0.0	0.0	0.0
EPS:	Q1	-	(0.43)	-
	Q2	-	(0.46)	-
	Q3	(0.46)	(0.50)	-
	Q4	(0.62)	(0.53)	-
Total		(1.60)	(1.92)	(2.05)

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

COMPANY DESCRIPTION:
AERI is a clinical-stage pharmaceutical company focused on the treatment of glaucoma (one of the largest segments in the global ophthalmic market) and other eye diseases. Its product candidates are the dual-action AR-13324 and triple-action PG324.

All amounts in US$ unless otherwise noted.

Life Sciences -- Biotechnology

Q4/14: ROCLATAN PH2 DATA APPROACHES AS PH3s KICK OFF

Investment recommendation

Reiterate BUY, $28 price target on AR-13324 ('324, now called Rhopressa) potential in open-angle glaucoma and potential BD interest in AERI. We think ROCK/NET inhibitor 13324 may become a leading drug for glaucoma. We think Ph2 comboTx PG324 (now called Roclatan) data expected Q3 and Ph3 13324 data expected mid-2015 will be positive. Our pNPV target of $28 is based on a peak sales estimate of $700M.

Investment highlights

- **$(0.62) EPS vs. consensus of $(0.26), our estimate of $(0.28).**
- **Near-term catalyst of Ph2 Roclatan (fkaPG324) data expected in early Q3/14.** Roclatan is a ComboTx of '324 and the PGA latanoprost. The current Ph2 trial looks at 28 days of Tx. Given '324 alone 28-day Ph2 data showed a ~6mm Hg reduction, we are expecting upcoming data to show a 6+mmHg benefit. We think this is likely given the strength of '324 (as shown by MonoTx Ph2 and Ph1 normotensive IOP data from Jan.) and likely additive benefit with latanoprost.
- **Phase 3 trials to start also in early Q3/14 – data expected mid-2015.** Based on our conversation with KOLs, we think trial enrollment will be rapid, so timelines should be realistic. We think the Ph3s have strong precedent in Ph2 MonoTx data, although we note the duration of Tx is three months.

Investment risks

Clinical risk -- AR-13324's planned Phase 3 program and or PG324's Phase 2 and 3 programs may not be successful. While we believe there is strong positive precedent data for AR-13324 from Phase 2 studies, there is a chance the planned Phase 3 trial will not be successful.

Regulatory risk -- FDA may not approve AR-13324 or PG234. There is no guarantee that FDA will approve AR-13324 or PG324 even if they showed expected levels of IOP lowering. Should FDA's understanding of the relationship between IOP lowering and loss of visual acuity change, the agency may want additional measures of benefit to grant approval. Further, clinical trials could yield some new safety signal that could be of concern.

Competitive risk -- There are a number of other current, well-established classes of glaucoma therapy on the market. Other glaucoma drugs, which utilize different mechanisms to treat the disease, have all been approved for years, if not decades; ophthalmologists have had significant experience treating patients with these medications, and have significant comfort with their efficacy and side effect profiles. As a result, ophthalmologists may continue to preferentially prescribe these drugs despite any potentially superior therapeutic profile of AR-13324 or PG324.

Commercialization/reimbursement risk -- Most current glaucoma therapies are generics, and are available relatively cheaply compared to AERI's intended pricing for AR-13324 and PG324; therefore, there is no guarantee AERI will be able to secure reimbursement for these drugs. Most (but not all) glaucoma medications are available in generic form in the US for <$1 per day in treatment cost. Branded glaucoma therapies that cost between $2 and $3/day (the commercial plan for AR-13324 and PG324) are still able to secure reimbursement and meaningful market share, although many are restricted to second-line use with step-edits. We think this will also be the case of the AERI drug despite a significant premium to the existing generics, especially given our predicted superior therapeutic profile.

Financial risk -- AERI's current cash position will not extend through commercialization of AR-13324. AERI has current pro forma assets of $55M, which we estimate will cover operating expenses through NDA filing of AR-13324, expected in H1/16. This includes the cost of the Phase 3 for AR-13324 and the planned Phase 2b trial of PG324. However, unless AERI secures a significant amount of non-dilutive financing through establishment of commercial partnership, it is unlikely to have cash to cover operating expenses through the AR-13324 launch or for additional Phase 3 development of PG324. Aerie may raise money through the issuance of additional equity.

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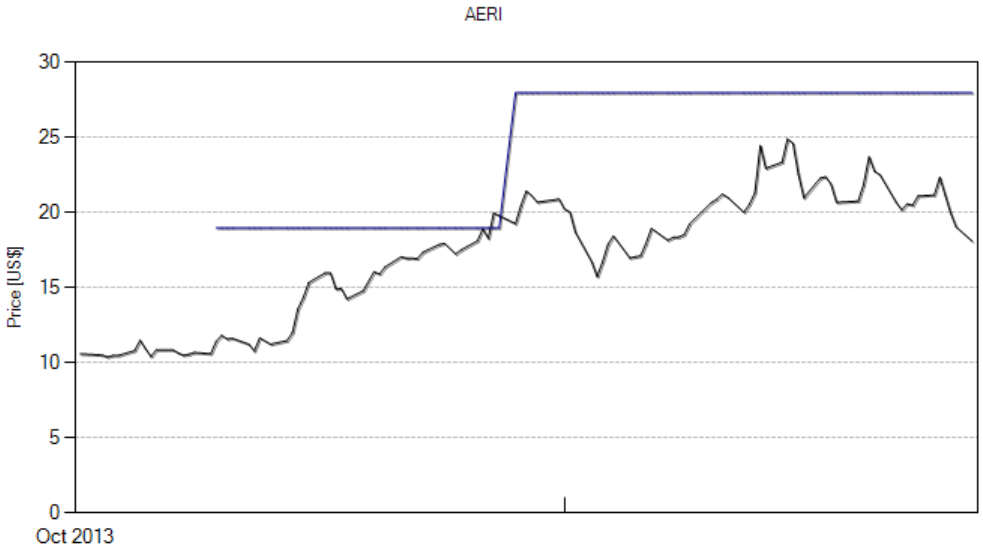
Site Visit:

An analyst has visited Aerie Pharmaceuticals' material operations in Bedminster, NJ. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	11/19/2013	Baral	Buy	19.00	2)	01/13/2014	Baral	Buy	28.00

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 31 March 2014)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	580	58.7%	37.1%
Speculative Buy	43	4.4%	55.8%
Hold	317	32.1%	13.2%
Sell	45	4.6%	4.4%
	988*	100.0%	

*Total includes stocks that are Under Review

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Company	Disclosure
Aerie Pharmaceuticals	1A, 2, 3, 5, 7

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