

Aratana Therapeutics, Inc. (PETX)

Reiterating Market Outperform Ahead of Lock-up Release on December 9, 2013

MARKET DATA

Price	\$19.30
52-Week Range:	\$6.56 - \$29.32
Shares Out. (M):	21.9
Market Cap (\$M):	\$422.7
Average Daily Vol. (000):	70.0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$19.30 | Target Price: \$38.00

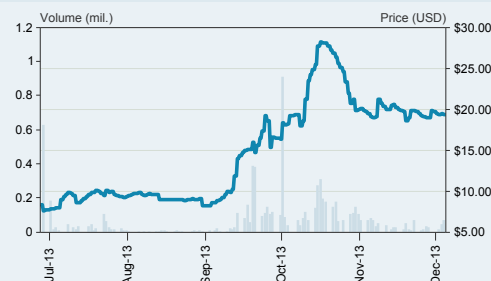
INVESTMENT HIGHLIGHTS

We maintain our Market Outperform rating and \$38 price target on Aratana Therapeutics ahead of the expiration of the company's lock-up agreement on December 9. We highlight the lock-up release date in this note as, in our experience, the risk of distributions by venture investors can put pressure on a company's shares around upcoming releases. As a reminder, at the time that Aratana made the Vet Therapeutics acquisition, the company also announced that the IPO underwriters released a lock-up restriction with respect to the shares of the company's common stock held by the company's officers and directors and each of the other shareholders who signed a lock-up agreement. However, each of the company's officers and directors and several stockholders (representing a total of approximately 14 million shares) agreed with the company to a new lock-up restriction for a period of 90 days following of the closing of the Vet Therapeutics acquisition. As a result, the lock-up restriction from the company's IPO offering on approximately four million shares will be released at 4:00 pm EST, on December 9, 2013. We continue to like Aratana for its exposure to the veterinary therapeutics market, its diversified product pipeline, and the caliber of its management team. Our \$38 price target is based on a blend of DCF (\$37) and relative valuation (\$38) methodologies.

FY DEC		2013E	2014E	2015E
Revenue (\$M)	1Q	\$0.0A	\$0.0	--
	2Q	\$0.0A	\$0.0	--
	3Q	\$0.0A	\$0.0	--
	4Q	\$0.0	\$0.0	--
	FY	\$0.0	\$0.0	\$0.0
EPS	1Q	(\$0.24)A	(\$0.30)	--
	2Q	(\$4.62)A	(\$0.28)	--
	3Q	(\$0.22)A	(\$0.27)	--
	4Q	(\$0.16)	\$0.12	--
	FY	(\$5.15)	(\$0.72)	(\$0.65)
	P/E	NM	NM	NM

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



Company Description

Founded in 2010, Aratana is a development-stage biopharmaceutical company focused on the licensing, development, and commercialization of prescription medications for companion animals (i.e., pet therapeutics). The companion animal market represents a sizable opportunity with a number of therapeutic and medical needs that have yet to be fully realized or met. Aratana has an active in-licensing effort focused on identifying human therapeutics for development and commercialization as pet therapeutics. This model enables human health-focused pharma and biotech companies to extend drug candidates to the companion animal market. With a focus on both cats and dogs, a single, in-licensed drug candidate can offer two therapeutic programs, each of which can potentially offer its own arrangement with specific development milestones and royalties. Additionally, Aratana is developing its own commercial operations to potentially bring its current and future in-licensed drugs to market.

Investment Risks

Limited operating history and significant losses. The company is a development-stage company with a limited operating history and significant losses since its inception. Aratana is expected to continue to incur losses in the short- to medium-term, as it continues the development of product candidates. Previous losses, combined with expected future losses, will continue to have an adverse effect on stockholders' equity and working capital.

Dependence on the success of the three compounds currently in development. Aratana currently has no products approved for commercial distribution. To date, the company has invested much of its efforts and financial resources in the in-licensing, research, and development of AT-001, AT-002, and AT-003, currently the only product candidates that are still in development. If Aratana is not successful in commercializing one or more product candidates, operating results will be negatively impacted.

Regulatory environment. The denial or delay of regulatory approval (e.g., FDA, EMA) for Aratana's existing and future product candidates would delay commercialization efforts and adversely impact the potential to generate revenue and operating results.

Market acceptance/commercial success. Even if current or future product candidates obtain regulatory approval, they may fail to achieve market acceptance and commercial success, which would adversely affect the company's operating and financial results.

Financing risk. On June 27, 2013, Aratana completed an initial public offering, issuing 5.8 million shares of common stock at a price of \$6.00/share, resulting in net proceeds of \$35 million. The company plans to use the net proceeds of the offering to: (i) in-license and develop additional product candidates; (ii) commercialize its current and future product candidates; (iii) establish a direct sales organization in the U.S.; and (iv) for general corporate and working capital purposes. Cash on hand should be enough to fund clinical efforts for AT-001, AT-002, and AT-003 to completion. However, the company will need to raise additional capital in order to successfully commercialize these products and expand its product pipeline.

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JMP Securities has received compensation for banking or other services rendered to Aratana Therapeutics, Inc. in the past 12 months.

JMP Securities was manager or co-manager of a public offering, and received compensation for doing so, for Aratana Therapeutics, Inc. in the past 12 months.

JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

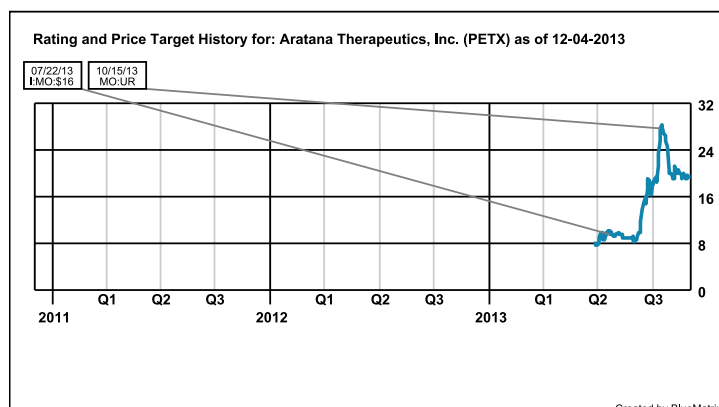
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of December 4, 2013)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	227	54.70%	Buy	227	54.70%	87	38.33%
MARKET PERFORM	Hold	138	33.25%	Hold	138	33.25%	25	18.12%
MARKET UNDERPERFORM	Sell	5	1.20%	Sell	5	1.20%	0	0%
COVERAGE IN TRANSITION		45	10.84%		45	10.84%	0	0%
TOTAL:		415	100%		415	100%	112	26.99%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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