EQUITY RESEARCH

RBC Capital Markets

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Aerie Pharmaceuticals, Inc.

Phase IIb combo data is imminent; Potential game changer for AERI shares

Our view: Upcoming Phase II Roclatan read out is fairly binary in nature (likely positive in our view), though AERI gets another shot with the ongoing Phase III for Rhopressa.

Key points:

Phase IIb data for Roclatan, expected in late June or July, could be a game changer for AERI shares. Positive, statistically significant results mean AERI could have the most efficacious drug targeting glaucoma on the market, assuming success in Phase III studies. Branded first-line glaucoma drugs reached blockbuster status and we would have similar expectations of AERI's Roclatan. We believe the chances of Roclatan demonstrating stat sig superiority over its components, AR-13324 and latanoprost, are high based on mechanism, based on a number of reasons.

Why we think the Phase IIb study could work? Several data points show Roclatan (AR-13324 + latanoprost) could demonstrate superior IOP lowering than latanoprost alone. Proof of concept data for a combination rho kinase inhibitor and prostaglandin is available with PG286. Animal data with Roclatan shows even better efficacy, which makes sense as AR-13324 is a more potent component than PG286. AR-13324 shows potent IOP lowering by itself. Finally, the combination mechanistically and physiologically works via more pathways than a prostaglandin alone. This leads us to conclude that the chances of the Phase IIb trial meeting the primary endpoint are high.

If Roclatan fails, is there room for Rhopressa? Not all patients respond to or tolerate prostaglandins and the safety profile of second-line agents can be problematic. Rhopressa has compelling and equivalent efficacy in the majority of glaucoma patients and could still be combined with other agents.

Market remains attractive, glaucoma prescriptions growing. Prescriptions for first-line glaucoma drugs increased 4.3% and second-line drugs increased 2.2% in 2013. The share of combination products has increased from 14.2% in Apr. 2013 to 14.8% in Apr. 2014.

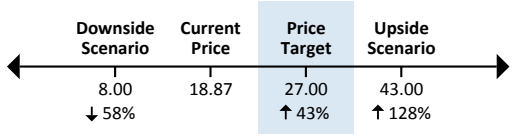
What the upcoming Phase IIb means for AERI shares? We believe the Phase IIb Roclatan study will be positive. However, shares could be volatile if it is not. While details could matter, we believe clean, positive Phase IIb results could take AERI shares to $27+ while negative data could result in shares trading in the high single to low double digits, pending further clarity on the market potential for Rhopressa by itself. The ultimate downside valuation rests in the potential for Rhopressa to make it to the market, its peak sales potential, and the likelihood of a take out.

Please see the following pages for a more detailed discussion.

Outperform
Speculative Risk
NASDAQ: AERI; USD 18.87
Price Target USD 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):	438
Dividend:	0.00	Yield:	0.0%

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

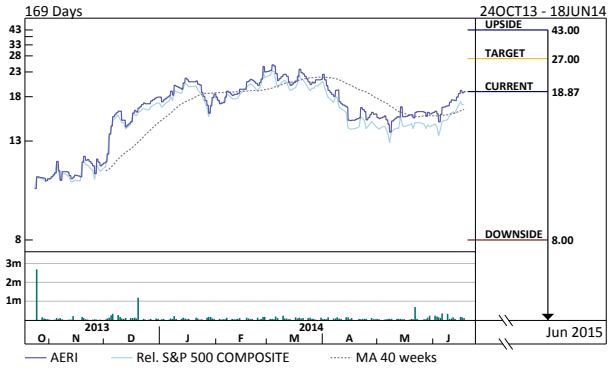
All values in USD unless otherwise noted.

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

For Required Conflicts Disclosures, see Page 11.

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 $27 per share, which includes US/EU sales of Rhopressa and Roclatan. We assign a 65% probability of success and a value of ~$20 per share to the US and ~$7 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 $1B and $0.6B and Rhopressa sales of $0.3B and $0.2B 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 $43 per share includes ~$30 per share in value for the US opportunity and ~$13 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 $300MM in the US and $300MM in the EU. We assign products in the pipeline a 60% probability of success, a discount rate of 15%, and a terminal growth rate of -50%.

Downside scenario

Our downside scenario of $8 per share assumes that Roclatan will not be approved in the US or EU. We value the US opportunity for Rhopressa at ~$5 per share and the EU opportunity at ~$3 per share. We assume market share ramps up to roughly 15% of total second-line glaucoma prescriptions in the US and 10% in the EU. Under such a scenario, peak sales are forecast to be $400–500M in the US and $300–400MM in the EU. We assign Rhopressa a 60% 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 will enter Phase III trials based on positive Phase IIb data and Roclatan a Phase IIb study based on promising preclinical data in 2014. 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 IIb data for Roclatan in 2014.** Important catalyst as it could show differentiation in efficacy vs. latanoprost, the current market leader.
- **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.
- **Roclatan Phase IIb study could fail.** Our assumption for success is based on pre-clinical data with Roclatan, and testing it in patients increases risk.
- **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.

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Why we think the Phase IIb study could work?

Several factors point to the likelihood of Roclatan, a combination of AR-13324 and latanoprost, demonstrating superior IOP lowering than latanoprost alone. Proof of concept data for a combination rho kinase inhibitor and a prostaglandin is available with PG286, a discontinued compound. Animal data with Roclatan shows even better efficacy, which makes sense as AR-13324 is a more potent component than the rho-kinase inhibitor version used in PG286. Finally, the combination mechanistically and physiologically works via more pathways than a prostaglandin alone. This leads us to conclude that the chances of the Phase IIb trial meeting the primary endpoint are high.

More mechanisms should exert greater influence.

AR-13324, one of the components of PG324, works by inhibiting Rho kinase (ROCK) and norepinephrine transporter. The end result is increased trabecular outflow and decreased aqueous production. However, '13324 also lowers IOP by reducing EVP based on animal data. This shows that AR-13324 could exert its influence via three different ways. On the other hand, a prostaglandins work by remodeling the extracellular matrix of ciliary muscle and sclera, and by relaxing and changing the shape of the ciliary muscle. PG324, which combining AR-13324 with a prostaglandin, affects multiple mechanisms that can lead to a decrease in IOP.

Exhibit 2: Rhopressa lowers IOP and EVP

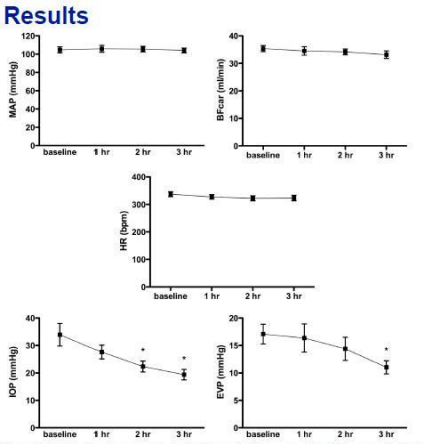


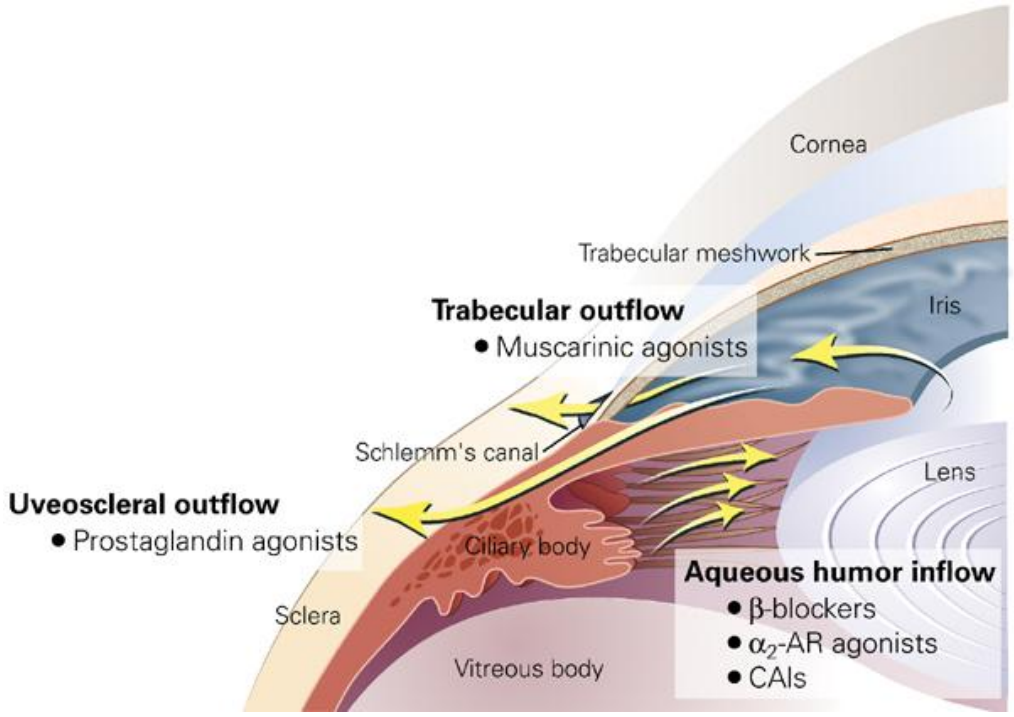
Figure 2. Graphs showing mean ± standard error for the measured variables over the 3 hr time course of the experiments. IOP and EVP were significantly lower than baseline at 3 hrs post dosing. Systemic parameters were stable throughout the experiments.

Source: Company reports.

Physiology favors the hypothesis; opening two drains vs. just one.

AR-13324, one of the components of PG324, works in several ways, including by (1) increasing outflow through the trabecular meshwork, the primary outflow pathway in the eye, and (2) decreasing the production of aqueous humor. Prostaglandins work largely by increasing uveoscleral outflow. PG324, by combining these two agents, should increase outflow as both drains (trabecular meshwork and uveoscleral pathway) are put to use vs. just one drain (uveoscleral pathway).

Exhibit 3: Roclatan could increase outflow from TM and UP



Source: Company reports.

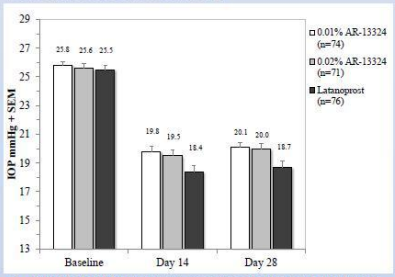
Clinical data shows AR-13324 has potent IOP lowering ability by itself; a prostaglandin should add to it.

The Phase IIb study compared AR-13324 0.02% and 0.01% to latanoprost in 224 patients over 28 days. Both AR-13324 0.01% and 0.02% reduced IOP by 5.7 mmHg and 5.6 mmHg, respectively, vs. a reduction of 6.8 mmHg with latanoprost. In short, '13324 0.01% and 0.02% were almost as good at lowering IOP as latanoprost with 1.1 mmHg and 1.2 mmHg better lowering by the prostaglandin. In the subset of patients with moderately elevated baseline IOPs (<= 26 mmHg at all times), AR-13324 0.02% reduced mean IOP by 5.2-6.4 mmHg, which was in-line with the 5.2-6.9 mmHg drop with latanoprost. A Phase IIa study in 93 patients using AR-13324 0.01%, 0.02%, and 0.04% also showed statistically significant reductions from baseline vs. placebo for all three. Since AR-13324 has demonstrated strong activity by itself, adding latanoprost, a prostaglandin, on top of it should result in better efficacy.

Exhibit 4: AR-13324 efficacy in glaucoma

Mean Diurnal IOP

Baseline IOPs 22-36 mmHg

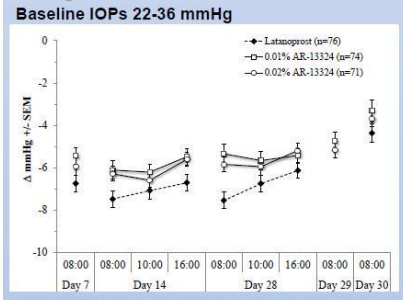


P < 0.0001 at all time points vs. baseline, all groups (paired t-test)

- Both AR-13324 0.01% and 0.02% produced large reductions in IOP (p<0.0001)
- AR-13324 0.02% reduced mean diurnal IOP by 5.7 and 6.2 mmHg
- Latanoprost reduced mean diurnal IOP by 6.8 and 7.1 mmHg
- On Day 28, AR-13324 0.02% was 1.2 mmHg less effective vs. latanoprost in mITT population (p=0.009)

Change in Mean IOP at Each Visit

Baseline IOPs 22-36 mmHg



P < 0.0001 at all time points vs. baseline, all groups (paired t-test)

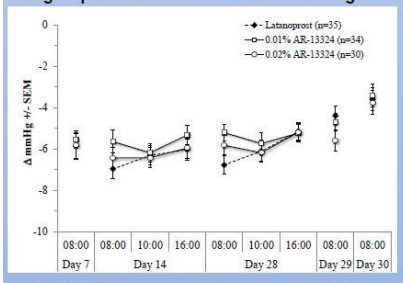
- AR-13324 0.02% reduced mean IOP 5.2 - 6.6 mmHg across all on-treatment time points
  - AR-13324 0.01%: 5.4 – 6.1 mmHg reduction
  - Latanoprost: 6.1 – 7.5 mmHg reduction
- AR-13324 0.02% efficacy unchanged from Day 7 to Day 28 (08:00 time point)
- AR-13324 and latanoprost show similar duration of effect beyond Day 28 (36 hrs and 60 hrs after final Day 27 PM dose)

Efficacy in Patients with Moderately Elevated Baseline IOPs

- Efficacy analyses were repeated for a protocol-specified subgroup of patients with baseline IOPs of ≤26 mmHg at all time points

Change in Mean IOP at Each Visit

Subgroup with Baseline IOPs 22-26 mmHg



P < 0.0001 at all time points vs. baseline, all groups (paired t-test)

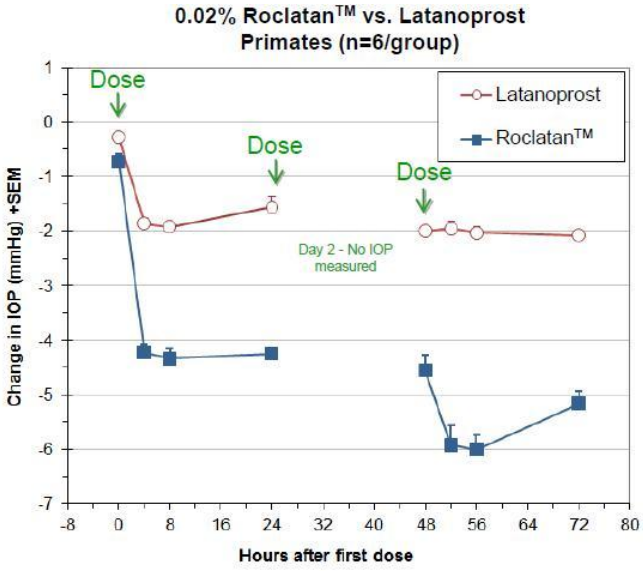
- AR-13324 0.02% reduced mean IOP by 5.2 - 6.4 mmHg
  - Same efficacy as in mITT population
- Latanoprost reduced mean IOP by 5.2 – 6.9 mmHg
  - ~1 mmHg less effective than in mITT
- AR-13324 0.02% efficacy statistically equivalent to latanoprost on Day 28 (mean diurnal IOP within 0.2 mmHg, p=0.754)

Source: Company reports.

PG324 animal data shows greater IOP reduction than latanoprost alone.

Primate models show that Roclatan (AR-13324 + latanoprost) reduces IOP far greater than latanoprost by itself. The difference is greater than 2 mmHg and appears to increase to 3 mmHg or more upon additional dosing. Animal models are predictive and show a combination of AR-13324 and latanoprost works better than a latanoprost alone.

Exhibit 5: Roclatan demonstrated efficacy over latanoprost in animal models.

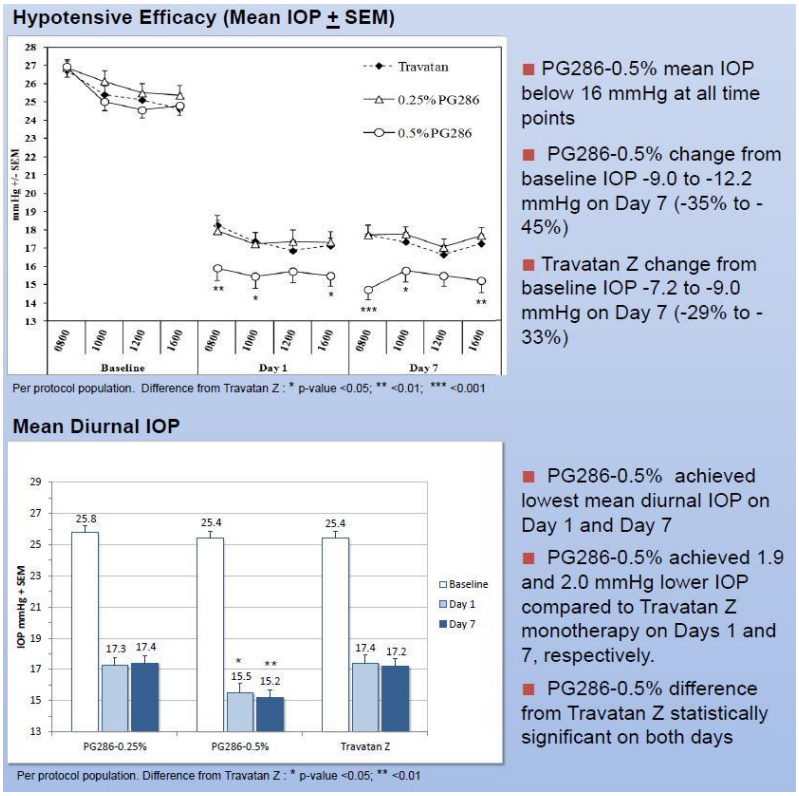


Source: Company reports.

PG286 showed positive proof of concept in a good sized albeit short-term study.

PG286 (discontinued program), a combination of AR-12286 (discontinued program) and travoprost (Travatan Z) was compared to travoprost across three arms in 93 patients. Efficacy was measured at day 1 and day 7. PG286 (0.5%) lowered IOP greater than Travatan Z at all time points except one on Day 1 and Day 7. The mean diurnal IPO difference was 1.9 mmHg lower with PG286 (0.5%) at day 1 and 2 mmHg lower at day 7 and results were statistically significant. Lower dose PG286 (0.25%) reduced IOP about the same as travoprost. Conjunctival hyperemia was the most common adverse event. However, prevalence decreased from day 1 to day 7.

Exhibit 6: PG286 proof-of-concept efficacy



Source: Company reports.

Roclatan Phase IIb study design. The Phase IIb trial, which enrolled ~300 patients, is comparing Roclatan 0.01%, Roclatan 0.02%, Rhopressa 0.02% and latanoprost. The primary endpoint is mean diurnal intraocular pressure (IOP) at day 29. Secondary endpoints include IOP at day 8, 15 and 29, including mean at each post-treatment time point and mean change from the diurnally adjusted baseline.

If Roclatan fails, is there room for Rhopressa?

AERI makes a strong case for Rhopressa as an alternative to or add-on to current drugs. This is based on: 1) Efficacy of Rhopressa is comparable to that of a prostaglandin in nearly 80% of Glaucoma patients, whose IOP are 26 mmHg or less, 2) Efficacy of Rhopressa appears comparable to current second-line agents, but it seems to be far safer, 3) Rhopressa can be combined with other drugs, such as prostaglandins, 4) Patients who do not respond to or cannot tolerate prostaglandins could be candidates, and 5) Patients with low tension glaucoma.

Market remains attractive, glaucoma prescriptions growing.

Prescriptions for first-line glaucoma drugs increased 4.3% and second-line drugs increased 2.2% in 2013. The share of combination products has increased from 14.2% in Apr. 2013 to 14.8% in Apr. 2014. Simbrinza shares continues to grow and it is now 4.9% of all combination glaucoma prescriptions written. We believe this bodes well for Roclatan which would not only have better efficacy than a prostaglandin but also the convenience of a single drop and better safety.

Exhibit 7: TRx and market share trends for 1st and 2nd line glaucoma drugs

TRx	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Total TRx - 1st line PGA	1,359,582	1,297,589	1,387,003	1,363,308	1,322,102	1,417,347	1,325,552	1,424,113	1,388,572	1,267,290	1,397,857	1,406,514
Total TRx - 2nd line Combo / Other	372,222	353,948	376,474	373,840	363,424	393,190	372,512	400,760	393,125	360,243	396,582	398,387
Total TRx - 2nd line BB	372,380	350,866	374,519	365,053	367,933	392,699	363,343	386,783	376,564	341,888	372,441	372,888
Total TRx - 2nd line CAI	223,160	210,162	222,618	219,947	212,683	228,251	213,649	230,102	223,468	205,908	226,636	224,971
Total TRx - 2nd line AA	293,009	276,463	292,571	288,144	281,115	302,653	282,991	299,784	298,195	272,116	297,151	297,775
Total TRx - 2nd line	1,260,771	1,191,439	1,266,182	1,246,984	1,225,155	1,316,793	1,232,495	1,317,429	1,291,352	1,180,155	1,292,810	1,294,021
Check - Total TRx	2,620,353	2,489,028	2,653,185	2,610,292	2,547,257	2,734,140	2,558,047	2,741,542	2,679,924	2,447,445	2,690,667	2,700,535
Total TRx	2,620,353	2,489,028	2,653,185	2,610,292	2,547,257	2,734,140	2,558,047	2,741,542	2,679,924	2,447,445	2,690,667	2,700,535
% Share	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Total TRx - 1st line PGA	51.9%	52.1%	52.3%	52.2%	51.9%	51.8%	51.8%	51.9%	51.8%	51.8%	52.0%	52.1%
Total TRx - 2nd line Combo / Other	14.2%	14.2%	14.2%	14.3%	14.3%	14.4%	14.6%	14.6%	14.7%	14.7%	14.7%	14.8%
Total TRx - Simbrinza (CAI+AA)	0.1%	0.5%	1.1%	1.7%	2.2%	2.8%	3.3%	3.6%	3.9%	4.1%	4.5%	4.9%
Total TRx - 2nd line BB	14.2%	14.1%	14.1%	14.0%	14.4%	14.4%	14.2%	14.1%	14.1%	14.0%	13.8%	13.8%
Total TRx - 2nd line CAI	8.5%	8.4%	8.4%	8.4%	8.3%	8.3%	8.4%	8.4%	8.3%	8.4%	8.4%	8.3%
Total TRx - 2nd line AA	11.2%	11.1%	11.0%	11.0%	11.0%	11.1%	11.1%	10.9%	11.1%	11.1%	11.0%	11.0%
Total TRx - 2nd line	48.1%	47.9%	47.7%	47.8%	48.1%	48.2%	48.2%	48.1%	48.2%	48.2%	48.0%	47.9%
Total TRx	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: IMS and RBC Capital Markets.

What the upcoming Phase IIb means for AERI shares?

We believe the Phase IIb Roclatan study is going to be positive. However, shares could be volatile if it is not. While details could matter, we believe clean, positive Phase IIb results could take AERI shares to $27+ while negative data could result in shares trading in the high single to low double digits, pending further clarity on the market potential for Rhopressa by itself. The ultimate downside valuation rests in the potential for Rhopressa to make it to the market, its peak sales potential, and the likelihood of a take out.

- **Stat. sig positive**. We expect shares to reach or exceed our $27 price target. Depending on the strength of data, at that time we could consider increasing market share rates, the probability of success and/ or reducing the discount rate.
- **Positive trend**. Since the end point is superiority over the individual components, a trend alone could fail to convince the Street that a combination strategy with the current components is salvageable. Under this scenario we could see the stock being reduced to high single to low double digits. The outcome of the Rhopressa alone arm could potentially increase our confidence in the outcome of the ongoing Phase III program as yet another study could show solid IOP lowering at 1 month.
- **Negative**. Our downside scenario states $8 per share, which we believe could ultimately prove conservative, especially if Rhopressa succeeds in Phase III studies.

Valuation

We value AERI at $27 per share, which includes US/EU sales of Rhopressa and Roclatan. We assign a 65% probability of success and a value of ~$20 per share to the US and ~$7 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 $1B and $0.6B and Rhopressa sales of $0.3B and $0.2B 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 IIb study for Roclatan and a Phase III study for Rhopressa are expected in 2014, 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 markets. 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.

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Aerie Pharmaceuticals - Income Statement
FYE December 31

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(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	192.8
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	765.1
Royalties														10.0	24.8	44.6	59.7	69.2	73.6
Other																			
Total Revenues													6.6	89.5	214.4	412.2	585.6	731.0	838.7
EXPENSES																			
COGS													0.7	7.9	19.0	36.8	52.6	66.2	76.5
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	153.0
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	231.0
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)	36.6	149.0	300.4	426.3	531.0	607.7
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)	36.9	149.3	300.7	426.6	531.3	608.0
Taxes														12.5	50.8	102.2	145.0	180.6	206.7
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)	24.3	98.5	198.5	281.6	350.6	401.3
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)	$0.78	$3.08	$6.08	$8.45	$10.32	$11.58
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)	$0.66	$2.63	$5.21	$7.25	$8.86	$9.95
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%	8.4%	0.7%	0.4%	0.3%	0.2%	0.2%
SG&A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	456.6%	41.9%	21.0%	17.8%	18.0%	18.1%	18.2%
Operating Margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-632.9%	40.9%	69.5%	72.9%	72.8%	72.6%	72.5%
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%	27.2%	45.9%	48.1%	48.1%	48.0%	47.8%

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	37.7	110.0	262.7	506.6	826.3	1,206.0
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	63.8	169.0	374.1	664.3	1,023.3	1,432.3
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	63.5	168.6	373.7	663.8	1,022.7	1,431.7
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	26.7
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)	(199.7)	(95.0)	109.6	397.2	754.0	1,161.4
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)	25.2	129.8	334.4	622.1	978.8	1,386.2
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	56.3	161.4	366.5	656.6	1,015.5	1,424.5
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)	24.3	98.5	198.5	281.6	350.6	401.3
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)	16.5	72.5	152.8	244.0	319.8	379.8
Purchase of property and equipment and intangible assets		(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)	16.4	72.4	152.7	243.9	319.7	379.7
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	37.7	110.0	262.7	506.6	826.3
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	37.7	110.0	262.7	506.6	826.3	1,206.0

Source: Company reports and RBC Capital Markets estimates.

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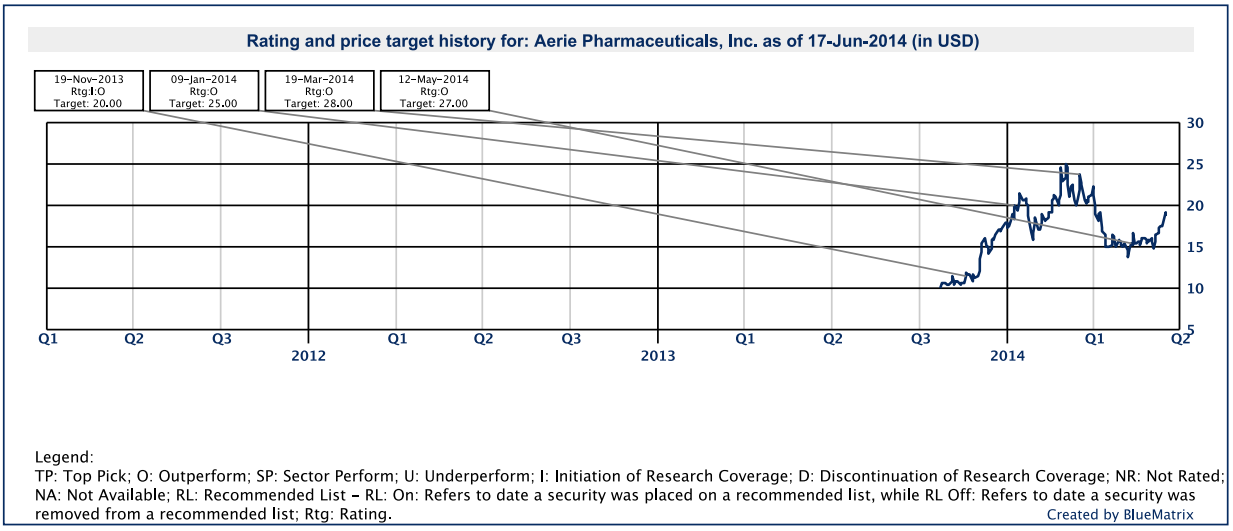

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