

COMPANY NOTE

Target | Estimate Change

USA | Healthcare | Pharmaceuticals/Specialty

June 6, 2014

Jefferies

Aratana Therapeutics (PETX) Pipeline On Track; Execution To Drive Outperformance

Key Takeaway

We continue to like PETX and see substantial valuation upside based on our DCF valuation of \$23. We believe near-term financial results are of low importance and see the potential for 7 full product approvals by 2016E to add significant value to PETX and drive fresh momentum in the share price.

We are updating estimates on recent pipeline updates and Q1'14 actuals: Key pipeline updates include a slightly earlier full USDA licensing decision for AT-004 in B-cell lymphoma in dogs in H2 2014 (from late 2014/ early 2015), and a delay in initiating the pivotal effectiveness study for AT-008 for canine lymphoma pending a review of third party trial data in the US. We are now assuming an AT-008 filing in the EU in 2016 (from 2015). Aratana added AT-015 for feline lymphoma to its portfolio, which is not yet reflected in our model but could represent upside to estimates.

Two year execution window could see significant value added by 2016: Aratana expects its current cash resources to fund operations through 2015. Following this window, by 2016, we expect the company's efforts to potentially culminate in 7 fully approved products and 10 products in development (dogs and cats counted separately). This includes full approvals for AT-004 (peak sales of \$60m) and AT-005 (\$27m), and launches for canine osteoarthritis (AT-001, \$98m), canine inappetence (AT-002, \$38m), canine post-operative pain (AT-003, \$71m), feline ocular herpes (AT-006, \$65m), and canine oncology (AT-014, \$10m). Aratana also has the option to in-license two additional programs with decisions expected by mid-2014, one of which is a CRTH2 inhibitor for atopic dermatitis in dogs.

Reiterate Buy rating: Whilst our estimates are below consensus in the near-to-mid term, we see c63% upside to the stock based on our 3 stage DCF valuation of \$23, which uses more conservative assumptions for the lymphoma market. We think the companion animal health space remains under-developed compared to human therapeutics, despite a shorter approval timeline and cheaper development costs, and believe Aratana is well-positioned with one of the most robust companion animal product portfolios.

Valuation/Risks

Valuation: Our PT of \$23 is calculated by a 3-stage DCF analysis and implies a long-run EV/ Sales multiple of c6x. **Risks:** R&D, regulatory, M&A, manufacturing, launch execution, competition from larger players, cash burn rate.

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	0.1	0.3	1.0	0.8	1.6	14.2	13.2
EV/Rev		NM		NM		NM		27.7x
EBITDA (MM)	--	(19.5)	(35.5)	(39.4)	(39.1)	(42.5)	(32.6)	(39.4)
EV/EBITDA		NM		NM		NM		NM
Cons. EPS	--	--	(1.35)	(1.57)	(1.43)	(1.63)	(0.85)	(1.15)
EPS								
FY Dec	--	(0.39)	(1.55)	(1.46)	(1.58)	(1.70)	(1.43)	(1.69)
FY P/E		NM		NM		NM		NM

BUY

Price target \$23.00

(from \$25.00)

Price \$14.58

Financial Summary

Net Debt (MM): (\$65.0)

Market Data

52 Week Range: \$29.32 - \$6.00

Total Entprs. Value (MM): \$365.1

Market Cap. (MM): \$430.1

Shares Out. (MM): 29.5

Float (MM): 21.3

Avg. Daily Vol.: 248,309

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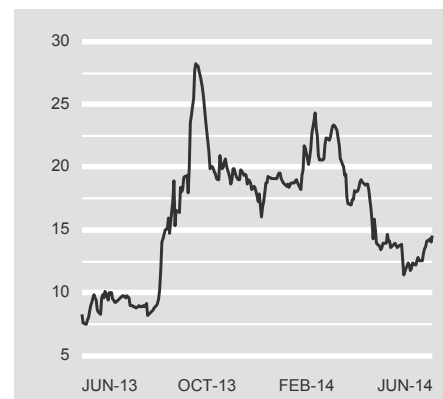
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Price Performance



Financial Models and Catalysts

Exhibit 1: Summary of key changes to estimates for Aratana Therapeutics, 2013A - 2018E

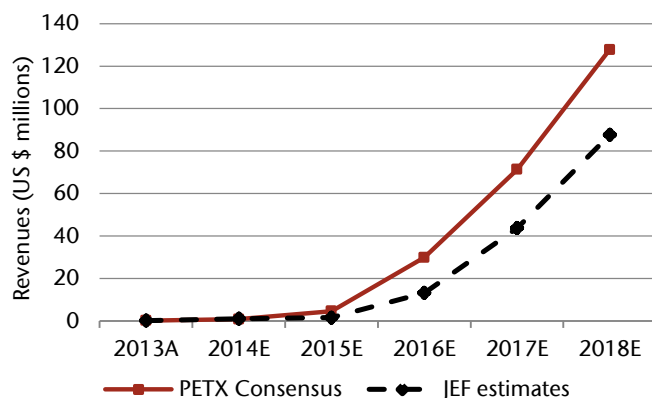
(\$) millions	2013A	2014E	2015E	2016E	2017E	2018E	CAGR '13A-'18E
Net sales							
Prior estimates	0.1	0.3	0.8	14.2	46.5	92.1	NA
New estimates	0.1	1.0	1.6	13.2	43.8	87.6	NA
Change	0%	261%	83%	-7%	-6%	-5%	
Sales growth (%)							
Prior estimates		120%	214%	1576%	227%	98%	
New estimates		692%	59%	749%	232%	100%	
JEFe vs. Consensus							
Consensus Sales est.	0	1	5	30	71	128	
JEFe vs. Cons. Sales	0%	28%	-66%	-56%	-39%	-31%	
Diluted EPS							
Prior estimates	(\$0.39)	(\$1.55)	(\$1.58)	(\$1.43)	(\$0.57)	\$0.59	NA
New estimates	(\$0.39)	(\$1.46)	(\$1.70)	(\$1.69)	(\$0.95)	\$0.15	NA
Change	NA	NA	NA	NA	NA	-75%	
EPS growth (%)							
Prior estimates		296%	2%	-10%	-60%	-203%	
New estimates		274%	16%	-1%	-44%	-115%	
JEFe vs. Consensus							
Consensus EPS est.	(\$0.39)	(\$1.57)	(\$1.63)	(\$1.15)	(\$0.37)	\$0.87	
JEFe vs. Consensus	0%	NA	NA	NA	NA	NA	

Source: Jefferies estimates, company data

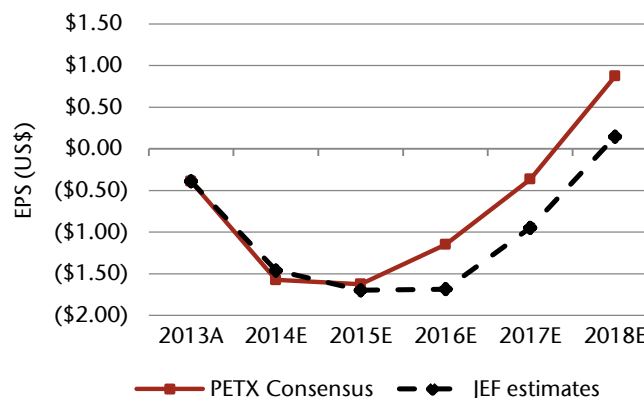
Exhibit 2: Jefferies 2014 estimates versus management guidance

Metric	Guidance/Goal	JEF Estimate
Clinical development	\$25 - \$30m	\$25.2m
Use of cash from operations	\$35 - \$40m	\$34.3m

Source: Jefferies estimates, company data

Exhibit 3: Jefferies revenue estimates versus consensus for Aratana Therapeutics, 2013A-2018E


Source: FactSet, company data, Jefferies estimates

Exhibit 4: Jefferies EPS estimates versus consensus for Aratana Therapeutics, 2013A-2018E


Source: FactSet, company data, Jefferies estimates

Exhibit 5: Aratana - Summary of assumptions and the NPV of cash flows (\$ in millions, except EPS)

Metric	Assumption/ Calculation
Terminal growth rate	-3.0%
Discount rate	12.0%
Stage 1 Net Cash Flow PV (2014E-25E) (\$m)	\$188
Stage 2 Net Cash Flow PV (2026E-34E) (\$m)	\$295
Stage 3 Net Cash Flow PV (2034E to perpetuity) (\$m)	\$142
Cumulative PV of Net Cash Flow	\$625
Net debt (post-Q1'14) (\$m)	(\$65)
Total NPV	\$690
Number of shares (m)	29.5
Aratana Fair Value (per share)	\$23.39
Source: Jefferies estimates	

Exhibit 6: Estimated approval timeline and peak sales estimates for key assets by region

Product	Proposed indication	Animal species	JEFe Approval		JEFe Peak sales (\$m)	
			US	EU	US	EU
AT-001	Osteoarthritic pain and inflammation	dogs	2016	2017	\$51	\$46
		cats	2018	2019	\$30	\$26
AT-002	Appetite stimulant	dogs	2016	2017/18	\$20	\$18
		cats	2017	2018	\$66	\$59
AT-003	Post-operative pain	dogs	2016	2017	\$37	\$34
		cats	2017	2018	\$23	\$21
AT-004	B-cell lymphoma	dogs	Approved	mid 2016	\$30	\$30
AT-005	T-cell lymphoma	dogs	Approved	2016	\$14	\$14
AT-006	Feline ocular herpes virus	cats	2016	2015	\$35	\$31
AT-007	Feline immunodeficiency virus	cats	2017	2017	\$36	\$32
AT-008	Canine lymphoma	dogs	NA	2017	NA	\$44
ADXS-CHER2	Osteosarcoma	dogs	2015	2017	\$5	\$5
AT-009	Mast cell tumors	dogs	NA	NA	NA	NA
AT-010	Atopic dermatitis	dogs	NA	NA	NA	NA
AT-011	Parvovirus	dogs	NA	NA	NA	NA
AT-012	Feline calicivirus	cats	NA	NA	NA	NA
AT-015	Feline lymphoma	cats	NA	NA	NA	NA

Source: Company data, Jefferies estimates

Exhibit 7: Summary catalyst calendar for Aratana Therapeutics

2H'14	1H'15	2H'15	1H'16
↑ Q2 results (Aug) ↑ Q3 results (November)	↑ Q4 results (March) ↑ Q1 results (May)	↑ Q2 results (Aug) ↑ Q3 results (November)	↑ Q4 results (March) ↑ Q1 results (May)
AT-001 (dogs) Results from pivotal effectiveness study for osteoarthritic pain	AT-005 (dogs) USDA decision for full licensure for T-cell lymphoma		AT-001 (dogs) Expected FDA approval decision for osteoarthritic pain
AT-004 (dogs) USDA decision for full licensure for B-cell lymphoma	AT-005 (dogs) Potential readouts for AT-005/ chemotherapy combination regimen studies		AT-002 (dogs) Expected FDA approval decision for inappetence
AT-006 (cats) Results from pivotal effectiveness study for ocular herpes virus	AT-003 (dogs) Potential readout from pivotal effectiveness study for post-operative pain		AT-003 (dogs) Expected FDA approval decision for post-operative pain
Product Development Day Undisclosed date	AT-002 (dogs) Topline results from pivotal effectiveness study for inappetence	AT-014 (dogs) Potential Conditional Approval decision by USDA in osteosarcoma	
AT-003 (dogs) Potential readout from pilot study for post-operative pain	AT-006 (cats) Approval decision in Europe for ocular herpes virus		
AT-003 (cats) Potential readout from proof-of-concept study for post-operative pain			
Decisions for two Option Programs Opt-in/ opt-out decisions (one of the programs is CRTH2 inhibitor for atopic dermatitis in dogs)			

Source: Jefferies estimates, company data

Exhibit 8: Key global revenues for Aratana, 2013A-2018E

(US\$) Millions	2013A	2014E	2015E	2016E	2017E	2018E	Incr. abs. '13E-'18E
AT-005 - dog (US)	\$0.0	\$0.2	\$0.5	\$2.0	\$4.1	\$6.1	\$6.1
Total launched products	\$0.0	\$0.2	\$0.5	\$2.0	\$4.1	\$6.1	\$6.1
AT-001 - dog (US)	\$0.0	\$0.0	\$0.0	\$4.1	\$10.3	\$16.5	\$16.5
AT-001 - cat (US)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0
AT-001 - dog (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9	\$5.6	\$5.6
AT-001 - cat (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
AT-002 - dog (US)	\$0.0	\$0.0	\$0.0	\$1.6	\$3.9	\$6.3	\$6.3
AT-002 - cat (US)	\$0.0	\$0.0	\$0.0	\$0.0	\$3.3	\$8.3	\$8.3
AT-002 - dog (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.7	\$2.1	\$2.1
AT-002 - cat (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.7	\$0.7
AT-003 - dog (US)	\$0.0	\$0.0	\$0.0	\$1.9	\$4.7	\$7.5	\$7.5
AT-003 - cat (US)	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2	\$2.9	\$2.9
AT-003 - dog (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.8	\$2.5	\$2.5
AT-003 - cat (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5	\$0.5
AT-004 - dog (OUS)	\$0.0	\$0.0	\$0.0	\$1.2	\$3.6	\$7.2	\$7.2
AT-005 - dog (OUS)	\$0.0	\$0.0	\$0.0	\$0.5	\$1.6	\$3.2	\$3.2
AT-007 - cat (US)	\$0.0	\$0.0	\$0.0	\$0.0	\$1.8	\$4.5	\$4.5
AT-007 - cat (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.8	\$2.4	\$2.4
AT-008 - dog (Canilox) (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$1.7	\$5.2	\$5.2
AT-014 (ADX5-cHER2) - dog (US)	\$0.0	\$0.0	\$0.0	\$0.1	\$0.4	\$0.7	\$0.7
AT-014 (ADX5-cHER2) - dog (OUS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1
Total pipeline products	\$0.0	\$0.0	\$0.0	\$9.4	\$36.7	\$77.3	\$77.3
AT-004 - dog (US)	\$0.0	\$0.1	\$0.2	\$0.7	\$1.4	\$2.0	\$2.0
AT-006 - cat (US)	\$0.0	\$0.0	\$0.0	\$0.1	\$0.4	\$0.7	\$0.7
AT-006 - cat (OUS)	\$0.0	\$0.0	\$0.1	\$0.3	\$0.6	\$0.8	\$0.8
Total royalties	\$0.0	\$0.1	\$0.3	\$1.1	\$2.3	\$3.5	\$3.5
Total manufacturing revenue	\$0.1	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.6
Total revenue	\$0.1	\$1.0	\$1.6	\$13.2	\$43.8	\$87.6	\$87.5

Source: Jefferies estimates, company data

Exhibit 9: Annual income statement for Aratana, 2013A-2018E

(\$ millions)	2013A	2014E	2015E	2016E	2017E	2018E	Incr. abs. '13A-'18E
Net product sales	0.0	0.2	0.5	2.0	4.1	6.1	6.1
Pipeline revenue	0.0	0.0	0.0	9.4	36.7	77.3	77.3
Royalty revenue	0.0	0.1	0.3	1.1	2.3	3.5	3.5
Manufacturing revenue	0.1	0.7	0.7	0.7	0.7	0.7	0.6
Total revenue	0.1	1.0	1.6	13.2	43.8	87.6	87.5
Cost of products sold	0.1	0.6	0.9	2.6	7.1	13.5	13.4
Gross profit	0.0	0.4	0.7	10.6	36.6	74.1	74.1
R&D	10.9	25.2	28.1	28.1	25.3	22.8	11.9
SG&A	8.6	14.1	15.2	22.2	28.8	36.1	27.5
In-process R&D	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Operating income	(19.9)	(41.7)	(49.8)	(46.1)	(23.3)	10.1	29.9
Net interest (income)/ expense	0.4	0.9	0.4	3.6	4.7	5.1	4.7
Other expenses (income)	(0.5)	0.2	0.0	0.0	0.0	0.0	0.5
Earnings before taxes	(19.7)	(42.8)	(50.1)	(49.7)	(28.0)	5.0	24.7
Taxes	(15.5)	(0.6)	0.0	0.0	0.0	0.5	16.0
Tax rate	NA	1.5%	0.0%	0.0%	0.0%	10.0%	NA
Net income (loss)	(4.3)	(42.2)	(50.1)	(49.7)	(28.0)	4.5	8.8
Changes in value of convertible preferred stock	(1.6)	0.0	0.0	0.0	0.0	0.0	1.6
Net income (loss) for common	(5.9)	(42.2)	(50.1)	(49.7)	(28.0)	4.5	10.3
Diluted EPS	(\$0.39)	(\$1.46)	(\$1.70)	(\$1.69)	(\$0.95)	\$0.15	\$0.54
Wtd avg diluted sh outstanding (m)	11.0	28.8	29.5	29.5	29.5	30.5	19.5
Year-end share count (m)	21.3	29.5	29.5	29.5	29.5	30.5	9.1
Dividends per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Margin Analysis	2013A	2014E	2015E	2016E	2017E	2018E	
Cost of products sold	NA	61%	56%	20%	16%	15%	
Gross margin	NA	39%	44%	80%	84%	85%	
R&D	NA	NA	NA	NA	58%	26%	
SG&A	NA	NA	NA	NA	66%	41%	
Operating margin	NA	NA	NA	NA	NA	11%	
Pretax margin	NA	NA	NA	NA	NA	6%	
Net margin	NA	NA	NA	NA	NA	5%	
% YoY Change	2013A	2014E	2015E	2016E	2017E	2018E	
Total revenue	NA	NA	59%	749%	232%	100%	
Cost of products sold	NA	NA	48%	201%	171%	90%	
Gross profit	NA	NA	77%	1451%	247%	102%	
R&D	50%	130%	12%	0%	(10%)	(10%)	
SG&A	187%	65%	8%	46%	30%	25%	
In-process R&D	NA	NA	NA	NA	NA	NA	
Operating income	NA	NA	NA	NA	NA	NA	
Earnings before taxes	NA	NA	NA	NA	NA	NA	
Net income (loss)	NA	NA	NA	NA	NA	NA	
Diluted EPS	NA	NA	NA	NA	NA	NA	
Shares outstanding	NA	163%	2%	0%	0%	3%	

Source: Jefferies estimates, company data

Exhibit 10: Quarterly income statement for Aratana, Q1 2013A - Q4 2014E

(\$ in millions, except EPS)	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E
Net product sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
AT-005 - US	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Pipeline revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Royalty revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Manufacturing revenue	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.7
Total revenue	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.4	1.0
Cost of products sold	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.2	0.2	0.6
Gross profit	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.4
R&D	2.1	2.5	3.2	3.1	10.9	3.6	6.5	7.3	7.8	25.2
SG&A	1.2	1.3	1.4	4.7	8.6	4.6	2.7	3.1	3.7	14.1
In-process R&D	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.7
Amortization of intangible assets	0.0	0.0	0.0	0.4	0.4	0.6	0.5	0.5	0.5	2.2
Operating income	(3.3)	(3.7)	(4.7)	(8.1)	(19.9)	(9.2)	(9.8)	(10.9)	(11.9)	(41.7)
Net interest expense/ (income)	0.0	0.1	0.1	0.2	0.4	0.3	0.2	0.2	0.2	0.9
Other expenses (income)	(0.1)	(0.3)	(0.0)	(0.0)	(0.5)	0.2	0.0	0.0	0.0	0.2
Earnings before taxes	(3.3)	(3.4)	(4.7)	(8.3)	(19.7)	(9.8)	(10.0)	(11.0)	(12.0)	(42.8)
Taxes	0.0	0.0	0.0	(15.5)	(15.5)	(0.6)	0.0	0.0	0.0	(0.6)
Tax rate	0.0	0.0	0.0	1.9	0.8	0.1	0.0	0.0	0.0	0.0
Net income (loss)	(3.3)	(3.4)	(4.7)	7.1	(4.3)	(9.2)	(10.0)	(11.0)	(12.0)	(42.2)
Changes in value of convertible preferred stock	(0.8)	(0.8)	0.0	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Net income (loss) for common stockholders	(4.1)	(4.2)	(4.7)	7.1	(5.9)	(9.2)	(10.0)	(11.0)	(12.0)	(42.2)
Diluted EPS	(4.73)	(4.63)	(0.22)	0.33	(0.39)	(0.34)	(0.34)	(0.37)	(0.41)	(1.46)
Weighted avg diluted shares outstanding	0.9	0.9	20.8	21.3	11.0	26.8	29.5	29.5	29.5	28.8
Margin Analysis	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E
Cost of products sold	NA	NA	NA	89%	89%	NA	95%	88%	57%	61%
Gross margin	NA	NA	NA	11%	11%	NA	5%	12%	43%	39%
R&D	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
SG&A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pretax margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net margin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
% YoY Change	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E
Total revenue	NA	NA	NA	NA	NA	NA	NA	NA	235%	692%
Cost of products sold	NA	NA	NA	NA	NA	NA	NA	NA	117%	441%
Gross profit	NA	NA	NA	NA	NA	NA	NA	NA	1154%	2645%
R&D	21%	28%	95%	59%	50%	69%	165%	125%	150%	130%
SG&A	146%	102%	34%	482%	187%	276%	115%	115%	(20%)	65%
In-process R&D	NA	NA	NA	NA	NA	NA	0%	0%	0%	0%
Amortization of intangibles	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Earnings before taxes	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net income (loss)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Diluted EPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shares outstanding	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: Jefferies estimates, company data

Exhibit 11: Balance sheet for Aratana Therapeutics, 2013A-2018E

(\$) millions	2013A	2014E	2015E	2016E	2017E	2018E
Cash and short-term investments	45.7	48.1	53.8	12.2	9.7	14.5
Cash and cash equivalents	41.1	44.9	53.8	12.2	9.7	14.5
Short-term investments	4.7	3.2	0.0	0.0	0.0	0.0
Accounts receivable	0.0	0.2	0.2	4.0	12.2	24.5
Inventories	0.1	0.5	0.5	2.0	4.9	9.2
Prepaid expenses and taxes	0.3	0.7	0.7	0.7	0.7	0.7
Other Current assets	1.4	1.4	1.4	1.4	1.4	1.4
Current assets	48.5	50.8	56.5	20.2	28.7	50.3
Net property, plant and equipment	0.1	0.5	3.1	4.4	4.9	5.5
Goodwill and intangible items	66.9	112.0	104.9	98.5	92.7	87.5
Total Assets	115.5	164.5	165.8	124.3	127.6	144.5
Liabilities and Shareholders' Investment						
Current portion of long term debt	8.6	1.9	1.8	0.0	0.0	0.0
Accrued expenses	2.5	2.2	2.2	2.2	2.2	2.2
Accounts payable	2.3	0.4	0.4	1.6	3.9	7.4
Deferred income	0.8	0.8	0.8	0.8	0.8	0.8
Current portion of deferred licensing revenue	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.1	0.1	0.1	0.1	0.1	0.1
Current liabilities	16.9	8.0	7.9	7.3	9.6	13.1
Long-term debt	9.3	7.4	50.0	50.0	70.0	70.0
Deferred licensing revenue	0.0	0.0	0.0	0.0	0.0	0.0
Contingent consideration	1.5	1.6	1.6	1.6	1.6	1.6
Deferred tax liabilities	1.7	4.6	4.6	4.6	4.6	4.6
Other non-current liabilities	0.1	0.1	0.1	0.1	0.1	0.1
Total Liabilities	29.5	21.7	64.2	63.5	85.9	89.4
Common equity	86.0	142.8	101.6	60.8	41.7	55.1
Common stock	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	112.5	205.3	205.3	205.3	205.3	205.3
Retained earnings (accumulated deficit)	(26.5)	(62.6)	(103.8)	(144.5)	(163.6)	(150.2)
Shareholders' Equity	86.0	142.8	101.6	60.8	41.7	55.1
Total Liabilities and Equity	115.5	164.5	165.8	124.3	127.6	144.5

Source: Jefferies estimates

Exhibit 12: Cash Flow Statement for Aratana Therapeutics, 2013A-2018E

(\$) millions	2013A	2014E	2015E	2016E	2017E	2018E
Net income (GAAP)	(4.3)	(42.2)	(50.1)	(49.7)	(28.0)	4.5
Adjustments to reconcile net income	(13.7)	11.5	16.2	15.7	15.2	14.7
Depreciation and amortization	0.4	2.3	7.2	6.8	6.2	5.7
Share-based compensation expense	1.0	8.9	8.9	8.9	8.9	8.9
Change in current assets and liabilities	1.8	(3.6)	(0.0)	(4.1)	(8.8)	(13.2)
Net cash from operating activities	(16.2)	(34.3)	(34.0)	(38.1)	(21.6)	5.9
Capital expenditures	(0.1)	(0.3)	(2.8)	(1.6)	(1.0)	(1.1)
Purchases of marketable securities	(5.2)	(1.2)	0.0	0.0	0.0	0.0
Sales of marketable securities	6.9	1.5	3.2	0.0	0.0	0.0
Acquisition of businesses and in-process R&D	(31.0)	(12.3)	0.0	0.0	0.0	0.0
Change in restricted cash	0.1	0.0	0.0	0.0	0.0	0.0
Other	0.0	(1.3)	0.0	0.0	0.0	0.0
Net cash from investing activities	(29.2)	(13.6)	0.4	(1.6)	(1.0)	(1.1)
Net change in short term debt	0.0	(5.6)	(0.1)	(1.8)	0.0	0.0
Net change in long term debt	14.9	0.0	42.6	0.0	20.0	0.0
Net preferred stock transactions	3.4	0.0	0.0	0.0	0.0	0.0
Net common stock transactions	54.2	90.5	0.0	0.0	0.0	0.0
Net cash from financing activities	72.5	84.8	42.5	(1.8)	20.0	0.0
Net change in cash	27.1	3.8	8.9	(41.5)	(2.6)	4.8
Cash at beginning of period	14.0	41.1	44.9	53.8	12.2	9.7
Cash at end of period	41.1	44.9	53.8	12.2	9.7	14.5

Source: Jefferies estimates

Company Description

Aratana is a development-stage biopharmaceutical company focused on the licensing, development and commercialization of innovative prescription medications for pets, or pet therapeutics

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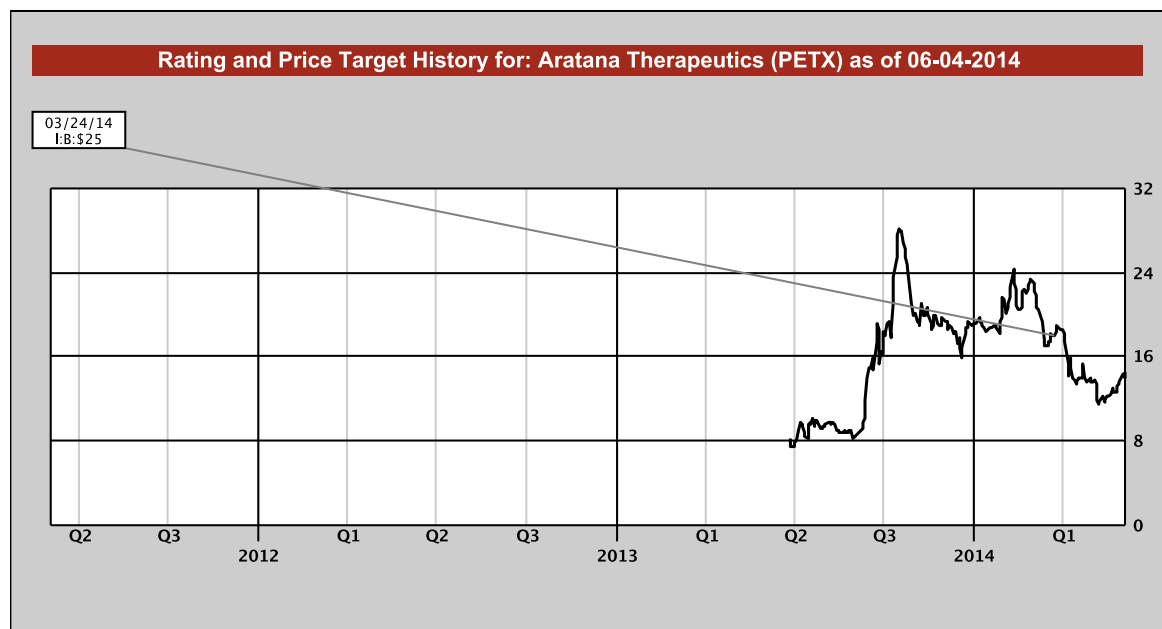
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