EQUITY RESEARCH

RBC Capital Markets

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Aerie Pharmaceuticals, Inc.

Notes from the road: Becoming more bullish on Rhopressa and Roclatan prospects

Our view: Meetings with management shed further light on the clinical and commercial outlook for Rhopressa and Roclatan

Key points:

We come away more convinced than before that Rhopressa and Roclatan are unique assets for glaucoma, could work in ongoing Phase III trials, and become blockbuster drugs upon approval. Phase III trials for Rhopressa have begun with top-line efficacy data expected around mid-2015 and the Roclatan Phase III program could begin in 2016. Based on initial physician enthusiasm, there is an outside possibility that timelines could be accelerated. In our view, hyperemia is a non-issue, durability is solid and will be answered more completely with Phase III data, mechanism is first-in-class, once-daily dosing is convenient, and partnership likely, especially for non-core regions. With these strong underlying fundamentals and two positive Phase IIb studies under its belt, AERI shares should weather the recent storms created for small cap biotechs and go higher as the story is underappreciated, timelines could be rapid, and likelihood of a partnership or takeout high. We are raising our price target to reflect higher ultimate penetration rates for Rhopressa and believe current levels represent an attractive entry point.

Phase IIb data, already reported, has positive read-throughs for Roclatan and Rhopressa.

Durability of effect has been a question but there is natural variability in measurements and the Roclatan Phase IIb data showed consistent IOPs across the vast majority of time points. Importantly, the difference between Roclatan and latanoprost was 1.6-3.1 mmHg and between Rhopressa and latanoprost within 1.5 mmHg and frequently within 1 mmHg, which would be good enough for approval if replicated in a 90-day Phase III study (***see following pages for more details***).

Phase III efficacy hurdle appears achievable; evaluates efficacy at 9 time points not vs. baseline. The FDA does not look at diurnal averages or changes from baseline but the difference between Rhopressa or Roclatan vs. the comparators at 8 AM, 10 AM, and 4 PM at 2 weeks, 6 weeks and at 90 days, so 9 IOP levels in total.

Hyperemia is even less of an issue than previously thought. 90% of the cases are mild and the rest moderate.

Partnering discussions are ongoing; could result in non-dilutive capital. We believe a focus on Asia, especially Japan, is reasonable.

Sufficient cash to see AERI into 2016, which includes Phase III 3- and 12-month data for Rhopressa, the next important de-risking events.

Outperform

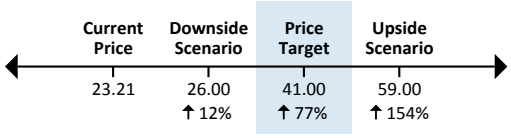
Speculative Risk

NASDAQ: AERI; USD 23.21

Price Target USD 41.00 ↑ 36.00

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):	538
Dividend:	0.00	Yield:	0.0%

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

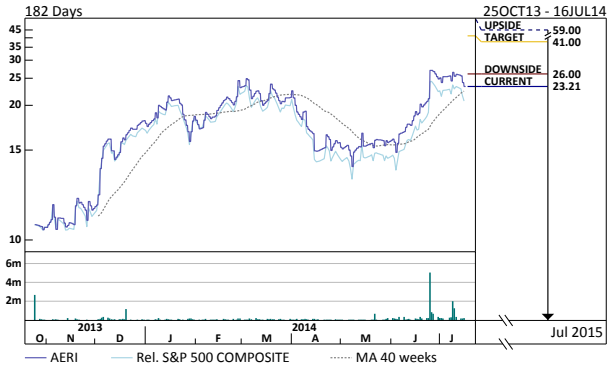
All values in USD unless otherwise noted.

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

For Required Conflicts Disclosures, see Page 8.

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 $41 per share (prev. $36) which includes US/EU sales of Rhopressa and Roclatan. We assign a 80% probability of success and a value of ~$31 per share to the US and ~$11 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 ~$0.6B and ~$0.4B 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 $59 (prev. $53) includes ~$41 per share in value for the US opportunity and ~$18 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 ~$600MM in the US and ~$570MM 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 $26 (prev. $23) assumes includes ~ $19 per share in value for the US opportunity and ~$7 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 ~$600MM in the US and ~$440MM 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.

Phase IIb data, already reported, has positive read-throughs for Roclatan and Rhopressa.

Durability of effect has been a commonly raised question that represents both an opportunity and a risk. The Roclatan Phase IIb data showed consistent IOPs across the vast majority of time points at 28-days and data will likely get smoothed out with bigger patient numbers. The inherent variability in IOP measurement is approximately 0.5 mmHg. IOPs also tend to fluctuate depending upon the activities study subjects engage in over the course of their measurement day, which is another reason why averages and multiple time points are important.

- **Roclatan**. The difference between Roclatan and latanoprost was at least 1.6 mmHg and as high as 3.1 mmHg across all time points. Should these results be borne out in a larger Phase III study, a difference of 1-3 mmHg favoring Roclatan is likely to result in superiority over latanoprost.
- **Rhopressa**: The difference between Rhopressa and latanoprost was within 1.5 mmHg and frequently within 1 mmHg for all time points. Since timolol is often 1 mmHg less effective than IOP, we believe chances are high that Rhopressa will show non-inferiority in the Phase III study. The same also held true for Rhopressa in its own Phase IIb providing two separate 28-day trials with this outcome.
- **Durability is likely: AR-13324 is not AR-12286**. There is also a difference between the previously evaluated and discontinued compound AR-12286. First, '286 was a very specific rho kinase inhibitor. Rhopressa (AR-13324) inhibits rho kinase, norepinephrine transporter and protein kinase C. Second, the loss in efficacy for '286 was greater than 1 mmHg from day 7 to day 28 while the variance for Rhopressa and Roclatan has been less than 1 mmHg and largely within 0.5 mmHg based on the Phase IIb data seen.

Phase III efficacy hurdle appears achievable; evaluates efficacy at 9 time points not vs. baseline. The FDA does not look at diurnal averages or changes from baseline but at 3 time-points on 3 sets of days for a total of 9 IOP measurements.

- **Roclatan**: Results have to show a statistically significant benefit vs. Rhopressa and latanoprost at all time points, a difference of 1-3 mmHg in IOP favoring Roclatan, at 8 AM, 10 AM, and 4 PM at week 2, 6 and 90th day. Though the Phase IIb was a 28-day study, this hurdle was crossed. Notably, Simbrinza, the most recently approved combination of a carbonic anhydrase inhibitor and an alpha agonist, did not demonstrate statistical significance or even a 1-3 mmHg difference across all time points and yet was still approved by the FDA. Here, in our view, Rhopressa and Roclatan's new mechanism of action could be an advantage for the regulatory processes in the US, EU and Japan.
- **Rhopressa**: Results must demonstrate non-inferiority to timolol at 8 AM, 10 AM, and 4 PM, at week 2, and on the 90th day. Since this is a non-inferiority study, 5 of 9 measurements must be within 1 mmHg and 4 within 1.5 mmHg. Phase IIb Rhopressa data has shown non-inferiority to latanoprost, a prostaglandin, which gives us confidence that the non-inferiority hurdle against timolol, which historically has worse efficacy than a prostaglandin, is achievable.

Hyperemia is even less of an issue than previously thought. AERI reiterated that of the patients classified as having hyperemia, 90% are mild and the rest moderate. We do not believe this is a show stopper for Rhopressa/ Roclatan by any means.

Phase III Rhopressa trial started; expect Phase III Roclatan trial to start in mid-2015.

AERI announced the initiation of the Phase III Rhopressa study on July 14, which encompasses ~1,300+ patients across three Phase III studies. We believe investigator enthusiasm could be high and there is a chance that data could read out ahead of mid-2015. However, since the trial is larger than the Phase IIb clean up and analysis would take longer. The Roclatan Phase III study is expected to begin around mid-2015 as AERI still needs to complete some CMC and toxicology work for the combination. Top-line efficacy data from the Roclatan Phase III study would be available around mid-2016.

More enthusiasm around various market opportunities; patients need a new option. The value proposition for Roclatan is easy to understand as the Rhopressa and latanoprost combination represents a first-in-class drug with the best efficacy in glaucoma.

For Rhopressa, the opportunity could be both as a first-line option and a second-line therapy. The efficacy in patients with lower baseline IOPs is the same as or potentially better than a prostaglandin's, which makes it an attractive option on its own but especially so for patients who do not want or cannot tolerate a prostaglandin. Given the limitations of most second-line drugs (side effects, multiple administrations, etc.), Rhopressa would be an ideal second line alternative or addition to prostaglandins. The market in Japan could be interesting as well as it is sizeable (27M prescriptions annually) and patients have lower baseline IOPs (avg. of 18 mmHg vs. 21 mmHg for Western populations) where prostaglandins and beta blockers work less well.

Partnering discussions are ongoing; could result in non-dilutive capital. AERI's most recent management hire is targeting business development. We believe a focus on Asia, especially Japan, is reasonable given the interest and expertise in ophthalmic disorders there and the fact that most non-Japanese companies tend to partner with a Japanese company to market in Japan. The likely territory to be partnered after Japan is Europe with AERI keeping at least all US rights to itself.

Sufficient cash to see AERI through Phase III Rhopressa data. Based upon current projections AERI has sufficient capital to fund operations into 2016. Since durability and safety are the key questions, and 3-month efficacy data for Rhopressa from the Phase III study is expected around mid-2015, the company is well funded beyond the next important de-risking event. However, a Phase III program for Roclatan would require additional capital, however, AERI could have several options available to it.

Exhibit 2: Rhopressa Phase III trial design

Rhopressa Phase III	Rocket 1	Rocket 2	Rocket 3
# of patients	~400	~690	~210
Treatment arms	Rhopressa 0.02% once daily Timolol twice daily	Rhopressa 0.02% once daily Rhopressa 0.02% twice daily Timolol twice daily	Rhopressa 0.02% once daily Rhopressa 0.02% twice daily Timolol twice daily
Length of exposure	90 day	1 year (3 mo interim efficacy)	1 year
Primary outcome	Efficacy	Efficacy and Safety	Safety
Start date	Jul. 11, 2014	Jul. 11, 2014	Jul. 11, 2014
Locations	US	US	Canada

Source: Company Reports

Exhibit 3: 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

Exhibit 4: Pipeline

Product	Mechanism	Stage	Indication
Rhopressa (AR-13324)	Dual-action ROCK / NET inhibitor	Phase III	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 $41 per share which includes US/EU sales of Rhopressa and Roclatan. We assign a 80% probability of success and a value of ~$31 per share to the US and ~$11 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 ~$0.6B and ~$0.4B 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

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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	361.8	385.7
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	752.2	957.9
Royalties														12.5	31.0	55.6	74.5	99.7	119.0
Other																			
Total Revenues													6.6	92.0	220.6	423.2	600.3	851.9	1,076.9
EXPENSES																			
COGS													0.7	7.9	19.0	36.8	52.6	75.2	95.8
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	150.4	191.6
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	227.2	288.9
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	624.8	788.0
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	625.1	788.3
Taxes														13.4	52.8	106.0	150.1	212.5	268.0
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	412.5	520.3
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)	$0.83	$3.20	$6.30	$8.74	$12.14	$15.01
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	$10.42	$12.90
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%	0.1%
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%	73.2%
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	69.6	69.6	35.8	28.7	21.2	13.5	13.5	68.5	29.4	(6.2)	12.9	90.2	250.8	505.6	862.8	1,334.1
Prepaid expenses and other current assets		0.1	0.1	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total current assets		3.5	7.1	70.3	70.3	65.8	58.6	51.1	43.4	43.4	102.4	65.9	32.7	66.8	177.5	391.4	693.0	1,117.0	1,648.4
Property, plant and equipment, net		0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.7
Total assets		3.7	7.2	70.5	70.5	66.0	58.8	51.3	43.6	43.6	102.7	66.2	33.1	67.3	178.0	391.9	693.6	1,117.6	1,649.1
Current Liabilities																			
Total current liabilities		11.8	18.1	3.5	3.5	3.7	3.7	3.7	3.7	3.7	3.7	4.2	4.7	5.2	5.7	6.2	8.9	12.7	16.1
Total liabilities		4.6	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	162.0	162.0	164.0	164.0	164.0	164.0	164.0	258.0	258.0	258.0	258.0	258.0	258.0	258.0	258.0	258.0
Accumulated deficit		(74.0)	(84.8)	(95.1)	(95.1)	(101.7)	(108.9)	(116.3)	(124.1)	(124.1)	(156.7)	(193.7)	(227.3)	(193.6)	(83.3)	130.1	429.1	849.3	1,377.3
Total stockholders' equity		(12.7)	(22.4)	67.0	67.0	62.3	55.1	47.7	40.0	40.0	101.3	64.3	30.7	64.4	174.7	388.1	687.1	1,107.3	1,635.3
Total liabilities and stockholders Equity		3.7	7.2	70.5	70.5	66.0	58.8	51.4	43.6	43.6	105.0	68.5	35.4	69.6	180.4	394.3	695.9	1,120.0	1,651.5
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)	(31.1)	(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	412.5	520.3
Depreciation and amortization		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
Stock based compensation		0.4	1.5	0.9	2.9	1.9	1.9	1.9	1.9	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Net cash provided (used) by operating activities	(5.1)	(2.5)	(11.6)	(28.3)	(16.4)	(4.5)	(7.2)	(7.4)	(7.7)	(29.1)	(36.6)	(39.0)	(35.5)	19.2	77.4	160.8	254.9	357.3	471.4
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)	(29.4)	(0.0)	(0.0)	(0.0)	(29.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Proceeds from issuances				71.9	71.9						94.0								
Net cash provided by (used in) financing activities		7.0	13.3	62.9	83.2	0.1				0.1	94.0								
Decrease in cash and cash equivalents	(5.1)	4.5	1.7	34.6	66.7	(33.8)	(7.2)	(7.4)	(7.7)	(58.5)	57.3	(39.1)	(35.7)	19.1	77.3	160.6	254.7	357.2	471.3
Cash and cash equivalents at the beginning of the year	2.9	(2.1)	2.9	4.6	2.9	69.6	35.8	28.7	21.2	69.6	11.2	68.5	29.4	(6.2)	12.9	90.2	250.8	505.6	862.8
Cash and cash equivalents at the end of the year	(2.1)	2.4	4.6	39.3	69.6	35.8	28.7	21.2	13.5	11.2	68.5	29.4	(6.2)	12.9	90.2	250.8	505.6	862.8	1,334.1

Source: Company reports and RBC Capital Markets estimates.

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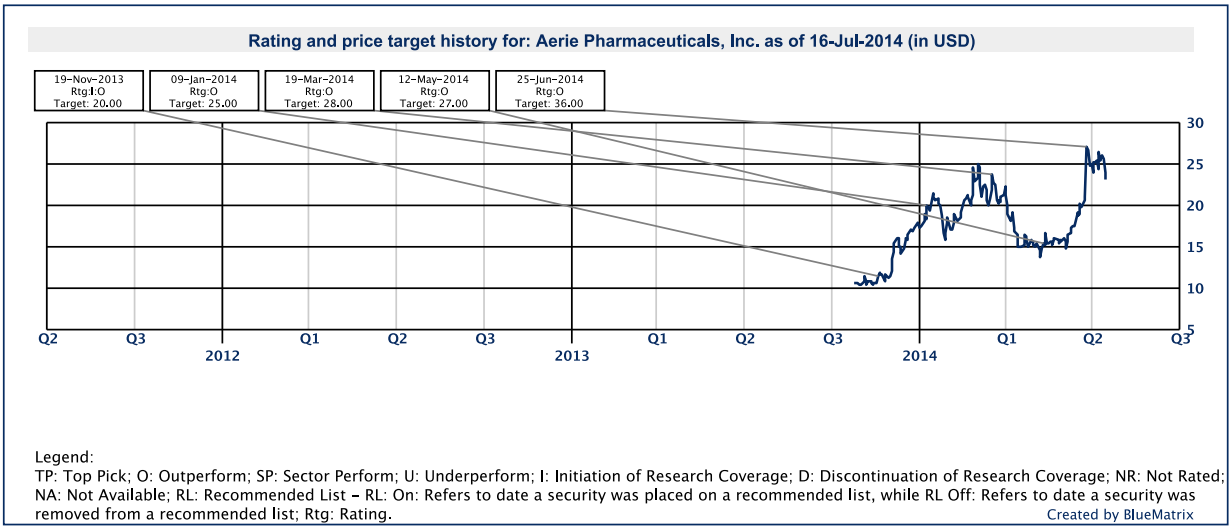

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