

MORNING ROUNDS

TODAY'S HIGHLIGHTS / MARCH 20, 2015

TODAY'S RESEARCH:

NVCN, DIGITAL HEALTH, HEALTHCARE
IT & DISTRIBUTION, HEALTHCARE
SERVICES, BIOPHARMA, CERU, FLML,
ZFGN, VCYT

INITIATIONS: NVCN / **RATING CHANGES:** NONE / **PRICE TARGET CHANGES:** CERU, FLML, ZFGN, VCYT / **ESTIMATE CHANGES:** CERU, FLML, ZFGN, VCYT / **MEDACORP:** NVCN, DIGITAL HEALTH, BIOPHARMA / **PREVIOUS RESEARCH:** BIOPHARMA, TTOO, OREX, MEDICAL DEVICES-CARDIOLOGY, MEDICAL DEVICES-ORTHOPEDICS, MANAGED CARE, BIOTECHNOLOGY, JUNO, HEALTHCARE SERVICES, MGLN, EARS, FOLD, HRTX, NVRO

REFERENCE TOOLS:

[Catalyst Tracker](#)

[Earnings Rundown](#)

[Abbreviations & Acronyms](#)

[Calendar of Events](#)

[HC Conferences](#)

[Leerink Events](#)

MORNING PRIMER:

Futures (as of 6:30am): DJIA: -104.00 (17,989); S&P500: +4.75 (2,082); NASD +12.00 (4,422)

LEERINK EVENTS:

3/20: Investor Tours / Site Visits: C.R. Bard and Becton, Dickinson & Co.: BDX, BCR, New Jersey

3/20: MEDACorp Event: THE 12TH INTERNATIONAL CONFERENCE ON ALZHEIMER'S & PARKINSON'S DISEASES 2015, Nice

3/20: Corporate Access: Mirati Therapeutics, Inc.: MRTX, Los Angeles

3/20: MEDACorp Pulse Call: Sustainable Growth Rate (SGR) Permanent Doc Fix Deal: Possible Pay-fors, Probability, Timing and Imp, 11:00AM EDT

3/23: MEDACorp Event: Live at AAD: Persepctives in Aesthetics and Medical Dermatology, San Francisco

3/23: Analyst Conference Call: PCSK9 and CETP, a Call with LLY's Dave Ricks & Tony Ware, Boston, 10:00AM EDT

3/24: Corporate Access: T2 Biosystems, Inc.: TTOO, Los Angeles

3/24: Corporate Access: T2 Biosystems, Inc.: TTOO, San Diego

3/24: Corporate Access: Anthem, Inc.: ANTM, Chicago

3/24: Corporate Access: Anthem, Inc.: ANTM, Kansas City

3/24: Corporate Access: ProQr Therapeutics NV: PRQR, Boston

3/25: Corporate Access: ProQr Therapeutics NV: PRQR, Boston

3/25: Investor Tours / Site Visits: AAOS Booth Tours: CNMD, JNJ, SYK, WMGI, Las Vegas

3/26: Corporate Access: ProQr Therapeutics NV: PRQR, New York

3/26: Investor Tours / Site Visits: AAOS Booth Tours: CNMD, JNJ, SYK, WMGI, Las Vegas

3/26: Corporate Access: Raptor Pharmaceutical Corp.: RPTP, San Diego

3/27: Corporate Access: Raptor Pharmaceutical Corp.: RPTP, Los Angeles

TODAY'S HEALTHCARE EVENTS:

MEDICAL MEETINGS

3/18-22: International Conference on Alzheimer's and Parkinson's Diseases, BIIB

3/19-22: American Academy of Pain Medicine

3/19-22: American Association of Physicists in Medicine

3/20-24: American Academy of Dermatology

3/20-24: European Association of Urology, MDVN

CORPORATE EVENTS

3/20: ICPT Investor Mtg

TODAY'S RESEARCH (including notes post prior day's close):

NEOVASC INC. (NVCN) / DANIELLE ANTALFFY**Poised to Tap a Massive, Unpenetrated Market Opportunity; Initiate OP, \$25 PT**

/ **Market Cap:** \$590.6M / **Price:** \$9.20 / **Price Target:** \$25.00 / **Methodology:** \$25 based on DCF analysis with 9% discount rate

- **Bottom Line:** We're initiating coverage of NVCN shares with an Outperform rating and a \$25 12-month price target. Though still early in development, we believe NVCN is on the verge of tapping into the dramatically large and potentially high growth transcatheter mitral valve replacement (TMVR) market with its Tiara technology. Neovasc's Tiara is currently at the forefront of this still nascent and developing market, having already successfully completed 5 first-in-human implants and 1 feasibility patient. With mitral regurgitation (MR) over 4x as prevalent as aortic stenosis, TMVR clearly represents a massive and virtually unpenetrated market opportunity. We peg the global TMVR market opportunity – assuming TMVR initially targets just functional MR patients at high risk for surgery – at ~\$9B, almost triple our current 2018 ~\$3B transcatheter aortic valve replacement (TAVR) market estimate, with NVCN potentially one of the first if not the first to market.
 - Initiating OP, \$25 PT.
 - A Plethora of Clinical Milestones Ahead.
 - Sales Inflection Ahead With Meaningful Upside Potential.
 - **2014E EPS/REV:** (C\$0.29) / C\$16.3
 - **2015E EPS/REV:** (C\$0.30) / C\$17.9
- Revenues in millions. GAAP EPS.*

DIGITAL HEALTH / STEVEN WARDELL**Employer Healthcare Cost Shifting Continues; CSLT, HQY, WAGE Poised to Benefit**

Outperform: CSLT, HQY, WAGE

- **Bottom Line:** On March 19 we hosted a MEDACorp Pulse Call with three panelists: the first a senior benefits consultant, the second CMO of a Northeastern managed care organization, and the third president of a DC-based health policy organization. Our discussion centered around three key controversies in the Digital Health sector, detailed below. We come away from the call confident in our positive outlook for near-term revenue growth in the Consumer Digital Tools in Healthcare sector as employers continue to shift costs onto employees to avoid the 2018 Cadillac Tax, with CSLT (OP), HQY (OP), and WAGE (OP) best positioned to benefit among our coverage.
- Employer cost shifting behavior has picked up significantly in the past 12-18 months and will continue to gather steam leading up to 2018 implementation of the Cadillac Tax, catalyzing increased employer provisioning of Consumer Digital Tools in Healthcare such as Health Savings Accounts (HSAs) and Health Transparency Tools.
- Our panelists see: (1) transparency tools, and (2) health advocacy tools benefitting the most from upcoming Healthcare Reform transitions.
- On the thesis that the Product Advantage innovative Consumer Tools companies such as WAGE, HQY, and CSLT outweigh the Sales Channel Advantage of large incumbents such as Managed Care Organizations, our Panelists were split.

- We reiterate our Outperform ratings on CSLT, HQY, and WAGE in light of: (1) continued high employer cost shifting behavior leading up to the 2018 Cadillac Tax, (2) continued high provisioning by employers of Consumer Tools to employees, and (3) growing employee demand for tools that will empower them as consumers of healthcare.

HEALTHCARE IT & DISTRIBUTION / DAVID LARSEN, CFA

Specialty PBM Conference (sPCMA) Reaffirms our Positive View on CVS & ESRX

Outperform: CVS, ESRX, WBA

- **Bottom Line:** Earlier this week we attended the 2015 PCMA Specialty Pharmaceutical Business Forum (sPCMA). We attended numerous presentations and panels featuring PBM, specialty pharmacy, payer, manufacturer, and other industry executives. Key themes during the conference included controlling the rapidly growing cost of specialty drugs, managing drug spend through formulary and utilization management, preparing for the introduction of biosimilars, and controlling specialty spend across both the pharmacy and medical benefit. In our view, managing specialty drugs under the medical benefit is an emerging opportunity for the PBMs, and the introduction of biosimilars could help to accelerate this trend. In our view CVS (OP) is the most well positioned in the group to benefit from specialty drug tailwinds given its differentiated Specialty Connect retail and mail order offering, growing infusion footprint, and meaningful health plan customer mix.
- CVS (OP), best positioned to benefit from specialty trend in our view, remains our top PBM pick.
- Hep C likely to remain a meaningful EPS driver for PBMs, ESRX (OP) likely received strong rebate incentives from ABBV.
- Walgreens historically considered a high cost pharmacy, but focus may shift toward health and beauty sales under Boots leadership.

HEALTHCARE SERVICES / ANA GUPTA, PH.D.

Upcoming SCOTUS Ruling Is a Significant Binary Event Driven Catalyst

Outperform: AET, ANTM, CI, CNC, CYH, HCA, HUM, MOH, UHS, UNH, WCG / **Market Perform:** HNT, LPNT, MGLN, THC, UAM

- **Bottom Line:** SCOTUS hearings on the challenge to Federal Exchange subsidies in 34 States impacts ~7.7MM subsidized uninsured and poses binary event uncertainty to the Hospital sector in particular and Managed Care group. We estimate a 1-5% 2016 EBITDA impact to Hospitals ranging from THC (5%), HCA (5%), CYH (3%), LPNT (2%) and UHS (1%). Managed Care has a much smaller fundamental earnings impact with 0-2% of EPS at risk in 2016 with AET and HUM most impacted. March 4 oral arguments point to a 4-to-3 vote in favor of the Government, with Kennedy and Roberts as the swing vote. We see the odds substantially improved for the Government and the risk- reward for Hospital stocks more favorable at this point given the sector gave up a large portion of the gains following the March 4 arguments. Managed Care not surprisingly has not reacted meaningfully to this binary event uncertainty. The ruling is expected in late June/early July with June 24th and 25th as most likely dates.
- Significantly improved odds of 50%+ for the Government post March 4 hearing.

- Low odds of successful Federal legislation to re-establish subsidies, while State ideology is still the dominant limitation in adoption of workarounds should the challenge be upheld. However, subsidies are unlikely to be cut off 2015 intra-year by the Court.
- Ruling most likely on June 24-25.
- We remain more bullish on Managed Care with lower exposure to this binary event and superior fundamental and policy outlook.

BIOPHARMA / GENA WANG, PH.D., CFA

Mixed Asthma Panel Outcome for Breo, Overall In Line with Expectations

Market Perform: GSK LN, THRX

- **Bottom Line:** Yesterday, the FDA Advisory Committee (AdCom) panel voted to support approval of GSK(MP)/THRX(MP)'s Breo Ellipta in asthma for adult population (16 yes, 4 no), but against approval for patients age 12-17 years old (1 yes, 19 no). The majority of the panelists recommended a post-marketing safety trial for Breo in adult patients (13 yes, 7 no) but required a pre-approval safety trial for adolescent patients (17 yes, 2 no, 1 not voting). While the AdCom outcome appears to be among the less favorable scenarios, we view overall results largely in line with expectations, with the drug launch likely on track in the majority of the asthma patients (18.7M adult patients, or ~73% of total asthma population). Given an overall slightly more positive tone from the FDA, there is a probability that a post-marketing safety trial in adults may not be required. As discussed in our prior note ([LINK](#)), a positive AdCom could potentially double the market size for Breo; however, revenue impact may be delayed.
- Concerns raised by the panelists on subgroup analysis.
- Adult patients represent the majority of the asthma market.
- Insurance coverage intact for 2015 regardless of the asthma outcome.

CERULEAN PHARMA INC. (CERU) / MICHAEL SCHMIDT, PH.D.

4Q Recap – RCC Update Confirms Efficacy Signal; PT to \$18

Outperform / **Market Cap:** \$214.3M / **Price:** \$10.66 / **Price Target:**

\$13.00 → \$18.00 / **Methodology:** DCF analysis with 15% discount rate

- **Bottom Line:** CERU announced 4Q14 financial results Thursday after the close and provided a pipeline update. Mgmt reported positive data from the now fully enrolled investigator-sponsored trial (IST) for CRLX-101 in metastatic renal cell cancer (RCC) confirming the initial efficacy signal presented last year in a larger patient cohort. Mgmt also provided updates on two ongoing proof-of-concept combination studies in ovarian (OC) and neoadjuvant rectal cancer (RC). Data from the latter two trials are still too immature to inform randomized/controlled Phase II go/no-go decisions, which are expected late this year. The randomized/controlled Phase II trial in renal cell cancer in combination with Avastin continues to enroll; data now expected in mid-2016. Adjusting estimates to reflect 4Q14 results and raising PT to \$18 from \$13 previously.
- CRLX-101 Avastin combination IST data in RCC confirm efficacy signal seen previously.
- OC combination data still immature.
- Addition of trial sites for neoadjuvant RC study should accelerate enrollment.
- Phase I for CERU's second candidate, CRLX-301 was initiated in December.

- **2015E EPS/REV:** (\$1.71) / 0.0 → (\$2.27) / 0.0

Revenues in MM.

FLAMEL TECHNOLOGIES, INC. (FLML) / JASON M. GERBERRY, JD

Bloxiverz Story Coming Into View; Increase PT to \$27

Outperform / **Market Cap:** \$671.6M / **Price:** \$17.22 / **Price Target:**

\$21.00 → \$27.00 / **Methodology:** DCF analysis with 15% WACC

- **Bottom Line:** FLML's 4Q update was highlighted by mgmt.'s re-affirmation of 2015 top-line guidance (\$170-185m) which brackets the consensus & provides validation to the Éclat portfolio of products. Upside to '15 may include: (1) Bloxiverz (neuromuscular blocking) -- FLML currently enjoys a ~100% share as inventory from unapproved versions wind down. While we expect exclusivity to be short-lived, every month of exclusivity beyond April represents significant earnings upside; & (2) Vazculep (hypotension in anesthesia) -- Sandoz (NVS [OP]) appears to be exiting the market which could allow FLML to take price increases faster than expected. Based on improving visibility on Bloxiverz, we are raising our PT to \$27/ share (from \$21) and remain OP.
- FLML now fully supplying the neostigmine market.
- FLML may have opportunity to increase Vazculep pricing sooner than expected.
- Key pipeline programs progressing as expected.
- Changes to our model:
- **2015E EPS/REV:** 0.87 / 176.0 → 1.37 / 181.0
- **2016E EPS/REV:** 1.12 / 195.0 → 1.73 / 213.0

Revenues in MM. Non-GAAP EPS; 2014 (1Q-3Q) results reflect prior reporting structure.

ZAFGEN, INC. (ZFGN) / JOSEPH P. SCHWARTZ

4Q14 Recap: Stronger Balance Sheet Funding Beloranib Ph II & Ph III, PT to \$61

Outperform / **Market Cap:** \$1,478.6M / **Price:** \$51.34 / **Price Target:**

\$42.00 → \$61.00 / **Methodology:** Probability-weighted DCF analysis, 11% discount rate

- **Bottom Line:** Yesterday after the close ZFGN reported 4Q14 EPS of (\$0.48), which was better than our estimate of (\$0.81). We are updating our model to reflect 4Q results, company cash burn guidance, and are increasing our PT to \$61 (from \$42) on an improved patent position and a decreased risk profile for beloranib now that additional Phase II data have been generated and the company raised enough capital to fund operations beyond 2015 and Phase III data in Prader-Willi Syndrome (PWS). **Reiterate OP on ZFGN.**
- All 15 US sites in the Phase III beloranib BEST-PWS study are active and enrolling patients.
- We believe the Phase III PWS program has been further de-risked by recently announced robust beloranib data.
- Longer term, beloranib's potential in the broader severe obesity market could drive further upside to our valuation.
- **2015E EPS/REV:** (\$3.71) / 0.0 → (\$3.45) / 0.0

GAAP EPS presented

BIOPHARMA / HOWARD LIANG, PH.D.**Nature of AACR Data on Mesothelin CAR Not Clear But Could Still Be Meaningful****Outperform:** A, CELG, JUNO, NVS, RNA / **Market Perform:** AMGN

- **Bottom Line:** Given the apparent high interest in an upcoming AACR presentation on the use of chimeric antigen receptor modified T cells (CAR-T) directed against mesothelin in patients with mesothelin-expressing cancers by investigators at University of Pennsylvania (Penn), we sought to better understand the background of the trials and available data. There appear to be two ongoing trials at Penn using two different versions of the gene vectors (but both referred to as "CART-meso" or "CARTmeso" as in the AACR presentation title), one using mRNA that results in more transient expression of the CAR as the first step to test safety (NCT01355965), and the other using a more conventional lentivirus vector (NCT02159716). While it is not entirely clear data from which trial will be presented and data on the lentiviral CAR would be more significant, based on the feedback from a MEDACorp key opinion leader (KOL), we believe even additional data on the mRNA CAR would be relevant as it could shed light on acute toxicity (and potentially efficacy) for mesothelin-targeting CAR. As we summarize below, in published cases of severe toxicity from off-tumor targeting of engineered T cells involving either ErbB2-targeting CAR or MAGE-A3-targeting T-cell receptor (TCR), severe toxicities occurred quickly resulting in patient deaths in a matter of days after infusion. As mesothelin is thought of as a target with an intermediate level of tumor-specificity (e.g., not as widely expressed as ErBB2 but less specific than CD19 and other solid tumor targets), we believe the early clinical experience and AACR data could provide an important data point on the therapeutic window and applicability of CARs to solid tumors which is a key question for all companies involved in the CAR-T space (NVS[OP], JUNO[OP], KITE[NR]/AMGN[MP], BLCM[NR], CELG[OP]/BLUE[NR])
- Data on mRNA mesothelin-CAR have been the subject of two published papers (Maus et al, Cancer Immunol Res 2013, Beatty et al, Cancer Immunol Res 2014) and authors of the AACR presentation (Tanyi et al) are somewhat different, suggesting that at least some new data may be presented at AACR

VERACYTE, INC. (VCYT) / DAN LEONARD**Underlying Growth Trends Solid but Lower PT to \$11****Outperform / Market Cap:** \$186.8M / **Price:** \$8.30 / **Price Target:** \$14.00 → \$11.00 / **Methodology:** ~5x EV/TTM December 2016E revenues

- **Bottom Line:** VCYT's revenue for 4Q exceeded the Street and our expectations. While test volume growth is trending well, we are reducing our revenue forecast to reflect more conservative reimbursement assumptions. We maintain our Outperform rating but have reduced our price target to \$11 from \$14, which reflects the reduction in our revenue forecast as well as increase in cash burn.
- **2015E EPS/REV:** (\$0.76) / \$61.4 → (\$1.50) / \$50.1
- **2016E EPS/REV:** (\$0.32) / \$90.3 → (\$1.41) / \$67.6

Revenues in \$ millions. 2013 quarterly EPS don't total to annual figure due to change in shares outstanding.

PREVIOUS DAY NOTES:

BIOPHARMA / SEAMUS FERNANDEZ

AACR Preview: IO, ADCs, 3rd Gen EGFR TKIs, & Epigenetics Are Headliners

Outperform: AGIO, BMY, CALA, CELG, CLDX, CLVS, EPZM, IMDZ, OMED, SGEN, TSRO, VSTM / **Market Perform:** ARIA, AZN, ECTY, MRK, ONTX

- **Bottom Line:** American Association for Cancer Research (AACR; 4/18-22) abstracts and late-breaker titles should provide new insights into (1) the depth and breadth of MRK's (MP) planned Keytruda filing in lung cancer; (2) expanded data from Roche's MPDL3280a in triple-negative breast cancer (TNBC), (3) melanoma combo data from BMY's (OP) CHECKMATE-069 (Opdivo + Yervoy); (4) clinical rationale for combining SGEN's (OP) Adcetris with PD1/PDL1 agents, (4) new epigenetic targets from EPZM (OP), and (5) data supporting the combination of AZD9291 (3rd gen EGFR TKI) with a met inhibitor to combat resistance.
- MRK will present significantly expanded NSCLC dataset at AACR.
- Roche's substantially larger TNBC dataset expected to confirm activity from SABCS.
- Genetic profiling has been instrumental in MRK's signal-finding efforts; mesothelioma opportunity small but further confirmation of broad PD1/PDL1 utility.
- BMY's randomized Opdivo + Yervoy data in 1st line melanoma will highlight the first randomized combo data.
- Incremental data on CAR-T, and CD40 could be of interest.
- CLVS ARIEL2 data on BRCAness diagnostic test could be updated at AACR (abstract 4670).
- Abstract #2469 highlights a rationale for combining SGEN's Adcetris with IO agents.
- EPZM – Multiple preclinical data presentations support new epigenetic targets.

BIOTECHNOLOGY / JOSEPH P. SCHWARTZ

Notable Upcoming Highlights in Liver Diseases, Including at AASLD-IC

Outperform: HPTX, RPTP / **Market Perform:** ICPT

- **Bottom Line:** Going into the AASLD Industry Colloquium on 3/20-21, we highlight notable near-term catalysts for liver disease companies HPTX (OP), ICPT (MP), and RPTP (OP) in our universe.
- ICPT: Two OCA NASH posters are expected to shed light on OCA's risk/benefit,
- HPTX: Following a thorough FDA review, Ph. III Hepatic Encephalopathy (HE) trial is now ready to commence under SPA.
- RPTP: Now that the last patient is enrolled in Ph. II/III RP103 NASH pediatric trial, full data are expected in 2H15, potentially at a medical meeting.

AURIS MEDICAL HOLDING AG (EARS) / JOSEPH P. SCHWARTZ

4Q Recap: Ph. 2/3 AM-111 US-Trial Added To '15 Catalysts, Incl. A Pot'l Partner

Outperform / **Market Cap:** \$167.9M / **Price:** \$5.79 / **Price Target:** \$10.00 → \$12.00 / **Methodology:** DCF analysis with a 12% discount rate

- **Bottom Line:** This morning BMO, EARS announced its 4Q EPS of (\$0.17) slightly above our estimates of (\$0.22), largely due to disciplined 4Q OpEx spend of \$5.6MM below our estimates of \$6.5MM and an overall FY14 OpEx spend of \$22MM coming out on the lower end of its FY14 guidance. EARS plans to continue this disciplined execution on AM-101 Ph. 3 program while also progressing Ph. 3 AM-111 HEALOS & Ph. 2/3 REACH trials in EU/Asia and US, respectively, likely with the help of a potential partner. We are updating our model to reflect the updates, incl. addition of US ASNHL (acute sensorineural hearing loss) sales beginning '20 and increasing our probability of EU/Asia approval of AM-111 to 40% (from 25%) **Reiterate OP; Price Target to \$12 from \$10.**
- Mgmt. reaffirmed the increased AM-101 mkt. opportunity with 'Stratum B' passing futility threshold.
- FDA's guidance on AM-111 pre-IND came this week, allowing EARS to progress to a potentially pivotal Ph. 2/3 US REACH study in ASNHL.
- FY15 guidance of \$25-30MM does not represent any spend on the AM-111 late-stage program.
- **2015E EPS/REV:** (1.10) / 0.0 → (1.11) / 0.0

AMICUS THERAPEUTICS, INC. (FOLD) / JOSEPH P. SCHWARTZ

Positive FDA/EMA Guidance Sets Stage for De-risked Migalastat Filings in 2015

Outperform / **Market Cap:** \$813.5M / **Price:** \$9.35 / **Price Target:** \$13.00 → \$15.00 / **Methodology:** 6x probability-weighted 2020E sales disc. at 12% + net cash

- **Bottom Line:** This morning FOLD announced that it recently met with both FDA/EMA and has come away confident that there exists a defined regulatory path for Migalastat (Amigal, Fabry) in both territories, de-risking, in our view, MAA and NDA filings in 2Q15 and 2H15, respectively. We are updating our model to reflect the positive update and have increased our probability of both US and EU approval to 85% and 95% (from 60% and 90%, previously). **Reiterate OP on FOLD, increasing Price Target to \$15 from \$13.**
- Earlier this week, FOLD held a Type C meeting with the FDA and now plans to submit a migalastat NDA for accelerated approval in 2H15.
- After meeting with European Rapporteurs, FOLD plans to file a migalastat MAA for full approval in 2Q15.
- As FOLD is pursuing an accelerated approval pathway in the US.

HERON THERAPEUTICS, INC. (HRTX) / JASON M. GERBERRY, JD

Ph. 1 Encouraging; HRTX Broadening Portfolio Beyond Sustol

Outperform / **Market Cap:** \$436.8M / **Price:** \$14.96

- **Bottom Line:** We recently caught up with CEO Barry Quart to discuss recent Ph. 1 data for HTX-011 for post-operative pain. This morning HRTX reported positive Ph. 1 data for '011, including (1) an extended release pharmacokinetic profile as measured by therapeutic drug levels in blood over 2-3 days post treatment; (2) anesthetic activity in healthy subjects which correlated with the PK data over 2-3 day period; & (3) no serious AE, no abnormal lab results and only mild site reactions. Overall, we view the results as encouraging, validating the delivery technology. Ph. 2 proof-of-concept trials could read out as early as mid-summer 2015. If Ph. 2 data are positive, HTX-011 will have validated clinical pathway with a differentiated profile in a \$1B category. We are making no changes to our ests at this time and we remain OP.
- HTX-011 could have a clinical de-risking event earlier than previously expected.

- Commercially, HTX-011 is starting to come into view as long-acting alternative with opioid sparing benefit
- HTX-011 clinical costs are relatively low.

NEVRO CORPORATION (NVRO) / DANIELLE ANTALFFY

4Q14: Another Quarter of Strong Market Share Gains Drives Outperformance

Outperform / **Market Cap:** \$1,118.3M / **Price:** \$44.91 / **Price Target:** \$55.00 / **Methodology:** 7.75x EV/sales multiple to our \$157M 2017 sales estimate

- **Bottom Line:** In its second quarter as a public company, NVRO delivered 4Q14 sales of \$9.7M -- +57% y/y and well ahead of us at \$9.0M and consensus at \$8.5M. With now two consecutive quarters of outperformance, NVRO has a solid start to what we hope will be a consistent trend, as we believe the company is well-positioned to continue to exceed expectations on the back of best-in-class clinical data from its Senza-RCT U.S. pivotal trial. Notably in 2014, NVRO saw sales growth accelerating meaningfully each quarter, with 4Q14 representing its strongest growth quarter of the year. While FX will likely impact growth in 2015 -- and 1Q15 by at least 16 points -- this trend is encouraging and highlights to us that physicians are clearly responding positively to the company's differentiated technology and clinical data that was first made public in 3Q14 with the S-1 filing. This highlights to us the adoption momentum and likely positive trajectory for NVRO's Senza device, which should only further accelerate once the Senza-RCT pivotal data are more widely dispersed via a leading peer-reviewed clinical journal and with the release of 18-month data at the International Neuromodulation Society (INS) annual meeting in June. Reiterate OP with \$55 price target.
 - Solid Same Geography Sales Drove Upside.
 - Well-Positioned to Continue to Drive Meaningful SCS Market Share Gains.
 - **2015E EPS/REV:** (\$3.04) / \$48.4 → (\$2.88) / \$47.2
 - **2016E EPS/REV:** (\$4.20) / \$110.4 → (\$4.01) / \$109.9
- Revenues in \$MM; diluted GAAP EPS.*

PREVIOUS NOTES:

T2 BIOSYSTEMS, INC. (TTOO) / DAN LEONARD

Upgrade to Outperform on Improved Risk/Reward

Market Perform → Outperform / **Market Cap:** \$318.8M / **Price:** \$15.94 / **Price Target:** \$23.00 / **Methodology:** ~6x Dec.-17E TTM revs., discounted 1 year back at ~20% rate

OREXIGEN THERAPEUTICS, INC. (OREX) / PAUL MATTEIS

Survey Suggests Interim LIGHT Data Could Transform Market's View of Contrave

Outperform / **Market Cap:** \$1,113.7M / **Price:** \$7.53 / **Price Target:** \$11.00 / **Methodology:** DCF analysis with 0% terminal growth rate, 11% discount rate

MEDICAL DEVICES-CARDIOLOGY / DANIELLE ANTALFFY

MEDACorp Pulse Call: CSII Competitive in High Growth Atherectomy Market

Outperform: BSX, CSII / Market Perform: MDT

MEDICAL DEVICES-ORTHOPEDICS / RICHARD NEWITTER

2015 AAOS Warm-Up & Ortho Surgeon Perspectives

Outperform: SYK, WMGI, ZMH

MANAGED CARE /

Solid 4Q; Attractive Fundamentals; Macro Defensive; M&A Upside; Raising PTs

Outperform: AET, ANTM, CI, CNC, HCA, HUM, MOH, UNH, WCG / Market Perform: HNT, MGLN, UAM

BIOTECHNOLOGY / MICHAEL SCHMIDT, PH.D.

AACR Abstracts Highlight Early Stage Programs of Companies Under Our Coverage

Outperform: AFMD, ALKS, ARRY, CERU, DRNA, INCY, IPH FP, KPTI, MGNX, MRTX, NVS / Market Perform: AZN, EXEL, IMGN, ISIS, PFE

JUNO THERAPEUTICS, INC. (JUNO) / HOWARD LIANG, PH.D.

Ten CAR-T and TCR Products in Clinic in Next 12 Months

Outperform / Market Cap: \$4,726.3M / Price: \$50.93 / Price Target: \$74.00 / Methodology:

HEALTHCARE SERVICES /

SGR Fix; Positive for Medicare Advantage; Hospital DSH Cuts Likely Payfors

Outperform: HUM

MAGELLAN HEALTH SERVICES, INC. (MGLN) /

MGLN Acquires 4D PBM; Material Accretion in 2016

Market Perform / Market Cap: \$1,829.8M / Price: \$66.78

RESEARCH PREVIEWS:

March 20 – BIIB '037 (Alzheimer's Disease) at ADPD'15

BIIB – OP – Joe Schwartz

Close: \$433.65, Mkt Cap: \$101,741M

- Before the open, BIIB will present two abstracts (oral & poster) on Ph. Ib data for efficacy, safety, PK/PD and covariate analysis, shortly followed by a company-sponsored lunch symposium and our dinner with MEDACorp KOL's.
- With mgmt.'s bullish commentary going into the meeting, we remain optimistic in our estimates of a “game-changing” effect size of BIIB037 on cognitive benefit due to: a) the differentiating characteristics of the antibody contributing both to efficacy & tolerability, and b) BIIB's proprietary screening criteria to enrich for early AD pts with the disease predominantly driven by amyloid-beta (A β) pathogenesis.

March – Mysimba (Obesity) EMA Approval

OREX – OP – Paul Matteis

Close: \$7.60, Mkt Cap: \$938M

- Following a positive opinion from the CHMP, OREX expects a final opinion from the EMA on the Mysimba (Contrave) marketing authorization application (MAA).
- We currently model peak ex-US risk-adjusted Mysimba revenues of \$50M in 2025 off which we project OREX receives \$15M in royalties.
- OREX is currently in discussions with potential ex-US partners, and a collaboration agreement with a company that has a large EU/ROW footprint could render our projections conservative, we believe.

March 24 – INSM Investor Meeting

INSM – OP – Joe Schwartz

Close: \$22.00, Mkt Cap: \$1,100M

- Following its recent 4Q14 earnings report, INSM aims to provide more meaningful updates on its clinical programs and FY15 financial guidance during its Analyst and Investor Day scheduled for March 24.
- INSM will also provide additional granularity on the statistical assumptions behind Arikayce's (non-tuberculous mycobacteria [NTM]) Phase III pivotal study.
- The study is currently enrolling. We expect data in mid-2016 with potentially an NDA filing to follow. An already granted Breakthrough Therapy Designation may allow for an expedited review timeline.
- We expect INSM also to provide color on the dynamics of the NTM market opportunity in both the US & EU.

March 25-28 – OVAS at Society for Reproductive Investigation

OVAS – OP – Gena Wang

Close: \$44.99, Mkt Cap: \$1,213M

- OVAS will present 2 AUGMENT (improve in vitro fertilization) late breaker abstracts, which were released on 3/17 and data overall appeared good.
- Positive data could drive physician and patient awareness and help support the AUGMENT launch.
- Investors' attention will likely extend to OvaPrime (yield more mature eggs in ovary, launch by YE:15) and OvaTure (produce mature eggs in vitro, development path decision by YE:15), as both represent significant commercial opportunities.

March 27-28 – First Annual Global Symposium on Robotic-Assisted and Minimally Invasive Hernia Repair

ISRG – OP – Rich Newitter

Close: \$508.76, Mkt Cap: \$18,741M

- Hernia has quickly become a focus area for ISRG and is rapidly turning into a growth engine for the company. We estimate robotic hernia penetration in the US sits at <1% out of ~800K total performed annually.
- Our 2018 estimates assume hernia penetration grows to 2-3% penetration of an estimated 800K total hernia market (~550K "open" hernia opportunity between IH and VH) and assumes a very limited contribution from IH penetration.
- We expect to solicit more feedback on adoption of robotic hernia experience at this conference, as we received some bullish commentary from a MEDACorp specialist on our recent [pulse call](#).

April / May – Sustol (CINV-HEC) Phase III Marketing Study Data

HRTX – OP – Jason Gerberry

Close: \$16.15, Mkt Cap: \$477M

- The Sustol Phase III marketing study data is expected to complete enrollment by the end of 1Q and report top-line data in April/May.
- HRTX has completed a Phase III study demonstrating Sustol's benefit in chemo induced nausea & vomiting (CINV) patients but is running a Phase III marketing study to demonstrate benefit in patients with delayed symptoms who get highly potent chemotherapy (HEC).
- Sustol contains a 5HT3 receptor antagonist granisetron, the same active ingredient used in standard of care CINV treatment. Sustol is different in that it uses polymers to delay release of the active pharmaceutical ingredient (API) and provides benefit to patients with delayed symptoms.
- If the ongoing Phase III is successful, Sustol would be the only CINV drug indicated for delayed HEC, ~20% of the market.
- With a positive study & differentiated label, we forecast peak US Sustol sales of \$420M and 70% upside on data, 15% on label, & 30% on strong launch.
- A failed Phase III marketing study would result in approval of Sustol with an undifferentiated label. In that scenario, we forecast peak US Sustol sales of \$125M and -10% downside.
- We place 80% odds of success on a positive HEC study as historical performance of the Sustol arm suggests an 85-90% complete response vs. 65% for the comparator.

April 14 – FDA AdCom Endocrinologic and Metabolic

AZN – MP – Seamus Fernandez

Close: \$70.90, Mkt Cap: \$88,900M

- We believe the FDA AdCom, where the burden of proof sits on AZN's Onglyza/Kombiglyze (diabetes) to disprove the safety signal in SAVOR, will weigh on the shares.
- The AdCom will discuss cardiovascular (CV) outcomes data for AZN's Onglyza/Kombiglyze (DPP4s).
- We model peak Onglyza franchise sales at \$1.8B in 2023 and note a 50% cut to our peak estimates would remove ~\$2-3/ADR.
- **Next up:** 4/12 FDA briefing documents released.
- **Lateral impact:** MRK (MP) Januvia.

April 15 – FDA AdCom Cardiovascular and Renal Drugs

MDCO – OP – Joe Schwartz

Close: \$31.29, Mkt Cap: \$2,047M

- The panel will review cangrelor injection for the proposed indication of reduction of thrombotic cardiovascular events.
- Mgmt has stated that it addressed in the NDA all issues that led to a prior complete response letter (CRL).
- We forecast approval and model \$11M in sales in '15 peaking at \$137.5M in '20M.
- **Next up:** 4/13 FDA briefing documents released, June 2015 PDUFA.

April 16 – HTWR ENDURANCE Data at International Society of Heart & Lung Transplantation (ISHLT)

HTWR – OP – Danielle Antalffy

Close: \$86.48, Mkt Cap: \$1,491M

- Ongoing and upcoming clinical trials in 2015 are likely to supplement market growth for both HTWR and THOR (OP).
- In April, HTWR's initial data for the 2-year follow-up cohort for the ENDURANCE trial of its current generation destination therapy (DT) will read out at ISHLT.
- While the initial cohort from ENDURANCE is likely to demonstrate a high hemorrhagic stroke rate, we believe: (a) Those data alone aren't likely to change clinical practice; (b) HTWR appropriately powered the 2nd cohort to offset the likely higher stroke rate in the initial cohort in order to secure DT approval.
- Also, HTWR expects a number of other heartware ventricular assist device (HVAD)-related commercial use data presentations, which we expect to be favorable based on our past MEDACorp physician conversations.
- We believe that a better-than-expected outcome from ISHLT data is likely, offering upside.

April 18-25 – Epidolex (Epilepsy) Phase II Data at AAN

GWPH – OP – Paul Matteis

Close: \$94.75, Mkt Cap: \$1,335M

- A data update for the Epidiolex (treatment-resistant childhood-onset epilepsy) IND program is expected at the American Academy of Neurology (AAN) that could include both (1) results from a sample size that is at least 2x as large as the last update in Oct. 2014 (58 pts.) and (2) durability data showing Epidiolex's effectiveness out to 6+ months in some individuals.
- GWPH also plans to use the IND (investigational new drug) data to inform the development of Epidiolex in additional orphan epilepsies as sample sizes in different disease subsets become more meaningful.
- **Next up:** Four **Phase III Epidiolex** pivotal studies in Dravet and Lennox-Gastaut syndrome are expected to begin in late 1Q15/early 2Q15. GWPH expects to announce data from at least one of the **Epidiolex** Dravet studies by YE15, putting it on track to file its NDA in 2016, we believe.

April 29 – FDA Adcom: Joint Meeting of the Cellular, Tissue and Gene Therapies Advisory Committee and Oncologic Drugs**AMGN – MP – Howard Liang****Close: \$169.11, Mkt Cap: \$121,124M**

- The FDA AdCom will review AMGN's TVEC which uses immune-therapy for metastatic melanoma.
- The PDUFA date is 10/28 and we expect approval.
- We model revenues of \$38M in '15 growing to \$338M in '20.
- **Next up:** 4/27 Briefing documents released.

Mid-2Q15 – Augment (Ankle/Hindfoot Fusion) Approval**WMGI – OP – Rich Newitter****Close: \$26.47, Mkt Cap: \$1,373M**

- WMGI mgmt's guidance assumes a mid-2Q Augment approval and \$10-12M in 2015 US revenues, which is in line with our estimates on timing and amount. Recent commentary suggests a late 2Q or early 3Q approval is possible, but guidance is based on a mid-2Q assumption."
- Augment -- a recombinant human platelet-derived growth factor (rhPDGF) that WMGI acquired through its Biomimetic acquisition -- received an approvable letter from the FDA in 4Q14.
- As the first clinically proven alternative for ankle and/or hindfoot fusion, this is an important product that should provide a meaningful new (high-margin) growth driver within WMGI's biologics business and offers surgeons an alternative to autograft in this ~\$300M US market.
- Our MEDACorp physician checks/surveys have suggested a high level of interest in this product.
- WMGI is primed and ready to begin commercial launch of Augment as soon as it gets the final nod from the FDA.

PREVIOUS NOTES:

Models: [JUNO - Model](#); [NVRO - Model](#); [SCS- Market Model](#)

GLOBAL HEALTHCARE CONFERENCE

[Biopharma/Takeaways from Our 2015 Global Healthcare Conference](#), Gena Wang
[Biopharma/Takeaways from Our 2015 Global Healthcare Conference](#), Seamus Fernandez, Howard Liang, Michael Schmidt
[Biotechnology/Takeaways From Our 2015 Global Healthcare Conference](#), Howard Liang
[Biotechnology/Takeaways From Our 2015 Global Healthcare Conference](#), Joe Schwartz
[Biotechnology/Takeaways From Our 2015 Global Healthcare Conference](#), Paul Matteis
[Healthcare Services/Themes From UNH, HUM, UHS, UAM Management Meetings at 2015 Conference](#); Ana Gupte
[Healthcare IT & Distribution/ABC and CAH Well Positioned Long Term; ATHN Also Poised to Reaccelerate Growth](#), David Larsen
[Life Science Tools and Diagnostics/Takeaways from Our 2015 Global Healthcare Conference](#); Dan Leonard
[Medical Supplies and Devices/2015 Leerink Global Healthcare Conference Takeaways](#); Danielle Antalffy, Rich Newitter
[Biopharma/Takeaways From Biosimilar Panel: US Market Quickly Coming Into View](#); Seamus Fernandez and Jason Gerberry
[Biopharma/Takeaways from Lymphoid Malignancies Panel at Our 2015 GHC](#), Howard Liang
[Biotechnology/Takeaways From Our MS Panel At 2015 Global Healthcare Conference](#), Joe Schwartz
[Healthcare IT & Distribution/HCIT Panel Themes: Replacement Market, Care Coordination & Hosted Solutions](#), Howard Liang
[ATHN/Management Dinner Reaffirms our Positive Outlook, Pipeline Growth Robust/Outperform](#); David Larsen
[Flash -- ABT/Management Breakfast Highlights Sustainable Double Digit EPS Growth, Likely M&A/Market Perform](#); Danielle Antalffy
[Flash -- HOLX/Mgmt Dinner Suggests HOLX's Turnaround Story Still Has Lots of Momentum/Outperform](#); Richard Newitter
[GILD/Takeaways from Management Dinner/Outperform](#); Howard Liang
[UAM/Takeaways from GHC Presentation on Feb. 11; Raise PT to \\$11/Market Perform](#); Ana Gupte
[UNH/Takeaways from Dinner and Fireside Chat with Optum and UHC; Raise PT to \\$130/Outperform](#); Ana Gupte
[UHS/Takeaways from Investor Dinner & Meetings on Feb. 11-12 with CFO Steve Filton/Outperform](#); Ana Gupte

ALZHEIMER'S DISEASE

[BIIB/MEDACorp Pulse Call Recap: Growing Interest in BIIB037's Upcoming Datasets/Outperform](#)

[BIIB/Raising PT to \\$475 Following Deep Dive on BIIB037 and Its Development Strategy/Outperform](#)
[BIIB/MS Survey, Specialist Checks and LINGO/Pipeline Optionality Support OP/Outperform](#)
[Biotechnology/MS Survey Highlights Strong Growth Outlook for Tecfidera, RPC1063](#)

IMMUNO-ONCOLOGY

[Biopharma/Phacilitate Forum Wrap-Up: The Next Leg of IO \(& Immunotherapy\) Development](#)
[MRK/More Credit for Keytruda Warranted in Lung Cancer; PT Now \\$66/Market Perform](#)
[BMY/\\$72 PT Reflects Heightened Confidence in Non-Squamous & Kidney Survival Studies/Outperform](#)
[Flash -- BMY/'017 Stopped Early; Opdivo Kicks Off '15 with a Bang/Outperform](#)
[Biopharma/The \\$40B+ IO Market: How'd We Get Here & Where We're Headed in 2015](#)
[Pharmaceuticals/ Major/BMY vs. MRK: IO Reimbursement Likely Limited to Labels; A Pot'l Edge for BMY](#)
[Biopharma/SITC 2014 Highlights What's Next in Cancer Immunotherapy](#)

CONSOLIDATION

[Biotechnology/P&A VI - Partnerships and Acquisitions in Biopharma; Our New Top Ten List](#)
[Life Science Tools and Diagnostics/Consolidation to Continue as Industry Growth Driver](#)
[Life Science Tools and Diagnostics/Puts and Takes for Tools in 2015](#)
[Life Science Tools and Diagnostics/Quick Takes from Recent Management Meetings](#)
[Medical Supplies and Devices/2015 Outlook: We're Optimistic - M&A/Cash Deployment Still Likely Stock Drivers](#)
[Medical Devices-Orthopedics/Specialist Call Lends Perspective on Pending and Future Ortho Consolidation](#)
[Medical Supplies and Devices/Devices & DNA Bus Tour Wrap-Up](#)
[Biopharma/POLARxPRESS 2014: Highlights and Themes from Meetings with Management Teams](#)
[Specialty Pharmaceuticals/2015 Roadmap for Specialty/Generic Pharma](#)
[Specialty Pharmaceuticals/2015 Outlook: Selective M&A, Jockeying for Complex Gx's & Addressing Overhangs](#)
[Pharmaceuticals/ Major/2015 Outlook: Big Data, Decisions, Launches, Deals & Surprises](#)
[Biotechnology/Launches, Clinical Data, Emerging Therapeutic Areas Could Shape Biotech in '15](#)
[Healthcare/2015 Outlook: Key Drivers in Place for Continued Strong Performance](#)
[Healthcare IT & Distribution/2015 Outlook - Top 10 Trends, Themes and Surprises](#)
[Managed Care/Good Set-up in '15; Accelerated Growth in '16; Top Picks HUM & WCG](#)
[Managed Care/Investor Presentations Confirm Our View of a Good Set Up for MCOs in 2015](#)

SURVEYS

[SHPG/Natpara Survey Affirms B'buster Pot'l; Remain MP, Conservative on Catalysts/Market Perform](#), Jason Gerberry

[ACOR/Survey Suggests Stroke Could More Than Double Ampyra Oppty; IP & 1x/Daily Key/Market Perform](#), Paul Matteis
[BIIB/MS Survey Suggests Tecfidera PML Case Not as Impactful as We had Expected/Outperform](#), Joe Schwartz
[Healthcare IT & Distribution/Survey Shows Solid Market for CERN and ATHN's Need for an Inpatient Solution](#), Dave Larsen
[Life Science Tools and Diagnostics/Survey Augments MYGN Forecast; Share Loss, but Growth Market](#), Dan Leonard

CV OUTCOMES SERIES

[CV Outcomes Series: Big Pot'l for MRK & LLY's CETPi's but Conviction Low](#)
[Biopharma/CV Outcomes Series: Highlights from Our PCSK9 Conference Call](#)
[Biopharma/Highlights from Our MEDACorp Acute Heart Failure Conference Call](#)
[Biopharma/CV Outcomes Series: IMPROVE-IT Expected to Support the LDL Hypothesis](#)
[Biopharma/CV Outcomes Series: NVS's LCZ696 Poised to Transform Treatment of CHF](#)

UPCOMING HEALTHCARE EVENTS:

REGULATORY EVENTS

3/24: FDA Adcom: Pediatric
4/6: CMS: Final Medicare Advantage (MA) rates
4/14: FDA Adcom: Endocrinologic and Metabolic, CVOT for AZN Onglyza, diabetes
4/15: FDA Adcom: Cardiovascular and Renal drugs, MDCO Cangrelor, MRK Januvia
4/17: FDA Adcom: Neurological Devices
4/22: PDUFA MRK Sugammadex, the reversal of neuromuscular
4/29: FDA Adcom: Joint Meeting of the Cellular, Tissue and Gene Therapies Advisory Committee and Oncologic Drugs, AMGN, T-Vec
4/29-5/1: FDA Adcom: Medical Devices, Ear, Nose, and Throat Devices

MEDICAL MEETINGS

3/18-22: International Conference on Alzheimer's and Parkinson's Diseases, BIIB
3/19-22: American Academy of Pain Medicine
3/19-22: American Association of Physicists in Medicine
3/20-24: American Academy of Dermatology
3/20-24: European Association of Urology, MDVN
3/22-25: Society of Gynecologic Surgeons
3/22-25: European Atherosclerosis Society
3/22-26: American Chemical Society
3/22-26: Society of Toxicology
3/24-28: ACGM Annual Clinical Genetics Meeting
3/24-28: American Academy of Orthopaedic Surgeons
3/25-28: Society of Surgical Oncology
3/25-29: National Kidney Foundation, NXTM

3/28-31: Society of Gynecologic Oncologists - Annual Meeting on Women's Cancer, CLVS, ECYT

3/25-28: Society for Reproductive Investigation (SRI) Annual Meeting, OVAS Augment data

3/29-4/1: American Academy of Professional Coders

4/7-9: World Vaccine Congress

4/9-12: Clinical Immunology Society

4/12-16: Healthcare Information and Management Systems Society (HIMSS), Contact your Leerink representative for information on the booth tours.

4/15-18: European Lung Cancer Conference

4/15-18: Int'l Conference of Alzheimer's Disease International

4/15-18: Int'l Society for Heart & Lung Transplantation, CDNA, HTWR, THOR

4/15-18: Society of American Gastrointestinal and Endoscopic Surgeons

4/15-21: American Society of Andrology

4/17-21: American Society of Cataract and Refractive Surgery

4/18-22: American Association for Cancer Research (AACR), 4/19 AZN data on the combination of AZD9291 (3rd Gen EGFR TKI) and AZD6094 (MET inhibitor)

CORPORATE EVENTS

3/20: ICPT Investor Mtg

3/23: AMGN Conference Call at AAD, 9:00am EDT

3/24: ATRC, INSM Investor Mtgs

3/24: Earnings BMO: EPRS

3/25: Earnings BMO: AFMD; **Earnings AMC:** ASND, DERM

3/26: Earnings AMC: FGEN, ROKA

4/9: Earnings BMO: WBA and guidance

4/14: Earnings BMO: JNJ

4/21: Earnings AMC: ISRG, SYK

4/23: Earnings BMO: LLY

Disclosures Appendix

Analyst Certification

Each analyst certifies that the views expressed in this report accurately reflect their views and that no part of their compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Distribution of Ratings/Investment Banking Services (IB) as of 12/31/14				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OP]	150	70.00	60	40.00
HOLD [MP]	64	30.00	1	2.00
SELL [UP]	0	0.00	0	0.00

Explanation of Ratings

Outperform (Buy): We expect this stock to outperform its benchmark over the next 12 months.

Market Perform (Hold/Neutral): We expect this stock to perform in line with its benchmark over the next 12 months.

Underperform (Sell): We expect this stock to underperform its benchmark over the next 12 months. The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.

For the purposes of these definitions the relevant benchmark will be the S&P 600® Health Care Index for issuers with a market capitalization of less than \$2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over \$2 billion.

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