

February 18, 2015

T2 Biosystems Inc

On Track for '15 Targets

Industry View	Stock Rating	Price Target
In-Line	Equal-weight	\$20.00

T2's year-end update reaffirmed commercial targets for '15 and provided greater visibility on operating expenses; updated PT \$20 to account for roll forward to '18 basis.

Candida rollout continues as plan ned; positive early feedback. T2OO maintained its 30 hospital account goal by year-end '15 and has engaged with 25% of 450 large target accounts less than 6 months post FDA approval for T2Dx/Candida. Our instrument placement and ASP forecasts are unchanged, however, with the majority of contracts expected in 2H15 (60%) and 3-6 months required for installation and validation after contract signing, 'we are lowering our est '15 T2Dx and T2Candida revenues modestly to reflect expected timelines. The development collaboration with Canon adds \$1.5mn in recognized revenue during the year, yielding our updated with \$2.9mn total revenue estimate. We estimate the Canon collaboration to generate \$3mn annually in '16-'18 as the development and FDA approval progresses. The Canon collaboration and updates on commercialization efforts led to a ~\$5mn upward revision of operating expenses in our model, now growing 49% y/y in '15 versus 31% previously.

Clarity on the commercial ramp and R&D directives. With positive indications on early commercialization efforts, we see the first commercial placements in 1Q15. Noting a stronger than expected performance of its sales activity to date, T2OO aims to double its rep count from 7 currently by 4Q15. The increased cash burn, exacerbated by the lag between salesforce onboarding and productivity, and lengthy sales cycle to revenue, implies that T2 may require funding in '16 or '17.

Transitioning valuation to account for T2Bacteria. Discussions with FDA regarding the path for the T2Bacteria panel are progressing in line with expected timelines, and management notes this process only involves approval of an assay versus '14 FDA approval of both assay and instrument. The success of T2Bacteria uptake should likely follow that of T2Candida, with placements of the marketable fungal panel laying valuable groundwork for the bacteria panel. With the launch of the bacterial panel forecasted for early 2017, we have transitioned our valuation to 2018 revenues to better reflect its potential revenue impact. Our updated valuation of 3.9x EV/ sales applied to 2018 revenues and utilizing a 30% discount rate, given the greater commercial uncertainty of a fast-growing diagnostic company, brings us to an updated price target of \$20.

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T2 Biosystems Inc (T2OO.O , T2OO US)

Life Science Tools & Diagnostics / United States of America

Stock Rating	Equal-weight
Industry View	In-Line
Price target	\$20.00
Shr price, close (Feb 17, 2015)	\$20.01
Mkt cap, curr (mm)	\$230
52-Week Range	\$24.50-13.40

Fiscal Year Ending	12/14	12/15e	12/16e	12/17e
Co.-rpt'd rev (\$mm)*	-	-	-	-
ModelWare EPS (\$)	(4.15)	(2.30)	(1.96)	(0.25)
P/E	NM	NM	NM	NM
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

* = GAAP or approximated based on GAAP

e = Morgan Stanley Research estimates

QUARTERLY MODELWARE EPS (\$)

Quarter	2014	2015e Prior	2015e Current	2016e Prior	2016e Current
Q1	(0.63)	(0.45)	(0.57)	(0.37)	(0.57)
Q2	(0.66)	(0.46)	(0.58)	(0.44)	(0.53)
Q3	(0.71)	(0.47)	(0.56)	(0.47)	(0.47)
Q4	(0.45)	(0.64)	(0.59)	(0.57)	(0.40)

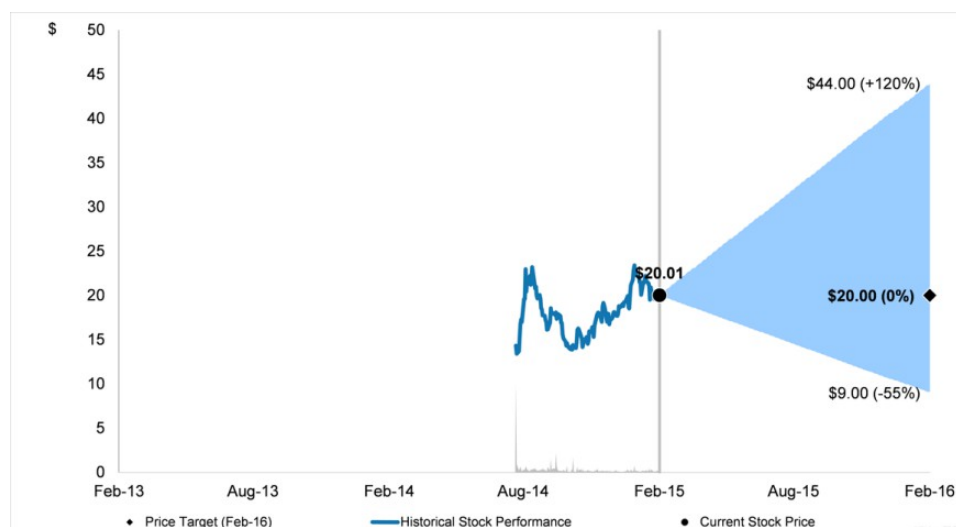
e = Morgan Stanley Research estimates

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Risk Reward

Early Phases of a Revolution in Rapid Sepsis Diagnostics



Source: Thomson Reuters, Morgan Stanley Research estimates

Price Target \$20.00

Value base case 2018 revenues of \$236 MM using a 3.9x EV/Sales multiple, below fast-growing diagnostic peers with demonstrated commercial traction. Assuming a fully loaded share base and 30% discount rate, we arrive at a 12-month target price.

Bull \$44

5.0x Bull Case 2020E Rev

Forecasted 2020E revenues capturing significant upside from the launches of T2Bacteria panel and hemostasis panels in 2017 leading to site expansion although gradual test price declines to ~\$135 by 2020 to capture smaller-scale hospitals. Discount rate of 15% applied for upside case.

Base \$20

3.9x Base Case 2018E Rev

Forecast penetration of top 200 hospitals by end of 2016 expanding to 259 sites (out of top 450 hospitals) by end of 2018 driven by availability of both T2Candida and T2Bacteria test panels, with pricing of ~\$170 per test.

Bear \$9

2.5x Bear Case 2018E Rev

Forecast only 90% of penetration from base case, or +100 sites with T2Candida panel and assumes T2Bacteria and hemostasis panels do not launch commercially before 2017.

Investment Thesis

- T2 Biosystem's T2Dx system is serving a critical unmet need through its rapid diagnosis of sepsis in as little as three hours, faster by 24 hours or more than the current standard of care to curb unnecessary drug treatments for the uninfected and accelerate appropriate therapies for infected patients
- We believe T2 has at least two years of runway in the US before competition could emerge with a technology that yields a diagnosis in less than 24 hours

Key Value Drivers

- Speed, providing results from a whole blood sample in three hours — beating competing sepsis diagnosis technologies by at least 24 hours and curbing unnecessary drug treatment for uninfected patients
- Ease of use, eliminating manual prep steps that can introduce risks of cross-contamination
- Clinical validation, with clinical data that demonstrates +80% sensitivity and +90% specificity
- International expansion in 2017
- FDA approval of Lyme disease diagnostic test for collaboration with Canon

Potential Catalysts

- Successful commercial launch of T2Dx and T2Candida in the first half of 2015
- Initiation of clinical trials for T2Bacteria in the second half of 2015 with a commercial launch targeted for later 2016, adding an additional 2.0MM patients to its addressable market
- Clinical trial initiation for T2Stat and T2HemoStat in the first half of 2016

Risks to Achieving Price Target

- Slower-than-expected commercial uptake for the new diagnostic modality for sepsis testing since it requires lab directors to add a new system to their lineup
- The launch of a competing product with a similarly distinguishable clinical profile and process timeline within the next two years
- International penetration fails to materialize

Supplementary Exhibits and Valuation

Exhibit 1: Changes to forecasts

	F2014A	F2015E	F2016E	F2017E	F2018E
Total Revenues (\$MM)					
Current	\$119	\$2,874	\$17,161	\$94,707	\$236,133
y/y growth	-55.3%	2314.8%	497.2%	451.9%	149.3%
Prior	\$750	\$2,996	\$26,357	\$114,741	\$248,577
y/y growth	182.0%	299.4%	779.8%	335.3%	116.6%
Gross Profit (\$MM)					
Current	\$119	\$575	\$9,867	\$64,401	\$170,016
% of sales	100.0%	20.0%	57.5%	68.0%	72.0%
Prior	\$225	\$599	\$15,155	\$78,024	\$178,975
% of sales	30.0%	20.0%	57.5%	68.0%	72.0%
SG&A (\$MM)					
Current	\$11,019	\$26,100	\$29,276	\$39,838	\$74,768
% of sales	9260%	908%	171%	42%	32%
Prior	\$11,272	\$22,902	\$29,888	\$49,210	\$78,718
% of sales	1503%	764%	113%	43%	32%
R&D (\$MM)					
Current	\$19,781	\$19,748	\$19,275	\$28,626	\$33,059
% of sales	16623%	687%	112%	30%	14%
Prior	\$19,471	\$17,281	\$21,085	\$34,422	\$34,801
% of sales	2596%	577%	80%	30%	14%
Operating Income					
Current	(\$30,681)	(\$45,273)	(\$38,684)	(\$4,063)	\$62,189
Prior	(\$30,518)	(\$39,584)	(\$35,819)	(\$5,609)	\$65,456
Net Income (\$MM)					
Current	(\$35,960)	(\$46,063)	(\$40,080)	(\$5,311)	\$62,221
Prior	(\$35,378)	(\$40,330)	(\$37,154)	(\$7,003)	\$65,623
EPS, diluted					
Current	(\$4.15)	(\$2.30)	(\$1.96)	(\$0.25)	\$2.93
Prior	(\$2.34)	(\$2.01)	(\$1.85)	(\$0.35)	\$3.12
Diluted Shares Outstanding					
Current	8,675	20,042	20,478	21,205	21,205
Prior	15,119	20,041	20,041	20,167	21,052

Source: Morgan Stanley Research Estimates, Company data

Exhibit 2: Results variance

Dollars in 000s, except per share	Current Quarter						4Q13A	Y/Y % Chg	Y/Y CC % Change	
	4Q14E	4Q14A	A vs E (\$)	A vs E (%)	EPS Impact	Cons Est.			Est.	Actual
Revenues:										
Total Revenues	\$750	\$119	(\$631)	(84.1%)	\$2.34	\$0	\$120	(0.8%)		
Foreign Exchange	\$6	\$6	\$0		\$0.00					
COGS	\$525	\$0	(\$525)	(100.0%)	\$0.03	\$0	\$0	N/A		
Gross Profit	\$225	\$119	(\$106)	(47.1%)	(\$0.01)	\$0	\$120	(0.8%)		
Op. Exps:										
SG&A	\$4,000	\$3,747	(\$253)	(6.3%)	\$0.01		\$1,303	187.6%		
R&D	\$4,900	\$5,210	\$310	6.3%	(\$0.02)		\$3,727	39.8%		
Total Op. Exps	\$8,900	\$8,957	\$57	0.6%	(\$0.00)		\$5,030	78.1%		
Op. Inc. (Loss)	(\$8,675)	(\$8,838)	(\$163)	N/A	(\$0.01)	(\$8,740)	(\$4,910)	N/A		
Total Non-op. Expense	\$181	(\$238)	(\$419)	(231.7%)	(\$0.02)		(\$104)	N/A		
Inc. Taxes	\$0	\$0	\$0	N/A	\$0.00		\$0	N/A		
Net Inc. (Loss)	(\$8,494)	(\$9,076)	(\$582)	N/A	(\$0.03)	(\$8,860)	(\$6,925)	N/A		
Diluted Shares Out	\$20,041	20,041	1	0.0%	\$0.00		14,001	43.1%		
EPS, Diluted	(\$0.42)	(\$0.45)	(\$0)	N/A	(\$0.03)	(\$0.44)	(\$0.49)	N/A		

Source: Company Data, Morgan Stanley Research

Valuation & Risk Methodology

Our price target for T2 Biosystems is \$20, or 3.9x CY18E revenues. Given the T2Bacteria panel will not launch until 2H2016, we believe 2018 revenue estimates are a more appropriate reflection of the company's revenue generation capacity. We apply a 3.9x multiple to T2 forecasted revenues, which is below fast-growing diagnostic peers with demonstrated commercial traction and assuming a fully loaded share base and a 30% discount rate, to reflect the greater commercial uncertainty of a fast-growing diagnostic company, and we arrive at a 12-month target price.

Key risks to our price target include slower-than-expected commercial uptake for the new diagnostic modality for sepsis testing, the launch of a competing product with a similarly distinguishable clinical profile, and failure to achieve international penetration.

Exhibit 3: T2 Income Statement

	2012A	2013A	2014E					2015E				2016E	2017E	2018E
	2012A	2013A	Mar-14	Jun-14	Sep-14	Dec-14	2014E	Mar-15	Jun-15	Sep-15	Dec-15	2016E	2017E	2018E
Revenue, net	\$19	\$266	\$0	\$0	\$0	\$750	\$750	\$411	\$534	\$776	\$1,275	\$2,996	\$26,357	\$248,577
Cost of Goods Sold	\$0	\$0	\$0	\$0	\$0	\$525	\$525	\$329	\$428	\$621	\$1,020	\$2,397	\$11,202	\$69,602
Gross Profit	\$19	\$266	\$0	\$0	\$0	\$225	\$225	\$82	\$107	\$155	\$255	\$599	\$15,155	\$178,975
R&D	\$11,727	\$14,936	\$5,065	\$4,703	\$4,803	\$4,900	\$19,471	\$3,288	\$3,741	\$3,879	\$6,373	\$17,281	\$21,085	\$34,422
SG&A	\$2,945	\$5,022	\$1,842	\$2,446	\$2,984	\$4,000	\$11,272	\$5,754	\$5,345	\$5,430	\$6,373	\$22,902	\$29,888	\$49,210
Total Operating Expenses	\$14,672	\$19,958	\$6,907	\$7,149	\$7,787	\$8,900	\$30,743	\$9,042	\$9,086	\$9,309	\$12,747	\$40,183	\$50,974	\$83,633
EBITDA	(\$14,082)	(\$19,108)	(\$6,763)	(\$6,994)	(\$7,627)	(\$8,515)	(\$29,898)	(\$8,771)	(\$8,781)	(\$8,947)	(\$12,277)	(\$38,776)	(\$34,890)	\$65,456
Operating Income	(\$14,653)	(\$19,692)	(\$6,907)	(\$7,149)	(\$7,787)	(\$8,675)	(\$30,518)	(\$8,960)	(\$8,979)	(\$9,153)	(\$12,492)	(\$39,584)	(\$35,819)	\$65,456
Total Non-op. Expense	\$198	(\$918)	(\$13)	(\$154)	(\$304)	\$181	(\$290)	(\$44)	(\$170)	(\$251)	(\$281)	(\$746)	(\$1,335)	\$167
Pre-Tax Income	(\$14,455)	(\$20,610)	(\$6,920)	(\$7,303)	(\$8,091)	(\$8,494)	(\$30,808)	(\$9,004)	(\$9,149)	(\$9,405)	(\$12,772)	(\$40,330)	(\$37,154)	\$65,623
Tax Rate	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%
Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NOL (Add) / Use	(\$14,455)	(\$20,610)					(\$30,808)					(\$40,330)	(\$37,154)	\$22,968
NOL Balance	(\$14,455)	(\$35,065)					(\$65,873)					(\$106,203)	(\$143,357)	(\$127,392)
Accretion of Conv Pref.	\$4,412	\$6,908	\$1,906	\$1,906	\$758	\$0	\$4,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	(\$18,867)	(\$27,518)	(\$8,826)	(\$9,209)	(\$8,849)	(\$8,494)	(\$35,378)	(\$9,004)	(\$9,149)	(\$9,405)	(\$12,772)	(\$40,330)	(\$37,154)	\$65,623
Fully Diluted Shares	8,348	13,112	14,022	14,036	12,379	20,041	15,119	20,041	20,041	20,041	20,041	20,041	20,041	21,052
Period End Basic Shares	9,870	14,015	14,031	14,042	20,041	20,041	20,041	20,041	20,041	20,041	20,041	20,041	20,041	21,052
Diluted EPS	(\$2.26)	(\$2.10)	(\$0.63)	(\$0.66)	(\$0.71)	(\$0.42)	(\$2.34)	(\$0.45)	(\$0.46)	(\$0.47)	(\$0.64)	(\$2.01)	(\$1.85)	\$3.12
Gross Margin	100%	100%	NM	NM	NM	30%	30%	20%	20%	20%	20%	20%	57.5%	72.0%
SG&A	15500%	1888%	NM	NM	NM	533%	1503%	1400%	1000%	700%	500%	764%	113.4%	31.7%
R&D	61721%	5615%	NM	NM	NM	653%	2596%	800%	700%	500%	500%	577%	80.0%	14.0%
Operating Income	-77121%	-7403%	NM	NM	NM	-1157%	-4069%	-2180%	-1680%	-1180%	-980%	-1321%	-135.9%	26.3%
Pre-Tax Income	-76079%	-7748%	NM	NM	NM	-1133%	-4108%	-2191%	-1712%	-1212%	-1002%	-1346%	-141.0%	26.4%
Net Income	-99300%	-10345%	NM	NM	NM	-1133%	-4717%	-2191%	-1712%	-1212%	-1002%	-1346%	-141.0%	26.4%
<u>Growth Rates</u>														
Sales		1300%	NM	-100%	NM	NM	182%	NM	NM	NM	70%	299%	780%	117%
Gross Profit		1300%	NM	-100%	NM	NM	-15%	NM	NM	NM	13%	166%	2429%	129%
SG&A		71%	77%	88%	NM	NM	124%	212%	119%	82%	59%	103%	31%	60%
R&D		27%	42%	26%	NM	NM	30%	-35%	-20%	-19%	30%	-11%	22%	1%
Operating Income		34%	50%	46%	NM	NM	55%	30%	26%	18%	44%	30%	-10%	-1267%
EPS		-7%	NM	NM	NM	NM	11%	-29%	-30%	-34%	50%	-14%	-8%	-998%

Source: Company data, Morgan Stanley Research

Exhibit 4: T2 Revenue Build

	2014E	2015E					2016E	2017E	2018E
	2014E	Mar-15	Jun-15	Sep-15	Dec-15	2015E	2016E	2017E	2018E
T2 Candida Revenue									
Test Revenue									
Direct Customer Test Price		\$ 160	\$ 161	\$ 162	\$ 162	\$ 162	\$ 165	\$ 168	\$ 171
Reagent Rental Test Price		\$ 160	\$ 161	\$ 162	\$ 162	\$ 162	\$ 165	\$ 168	\$ 171
T2 Candida Tests		-	320	1,440	3,840	5,600	115,740	457,937	607,235
T2 Candida Revenue		-	51,456	232,710	623,662	907,828	19,094,193	76,923,366	103,923,547
Instrument Revenue									
Total Candida Sites EOP						32	130	142	195
New Sites		2	6	9	15	32	98	-	-
Instruments per site		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sites Adopting Candida & Bacteria		-	-	-	-	-	-	12	53
Instruments per site		-	-	-	-	-	-	-	-
T2 Instruments - new		3	9	14	23	49	148	-	-
Instrument Price		\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 58,500	\$ -	\$ -
T2Dx Instrument Revenue		36,000	108,000	168,000	276,000	588,000	1,731,600	-	-
Support Revenue									
HW maintainane		12%	12%	12%	12%	12%	12%	12%	12%
Instrument Vintage - Direct Sales (EOP)		1	2	3	5	10	39	39	39
Under Support (EOP)		-	-	-	-	-	10	39	39
New Support Revenue		-	-	-	-	-	16,848	50,435	-
Total Support Revenue		-	-	-	-	-	31,064	184,433	269,134
Total T2 Candida Revenue		\$36,000	\$159,456	\$400,710	\$899,662	\$1,495,828	\$20,856,856	\$77,107,799	\$104,192,681
T2 Bacteria									
Test Revenue									
Direct Customer Test Price							\$ 169	\$ 171	
Reagent Rental Test Price							\$ 169	\$ 171	
T2 Bacteria Tests							100,384	602,014	
T2 Bacteria Revenue							16,928,453	103,173,228	
Instrument Revenue									
Total Sites EOP						-	115	259	
Sites Converted from Candida						-	92	38	
Additional Instruments per site						1.0	1.0	1.0	
New Sites						2.0	23	106	
Instruments per site						2.0	2.0	2.0	
T2 Instruments - new							138	201	
Instrument Price		\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 58,500	\$ 57,038	\$ 55,612
T2Dx Instrument Revenue							1,574,237	2,235,585	
Support Revenue									
HW maintenance							12%	12%	12%
Instrument Vintage - Direct Sales (EOP)							28	68	
Under Support (EOP)							-	28	
New Support Revenue							-	46,046	
Total Support Revenue							-	106,107	
Total T2 Bacteria Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,502,690	\$105,514,920
Hemostasis revenue									
Test Revenue									
Level I/II Test Price						\$ 35	\$ 33	\$ 32	
Level III/IV Test Price						\$ 35	\$ 33	\$ 32	
Level I/II Tests/year	-					-	30,303	169,571	
Level III/IV Tests/year	-					-	7,938	81,648	
Level I/II Revenue	-					-	1,007,579	5,356,333	
Level III/IV Revenue	-					-	263,939	2,579,056	
Hemostasis Test Rev.	-					-	1,271,518	7,935,389	
Instrument Revenue									
Level I/II Sites	-					-	24	14	
Level I/II Instruments per site	-				4	4	4	4	
Level I/II Instruments - new	-				-	-	96	57	
Level III/IV Sites	-				-	-	123	228	
Level III/IV Instruments per site	-				2	2	2	2	
Level III/IV Instruments - new	-				-	-	245	455	
Level I/II Instrument Price						\$ 15,000	\$ 14,250	\$ 13,538	
Level III/IV Instrument Price						\$ 15,000	\$ 14,250	\$ 13,538	
Level I/II Instrument Rev.	-				-	-	1,368,000	774,345	
Level III/IV Instrument Rev.	-				-	-	3,491,250	6,159,563	
Hemostasis Instrument Rev.	-				-	-	4,859,250	6,933,908	
Hemostasis total revenue	\$0				\$0	\$0	\$0	\$6,130,768	\$14,869,298
Other Revenue									
Partner & Grant	750,000	250,000	250,000	250,000	250,000	1,000,000	2,000,000	3,000,000	4,000,000
International Rev	-	125,000	125,000	125,000	125,000	500,000	3,500,000	10,000,000	20,000,000
Total other revenue	\$750,000	\$375,000	\$375,000	\$375,000	\$375,000	\$1,500,000	\$5,500,000	\$13,000,000	\$24,000,000

Source: Company data, Morgan Stanley Research

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Global Stock Ratings Distribution

(as of January 31, 2015)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)		
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY
Overweight/Buy	1173	35%	320	41%	27%
Equal-weight/Hold	1446	43%	361	46%	25%
Not-Rated/Hold	107	3%	14	2%	13%
Underweight/Sell	603	18%	92	12%	15%
TOTAL	3,329		787		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Life Science Tools & Diagnostics

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/17/2015)
David R. Lewis		
T2 Biosystems Inc (TTOO.O)	E (09/02/2014)	\$20.01
Steve Beuchaw		
Agilent Technologies, Inc. (AN)	E (09/08/2014)	\$40.52
Illumina Inc. (ILMN.O)	E (09/08/2014)	\$198.86
Myriad Genetics Inc. (MYGN.O)	U (11/10/2014)	\$33.61
NanoString Technologies Inc (NSTG.O)	O (11/10/2014)	\$12.83
PerkinElmer Inc. (PKI.N)	O (09/08/2014)	\$46.32
Thermo Fisher Scientific Inc. (TMO.N)	O (09/08/2014)	\$128.03
Veracyte Inc (VCYT.O)	E (11/10/2014)	\$9.01
Waters Corp. (WAT.N)	U (09/08/2014)	\$119.99

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* Historical prices are not split adjusted.

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