



March 10, 2015

## Ocular Therapeutix, Inc.

### More clinical and news flow momentum building; Raising price target

**Our view:** OCUL's platform technology is already paying off with: (1) One positive Phase III reading out, (2) 5 clinical programs (2 Phase IIIs and 2 Phase IIs), (3) Pipeline surprises (upside optionality), (4) Blockbuster potential indications (at least 2–3), (5) Likelihood of partnerships or take outs, and (6) Continuous news flow. We are raising our price target, especially to reflect the anti-VEGF program potential.

#### Key points:

- **4Q:14 vs. expectations.** Revenues and expenses were slightly higher driving an EPS of (\$0.37). YE:14 cash was ~\$75M and debt \$15M.
- **2015 guidance vs. consensus.** OCUL expects limited ReSure sales and a burn of \$30–\$35M in 2015 and cash to fund operations into 1H:16.
- **Changes to our estimates.** We have increased our forecasts for OTX-DP programs and the biggest upside driver is the anti-VEGF hydrogel probability adjustment.

#### Key takeaways from the conference call (see following pages for greater discussion):

- **First OTX-DP Phase III in post-cataract pain and inflammation worked; second should too.** The first Phase III study, which read out positive and met its primary endpoint, is identical in design to the second Phase III, where data are expected in March. Of note, differentiation is likely on consistent dosing, safety, and convenience vs. marketed agents. Two positive studies would set OCUL on the path to marketing its own drugs. The NDA is planned for 2Q:15 with approval by 2Q:16 or sooner.
- **OTX-TP glaucoma and OTX-DP dry eye Phase II data in 4Q:15.** Both candidates target blockbuster markets. Data is catalytic in its own right but also because they could lead to OCUL announcing progress into Phase IIIs. The Phase III OTX-DP study in allergic conjunctivitis is also expected to begin mid-2015.
- **Commentary around anti-VEGF hydrogel depot appears positive; biggest upside driver in our model.** From everything we heard on the call, it appears that OCUL could go forward with its own program or partner with one of the larger participants in the space (REGN, NVS, Roche, OPHT, etc.). The first data at ARVO will focus on PK/ PD in vivo.
- **Thoughts around partnerships and ultimate strategy.** We think partnerships are likely and an acquisition even more so, since peak sales and valuations can theoretically become so large, especially should OCUL see success with its anti-VEGF hydrogel depot program.

#### Upcoming news flow:

- OTX-DP 2nd Phase III data in post cataract/ inflam. and pain in Mar.
- OTX-DP NDA filing for post cataract/ inflammation and pain in 2Q:15
- Intravitreal anti-VEGF hydrogel depot data in May
- OTX-TP Phase II data in glaucoma in 4Q:15
- OTX-DP Phase II data in dry eye potentially in 4Q:15.

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### Outperform

### Speculative Risk

NASDAQ: OCUL; USD 40.25

Price Target USD 50.00 ↑ 35.00

#### WHAT'S INSIDE

|   |   |
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#### Scenario Analysis\*

| Downside Scenario | Current Price | Price Target | Upside Scenario |
|-------------------|---------------|--------------|-----------------|
| 11.00             | 40.25         | 50.00        | 74.00           |
| ↓ 73%             |               | ↑ 24%        | ↑ 84%           |

\*Implied Total Returns

#### Key Statistics

|                  |      |                    |         |
|------------------|------|--------------------|---------|
| Shares O/S (MM): | 21.2 | Market Cap (MM):   | 853     |
| Dividend:        | 0.00 | Yield:             | 0.0%    |
|                  |      | Avg. Daily Volume: | 166,103 |

#### RBC Estimates

| FY Dec                  | 2014A     | 2015E     | 2016E     | 2017E     |
|-------------------------|-----------|-----------|-----------|-----------|
| <b>Revenue</b>          | 0.8       | 2.3       | 12.3      | 40.7      |
| Prev.                   | 0.5       |           |           |           |
| <b>EPS, Ops Diluted</b> | (2.69)    | (1.73)    | (2.33)    | (2.19)    |
| Prev.                   | (2.68)    | (1.86)    |           |           |
| <b>P/E</b>              | NM        | NM        | NM        | NM        |
| <b>Revenue</b>          | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> |
| 2014                    | 0.0A      | 0.1A      | 0.1A      | 0.5A      |
| Prev.                   |           |           |           | 0.2E      |
| 2015                    | 0.3E      | 0.5E      | 0.7E      | 0.9E      |
| <b>EPS, Ops Diluted</b> |           |           |           |           |
| 2014                    | (2.45)A   | (2.10)A   | (0.48)A   | (0.37)A   |
| Prev.                   |           |           |           | (0.36)E   |
| 2015                    | (0.39)E   | (0.42)E   | (0.45)E   | (0.48)E   |
| Prev.                   |           | (0.45)E   | (0.49)E   | (0.52)E   |

All values in USD unless otherwise noted.

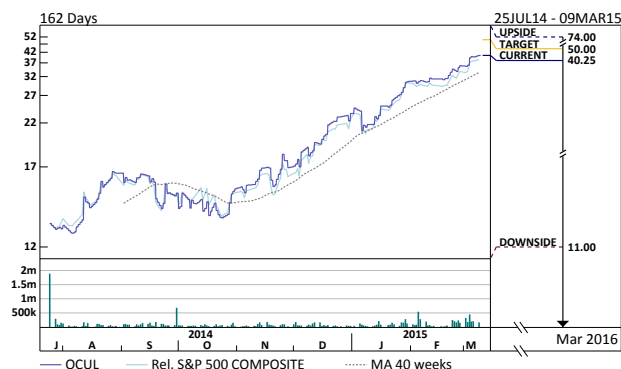
Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 8.



## Target/Upside/Downside Scenarios

Exhibit 1: Ocular Therapeutix, Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

## Target price/base case

We value OCUL at \$50 (prev. \$35), which includes US and EU sales with a probability of success of 85% to ReSure (~\$5/share), 90% to OTX-DP inflammation (~\$3/share), 60% to OTX-DP allergy (~\$3/share), 55% (prev. 40%) to OTX-DP dry eye (~\$9/share), 60% to OTX-TP glaucoma for (~\$18/share) and 20% (prev. 15%) to Anti-VEGF hydrogel (~\$13/share). We forecast US and ex-US combined peak sales of ReSure, OTX-DP inflammation, OTX-DP allergic conjunctivitis, OTX-DP dry eye, OTX-TP glaucoma, and anti-VEGF hydrogel at ~\$8B and ~\$10B, respectively.

## Upside scenario

Our upside scenario at \$74 per share (prev. \$50) includes US and EU sales with a probability of regulatory and commercial success of 75% to ReSure (~\$6/share), 70% to OTX-DP inflammation (~\$6/share), 55% to OTX-DP allergy (~\$4/share), 30% to OTX-DP dry eye (~\$11/share), 45% to OTX-TP glaucoma for (~\$22/share), and 40% to anti-VEGF hydrogel (~\$25/share). We forecast US and ex-US combined peak sales of ReSure, OTX-DP inflammation, OTX-DP allergic conjunctivitis, OTX-DP dry eye, OTX-TP glaucoma, and anti-VEGF hydrogel at ~\$9B+ and ~\$11B+, respectively.

## Downside scenario

Our downside scenario at \$11 per share (prev. \$10) includes US and EU sales with a probability of success of 85% to ReSure (~\$2/share), 80% to OTX-DP inflammation (~\$2 share), 70% to OTX-DP allergy (~\$1 share), and 65% to OTX-TP glaucoma for (~\$8 share). We forecast US and ex-US combined product peak sales at ~\$950MM and ~\$700MM, respectively. The value of OTX-DP inflammation is negative because the product is launched first and it is assumed that their sales ramps alone are not high enough to support the R&D and SG&A infrastructure profitably.

## Investment summary

We believe OCUL shares offer the potential for upside as the hydrogel sustained technology platform lowers clinical and development risk, allows multiple shots at success and the pipeline to be diversified, and increases the chances of a candidate making it through the clinic and onto the market. OTX-DP is in Phase III studies for inflammation and pain, and in Phase II studies for allergic conjunctivitis and dry eye. OTX-TP is in a Phase IIb study for glaucoma, having posted promising Phase IIa, and earlier stage compounds represent upside optionality. Results from these studies are expected in 2015 and 2016, assuming progress going forward through 2017. Target markets represent millions of patients worldwide, and we forecast peak sales of OCUL's products totaling ~\$18B.

OCUL owns 100% of the rights to its pipeline, and patent protection extends into 2030, meaning the company is free to commercialize itself, partner, or to be acquired. Because ophthalmology remains an attractive therapeutic area and OCUL's product candidates have potential for improved dosing, convenience as well as safety advantages, progress through clinical and regulatory milestones, and any partnerships could be value-enhancing.

## Potential Catalysts for OCUL Shares

- **Phase III data for OTX-DP inflammation and pain in 1Q:15.** Positive data could lead to an NDA and MAA.
- **Phase IIb data for OTX-TP in 3Q:15.** Potential to show efficacy and 3-month plug retention for glaucoma.
- **Potential partnership for OTX-DP and OTX-DP.** OCUL has the rights to both products, and a partnership is possible.
- **Potential OTX-DP approvals and launches in 2016/ 2017 in the US and EU.**
- **ReSure sales** could be higher than expectation.

## Potential Risks for OCUL Shares

- **Pivotal Phase III and earlier stage studies could fail.** Phase II and Phase III data for OTX-DP are expected in 2014-2017 and one or more products could fail.
- **Sales ramp of punctum plug technology could be slow** as clinicians fail to adopt, payers put up hurdles for reimbursing branded drugs, and cheaper generics hamper market penetration.
- **Sales of ReSure Sealant could lag sales expectations** as surgeons maintain current practices.
- **OCUL could fail to find a partner** for product commercialization outside the US.
- **Other sustained release technologies could preempt OCUL's platform,** thereby leading to a move away from hydrogel based products.



**First OTX-DP Phase III in post-cataract pain and inflammation worked; second should too.**

The first Phase III study, which read out positive and met its primary endpoint, is identical in design to the second Phase III, where data are expected in March. Of note, differentiation is likely on consistent dosing, safety, and convenience vs. marketed agents. Two positive studies would set OCUL on the path to marketing its own drugs. The primary endpoint for the Phase III was absence of cells in the anterior chamber at day 14 and pain at day 8. Phase III data showed a stat sig reduction in inflammatory cells in the anterior chamber (33.7% for OTX-DP vs. 14.6% on placebo;  $p=0.0015$ ) and pain (76.1% for OTX-DP vs. 36.1% on placebo;  $p<0.0001$ ). The key advantages are consistent dosing without the peaks and troughs of eye drops, reliable delivery, and freeing patients of multiple daily eye drops for up to 4 weeks. The NDA is planned for 2Q:15 with approval by 2Q:16 or sooner.

**OTX-TP glaucoma data in 4Q:15; Phase III decision next.** The time-line slipped slightly from 3Q but the key here is consistent, steady delivery of a drug which has long-term implications for glaucoma. Positive Phase IIb with retention of up to 3-months is likely to lead to a Phase III.

**OTX-DP Phase IIb dry eye data coming in 4Q:15.** Although OCUL is selecting for more difficult to treat patients, since the Phase II compares OTX-DP to placebo, chances of the trial working should be high. The objective is to identify an endpoint and path forward with the FDA. It is possible a 'go/ no-go' decision is likely in 2016.

**OTX-DP Phase III starting in allergic conjunctivitis in mid-2015.** The fact that the 1.0 unit difference threshold for itching and redness was not met and OCUL is still going into a Phase III demonstrates efficacy out to 30+ days is meaningful. Data from this study could be available by YE:15/ 1H:16.

**Commentary around anti-VEGF hydrogel depot appears positive; biggest upside driver in our model.** From everything we heard on the call starting with a meeting with the FDA and ending with data at ARVO but even more progress already expected in 1H:15 it appears that OCUL could go forward with its own program or partner with one of the larger participants in the space (REGN, NVS, Roche, OPHT, etc.). The first data at ARVO will focus on PK/ PD in vivo. The gating step to a Phase I is likely the amount of toxicology data needed before humans can be dosed.

**Thoughts around partnerships and ultimate strategy.** Management appears to be successfully making a case for a technology platform, i.e., leveraging the same science to develop multiple drugs across multiple indications. We think partnerships are likely and an acquisition even more so, since peak sales and valuations can theoretically become so large, especially should OCUL see success with its anti-VEGF hydrogel depot program. OCUL disclosed a fourth partnership with a biopharma company to evaluate an oncology drug for ophthalmic indications, which further validates interest in its technology.



Exhibit 2: 4Q:14 actual vs. RBC estimates

| (\$ in millions, except per share) | 4Q:14           |                 |                 |
|------------------------------------|-----------------|-----------------|-----------------|
|                                    | Actual          | Est.            | Diff.           |
| <b>Revenue</b>                     |                 |                 |                 |
| ReSure                             | 0.2             | 0.2             | (0.0)           |
| OTX-DP Inflammation                | -               | -               | -               |
| OTX-DP allergy                     | -               | -               | -               |
| OTX-TP glaucoma                    | -               | -               | -               |
| ROW Royalties                      | -               | -               | -               |
| Other                              | 0.3             | -               | 0.3             |
| <b>Total Revenue</b>               | <b>0.5</b>      | <b>0.2</b>      | <b>0.3</b>      |
| <b>Operating expenses</b>          |                 |                 |                 |
| Royalty expense                    | -               | 0.0             | (0.0)           |
| COGS                               | 0.0             | 0.0             | (0.0)           |
| R&D                                | 5.1             | 5.3             | (0.1)           |
| SG&A                               | 2.9             | 2.5             | 0.4             |
| <b>Total operating expenses</b>    | <b>8.1</b>      | <b>7.8</b>      | <b>0.3</b>      |
| <b>Operating Income (Loss)</b>     | <b>(7.5)</b>    | <b>(7.6)</b>    | <b>0.0</b>      |
| Interest income                    | -               | 0.0             | (0.0)           |
| Interest expense                   | (0.4)           | (0.1)           | (0.4)           |
| Other income (expense)             | -               | (0.1)           | 0.1             |
| <b>Total other income</b>          | <b>(0.4)</b>    | <b>(0.1)</b>    | <b>(0.3)</b>    |
| <b>Pretax Income</b>               | <b>(8.0)</b>    | <b>(7.7)</b>    | <b>(0.2)</b>    |
| Income tax expense                 | -               | -               | -               |
| <b>Net income (loss)</b>           | <b>(8.0)</b>    | <b>(7.7)</b>    | <b>(0.2)</b>    |
| <b>EPS - Basic (GAAP)</b>          | <b>(\$0.37)</b> | <b>(\$0.36)</b> | <b>(\$0.01)</b> |
| <b>EPS - Diluted (GAAP)</b>        | <b>(\$0.37)</b> | <b>(\$0.36)</b> | <b>(\$0.01)</b> |
| Shares (basic)                     | 21.3            | 21.3            | 0.0             |
| Shares (diluted)                   | 23.1            | 23.1            | 0.0             |

Source: Company reports and RBC Capital Markets estimates

Exhibit 3: News flow

| Timing           | Expected News Flow   | Program  |
|------------------|--|----------|
| 1Q:15 (End Mar.) | Phase III results (2nd study) in post cataract inflammation and pain         | OTX-DP   |
| 2Q:15 (Apr)      | Potential Phase III data from OTX-DP in cataract pain/ inflammation at ASCRS | OTX-DP   |
| 2Q:15 (May)      | Potential feasibility data at ARVO   | IHD-VEGF |
| 2Q:15            | Submit NDA/ MAA for post cataract inflammation and pain                      | OTX-DP   |
| Mid-2015         | Initiate Phase III study in allergic conjunctivitis                          | OTX-DP   |
| 4Q:15            | Phase IIb data in glaucoma   | OTX-TP   |
| 1H:16            | Initiate Phase III study in glaucoma   | OTX-TP   |
| 4Q:15/ 1Q:16     | Potential Phase II data in dry eye   | OTX-DP   |
| 2015             | Update on clinical program or partnership(s)                                 | IHD-VEGF |
| 2015             | Potential pipeline update on additional programs                             | Hydrogel |
| YE:15/ 1H:16     | Phase III results in allergic conjunctivitis                                 | OTX-DP   |
| 2H:16            | File NDA/ MAA in allergic conjunctivitis                                     | OTX-DP   |
| 1H:16            | Potential NDA approval for post cataract inflammation and pain               | OTX-DP   |
| 1H:16            | Phase III 'go/ no-go' decision in dry eye                                    | OTX-DP   |
| 3Q/ 4Q:17        | Potential NDA approval for allergic conjunctivitis                           | OTX-DP   |
| 1H:17            | Phase III results in glaucoma  | OTX-TP   |
| 2H:17/ 1H:18     | File NDA/ MAA in glaucoma  | OTX-TP   |
| 2H:18/ 1H:19     | Potential NDA approval for glaucoma  | OTX-TP   |

Source: Company reports and RBC Capital Markets estimates



## Exhibit 4: Pipeline

| Product                     | Mechanism                         | Stage             | Indication                                      |
|-----------------------------|-----------------------------------|-------------------|---|
| ReSure                      | Ocular sealant                    | FDA approved      | Sealant post cataract surgery                   |
| OTX-DP                      | Dexamethasone plug                | Phase III         | Post-cataract surgery for inflammation and pain |
| OTX-DP                      | Dexamethasone plug                | Phase III planned | Allergic conjunctivitis                         |
| OTX-DP                      | Dexamethasone plug                | Phase II          | Dry eye   |
| OTX-TP                      | Travoprost plug                   | Phase II          | Glaucoma  |
| OTX-MP                      | Moxifloxacin plug                 | Phase I           | Bacterial conjunctivitis                        |
| Intravitreal Hydrogel Depot | Sustained release anti-VEGF depot | Pre-clinical      | Wet AMD/ RVO/ DME                               |

Source: Company reports



## Valuation

We arrive at our \$50 price target (prev. \$35) using a sum-of-the parts analysis for OCUL shares. The primary components of our valuation include OCUL's ReSure sealant, OTX-DP for inflammation, OTX-DP for allergy, OTX-DP for dry eye, anti-VEGF hydrogel, and OTX-TP for glaucoma product sales in the US and royalty revenues from sales in ROW. Our base, upside and downside scenarios use a discount rate of 15% to reflect potential clinical and commercial risk and assign a probability of success of the clinical and commercial roll out of ReSure, OTX-DP for inflammation, OTX-DP for allergic conjunctivitis, and OTX-TP for glaucoma.

## Price target impediments

Our price target is dependent on the clinical, regulatory and commercial success of the ReSure sealant, OTX-DP inflammation, OTX-DP allergy, OTX-DP dry eye, anti-VEGF hydrogel, and OTX-TP glaucoma. A Phase IIIb study for OTX-DP inflammation has been initiated and data is expected in 1Q:15. The phase IIa clinical trial for OTX-TP has been completed and a Phase IIb clinical trial in OTX-TP is expected in 2Q:15. Failure to demonstrate efficacy or safety in any 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, 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 affect our valuation.

## Company description

Ocular Therapeutix (OCUL) is developing sustained-release drugs that target ophthalmic disorders by using its proprietary hydrogel technology as a platform. The approach has low clinical and regulatory risks as the drugs OCUL is encapsulating within its proprietary microspheres are either off-patent or about to go off-patent. Since OCUL is able to turn a number of already approved drugs typically administered as eye drops into sustained-release, long-acting products, the hydrogel technology also represents a leverageable platform and a lower risk approach for creating multiple product candidates. OCUL also markets ReSure Sealant, which was recently approved for sealing corneal incisions after cataract surgery. OTX-DP for the treatment of post-surgical ocular inflammation and pain is in Phase III trials. Product candidates undergoing Phase II testing include OTX-DP for allergic conjunctivitis and OTX-TP for glaucoma.



Ocular Therapeutix  
Income Statement

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| (\$ in millions, except per share)<br>Fiscal Year Ends December | 2012A           | 2013A           | 1Q:14A          | 2Q:14A          | 3Q:14A          | 4Q:14A          | 2014A           | 1Q:15E          | 2Q:15E          | 3Q:15E          | 4Q:15E          | 2015E           | 2016E           | 2017E           | 2018E           | 2019E           | 2020E         | 2021E         | 2022E         | 2023E          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|----------------|
| <b>Revenue</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |               |               |               |                |
| ReSure  | -               | -               | -               | 0.1             | 0.1             | 0.2             | 0.4             | 0.3             | 0.5             | 0.7             | 0.9             | 2.3             | 10.8            | 20.6            | 39.0            | 58.2            | 68.8          | 76.5          | 87.8          | 96.2           |
| OTX-DP Inflammation   | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 1.5             | 17.9            | 30.4            | 46.5            | 63.2          | 80.6          | 95.9          | 111.7          |
| OTX-DP allergy  | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 2.0             | 10.2            | 17.3            | 28.2          | 46.8          | 58.7          | 74.9           |
| OTX-DP dry eye  | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 23.4          | 83.7          | 146.3         | 211.4          |
| OTX-TP glaucoma   | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 2.7             | 14.4            | 91.7          | 194.3         | 308.6         | 435.7          |
| ROW Royalties   | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 0.3             | 2.8             | 7.4             | 14.2          | 34.7          | 59.4          | 82.0           |
| Other   | 0.0             | -               | 0.0             | -               | -               | 0.3             | 0.3             | -               | -               | -               | -               | -               | -               | -               | -               | -               | -             | -             | -             | -              |
| <b>Total Revenue</b>  | <b>0.0</b>      | <b>-</b>        | <b>0.0</b>      | <b>0.1</b>      | <b>0.1</b>      | <b>0.5</b>      | <b>0.8</b>      | <b>0.3</b>      | <b>0.5</b>      | <b>0.7</b>      | <b>0.9</b>      | <b>2.3</b>      | <b>12.3</b>     | <b>40.7</b>     | <b>85.2</b>     | <b>143.8</b>    | <b>289.5</b>  | <b>516.5</b>  | <b>756.6</b>  | <b>1011.8</b>  |
| <b>Operating expenses</b>                                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |               |               |               |                |
| Royalty expense   | -               | -               | -               | -               | -               | -               | -               | 0.0             | 0.0             | 0.0             | 0.0             | 0.1             | 0.5             | 1.6             | 3.3             | 5.5             | 10.1          | 15.9          | 22.0          | 28.7           |
| COGS  | 0.0             | -               | 0.0             | 0.0             | 0.0             | 0.0             | 0.1             | 0.0             | 0.1             | 0.1             | 0.1             | 0.3             | 1.8             | 6.1             | 12.3            | 20.5            | 41.3          | 72.3          | 104.6         | 139.5          |
| R&D   | 11.5            | 10.5            | 5.0             | 4.3             | 4.5             | 5.1             | 18.9            | 5.3             | 5.8             | 6.3             | 6.8             | 24.2            | 35.0            | 40.0            | 50.0            | 52.5            | 55.0          | 57.5          | 60.0          | 62.5           |
| SG&A  | 2.1             | 2.4             | 1.9             | 1.7             | 2.4             | 2.9             | 8.9             | 3.2             | 3.5             | 3.9             | 4.3             | 14.9            | 38.0            | 52.5            | 65.0            | 70.0            | 75.0          | 80.0          | 151.3         | 202.4          |
| <b>Total operating expenses</b>                                 | <b>13.7</b>     | <b>12.9</b>     | <b>6.9</b>      | <b>6.0</b>      | <b>6.9</b>      | <b>8.1</b>      | <b>27.9</b>     | <b>8.6</b>      | <b>9.4</b>      | <b>10.3</b>     | <b>11.3</b>     | <b>39.5</b>     | <b>75.3</b>     | <b>100.2</b>    | <b>130.6</b>    | <b>148.4</b>    | <b>181.4</b>  | <b>225.7</b>  | <b>337.9</b>  | <b>433.1</b>   |
| <b>Operating Income (Loss)</b>                                  | <b>(13.7)</b>   | <b>(12.9)</b>   | <b>(6.8)</b>    | <b>(5.9)</b>    | <b>(6.8)</b>    | <b>(7.5)</b>    | <b>(27.1)</b>   | <b>(8.3)</b>    | <b>(8.9)</b>    | <b>(9.7)</b>    | <b>(10.4)</b>   | <b>(37.3)</b>   | <b>(63.0)</b>   | <b>(59.5)</b>   | <b>(45.5)</b>   | <b>(4.6)</b>    | <b>108.1</b>  | <b>290.8</b>  | <b>418.7</b>  | <b>578.7</b>   |
| Interest income   | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | -               | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.1             | 0.1             | 0.1             | 0.1             | 0.2           | 0.2           | 0.2           | 0.2            |
| Interest expense  | (0.4)           | (0.4)           | (0.0)           | (0.3)           | (0.4)           | (0.4)           | (1.1)           | (0.1)           | (0.1)           | (0.1)           | (0.1)           | (0.2)           | (0.2)           | (0.5)           | (0.5)           | (0.5)           | (0.5)         | (0.5)         | (0.5)         | (0.5)          |
| Other income (expense)  | (0.0)           | 0.0             | (0.1)           | (0.2)           | (0.1)           | -               | (0.4)           | (0.1)           | (0.1)           | (0.1)           | (0.1)           | (0.4)           | (0.4)           | (0.4)           | (0.4)           | (0.4)           | (0.4)         | (0.4)         | (0.4)         | (0.4)          |
| <b>Total other income</b>                                       | <b>(0.4)</b>    | <b>(0.4)</b>    | <b>(0.2)</b>    | <b>(0.5)</b>    | <b>(0.5)</b>    | <b>(0.4)</b>    | <b>(1.6)</b>    | <b>(0.1)</b>    | <b>(0.1)</b>    | <b>(0.1)</b>    | <b>(0.1)</b>    | <b>(0.6)</b>    | <b>(0.5)</b>    | <b>(0.8)</b>    | <b>(0.8)</b>    | <b>(0.8)</b>    | <b>(0.8)</b>  | <b>(0.7)</b>  | <b>(0.7)</b>  | <b>(0.7)</b>   |
| <b>Pretax Income</b>  | <b>(14.1)</b>   | <b>(13.3)</b>   | <b>(7.0)</b>    | <b>(6.4)</b>    | <b>(7.3)</b>    | <b>(8.0)</b>    | <b>(28.7)</b>   | <b>(8.4)</b>    | <b>(9.1)</b>    | <b>(9.8)</b>    | <b>(10.5)</b>   | <b>(37.8)</b>   | <b>(63.6)</b>   | <b>(60.3)</b>   | <b>(46.3)</b>   | <b>(5.4)</b>    | <b>107.4</b>  | <b>290.1</b>  | <b>418.0</b>  | <b>578.1</b>   |
| Income tax expense  | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 37.6          | 101.5         | 146.3         | 202.3          |
| <b>Net income (loss)</b>  | <b>(14.1)</b>   | <b>(13.3)</b>   | <b>(7.0)</b>    | <b>(6.4)</b>    | <b>(7.3)</b>    | <b>(8.0)</b>    | <b>(28.7)</b>   | <b>(8.4)</b>    | <b>(9.1)</b>    | <b>(9.8)</b>    | <b>(10.5)</b>   | <b>(37.8)</b>   | <b>(63.6)</b>   | <b>(60.3)</b>   | <b>(46.3)</b>   | <b>(5.4)</b>    | <b>69.8</b>   | <b>188.5</b>  | <b>271.7</b>  | <b>375.7</b>   |
| <b>EPS - Basic (GAAP)</b>                                       | <b>(\$5.59)</b> | <b>(\$5.10)</b> | <b>(\$2.45)</b> | <b>(\$2.10)</b> | <b>(\$0.48)</b> | <b>(\$0.37)</b> | <b>(\$2.69)</b> | <b>(\$0.39)</b> | <b>(\$0.42)</b> | <b>(\$0.45)</b> | <b>(\$0.48)</b> | <b>(\$1.73)</b> | <b>(\$2.33)</b> | <b>(\$2.19)</b> | <b>(\$1.37)</b> | <b>(\$0.16)</b> | <b>\$2.02</b> | <b>\$5.41</b> | <b>\$7.72</b> | <b>\$10.58</b> |
| <b>EPS - Diluted (GAAP)</b>                                     | <b>(\$5.59)</b> | <b>(\$5.10)</b> | <b>(\$2.45)</b> | <b>(\$2.10)</b> | <b>(\$0.48)</b> | <b>(\$0.37)</b> | <b>(\$2.69)</b> | <b>(\$0.39)</b> | <b>(\$0.42)</b> | <b>(\$0.45)</b> | <b>(\$0.48)</b> | <b>(\$1.73)</b> | <b>(\$2.33)</b> | <b>(\$2.19)</b> | <b>(\$1.37)</b> | <b>(\$0.16)</b> | <b>\$1.86</b> | <b>\$4.93</b> | <b>\$6.98</b> | <b>\$9.48</b>  |
| Shares (basic)  | 2.5             | 2.6             | 2.9             | 3.0             | 15.2            | 21.3            | 10.7            | 21.5            | 21.7            | 21.9            | 22.2            | 21.8            | 27.3            | 27.5            | 33.8            | 34.1            | 34.5          | 34.8          | 35.2          | 35.5           |
| Shares (diluted)  | 13.5            | 14.6            | 15.3            | 15.5            | 16.9            | 23.1            | 12.5            | 23.3            | 23.6            | 23.9            | 24.1            | 23.8            | 29.4            | 29.9            | 36.4            | 37.0            | 37.6          | 38.2          | 38.9          | 39.6           |
| <b>Operations Ratios</b>  | <b>2012A</b>    | <b>2013A</b>    | <b>1Q:14A</b>   | <b>2Q:14A</b>   | <b>3Q:14A</b>   | <b>4Q:14A</b>   | <b>2014A</b>    | <b>1Q:15E</b>   | <b>2Q:15E</b>   | <b>3Q:15E</b>   | <b>4Q:15E</b>   | <b>2015E</b>    | <b>2016E</b>    | <b>2017E</b>    | <b>2018E</b>    | <b>2019E</b>    | <b>2020E</b>  | <b>2021E</b>  | <b>2022E</b>  | <b>2023E</b>   |
| <b>Margin Analysis</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |               |               |               |                |
| COGS  | -               | -               | -               | 21%             | 22%             | 16%             | 21%             | 15%             | 15%             | 15%             | 15%             | 15%             | 15%             | 15%             | 15%             | 15%             | 16%           | 18%           | 19%           | 19%            |
| R&D   | -               | -               | -               | 4425%           | 3134%           | 1019%           | 2446%           | 1767%           | 1289%           | 969%            | 787%            | 1069%           | 285%            | 98%             | 59%             | 37%             | 19%           | 11%           | 8%            | 6%             |
| SG&A  | -               | -               | 6981%           | 1785%           | 1682%           | 569%            | 1152%           | 1067%           | 778%            | 600%            | 497%            | 658%            | 309%            | 129%            | 76%             | 49%             | 26%           | 15%           | 20%           | 20%            |
| Operating Margin  | -               | -               | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | 37%           | 56%           | 55%           | 57%            |
| Income Tax rate   | -               | -               | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | 35%           | 35%           | 35%           | 35%            |
| Net Margin  | -               | -               | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | NM              | 24%           | 37%           | 36%           | 37%            |

Source: Company reports and RBC Capital Markets estimates





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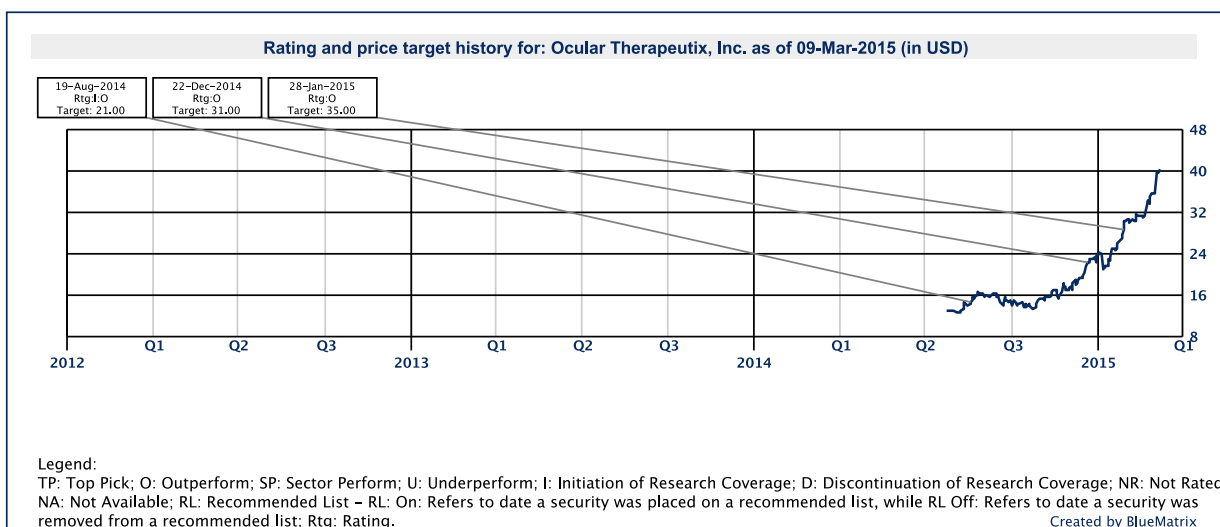
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|                                      |       |         | Count                                    | Percent |
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| SELL [Underperform]                  | 112   | 6.61    | 6  | 5.36    |





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