

Otonomy, Inc. (OTIC)

Overweight

AuriPro NDA Filed; Reiterate OW

CONCLUSION

OTIC announced this morning that it has submitted its NDA for AuriPro; earlier in the year the company had indicated this filing was to occur in 1Q, nicely ahead of the original projections. OTIC is also looking to commence a clinical trial for AuriPro in one or more additional indications in 1H 2015, which, if successful, would provide meaningful upside for AuriPro sales. We reiterate our OW rating with a PT of \$46.

- **NDA filing for AuriPro done, PDUFA by YE:** Recall that AuriPro is a thermo-sensitive polymer formulation of the antibiotic ciprofloxacin to treat pediatric patients with middle ear infections who require TTP. With two positive P3 data in hand and no FDA approved therapy for the indication, we believe AuriPro has a strong chance to be approved by the FDA. Moving beyond its leading indication, OTIC plans to test AuriPro in clinic for one or more additional indications (e.g., acute otitis media with TTP, acute otitis externa and others) for which topical antibiotics have been proven effective.
- **Other programs in sight:** OTO-104 for Meniere's disease is on track with P2 results expected in 2Q 2015. Given proven efficacy of steroids in treating vertigo along with the efficacy which OTO-104 demonstrated in a placebo-controlled P1 trial, we believe chances for positive data readout for the P2 trial are good. With >600K Meniere's patients in the US, this program represents a lucrative opportunity. The third program, OTO-311 for tinnitus, is expected to enter the clinic in 2015. Among the 3 lead programs, OTO-311 has the potential to address the largest patient population and, if successful, would be transformative for OTIC.

COMPANY DESCRIPTION

OTIC is developing drugs to treat a variety of ear conditions.

PRICE: US\$33.92

TARGET: US\$46.00

DCF thru 2022, 10.5% discount rate, 3.0% terminal growth rate

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RISKS TO ACHIEVEMENT OF PRICE TARGET

Development candidates may face clinical, regulatory or commercial setbacks.

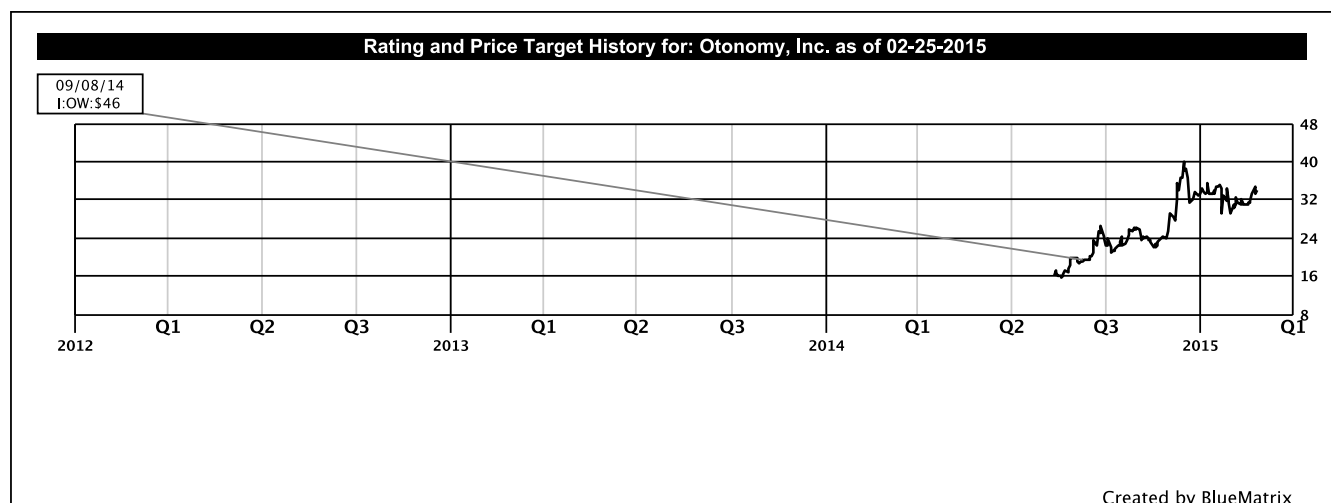
Price Performance - 1 Year



Source: Bloomberg

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S: Suspending Coverage
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N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	377	59.84	101	26.79
HOLD [N]	237	37.62	18	7.59
SELL [UW]	16	2.54	0	0.00

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