

# Neothetics, Inc. (NEOT)

Overweight

## 4Q Update: Cash Runway Well into 2016; LIPO-202 Phase III Data On The Horizon

### CONCLUSION

We are updating our model to reflect Neothetics' 4Q14 results. In our view, LIPO-202, NEOT's injectible form of salmeterol for the localized reduction of abdominal fat in non-obese individuals, will prove to be a valued addition to the vast and largely untapped market for non-invasive fat reduction (i.e., a relatively quick and painless procedure is likely to expand the pool of patients open to medical treatment of abdominal fat in our view). We continue to believe that the promising body of Phase II data on LIPO-202 points to a strong probability of success in its Phase III program. With U.S. sales potential of at least \$500M in our view, NEOT shares are trading at a highly attractive risk/reward profile in the context of a market cap of under \$125M. We reiterate our Overweight rating and \$20 PT.

- **Cash runway well into 2016.** Inclusive of net proceeds of approximately \$58M from the November 2014 initial public offering, NEOT finished 2014 with \$76M in cash. That said, given the amount of spend associated with the build-out of a U.S. sales infrastructure and spend associated with the U.S. commercial launch of LIPO-202, we expect at least one additional equity capital raise will be needed to enable NEOT to reach profitability.
- **Risks surrounding LIPO-202 Phase III data manageable; data expected before year-end.** We continue to believe that the strong body of data in Phase II clinical trials points to a strong probability of success in the Phase III program for LIPO-202. In the Phase II RESET trial in which 513 patients were randomized to LIPO-202 at three different doses or placebo, treatment with LIPO-202 at the 0.4 mcg dose resulted in a 1-point improvement in the Patient Global Abdominal Perception Scale (P-GAPS) and a 2-point improvement in the Clinician Photonic Scale (CPnS) in 16% of patients, versus 7% of placebo patients (p=0.043). Further, a significantly higher number of LIPO-202 patients (6%) versus placebo (<1%) showed a 2-point improvement on both P-GAPS and CPnS (p=0.024). Given the body of data, we believe that the risks surrounding the Phase III readout are manageable.
- **FDA Advisory Committee decision on Kythera's ATX-101 can only be viewed as a positive for LIPO-202 in our view.** We note that an FDA Advisory Committee recently supported approval of Kythera's ATX-101, an injectible formulation of deoxycholic acid for the treatment of submental fat (i.e., fat under the chin). Though this is a different treatment area, this is still nonetheless an aesthetic treatment setting involving fat reduction, broadly speaking. As such, we would view the FDA's support of another injectible aesthetic modality as a positive sign regarding the regulatory landscape for LIPO-202.

### RISKS TO ACHIEVEMENT OF PRICE TARGET

Risks include clinical and regulatory risks surrounding LIPO-202.

### COMPANY DESCRIPTION

Neothetics is focused on next-generation body contouring treatments.

| YEAR  | REVENUE (US\$ m) |     |     |     |     |    | EARNINGS PER SHARE (US\$) |        |        |        |        |        |
|-------|------------------|-----|-----|-----|-----|----|---------------------------|--------|--------|--------|--------|--------|
|       | Mar              | Jun | Sep | Dec | FY  | FY | Mar                       | Jun    | Sep    | Dec    | FY     | FY P/E |
| 2014A | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 | NA | (0.35)                    | (0.29) | (0.28) | (0.45) | (1.38) | NM     |
| 2015E | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 | NA | (1.18)                    | (0.68) | (0.69) | (0.69) | (3.24) | NM     |
| 2016E | —                | —   | —   | —   | 0.0 | NA | —                         | —      | —      | —      | (1.65) | NM     |

PRICE: US\$7.18

TARGET: US\$20.00

20x 2021E diluted EPS of \$4.18, disc. 30%

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| Changes               | Previous             | Current    |
|-----------------------|----------------------|------------|
| Rating                | —                    | Overweight |
| Price Tgt             | —                    | US\$20.00  |
| FY15E Rev (mil)       | —                    | US\$0.0    |
| FY16E Rev (mil)       | —                    | US\$0.0    |
| FY15E EPS             | US\$(3.23)           | US\$(3.24) |
| FY16E EPS             | —                    | US\$(1.65) |
| 52-Week High / Low    | US\$14.10 / US\$6.11 |            |
| Shares Out (mil)      | 13.7                 |            |
| Market Cap. (mil)     | US\$98.4             |            |
| Avg Daily Vol (000)   | 40                   |            |
| Book Value/Share      | US\$4.76             |            |
| Net Cash Per Share    | US\$5.55             |            |
| Debt to Total Capital | 0%                   |            |
| Div (ann)             | US\$0.00             |            |
| Fiscal Year End       | Dec                  |            |

### Price Performance - 1 Year



Source: Bloomberg

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## Exhibit 1

**4Q14: ACTUAL VS. PJC/STREET ESTIMATES FOR NEOT**

| <i>\$ in millions, except per share</i> | <b>Actuals</b>  | <b>PJC<br/>Estimates</b> | <b>Street<br/>Estimates <sup>(1)</sup></b> |
|---|-----------------|--------------------------|--|
| <u>Revenues</u>                         |                 |                          |  |
| LIPO-202                                | \$0             | \$0                      |  |
| Other Revenue                           | \$0             | \$0                      |  |
| <b>Total Revenues</b>                   | <b>\$0</b>      | <b>\$0</b>               | <b>\$0</b>                                 |
| COGS                                    | \$0.0           | \$0.0                    |  |
| Research & development                  | \$1.9           | \$0.9                    |  |
| Selling, general and administrative     | \$1.3           | \$0.9                    |  |
| Operating Income                        | (\$3.3)         | (\$1.8)                  |  |
| Income tax provision                    | \$0.0           | \$0.0                    |  |
| Adjusted Net Income                     | (\$2.9)         | (\$4.0)                  |  |
| Share Outstanding, diluted              | 6.5             | 11.5                     |  |
| <b>Non-GAAP EPS, diluted</b>            | <b>(\$0.45)</b> | <b>(\$0.35)</b>          | <b>(\$0.32)</b>                            |

(1) Consensus prior to 4Q14 earnings release

Source: Company reports and PJC estimates.

## Exhibit 2

**CALENDAR OF UPCOMING EVENTS FOR NEOT**

| <b>Product / Program</b> | <b>Event</b>                            | <b>Expected Date</b> |
|--------------------------|---|----------------------|
| LIPO-202                 | Initiation of Phase III trials          | 2Q15                 |
| LIPO-202                 | Data from Phase III trials              | End of 2015          |
| LIPO-202                 | Potential NDA filing                    | 2H16                 |
| LIPO-202                 | Potential commercial launch of LIPO-202 | 2H17                 |

Source: Company reports and PJC estimates.

Exhibit 3

SUMMARY OF PJC ESTIMATES FOR NEOT

| \$ in millions, except per share     | 2015E           |                 | 2016E           |                 | 2017E           |                 | 2018E           |                 | 2019E           |                 | 2020E          |                | 2021E          |                |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
|                                      | Current         | Prior           | Current         | Prior           | Current         | Prior           | Current         | Prior           | Current         | Prior           | Current        | Prior          | Current        | Prior          |
| Revenue                              |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| LIPO-202                             | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$10.6          | \$10.6          | \$74.9          | \$74.9          | \$115.2         | \$115.2         | \$174.6        | \$174.6        | \$224.1        | \$224.1        |
| Other Revenue                        | \$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          |
| <b>Total revenue</b>                 | <b>\$0.0</b>    | <b>\$0.0</b>    | <b>\$0.0</b>    | <b>\$0.0</b>    | <b>\$10.6</b>   | <b>\$10.6</b>   | <b>\$74.9</b>   | <b>\$74.9</b>   | <b>\$115.2</b>  | <b>\$115.2</b>  | <b>\$174.6</b> | <b>\$174.6</b> | <b>\$224.1</b> | <b>\$224.1</b> |
| Consensus <sup>(1)</sup>             | \$0.0           |                 | \$0.0           |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| Expenses                             |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| COGS                                 | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$5.3           | \$5.3           | \$18.7          | \$18.7          | \$23.0          | \$23.0          | \$26.2         | \$26.2         | \$22.4         | \$22.4         |
| Research & development               | \$35.0          | \$35.0          | \$7.5           | \$7.5           | \$5.0           | \$5.0           | \$9.0           | \$9.0           | \$9.2           | \$9.2           | \$8.7          | \$8.7          | \$9.0          | \$9.0          |
| Selling, general, and administrative | \$5.5           | \$5.5           | \$12.0          | \$12.0          | \$30.0          | \$30.0          | \$74.9          | \$74.9          | \$86.4          | \$86.4          | \$96.0         | \$96.0         | \$100.8        | \$100.8        |
| Operating income                     | (\$40.5)        | (\$40.5)        | (\$19.5)        | (\$19.5)        | (\$29.7)        | (\$29.7)        | (\$27.7)        | (\$27.7)        | (\$3.5)         | (\$3.5)         | \$43.6         | \$43.6         | \$91.9         | \$91.9         |
| Income tax provision                 | \$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          |
| Adjusted Net Income                  | (\$44.5)        | (\$44.5)        | (\$23.5)        | (\$23.5)        | (\$31.7)        | (\$31.7)        | (\$28.7)        | (\$28.7)        | (\$4.5)         | (\$4.5)         | \$42.6         | \$42.6         | \$90.9         | \$90.9         |
| Share Outstanding, diluted           | 13.7            | 13.8            | 14.2            | 14.3            | 18.7            | 18.8            | 19.0            | 19.0            | 19.2            | 19.3            | 21.5           | 21.5           | 21.7           | 21.8           |
| <b>Non-GAAP EPS, diluted</b>         | <b>(\$3.24)</b> | <b>(\$3.23)</b> | <b>(\$1.65)</b> | <b>(\$1.65)</b> | <b>(\$1.69)</b> | <b>(\$1.69)</b> | <b>(\$1.51)</b> | <b>(\$1.51)</b> | <b>(\$0.23)</b> | <b>(\$0.23)</b> | <b>\$1.98</b>  | <b>\$1.98</b>  | <b>\$4.18</b>  | <b>\$4.17</b>  |
| Consensus <sup>(1)</sup>             | (\$3.67)        |                 | (\$2.77)        |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |

(1) Consensus is prior to 4Q14 earnings release

Source: Company reports and PJC estimates.

## Neothetics - Quarterly and Annual Income Statement

|  | 2015E    |          |          |          |          |          |          |          |          |          |          |         |         |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|
| Fiscal Year Ends December 31<br>(\$ In millions, except for EPS) | 2013A    | 2014A    | 1QE      | 2QE      | 3QE      | 4QE      | 2015E    | 2016E    | 2017E    | 2018E    | 2019E    | 2020E   | 2021E   |
| Revenues   |          |          |          |          |          |          |          |          |          |          |          |         |         |
| LIPO-202 (U.S. only)   | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$10.6   | \$74.9   | \$115.2  | \$174.6 | \$224.1 |
| Other revenue  | 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     |
| Net Revenue  | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$10.6   | \$74.9   | \$115.2  | \$174.6 | \$224.1 |
| Total cost of sales  | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 5.3      | 18.7     | 23.0     | 26.2    | 22.4    |
| Gross Profit   | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$0.0    | \$5.3    | \$56.1   | \$92.2   | \$148.4 | \$201.7 |
| Research & development   | 11.4     | 5.2      | 14.0     | 7.0      | 7.0      | 7.0      | 35.0     | 7.5      | 5.0      | 9.0      | 9.2      | 8.7     | 9.0     |
| Selling, general & administrative                                | 3.0      | 4.4      | 1.2      | 1.3      | 1.5      | 1.5      | 5.5      | 12.0     | 30.0     | 74.9     | 86.4     | 96.0    | 100.8   |
| Other non-GAAP adjustments                                       | 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     |
| Total expenses   | \$14.4   | \$9.6    | \$15.2   | \$8.3    | \$8.5    | \$8.5    | \$40.5   | \$19.5   | \$35.0   | \$83.9   | \$95.6   | \$104.7 | \$109.8 |
| Operating Income   | (\$14.4) | (\$9.6)  | (\$15.2) | (\$8.3)  | (\$8.5)  | (\$8.5)  | (\$40.5) | (\$19.5) | (\$29.7) | (\$27.7) | (\$3.5)  | \$43.6  | \$91.9  |
| Other income (expense), net                                      | (0.6)    | (1.2)    | (1.0)    | (1.0)    | (1.0)    | (1.0)    | (4.0)    | (4.0)    | (2.0)    | (1.0)    | (1.0)    | (1.0)   | (1.0)   |
| Income (loss) before taxes                                       | (\$15.0) | (\$10.8) | (\$16.2) | (\$9.3)  | (\$9.5)  | (\$9.5)  | (\$44.5) | (\$23.5) | (\$31.7) | (\$28.7) | (\$4.5)  | \$42.6  | \$90.9  |
| Provision (benefit) for income taxes                             | 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     |
| Other items, net of taxes  | 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     |
| Adjusted non-GAAP net income (loss)                              | (\$15.0) | (\$10.8) | (\$16.2) | (\$9.3)  | (\$9.5)  | (\$9.5)  | (\$44.5) | (\$23.5) | (\$31.7) | (\$28.7) | (\$4.5)  | \$42.6  | \$90.9  |
| Non-GAAP EPS, basic  | (\$2.15) | (\$1.38) | (\$1.18) | (\$0.68) | (\$0.69) | (\$0.69) | (\$3.24) | (\$1.65) | (\$1.69) | (\$1.51) | (\$0.23) | \$2.19  | \$4.60  |
| Non-GAAP EPS, diluted  | (\$2.15) | (\$1.38) | (\$1.18) | (\$0.68) | (\$0.69) | (\$0.69) | (\$3.24) | (\$1.65) | (\$1.69) | (\$1.51) | (\$0.23) | \$1.98  | \$4.18  |
| Shares outstanding, basic <sup>(1)</sup>                         | 7.0      | 8.0      | 13.7     | 13.7     | 13.8     | 13.8     | 13.7     | 14.2     | 18.7     | 19.0     | 19.2     | 19.5    | 19.7    |
| Shares outstanding, diluted <sup>(1)</sup>                       | 7.0      | 8.0      | 13.7     | 13.7     | 13.8     | 13.8     | 13.7     | 14.2     | 18.7     | 19.0     | 19.2     | 21.5    | 21.7    |
| Expenses (as % of revenue):                                      |          |          |          |          |          |          |          |          |          |          |          |         |         |
| COGS   |          |          |          |          |          |          |          |          | 50.0%    | 25.0%    | 20.0%    | 15.0%   | 10.0%   |
| Research & development   |          |          |          |          |          |          |          |          |          | 12.0%    | 8.0%     | 5.0%    | 4.0%    |
| Selling, general & administrative                                |          |          |          |          |          |          |          |          |          | 100.0%   | 75.0%    | 55.0%   | 45.0%   |
| Income Tax   |          |          |          |          |          |          |          |          |          | 0.0%     | 0.0%     | 0.0%    | 0.0%    |
| Margins:   |          |          |          |          |          |          |          |          |          |          |          |         |         |
| Gross margin   |          |          |          |          |          |          |          |          |          | 75.0%    | 80.0%    | 85.0%   | 90.0%   |
| Operating margin   |          |          |          |          |          |          |          |          |          |          |          | 25.0%   | 41.0%   |
| Net income   |          |          |          |          |          |          |          |          |          |          |          | 24.4%   | 40.6%   |
| Y-O-Y Growth rates:  |          |          |          |          |          |          |          |          |          |          |          |         |         |
| Total revenue  |          |          |          |          |          |          |          |          |          | 607.0%   | 53.9%    | 51.5%   | 28.4%   |
| R&D  |          |          |          |          |          |          |          | (78.6%)  | (33.3%)  | 79.7%    | 2.6%     | (5.3%)  | 2.7%    |
| Selling, distribution and marketing                              |          |          |          |          |          |          |          | 118.2%   | 150.0%   | 149.6%   | 15.4%    | 11.1%   | 5.0%    |
| Operating profit   |          |          |          |          |          |          |          |          |          |          |          |         | 110.5%  |
| Net income   |          |          |          |          |          |          |          |          |          |          |          |         | 113.1%  |

(1) Reflects dilution from assumed additional capital raises in late 2016 and in 2017

Proprietary to Piper Jaffray & Co. March 26, 2015

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Current disclosure information for this company can be found at <http://www.piperjaffray.com/researchdisclosures>

# Neothetics - Annual Cash Flow Statement

(\$ in millions)

|   | 2012A          | 2013A           | 2014A          | 2015E           | 2016E           | 2017E           | 2018E           | 2019E          | 2020E          | 2021E          |
|---|----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| <b>Beginning Cash &amp; Equivalents</b> | <b>\$5.8</b>   | <b>\$11.1</b>   | <b>\$4.4</b>   | <b>\$75.9</b>   | <b>\$33.0</b>   | <b>\$67.9</b>   | <b>\$59.7</b>   | <b>\$32.4</b>  | <b>\$29.4</b>  | <b>\$73.4</b>  |
| <b>Operating Activities</b>             |                |                 |                |                 |                 |                 |                 |                |                |                |
| Net Income (Loss), GAAP                 | (\$7.8)        | (\$15.0)        | (\$10.8)       | (\$44.5)        | (\$23.5)        | (\$31.7)        | (\$28.7)        | (\$4.5)        | \$42.6         | \$90.9         |
| Depreciation & Amortization             | \$0.1          | \$0.1           | \$0.0          | \$0.2           | \$0.2           | \$0.2           | \$0.2           | \$0.2          | \$0.2          | \$0.2          |
| Other                                   | \$2.0          | \$3.4           | \$0.9          | (\$2.0)         | (\$2.0)         | (\$2.0)         | (\$2.0)         | (\$2.0)        | (\$2.0)        | (\$2.0)        |
| Stock-based Compensation                | \$0.1          | \$0.1           | \$0.6          | \$0.5           | \$0.5           | \$0.5           | \$0.5           | \$0.5          | \$0.5          | \$0.5          |
| Net Change in Assets and Liabilities    | (\$1.8)        | (\$1.4)         | (\$0.3)        | \$0.0           | (\$0.0)         | (\$0.0)         | (\$0.1)         | (\$0.1)        | (\$0.2)        | (\$0.2)        |
| <b>Cash From Operations</b>             | <b>(\$7.4)</b> | <b>(\$12.9)</b> | <b>(\$9.6)</b> | <b>(\$45.8)</b> | <b>(\$24.8)</b> | <b>(\$33.0)</b> | <b>(\$30.1)</b> | <b>(\$5.9)</b> | <b>\$41.2</b>  | <b>\$89.3</b>  |
| <b>Investing Activities</b>             |                |                 |                |                 |                 |                 |                 |                |                |                |
| Capital Expenditures                    | \$0.0          | (\$0.0)         | (\$0.0)        | (\$0.2)         | (\$0.2)         | (\$0.2)         | (\$0.2)         | (\$0.2)        | (\$0.2)        | (\$0.2)        |
| Other Investment                        | \$0.0          | \$0.1           | \$0.0          | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| <b>Cash From Investing Activities</b>   | <b>\$0.0</b>   | <b>\$0.1</b>    | <b>(\$0.0)</b> | <b>(\$0.2)</b>  | <b>(\$0.2)</b>  | <b>(\$0.2)</b>  | <b>(\$0.2)</b>  | <b>(\$0.2)</b> | <b>(\$0.2)</b> | <b>(\$0.2)</b> |
| <b>Financing Activities</b>             |                |                 |                |                 |                 |                 |                 |                |                |                |
| Debt Issuance                           | \$3.3          | \$0.0           | \$10.0         | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Debt Repayments                         | (\$0.8)        | (\$0.4)         | (\$0.2)        | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Dividends                               | \$0.0          | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Share Repurchases                       | \$0.0          | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Stock and Option Issuances              | \$10.2         | \$6.5           | \$71.4         | \$3.0           | \$60.0          | \$25.0          | \$3.0           | \$3.0          | \$3.0          | \$3.0          |
| Other, Net                              | \$0.0          | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| <b>Cash From Financing Activities</b>   | <b>\$12.7</b>  | <b>\$6.1</b>    | <b>\$81.2</b>  | <b>\$3.0</b>    | <b>\$60.0</b>   | <b>\$25.0</b>   | <b>\$3.0</b>    | <b>\$3.0</b>   | <b>\$3.0</b>   | <b>\$3.0</b>   |
| Currency Translation Differences        | \$0.0          | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Net Change In Cash                      | \$5.3          | (\$6.7)         | \$71.6         | (\$43.0)        | \$35.0          | (\$8.2)         | (\$27.3)        | (\$3.1)        | \$44.0         | \$92.1         |
| <b>Year End Cash &amp; Equivalents</b>  | <b>\$11.1</b>  | <b>\$4.4</b>    | <b>\$75.9</b>  | <b>\$33.0</b>   | <b>\$67.9</b>   | <b>\$59.7</b>   | <b>\$32.4</b>   | <b>\$29.4</b>  | <b>\$73.4</b>  | <b>\$165.5</b> |

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# Neothetics - Annual Balance Sheet

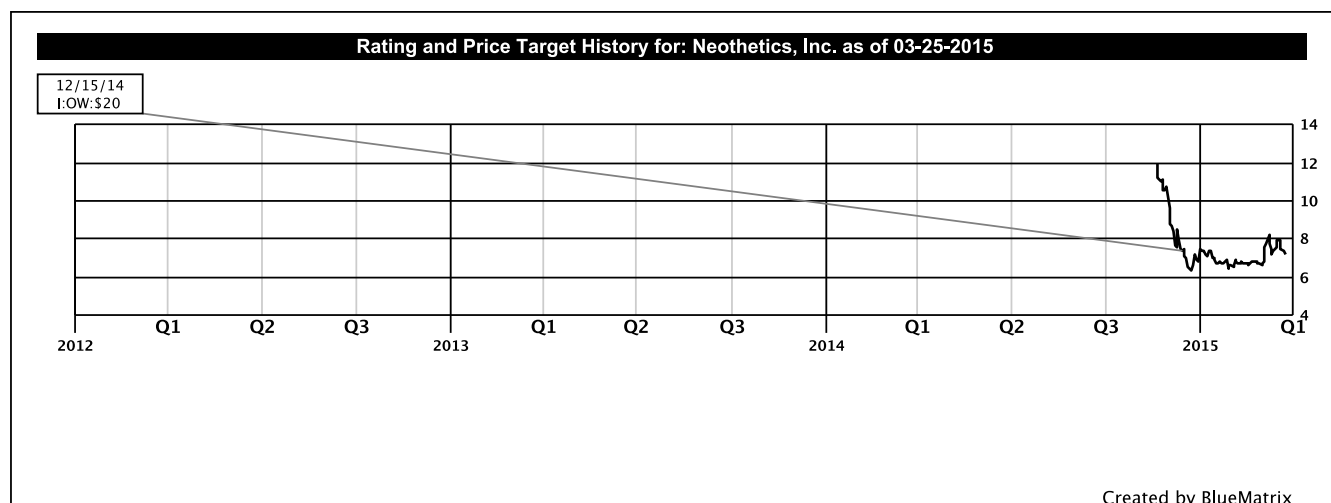
(\$ in millions)

|                                       | 2012A         | 2013A        | 2014A         | 2015E         | 2016E         | 2017E         | 2018E         | 2019E         | 2020E         | 2021E          |
|---------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Current Assets</b>                 |               |              |               |               |               |               |               |               |               |                |
| Cash & Equivalents                    | \$11.1        | \$4.4        | \$75.9        | \$33.0        | \$67.9        | \$59.7        | \$32.4        | \$29.4        | \$73.4        | \$165.5        |
| Prepaid expenses and other            | \$1.5         | \$0.1        | \$0.9         | \$1.1         | \$1.3         | \$1.6         | \$1.9         | \$2.3         | \$2.8         | \$3.3          |
| <b>Total Current Assets</b>           | <b>\$12.6</b> | <b>\$4.5</b> | <b>\$76.9</b> | <b>\$34.1</b> | <b>\$69.3</b> | <b>\$61.3</b> | <b>\$34.4</b> | <b>\$31.7</b> | <b>\$76.1</b> | <b>\$168.8</b> |
| Property, Plant & Equipment, Net      | \$0.2         | \$0.0        | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0          |
| Restricted cash                       | \$0.0         | \$0.0        | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0          |
| <b>Total Assets</b>                   | <b>\$12.8</b> | <b>\$4.5</b> | <b>\$76.9</b> | <b>\$34.1</b> | <b>\$69.3</b> | <b>\$61.3</b> | <b>\$34.4</b> | <b>\$31.7</b> | <b>\$76.1</b> | <b>\$168.9</b> |
| <b>Liabilities &amp; Equity</b>       |               |              |               |               |               |               |               |               |               |                |
| Current Liabilities                   | \$1.9         | \$1.5        | \$1.9         | \$2.1         | \$2.3         | \$2.5         | \$2.8         | \$3.1         | \$3.4         | \$3.7          |
| Total Debt                            | \$0.0         | \$0.0        | \$9.7         | \$9.7         | \$9.7         | \$9.7         | \$9.7         | \$9.7         | \$9.7         | \$9.7          |
| Preferred stock                       | \$52.7        | \$59.7       | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0          |
| Equity                                | (\$41.8)      | (\$56.7)     | \$65.2        | \$22.2        | \$57.2        | \$49.0        | \$21.8        | \$18.9        | \$63.0        | \$155.4        |
| <b>Total Liabilities &amp; Equity</b> | <b>\$12.8</b> | <b>\$4.5</b> | <b>\$76.9</b> | <b>\$34.1</b> | <b>\$69.3</b> | <b>\$61.3</b> | <b>\$34.4</b> | <b>\$31.7</b> | <b>\$76.1</b> | <b>\$168.9</b> |

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### Legend:

I: Initiating Coverage  
R: Resuming Coverage  
T: Transferring Coverage  
D: Discontinuing Coverage  
S: Suspending Coverage  
OW: Overweight  
N: Neutral  
UW: Underweight  
NA: Not Available  
UR: Under Review

| Distribution of Ratings/IB Services<br>Piper Jaffray |       |         |                       |         |
|--|-------|---------|-----------------------|---------|
| Rating   | Count | Percent | IB Serv./Past 12 Mos. |         |
|  |       |         | Count                 | Percent |
| <b>BUY [OW]</b>                                      | 371   | 59.84   | 102                   | 27.49   |
| <b>HOLD [N]</b>                                      | 234   | 37.74   | 18                    | 7.69    |
| <b>SELL [UW]</b>                                     | 15    | 2.42    | 0                     | 0.00    |

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

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