

March 10, 2015

HEALTHCARE/BIOTECHNOLOGY

Stock Rating:
OUTPERFORM

12-18 mo. Price Target \$49.00
OCUL - NASDAQ \$39.46

3-5 Yr. EPS Gr. Rate NA
52-Wk Range \$40.93-\$11.90
Shares Outstanding 24.5M
Float 6.7M
Market Capitalization \$841.4M
Avg. Daily Trading Volume 123,543
Dividend/Div Yield NA/NM
Book Value \$2.40
Fiscal Year Ends Dec
2016 ROE NA
LT Debt \$13.5M
Preferred NA
Common Equity \$59M
Convertible Available No
Trading range since July 2014 IPO.

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2013A	--	--	--	--	(5.11)	NM
2014A	(2.45)	(2.10)	(0.48)	(0.37)	(2.69)	NM
Prior (E)	--	--	--	(0.40)	(2.78)	NM
2015E	--	--	--	--	(1.40)	NM
Prior (E)	--	--	--	--	(1.31)	NM
Revenue (\$/mil)	Q1	Q2	Q3	Q4	Year	Mult.
2013A	--	--	--	--	0.0	NM
2014A	0.0	0.1	0.1	0.5	0.8	NM
Prior (E)	--	--	--	0.2	0.5	NM
2015E	--	--	--	--	1.8	NM

Ocular Therapeutix

Positive Phase 3a Data Validates Technology Platform, PT To \$49

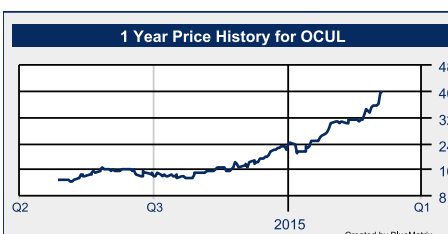
SUMMARY

Ocular reported positive OTX-DP Phase 3a top-line data in post-surgical pain/inflammation as expected. Both primary endpts (reduction of inflammatory cells and pain) were met (see below). Mgmt believes and we agree that efficacy is comparable to topicals. We expect positive Phase 3b (replicate design) top-line data (end of March) and Ocular plans to file the OTX-DP NDA 2Q15. With Ocular's sustained-release delivery platform now Phase 3 validated, we are increasing our OTX-TP/OTX-DP penetration rates in glaucoma/post-surgical inflam/pain, driving our PT to \$49 (from \$42). Other updates: **1)** allergic conjunctivitis Ph.3 start mid-2015, **2)** glaucoma Ph.2b data 4Q15, **3)** mgmt commentary suggests 2-month retention of ~90% in latest NSR studies, **4)** 2015 OpEx guide to \$30-35M (more trials).

KEY POINTS

- **Positive OTX-DP Ph.3a data.** 33.7% (treated) vs. 14.6% (placebo) showed no inflammatory cells on day 14 ($p=0.0015$). 76.1% (treated) vs. 36.1% (placebo) reported no pain on day 8 ($p<0.0001$). Ph. 3b top-line data are expected by the end of March, where we see a high likelihood of producing similar stat. sig. data.
- **Retention rates moving north.** Ocular conducts so-called non-significant risk (NSR) with blank plugs to iterate/optimize the design. Mgmt cited ~90% (vs. 85% prior) as the current 2-month retention rate. These retention refinements may be reflected in the ongoing Ph.2b glaucoma trial (50/80 enrolled) with data early 4Q15 (vs. late 3Q, i.e., no material change).
- **Financials.** Mgmt guided to 2015 OpEx of \$30-35M. ReSure (cataract surgery sealant) remains a minor top-line contributor but still provides an early commercial base. Ocular may refinance the \$15M debt to extend runway (currently mid-2016).
- **Model.** With a Ph.3 win for the platform, we see higher peak sales potential in glaucoma (\$347M vs. \$309M prior) and post-surgical inflammation (\$67M vs. \$40M prior). On higher OpEx, 2015E EPS from (\$1.31) to (\$1.40).
- **Catalyst-rich 2015.** **1)** OTX-DP Ph.3b top line (March 2015); **2)** OTX-DP Ph.3a/3b presentation (April 2015 ASCRS); **3)** Preclinical sustained-delivery Avastin presentation (May 2015 ARVO); **4)** OTX-DP NDA submission (2Q15); **5)** OTX-DP Ph.3 start in allergic conjunctivitis (mid-15); **6)** OTX-TP Ph.2b data in glaucoma (4Q15); **7)** OTX-DP Ph.2 data in dry eye (4Q15).

Stock Price Performance



Company Description

Ocular Therapeutix, Inc. is a biopharmaceutical company focused on the development and commercialization of therapies for diseases and conditions of the eye using its hydrogel platform technology.

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Valuation

Our valuation reflects revenues for **1)** OTX-TP in glaucoma (~10% US peak share of diagnosed glaucoma population), **2)** OTX-DP in inflammation post cataract surgery (10% peak share WW of cataract surgeries), **3)** OTX-DP in allergic conjunctivitis (8% US peak share), and **4)** ReSure, a minor product already FDA-approved to seal cataract incisions.

Exhibit 1

DCF Valuation

Time of Valuation	Mar-15
WACC	10%
Intermediate CF Growth	20%
Terminal FCF Growth	0.0%
NPV FCF (2014-2030)	\$700
Terminal FCF Value \$MM	\$437
Total PV FCF \$MM	\$1,136
Cash \$MM	\$75
Debt \$MM	\$15
Equity Value \$MM	\$1,196
Diluted Shares Outstanding (MM)	24.5

DCF Value / Share	\$49
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Source: Oppenheimer Research Estimates

OTX-TP Glaucoma Model Assumptions

Exhibit 2

OTX-TP Glaucoma Market Model

	2018	2019	2020	2021	2022	2023	2024
US Glaucoma Model							
US Population	325,304,520	326,931,043	328,565,698	330,208,526	331,859,569	333,518,867	335,186,461
% Growth	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
US Population 40+	150,299,069	151,050,565	151,805,817	152,564,847	153,327,671	154,094,309	154,864,781
% of Population 40+	46%	46%	46%	46%	46%	46%	46%
Open-angle Glaucoma prevalence	3,202,334	3,268,446	3,335,922	3,404,791	3,475,083	3,546,825	3,620,048
% prevalence	2.13%	2.16%	2.20%	2.23%	2.27%	2.30%	2.34%
Open-angle Glaucoma diagnosed	1,601,167	1,634,223	1,667,961	1,702,396	1,737,541	1,773,412	1,810,024
% diagnosed	50%	50%	50%	50%	50%	50%	50%
Penetration of Addressable Market	2.0%	3.3%	4.5%	5.8%	7.0%	8.3%	9.5%
Patients on OTX-TP	32,023	53,112	75,058	97,888	121,628	146,307	171,952
Average Annual Cost	\$1,577	\$1,592	\$1,608	\$1,624	\$1,641	\$1,657	\$1,674
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Revenue (\$MM)	\$50	\$85	\$121	\$159	\$200	\$242	\$288
EU Glaucoma Model							
EU Population	511,382,909	512,719,760	514,066,808	515,424,147	516,791,875	518,170,090	519,558,889
% Growth	0.26%	0.26%	0.26%	0.26%	0.27%	0.27%	0.27%
EU Population 40+	264,556,255	265,247,855	265,944,730	266,646,929	267,354,503	268,067,501	268,785,975
% of Population 40+	52%	52%	52%	52%	52%	52%	52%
Open-angle Glaucoma prevalence	5,185,303	5,198,858	5,212,517	5,226,280	5,240,148	5,254,123	5,268,205
% prevalence	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%
Open-angle Glaucoma diagnosed	2,592,651	2,599,429	2,606,258	2,613,140	2,620,074	2,627,062	2,634,103
% diagnosed	50%	50%	50%	50%	50%	50%	50%
Penetration of Addressable Market	0.0%	1.5%	2.4%	3.4%	4.3%	5.3%	6.2%
Patients on OTX-TP	0	38,991	63,528	88,193	112,991	137,921	162,985
Average Annual Cost	\$1,182	\$1,194	\$1,206	\$1,218	\$1,230	\$1,243	\$1,255
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sales (\$MM)	\$0	\$47	\$77	\$107	\$139	\$171	\$205
20% Royalty from Future Partner	\$0	\$9	\$15	\$21	\$28	\$34	\$41
JP Glaucoma Model							
JP Population	125,714,711	125,400,424	125,086,923	124,774,206	124,462,271	124,151,115	123,840,737
% Growth	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%
JP Population 40+	65,007,098	64,844,580	64,682,468	64,520,762	64,359,460	64,198,562	64,038,065
% of Population 40+	52%	52%	52%	52%	52%	52%	52%
Open-angle Glaucoma prevalence	2,361,056	2,355,153	2,349,265	2,343,392	2,337,533	2,331,690	2,325,860
% prevalence	3.63%	3.63%	3.63%	3.63%	3.63%	3.63%	3.63%
Open-angle Glaucoma diagnosed	1,180,528	1,177,577	1,174,633	1,171,696	1,168,767	1,165,845	1,162,930
% diagnosed	50%	50%	50%	50%	50%	50%	50%
Penetration of Addressable Market	0.0%	0.0%	1.5%	2.4%	3.4%	4.3%	5.3%
Patients on OTX-TP	0	0	17,619	28,560	39,446	50,277	61,054
Average Annual Cost	\$1,419	\$1,433	\$1,447	\$1,462	\$1,476	\$1,491	\$1,506
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sales (\$MM)	\$0	\$0	\$26	\$42	\$58	\$75	\$92
20% Royalty from Future Partner	\$0	\$0	\$5	\$8	\$12	\$15	\$18
Total Revenue (\$MM)	\$50	\$94	\$141	\$189	\$239	\$292	\$347

Sources: Ocular Therapeutix, Oppenheimer Research Estimates

OTX-DP Inflammation Model

Exhibit 3

OTX-DP Inflammation Market Model

US Inflammation Model	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cataract Surgeries	3,723,365	3,760,599	3,798,205	3,836,187	3,874,549	3,913,294	3,952,427	3,991,951	4,031,871
Market Penetration Rate	1%	3%	5%	7%	10%	10%	10%	10%	10%
Patients on OTX-DP	37,234	112,818	189,910	268,533	387,455	391,329	395,243	399,195	403,187
Cost per plug	\$129	\$130	\$131	\$133	\$134	\$135	\$137	\$138	\$139
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Revenue (\$MM)	\$5	\$15	\$25	\$36	\$52	\$53	\$54	\$55	\$56
EU Inflammation Model									
Cataract Surgeries	3,370,544	3,404,250	3,438,292	3,472,675	3,507,402	3,542,476	3,577,901	3,613,680	3,649,817
Market Penetration Rate	0%	1%	3%	5%	7%	10%	10%	10%	10%
Patients on OTX-DP	0	34,042	103,149	173,634	245,518	354,248	357,790	361,368	364,982
Average Annual Cost	\$97	\$98	\$99	\$100	\$101	\$102	\$103	\$104	\$105
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Revenue (\$MM)	\$0	\$3	\$10	\$17	\$25	\$36	\$37	\$37	\$38
20% Royalty from Future Partner	\$0	\$1	\$2	\$3	\$5	\$7	\$7	\$7	\$8
JP Inflammation Model									
Cataract Surgeries	1,316,206	1,329,368	1,342,662	1,356,089	1,369,650	1,383,346	1,397,179	1,411,151	1,425,263
Market Penetration Rate	0%	1%	3%	5%	7%	10%	10%	10%	10%
Patients on OTX-DP	0	13,294	40,280	67,804	95,875	138,335	139,718	141,115	142,526
Average Annual Cost	\$116	\$117	\$118	\$119	\$121	\$122	\$123	\$124	\$126
Cost Growth %	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Revenue (\$MM)	\$0	\$2	\$5	\$8	\$12	\$17	\$17	\$18	\$18
20% Royalty from Future Partner	\$0	\$0	\$1	\$2	\$2	\$3	\$3	\$4	\$4
Total Revenue (\$MM)	\$5	\$16	\$28	\$41	\$59	\$64	\$65	\$66	\$67

Sources: Ocular Therapeutix, Oppenheimer Research Estimates

Exhibit 4**Ocular Therapeutix Income Statement**

(\$MMs except per share data)

	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
OTX-TP Glaucoma	0.0	0.0	0.0	0.0	0.0	50.5	93.9	141.1	188.8	239.0	291.7	347.1
OTX-DP Allergy	0.0	0.0	0.0	0.0	22.3	54.3	88.2	89.5	90.8	92.2	93.6	95.0
OTX-DP Inflammation	0.0	0.0	0.0	4.8	15.7	27.9	40.7	59.2	63.5	64.8	66.1	67.4
ReSure	0.0	0.5	1.8	3.1	6.5	8.0	10.3	12.8	15.0	15.6	16.4	17.1
Collaboration revenue	0.0	0.3										
Total Revenue	0.0	0.8	1.8	7.9	44.4	140.7	233.0	302.6	358.3	411.6	467.8	526.6
COGS		0.1	0.1	0.8	7.2	21.7	35.7	43.8	50.2	56.5	63.1	70.1
R&D	10.5	18.9	22.0	23.1	25.4	28.0	30.7	33.8	37.2	40.9	45.0	49.5
SG&A	2.4	8.9	11.0	19.3	28.9	53.4	58.8	61.7	62.3	62.9	63.6	64.2
Operating Income	(12.9)	(27.1)	(31.3)	(35.2)	(17.1)	37.7	107.8	163.3	208.6	251.3	296.1	342.8
Interest Income	0.0	0.0	0.4	0.2	0.3	0.4	0.7	1.1	1.5	2.1	2.8	3.7
Interest Expense	(0.4)	(1.1)	1.0	0.7	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense), net	0.0	(0.4)										
Pre-Tax Income	(13.3)	(28.6)	(29.9)	(34.3)	(16.5)	38.6	108.5	164.3	210.0	253.4	298.9	346.6
Tax Expense (Benefit)	0	0.0	0.0	0.0	0.0	0.0	4.9	57.5	74	88.7	104.6	121.3
Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income to Common	(13.3)	(28.7)	(29.9)	(34.3)	(16.5)	38.6	103.6	106.8	136.5	164.7	194.3	225.3
Net Income per Share	(5.11)	(2.69)	(1.40)	(1.54)	(0.71)	1.42	3.82	3.94	5.03	6.06	7.14	8.27
Weighted average shares, basic	2.6	10.7	21.3	22.3	23.2	23.9	23.9	23.9	23.9	24.0	24.0	24.0
Weighted average shares, diluted	2.6	11.4	24.5	25.5	26.4	27.1	27.1	27.1	27.2	27.2	27.2	27.2

Sources: Oppenheimer Research Estimates, Ocular Therapeutix Filings.

Exhibit 5**Ocular Therapeutix Balance Sheet**

(\$MMs except per share data)

	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Assets												
Cash and Equivalents	17.5	74.8	48.7	60.7	78.5	138.1	211.5	297.2	415.9	564.2	742.0	950.4
Prepaid Expenses and Other Current Assets	0.2	0.9	1.3	1.7	2.5	4.1	5.0	5.6	6.0	6.4	6.9	7.4
Inventory	-	0.1	0.1	0.7	6.0	18.1	29.7	36.5	41.8	47.1	52.6	58.4
Accounts receivable from related party	0.0	-	-	-	-	-	-	-	-	-	-	-
Deferred Offering Costs	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	0.3	0.3	0.2	1.0	5.5	17.6	29.1	37.8	44.8	51.5	58.5	65.8
Other Current Assets	-	-	0.0	0.2	1.1	3.5	5.8	7.6	9.0	10.3	11.7	13.2
Current Assets	18.0	76.2	50.4	64.3	93.6	181.4	281.2	384.7	517.4	679.4	871.6	1,095.1
Property, Plant, & Equipment	0.9	1.8	1.5	1.5	2.9	7.8	15.2	23.0	30.1	36.3	41.9	47.6
Restricted Cash	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Other Long-Term Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	19.1	78.2	52.2	66.0	96.7	189.5	296.6	407.9	547.8	715.9	913.8	1,142.9
Liabilities												
Accounts Payables	0.5	1.3	3.3	4.3	6.1	10.3	12.5	13.9	15.0	16.0	17.2	18.4
Accrued Liabilities	0.7	3.0	4.0	5.2	7.4	12.4	15.0	16.7	18.0	19.2	20.6	22.1
Deferred Revenue	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Notes Payable, net of discount, current	1.8	1.4	-	-	-	-	-	-	-	-	-	-
Taxes Payable	-	-	0.0	0.1	0.4	1.4	2.3	3.0	3.6	4.1	4.7	5.3
Loans Payable, Current Portion	-	-	4.5	4.5	3.4	-	-	-	-	-	-	-
Other	-	-	1.7	2.2	3.1	5.2	6.3	7.0	7.5	8.0	8.6	9.2
Current Liabilities	3.3	5.9	13.7	16.5	20.7	29.5	36.4	40.9	44.3	47.7	51.3	55.1
Preferred Stock Warrants	0.3	-	-	-	-	-	-	-	-	-	-	-
Deferred rent, long-term	0.0	0.1	-	-	-	-	-	-	-	-	-	-
Loans Payable, Less Current Portion	-	13.5	9.1	7.9	4.5	3.4	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Notes Payable, net of discount, long-term	0.7	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	4.3	19.5	22.8	24.4	25.2	32.9	36.4	40.9	44.3	47.7	51.3	55.1
Redeemable convertible preferred stock	74.3	-	-	-	-	-	-	-	-	-	-	-
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	1.3	148.1	148.1	194.6	241.1	287.6	287.6	287.6	287.6	287.6	287.6	287.6
Accumulated surplus/(deficit)	(60.8)	(89.4)	(118.8)	(153.1)	(169.6)	(131.0)	(27.4)	79.4	216.0	380.6	574.9	800.2
Shareholders' Equity	14.9	58.7	29.4	41.5	71.5	156.6	260.2	367.0	503.5	668.2	862.5	1,087.8
Total Liabilities & Equity	19.1	78.2	52.2	66.0	96.7	189.5	296.6	407.9	547.8	715.9	913.8	1,142.9

Sources: Oppenheimer Research Estimates, Ocular Therapeutix Filings.

Exhibit 6

Ocular Therapeutix Cash Flow Statement

(\$MMs except per share data)

	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Operating Cash Flows												
Net Income	(13.3)	(28.6)	(29.9)	(34.3)	(16.5)	38.6	103.6	106.8	136.5	164.7	194.3	225.3
Adjustments:												
Non-cash Interest expense	0.0	0.1										
Licensing and consulting fees paid in common stock		2.4										
Depreciation	0.4	0.5	0.3	0.4	0.8	2.1	4.3	7.3	10.8	14.5	17.7	20.7
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Extinguishment of Debt	-	0.1	-	-	-	-	-	-	-	-	-	-
Share-Based Compensation	0.5	1.7	0.6	-	-	-	-	-	-	-	-	-
Revaluation of preferred stock warrants	(0.0)	0.4										
Other	-	0.0	-	-	-	-	-	-	-	-	-	-
Total Operating Sources	(12.4)	(23.7)	(29.0)	(33.9)	(15.7)	40.7	107.9	114.1	147.3	179.1	212.0	245.9
Prepaid Expenses and other current assets	0.1	(0.0)	(0.4)	(0.4)	(0.7)	(1.7)	(0.9)	(0.6)	(0.4)	(0.4)	(0.5)	(0.5)
Inventory	-	(0.1)	0.0	(0.6)	(5.3)	(12.0)	(11.7)	(6.7)	(5.4)	(5.3)	(5.5)	(5.8)
Accounts Receivable from third party	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Accounts Receivables	(0.3)	(0.1)	0.1	(0.8)	(4.6)	(12.0)	(11.5)	(8.7)	(7.0)	(6.7)	(7.0)	(7.4)
Other Current Assets	-	-	(0.0)	(0.2)	(0.9)	(2.4)	(2.3)	(1.7)	(1.4)	(1.3)	(1.4)	(1.5)
Accounts Payable	(0.2)	0.7	2.0	1.0	1.8	4.2	2.2	1.4	1.0	1.1	1.1	1.2
Accrued Liabilities	(0.2)	1.6	1.0	1.2	2.2	5.0	2.7	1.7	1.3	1.3	1.4	1.5
Taxes Payable	-	-	0.0	0.1	0.4	1.0	0.9	0.7	0.6	0.5	0.6	0.6
Deferred Revenue	0.3	(0.1)	0.1	-	-	-	-	-	-	-	-	-
Other	-	1.4	0.3	0.5	0.9	2.1	1.1	0.7	0.5	0.5	0.6	0.6
Changes in Operating Assets/Liabilities	(0.2)	3.4	3.0	0.9	(6.2)	(16.0)	(19.5)	(13.2)	(10.8)	(10.3)	(10.8)	(11.3)
Operating Cash Flow	(12.6)	(20.2)	(26.0)	(33.0)	(21.9)	24.7	88.4	100.9	136.6	168.9	201.2	234.7
Capital Expenditures	(0.4)	(1.2)	(0.1)	(0.4)	(2.2)	(7.0)	(11.7)	(15.1)	(17.9)	(20.6)	(23.4)	(26.3)
Purchase/Maturities of Securities	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(0.4)	(1.2)	(0.1)	(0.4)	(2.2)	(7.0)	(11.7)	(15.1)	(17.9)	(20.6)	(23.4)	(26.3)
Proceeds from issuance of redeemable convertible preferred :	8.5	-	-	-	-	-	-	-	-	-	-	-
Issuance/Purchase of Stock	-	70.6	-	46.5	46.5	46.5	-	-	-	-	-	-
Issuance/Payment Debt	-	28.4	(0.0)	(1.1)	(4.5)	(4.5)	(3.4)	-	-	-	-	-
Proceeds from exercise of stock options	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Repayment of notes payable	(1.8)	(20.1)	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	6.7	78.9	(0.0)	45.4	42.0	42.0	(3.4)	-	-	-	-	-
Effect of Exchange Rates	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Cash	23.9	17.5	74.9	48.7	60.7	78.5	138.1	211.5	297.2	415.9	564.2	742.0
Net Increase (Decrease) in Cash	(6.3)	57.4	(26.2)	11.9	17.8	59.6	73.3	85.8	118.6	148.3	177.9	208.3
Ending Cash	17.5	74.9	48.7	60.7	78.5	138.1	211.5	297.2	415.9	564.2	742.0	950.4

Sources: Oppenheimer Research Estimates, Ocular Therapeutix Filings.

Investment Thesis

Ocular is an appealing platform play in the ophthalmology space, in our view, driven by several technological advances that permit steady delivery of drugs to the eye using punctal plugs. The company's pipeline is substantially de-risked as Ocular's plugs deliver medications already approved for glaucoma (travoprost) and post-surgical inflammation (dexamethasone). Both the inflammation (OTX-DP) and glaucoma (OTX-TP) plugs have achieved clinical proof-of-concept, and we expect FDA approvals in 2016/2018, respectively. Longer term, we see the interplay between compliance advantages of plugs vs. generic/soon-to-be generic eye-drop markets as a key debate for the stock. However, at current levels even a conservative view of peak share suggests significant upside.

Price Target Calculation

We value Ocular Therapeutix using a discounted cash flow (DCF) analysis with a weighted average cost of capital (WACC) of 10% and a 0% terminal growth rate post-2030, generating a terminal value of \$437M. Our DCF valuation indicates an equity value of ~\$1,196M, or \$49 per diluted share.

Key Risks to Price Target

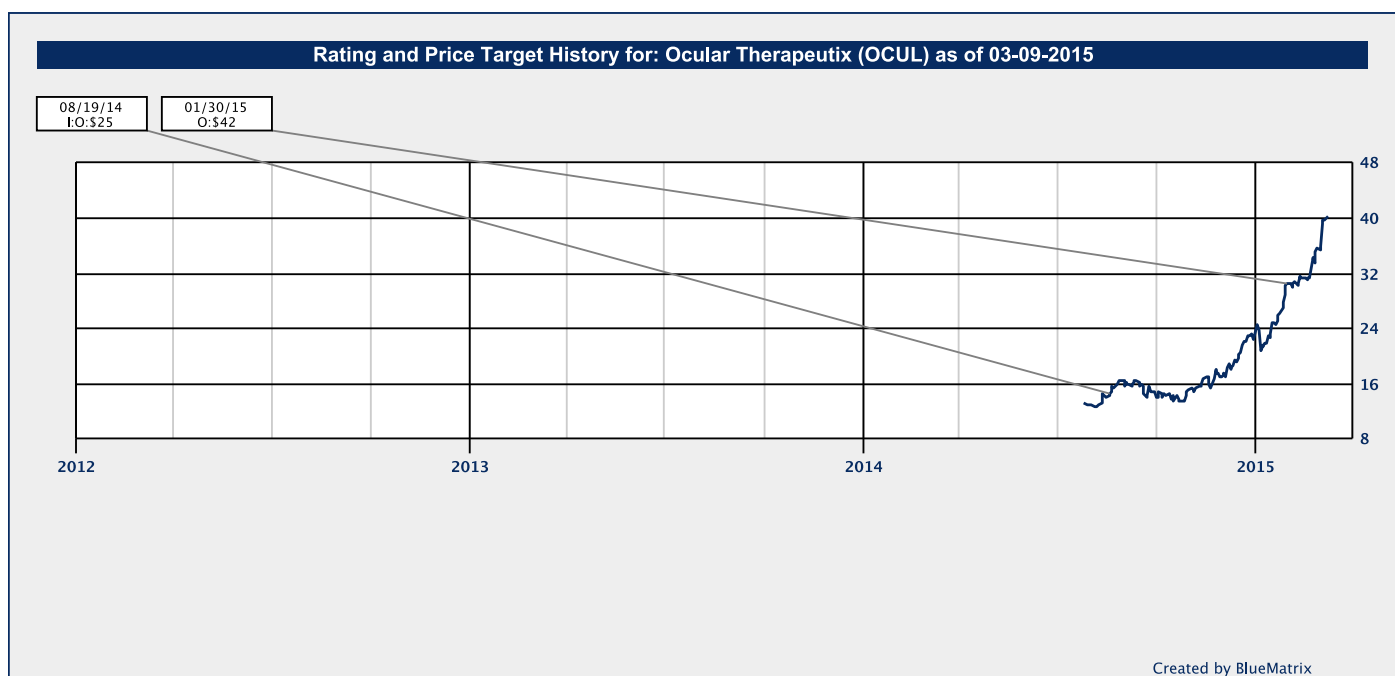
Key risks include the following: **1)** Future retention rates and/or the degree of IOP reductions in Phase 2b and/or Phase 3 for OTX-TP in glaucoma may prove insufficient for widespread treatment adoption. **2)** The Phase 3 post-surgical inflammation and pain trial may fail to meet clinical endpoints. **3)** Ocular may not be successful in commercializing OTX-TP and OTX-DP and/or share capture may be weaker than our current projections. **4)** Ocular will likely need additional dilutive capital to develop its products, and we assume additional financings of \$150M over 2016-18.

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		Percent	Count
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