

Celladon Corp. (CLDN)

Q4:13 Earnings, Well Capitalized into 2015, Reiterate OUTPERFORM

- **CLDN reported a Q4 net loss of \$6.2M, below our \$5.7M estimate.** Including the \$44.3M in net proceeds from its February IPO, the company had a pro forma cash balance of \$64.3M.
- **We believe the current cash balance is sufficient to carry CLDN through the company's major upcoming catalyst: the read-out of the Phase IIb CUPID 2 trial in systolic heart failure patients, expected in April 2015.** CUPID 2 is evaluating the use of MYDICAR gene therapy in delaying and reducing the frequency of heart-failure (HF)-related hospitalizations, and positive results from the study could potentially be sufficient for approval in the US and Europe.
- **We do not believe there will be a meaningful impact to the conduct of CUPID 2 in response to the positive data and the early stoppage of the Phase III PARADIGM-HF study of LCZ696 conducted by Novartis (not covered).** LCZ696 is an oral angiotensin receptor neprilysin inhibitor (ARNI), and the PARADIGM-HF study was studied in 8,436 patients with systolic heart failure. Earlier today, Novartis reported the premature closure of the trial and that the combined primary endpoint of delayed cardiovascular mortality and reduced HF hospitalizations were met. CLDN expects LCZ696, if approved, to add to the background regimen for MYDICAR therapy, but is not likely to affect the outcomes of the current CUPID 2 study.
- **Reiterate OUTPERFORM rating and \$17 price target.** Our price target of \$17 is derived from applying a 6 multiple to estimated 2020 sales in new heart failure patients, discounted by 35% annually, supplemented by the present value of sales in existing heart failure patients (also discounted by 35% annually).

Risks to the achievement of our price target include clinical failure of MYDICAR, failure to achieve regulatory approval and failure to achieve sales and earnings estimates.

April 1, 2014

Price
\$11.92

Rating
OUTPERFORM

12-Month Price Target
\$17

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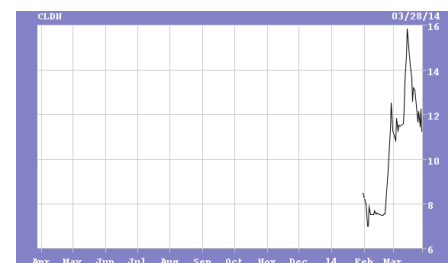
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Company Information

Shares Outst (M)	18.5
Market Cap (M)	\$220.5
52-Wk Range	\$7.45 - \$17.16
Book Value/sh	\$1.24
Cash/sh	\$3.00
Enterprise Value (M)	\$165.0
LT Debt/Cap %	0%
Cash Burn (M)	\$15.1

Company Description

Celladon Corp. is based in San Diego, Ca. and is focused on the development of MYDICAR, a gene therapy product for increasing SERCA2a expression, currently



Source: Thomson Reuters

FYE Dec	2013A	2014E			2015E		
REV	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	0.0E		\$0.0E	0.0E		\$0.0E
Q2 Jun	0.0A	0.0E		0.0E	0.0E		0.0E
Q3 Sep	0.0A	0.0E		0.0E	0.0E		0.0E
Q4 Dec	0.0A	0.0E		0.0E	0.0E		0.0E
Year*	0.0A	0.0E		\$0.0E	0.0E		\$0.0E
Change	--	--		--	--		--
EPS	2013A	2014E			2015E		
	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	(\$0.61)E	(\$0.42)E	--	(\$0.62)E	(\$0.43)E	--
Q2 Jun	--	(\$0.56)E	(\$0.39)E	--	(\$0.50)E	(\$0.35)E	--
Q3 Sep	(\$0.45)A	(\$0.58)E	(\$0.41)E	--	(\$0.48)E	(\$0.33)E	--
Q4 Dec	(\$0.51)A	(\$0.60)E	(\$0.42)E	--	(\$0.45)E	(\$0.31)E	--
Year*	(\$1.67)A	(\$2.35)E	(\$1.64)E	--	(\$2.05)E	(\$1.42)E	--
P/E	--	--		--	--		--
Change	--	-41%		--	13%		--

Consensus estimates are from Thomson First Call.

* Numbers may not add up due to rounding.

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Investment Summary

Celladon Corporation (CLDN) is a biotechnology company focused on the development of MYDICAR for cardiovascular diseases characterized by deficiencies in the SERCA enzyme. Its lead clinical program is MYDICAR, a gene therapy designed to restore normal levels of the SERCA enzyme, in the Phase IIb CUPID 2 trial for the treatment of advanced systolic heart failure. MYDICAR could also be efficacious in treating other serious cardiovascular diseases, including diastolic heart failure, advanced heart failure in patients on an LVAD, pulmonary arterial hypertension, and AV-fistula maturation failure. CLDN also has small molecule SERCA modulators in preclinical development for diabetes and neurodegenerative conditions. The EMA has indicated that CUPID 2 could serve as the basis for an MAA application, and there is a possibility that the ongoing Phase IIb study could be sufficient for early approval in the US.

Financial Model

3/31/2014

Ticker: (CLDN:Nasdaq)

Celladon Corporation

Wedbush PacGrow Life Sciences

David M. Nierengarten, Ph.D.

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	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues:													
US Product Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$111,108	\$411,839
ex-US Product Sales	\$0	0	\$0	\$0	\$0	\$0	0	0	0	0	56,463	231,272	388,676
Grant Revenue	\$0	0	\$0	\$0	\$0	\$0	0	0	0	0	0	0	0
Total Revenues	0	0	0	0	0	0	0	0	0	0	56,463	342,380	800,515
Cost and Expenses:													
Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	11,111	41,184
R&D	13,314	16,927	6,525	7,178	7,536	7,687	28,926	32,317	37,657	42,519	46,024	49,818	53,925
SG&A	2,631	3,037	3,530	3,601	3,673	3,746	14,550	15,631	16,305	17,394	27,628	46,882	122,205
Total Operating Expenses	15,945	19,964	10,055	10,778	11,209	11,433	43,476	47,948	53,962	59,913	73,653	107,811	217,314
Operating Income (Loss)	(15,945)	(19,964)	(10,055)	(10,778)	(11,209)	(11,433)	(43,476)	(47,948)	(53,962)	(59,913)	(17,190)	234,569	583,201
Net Interest Income (Expense)	(73)	58	151	458	370	285	1,264	1,537	2,340	2,265	701	2,402	13,040
Other non-operating Income (Expense)	147	0	0	0	0	0	0	0	0	0	0	0	0
Income Before Income Taxes	(15,871)	(19,906)	(9,904)	(10,321)	(10,839)	(11,149)	(42,212)	(46,411)	(51,622)	(57,648)	(16,489)	236,971	596,241
Provision for Income Taxes	0	0	0	0	0	0	0	0	0	0	1,047	5,837	139,042
Net Income (Loss)	(15,871)	(19,906)	(9,904)	(10,321)	(10,839)	(11,149)	(42,212)	(46,411)	(51,622)	(57,648)	(17,536)	231,134	457,199
GAAP EPS	(1.58)	(1.67)	(0.61)	(0.56)	(0.58)	(0.60)	(2.35)	(2.05)	(1.77)	(1.79)	(0.53)	7.03	13.90
Total Shares Outstanding	10,262	12,035	18,500	18,525	18,550	18,575	18,575	26,150	30,225	32,825	32,900	32,900	32,900
Cash Burn	-	(15,074)	(10,055)	(11,029)	(10,742)	(10,985)	(42,810)	(47,580)	(53,468)	(59,424)	(16,061)	218,986	542,422
Cash Balance	32,649	18,370	55,524	44,953	34,581	23,881	23,881	57,738	70,530	48,679	19,272	234,469	649,949

Analyst Biography

David Nierengarten, Ph.D.

David is an Analyst covering stocks in the Biotechnology/Biopharmaceuticals/BioDefense sector. His prior sell-side research experience at Robert W. Baird & Co. covered biotechnology companies of all market capitalizations, with a focus on oncology and rare diseases.

David received his B.S. (Biochemistry) from the University of Wisconsin-Madison and Ph.D. (Molecular and Cell Biology) from the University of California-Berkeley.

David's Edge: David's early stage venture capital investing experience gives him a balanced perspective on developmental-stage biotechnology companies and their ultimate risk/reward potential. His experience on the other side of that equation in a clinical-stage, venture backed biotechnology company provides him with insights into corporate operations. The combination of experiences creates a focus on value creation in this event-driven space.

Analyst Certification

I, David M. Nierengarten, Ph.D., Gregory R. Wade, Ph.D., Christopher N. Marai, Ph.D., Dilip Joseph, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

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Neutral: 43%	Neutral: 2%
Underperform: 3%	Underperform: 0%

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Company	Disclosure
Celladon Corp.	1,3,5,7

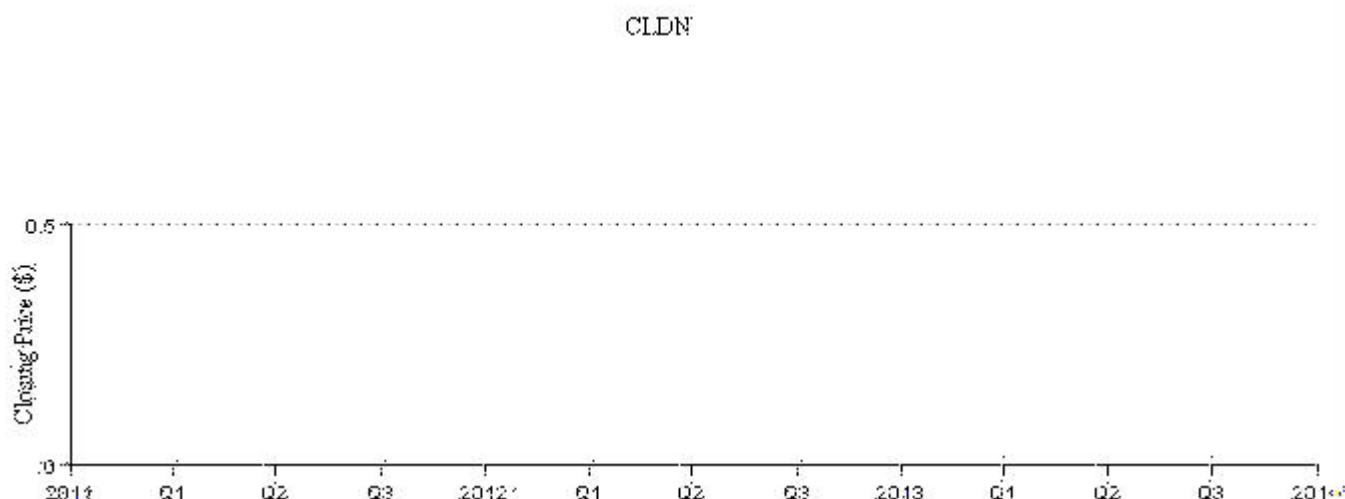
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