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Celladon Corp. (CLDN - OUTPERFORM): Celladon and Servier to Collaborate on Preclinical SERCA2b Program for Diabetes, Reiterate OUTPERFORM

Price: \$9.50

12-Month Price Target: \$17

- CLDN and privately-held Servier have entered into a collaboration to use CLDN's compounds and technology to develop small-molecule modulators of SERCA2b, with Servier having an exclusive option to license ex-US rights for any candidates identified for diabetes and other metabolic disorders, and CLDN retaining US commercialization rights and Servier paying royalties on ex-US sales. The SERCA2b enzyme helps maintain high levels of calcium in the endoplasmic reticulum (ER), which helps preserve proper ER functioning. Obesity has been shown to reduce SERCA2b levels in the liver, and testing in obese and diabetic animal models has found that restoring SERCA2b expression in the liver reduces ER stress, increases glucose tolerance and establishes euglycemia.
- Both parties will collaborate during initial *in vitro* and *in vivo* studies, and if Servier proceeds with further development it would have primary responsibility for all further costs. If the option is exercised, CLDN would be eligible for an undisclosed upfront fee plus unspecified milestones and royalties.
- We currently do not assign value to this preclinical stage program and see any economic benefits as potential upside to our \$17 price target.
- The key upcoming catalysts for CLDN shares are fully enrolling the Phase IIb CUPID 2 trial of MYDICAR in systolic heart failure at the end of this month, and data from the trial expected in April 2015.
- Reiterating OUTPERFORM rating and \$17 price target. Our price target of \$17 is derived from applying a 6 multiple to estimated 2020 sales of MYDICAR 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.

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Neutral: 43%	Neutral: 2%
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Company	Disclosure
Celladon Corp.	1,3,5,7

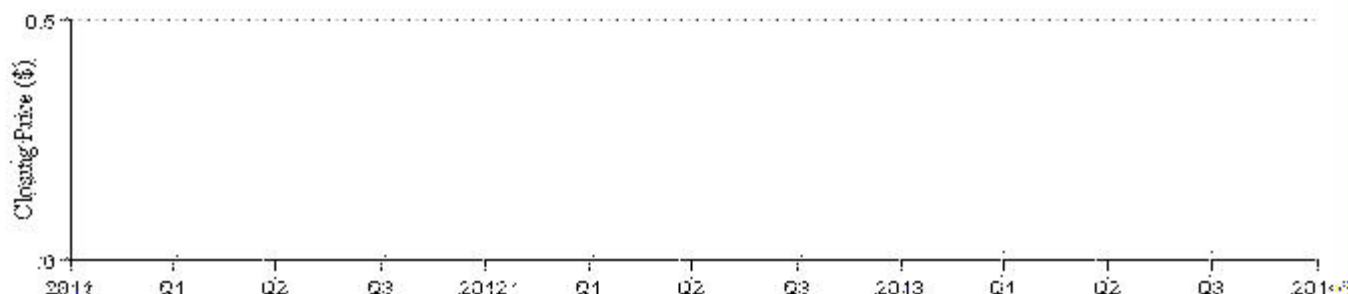
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CLDN



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