

Celladon Corp.

Servier Agreement a Plus

What's New? Celladon just announced an option agreement with Servier for the development of SERCA2b modulators for the treatment of type 2 diabetes and other metabolic diseases in international markets. We view Servier as an appropriate partner for Celladon given its focus on the heart failure and metabolic markets and its international reach. This agreement will provide Celladon with a development partner, geographic reach, as well as additional funding for the development of its pipeline.

Terms of the agreement: Per the agreement, Servier has the option to license ex-US rights to Celladon's small molecule platform following results from in-vitro and in-vivo studies. Celladon will retain all products rights in the U.S. If Servier decides to exercise its option, Celladon would receive an upfront payment as well as research and milestone payments and royalties on future ex-US sales. The two companies will work together in the discovery phase and if development efforts continue, Servier will be responsible for all costs associated with development, regulatory, and commercialization efforts in its ex-US territories. Celladon will then have the option to develop the compound in the U.S. if clinical data generated by Servier is favorable.

Enrollment for leading product candidate Mydicar expected to complete this month: Celladon's lead pipeline product, Mydicar, is a gene therapy in development for the treatment of chronic heart failure. Phase 1/2a results demonstrated a signal to reduce the number of clinical events and heart-failure related hospitalizations. The product is currently in phase 2b trial and enrollment is expected to complete by the end of February. Trial results are expected in April 2015.

Reiterate OW rating and \$15 price target. We believe Celladon offers investors a favorable risk/reward profile. While there are considerable risks to the development of a gene therapy, we believe it will also offer investors significant room for upside if successfully developed. We also believe Mydicar has a lower risk profile on a relative basis given its delivery mechanism, AAV vectors, are accepted by the EMA and the FDA.

CLDN: Quarterly and Annual EPS (USD)

	2012		2013		2014		Change y/y		
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	N/A	N/A	N/A	N/A	-0.36E	-0.36E	N/A	N/A	N/A
Q2	N/A	N/A	N/A	N/A	-0.36E	-0.36E	N/A	N/A	N/A
Q3	N/A	N/A	N/A	N/A	-0.36E	-0.36E	N/A	N/A	N/A
Q4	N/A	N/A	N/A	N/A	-0.36E	-0.36E	N/A	N/A	N/A
Year	N/A	-5.32E	-5.32E	N/A	-1.43E	-1.43E	N/A	N/A	73%
P/E	N/A		N/A			N/A			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 3.

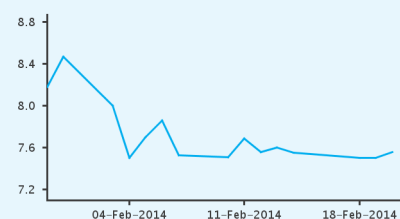
Stock Rating	OVERWEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 15.00 Unchanged

Price (21-Feb-2014)	USD 7.57
Potential Upside/Downside	+98%
Tickers	CLDN

Market Cap (USD mn)	134
Shares Outstanding (mn)	17.68
Free Float (%)	57.96
52 Wk Avg Daily Volume (mn)	0.2
Dividend Yield (%)	N/A
Return on Equity TTM (%)	N/A
Current BVPS (USD)	-2.59

Source: Thomson Reuters

Price Performance	Exchange-Nasdaq
52 Week range	USD 10.15-7.45



[Link to Barclays Live for interactive charting](#)

U.S. Biotechnology

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U.S. Biotechnology

Industry View: NEUTRAL

Celladon Corp. (CLDN)

Stock Rating: OVERWEIGHT

Income statement (\$k)	2012A	2013E	2014E	2015E	CAGR
Revenue	N/A	0	0	0	N/A
EBITDA (adj)	-15,881	-20,138	-25,006	-18,519	N/A
EBIT (adj)	N/A	-20,187	-25,048	-20,536	N/A
Pre-tax income (adj)	N/A	-49,994	-24,816	-20,140	N/A
Net income (adj)	N/A	-63,971	-24,816	-20,140	N/A
EPS (adj) (\$)	N/A	-5.32	-1.43	-0.95	N/A
Diluted shares (k)	N/A	12,035.4	17,304.3	21,161.7	N/A
DPS	N/A	N/A	N/A	N/A	N/A

Margin and return data	Average				
EBITDA (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
EBIT (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
Pre-tax (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
Net (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
ROIC (%)	-55.3	-300.5	-63.3	-22.1	-110.3
ROA (%)	-44.4	-82.1	-54.1	-21.1	-50.4
ROE (%)	-55.3	-300.5	-63.3	-22.1	-110.3

Balance sheet and cash flow (\$k)	CAGR				
Tangible fixed assets	122	85	5,043	11,026	348.8%
Intangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	32,649	23,213	39,636	84,570	37.3%
Total assets	35,929	24,588	46,286	97,113	39.3%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	N/A	N/A	N/A	N/A	N/A
Total liabilities	4,842	40	40	40	-79.8%
Net debt/(funds)	-13,841	-9,955	-26,378	-71,312	N/A
Shareholders' equity	29,309	21,287	39,232	91,323	46.1%
Change in working capital	45,994	-11,024	12,988	46,108	0.1%
Cash flow from operations	-14,637	-11,377	-20,153	-17,992	N/A
Capital expenditure	-48	-12	-5,000	-8,000	N/A
Free cash flow	12,114	5,235	-20,153	-17,992	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/EBITDA (adj) (x)	-4.9	-4.0	-2.6	-1.1	-3.1
Equity FCF yield (%)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	N/A	N/A	N/A	N/A	N/A
P/BV (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A	N/A	N/A
Total debt/capital (%)	-89.5	-87.8	-205.2	-356.4	-184.7

Selected operating metrics	Average				
SG&A/sales (%)	N/A	N/A	N/A	N/A	N/A
R&D/sales (%)	N/A	N/A	N/A	N/A	N/A
R&D growth (%)	N/A	25.5	20.0	-25.0	6.8
SG&A growth (%)	N/A	32.3	43.7	10.0	28.6

Price (21-Feb-2014) USD 7.57
Price Target USD 15.00

Why Overweight? We view Celladon as having a favorable risk/reward profile for investors. The company is developing a gene therapy, Mydicar, to treat chronic heart failure. While there are considerable risks associated gene therapy, we also view the market opportunity as significant if the company is successfully develop the product.

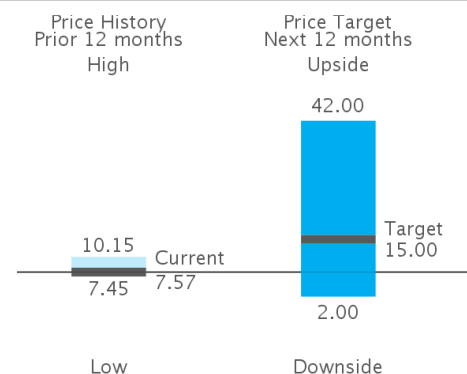
Upside case USD 42.00

We see significant upside potential for Celladon. If phase 2b results are positive, we see valuation increasing to \$42/share.

Downside case USD 2.00

We see downside risks at approximately \$2/share if Mydicar gene therapy does not receive approval. This assumes some value attributed to the early stage small molecule platform and some cash.

Upside/Downside scenarios



Source: Company data, Barclays Research

Note: FY End Dec

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Primary Stocks (Ticker, Date, Price)

Celladon Corp. (CLDN, 21-Feb-2014, USD 7.57), Overweight/Neutral, A/C/D/J/K/L/M

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Biogen Idec (BIIB)	BioMarin Pharmaceutical (BMRN)	Celgene Corp. (CELG)
Celladon Corp. (CLDN)	Dendreon Corp. (DNDN)	Fibrocell Science Inc. (FCSC)
Gilead Sciences (GILD)	GlycoMimetics Inc. (GLYC)	Halozyne Therapeutics Inc. (HALO)
Idenix Pharmaceuticals (IDIX)	Incyte Corp. (INCY)	Intrexon Corp. (XON)
Medivation Inc. (MDVN)	Regeneron Pharmaceuticals (REGN)	Tetraphase (TTPH)
Vertex Pharmaceuticals (VRTX)		

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A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

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Celladon Corp. (CLDN)

USD 7.57 (21-Feb-2014)

Stock Rating

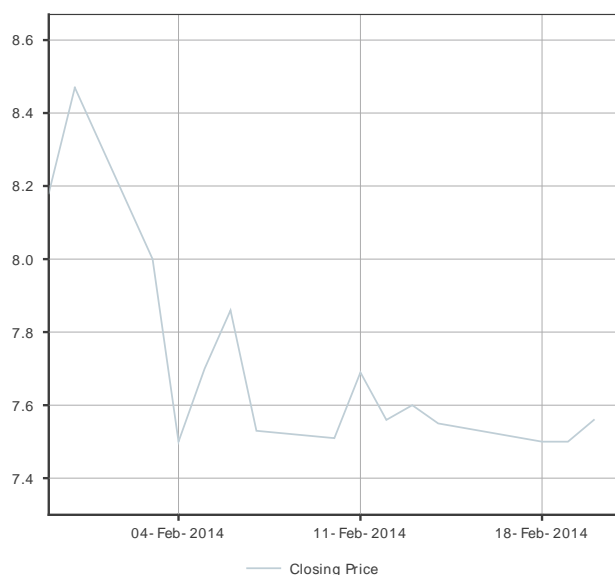
OVERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 21-Feb-2014)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
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Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our price target is based on a probability-adjusted NPV analysis. We have only included the systolic heart failure indication in our model which contributes ~\$12/share. Including cash of ~\$3/share, we arrive at our price target of \$15.

Risks which May Impede the Achievement of the Barclays Research Price Target: Downside risks include failure of CUPID-2 trial, need for phase 3 trial, and inability to receive FDA approval for Mydicar.

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