May 6, 2014

OUTPERFORM

Reason for report:

INITIATION

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CERULEAN PHARMA INC.

Nanotech Enabled Drug Delivery; Initiate at OP

• **Bottom Line:** We are initiating coverage of Cerulean Pharma (CERU) with an Outperform rating and $13/share price target representing a $240M valuation. CERU is developing anti-cancer drugs based on its proprietary nanoparticle drug delivery technology. CERU's lead product CRLX-101 has an attractive mechanism of action (MOA) in our view that could overcome limitations of approved camptothecin analogs. Based on our analysis we believe CRLX-101 is active and CERU's dev't rationale is strong. Three major catalysts by 2H15 could validate CRLX-101's therapeutic potential. We believe CRLX-101 could address a $1Bn US opportunity in 2030E and apply a 25% probability of success.

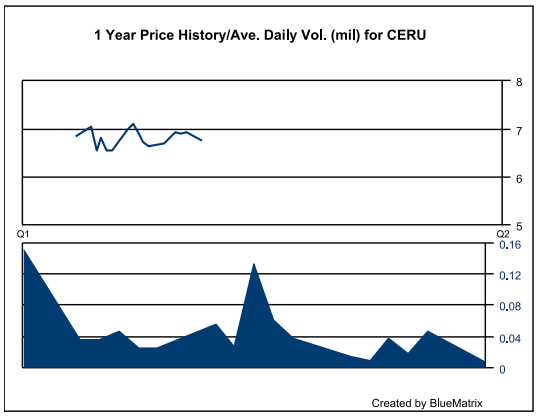
• **CERU is focused on developing anti-cancer drugs based on its proprietary nanoparticle drug delivery platform.** CERU's nanoparticle technology allows tumor-targeted delivery of otherwise intolerable drugs, overcoming some of the systemic toxicities associated with these agents. The nanoparticles are also slowly release delivered drugs in the tumor tissue, leading to a prolonged target inhibition at the tumor site.

• **CERU's lead product CRLX-101 has an attractive mechanism of action in our view that could overcome several limitations of approved agents.** Lead product CRLX-101 is a nanoparticle formulation of camptothecin, a potent inhibitor of topoisomerase 1 (topo 1). We believe CRLX-101 addresses a validated target, but toxicities have limited broad adoption of approved topo 1 inhibitors, topotecan and irinotecan. Based on our due diligence, we believe CRLX-101 also down-regulates HIF-1α, an "undruggable" cancer target implicated in angiogenesis. We believe CRLX-101's dual MoA makes it particularly useful as part of a combination therapy regimen.

• **We believe CRLX-101 is active and CERU's dev't rationale is strong.** Based on single agent clinical data generated to date in lung cancer (NSCLC), we believe CRLX-101 is an active drug despite a Phase IIb miss, driven by a high placebo response in the control arm. CRLX-101 is also better tolerated than other topo1 inhibitors, making it combinable with other agents. This allows CERU to take advantage of CRLX-101's dual MoA, which suggests a synergistic effect with VEGF inhibitors and DNA damaging therapy. Promising Ph Ib data from a combination study of CRLX-101 in combination w/Avastin in renal cell cancer (RCC) support data seen in preclinical models which suggest a synergistic effect.

• **Three major catalysts by 2H15 could validate CRLX-101's therapeutic potential.** In our view, key de-risking data points are: (1) randomized controlled Phase II data in 4Q15 in 3rd line RCC w/ Avastin, (2) single arm data in platinum-resistant 2nd/3rd line ovarian cancer (OC) in combination w/Avastin in 2H15, and (3) randomized Phase II data in neoadjuvant rectal cancer (RC) in combination w/ radiation and Xeloda in 4Q15. Additional data points before that include single arm OC combo data in 4Q14, single arm RC data in 4Q14, and final single arm RCC combo data in 2Q15.

Key Stats:	**(NASDAQ:CERU)**
S&P 600 Health Care Index:	**1,236.16**
Price:	**$6.75**
Price Target:	$13.00
Methodology:	DCF analysis with 16% discount rate
52 Week High:	$8.06
52 Week Low:	$6.10
Shares Outstanding (mil):	19.0
Market Capitalization (mil):	$128.3
Book Value/Share:	$0.00
Cash Per Share:	$2.81
Dividend (ann):	$0.00
Dividend Yield:	0.0%



Dec Yr	1Q	2Q	3Q	4Q	FY Rev	1Q	2Q	3Q	4Q	FY EPS	P/E
2013A	--	--	--	--	0.0	--	--	--	--	($25.10)	NM
2014E	0.0	0.0	0.0	0.0	0.0	($6.83)	($0.43)	($0.53)	($0.64)	($2.45)	NM
2015E	--	--	--	--	0.0	--	--	--	--	($2.00)	NM

Source: Company Information and Leerink Partners LLC Research
GAAP EPS presented

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CERULEAN PHARMA INC. (CERU)

INITIATING COVERAGE WITH OUTPERFORM

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EXECUTIVE SUMMARY

- **Investment Thesis:** We rate Cerulean Pharma (CERU) with an Outperform rating and $13/share price target representing a $240M valuation. CERU is an oncology-focused company developing anti-cancer drugs based on its proprietary nanoparticle drug delivery platform. CERU's lead product CRLX-101 has an attractive mechanism of action in our view that could overcome several limitations of approved agents. Based on our analysis we believe CRLX-101 is active and CERU's development rationale is strong. Three major catalysts by 2H15 could validate CRLX-101's therapeutic potential. We believe CRLX-101 could address a $1Bn US opportunity in 2030E and apply a 25% probability of success.
- **CERU is an oncology-focused company developing anti-cancer drugs based on its proprietary nanoparticle drug delivery platform**. CERU's nanoparticle technology allows tumor-targeted delivery of chemotherapy drugs, thus overcoming some of the systemic toxicities associated with this class of drugs while providing a high concentration of active drug locally at the tumor site. The nanoparticles slowly release delivered drugs in the tumor tissue, leading to a prolonged target inhibition at the tumor site.
- **CERU's lead product CRLX-101 has an attractive mechanism of action in our view that could overcome several limitations of approved agents**. Lead product CRLX-101 is a nanoparticle formulation of camptothecin, a potent inhibitor of topoisomerase 1 (topo 1). We believe CRLX-101 addresses a validated target, but toxicities have limited the wide adoption of approved topo 1 inhibitors, topotecan and irinotecan. Based on our due diligence, we believe CRLX-101 also down-regulates HIF-1α, an "undruggable" cancer target implicated in angiogenesis. We believe CRLX-101's dual MoA makes it particularly useful as part of combination therapy regimen.
- **We believe CRLX-101 is active and CERU's development rationale is strong**. Based on single agent clinical data generated to date in NSCLC, we believe CRLX-101 is an active drug despite a Phase IIb miss, which was driven by a high placebo response in the control arm. CRLX-101 is also better tolerated than other topo 1 inhibitors, making combinable with other agents. This allows CERU to take advantage of CRLX-101's dual MoA, which suggests a synergistic effect with VEGF inhibitors and DNA damaging therapy. Promising Phase Ib data from a combination study of CRLX-101 w/Avastin in Renal Cell Cancer (RCC) support data on synergies seen in preclinical models.
- **Three major catalysts by 2H15 could validate CRLX-101's therapeutic potential**. In our view, key de-risking data points are: (1) randomized controlled Phase II data in 4Q15 in 3rd line RCC w/ Avastin, (2) single arm data in platinum-resistant 2nd/3rd line ovarian cancer (OC) in combination w/Avastin in 2H15, and (3) randomized Phase II data in neoadjuvant rectal cancer (RC) in combination w/ radiation and Xeloda in 4Q15. Additional data points before that include single arm OC combo data in 4Q14, single arm RC data in 4Q14, and final single arm RCC combo data in 2Q15.
- **We believe CRLX-101 could address a $1Bn opportunity in 2030E if developed successfully in three lead indications** and estimate a 25% probability of success based on available clinical data and the drug's mechanism. We see additional sources of upside if CRLX-101 is developed in earlier lines of therapy or in additional indications where irinotecan/topotecan are approved, e.g., 1st line metastatic colorectal cancer (CRC) or 2nd line small cell lung cancer (SCLC).

VALUATION

- **VALUATION**
  - We estimate a $13 per share price target in 12 months for CERU, reflecting a $240M market capitalization based on a discounted cash flow analysis. We use a 16% WACC as the discount rate, which we view as appropriate for CERU. We use probability weighted revenue assumptions. We model ~$1.0Bn peak US CRLX-101 sales in 2030E across three lead indications in 3rd line renal cell cancer, platinum-resistant ovarian cancer, and neoadjuvant rectal cancer.

- **POTENTIAL SOURCES OF UPSIDE**
  - Positive clinical data
  - Additional indications for CRLX-101 or development in earlier lines of therapy
  - Development of additional products (e.g., CRLX-301)
  - Acquisition of the company or a partnership

- **RISKS**
  - CERU faces significant clinical and regulatory risks since its main value driver is currently in multiple early stage investigator-sponsored clinical trials. Like many other developmental stage Biopharma companies, CERU faces manufacturing, competitive, commercial, regulatory and safety risks, as well as risks to its intellectual property. Specifically, CERU faces regulator uncertainty on whether pCR will be accepted by the FDA as an approvable endpoint for a potential future neoadjuvant rectal cancer trial. CERU also faces financial risk and may need to raise dilutive capital near term. We expect the company's current cash balance to be sufficient to fund operations until late 2015.

CRLX-101 IS CERU's LEAD PRODUCT CANDIDATE

- **Cerulean Pharma (CERU) is a oncology-focused clinical stage biopharmaceutical company developing anti-cancer drugs based on its proprietary nanoparticle drug delivery platform.** CERU's nanoparticle platform allows tumor-targeted delivery of chemotherapy drugs, thus overcoming some of the systemic toxicities associated with this class of drugs while providing a high concentration of active drug locally at the tumor site. The nanoparticles slowly release delivered drugs in the tumor tissue, leading to a prolonged target inhibition at the tumor site. The company currently has two product candidates in development.
- **CRLX-101 is CERU's lead product candidate, currently in Phase II clinical trials**. CRLX-101 contains camptothecin as its anti-cancer payload. Camptothecin is a potent, durable and combinable inhibitor of topoisomerase 1 (topo 1), a commercially validated cancer target, and hypoxia inducible factor, or HIF, a novel cancer target. Clinical trials for CRLX-101 have been conducted in multiple indications in over 200 patients, testing CRLX-101 as a single agent therapeutic. CERU is currently conducting a broad Phase II program across three cancer indications testing CRLX-101 in combination with Avastin (bevacizumab), or Xeloda (capecitabine) and radiation, with key data readouts expected 4Q14 - 4Q15.
- **CRLX-301 utilizes the same nanoparticle technology as CRLX-101, but uses docetaxel as its anti-cancer payload**. Initiation of Phase I trials is expected in 4Q14. Docetaxel is a highly active chemotherapeutic that binds to microtubules to trigger cell death in dividing cells. It is extensively used in clinical practice and is FDA approved for the treatment of NSCLC, squamous cell carcinoma of the head and neck, hormone refractory prostate cancer, breast cancer and adenocarcinoma. Docetaxel causes toxicities, including hepatotoxicity, neutropenia, hypersensitivity, severe fluid retention and peripheral neuropathy. CRLX-301 aims to demonstrate improved efficacy, safety and combinability compared to docetaxel.

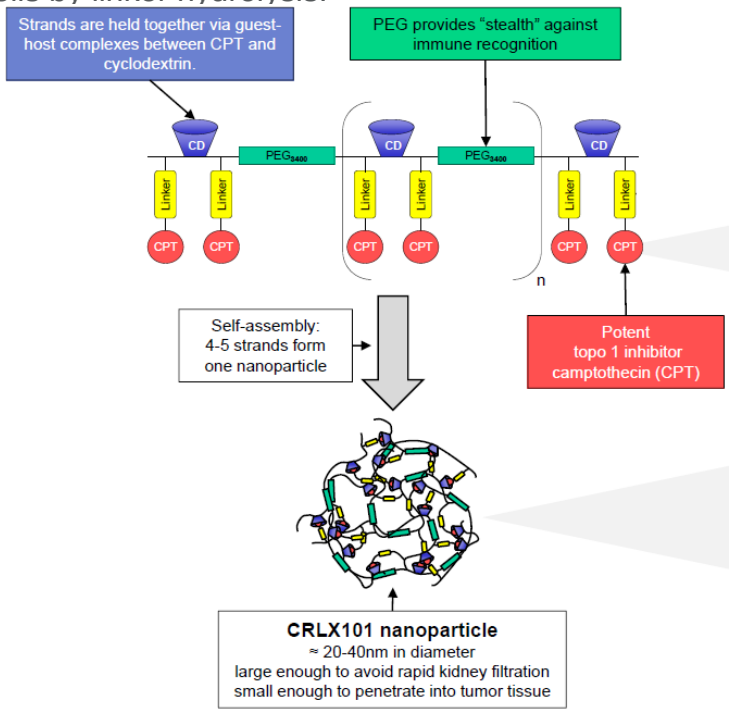
Product Pipeline

Product		Stage	Indication
CRLX-101	Nanoparticle formulation of camptothecin	Phase II	Renal Cell Cancer
			Ovarian Cancer
		Phase I	Rectal Cancer
CRLX-301	Nanoparticle formulation of docetaxel	Preclinical	Solid tumors

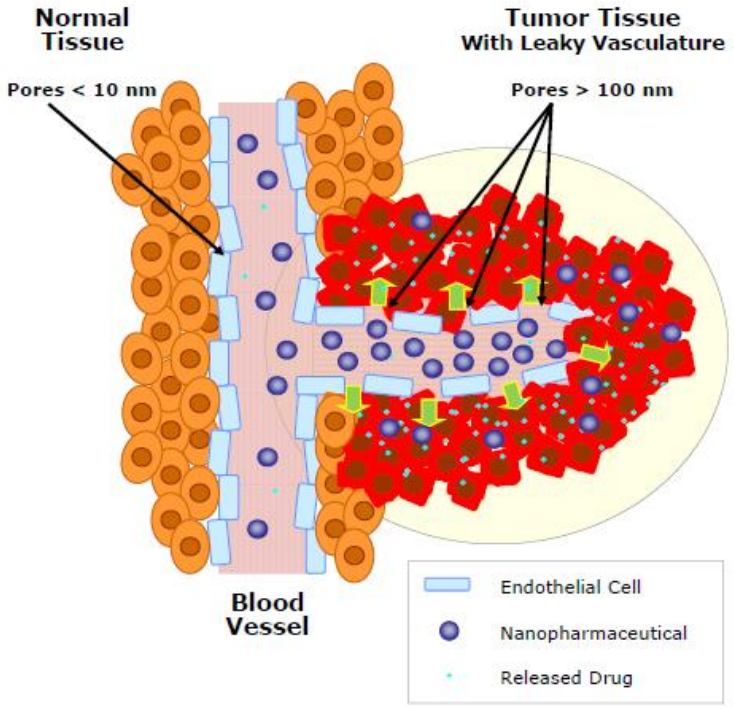
Source: SEC filings

CERU'S PRODUCTS ARE BASED ON ITS PROPRIETARY NANOPARTICLE DRUG DELIVERY TECHNOLOGY

- Lead product CRLX-101 contains a cyclodextrin-containing polymer conjugated to camptothecin that self assembles into 30 to 40 nm diameter particles. This size is large enough to avoid rapid kidney filtration, and is small enough to penetrate tumor tissue.
- CRLX-101 is protected by composition of matter IP until 2023/24 (2029 w/ Hatch-Waxman Extension); addl. "use" patent applications until 2030-2034's; NCE exclusivity; orphan drug exclusivity (renal cell cancer [RCC], ovarian cancer [OC])
- CERU's nanoparticle delivery vehicle provides camptothecin (or other cytotoxic drugs, e.g., doxorubicin, cabazitaxel, gemcitabine, methotrexate) with several key attributes:
  1. Increased solubility
  2. Prevents inactivation through spontaneous lactone ring opening, which can occur rapidly at physiologic pH
  3. Preferential localization to tumors due to enhanced permeability of tumor neovasculature vs. normal tissue
  4. Prolonged release of camptothecin (has a short half-life), resulting in extended target inhibition. Release is facilitated inside tumor cells by linker hydrolysis.



Source: CERU Presentation



Source: CERU Presentation

DEVELOPMENT STRATEGY FOR CRLX-101 IS SOUND IN OUR VIEW, BASED ON ITS DIFFERENTIATED DUAL MECHANISM OF ACTION

- **Dual Mechanism**:

1. Radiosensitizer: Camptothecin inhibits topoisomerase 1 (topo 1), which prevents DNA replication (it introduces DNA double strand breaks) and drives cells into apoptosis
2. Anti-angiogenesis: Camptothecin also down-regulates HIF-1α through an unknown mechanism. HIF-1α is an "undruggable" transcription factor that is implicated to drive tumor vascularization

- **Topo 1 has been validated as target: two synthetic camptothecin analogs have been developed to overcome systemic toxicity issues of camptothecin:**

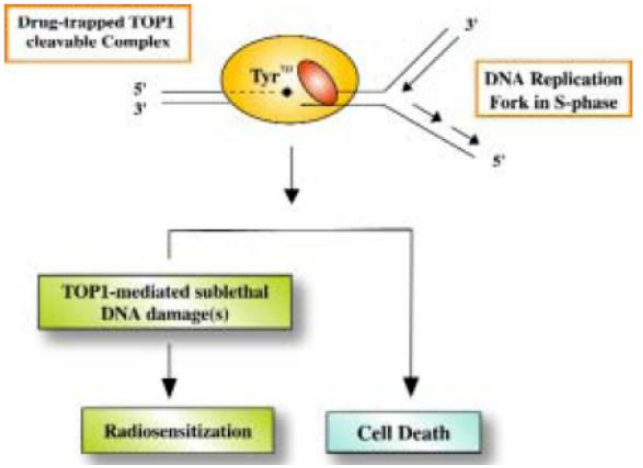
1. Irinotecan (Camptosar, PFE [MP]): FDA-approved for 2nd line therapy of metastatic colorectal cancer (mCRC) after 5-FU-based therapy and as 1st line therapy with 5-FU
2. Topotecan (Hycamtin, GSK [MP]): FDA-approved for 2nd line treatment of small-cell lung cancer (SCLC), 2nd line ovarian cancer (OC), and recurrent cervical cancer (cisplatin combination)

- **Drawbacks of irinotecan and topotecan:**

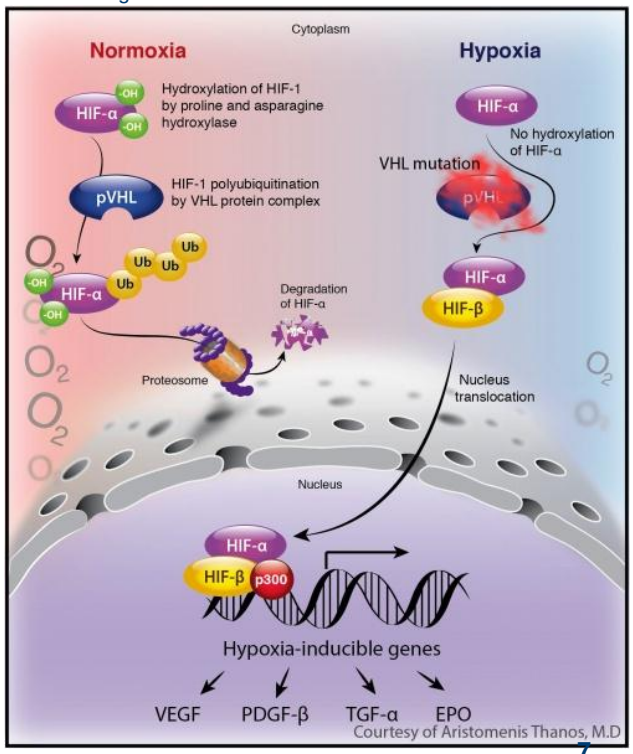
1. Both drugs are still very toxic, which limits combinability (fatigue and myelosuppression) and broader adoption
2. Short half-life (topotecan: 2hrs); doesn't sufficiently inhibit HIF-1α unless dosed at toxic levels

- **CERU's development plans for CRLX-101 will utilize both MoAs:**

- CRLX-101 in combination with radiation (rectal cancer) and VEGF inhibitors (RCC, OC)
- CRLX-101 nanoparticle formulation can overcome irinotecan and topotecan drawbacks, while maintaining camptothecin family activity, in our view



Source: Google.com



Source: Google.com

KEY DATA READOUTS IN THREE LEAD INDICATIONS 4Q14 - 4Q15 SHOULD CLINICALLY VALIDATE CRLX-101 AS PART OF COMBINATION THERAPY

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1. **VEGF-inhibitor relapsed Renal Cell Carcinoma (RCC) in combination with Avastin (3rd + line)**:
   - A randomized Phase II trial (n=80-120) will launch in 2H14; **randomized ORR (overall response rate) data is expected in 4Q15**
     - Trial will be powered at 80% to detect increase of median progression-free survival (PFS) from 3.6 to 5.6 months vs. SOC
   - Strong development rationale:
     - VEGF inhibition is 1st line standard of care (SOC) in metastatic renal cell carcinoma (mRCC)
     - High frequency of pVHL mutation (46-82%) in RCC constitutively activates HIF-1α; VEGF-resistant tumors potentially utilize HIF-1α upregulation as an escape mechanism
     - CERU demonstrated preclinical synergy of CRLX-101 and VEGF inhibitors
     - Promising Phase I RCC CRLX-101 Avastin combination data support evaluation of the combination in RCC
2. **Platinum-resistant Ovarian Cancer in combination with Avastin**:
   - Single-arm, open-label investigator sponsored trial (IST) Phase II trial (n=43) is currently enrolling; we expect preliminary ORR data in 4Q14 and final **ORR and PFS data in 2H15**
   - Strong development rationale:
     - Ovarian cancer is a HIF1-alpha-overexpressing tumor type
     - Topo 1 is a validated target in platinum-refractory ovarian cancer (topotecan approved in 2nd line OC)
     - Roche AURELIA data suggest PFS benefit of VEGF inhibition with Avastin in 2nd line platinum-resistant OC
     - >20% ORR is a reasonable goal for a Phase III go-decision in 2015, in our view
3. **Neoadjuvant Rectal Cancer in combination with capecitabine (Xeloda) and radiation (CRT)**:
   - Single-arm, open-label IST Phase Ib/II (n=53) is currently enrolling; we expect pCR (pathological complete response) data in 4Q14
   - Randomized controlled Phase II trial to start in 4Q14 in 80-120 pts; **we expect randomized Phase II pCR data in 4Q15**
   - Strong development rationale:
     - Radiation combination: Topo 1 inhibitors are radio sensitizers
     - Radiation also induces HIF-1α
     - Topo 1 is a validated target in colorectal cancer: Irinotecan is approved in 1st and 2nd line metastatic colorectal cancer

ONGOING TRIALS AND UPCOMING CATALYSTS

CRLX-101

Indication	Trial	Event	Timing
3rd/4th line mRCC	Phase I Avastin combination IST	Trials in progress presentation	ASCO 2014
		Final data (ORR, PFS)	1Q15
	Phase II randomized Avastin combination	Initiate Phase II	2H14
		ORR data	**4Q15**
Platinum-resistant OC	Phase II single agent IST	Updated single arm data	ASCO 2014
	Phase II Avastin combination IST	Single arm ORR data	4Q14
		Final data (ORR, PFS)	**3Q15**
	Phase II/III randomized Avasting combination	Initiate Phase II/III	2015
Neoadjuvant rectal cancer	Phase I/II CRT/Xeloda combination IST	ID MTD, launch Phase II single arm expansion	mid-14
		Single arm pCR data	4Q14
	Phase II randomized CRT/Xeloda combination	Initiate Phase II	4Q14
		pCR data	**4Q15**
		End-of-Phase II FDA meeting	1Q16
	Phase III randomized CRT/Xeloda combination	Initiate Phase III	2016
HER2- gastric cancer	Phase II PD single agent IST	trial ongoing	
2nd line SCLC	Phase II randomized single agent IST vs. topotecan	trial ongoing	

CRLX-301

Indication	Trial	Event	Timing
Solid tumors	Phase I	Initiate trial	4Q14
		Phase I data	4Q15

Source: Leerink Partners Estimates and Company Filings

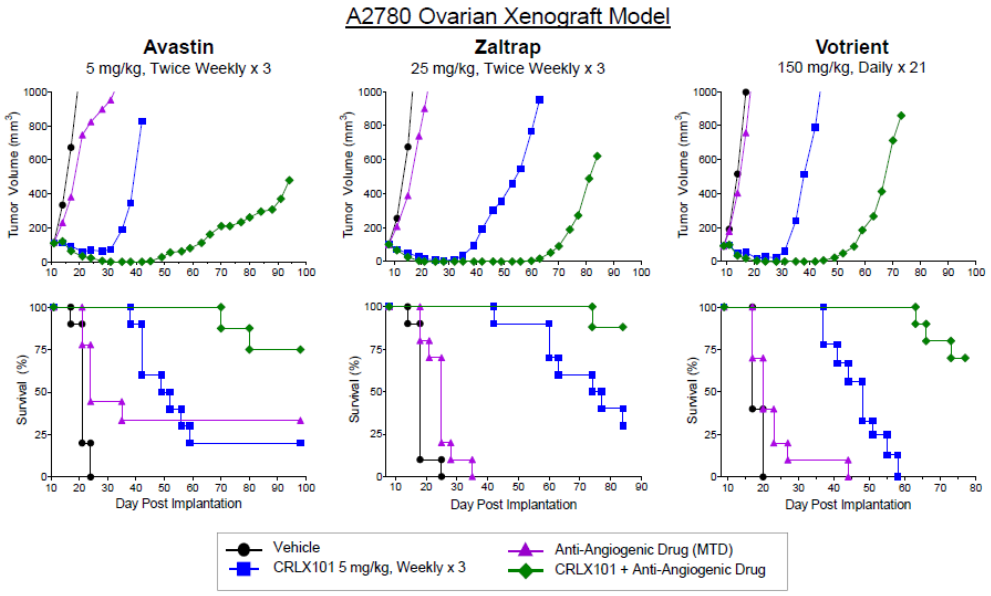
CRLX-101 DATA GENERATED TO DATE SHOW DRUG IS ACTIVE AND WELL TOLERATED

CRLX-101TRIALS CONDUCTED TO DATE

Study	Conditions	Interventions	Sponsor/Collaborators	Phases	n	Start Date
Phase I single agent trial	Solid Tumor	Single agent	Cerulean	Pgase I/IIa	62	May-06
Phase II single agent NSCLC trial	Non-Small Cell Lung Cancer	Single agent	Cerulean	Phase IIb	148	Jun-11
Avastin combination IST, Ovarian/Tubal/Peritoneal Cancer	Ovariann Fallopian Tube, Peritoneal Cancer	Single agent	Massachusetts General Hospital	Phase I/II	29	Apr-12
Avastin combination IST, RCC	Renal Cell Carcinoma	CRLX101 + Bevacizumab	University of Pennsylvania	Phase I	22	Jun-12
Neoadjuvant Capecitabine CRT combination, Rectal Cancer	Rectal Cancer	CRLX101 + Capecitabione	UNC Cancer Center, Cerulean	Pgase I/II	71	Dec-13

Source: clinicaltrials.gov

- **Preclinical data suggest single agent activity and synergistic effect of CRLX-101 with VEGF inhibitors**
  - In preclinical models CRLX-101 single agent therapy demonstrated superiority over commercial comparator drugs (e.g., carboplatin, cisplatin) as measured by median survival, tumor shrinkage, and tumor growth delay
  - CRLX-101 inhibits HIF-1a in preclinical tumor models; CERU observed a strong synergy with Avastin in an ovarian xenograft model and further confirmed this synergy in a highly metastatic ovarian cancer orthotopic tumor model, as well as in a triple-negative breast cancer orthotopic tumor model.
  - CRLX-101 had a long half-life in human pharmacokinetics (PK) studies: 28 hrs vs. 2 hrs for topotecan; one dose CRLX-101 inhibited topo 1 for > 1 week, allowing for convenient weekly dosing vs. 5 consecutive infusions for topotecan



Source: CERU Data

CRLX-101 ACTIVE AND WELL TOLERATED, BASED ON SINGLE AGENT NSCLC DATA

WE BELIEVE DEVELOPMENT AS PART OF COMBINATION THERAPY HAS A STRONG RATIONALE, BASED ON DUAL MOA

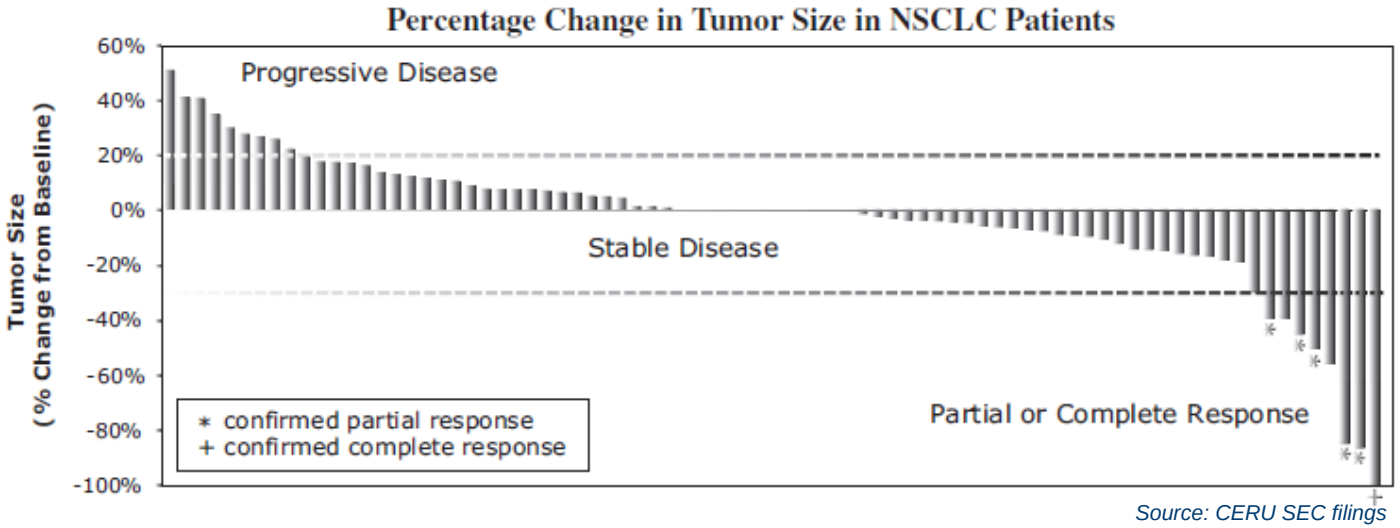
- **In 2011, CERU completed a single agent Phase I/IIa trial of CRLX-101 in 62 patients with advanced multiple pre-treated solid tumor malignancies**.
  - 24 patients were enrolled in the Phase I part; 38 patients in the Phase IIa maximum tolerated dose (MTD) dose-expansion portion; 44 pts received MTD in Phase I/IIa combined
  - Showed MTD of 15mg/m2 camptothecin every other week (EOW); dose-limiting toxicities (DLT): neutropenia, an on target effect, in our view
  - Observed signs of efficacy in 22 NSCLC pts and other tumor types: NSCLC median PFS was 4.4 months; 73% pts w/ stable disease (SD) (50% durable)
- **CRLX-101 Phase IIb randomized 2nd/3rd line NSCLC monotherapy trial (n=157) failed to meet primary endpoint in 2013, driven by high placebo response, but drug looks active, in our view**
  - Trial conducted 2011-2013 in Russia/Ukraine: CRLX-101 (n=100) vs. best supportive care (BSC) (n=57), randomized 2:1; patients had failed one or two prior lines of chemotherapy for NSCLC
  - **CRLX-101 median OS looks similar to that of other approved drugs in this setting, while control arm appears too high**. Median OS for patients in the CRLX-101 arm was 6.3 months vs. 11.9 months for patients on BSC. We note that 6.3 months median OS is comparable to approved 2nd and 3rd line agents for NSCLC; however, the OS attained in the BSC arm was significantly greater than relevant benchmarks (see following table).
  - **In the CRLX-101 arm (n=81) CERU saw clear anti-tumor effects**; tumor shrinkage in ~50% of pts, including 7 partial responses (PRs) (7%), 1 complete response (CR) (1%) (6.2% confirmed RECIST response rate in total)
  - **Sicker patients on BSC arm had a higher early drop-out rate leading to a skew favoring BSC**. 16% (9/57 patients) on the BSC arm withdrew consent before or during first cycle. These 9 patients appeared to be sicker than the remaining BSC patients and hence their removal inflated the median OS value obtained. Only 5% of patients on the CRLX-101 arm (5/100) withdrew early.
  - **BSC OS also appeared inflated by post-study therapy**. 40% (20/50 patients) of BSC arm pts received post-study chemotherapy vs. 28% (27/97 patients) in the CRLX-101 arm. CERU believes that when post-study chemotherapy patients are withheld, a reduction of 1.1 months would be seen in the CRLX-101 arm and a reduction of 4 months would be seen in the BSC arm.

Benchmark trials	CRLX101	BSC	Gefitinib	Placebo	Erlotinib	Placebo	Docetaxel	BSC
median OS (mos)	6.3	11.9	5.6	5.1	6.7	4.7	7.5	4.6
ORR	6.2%	NA	8.0%	1.3%	8.9%	0.9%	5.5%	NA

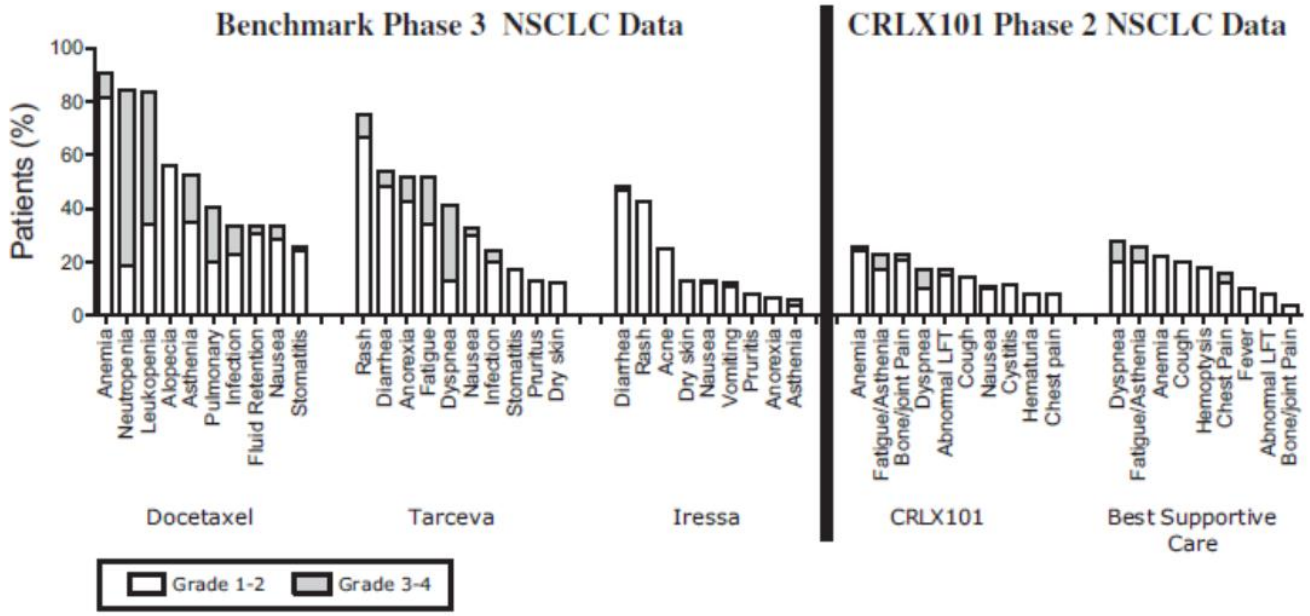
EGFR enriched trials	CRLX-101 trial BSC	Sorafenib trial placebo	Vandetanib trial	Talactoferrin trial
median OS (mos)	11.9	8.4	7.8	7.7
ORR	NA	0.9%	0.7%	NA

Source: labeling information, conference abstracts **11**

TUMOR SHRINKAGE OBSERVED IN SINGLE AGENT Phase IIb NSCLC TRIAL



Source: CERU SEC filings



Source: CERU SEC filings

FIRST CLINICAL AVASTIN COMBINATION DATA IN RCC LOOK PROMISING AND ARE SUPPORTIVE OF MOA IN OUR VIEW

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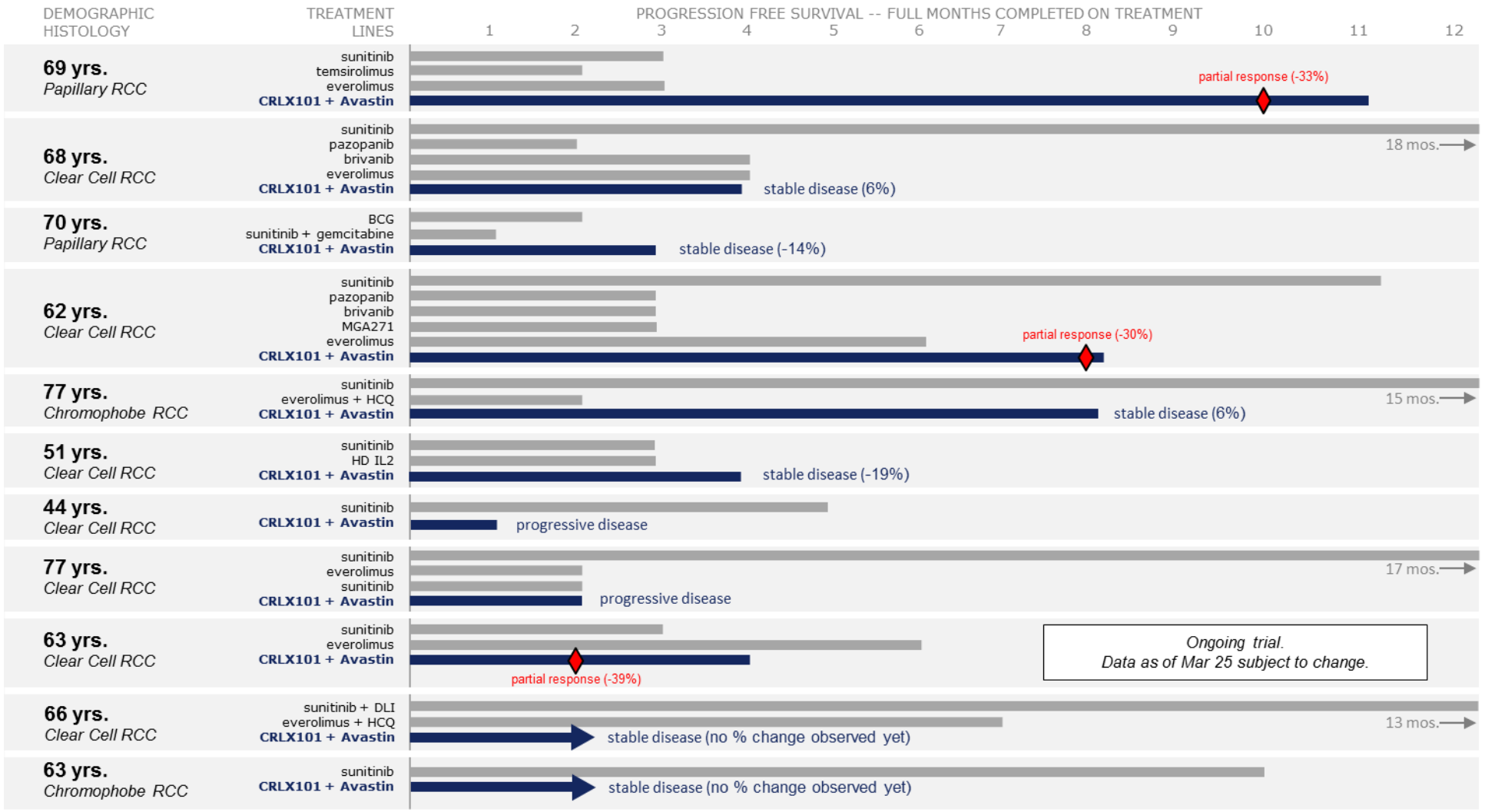
- **CRLX-101 is currently being evaluated in an ongoing Phase Ib/II open-label CERU supported Investigator Sponsored Trial (IST) in combination with Avastin** (University of Pennsylvania, Thomas Jefferson University). Initial data have been presented at ASCO GU, January 2014. We expect final data at ASCO 2015.
- **Of 11 patients evaluable in this trial as of March 25, 2014, three patients (27%) demonstrated confirmed RECIST partial responses.** As of March 25, 2014, 15 patients have been enrolled in this clinical trial, enrollment is ongoing and the CRLX101-Avastin combination appears well tolerated with no drug-related serious adverse events reported.
- **The preliminary data are encouraging, vs. historic controls in our view**, considering that two of the three responding patients received prior third-line everolimus (Afinitor) therapy. Based on results observed to date in the IST trial and discussions with key investigators in the field, CERU intends to evaluate the CRLX-101-Avastin combination in a randomized, well-controlled Phase II clinical trial in 3rd line patients beginning in the second half of 2014.
- **Relapsed RCC patients who have been treated with at least one prior molecularly targeted therapy are eligible to participate in the trial**. Two dose-levels of CRLX-101, 12 mg/m2 and 15 mg/m2, delivered intravenously once every two weeks, are being evaluated in combination with standard Avastin dosing of 10 mg/kg delivered intravenously once every two weeks. This clinical trial employs a two-stage design, with 12 patients to be treated in an initial dose finding stage and an additional ten patients to be treated at the MTD of CRLX-101 administered in combination with Avastin. CT-based tumor evaluations are planned to occur every two cycles. The primary endpoint of the Phase 1b stage was to identify the maximum tolerated dose of CRLX-101 in combination with Avastin in this indication, and the primary endpoint of the Phase 2 stage is progression free survival at four months in 11 or more of the 22 patients on the trial. Secondary objectives include objective response rate (ORR) and assessment of toxicity.

RCC Patients who have progressed on a prior VEGF therapy					
Subsequent Treatment	**Line of Therapy**	**ORR**	**PFS (mos)**	**Trial**	**Source**
bevacizumab	2nd/3rd	4.0%	3.7	PhII escalated doses of bevacizumab	Clin Genitourin Cancer 2013 11:283
sorafenib	3rd	4.0%	3.6	PhIII dovitinib vs. sorafenib	ESMO 2013 Abstract 7035
everolimus	2nd/3rd	1.8%	4.9	PhIII everolimus vs. placebo	Cancer 2010 116:4256
axitinib	2nd	19.4%	6.7	PhIII axitinib vs. sorafenib	The Lancet 11/04/2011
axitinib	2nd/3rd	22.6%	7.4	Phase II trial	JCO September 20, 2009 vol. 27
sorafenib	2nd	9.4%	4.7	PhIII axitinib vs. sorafenib	The Lancet 11/04/2011
dovitinib	3rd	10.0%	6.1	Phase II trial	ASCO, 2011
temsirolimus	2nd/3rd	7.0%	5.8	Phase II trial	JCO, 3/1/2004

Sources: cited in table

RCC Phase I AVASTIN COMBINATION DATA



Source: CERU SEC filings

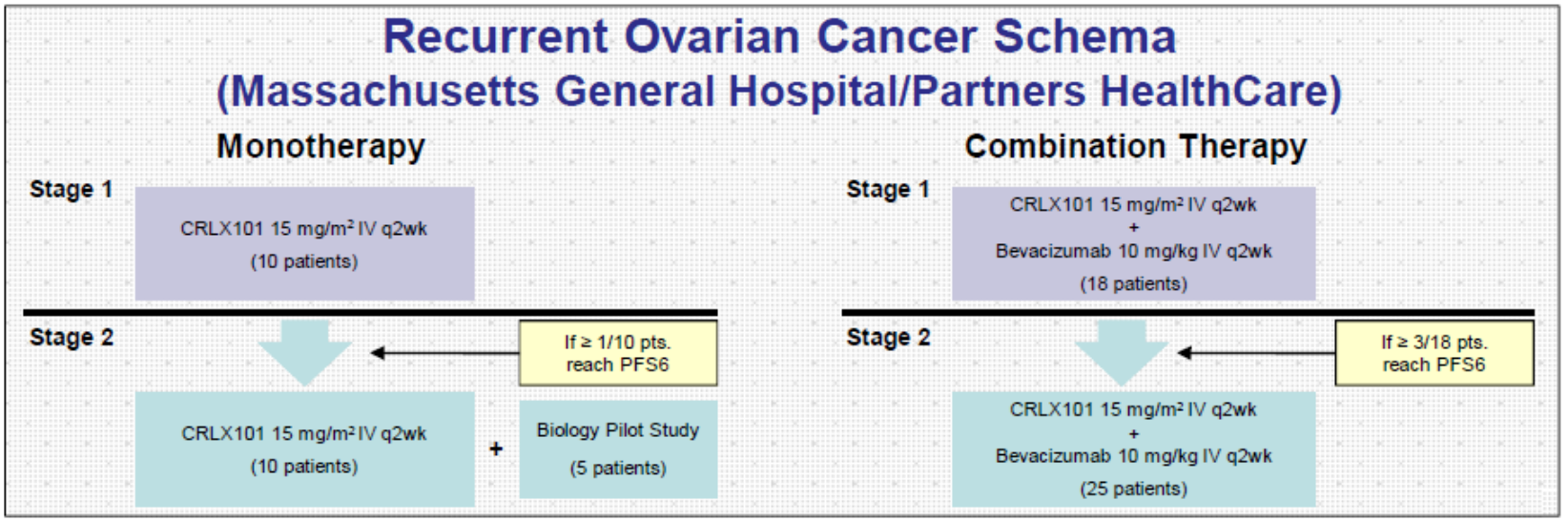
OVARIAN CANCER SINGLE AGENT TRIAL CONFIRMED CRLX-101 ACTIVITY AND TOLERABILITY IN PLATINUM-RESISTANT PATIENTS

LEERINK

- **A single arm Phase II IST of CRLX-101 as monotherapy in 29 advanced relapsed ovarian cancer patients** was conducted at Massachusetts General Hospital (Boston, MA). Enrollment was completed in July 2013.
  - **The primary PFS endpoint for this trial was met in January 2014**. The primary endpoints of this trial are to achieve progression free survival (PFS) at six months for at least four patients and to confirm safety and tolerability of CRLX-101 dosed at 15mg/m2 every two weeks in relapsed ovarian cancer patients.
  - As of March 25, 2014, 15/29 patients (50%) had achieved net tumor shrinkages, with four patients having achieved RECIST-based partial responses (PRs) (14%).
  - In the platinum-resistant patient subpopulation (22/29 patients), 19 of 22 patients were receiving CRLX-101 as third or later line of therapy, and 3/22 patients received CLRX-101 as second line therapy.
  - **16% response rate in platinum-resistant patients is similar to historic controls.** With 19 platinum-resistant patients evaluable as of March 25, 2014, 18 (95%) demonstrated scan results showing stable disease or better for their target legions, with 3/19 patients having achieved a RECIST response (16%).
- **Based on the single agent data, CERU supports a recently initiated combination trial of CRLX-101 with Avastin in relapsed platinum-resistant ovarian cancer.** Initial data will be available in 4Q14 with the final analysis expected in 3Q15. If positive, these data would trigger a Phase III go-decision. CERU targets a 20% ORR in this trial. This single arm Phase II clinical trial of CRLX-101 dosed at 15mg/m^2 every two weeks in combination with Avastin dosed at 10mg/kg every two weeks in 43 second and third line platinum-resistant ovarian cancer patients. Genentech is providing Avastin drug product for the trial.
- **ORR of >20% and better tolerability is an acceptable benchmark for a Phase III go-decision based on comps, in our view**:
  - Phase III: Topotecan single agent ORR = 21%
  - Phase II: Topotecan + Avastin ORR = 25%
  - Phase III (AURELIA trial): Avastin + Topotecan subgroup: 23% ORR; low ORR likely driven by substantial toxicities, in our view
  - Phase III (AURELIA trial): Avastin + Paclitaxel subgroup: 52% ORR

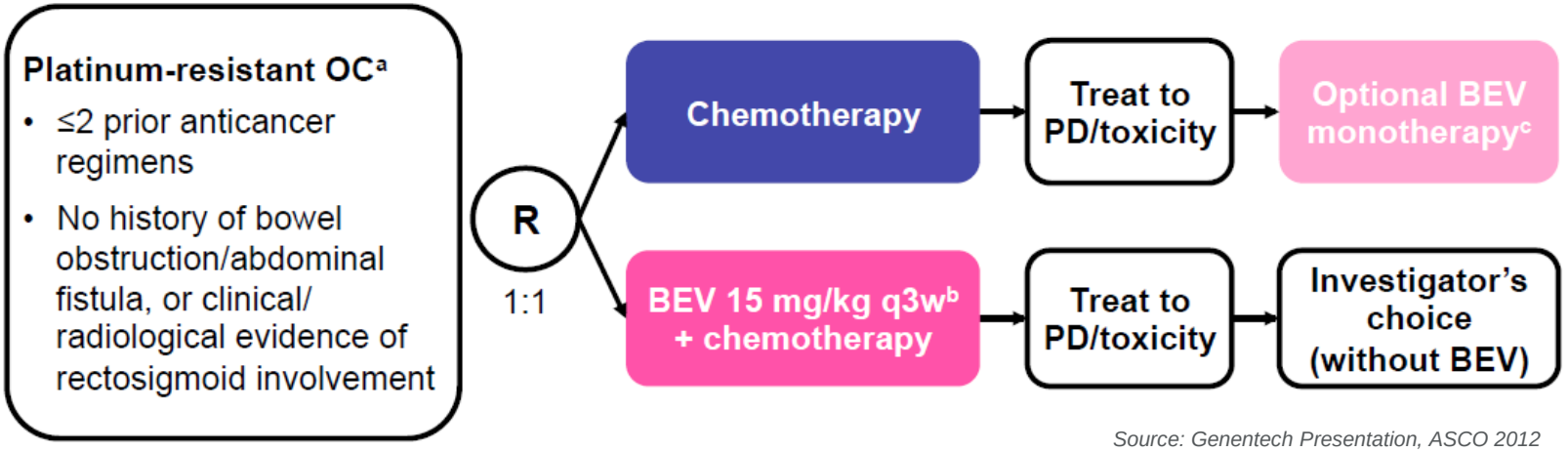
CRLX-101 AVASTIN COMBINATION TRIAL DESIGN RESEMBLES AURELIA TRIAL PATIENT POPULATION

ONGOING PAHSE II CRLX-101 TRIAL



Source: CERU Poster, AACR 2014

GENENTECH AURELIA TRIAL



Source: Genentech Presentation, ASCO 2012

AURELIA RESULTS AS BENCHMARK FOR CRLX-101 COMBINATION IN PLATINUM RESISTANT OVARIAN CANCER

LEERINK

AURELIA Trial Efficacy Data

Arm	Chemo (n=182)	Avastin + Chemo (n=179)
Median PFS, months (95% CI)	3.4 (2.2 - 3.7)	6.7 (5.7-7.9)
HR (PFS) unadjusted (95% CI)	0.48 (0.38-0.60) p<0.001	
Median OS, months (95% CI)	13.3 (11.9 - 16.4)	16.6 (13.7 - 19.0)
HR (OS) unadjusted (95% CI)	0.85 (0.66 - 1.08) p=0.174	

AURELIA Trial Subgroup Analysis

Paclitaxel cohort

Arm	Chemo (n=55)	Avastin + Chemo (n=60)
Median PFS, months	3.9	10.4
ORR	28.8%	51.7%
Median OS, months (95% CI)	13.2 (8.2 - 19.7)	22.4 (16.7 - 26.7)
HR (OS) unadjusted (95% CI)	0.65 (0.42 - 1.02)	

Doxil cohort

Arm	Chemo (n=64)	Avastin + Chemo (n=62)
Median PFS, months	3.5	5.4
ORR	7.9%	18.3%
Median OS, months (95% CI)	14.1 (9.9 - 17.8)	13.7 (11.0 - 18.3)
HR (OS) unadjusted (95% CI)	0.91 (0.62 - 1.36)	

Topotecan cohort

Arm	Chemo (n=63)	Avastin + Chemo (n=57)
Median PFS, months	2.1	5.8
ORR	3.3%	22.8%
Median OS, months (95% CI)	13.3 (10.4 - 18.3)	13.8 (11.0 - 18.3)
HR (OS) unadjusted (95% CI)	1.09 (0.72 - 1.67)	

Source: ASCO 2012, ESMO 2012, JCO May, 2014

NEOADJUVANT RECTAL CANCER DATA EXPECTED IN 4Q14 - 4Q15 COULD VALIDATE CRLX-101 IN A LARGE INDICATION

- **Rationale for use of CRLX-101 in neoadjuvant rectal cancer is strong.** Radiotherapy (CRT) causes DNA single strand breaks which, if not repaired, lead to desired apoptosis of radiated tumor cells. Cell repair mechanisms, including topo 1, can partially offset radiotherapy damage to tumor cells. Tolerable and sustained topo 1 inhibition by CRLX-101 in addition to CRT could thus result in a synergistic effect.
- **Combinations of irinotecan plus Xeloda or 5-FU plus radiotherapy have demonstrated pathologic complete response (pCR) rates between 21% and 37%** across various trials, which are greater than the pathologic complete response rates that have been demonstrated across various trials using Xeloda or 5-FU plus radiotherapy alone. However, the toxicity of irinotecan prevents its addition to this therapy beyond clinical trial settings. CRLX-101 in combination with radiotherapy in a head and neck cancer animal model demonstrated synergy.
- **A single-arm open-label Phase Ib/II IST of CRLX-101 in combination with Xeloda and radiotherapy in patients with neoadjuvant rectal cancer is ongoing, with data expected in 4Q14.** This clinical trial is designed to identify the maximum tolerated dose of CRLX-101 administered in combination with Xeloda and radiotherapy and to detect signals of increased clinical benefit over Xeloda and radiotherapy alone. The trial is designed to enroll up to 53 patients and has a primary endpoint of pCR as well as secondary endpoints of disease free survival and overall survival.
- **Once the MTD is established, CERU expects to transition into a randomized Phase II trial** of approximately 80 to 120 patients. This clinical trial will compare the safety and efficacy of CRLX-101, Xeloda, and radiotherapy to Xeloda and radiotherapy. Two efficacy endpoints will be measured at the time of surgery: pCR and sphincter preservation. Data for that trial are expected in 4Q15. Assuming the randomized Phase II trial is supportive, and following discussions with the FDA, CERU plans to initiate a pivotal Phase III clinical trial comparing CRLX-101, Xeloda, and radiotherapy to Xeloda and radiotherapy alone.

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IST Phase Ib/II TRIAL IN NEOADJUVANT RECTAL CANCER IS ONGOING

Neo-Adjuvant Rectal Cancer Schema
(UNC-Chapel Hill/Consortium)

Dose Level	Dose & Schedule		
	XRT	Capecitabine	CRLX101
Level -1	180 cGy/day M-F	825 mg/m² PO BID M-F	9 mg/m² IV every 2 wks.
Level 1	180 cGy/day M-F	825 mg/m² PO BID M-F	12 mg/m² IV every 2 wks.
Level 2	180 cGy/day M-F	825 mg/m² PO BID M-F	15 mg/m² IV every 2 wks.

Stage 1: Dose Finding

CRLX101 12 mg/m² IV q2wk
+
Capecitabine 825 mg/m² PO BID
+
XRT

If 0/3 or ≤1/6 pts. with DLT

CRLX101 15 mg/m² IV q2wk
+
Capecitabine 825 mg/m2 PO BID
+
XRT

If 0/3 or ≤1/6 pts. with DLT

Stage 2: Dose Expansion

31 patients at RP2D

If ≥ 7/31 pts. achieve pCR

22 patients at RP2D

Source: CERU Poster, AACR 2014

CERU IS UNIQUELY POSITIONED IN COMPETITIVE LANDSCAPE

CERU IS THE ONLY COMPANY DEVELOPING CAMPTOTHECIN

Alternative Camptothecin/Analog Formulations in Development

Drug	Formulation	Company	Indication	Status	Timing
CRLX-101	Camptothecin-Polymer Conjugate	Cerulean Pharma	Ovarian Cancer	Phase I/II	Data 4Q14
			CRC	Phase I/II	Data 4Q14
			RCC	Phase I/II	Data 2Q15
MM-398	Nanoliposomal irinotecan	Merrimack (MACK)	Pancreatic Cancer	Phase III	Positive data reported
Hy-CAMP	Irinotecan hyaluronic acid (HA) nanoparticles	Alchemia	2nd/3rd line mCRC	Phase III	Data 2Q14
NKTR-102	PEG-irinotecan	NKTR	3rd+ line met. Breast Cancer	Phase III	Data 1Q15
			CRC	Phase II	data published
			Ovarian Cancer	Phase II	n/a
Brakiva	Topotecan Liposomes Injection	SPPI	SCLC	Phase I	Data 1H14
			Ovarian Cancer	Phase I	Data 1H14
Topotecan nanoparticle	Based on EnduRx's technology	Actus Biotechnologies	Prostate Cancer	Preclinical	n/a
CPX-1	Irinotecan, Liposomal Delivery	Celator Pharmaceuticals	CRC	On hold	n/a

Alternative Docetaxel Formulations in Development

Drug	Formulation	Company	Indication	Status	Timing
CRLX-301	Docetaxel-Polymer Conjugate	Cerulean Pharma	Solid tumors	Preclinical	IND in 4Q14
BIND-014	Targeted docetaxel nanoparticle	BIND Therapeutics (BIND)	Prostate cancer/NSCLC	Phase II	Data in 2H14
ATI-1123	Liposomal docetaxel	Azaya Therapeutics	Solid tumors	Phase I	n/a
ABI-008	Nab-docetaxel (Abraxis technology)	Celgene (CELG)	Prostate/Breast/NSCLC	Suspended	n/a
ANX-514	Docetaxel emulsion	Mast Therapeutics (MSTX)	NSCLC	On Hold	n/a

Source: Leerink Partners Research

HISTORIC SALES DATA FOR CAMPTOTHECIN ANALOGS

FDA-Approved Camptothecin Analogs

Drug	API	Company	Indicatiom	Status	Timing
Hycamtin	Topotecan hydrochloride	GSK	2nd line SCLC	Approved	Dec-98
			2nd line Ovarian Cancer	Approved	May-96
			2nd line Cervical cancer (cisplatin combo)	Approved	Jun-06
Camptosar	Irinotecan hydrochloride	PFE	1st/2nd line mCRC (5-FU combo)	Approved	Jun-96

Source: Leerink Research

Historic Sales ($M)

Year	2004	2005	2006	2007	2008	2009	2010	2011
Hycamtin US Sales	117	119	133	140	150	156	129	10
Hycamtin ROW Sales	64	61	76	98	109	112	94	82
Camptosar US Sales	449	470	491	539	82			
Camptosar ROW Sales	104	441	412	430	481			

Source: SEC filings

EXPERIENCED CERU MANAGEMENT

- **President and CEO: Oliver Fetzer, Ph.D – since 2009**
  - Former Senior VP Corporate Development and R&D at Cubist Pharmaceuticals
  - Former Partner and Managing Director at the Boston Consulting Group
  - Currently on the board of directors of Auxilium Pharmaceuticals and Tecan Group AG
- **Senior VP and CMO: Edward Garmey. M.D. – since 2011**
  - Former VP of Clinical Development at ArQule, Inc.
  - Former Medical Director at GPC Biotech
  - Currently on the Scientific Advisory Board for the Harvard-MIT Broad Institute's Cancer Vaccine Initiative
- **Senior VP and CBO: Christopher Guiffre. J.D. – since 2012**
  - Former President and CEO of Alvos Therapeutics Inc.
  - Former CBO at Hydra Biosciences, Inc.
  - Former Senior VP, General Counsel and Secretary at Cubist Pharmaceuticals
- **Senior VP, Finance and Administration: Karen Roberts – since 2010**
  - Former VP, Finance and Administration of Elixir Pharmaceuticals
  - Former VP of Finance at Frontline Group
- **VP Research: Scott Eliasof, Ph.D. – since 2007**
  - Former Director of the Chemical Biology Platform at the Broad Institute
- **VP Pharmaceutical Sciences and Manufacturing: Marc Wolfgang – since 2007**
  - Former senior director of quality at Momenta Pharmaceuticals

LIMITED COMPETITIVE LANDSCAPE ACROSS THREE LEAD INDICATIONS

Ongoing Phase III Trials in RCC

Drug	Target	Company	Patients
AGS-003	Immune system; Stem Cells	Argos Therapeutics (ARGS)	Plus standard treatment in advanced RCC
Cometriq	FLT-3; VEGFR; c-Met; KIT; TIE-1,2; RET	Exelixis (EXEL)	2nd/3rd/4th line in RCC patients who have progressed after prior VEGFR TKI
IMA901	Immune system	Immatics biotechnologies	1st line in combination with sunitinib
Nivolumab	PD-1	Bristol-Myers Squibb (BMY)	RCC patients who have received prior anti-angiogenic therapy

Ongoing Phase III Trials in OC

Drug	Target	Company	Patients
Binimetinib	MEK, MAPKK, MAP2K	Novartis (NVS)	Recurrent 2nd/3rd/4th line
Farletuzumab*	FOLR1	Eisai (ESALY)	2nd line in platinum-sensitive OC in first relapse
Karenitecin**	Topo-I	BioNumerik Pharmaceuticals	Platinum/taxane resistant OC
Niraparib	PARP	Tesaro (TSRO)	Platinum sensitive ovarian cancer
Opaxio	Microtubules (Tubulin)	Cell Therapeutics (CTIC)	Advanced OC patients who achieved a CR to platinum/taxane chemo
Rucaparib	PARP	Clovis Oncology (CLVS)	Switch maintenance after platinum in relapsed OC
Trebananib	Angiopoietins	Amgen (AMGN)	Both 1st line and recurrent/resistant OC
Vargatef	VEGFR; PDGFR; FGFR; Src Kinase Family	Boehringer Ingelheim	1st line OC
Vintafolide***	Microtubules (Tubulin)	Merck (MRK)	2nd/3rd line platinum resistant OC
Yondelis	DNA	Johnson & Johnson (JNJ)	2nd/3rd line relapsed OC

** Did not meet primary endpoint Jan, 2013*

*** Did not meet primary endpoint Jan, 2014*

**** Trial suspended May, 2014*

Ongoing Phase III Trials in CRC

Drug	Target	Company	Patients
BBI608	n/a	Dainippon Sumitomo Pharma	2nd/3rd line advanced, unresectable, refractory CRC
CPP-1X/sulindac	Ornithine Decarboxylase; COX-1-3	Cancer Prevention Pharmaceuticals	Prevent recurrence of adenomas and second primary CRC
Cyramza (ramicirumab)	VEGFR	Eli Lilly (LLY)	2nd line metastatic CRC
HA-Irinotecan	Topo-I	Alchemia (ACL:AU)	2nd/3rd line irinotecan naïve metastatic CRC
Imprime PGG	Complement Proteins	Biothera	3rd/4th/5th line KRAS wild-type with Erbitux
Masitinib	PDGFR; FGFR; KIT/c-KIT	AB Science (AB:FP)	2nd line metastatic CRC in first relapse patients
TAS-102	Thymidylate Synthase	Otsuka (4768:JP)	3rd/4th/5th line metastatic CRC refractory to standard chemo

Source: Leerink Research

WE MODEL ~$1.0Bn PEAK US CRLX-101 SALES in 2030E AND APPLY A 25% PROBABILITY OF SUCCESS

LEERINK

Renal Cell Cancer	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
US Incidence	65,000	65,650	66,307	66,970	67,639	68,316	68,999	69,689	70,386	71,090	71,800	72,518	73,244	73,976	74,716	75,463	76,218
Clear cell RCC incidence	55,250	55,803	56,361	56,924	57,493	58,068	58,649	59,235	59,828	60,426	61,030	61,641	62,257	62,880	63,508	64,144	64,785
metastatic CCRCC incidence	33,150	33,482	33,816	34,154	34,496	34,841	35,189	35,541	35,897	36,256	36,618	36,984	37,354	37,728	38,105	38,486	38,871
CCRCC patients treated with VEGF TKIs	26,520	26,785	27,053	27,324	27,597	27,873	28,152	28,433	28,717	29,005	29,295	29,588	29,883	30,182	30,484	30,789	31,097
CCRCC patients progressing from VEGF TKIs	13,260	13,393	13,527	13,662	13,798	13,936	14,076	14,217	14,359	14,502	14,647	14,794	14,942	15,091	15,242	15,394	15,548
CRLX-101 penetration						*5%*	*10%*	*15%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*
Pts treated w/ CRLX-101						697	1,408	2,132	4,308	4,351	4,394	4,438	4,483	4,527	4,573	4,618	4,665
Duration (months)						4	4	4	4	4	4	4	4	4	4	4	4
Cost/mo						12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341	14,628	14,920
Sales ($M)						**33**	**69**	**106**	**219**	**226**	**233**	**240**	**247**	**255**	**262**	**270**	**278**

Ovarian Cancer	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
US Incidence	22,000	22,220	22,442	22,667	22,893	23,122	23,353	23,587	23,823	24,061	24,302	24,545	24,790	25,038	25,288	25,541	25,797
Platinum resistant	14,000	14,140	14,281	14,424	14,568	14,714	14,861	15,010	15,160	15,312	15,465	15,619	15,776	15,933	16,093	16,254	16,416
2nd/3rd line platinum resistant	9,000	9,090	9,181	9,273	9,365	9,459	9,554	9,649	9,746	9,843	9,942	10,041	10,141	10,243	10,345	10,449	10,553
CRLX-101 penetration						*5%*	*10%*	*15%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*
Pts treated w/ CRLX-101						473	955	1,447	2,924	2,953	2,982	3,012	3,042	3,073	3,104	3,135	3,166
Duration (months)						4	4	4	4	4	4	4	4	4	4	4	4
Cost/mo						12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341	14,628	14,920
Sales ($M)						**23**	**47**	**72**	**149**	**153**	**158**	**163**	**168**	**173**	**178**	**183**	**189**

Rectal Cancer	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Incidence non-metastatic disease (US)	28,000	28,280	28,563	28,848	29,137	29,428	29,723	30,020	30,320	30,623	30,929	31,239	31,551	31,867	32,185	32,507	32,832
CRLX-101 penetration						*5%*	*10%*	*15%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Pts treated w/ CRLX-101						1,471	2,972	4,503	6,064	6,125	6,186	6,248	6,310	6,373	6,437	6,501	6,566
Duration (months)						6	6	6	6	6	6	6	6	6	6	6	6
Cost/mo						12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341	14,628	14,920
Sales ($M)						**106**	**218**	**337**	**463**	**477**	**492**	**507**	**522**	**538**	**554**	**571**	**588**
Total sales ($M)						**162**	**334**	**516**	**832**	**857**	**883**	**909**	**937**	**965**	**994**	**1,024**	**1,055**
Total sales ($M) - Probability-weighted	*25%*					41	83	129	208	214	221	227	234	241	249	256	264

Source: Leerink Estimates

CERU EARNINGS MODEL

CERU P&L (in $MM)	2012A	2013A	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Product revenue	-	-	-	-	-	-	-	-	-	-	-	162.1	334.0	516.1	831.7	856.8	882.7	909.3
Other revenue	0.6	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**0.6**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**162.1**	**334.0**	**516.1**	**831.7**	**856.8**	**882.7**	**909.3**
COGS	-	-	-	-	-	-	-	-	-	-	-	16.2	33.4	25.8	41.6	42.8	44.1	45.5
R&D Expense	15.8	9.7	3.0	5.0	7.0	9.0	24.0	35.0	55.0	50.0	45.0	30.0	18.0	12.0	8.0	8.0	4.0	-
SG&A Expense	6.4	6.2	1.5	3.0	3.0	3.0	10.5	11.6	12.7	14.0	15.4	80.0	84.0	129.0	207.9	214.2	220.7	227.3
Total Operating Expenses	22.2	15.9	4.5	8.0	10.0	12.0	34.5	46.6	67.7	64.0	60.4	126.2	135.4	166.8	257.5	265.0	268.8	272.8
Operating income (Loss)	(21.6)	(15.9)	(4.5)	(8.0)	(10.0)	(12.0)	(34.5)	(46.6)	(67.7)	(64.0)	(60.4)	35.9	198.6	349.3	574.2	591.8	613.9	636.5
Total other income (expense) - net	(0.5)	(1.3)	(0.4)	(0.1)	(0.1)	(0.1)	(0.9)	(0.3)	-	-	-	-	-	-	-	-	-	-
EBT	(22.1)	(17.1)	(4.9)	(8.1)	(10.1)	(12.1)	(35.4)	(46.8)	(67.7)	(64.0)	(60.4)	35.9	198.6	349.3	574.2	591.8	613.9	636.5
Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	87.3	143.5	147.9	153.5	159.1
Net income (loss)	(22.1)	(17.1)	(4.9)	(8.1)	(10.1)	(12.1)	(35.4)	(46.8)	(67.7)	(64.0)	(60.4)	35.9	198.6	261.9	430.6	443.8	460.4	477.4
Accretion of redeemable convertible preferred stock	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss attributable to common shareholders	**(22.2)**	**(17.1)**	**(4.9)**	**(8.1)**	**(10.1)**	**(12.1)**	**(35.4)**	**(46.8)**	**(67.7)**	**(64.0)**	**(60.4)**	**35.9**	**198.6**	**261.9**	**430.6**	**443.8**	**460.4**	**477.4**
EPS - basic	(36.4)	(25.1)	(6.83)	(0.43)	(0.53)	(0.64)	(2.45)	(2.00)	(2.89)	(2.33)	(2.20)	1.31	7.24	9.55	15.71	16.19	16.79	17.41
EPS - diluted	(36.4)	(25.1)	(6.83)	(0.43)	(0.53)	(0.64)	(2.45)	(2.00)	(2.89)	(2.33)	(2.20)	1.31	7.24	9.55	15.71	16.19	16.79	17.41
Common shares outstanding - basic	0.6	0.7	0.7	19.0	19.0	19.0	14.4	23.4	23.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4
Common shares outstanding - diluted	0.6	0.7	0.7	19.0	19.0	19.0	14.4	23.4	23.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4

CERU BS & CFS (in $MM)	2012A	2013A	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Cash & equivalents	16.7	5.5	8.5	53.4	43.4	31.5	31.5	65.5	3.7	65.4	10.3	55.5	262.7	536.5	984.9	1,447.0	1,925.8	2,421.9
Debt	9.1	15.1	23.2	5.0	4.2	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-
Change in Cash	1.4	(11.2)	3.0	45.0	(10.1)	(11.9)	26.0	34.0	(61.8)	61.6	(55.0)	45.2	207.2	273.7	448.4	462.1	478.9	496.1
Cash from operations	**(21.0)**	**(16.6)**	**(4.7)**	**(7.4)**	**(9.2)**	**(11.1)**	**(32.4)**	**(42.6)**	**(61.8)**	**(58.4)**	**(55.0)**	**45.2**	**207.2**	**273.7**	**448.4**	**462.1**	**478.9**	**496.1**
Net income (loss)	(22.2)	(17.1)	(4.9)	(8.1)	(10.1)	(12.1)	(35.4)	(46.8)	(67.7)	(64.0)	(60.4)	35.9	198.6	261.9	430.6	443.8	460.4	477.4
Share based comp	0.5	0.6	0.2	0.6	0.8	1.0	2.6	3.7	5.4	5.1	4.8	8.8	8.2	11.3	17.3	17.8	18.0	18.2
Non-cash interest expense	0.1	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D&A	0.3	0.2	0.1	0.1	0.1	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other (Change in WC)	0.2	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from investing	**(0.2)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capex	(0.2)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from financing	**22.5**	**5.4**	**7.7**	**52.4**	**(0.8)**	**(0.8)**	**58.3**	**76.6**	**-**	**120.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity issue (buyback)	12.9	0.0	-	53.2	-	-	53.2	80.0	-	120.0	-	-	-	-	-	-	-	-
Debt issue (principal payment)	9.6	5.4	7.7	(0.8)	(0.8)	(0.8)	5.1	(3.4)	-	-	-	-	-	-	-	-	-	-
Other	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: SEC Filings and Leerink Partners Estimates

DCF ANALYSIS

DCF analysis	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales					-	162	334	516	832	857	883	909	937	965	994	1,024	1,055
COGS	-	-	-	-	-	16	33	26	42	43	44	45	47	48	50	51	53
R&D	15	35	55	50	45	30	18	12	8	8	4	-	-	-	-	-	-
SG&A	11	12	13	14	15	80	84	129	208	214	221	227	234	241	249	256	264
OpEx	26	47	68	64	60	126	135	167	258	265	269	273	281	290	298	307	317
EBT	(35)	(47)	(68)	(64)	(60)	36	199	349	574	592	614	637	656	676	696	717	739
Tax	-	-	-	-	-	-	-	87	144	148	153	159	164	169	174	179	185
NI	(35)	(47)	(68)	(64)	(60)	36	199	262	431	444	460	477	492	507	522	538	554
Periods	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
PVFCF	(35)	(40)	(50)	(41)	(33)	17	82	93	131	117	104	93	83	74	65	58	52
NPV	768																
Probability of success	*25%*																
P/V NPV	192																
Estimated net cash post-IPO	48																
Combined ($M)	**240**																
Shares outstanding post-IPO (M)	19																
Price Target ($)	**13**																
Discount rate	16%																

Disclosures Appendix

Analyst Certification

I, Michael Schmidt, Ph.D., certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Distribution of Ratings/Investment Banking Services (IB) as of 03/31/14			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	131	68.23	46	35.11
HOLD [MP]	61	31.77	3	4.92
SELL [UP]	0	0.00	0	0.00

Explanation of Ratings

Outperform (Buy): We expect this stock to outperform its benchmark over the next 12 months.

Market Perform (Hold/Neutral): We expect this stock to perform in line with its benchmark over the next 12 months.

Underperform (Sell): We expect this stock to underperform its benchmark over the next 12 months.The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.

For the purposes of these definitions the relevant benchmark will be the S&P 600® Health Care Index for issuers with a market capitalization of less than $2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over $2 billion.

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