October 28, 2014

OUTPERFORM

Reason for report:

INITIATION

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DERMIRA, INC.

Advancing the Next Wave in Dermatology with Big Pot'l in Acne; Initiating at OP

• **Bottom Line:** We are initiating coverage of Dermira (DERM) with an Outperform rating and a $32 price target based on our DCF analysis. DERM is a development stage specialty pharmaceutical company exclusively focused on advancing therapeutics used by dermatologists to treat skin-related conditions. DERM's business development strategy is validated, with 5 in-licensed products, 3 of which have positive Ph II data. With two Ph III ready assets in development for psoriasis and axillary hyperhidrosis (HH; excessive underarm sweating), a major pot'l advance for acne in Ph II, and a focused management team with deep dermatology & business development expertise, we believe DERM is well positioned to become a leader in medical dermatology. We believe the current valuation is justified by DERM's partnership with UCB to develop Cimzia for psoriasis and a first-in-class topical pharmaceutical wipe for HH alone. However, our excitement is keyed to DRM01, a first-in-class agent that could be the "holy grail" of topical acne therapy, potentially driving share price >$50/shr in 18 mos.

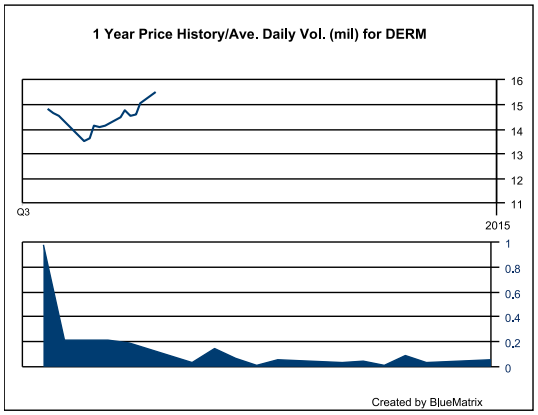
• **DRM01: Uncovering the "holy grail" of acne.** MEDACorp KOLs call DERM's topical sebum inhibitor a potentially transformative therapy for acne. KOLs note that statistically significant and clinically meaningful improvements on all three of the FDA's co-primary endpoint evaluations in its 108-pt Ph IIa data is "unparalleled." These early results compare favorably to the efficacy of the leading branded acne therapy, Epiduo. We believe that a similar result when the planned Ph IIb study reads out in 1H16 would position DERM to be a long-term leader in medical dermatology or a major strategic acquisition target.

• **DRM04: First-in-class topical treatment for severe sweating with topical Botox-like efficacy.** Originally in-licensed from GSK's (MP) Stiefel, DRM04 is a novel salt formulation of glycopyrrolate, in development for reducing sweat production under the arms. Ph IIb data on the reference agent in 198 pts demonstrated a clear dose response benefit with efficacy that appears comparable to Botox. While we believe DRM04's pot'l could be best optimized by large pharma, we believe DERM can successfully build it into a $300M+ product over time.

• **Cimzia & UCB: Strong biologic asset with partnership synergies.** In our view, DERM's partnership to develop Cimzia for the treatment of psoriasis provides an oppt'y for DERM to "hit the ground running" with a 2018 launch. Despite a highly competitive market, access to a pot'l best-in-class anti-TNF for treatment of psoriasis should help put DERM on the map with medical dermatologists. While there is pot'l upside to our $250M forecast of dermatology end-user sales, we view the Cimzia partnership as a foot in the door with payers and dermatologists to help fund commercial development ahead of the DRM04 & DRM01 launches.

Key Stats:	**(NASDAQ:DERM)**
S&P 600 Health Care Index:	**1,342.30**
Price:	**$15.50**
Price Target:	$32.00
Methodology:	DCF with 12% discount rate & 2% terminal growth rate
52 Week High:	$18.50
52 Week Low:	$12.68
Shares Outstanding (mil):	24.6
Market Capitalization (mil):	$381.3
Book Value/Share:	$6.80
Cash Per Share:	$7.30
Net Debt to Total Capital:	0%
Dividend (ann):	$0.00
Dividend Yield:	0.0%
Est LT EPS Growth:	NM

Book Value/Share: Pro Forma including proceeds from recent stock offering.
Cash Per Share: Pro Forma including proceeds from recent stock offering.



Dec Yr	1Q	2Q	3Q	4Q	FY Rev	1Q	2Q	3Q	4Q	FY EPS	P/E
2013A	0.0	0.0	0.0	0.0	0.0	($1.33)	($1.07)	($1.00)	($1.47)	($2.31)	NM
2014E	0.0A	0.0A	0.0	0.0	0.0	($0.88)A	($0.80)A	($0.67)	($0.59)	($2.78)	NM
2015E	--	--	--	--	$9.0	--	--	--	--	($2.80)	NM

Source: Company Information and Leerink Partners LLC Research
Revenues in $MM.
GAAP EPS.

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DERMIRA (NASDAQ: DERM)

Advancing the Next Wave in Dermatology

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Dermira (DERM): Investment Summary

Dermira	
Investment Thesis	**We rate DERM Outperform.** DERM represents an unique investment opportunity, with a highly experienced and proven management team developing three late-stage dermatology assets, each with robust, positive Phase II data and multi-hundred million dollar commercial potential. • Cimzia is an extremely high probability psoriasis biologic partnered with UCB and likely to provide profits and milestones sufficient to fund Dermira's standalone operations • DRM04 represents the first topical pharmaceutical wipe for hyperhidrosis with a high probability of success given a well-characterized mechanism, positive Phase II data, in an area of high unmet need • DRM01 is a first-in-class topical sebum inhibitor with an on-target mechanism that acne KOLs have called the "holy grail" of topical acne treatment
Valuation	We value DERM at $32/share. Our price target is based on a DCF valuation which assumes a 12% discount rate on probability-adjusted sales and profits through 2026E and applies a 2% terminal growth rate. Our valuation assumes late-stage assets Cimzia, DRM04, and DRM01 have 90%, 75%, and 50% probabilities of success, respectively, and each contributes $10-12 per share. This price target equates to 18x 2021E EPS of $3.56 discounted back 6 years at 12%. Fully valued, with 100% probability for all three programs, we arrive at a DCF-based price target of $49/share with Cimzia and DRM04 contributing $10/share and $12/share, respectively, and DRM01 contributing $27/share.
Risks to Valuation	An investment in DERM involves a pooling of different risks including technical, regulatory, and commercial risk for three fundamentally different pipeline products. Most significant to DERM's overall valuation, in our opinion, is clinical success of DRM01 in acne. Important for Cimzia and DRM04 is commercial execution associated with launches into the highly competitive psoriasis and the underdeveloped hyperhidrosis markets, respectively. There are also competitive risks from other pipeline therapies. Finally, DERM may face financing risk beyond mid-2017.

Source: Leerink Partners

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Management: Experienced Leadership Behind Multiple Successful Dermatology Companies

Tom Wiggans
Chairman & CEO

- Chairman & CEO, Connetics, Peplin
- Chairman, Excaliard; director, Abgenix, Onyx
- 25 years in specialty pharma, 18 years in dermatology

Gene Bauer, MD
CMO

- Co-Founder, Connetics; CMO, Peplin
- Chairman, Dermatology, and Dean, Stanford Medical School
- Internationally recognized leader in dermatology

- **Chairman & CEO Tom Wiggans and CMO Gene Bauer have been the key mgmt behind multiple successful dermatology companies.** Wiggans was Chairman and CEO of Peplin through its ~$300M acquisition by LEO Pharma A/S in 2009 as well as of Connetics until its ~$650M acquisition by Stiefel Laboratories, Inc. in 2006. Bauer was President and CMO at Connetics as well as CEO of Neosil, and a co-founder of Peplin. The unique combination of their expertise and years of collaboration gives us confidence in their ability to execute and bring value to shareholders.

- **KOLs highlight mgmt team as solid scientists who are "uniquely good listeners."** KOL commentary not only confirmed the scientific leadership and executional prowess of DERM's management team, but highlighted Wiggans and Bauer's genuinely aligned interests and unique attentiveness to their scientific advisory board. KOLs across multiple areas of dermatologic medicine cite that Bauer's scientific leadership in dermatology and previous role as the Dean of Stanford Medical School bring him undeniable credibility in the field. Wiggans is equally recognized, even among dermatologists, for his track record of executing from early stage assets through to their sales, particularly with "grass roots" dermatology therapeutics.

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Dermira (DERM): DRM01 (Acne) Is the Primary Long-Term Value Driver, in Our View

- **Our analysis highlights DERM's acne program as the primary valuation catalyst.** Our sum of the parts DCF valuation is based on probability of success, expected launch timing, and peak net sales contribution of each of DERM's three programs to the company's overall valuation. While we view each of the programs as relatively equal contributors in the near term, at "full value" we view the DRM01 acne program as the most critical valuation driver based on high gross margins and peak sales to DERM expected to be ~2x that of the other two programs.

Product	Launch (LOE)	Peak Net Sales ($M)	$/Share Contribution at 100% POS	Assigned POS	$/shr contribution at Assigned POS
Cimzia (psoriasis)	2018 (2024)	$330M, ($250M to Derms)	$10/shr	90%	$10/shr
DRM04 (hyperhidrosis)	2018 (2029)	$300M	$12/shr	75%	$10/shr
DRM01 (acne)	2019(2030)	$540M	$27/shr	50%	$12/shr
DERM			$ 49/shr		**$ 32/shr**

Source: Leerink Partners

DRM01: First-in-Class Topical Sebum Inhibitor Could Be the "Holy Grail" of Topical Acne Treatment

- **Topical, on-target sebum inhibition has been described as the "hoy grail" of acne treatment.** Inhibiting sebum is akin to turning off one of the major drivers of acne. Two oral drugs, Accutane (isotretinoin) and spironolactone, have the best efficacy against the worst forms of acne, yet are severely limited by safety risks. Topical agents offer the opportunity for significantly better tolerability and lower risk of systemic side effects. DRM01's inhibition of acetyl coenzyme-A carboxylase (ACC) is a novel approach to turn off the synthesis of lipids as opposed to blocking the male hormone. DRM01 also appears to penetrate the skin sufficiently to directly inhibit sebum production at the sebaceous gland. Others have failed to accomplish this with topical Accutane and only one other pipeline agent, Novan's nitrous oxide releasing gel, has shown promising early results, to our knowledge.

- **KOLs highlight "strikingly good" Ph 2 data which suggest DRM01 monotherapy can potentially rival combination therapy with Epiduo.** Noting that acne drugs rarely reach significance on any endpoint in Phase 2 studies, KOLs argue DRM01's highly significant and clinically meaningful reductions on both lesion counts and Investigator's Global Assessment (IGA) in a 108-patient, placebo-controlled study make it extremely likely that the drug will advance to Phase 3. With Phase 2 endpoints that are directly aligned with the FDA's guidance for the approval of acne agents, we echo specialists' confidence that DRM01 results will be corroborated in larger studies. Though cautioning against cross-trial comparisons, KOLs highlight that DRM01 as a single agent looks even better than Epiduo – Galderma's combination of adapalene and benzoyl peroxide – which has the most branded scripts on the market and took a much larger study to demonstrate significance.

- **We view DRM01's Ph 2b readout, estimated for 1H16, as a critical valuation inflection point for DERM.** Given the novel mechanism of action and limited number of successful new single agents launched in acne, we apply a 50% probability of success to DRM01. The company plans to initiate a Ph 2b 300-patient dose selection study in 1H15. Confirmatory Ph 2b results, which we estimate will be available in 1H16 would significantly bolster our confidence in the compound's probability of success. Following Ph 3 and an assumed 2019 launch, we model un-risk-adjusted revenues at ~$540 million by 2026E based on 7% penetration of overall scripts and Epiduo-like pricing. Success in acne trials would, in our opinion, make DERM a highly attractive takeout target for one of the large strategics in this promotion-sensitive market, where innovation has been severely lacking, in our view.

DRM04: First Topical Pharmaceutical Wipe for Axillary Hyperhidrosis (Excessive Underarm Sweating) with a Well-Characterized Mechanism & Strong Phase II Data

- **Our KOL checks confirm a vast hyperhidrosis market where treatment options are limited to ineffective antiperspirants or burdensome Botox injections.** Hyperhidrosis (HH) is an area of severe unmet need where patients' excessive sweating can carry significant psychosocial burden and most noninvasive treatments provide little relief. We estimate that of the nearly 9 million Americans estimated to have hyperhidrosis (HH), only one in five are on treatment. Though we expect inexpensive industrial strength deodorants and anticholinergic orals to remain fist-line treatments, KOLs note significant need for noninvasive second-line treatment options to challenge the effective but burdensome use of every-6-month Botox injections.

- **Well-characterized glycopyrrolate mechanism and clear dose-response curve give us confidence in DRM04's clinical effect headed into 1H15 data from DRM04's Ph 2b bridging study.** DRM04 – a convenient, easy to use glycopyrrolate wipe – is initially intended to inhibit axillary sweat production by blocking acetylcholine neurotransmission. Phase 2b data from DERM's 200 patient HH01 dose-finding study demonstrated a dose-dependent, statistically significant impact on sweat production measured via gravimetry as well as the widely used patient-reported outcome (PRO) score (Hyperhidrosis Disease Severity Scale or HDSS) with the reference agent. The demonstrated -76% change in sweat production and 52% improvement in HDSS response rate with the 3% dose are both clinically meaningful and comparable to data for standard-of-care Botox injections. The data remove much of the technical risk in KOLs' opinions. The 2 & 3% doses, while highly active, appear to have a low incidence of dry mouth and blurred vision – data from HH01 together with the bridging study data will determine the likely go-forward dose(s).

- **Potential competition from topical botulin toxins is factored into our assumptions, although there are significantly more questions and fewer patients exposed via this approach.** Commercial risk is expected to be much greater in the hyperhidrosis market where we note that underreporting by patients and under-diagnosis by providers underlies the challenges of market growth. In fact, the potential introduction of topical Botox options from Anterios (ANT-1207) and RVNC (RT001) in a similar 2018-19 timeframe could be positive for increasing overall HH awareness and investment. We forecast peak sales estimates of ~$300M based on relatively modest mid-to-high teens percent penetration of the overall market and similar monthly pricing to Botox. We apply a 75% probability of technical success as we look forward to confirmatory data with the wipes in the Phase 2b dataset.

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Cimzia: High Probability of Success with Partner UCB Should Provide Resources to Fund Dermira's Operations Over Time

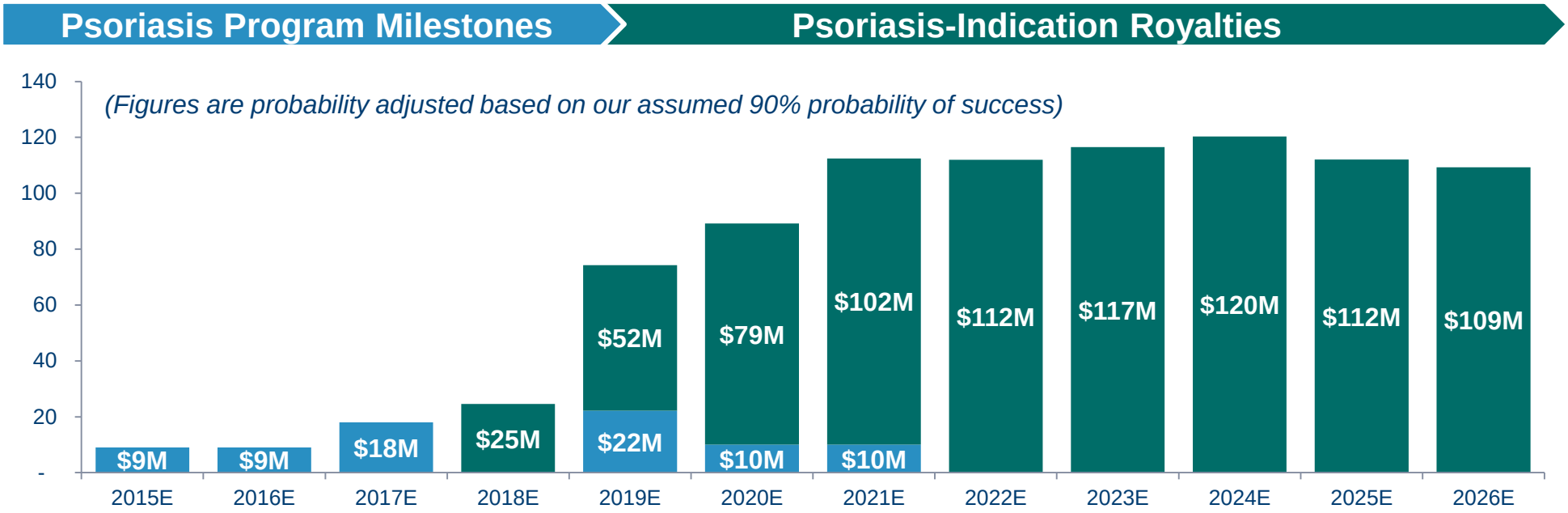
- **We expect branded tumor necrosis factor (TNF) inhibitors to remain a pillar of psoriasis treatment as increasing biologic penetration expands the US market.** Despite expected competitive pressure from the 2015 launch of IL-17 antibodies, our checks with KOLs validate the favorable long-term prospects for TNFs to remain the first-line agent for the majority of patients based on: (a) years of safety experience, (b) preferential effects in the third of psoriasis (PsO) patients with joint pain. We further assume the introduction of biosimilar Humira ~2018 yet believe, as corroborated by payer discussions, that that branded contracting and discounts will likely keep biosimilar penetration in check for these broadly-indicated agents.

- **Cimzia has the potential to demonstrate Humira-like or better efficacy, with a potentially better safety profile.** In a class where ABBV's Humira is rapidly becoming the first-line agent of choice, Cimzia's Phase 2 data suggest skin clearance at least as good as Humira at standard doses and possibly better at higher doses. KOLs familiar with the data suggest Cimzia could become the preferred 2nd line TNF in Humira failures over AMGN's (MP) Enbrel, where they continue to look for an another anti-TNF option with 70%+ skin clearance and Q2W dosing, as opposed to <50% clearance on QW dosing with Enbrel. DERM will initiate its Phase 3 in 1H15. The program will include two placebo-controlled and one active comparator (vs. Enbrel) study which, together, we expect to: (a) satisfy US and EU regulatory requirements, (b) confirm and expand skin clearance data at 12 & 16 weeks while demonstrating superiority to Enbrel, and (c) support lower maintenance dosing from 12 & 16 through 52 weeks of treatment.

- **<10% penetration into the anti-TNF market and ~5% of all psoriasis biologics for Cimzia assumes only modest differentiation vs. existing agents.** We expect Cimzia to launch in PsO in 2018, following completion of Phase 3 trials in mid-2017. While we believe 1-2% penetration of the anti-TNF market is achievable based on off-label dermatologist prescribing prior to the PsO indication, we expect dermatologist-focused promotion and improved reimbursement/formulary access to increase uptake from 2019 to 2022, with loss of exclusivity (LOE) currently expected in 2024. We apply a 90% probability of success on peak potential US sales of ~$250M among dermatologists.

Cimzia cont'd: UCB Partnership Provides >$89M in Pot'l Milestones as Well as US Managed Care Infrastructure

- **UCB's strategic support and an attractive collaboration agreement solidify our conviction that these high-probability revenues can help fund DERM's early operating expenses.** UCB's efforts to further Cimzia's benefits in joint pain, contracting position and expertise, and equity investment bolster DERM's strategic interests while allowing the company to retain promotional control to dermatologists. Financially, we view the collaboration structure as favorable given DERM's disproportionate share of early gross margins and oppt'y for a "running start."



Up to…
- $36M development milestone payments
- $13.5M EU approval milestone payment
- $40M commercial milestone payments

- Dermira receives share of gross margin from Cimzia sales attributed to dermatologists for all indications in US, Canada
- Share tiered based upon increasing levels of annual net sales attributed to dermatologists in a given year, retaining a higher share of gross margin initial sales dollars
- Dermira is likely to have a "running start" in 2018 as current IMS scripts among derms show some adoption likely to occur prior to PsO indication

Source: Company Information; Leerink Partners Estimates

Catalysts: Estimated Timing of Key Catalysts

Timing	Event / Description
2015 Events	
1H15	Initiate Phase 3 program for Cimzia (psoriasis)
1H15	Phase 2b data for DRM04 (hyperhydrosis)
1H15	Initiate Phase 2b program for DRM01 (acne)
2H15	Initiate Phase 3 program for DRM04 (hyperhydrosis)
2015	Preclinical data for DRM02 (inflammatory diseases)
2015	Preclinical data for DRM05 (acne)
2016-2018 Events	
1H16	Phase 2b data for DRM01 (acne)
2H16	Phase 3 data for DRM04 (hyperhydrosis)
mid-2017	Phase 3 data for Cimzia (psoriasis)
2018	Phase 3 data for DRM01 (acne)

Source: Leerink Partners LLC estimates & company information

- **2015 is an execution year for DERM; major data catalysts likely will be limited**. 1H15 data from a Ph 2b hyperhidrosis bridging study should help confirm the ultimate commercial potential of the glycopyrrolate wipes and should boost our current 75% probability of success for the compound. Beyond this, 2015 will largely be focused on planning and execution as DERM initiates Ph 3 programs for Cimzia and DRM04 as well as it's Ph 2b in acne. Any acceleration of timelines, particularly in acne, would be meaningful in our opinion. An earlier-than-expected Ph 2b start could mitigate headline risk associated with the slight current lead for Novan's SB204 development program, which investigates topical nitrous-oxide gel for acne.

- **Value inflection keyed to Phase 2b acne data expected in 1H16.** Given the novel mechanism of action and limited number of successful new topical monotherapy treatments launched in acne during the last two decades, we conservatively apply a 50% probability of success to DRM01. Confirmatory Ph 2b results, which we estimate will be available in 1H16 would significantly bolster our confidence in the compound's probability of success. With the delta between the probability weighted $12/shr contribution of DRM01 vs. a peak contribution of $27/shr, we expect the confirmatory Ph IIb data to be the major valuation driver for DERM in the next 18 months. On its own, we believe that success in later-stage acne trials would make DERM a compelling acquisition target.

Revenues: We Forecast Probability-Weighted Total Revenues of ~$430M by 2022

Dermira – Income Statement Analysis 2013-2022E

($ in Millions, Except EPS)												
(Year Ended December 31)			**2013A**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
	POS	**LOE**										
Product Revenue (POS adj.)			**-**	**-**	**-**	**-**	**-**	**9**	**61**	**147**	**232**	**319**
DRM04	75%	2029	-	-	-	-	-	9	23	61	102	148
DRM01	50%	2030	-	-	-	-	-	-	38	86	131	171
Other DRM Pipeline	0%		-	-	-							
Royalty Revenue (POS adj.)			**-**	**-**	**-**	**-**	**-**	**25**	**52**	**79**	**102**	**112**
Cimzia End User Sales	90%	2024	-	-	-	-	-	42	85	133	185	206
Cimzia Royalty (from UCB)	90%		-	-	-	-	-	25	52	79	102	112
Other Revenue (POS adj.)			**-**	**-**	**9**	**9**	**18**	**-**	**22**	**10**	**10**	**-**
Cimzia Development Milestones					9	9	18					
Cimzia Regulatory Milestones	90%								12			
Cimzia Commercialization Milestones						-	-	-	10	10	10	-
Total Revenue Incl 1x Milestones			**-**	**-**	**9**	**9**	**18**	**34**	**135**	**236**	**345**	**431**
Total Revenue			**-**	**-**	**-**	**-**	**-**	**34**	**113**	**226**	**335**	**431**
Growth (% y/y)										*100%*	*48%*	*29%*

	Launch *(LOE)*	Peak Net Sales ($M)	Assigned POS	Pot'l Probability of Success Inflection Milestones
Cimzia	2018 *(2024)*	$330M, *($250M to Derms)*	90%	Phase III Data, Mid-2017
DRM04	2018 *(2029)*	$300M	75%	Phase IIb Data, 1H15 Phase III Data, 2H16
DRM01	2019*(2030)*	$540M	50%	Phase IIb Data, 1H16 Ph III Data, 2018

Source: Leerink Partners and Company Reports

P&L: We Expect Dermira to Become Profitable in 2020E

Dermira – Income Statement Analysis 2013-2022E

($ in Millions, Except EPS)										
(Year Ended December 31)	**2013A**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Total Revenue	**-**	**-**	**-**	**-**	**-**	**34**	**113**	**226**	**335**	**431**
Growth (% y/y)								***100%***	***48%***	***29%***
COGS	-	-	-	-	-	2	9	24	38	54
COGS (% of sales)				*nm*	*nm*	*7%*	*8%*	*11%*	*11%*	*13%*
Gross Profit	-	-	9	9	18	32	125	212	306	377
Gross Profit (% of sales)		*nm*	*nm*	*nm*	*nm*	*93%*	*111%*	*94%*	*91%*	*87%*
SG&A	4.4	8.1	12	14	32	73	91	91	134	151
SG&A (% of sales)		*nm*	*nm*	*nm*	*nm*	*216%*	*81%*	*40%*	*40%*	*35%*
R&D	18	35	66	69	54	40	35	50	67	86
R&D (% of sales)		*nm*	*nm*	*nm*	*nm*	*118%*	*31%*	*22%*	*20%*	*20%*
Operating Income	(22.3)	(42.7)	(69)	(74)	(68)	(82)	(1)	71	105	140
Operating Margin (% of sales)						*-241.6%*	*-0.7%*	*31.5%*	*31.5%*	*32.5%*
Total Interest and Other Income/ (Expense)	(0.0)	(0.1)	-	-	-	-	-	-	-	-
Pre-tax Income	(22)	(43)	(69)	(74)	(68)	(82)	(1)	71	105	140
Change in Unrealized Gain / loss										
Taxes							0	0	0	0
Rate (% of pre-tax income)							*0%*	*0%*	*0%*	*0%*
Net Income	**(22.4)**	**(42.8)**	**(69.0)**	**(74.0)**	**(67.5)**	**(81.7)**	**(0.8)**	**71.1**	**105.4**	**139.8**
EPS	**($2.31)**	**($2.78)**	**($2.80)**	**($3.01)**	**($2.28)**	**($2.76)**	**($0.03)**	**$2.40**	**$3.56**	**$4.72**
Average Shares Outstanding	10	15.4	24.6	24.6	29.6	29.6	29.6	29.6	29.6	29.6

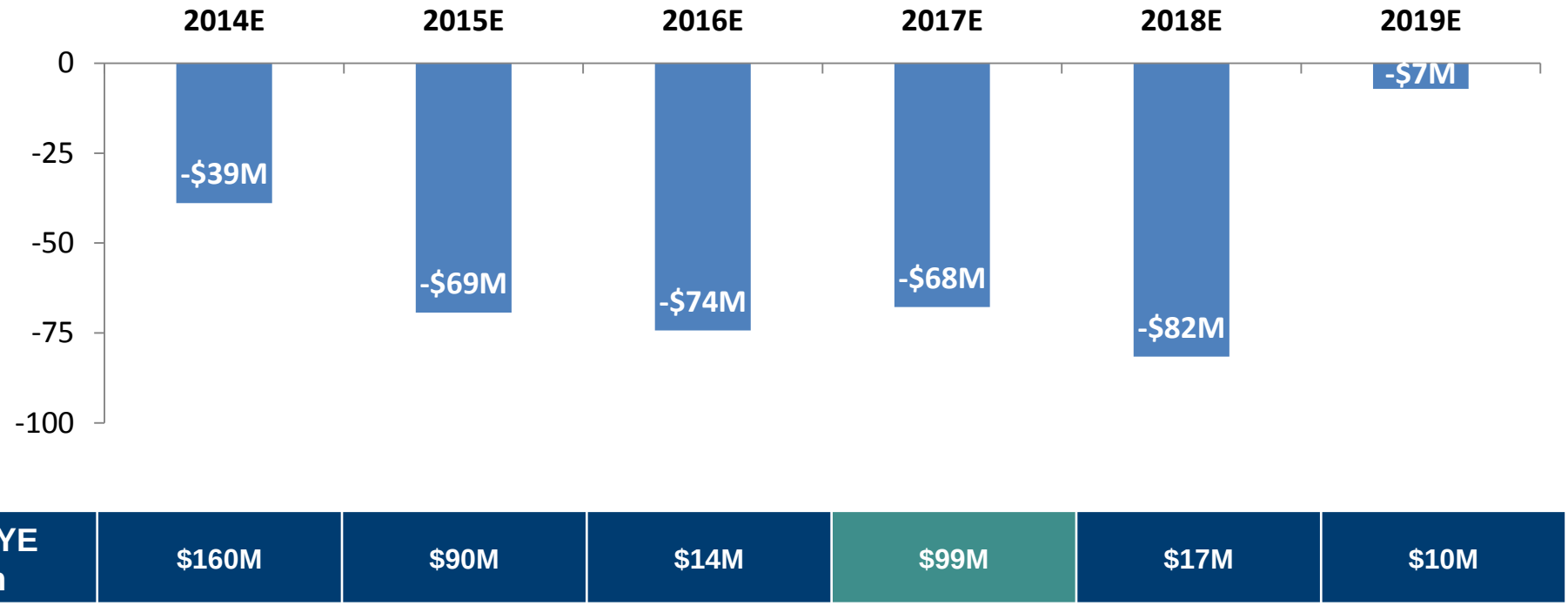
Source: Leerink Partners and Company Reports

Cash Burn: We Expect One Additional Raise Prior to Profitability in 2020E

- **We expect cash burn of ~$70M per year through 2017E, with increased spend beginning to be offset by revenues in 2018E and reaching profitability in 2020E.**

- **We assume DERM will need to raise ~$150M in additional financing in 2017E, assumed to be executed through offering of 5M additional shares.**

DERM Operating Cash Flow, 2014E-2020E



Source: Leerink Partners and Company Reports

Valuation: We Arrive at a $32 Price Target Based on Our DCF Analysis to 2026E

Dermira – Discounted Cash Flow Analysis 2014-2022E

Dermira DCF Valuation Assumptions	
Growth Rate	2.0%
WACC used	12.0%
Cash 2Q14	$157
Debt 2Q14	$2.1
% of Enterprise Value from Terminal Value	83%

Dermira DCF Valuation Analysis						
		Discount rate				
		10.0%	11.0%	12.0%	13.0%	14.0%
Terminal Value	-1.0%	$37	$31	$27	$23	$20
	0.0%	$39	$33	$28	$24	$21
	1.0%	$42	$35	$30	$26	$22
	2.0%	$46	$38	**$32**	$27	$23
	3.0%	$50	$41	$34	$29	$25
	4.0%	$57	$46	$37	$31	$26

($ in Millions, Except EPS)	Year Ended December 31st,												
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Free Cash Flow (Net Income)	($43)	($69)	($74)	($68)	($82)	($1)	$71	$105	$140	$164	$184	$192	$209
Discounted Free Cash Flow	($43)	($67)	($64)	($52)	($57)	($0)	$39	$52	$61	$65	$65	$60	$58
Terminal Value	$2,086												
Discounted Terminal Value	$583												
Enterprise Value	$700												
Less Debt	($2)												
Plus Cash	$157												
Implied Cash From Options Exercise	$5												
Equity Value	$859												
Shares Outstanding	25												
Shares Outstanding Incl. Options	27												
Price/Share	**$31.96**												

Source: Leerink Partners and Company Reports

Dermira - Implied P/E Analysis

2021 EPS	$3.56
Implied P/E Multiple of DCF	**18x**
Discount rate	12%
Price target	$32
2021 Sales	$335
Implied P/S Multiple for DCF	**5.2x**
Discount rate	12%
Price target	$32

$32 Price Target implies a P/E of 18x on 2021E EPS, assuming a 12% discount rate.

Source: Leerink Partners and Company Reports

Valuation: We Believe Dermira's Portfolio Warrants a Valuation in Line with Biotech Assuming Success, Particularly of DRM01

- **As DERM develops a portfolio of unique dermatology products, we believe there are a number of comparable companies that demonstrate strong market and takeout values.**
  - RVNC trades at a ~$450M market cap driven by its Phase 2/3 development of non-injectable Botox in multiple indications
  - KYTH (OP) trades at a ~$830M market cap driven by its FDA-filled submental fat injection, a high unmet need indication
  - Medicis's $2.6B sale to VRX in 2012 occurred at 3.5-4x sales despite the impending launch of Solodyn generics.

	Price as of		Calendar Year P/E				Price / Sales			
Stock	10/24/2014		2016E	2017E	2018E	2019E	2016E	2017E	2018E	2019E
Lg Cap Biotech										
Large Cap		**Average**	22.8x	20.9x	16.4x	13.2x	6.9x	6.0x	5.7x	5.2x
Biotech Index		**Median**	16.7x	14.6x	12.6x	12.2x	6.0x	5.4x	5.4x	5.2x
Mid Cap Biotech										
Mid Cap		**Average**	27.8x	40.2x	17.0x	24.9x	6.7x	5.3x	4.8x	4.0x
Biotech Index		**Median**	22.1x	16.7x	13.0x	12.2x	6.6x	5.0x	3.9x	3.9x
Speculative Biotech										
Speculative		**Average**	459.6x	60.2x	20.5x	54.4x	72.9x	107.3x	10.4x	8.7x
Biotech Index		**Median**	193.8x	24.5x	13.3x	15.3x	19.2x	7.5x	4.2x	3.2x
Dermatology										
AGN	$184.2		18.42	16.12	14.32	13.03	6.41	5.80	5.32	4.94
KYTH	$36.5		na	35.68	11.69	7.69	6.01	3.58	2.40	1.75
RVNC	$19.5		na	na	na	10.27	na	na	4.09	1.69
FOMX	$5.5		na	na	15.60	6.07	11.17	4.84	1.12	0.69
Dermatology		**Average**	18.4x	25.9x	13.9x	9.3x	7.9x	4.7x	3.2x	2.3x
Index		**Median**	18.4x	25.9x	14.3x	9.0x	6.4x	4.8x	3.2x	1.7x

Source: FactSet Consensus; Leerink Partners

Company Overview

DERMIRA

Growth Investment Opportunity: Development Stage Dermatology Company

- **Strong management with a history of creating value for shareholders**
  - Experienced leaders behind multiple successful dermatology companies
  - Development, regulatory, and commercial expertise

- **Significant market opportunity addressing unmet dermatologic needs**
  - Dermatology long overlooked by Pharma Industry
  - Industry Consolidation (VRX, GSK acq of Stiefel) creating opportunity given few active players supporting the specialty
  - Large, growing specialty market supported by strong patient and prescriber demand
  - Ripe for innovation with significant commercial opportunities

- **Established regulatory pathway and low-cost development**; addressing 11K dermatologists in US

- **Promising pipeline**
  - Three late-stage assets addressing psoriasis, hyperhidrosis, acne
  - Near-term catalysts as value creation opportunities

Source: Dermira Company Information, Leerink Partners

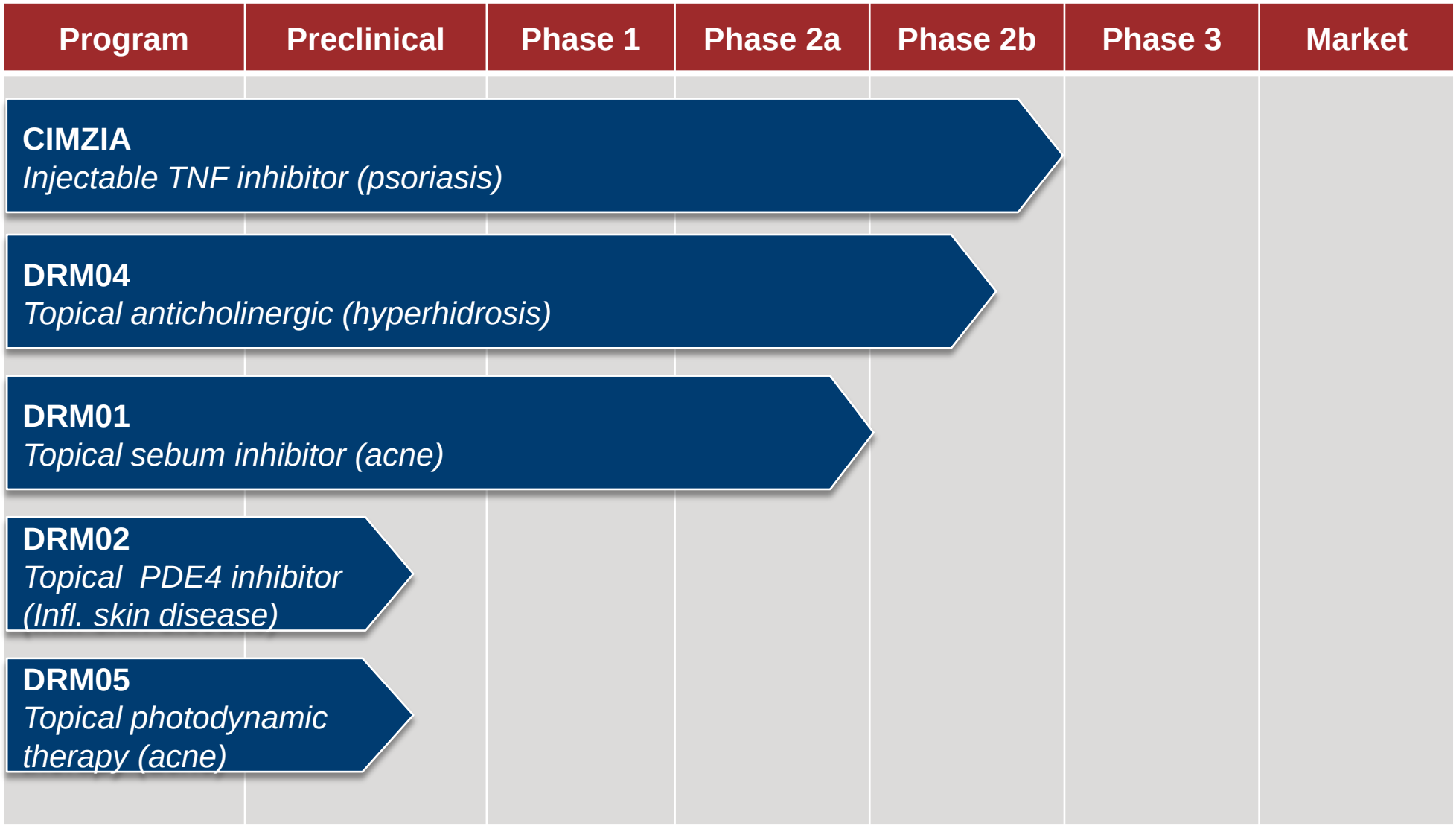
Experienced Leadership Behind Multiple Successful Dermatology Companies

Tom Wiggans *Chairman & CEO*	• Chairman & CEO, Connetics, Peplin • Chairman, Excaliard; director, Abgenix, Onyx • 25 years in specialty pharma, 18 years in dermatology
Gene Bauer, MD *CMO*	• Co-Founder, Connetics; CMO, Peplin • Chairman, Dermatology, and Dean, Stanford Medical School • Internationally recognized leader in dermatology
Andrew Guggenhime *COO and CFO*	• CFO, Calistoga, Facet, PDL, CardioDx, Neoforma • Banking, Merrill Lynch, Wells Fargo • 24 years in finance and corporate development
Luis Peña *EVP, Product Development*	• VP & Head, Global Prescription Product Development, Stiefel/GSK • VP, Portfolio Planning & Management, Connetics • 25 years in development (Genentech, Theravance, Nuvelo)
Chris Griffith *VP, Corp. Dev. & Strategy*	• Corporate dev., strategy at Gilead, Genentech, Bay City Capital • 13 years in business dev., strategy, investment management

Key management behind multiple successful dermatology companies
(7 NDA approvals, $200M annual sales, >$1B market value)

Source: Dermira Company Information, Leerink Partners

Dermira Product Portfolio



Source: Dermira Company Information, Leerink Partners

DRM01: Topical Sebum Inhibitor for Acne

DERMIRA

DRM01 Summary: Product Overview & KOL Commentary

MARKET OPPORTUNITY & UNMET NEED

- **Two oral drugs, Accutane (isotretinoin) and spironolactone, have the best efficacy against the worst forms of acne, yet are severely limited by safety risks**
- **Need for novel mechanism of action (MOA) targeting key aspect of acne pathogenesis not addressed by current topicals**

SAFETY & TOLERABILITY

- **KOLs highlight the advantage of sebum inhibition with the potential of avoiding systemic side effects of oral Accutane.**
- No treatment-related serious adverse events were reported, with slightly more treatment related events in the DRM01 arm (23% vs. 15%).

EFFICACY DATA

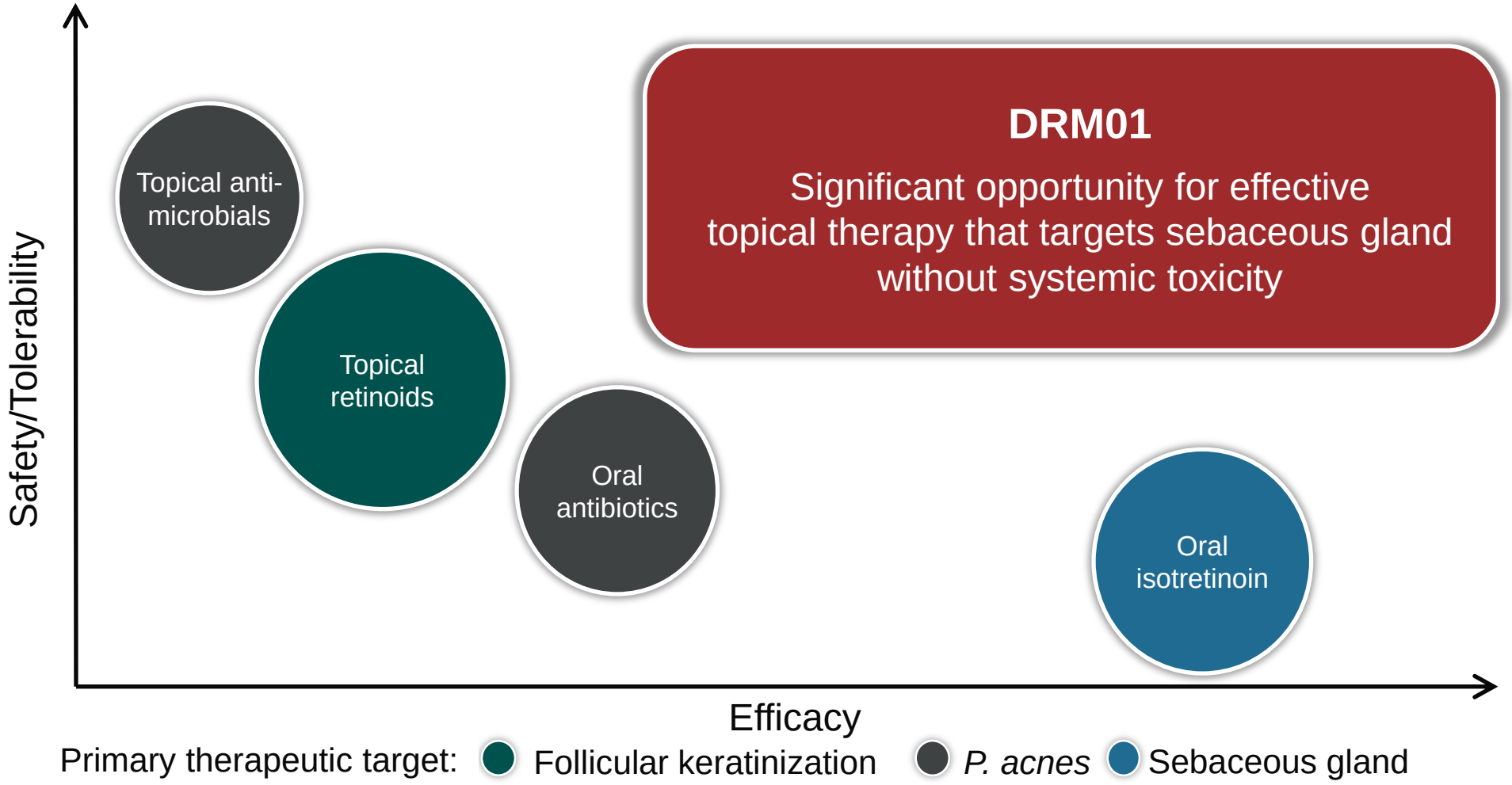
- **KOLs highlight "strikingly good" Ph 2 data which suggests DRM01 monotherapy can potentially rival combination therapy with Epiduo.** Epiduo is Galderma's combination of adapalene and benzoyl peroxide which has the most branded scripts on the market and took a much larger study to demonstrate significance.
- **KOLs believe it is extremely likely that the drug will advance to Phase 3 based on DRM01's highly significant and clinically meaningful reductions on both lesion counts and Investigator's Global Assessment (IGA) in a 108-patient, placebo-controlled study.** KOLs note that acne drugs rarely reach significance on any endpoint in Phase 2 studies.

DEVELOPMENT & COMMERCIAL POTENTIAL

- **Well-defined and consistent endpoints.** For the Ph 2b dose finding study, the co-primary endpoints are the absolute reduction in lesion counts and 2-point drop in IGA. These are the same as the Ph 2a study and will be the same going forward into Ph 3.
- **KOLs highlight that cont'd success in trials would have meaningful impact for DRM01, even as monotherapy.**
- **KOLs emphasize the novel MOA and thus complementary nature** … which likely will allow specialists to mix and match for likely additive effect and pot'l for lifecycle extension
- **Competitive agent from Novan may be a near-term headline risk.** Despite its different mechanism of action, Novan's SB204 is backed by an experienced team, has solid early data from a Latin American study, and recently posted its Ph 2b on clinicaltrials.gov,

Source: Leerink Partners

Background: Attractive Oppt'y to Cope with Limitations of Decade-Old Acne Therapies



Therapy	Limitations
Oral Isotretinoin	Significant efficacy, but safety risks
Retinoids	Skin Irritation and moderate efficacy
Antimicrobials	Concerns of bacterial resistance, waning efficacy

Source: Dermira Company Information and Leerink Partners

Competition: Examples of Acne Treatment Options

Oral Isotretinoin

Agent		Company
Accutane	isotretinoin	Multiple Branded Generics: Ranbaxy, Teva, Dr. Reddy's

Targets excess sebum production with dramatic efficacy but significant systemic toxicity

Antimicrobials

Agent		Company
Aczone	dapsone	Allergan

Target bacteria that drive acne production

Topical Retinoids

Agent		Company
Differin	adapelene	Galderma
Tazorac	tazorotene	Allergan
Fabior	tazorotene	Stiefel, GSK

Target alteration of skin cells that contribute to clogged pores; skin irritation and moderate efficacy

Topical Fixed-dose Combinations

Agent		Company
Epiduo	adapelene + BPO	Galderma
Duac	clindamycin + BPO	Stiefel, GSK

Aim to increase compliance beyond single agent topicals

Novel Topical Agents

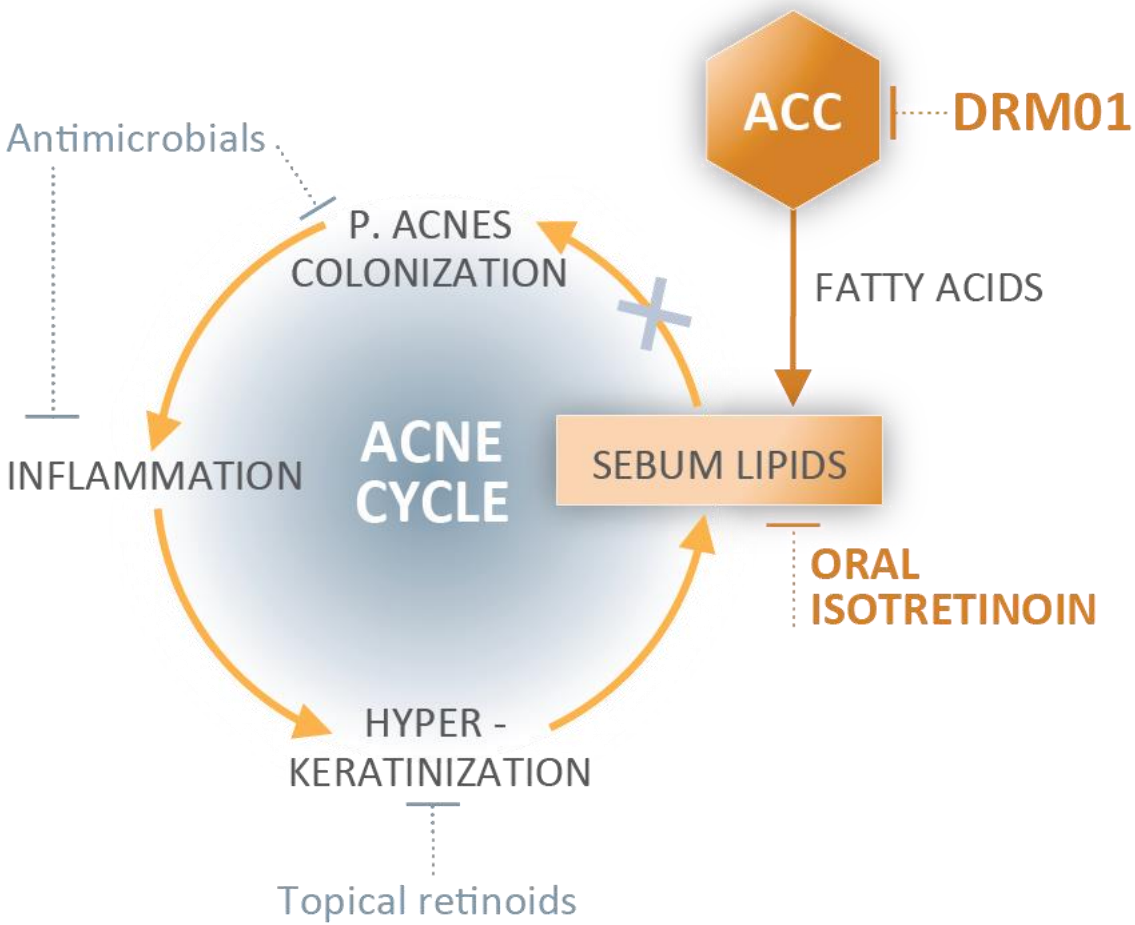
Agent		Company	Phase
DRM01	Sebum inhibitor	Dermira	2b initiating 1H15
SB204	Nitrous-oxide releasing gel	Novan Therapeutics	2b initiated 2H14

Novel mechanisms aimed at more direct sebum targeting and efficacious lesion reduction, without systemic side effects

BPO = benzoyl peroxide

Source: Leerink Partners

DRM01 MOA: Inhibiting Sebum Production to Break Acne Cycle



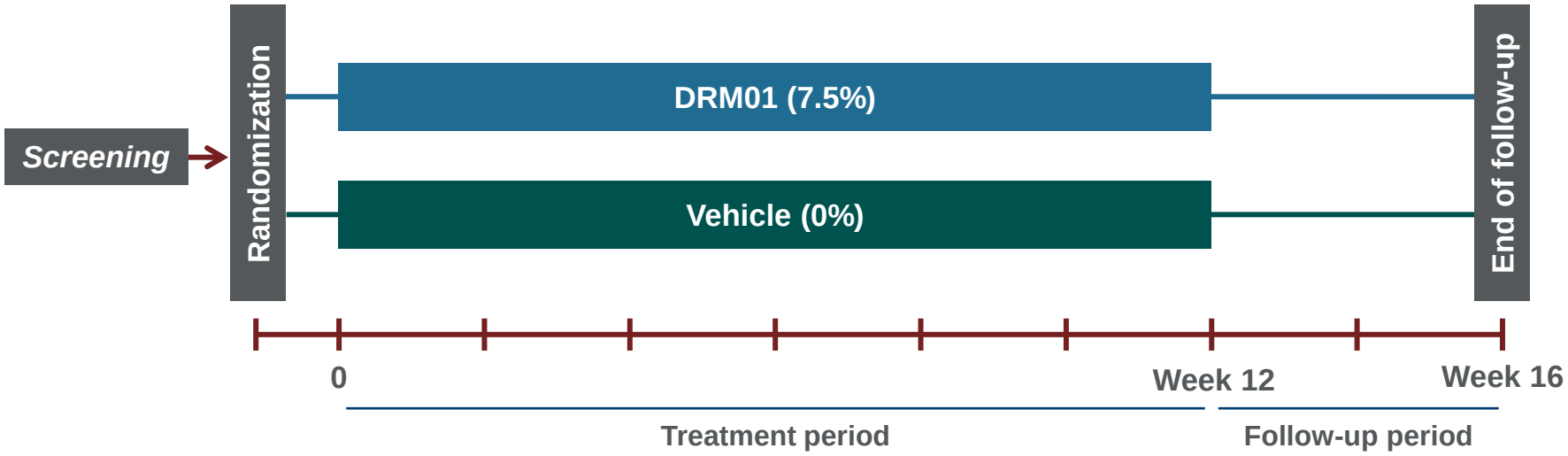
- Acetyl coenzyme-A carboxylase (ACC) drives first, rate-limiting step in fatty acid synthesis, required to build vast majority of sebum lipids
- ACC inhibition via topical DRM01 reduces sebum production in primary human sebocytes, animal models
- Opportunity for isotretinoin-like effects without systemic toxicity
- DRM01 targets key aspect of acne pathophysiology not addressed by available topical therapies

Specifically targeting ACC, key regulator of sebum production

Source: Dermira Company Information and Leerink Partners

Phase 2a: 108-Patient Randomized, Double-Blind, Vehicle-Controlled Trial Completed

STANDARD DESIGN BASED ON PUBLISHED FDA DRAFT GUIDANCE	
Population	108 moderate-to-severe acne adult patients • ≥20 inflammatory lesions • ≥20 non-inflammatory lesions • Investigator's Global Assessment (IGA) score of ≥3
Duration	DRM01 7.5% gel applied BID for 12 weeks
Primary Efficacy Endpoints	FDA-recommended primary efficacy endpoints (week 12) • Inflammatory lesion count: Absolute change from baseline • Non-inflammatory lesion count: Absolute change from baseline • IGA: Proportion of patients achieving ≥2-point reduction in IGA score



Source: Dermira Company Information and Leerink Partners

Efficacy: Improvement in Lesion Counts Comparable to Epiduo; Significant Impact on 2-FDA Recommended Primary Endpoints

Primary Endpoints: Absolute Changes in Lesion Counts at Week 12

Avg % reduction in P-value

Inflammatory Lesion Count		
Vehicle	DRM01	Difference
45.9%	63.9%	18.0%

0.0006

Non-inflammatory Lesion Count		
Vehicle	DRM01	Difference
28.8%	48.1%	19.3%

0.0025

Avg % reduction in P-value

Inflammatory Lesion Count		
Vehicle	Epiduo	Difference
30.2%	53.4%	23.2%

< 0.001

Non-inflammatory Lesion Count		
Vehicle	Epiduo	Difference
23.2%	48.1%	24.9%

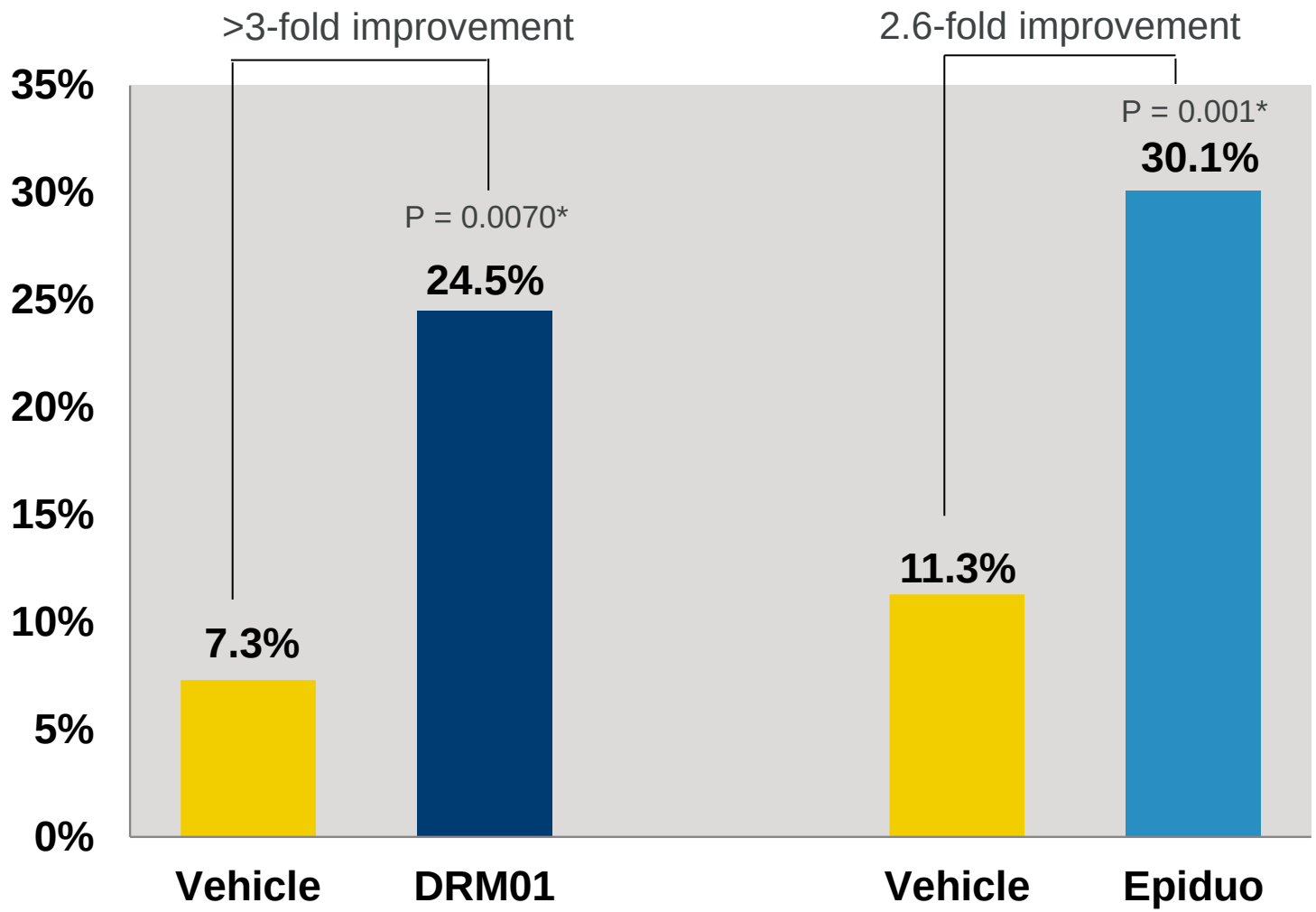
< 0.001

- DRM01 demonstrates superiority in a Phase 2a relative to vehicle following 12 weeks of treatment duration in investigating inflammatory and non-inflammatory lesion count, measured as absolute change from baseline in the number of acne lesions
- Efficacy was assessed at the end of the 12-week treatment period
- DRM01 appears comparable to approved Epiduo
- Two clinical endpoints are in accordance with FDA draft guidance regarding the development of acne products and supporting a marketing approval application.

Source: (1) Dermira Company Information, (2) Leerink Partners, (3) FDA.gov Epiduo Summary Review

Efficacy: Improvement in IGA Response Comparable to Epiduo (3rd FDA-Recommended Co-Primary Endpoint)

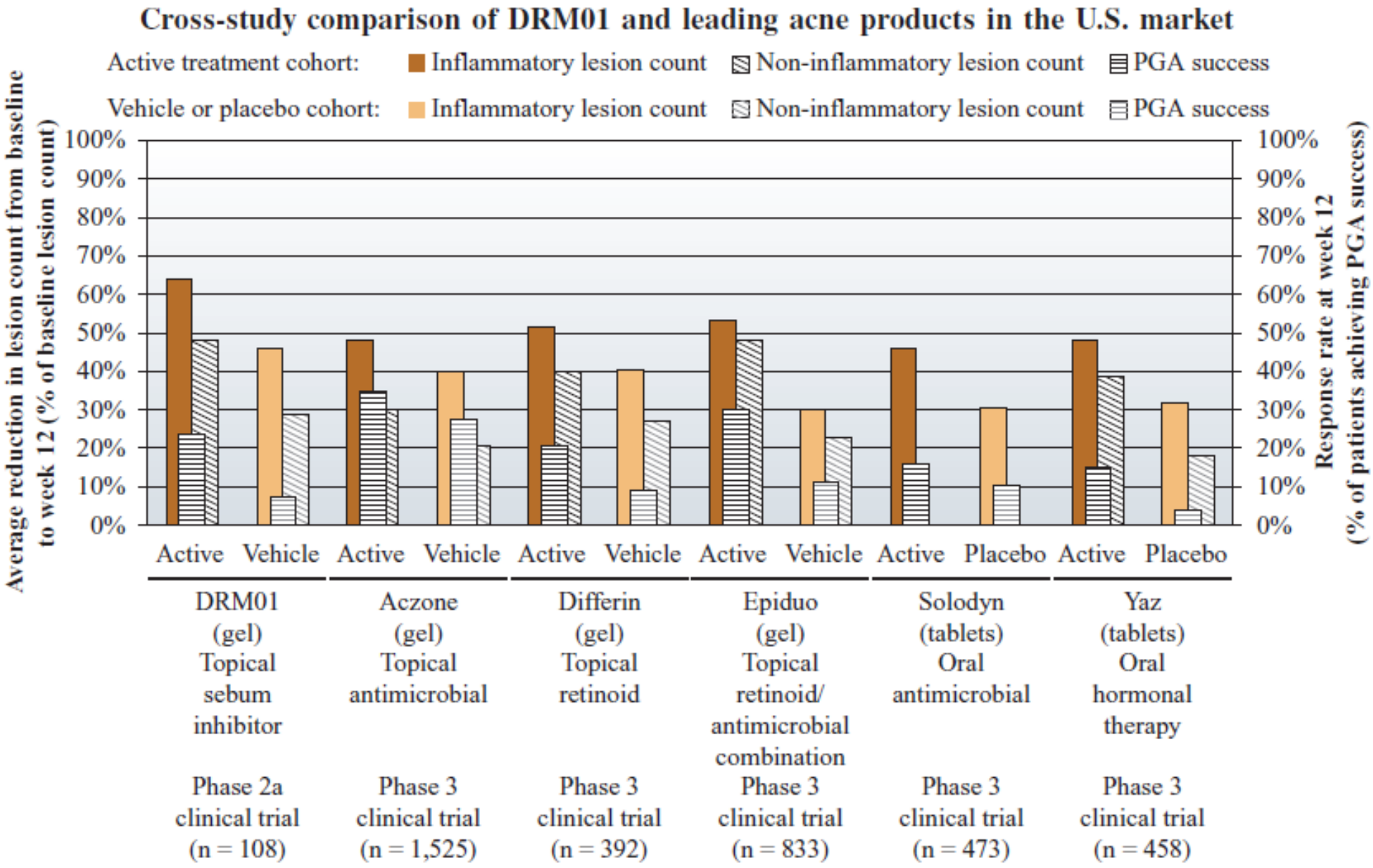
Primary Endpoint: Investigator's Global Assessment (IGA) Response Rate at Week 12



DRM01 patients were >3x more likely to respond than vehicle-only patients

Source: Dermira Company Information; Leerink Partners; FDA.gov Epiduo Summary Review

Efficacy: Cross Agent Comparison of DRM01 to Acne Agents



Source: Dermira Company Information and Leerink Partners

Development: Initiating Ph 2b Dose-Finding Program in 1H15, Readout Expected IH16

	Ph 2a: Clinical POC	Ph 2b: Dose-finding	Ph 3 Registration
Objective	Safety and preliminary efficacy	Dose-selection	• Confirmatory • Safety & Efficacy
Pop	Adults with Acne Vulgaris N= 100	Adults with Acne Vulgaris N= 300	≥ 9 years Acne Vulgaris N= 600
Dosing	7.5% Topical 12 Weeks BID	Multiple Topical Doses 12 Weeks	Dose/ Frequency TBD 12 Weeks
Key Efficacy / Results	• Acne lesion count • Acne IGA • Sebum excretion profile	• Acne lesion count • Acne IGA • 1H15 Start Ph 2b • 1H16 data readout	• Acne lesion count • Acne IGA • 2018 data readout

- IGA = Investigator Global Assessment

Source: Dermira Company Information and Leerink Partners

Script-Based US Acne (DRM01) Market Model & Assumptions

	2019	2020	2021	2022	2023	2024	2025	2026
US Topical Acne Market								
Total Perscriptions (Rx)	13,246,137	14,042,750	14,820,994	15,585,255	16,261,386	17,026,479	17,742,102	18,489,332
Growth Rate	6%	6%	6%	5%	4%	5%	4%	4%
Retinoid (Isotretinoins / Tretinoin) Market	5,531,295	5,739,818	5,956,203	6,180,746	6,413,753	6,655,544	6,906,451	7,166,817
Growth Rate	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
% of Overall Rx	42%	41%	40%	40%	39%	39%	39%	39%
Antimicrobials	5,650,324	5,856,812	6,070,845	6,292,700	6,522,663	6,761,029	7,008,107	7,264,213
Growth Rate	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
% of Overall Rx	43%	42%	41%	40%	40%	40%	39%	39%
Fixed Dose Combinations	1,849,707	1,959,343	2,075,477	2,198,495	2,328,804	2,466,837	2,613,052	2,767,933
Growth Rate	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
% of Overall Rx	14%	14%	14%	14%	14%	14%	15%	15%
Novel Therapies	214,812	486,778	718,469	913,315	996,166	1,143,068	1,214,493	1,290,369
Growth Rate		127%	48%	27%	9%	15%	6%	6%
% of Overall Rx	2%	3%	5%	6%	6%	7%	7%	7%
(Dermira) DRM01 Topical	214,812	486,778	718,469	913,315	996,166	1,143,068	1,214,493	1,290,369
Price per Rx ($)	$471	$471	$485	$500	$515	$530	$546	$562
Price Growth			3%	3%	3%	3%	3%	3%
DRM01 Gross to Net Adjusted ($ MM)	**$76**	**$172**	**$261**	**$342**	**$384**	**$454**	**$497**	**$544**

Commercial Launch	2019E
Peak Sales Year	2023E – 2025E
Gross to Net Adjusted	25%
Pricing	In line with isotretinoin agent, Galderma Epiduo
Launch	Epiduo based launch trajectory with initial uptake dampened to potential launch with less sales resources

Source: Dermira Company Information and Leerink Partners

DRM04: Topical Anticholinergic for Hyperhidrosis (HH) Treatment

DERMIRA

DRM04 Summary: Product Overview & KOL Commentary

MARKET OPPORTUNITY & UNMET NEED

- **Our KOL checks confirm a vast hyperhidrosis market where treatment options are limited to ineffective antiperspirants or burdensome Botox injections.**
  - 9M Americans suffer from excessive sweating, 1M from severe hyperhidrosis (HH)
  - Significant psychosocial burden
  - Most noninvasive treatments provide little relief
- **KOLs note significant need for noninvasive second-line treatment options to challenge the effective but burdensome use of every-6-month Botox injections.** DRM04 – a convenient, easy to use glycopyrrolate wipe – is initially intended to inhibit axillary sweat production.

EFFICACY DATA

- **In KOLs' opinions, Ph 2 demonstration of statistically significant reduction in sweat production and 40-50% improvement in HH score (HDSS) removes much of the technical risk for DRM04 program.**
- **Sweat production, though reported differently, seems to demonstrate Botox-like results.** Botox trials show 80-85% of subjects demonstrating at least 50% reduction from baseline in axillary sweating at 4 weeks, while **DRM04 achieving greater than 50% reduction in sweat production** in various doses 1%, 2%, 3%, and 4% providing 53%, 61%, 76%, and 77% change from baseline, respectively.

SAFETY & TOLERABILITY

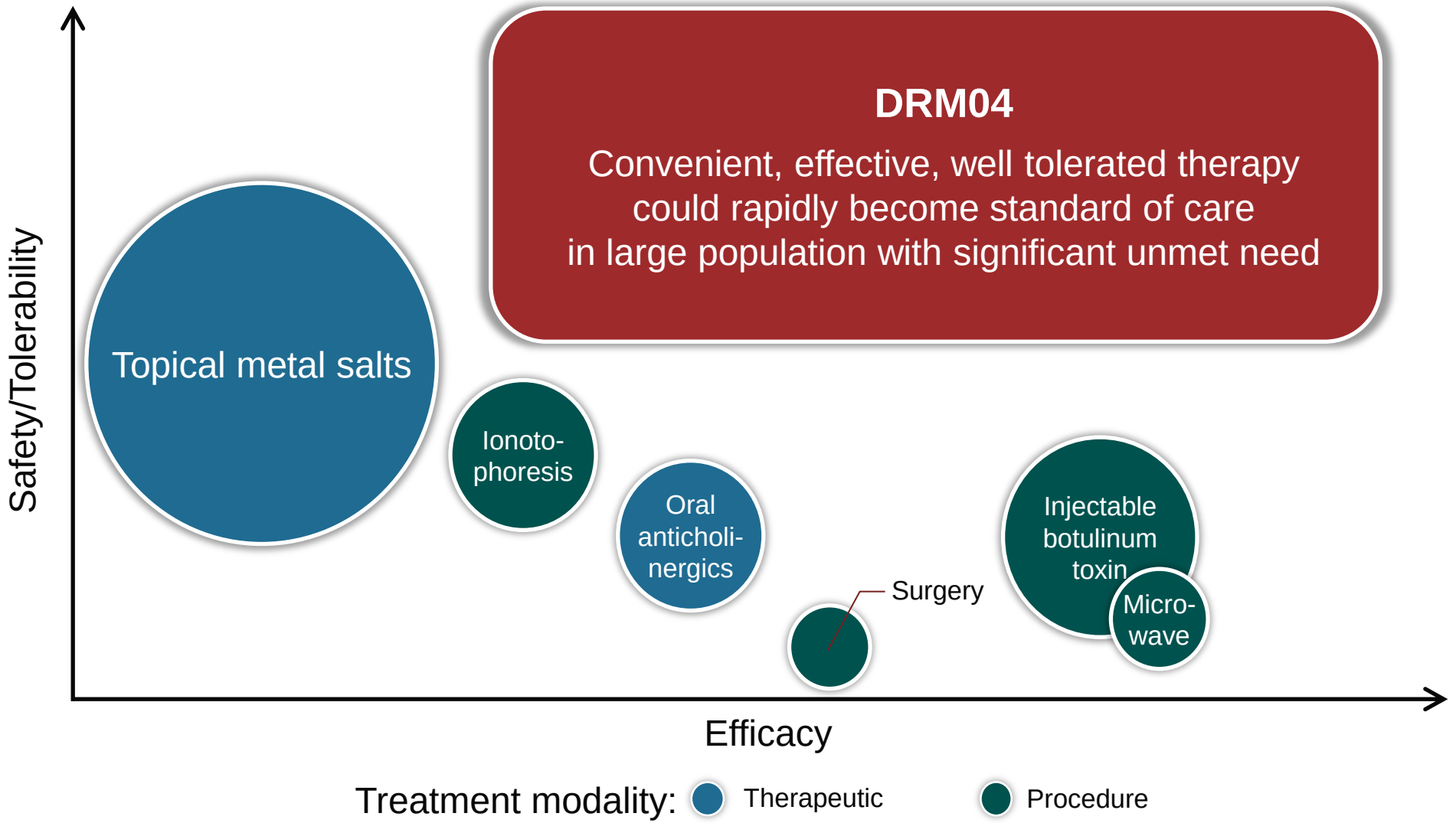
- **The 2% dose, while highly active, appears to have a low incidence of dry mouth and blurred vision.**
- **KOLs do not believe low-grade dry mouth is worrisome at maximum tolerated dose (MTD).** Oral administration glycopyrrolate shows therapeutic effect with tolerable degree of dry mouth and dry eye. KOLs highlight that in practice they are convinced the locally applied wipe will result in noticeably less side effect concerns.
- **Ph 2 data give the boundaries and show a sweet spot of 2-3% dose range; DERM could theoretically even go to 2.5% for pivotals**; data from HH01 together with the bridging study data will determine the like go-forward dose(s).

DEVELOPMENT & COMMERCIAL POTENTIAL

- **Ph 3 endpoints TBD – gravimetric test will definitely be used, ≥ 2 point reduction in HDSS also possible.**
- **KOLs believe that if successful and priced correctly, DRM04 could be the next step after antiperspirants followed by Botox or device use.** Insurance coverage ought to follow given Botox's current coverage for HH.
- **"RT-001 hasn't been as great as we might have expected," according to specialists, who also expect a high price.** Price sensitivity for topical Botox agents is expected to be geared toward aesthetic / cosmetic uses.

Source: Leerink Partners

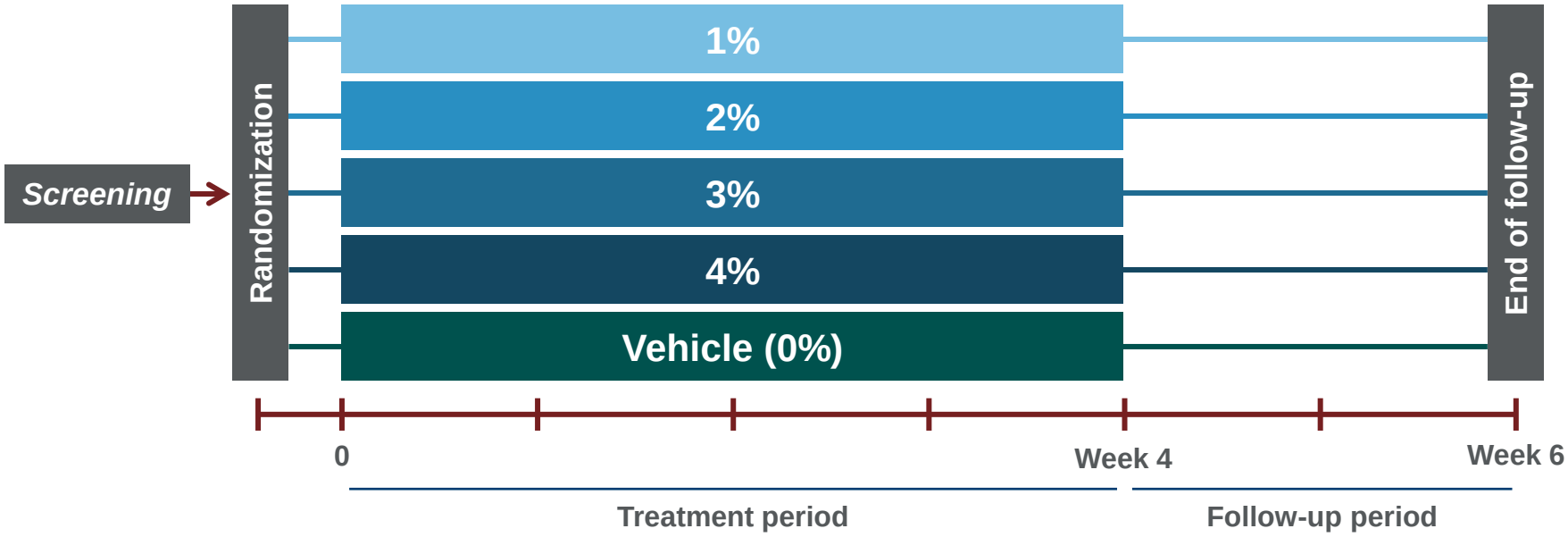
Background: Current Therapies Largely Ineffective/Inconvenient/Poorly Tolerated



Source: Dermira Company Information and Leerink Partners

Phase 2b: HH01 Dose-Ranging Completed for Reference Agent

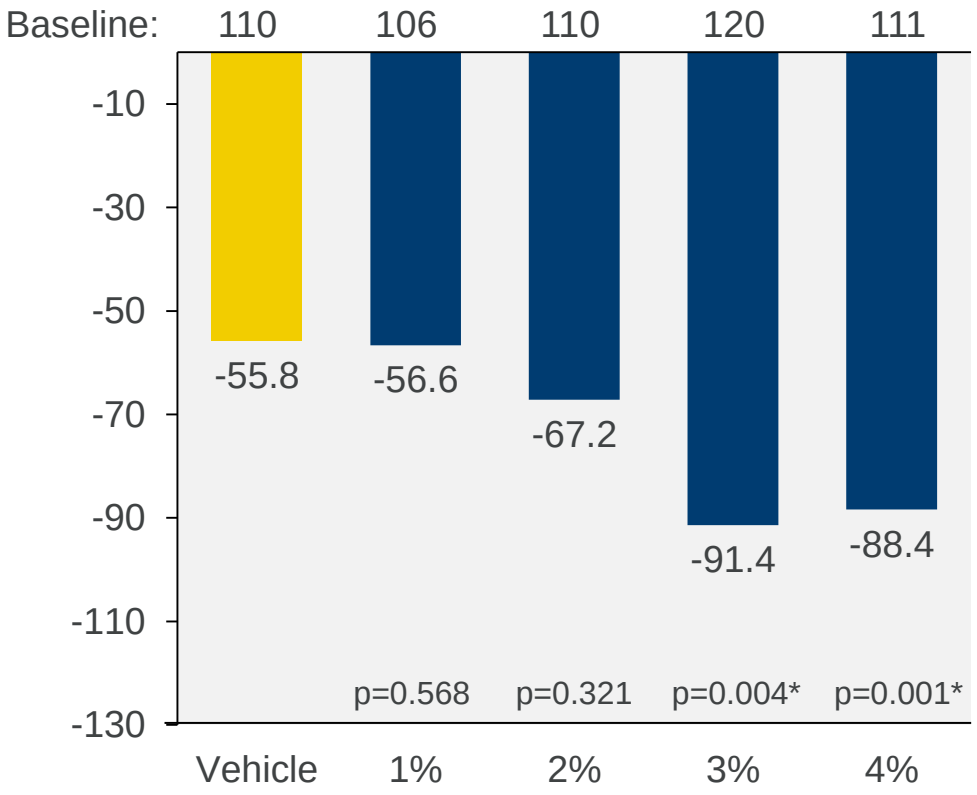
- Well-characterized glycopyrrolate mechanism with clear dose-response curve
- Randomized double blinded vehicle controlled trial
  - 198 severe, primary axillary hyperhidrosis patients
  - Principal inclusion criteria: Adults with sweat production of ≥50 mg/5 min in each axilla (gravimetry), HDSS (Hyperhidrosis Disease Severity Score) score of 3-4
  - Topical formulation of reference agent applied via wipe QD for 4 weeks
  - 2 Key Efficacy Measures (Week 4)
    - Axillary Sweat Production: Absolute change from baseline (gravimetric sweat test)
    - PRO: Proportion of patients achieved ≥ 2-point reduction in HDSS score



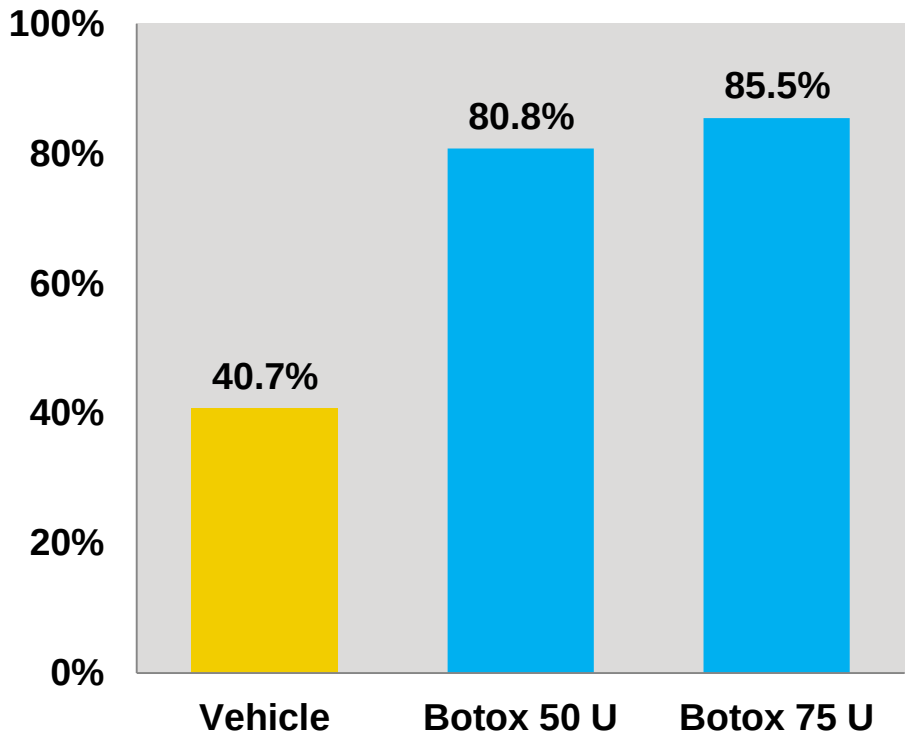
Source: Dermira Company Information and Leerink Partners

Efficacy: Statistically Significant Impact on Sweat Production (Gravimetry) Additionally Appears Comparable to Results Seen with Botox

DRM04 Change in Sweat Production at Week 4



Botox % achieve >50% decrease in Sweat Production at Week 4

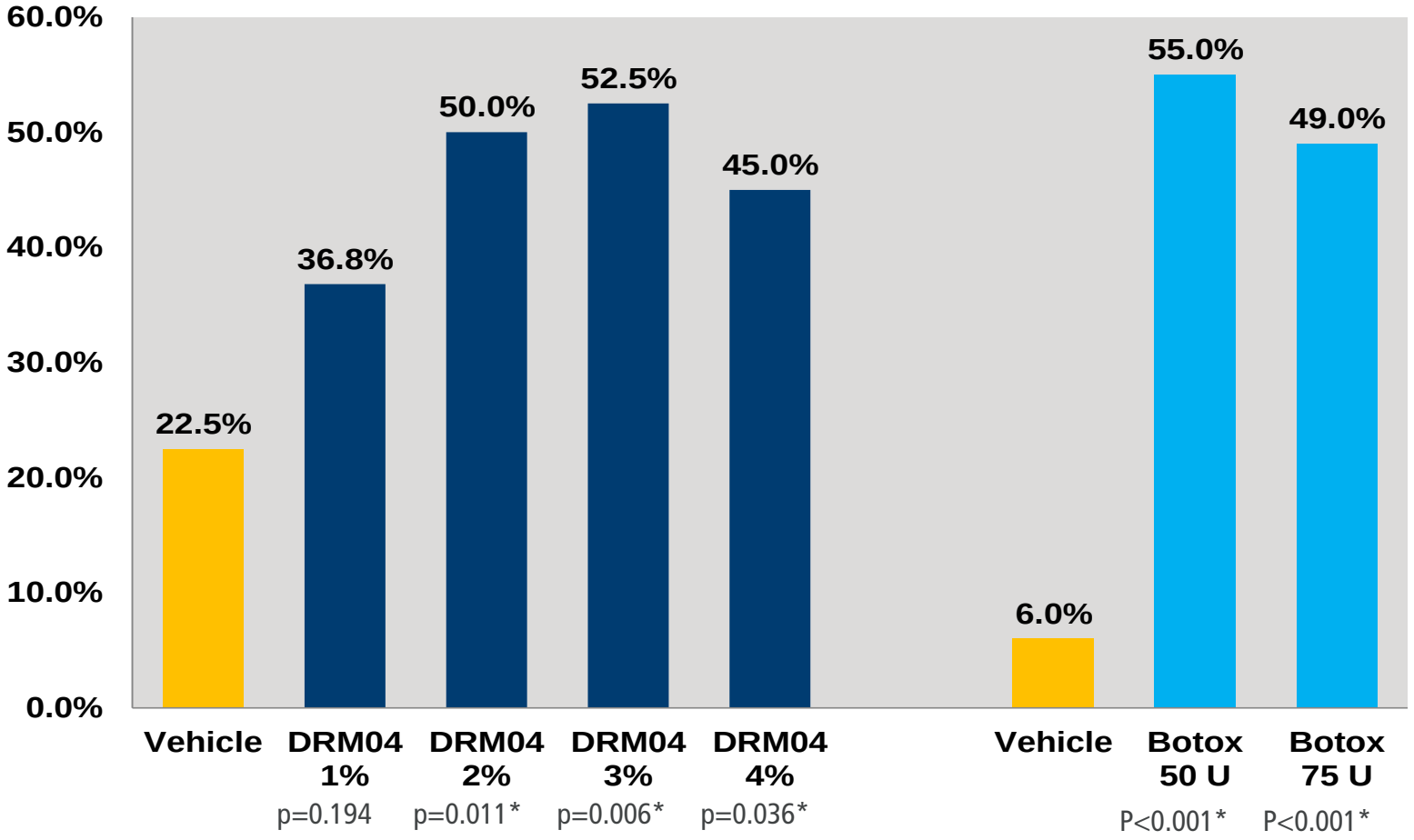


- **DRM04 demonstrated impact on sweat production** as the average absolute change from baseline at the end of the 4-week treatment period
- **Botox efficacy defined** as percentage of subjects demonstrating at least 50% reduction from baseline in axillary sweating at 4 weeks
- **DRM04 appears comparable in achieving greater than 50% reduction in sweat production** in various doses 1%, 2%, 3%, and 4% providing 53% (55.6/106), 61% (67.2/110), 76% (91.4/120), and 77% (88.4/111), respectively

Source: Dermira Company Information; Leerink Partners; AGN Botox Prescription label

Efficacy: Statistical Significance, Dose-Dependence, and Comparability to Botox Validated on Patient Reported Outcome Scale

HDSS Response Rate at Week 4 (% of patients achieving ≥2-point improvement)



Positive impact on widely-used PRO (HDSS)

Source: Dermira Company Information, Leerink Partners, AGN Botox Prescription label

Development: DRM04 Clinical Development Plan

Ph 2a Clinical POC → **Ph 2b: Dose-finding** → **Ph 3 Registration**

	Phase 2a Clinical POC	Ph 2b: HH01 Dose-finding	Ph 2b: HH02 Dose-finding	Phase 3 Registration
Objective	Established POC	Dose-selection	Support switch / PRO development	• Confirmatory • Safety & Efficacy
Pop	N= 36	N= 200	N=100	N= 600
Dosing	QD (4 Weeks)	QD (4 Weeks)	QD (4 Weeks)	QD (4 Weeks)
Key Efficacy / Results	• Attractive efficacy (HDSS, sweat production) • Well tolerated	• HDSS score • Sweat production • Preliminary Pharmacokinetics	• HDSS score • PRO score • Sweat production • Pharmacokinetics	• PRO score • Sweat production • 2H16 readout

- PRO = Patient Reported Outcome
- POC = Proof-of-Concept

HH02 Ph 2b Data
1H15

2H16
Ph 3 Registrational Data

FDA Submission
2017

2018
FDA approval

Source: Dermira Company Information and Leerink Partners

Patient-Based US Hyperhidrosis (DRM04) Market Model (p1)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
US Axillary Hyperhidrosis (HH) Market														
Prevelance Rate (2.8%)	8,851,607	8,940,124	9,029,525	9,119,820	9,211,018	9,303,128	9,442,675	9,584,315	9,728,080	9,874,001	10,041,859	10,212,571	10,386,185	10,562,750
Growth Rate		1.0%	1.0%	1.0%	1.0%	1.0%	1.5%	1.5%	1.5%	1.5%	1.7%	1.7%	1.7%	1.7%
Penetration Rate														
Seek Treatment	3,540,643	3,576,049	3,611,810	3,647,928	3,776,517	3,814,283	3,871,497	4,121,256	4,183,074	4,245,821	4,418,418	4,493,531	4,569,921	4,753,237
www.sweathelp.org	40%	40%	40%	40%	41%	41%	41%	43%	43%	43%	44%	44%	44%	45%
Recommended Treatment	2,301,418	2,324,432	2,347,676	2,371,153	2,454,736	2,479,284	2,516,473	2,720,029	2,760,829	2,802,242	2,982,432	3,033,134	3,084,697	3,255,968
(% Receiving Rx)	65%	65%	65%	65%	65%	65%	65%	66%	66%	66%	68%	68%	68%	69%
Fill Prescriptions	1,726,063	1,743,324	1,760,757	1,778,365	1,841,052	1,859,463	1,887,355	2,067,222	2,098,230	2,129,704	2,311,385	2,350,679	2,390,640	2,555,935
	75%	75%	75%	75%	75%	75%	75%	76%	76%	76%	78%	78%	78%	79%

Large market underpenetrated by branded pharmaceuticals

- Nearly nine million Americans (2.8 % of US population) with hyperhidrosis (HH)
- 40% (2 in 5) seek help for treatment
- Two-thirds receive prescription
- 75% of patients fill the script

DRM04 Target Profile

- DRM04 represents the first topical wipe for hyperhidrosis with a well-characterized mechanism, positive Phase II data, and a well designed clinical program
- Topically targets local sweat gland activation
- Reduces sweat production and improves disease severity in hyperhidrosis patients
- Efficacy as comparable to systemic treatments
- Established pharmacology and well-tolerated 4-week Ph 2a clinical data

Source: Dermira Company Information; Leerink Partners

Patient-Based US Hyperhidrosis (DRM04) Market Model (p2)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
(1st Line) HH Market Share														
Clinical Strength Antiperspirant Topical	70%	70%	70%	70%	69%	67%	62%	57%	53%	51%	50%	49%	48%	77%
Treated with Certain Dri OTC (AlCl3)	1,208,244	1,220,327	1,232,530	1,244,855	1,261,121	1,236,543	1,170,160	1,178,316	1,101,571	1,075,500	1,144,136	1,140,079	1,147,507	1,968,070
Cost / Bottle (WAC $4.30)	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81	$5.81
Treatment (Tx) Frequency Annualized	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Antiperspirant (Topical) Sales ($ MM)	$28.1	$28.3	$28.6	$28.9	$29.3	$28.7	$27.2	$27.4	$25.6	$25.0	$26.6	$26.5	$26.6	$45.7
Anticholinergic Orals	25%	25%	25%	25%	24%	23%	21%	18%	16%	14%	12%	11%	11%	10%
Treated with Glycopyrrolate Oral	431,516	435,831	440,189	444,591	441,853	418,379	386,908	372,100	335,717	287,510	277,366	258,575	262,970	255,593
Cost / Bottle / 100 pills (WAC $88.49)	$88.49	$88.49	$88.49	$88.49	$88.49	$88.49	$99.11	$99.11	$99.11	$99.11	$99.11	$111.00	$111.00	$111.00
Tx Frequency Annualized	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Anticholinergic Orals Sales ($ MM)	$76.4	$77.1	$77.9	$78.7	$78.2	$74.0	$76.7	$73.8	$66.5	$57.0	$55.0	$57.4	$58.4	$56.7
(2nd Line) HH Market Share														
AGN Botox Market Share	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	3%	3%
Treated with Botox	86,303	87,166	88,038	88,918	92,053	92,973	94,368	103,361	94,420	85,188	80,898	82,274	71,719	76,678
Cost 100U (4 mL) per axilla	$525	$541	$557	$574	$591	$609	$627	$646	$665	$685	$706	$727	$749	$771
Tx Frequency Annualized	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Botox Injectable Sales ($ MM)	$68.0	$70.7	$73.6	$76.5	$81.6	$84.9	$88.7	$100.1	$94.2	$87.5	$85.6	$89.7	$80.5	$88.7

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Needle-free Topicals to replace 2nd Line Botox														
Dermira DRM04 topical glycopyrrolate (Ph 2b)						1%	3%	7%	11%	15%	16%	17%	17%	17%
Treated with DRM04						23,243	56,621	144,706	230,805	319,456	369,822	399,615	406,409	434,509
Cost						$101	$101	$107	$112	$117	$123	$127	$131	$135
Tx Frequency Annualized						7	7	7	7	7	7	7	7	7
Gross to Net Adjusted ($ MM)						$12.4	$30.2	$80.9	$135.5	$196.9	$239.4	$266.4	$279.1	$307.3
Anterios ANT-1207 topical Botox (Ph 2b)						1%	3%	5%	7%	9%	11%	11%	12%	12%
Treated with ANT-1207						23,243	55,784	84,931	144,706	178,350	223,619	242,695	270,328	274,924
Cost						$609	$609	$682	$682	$682	$682	$682	$763	$763
Tx Frequency Annualized						1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Gross to Net Adjusted ($ MM)						$15.9	$38.2	$65.1	$111.0	$136.8	$171.5	$186.1	$232.2	$236.1
Revance (RVNC) RT001 topical Botox							1%	2%	4%	6%	8%	9%	10%	10%
Treated with RT001							18,874	41,344	73,438	117,134	173,354	199,808	227,111	255,593
Cost							$627	$627	$627	$627	$627	$702	$702	$702
Tx Frequency Annualized							1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Gross to Net Adjusted ($ MM)							$17.7	$38.9	$69.1	$110.1	$163.0	$210.4	$239.2	$269.2
Total Sales ($ MM)	**$172.4**	**$176.2**	**$180.1**	**$184.1**	**$189.1**	**$215.9**	**$278.7**	**$386.1**	**$501.9**	**$613.3**	**$741.0**	**$836.5**	**$916.0**	**$1,003.8**

Source: Leerink Partners

Patient-Based US Hyperhidrosis (DRM04) Market Model Assumptions

- Patient-based hyperhidrosis growth model that breaks down market share by 1st line, 2nd line, and alternative needle-free topical treatments to replace 2nd line Botox.
  - 1st Line – industrial strength deodorant or anticholinergic orals
  - 2nd Line – Botox providing excellent temporary relief, but insurance pushback given pricing
  - DRM04 will target 2nd line setting in replacing Botox as an injection-free topical alternative
  - Market share analysis depicts competitive landscape including Anterios ANT-1207 and Revance (RVNC) RT001, achieving commercialization by 2018E and 2019E, respectively.
- Key Financial Assumptions

Commercial Launch	2018E
Peak Sales Year	2022E – 2024E
Gross to Net Adjusted	25%
Pricing / Duration	In line with Botox 7-month duration

Source: Leerink Partners

Cimzia: anti-TNFα for Psoriasis (PsO)

DERMIRA

Cimzia Summary: Product Overview & KOL Commentary

MARKET OPPORTUNITY & UNMET NEED

- **KOLs validate the favorable long-term prospects for TNFs to remain the first-line agent for the majority of psoriasis patients** based on: (a) years of safety experience, (b) preferential effects in the third of psoriasis (PsO) patients with joint pain.
  - "Anti-TNF favored right out of gate" for patients with co-morbid joint pain/ psoriatic arthritis
- **KOLs state they "absolutely need another TNF antagonist" given the 50%+ of patients who are non-responders and therapeutic limitations of Enbrel, Stelara, and Remicade.**

SAFETY & TOLERABILITY

- **Early discontinuation rate (3-4% vs. 5% for placebo) competitive with Humira's 7% (vs. 4% for placebo) discontinuation rate**
- **KOLs skeptical of safety advantage over Humira, until seen in larger studies.** Construct of molecule doesn't have a potentially immunogenic hinge region that may affect Humira and Remicade. KOLs recognize that "this may suggest a decrease in anti-drug antibody against Cimzia, yet that's a scientific wild guess."
- **Maintenance dosing may be key to commercial success.** DERM is studying lower maintenance dosing of Cimzia post 12 & 16 weeks of induction dosing. This may be important for pricing.

EFFICACY DATA

- **KOLs believe Cimzia could "leap frog" other anti-TNF agents used upon Humira failure, where they continue to look for an another anti-TNF option with "high performance" 70%+ skin clearance.**
- **Based on replication of Ph2 data, Cimzia ought to be preferred to:**
  - Anti-TNF Enbrel which demonstrates <50% skin clearance
  - IL-12/23 Stelara given its lack of demonstrated relief for joint pain
  - Anti-TNF Remicade which is only used in last line setting due to need for infusion

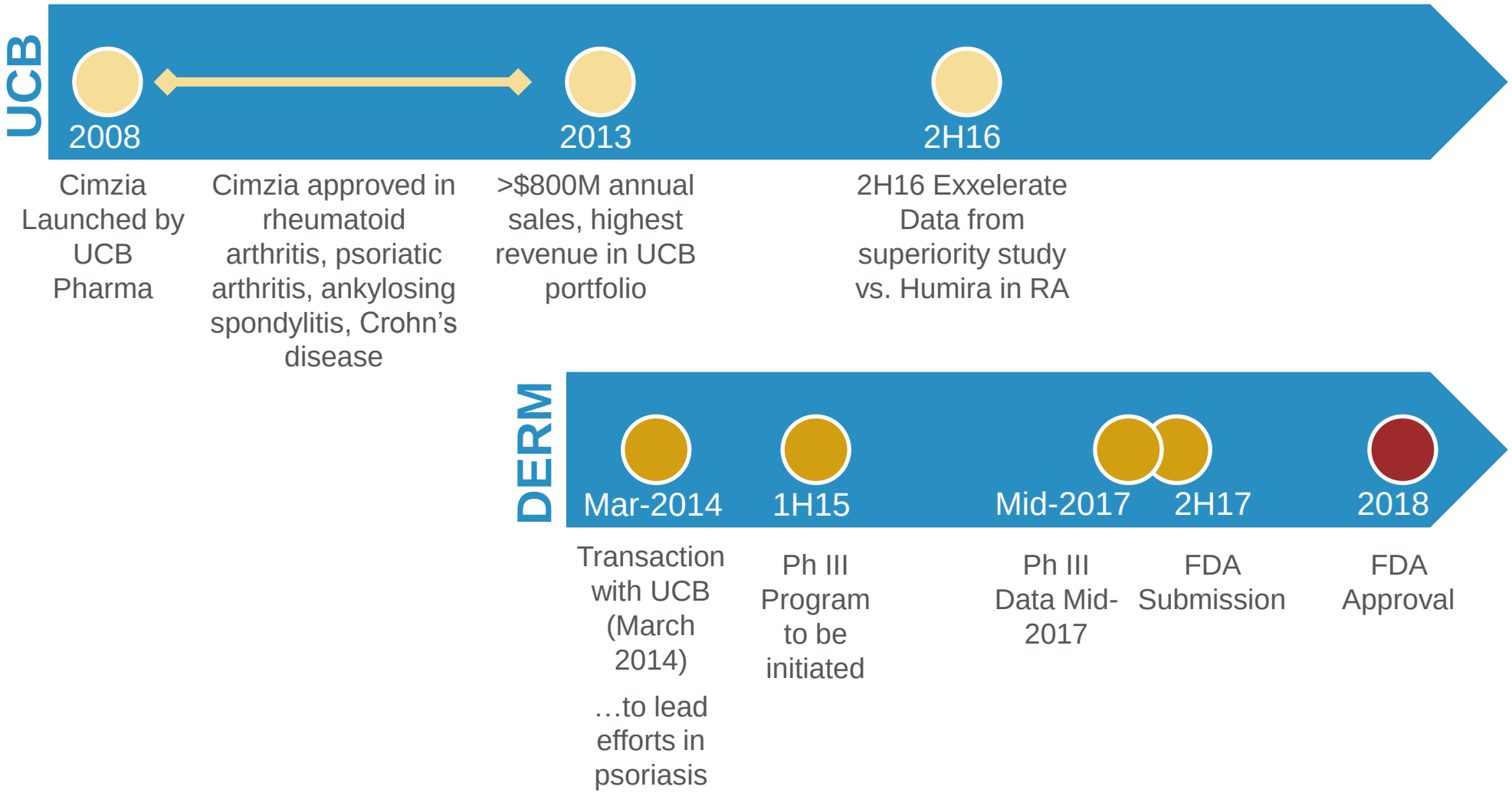
DEVELOPMENT & COMMERCIAL POTENTIAL

- **Will still fall behind Humira in series of options, particularly once the biosimilar is introduced**
- **KOLs are acutely aware of threats from IL-17s and biosimilar Humira, yet continue to believe in commercial potential of Cimzia**
- **DERM will initiate its Phase 3 in 1H15.** The program will include two placebo-controlled and one active comparator (vs. Enbrel) study which, together, we expect to: (a) satisfy US and EU regulatory requirements, (b) confirm skin clearance data and show superiority to Enbrel, and (c) support lower maintenance dosing from 12 & 16 through 52 weeks of treatment.

Source: Leerink Partners

Development: Opportunity to Steer Valuable Indication for a Marketed TNF-Inhibitor While UCB's Focus on Its Success Continues

Cimzia Development Milestone Assumptions



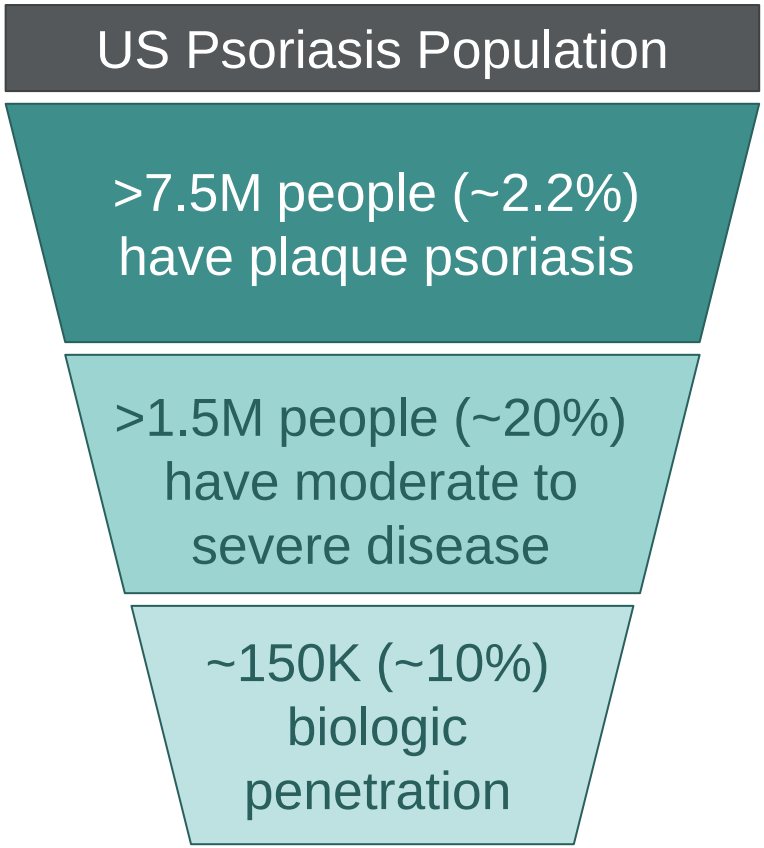
Source: UCB Company Presentations; Dermira Company Information, Leerink Partners

Background: Psoriasis Is a Complex, Debilitating Disease Requiring Long-Term Treatment

- Prevalent, chronic autoimmune skin disease
  - Hallmark is excessive epidermal proliferation (scaly plaques)
  - Plaque psoriasis is most common form
  - Increasing evidence suggests skin symptoms represent dermal manifestation of systemic inflammatory disorder
- Severity measured by a combination of factors
  - Includes consideration of lesion location, impact on quality of life, and body surface area (≥3% moderate to severe)
- Significant morbidity, co-morbidity
  - Physical, social function
  - Psoriatic arthritis occurs in 33-40% of psoriasis patients
  - Cardiovascular disease

Source: Dermira Company Information, Leerink Partners

Background: Psoriasis Represents a Large, Underpenetrated Market with Biologic Treatment Gaining Momentum Among Dermatologists

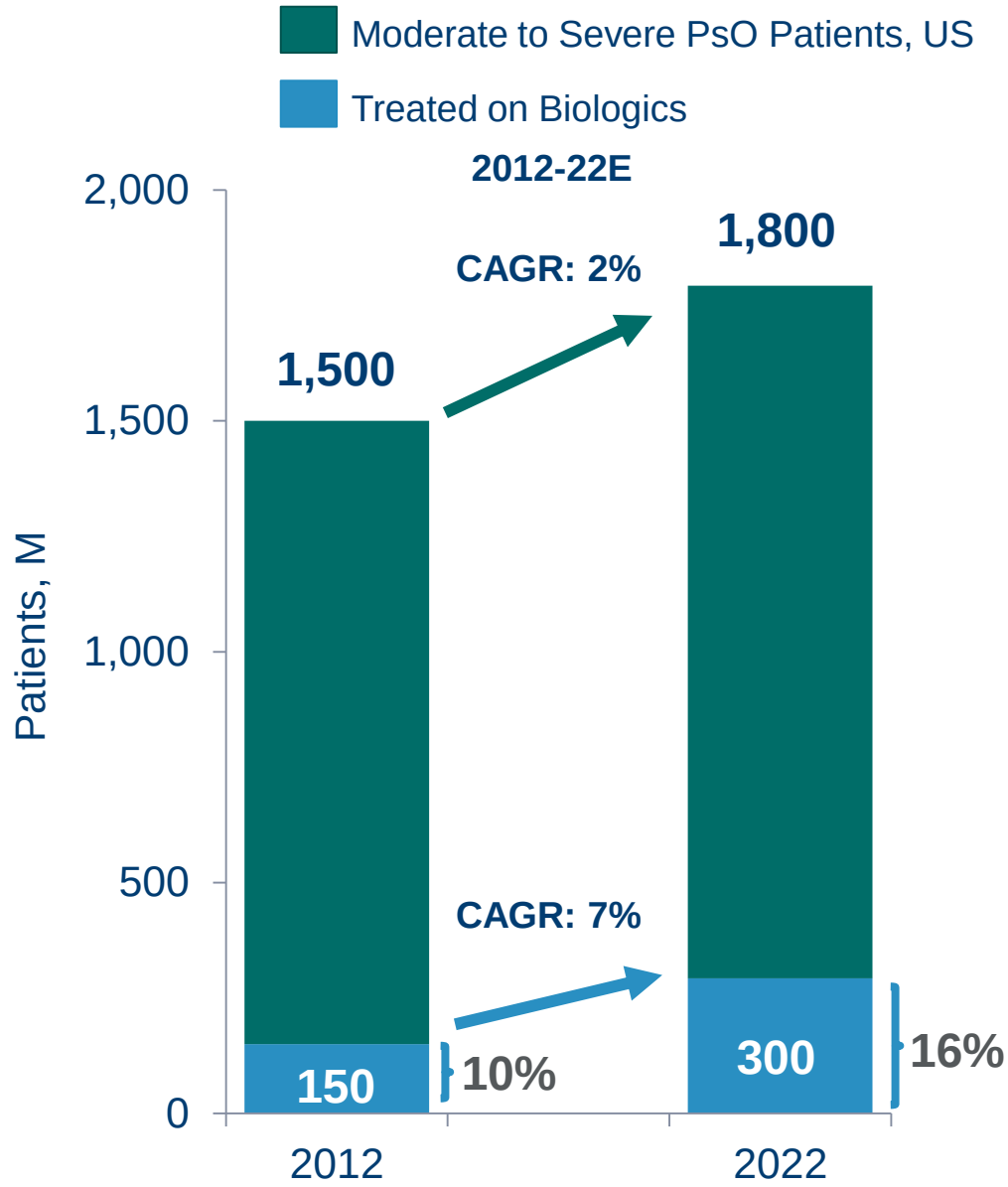


- Large patient population
  - Substantial proportion develop systemic, inflammatory co-morbidities
- Market need persists
  - ~50% of patients dissatisfied with current treatment
  - ≤30% of severe patients not receiving treatment in accordance with guidelines
- Underpenetrated US market
  - Biologic penetration in dermatology remains low relative to other large biologic markets

Source: National Psoriasis Foundation; Armstrong, 2013, JAMA Dermatol; IMS Health; Dermira Company Information, Leerink Partners

Background: Patients Treated on Biologics Are Expected to Double in the Next Ten Years

- Growth from underpenetrated US market
  - We forecast biologics penetration grows from historical use in ~10% of moderate to severe patients to >16% in 2022
- Dermatologists increasingly likely to prescribe biologics
  - IMS scripts for TNFs as well as overall biologics have grown at 12% and 15% CAGRs from 2008 to 2013
- Big players will drive growth with new products, large marketing budgets
  - Since 2009 introduction of Stelara (JNJ [OP]; IL-12/23), market growth has accelerated for all injectable biologics
- $3.4B US market for injectable biologics forecasted to grow to >$6B in 2022



Source: Dermira Company Information, Novartis Meet with Management Presentation, 2014; Leerink Partners

Competition: Evolving Psoriasis Market Landscape

TNFα

Agent	Company	Status
Enbrel (etanercept)	AMGN	Approved
Humira (adalimumab)	ABBV	Approved
Remicade (infliximab)	JNJ	Approved
Cimzia (certolizumab)	Dermira (from UCB)	Ph III (to be initiated 1H15)
Biosimilar Humira	AMGN, NVS (Sandoz), Boehringer, Samsung	Ph III

IL-23/12

Agent	Company	Status
Stelara (ustekinumab)	JNJ	Approved
Tildrakizumab	Sun Pharma (from MRK)	Ph III
Guselkumab	JNJ (Janssen)	Ph III

IL-17

Agent	Company	Status
Secukinumab (IL17 cytokine)	NVS	Filed (PDUFA Jan-2015)
Brodalumab (IL17 receptor)	AMGN	Ph III
Ixekizumab (IL17 cytokine)	LLY	Ph III (Submission 1H15)

Orals

Agent	Company	Status
Otezla (apremilast; PDE4)	CELG	Filed
Xeljanz (tofacitanib; JAK)	PFE	Ph III (complete)

Source: Leerink Partners

Phase 2: Large, 176-Patient Ph 2 Trial Serves as a Solid Foundation for Soon-to-Start Ph 3 Program

LEERINK

Objective

- To evaluate the efficacy and safety of Cimzia in patients with moderate to severe plaque psoriasis

Trial Overview

- 176 patients, randomized, double-blind, Phase 2 placebo-controlled
- 15 centers in France and Germany (Oct 2005 to Nov 2006)
- Study consisted of two periods:
  - Initial 12-week treatment period, primary endpoints: ≥75% improvement from baseline in PASI 75 and Physician Global Assessment (PGA) of clear-almost clear
  - Follow-up observation period without treatment – 12-week duration for non-responders, and until relapse for responders (up to 24 weeks)
- A 12-week re-treatment extension study was offered to Cimzia responders who relapsed during the observation period; patients received the same treatment as they did in the first study (conducted from May 2006 to May 2007)

Source: Dermira Company Information; Leerink Partners

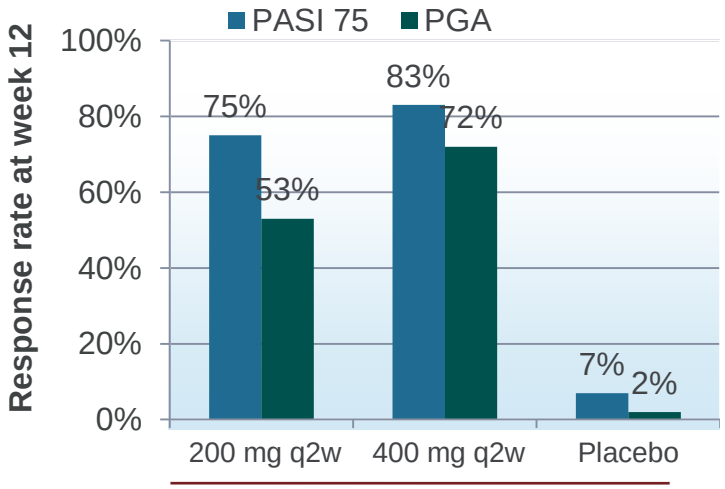
Phase 2: Skin Clearance Data

DERM Objectives

Launch differentiated TNF inhibitor to derms with leading product profile

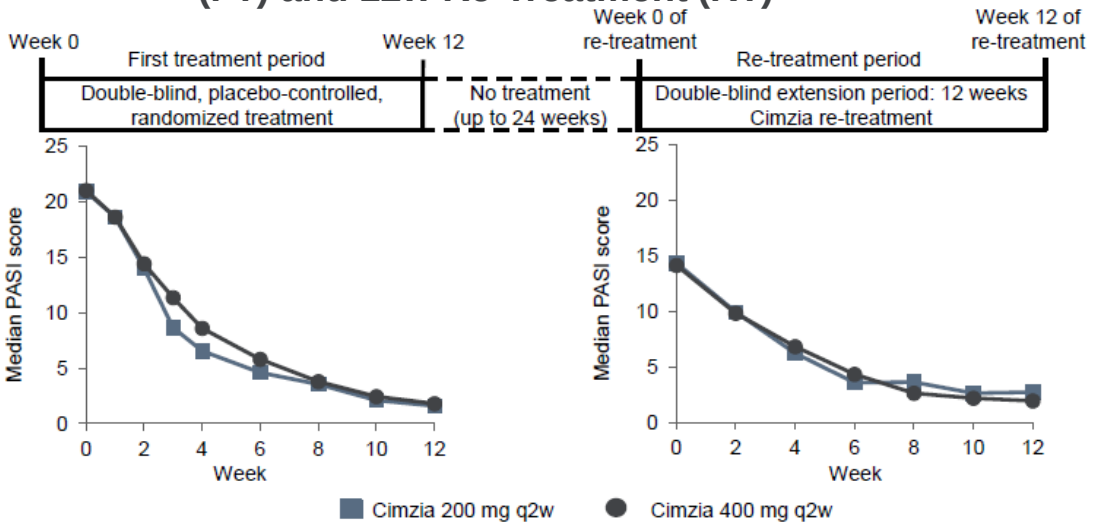
Efficacy comparable to Humira (mAb) with potential safety advantages of Enbrel (non-mAb)

PASI 75 12w RR at Two Doses



Cimzia
Phase 2 clinical trial
Pegylated antibody fragment
(n = 176, p < 0.001)

Median PASI Scores through 12w First Treatment (FT) and 12w Re-Treatment (RT)



Note: PASI 75 = proportion of treated patients who achieved a 75% improvement in the clinical grading scale called the Psoriasis Area and Severity Index. PGA (Physician's Global Assessment) = proportion of patients who achieved clearing or near clearing of psoriasis as rated by the investigator.

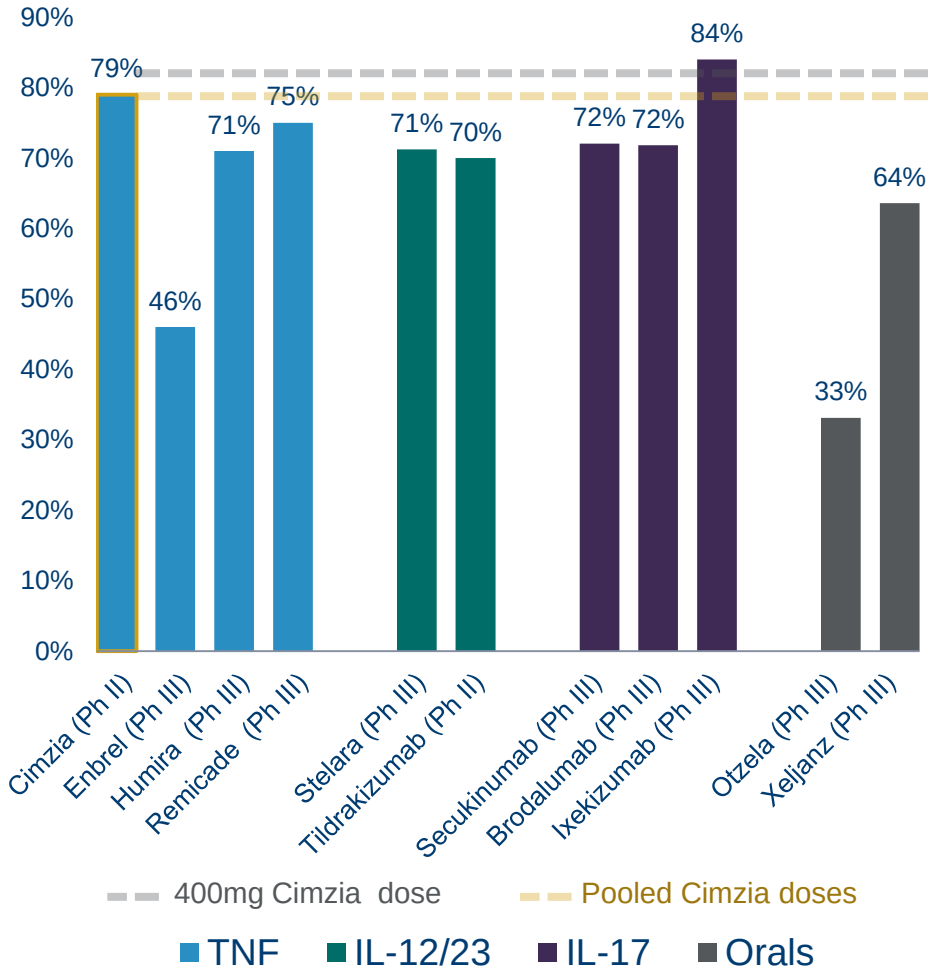
Note: *Intention to Treat (ITT) population shown = all randomized patients (n=176) vs. Per protocol (PP) population = subset of ITT population comprising patients who had no major protocol deviations (n=150). Results from PP population were consistent with ITT population*

Source: Adapted from Reich K, 2012, Br J Dermatol; Dermira Company Information; Leerink Partners

Efficacy: Competitive Position vs. Other Marketed & Development Stage Psoriasis Therapies

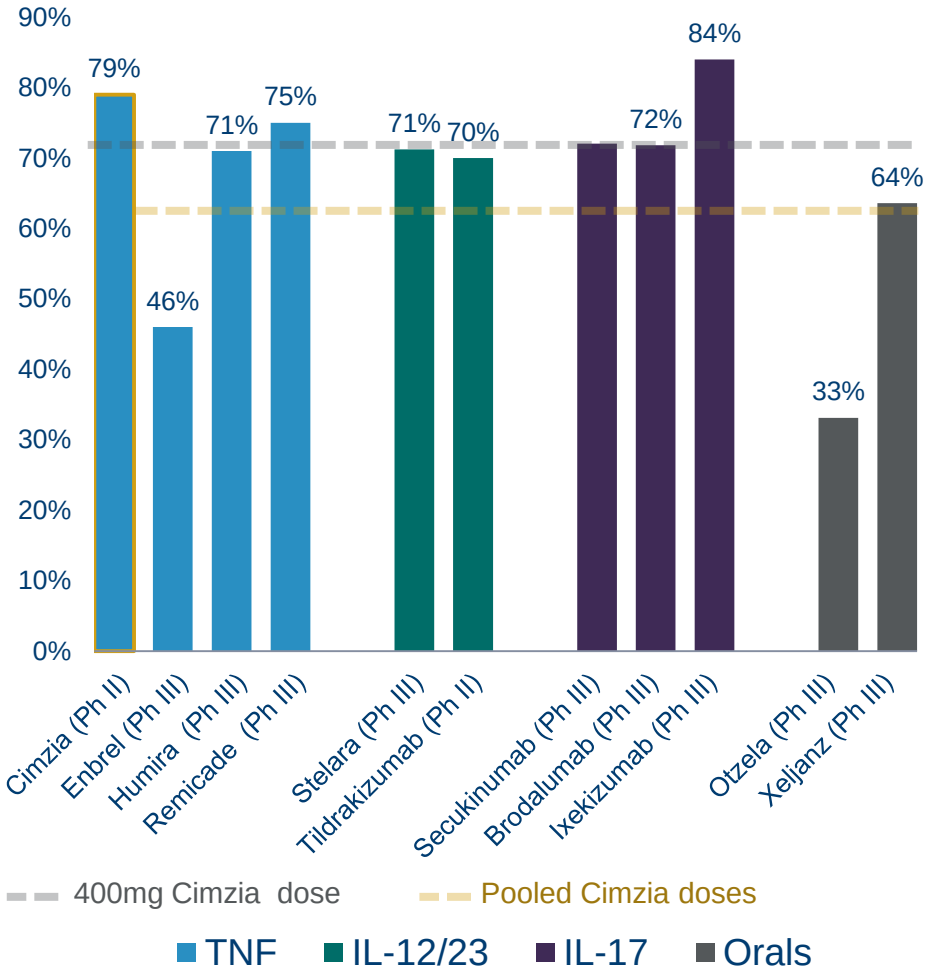
PASI 75 Response Rate at Week 12*

- Tends to be favored by the EMA
- US Dermatologists almost exclusively talk about PASI



PGA Response Rate at Week 12*

- Tends to be Favored by FDA

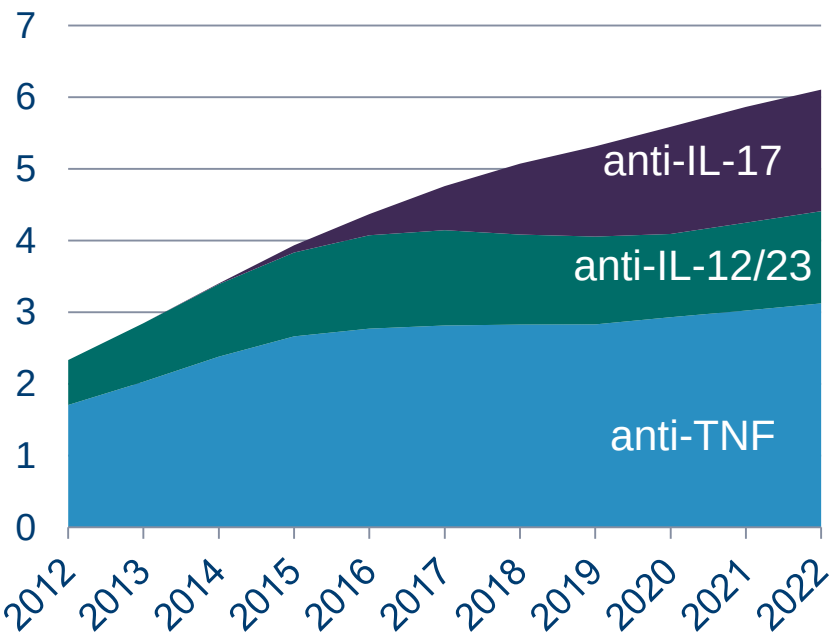


Note: Data from latest phase study with highest patient enrollment used; go-forward doses averaged, if two
Source: ClinicalTrials.gov; Cimzia Company Information; Leerink Partners

KOL Commentary on Psoriasis Tx Classes & Forecasted Evolution of US Market

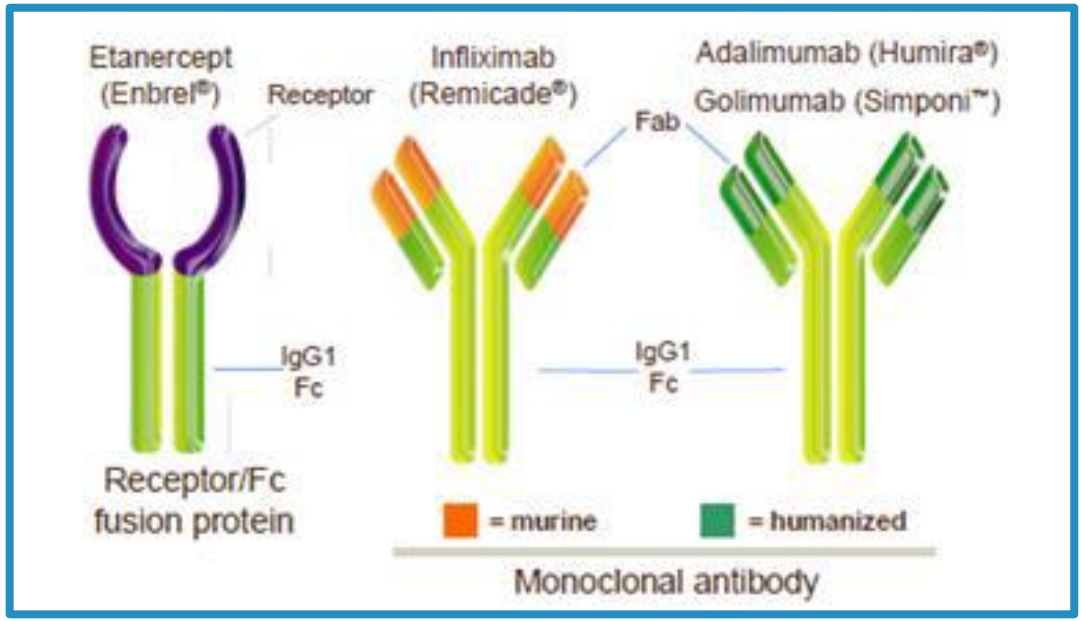
Target	Clinical Benefits	Therapeutic Limitations	Commercial Implications
TNFα	• "High performance" skin clearance • "Favored out of gate" in pts who also display signs of joint pain	• Expense (true for all injectables)	• "Maintain critical place in market" • "Still first line because years of experience"
IL-12/23	• "Good" skin clearance	• "Less established safety profile" • Viewed as "less effective than IL-17s"	• Continued growth until introduction of IL-7 agents
IL-17	• "Expect high performance skin clearance scores and clearance even at PASI-90 and -100 levels"	• "Know from RA trials, that IL-17s are not the same as TNF antagonist in addressing joint pain"	• Rapid uptake expected with heavy promotional spend from number of competitors

US Injectable Psoriasis Market, 2012-22E ($B)

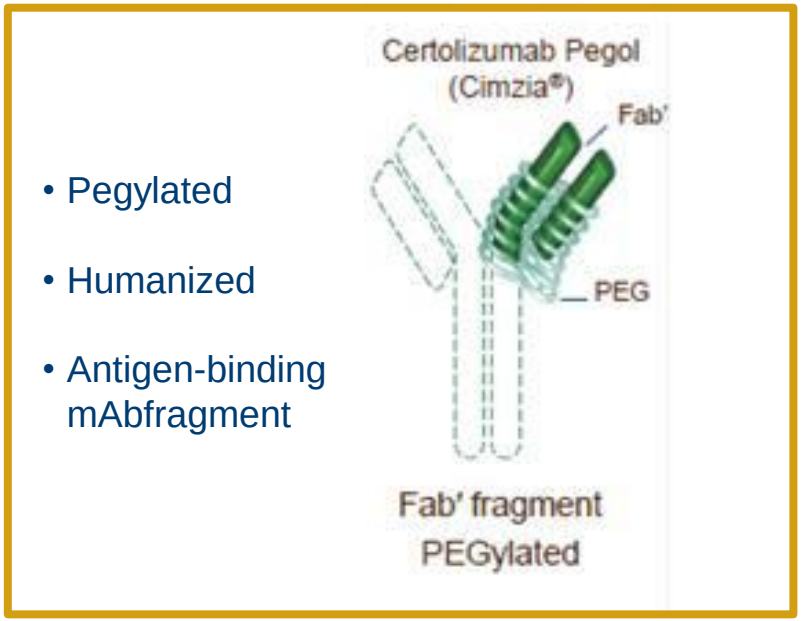


Source: ClinicalTrials.gov; Cimzia Company Information; Leerink Partners

Safety: Cimzia's Mechanism: Differentiated from the anti-TNF Class



All 4 reagents are bivalent, have an active isotype Fc



PEGylated, univalent, and does not have an Fc

Site-specific pegylation, to improve stability in systemic circulation

- PEG (polyethylene glycol); hydrophilic, non-toxic, non-antigenic
- Increases Fab' half-life to ~14 days
- Enhanced penetration into inflamed tissue demonstrated in animal models

Fab' (no Fc region):

- May avoid potential Fc-mediated effects, i.e., complement-dependent cytotoxicity or antibody-dependent cell-mediated cytotoxicity
- Fc medicates active placental transfer of IgGs

Source: Leerink Partners and Company Information

Safety: Phase 2 Safety Suggests Cimzia May Be Able to Differentiate from Humira on Discontinuation Rate

	Cimzia			
	PBO (n=58)	CZP 200 mg Q2W (n=60)	CZP 400 mg Q2W (n=57)	All (N=175)
Total AEs, n	133	156	125	414
Any AE, n (%)	41 (71%)	43 (72%)	40 (70%)	124 (71%)
Led to discontinuation, n (%)	3 (5%)	2 (3%)	2 (4%)[b]	7 (4%)[b]
Serious AEs, n (%)	1 (2%)	2 (3%)	3 (5%)[c]	6 (3%)[c]
Infections, n (%)	0	1 (2%)	2 (4%)	3 (2%)

Humira	Enbrel
~7%	~4%

Note: CZP= Cimzia. The re-treatment period included patients who relapsed after a positive response with CZP during the observation period without treatment. No patients who received PBO met the criteria for relapse or were eligible for enrolment in the re-treatment period. bDoes not include one patient who discontinued due to pregnancy. cDoes not include two patients who reported a pregnancy as a serious AE. Treatment-emergent AEs were defined as having an onset date between first study drug administration and up to 12 weeks after last study drug administration. Safety analysis was performed on all patients who received at least one dose of CZP

Source: Adapted from Reich K, 2012, Br J Dermatol; Product Labels; Dermira Company Information; Leerink Partners

Differentiation: Combining the Attributes of Strong TNF Agents

Agent	Efficacy	Safety	Dosing & Admin
Enbrel	+	++	+
	40-50% PASI 75 @ w12	Types and severity of infection were similar between Enbrel and the respective control group	2x weekly for 3 months, 1x weekly
Humira	++	+	++
	70-80% PASI 75 @ w12	Rx discontinuation 7% vs. 4% Pbo; Serious infections slightly more common than in Pbo	Loading dose week 1, Every other week starting week 2
Cimzia	++(+)	+(+)	++
	75-85% PASI 75 @ w12	Lower discontinuation than Pbo group; Infections slightly more common than in Pbo	Loading dose at week 1, 2 and 4, Every other week

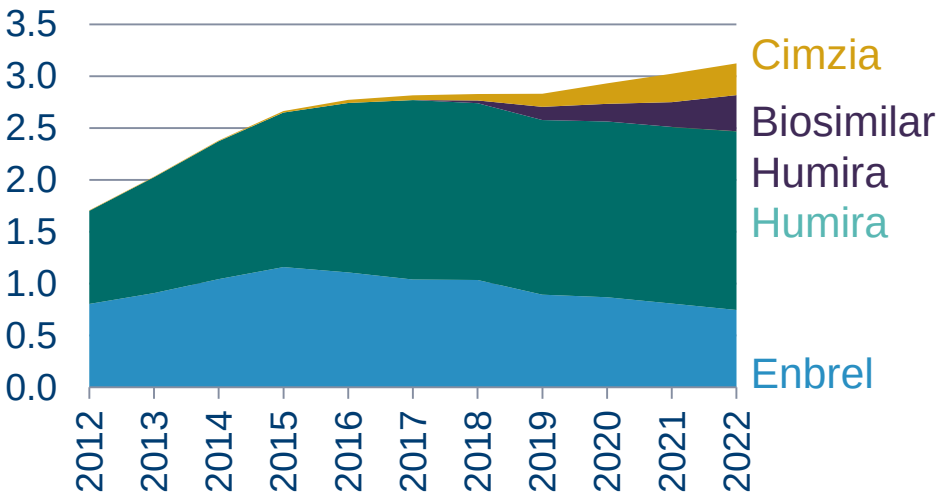
Source: Product Labels; Dermira Company Information; Leerink Partners

KOL Commentary on anti-TNFs & Forecasted Evolution of US anti-TNF Market

Agent	Clinical Benefits	Therapeutic Limitations	Commercial Implications
Enbrel	• "Long safety track record"	• "Humira edges out Enbrel in pts with PsA because of improved efficacy and dosing profile"	• "Humira favored" • Market share (of TNFs) has dropped from 56% to 43% from 2010 to 2014
Humira	• "High performance skin clearing drug" • Helpful for psoriatic arthritis	• Tolerability somewhat less favorable than Enbrel (non-mAb)	• Dermatologists' top choice • Market share (of TNFs) has risen from 44% to 57% from 2010 to 2014
Biosimilar Humira	• Expense	• "Physician's trust" • "If anything will reduce price by a third"	• Will be driven by payers and price sensitivity
Remicade	• Good skin clearance	• Outlier due need for infusion	• "Rarely used by dermatologists" • "Only in last-line setting"
Cimzia	• **"Ph 2 suggests pot'l for class-leading skin clearance"**	• **Later-to-market**	• **"Patients who do not respond on Humira"**

Source: ClinicalTrials.gov; Dermira Company Information; Leerink Partners

US anti-TNF Market, 2012-22E



Source: Leerink Partners Estimates

Anti-TNF Class: Competitive Profiles

TNFα

Agent	Company	Status	Label	Dosing	Gross Price per Year (2010-14 YoY Price Increase)
Enbrel (etanercept)	AMGN	Approved	treatment of adult patients (18 years or older) with chronic moderate to severe plaque psoriasis (PsO) who are candidates for systemic therapy or phototherapy	50 mg twice weekly for 3 months, followed by 50 mg once weekly	$34K (13%)
Humira (adalimumab)	ABBV	Approved	treatment of adult patients with moderate to severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy, and when other systemic therapies are medically less appropriate	80 mg initial dose, followed by 40 mg every other week starting one week after initial dose.	$33K (13%)
Remicade (infliximab)	JNJ	Approved	treatment of adult patients with chronic severe (i.e., extensive and/or disabling) plaque psoriasis who are candidates for systemic therapy and when other systemic therapies are medically less appropriate	5 mg/kg at 0, 2 and 6 weeks, then every 8 weeks	$23K (8%)
Cimzia (certolizumab)	Dermira (from UCB)	Ph III (to be initiated 1H15)	n/a	400 mg initially and at week 2 and 4, followed by 200 mg or 400 mg every other week; for maintenance dosing	$36K (16%)
Biosimilar Humira	Multiple	Ph III	*(see Humira)*	*(see Humira)*	Expected to be ~1/3 lower

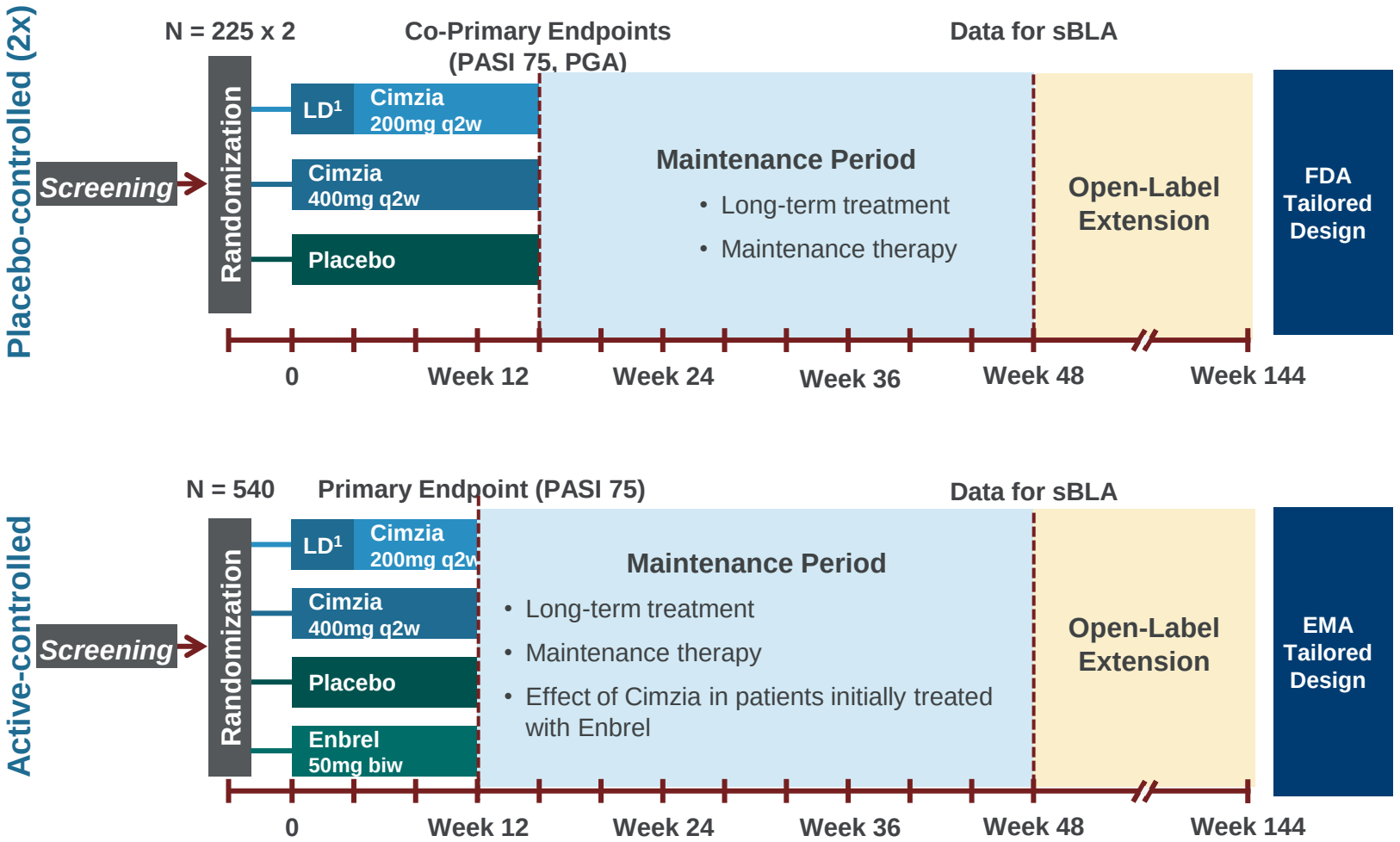
Source: PriceRx; Product Labels; Leerink Partners

Anti-TNF Class: Cross Trial Efficacy

Drug	Trial	Phase	Arm	n	PASI 75	PASI 90	PASI 100	PGA (0 or 1)	Endpoint (weeks)	Prior systemic threapy	Prior biologic	Dosing frequency
TNF-alpha												
Enbrel	Study I	III	25 mg	169	14%			21%	12			1x wkly, SC
(etanercept; AMGN)			25 mg	167	32%			32%	12	61-65%		2x wkly, SC
			50 mg	168	47%			47%	12			2x wkly, SC
			Placebo	168	4%			5%	12			2x wkly, SC
	Study II	III	25 mg	204	32%			37%	12			2x wkly, SC
			50 mg	203	46%			54%	12	71-75%		2x wkly, SC
			Placebo	204	3%			3%	12			2x wkly, SC
Humira	Ps-I	III	40 mg	814	71%			62%	16			every 2 wks
(adalimumab; ABBV)			Placebo	398	7%			4%	16			every 2 wks
	Ps-II	III	40 mg	99	78%			71%	16			every 2 wks
			Placebo	48	19%			10%	16			every 2 wks
Remicade	Study I	III	5 mg/kg	310	80%			80%	10	71%		wks 0, 2, 6, then every 8
(infliximab; JNJ)			Placebo	77	3%			4%	10			wks 0, 2, 6, then every 8
	Study II	III	3 mg/kg	313	70%			69%	10			wks 0, 2, 6, then every 8
			5 mg/kg	314	75%			75%	10	55%		wks 0, 2, 6, then every 8
			Placebo	208	2%			1%	10			wks 0, 2, 6, then every 8
	Study III	III	3 mg/kg	99	72%			72%	10			wks 0, 2, 6, then every 8
			5 mg/kg	99	88%			90%	10	100%		wks 0, 2, 6, then every 8
			Placebo	51	6%			10%	10			wks 0, 2, 6, then every 8
Cimzia		II	200 mg	59	75%	39%		53%	12			every 2 wks, up to wk 10
(certolizumab pegol; DERM)			400 mg	58	83%	47%		72%	12			every 2 wks, up to wk 10
			Placebo	59	7%	2%		2%	12			every 2 wks, up to wk 10

Source: Data Labels and Ph II / III Data Publications; Leerink Partners

Phase 3 Design: Reflective of FDA, EMA Feedback After End or Phase 2



- PGA favored by FDA

- PASI 75 favored by the EMA
- EMA had no contention with Enbrel as comparator
- 3(dose #1) : 3(dose #2) : 3(Enbrel) : 1(placebo) randomization is sufficiently powered for P < 0.05 for each dose

LD = loading dose of Cimzia: 400 mg at start of treatment (week 0), week 2 and week 4.
Source: Dermira Company Information; Leerink Partners

Phase 3 Design: Cimzia's Phase 3 Trial Design Compared With IL-17 Antibodies

Agent	Doses	Study Name	Comparator	Patients	Primary Outcome	Readout	NCT
Cimzia	200, 400 mg q2w	--	Placebo	~550	PASI75 @ w16 PGA @ w16	Mid-2017	**FDA Tailored Design**
		--	Placebo				
		--	Enbrel	~550	PASI75 @ w12		**EMA Tailored Design**
Brodalumab	140, 210 mg	AMAGINE-1	Placebo	661	PASI @ w12 PGA @ w12	Comp	NCT01708590
		AMAGINE-2	Stelara	1831		4Q14	NCT01708603
		AMAGINE-3		1881		4Q14	NCT01708629
Ixekizumab	80 mg q4w, q12w	UNCOVER-1	Placebo	1416		Topline Comp	
	80 mg q2w, q4w	UNCOVER-2	Enbrel	1225	PASI75/100 @ w12		NCT01597245
		UNCOVER-3	Enbrel	1225	PASI75/100 @ w12		NCT01646177
Secukinimab	150 mg	ERASURE	Placebo	739	PASI75 @ w12 PGA @ w12	Comp	NCT01365455
	150, 300 mg	SCULPTURE	Placebo	967	PASI75 @ w12	Comp	NCT01406938
	150, 300 mg	FIXTURE	Enbrel	1264	PASI @ w12	Comp	NCT01358578
	300 mg	--	Stelara	679	PASI90 @ 16w	Comp	NCT02074982

Source: ClinicalTrials.gov; Dermira Company Information; Leerink Partners

Triangulated Patient/ Script-Based Psoriasis (Cimzia) Market Model (p1)

	Assumptions	2018	2019	2020	2021	2022	2023	2024	2025	2026
US Psoriasis (PsO) Market										
PsO patients (1000s)		8,446	8,615	8,744	8,876	8,964	9,054	9,054	9,054	9,054
Growth Rate	*2%*	*2%*	*2%*	*1.5%*	*1.5%*	*1%*	*1%*	*0%*	*0%*	*0%*
Moderate to Severe	20%	1689	1723	1749	1775	1793	1811	1811	1811	1811
% Diagnosed	70%	1182	1206	1224	1243	1255	1268	1268	1268	1268
% Treated with Injectables		227	243	259	276	293	311	326	343	360
Growth Rate	5%	19%	20%	21%	22%	23%	25%	26%	27%	28%
TNF Market										
Total PsO pts treated with anti-TNF		125	129	135	142	151	160	168	176	185
% Total PsO pts		*55%*	*53%*	*52%*	*52%*	*52%*	*52%*	*52%*	*52%*	*52%*
Total anti-TNF sales		**2,828**	**2,831**	**2,931**	**3,024**	**3,124**	**3,258**	**3,366**	**3,475**	**3,610**
IL-12/23 Market										
Total PsO pts rtreated with anti-IL-12/23		57	56	54	57	61	64	68	71	75
% Total PsO pts		*25%*	*23%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*
Stelara market share		100%	100%	100%	100%	100%	100%	100%	100%	100%
Stelara sales in PsO (compliance adj.)	75%	**1,256**	**1,225**	**1,161**	**1,225**	**1,286**	**1,350**	**1,403**	**1,459**	**1,516**
IL-17 Market										
Total PsO pts treated with anti-IL-17		46	59	70	77	81	86	91	95	100
% Total PsO pts		*20%*	*24%*	*27%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*
IL-17 sales in PsO (compliance adj.)	75%	**989**	**1,258**	**1,494**	**1,615**	**1,696**	**1,780**	**1,851**	**1,924**	**2,000**

Source: Leerink Partners

Triangulated Patient/ Script-Based Psoriasis (Cimzia) Market Model (p2)

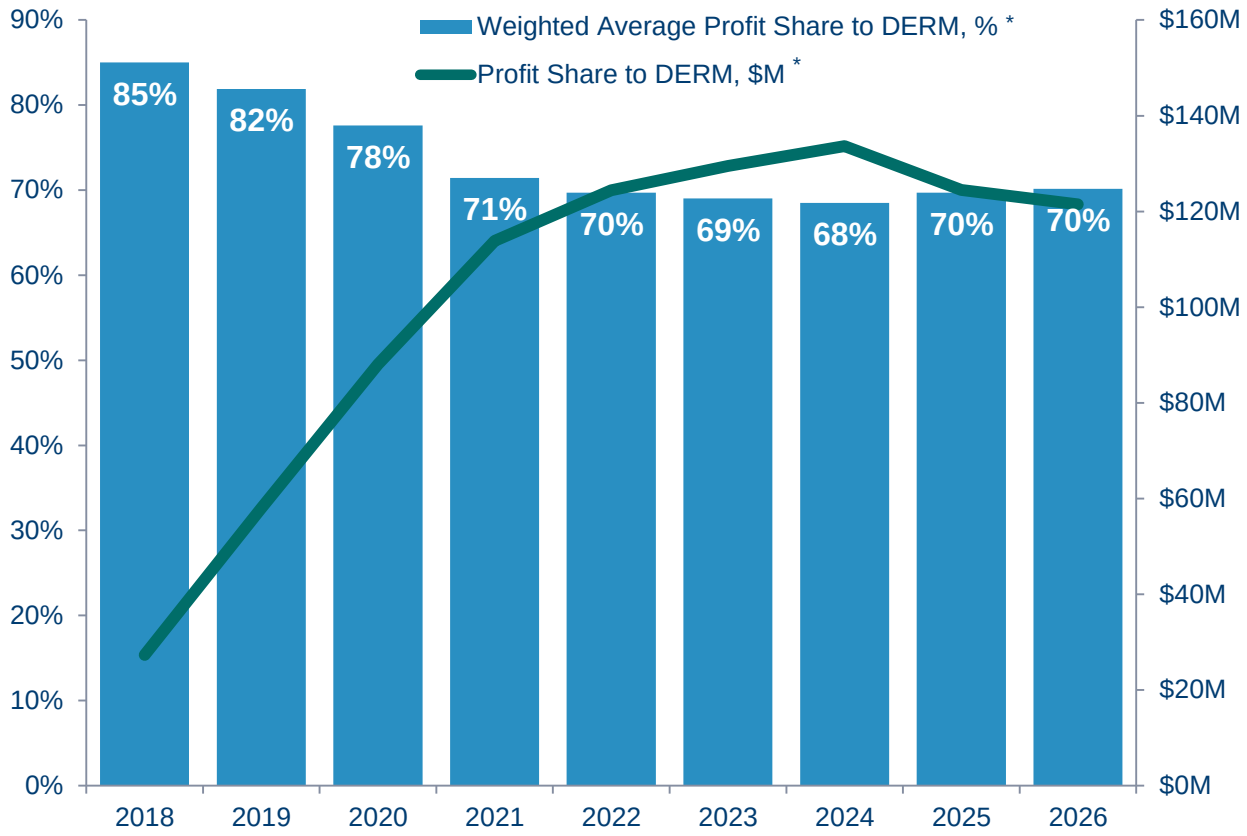
	Assumptions	2018	2019	2020	2021	2022	2023	2024	2025	2026
TNF Market										
Total PsO pts treated with anti-TNF		125	129	135	142	151	160	168	176	185
% Total PsO pts		*55%*	*53%*	*52%*	*52%*	*52%*	*52%*	*52%*	*52%*	*52%*
Enbrel market share		36%	30%	28%	25%	22%	21%	20%	20%	20%
Enbrel sales in PsO ($M) (compliance adj.)	75%	**1,036**	**894**	**869**	**808**	**747**	**748**	**741**	**770**	**801**
Humira market share		61%	59%	57%	55%	53%	52%	51%	50%	50%
Humira sales in PsO (compliance adj.)	75%	**1,704**	**1,684**	**1,694**	**1,703**	**1,723**	**1,775**	**1,809**	**1,844**	**1,917**
ABBV										
Cimzia market share		2%	4%	6%	8%	9%	9%	9%	8%	7%
Treated with Cimzia		2	5	8	11	13	14	14	13	13
Cost per year (gross to net adj.)	80%	33,085	32,754	32,426	32,102	31,781	31,463	31,149	30,837	30,529
Growth Rate		0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Cimzia sales in PsO (compliance adj.)	75%	**62**	**126**	**197**	**274**	**306**	**321**	**334**	**306**	**297**
Cimzia sales to Dermatolotists	75%	**46**	**95**	**148**	**206**	**229**	**241**	**250**	**230**	**223**
Biosimilar Humira market share		2%	7%	9%	12%	17%	19%	21%	23%	23%
Biosimilar Humira sales in PsO (compliance a	75%	**27**	**127**	**170**	**239**	**348**	**414**	**482**	**555**	**596**
Total anti-TNF sales		**2,828**	**2,831**	**2,931**	**3,024**	**3,124**	**3,258**	**3,366**	**3,475**	**3,610**

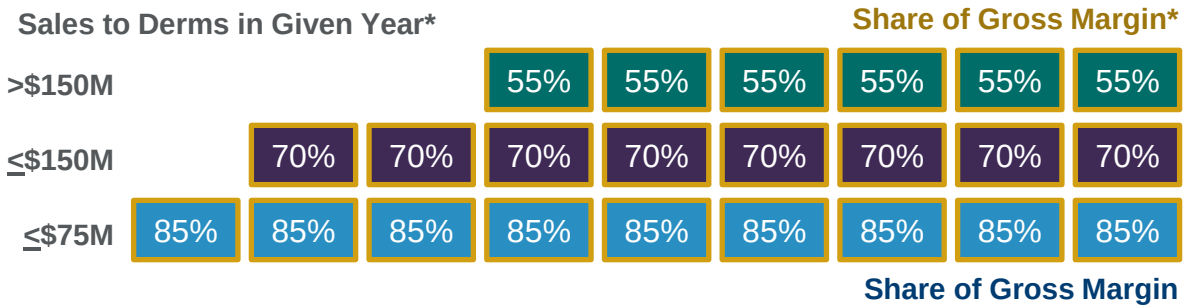
Commercial Launch	2018E
Peak Sales Year	2024E
Gross to Net Adjusted	20%
Pricing	Estimated in Line with other TNF inhibitors

Source: Leerink Partners

UCB Partnership: Attractive Collaboration Structure Gives Dermira Disproportionate Share of Early Revenue

- Dermira receives share of gross margin from Cimzia sales attributed to dermatologists for all indications in US, Canada
- Share of gross margin tiered based upon increasing levels of annual net sales attributed to dermatologists in a given year
- Dermira retains **higher share of gross margin initial sales dollars**
- Though Dermira does not get credit for Cimzia PsO use if not prescribed by a dermatologist, **once the PsO indication is established, the company will benefit from any dermatologist prescriptions whether for PsA or not**
- **Dermira is likely to have a "running start" in 2018** as current IMS scripts among derms show some adoption likely to occur prior to PsO indication





Note: *Specific tier cutoffs and share of gross margins reflect Leerink assumptions/ estimates
Source: Leerink Partners and Dermira SEC Filings

UCB Partnership: Strategically, UCB Involvement Allows Dermira to Leverage Presence in the Broader TNF Market

LEERINK

Partnership Specifics

Structure	• International co-development partnership • Following approval in psoriasis, Dermira promotes to dermatologists in US, Canada • UCB retains all other commercial rights
Development	• Development milestones offset a substantial portion of the costs of Ph 3 development program
Infrastructure	• Work side by side for market access, coverage • Factored into gross profit calculation yet expected to be low-mid single digit $M

UCB contribution	• $109.5M in cash and equity investment
	  • Investing $7.5M in IPO, in addition to prior $12.5M equity investment
	  • Up to $36M development milestone payments
	  • Up to $40M commercial + $13.5M EU approval milestone payments

Strategic Value

- UCB's Investment in **Further Supporting Clinical Benefits** in Joint Pain (RA superiority study vs. Humira)
- Pricing, Contracting, and Market Access **Expertise**
- **Contracting Position**, Given Cimzia Approval in 4+ Indications
- **Equity Investment** Ensures Further Incentive Alignment
- Nonetheless, **Dermira Retains Promotional Control to Derms** in Market Expect to Respond to Derm-Oriented Promotion

Source: Dermira Company Information; Leerink Partners

Dermira - Income Statement Analysis 2013-2022E

($ in Millions, Except EPS)															CAGR
(Year Ended December 31)	**2013A**	**1Q14A**	**2Q14A**	**3Q14E**	**4Q14E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**'18E-22E**
Product Revenue (POS adj.)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**61**	**147**	**232**	**319**	
DRM04	-	-	-	-	-	-	-	-	-	9	23	61	102	148	100%
DRM01	-	-	-	-	-	-	-	-	-	-	38	86	131	171	NM
Other DRM Pipeline	-	-	-	-	-	-	-								NM
Royalty Revenue (POS adj.)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25**	**52**	**79**	**102**	**112**	
Cimzia Royalty (from UCB)	-	-	-	-	-	-	-	-	-	25	52	79	102	112	
Other Revenue (POS adj.)	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**18**	**-**	**22**	**10**	**10**	**-**	
Total Revenue Incl 1x Milestones	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**18**	**34**	**135**	**236**	**345**	**431**	
Total Revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34**	**113**	**226**	**335**	**431**	**89%**
Growth (% y/y)												***1***	***0***	***0***	
COGS	-	-	-	-	-	-	-	-	-	2	9	24	38	54	120%
COGS (% of sales)								*nm*	*nm*	*0*	*0*	*0*	*0*	*0*	
Gross Profit	-	-	-	-	-	-	9	9	18	32	125	212	306	377	**86%**
Gross Profit (% of sales)						*nm*	*nm*	*nm*	*nm*	*1*	*1*	*1*	*1*	*1*	
SG&A	4	2	2	2	3	8	12	14	32	73	91	91	134	151	20%
SG&A (% of sales)						*nm*	*nm*	*nm*	*nm*	*2*	*1*	*0*	*0*	*0*	
SG&A (% of OpEx)						*0*	*0*	*0*	*0*	*1*	*1*	*1*	*1*	*1*	
G&A	4	2	2	2	3	8	12	14	18	22	26	18	74	91	
G&A (% of sales)							*nm*	*nm*	*nm*	*1*	*0*	*0*	*0*	*0*	
Cimzia launch costs									4	14	11	9			
DRM04 launch costs									3	8	6	6			
DRM01 launch costs										3	4	4			
Sales Force									8	27	45	54	60	60	
R&D	18	7	7	9	12	35	66	69	54	40	35	50	67	86	21%
R&D (% of sales)						*nm*	*nm*	*nm*	*nm*	*1*	*0*	*0*	*0*	*0*	
Operating Income	(22)	(9)	(9)	(11)	(15)	(43)	(69)	(74)	(68)	(82)	(1)	71	105	140	NM
Operating Margin (% of sales)										*(2)*	*(0)*	*0*	*0*	*0*	
Total Interest and Other Income/ (Expense)	(0)	-	(0)	-	-	(0)	-	-	-	-	-	-	-	-	
Pre-tax Income	(22)	(9)	(9)	(11)	(15)	(43)	(69)	(74)	(68)	(82)	(1)	71	105	140	
Change in Unrealized Gain / loss															
Taxes											-	-	-	-	NM
Rate (% of pre-tax income)											-	-	-	-	
Net Income	**(22)**	**(9)**	**(9)**	**(11)**	**(15)**	**(43)**	**(69)**	**(74)**	**(68)**	**(82)**	**(1)**	**71**	**105**	**140**	
EPS	**($2.31)**	**($0.88)**	**($0.80)**	**($0.67)**	**($0.59)**	**($2.78)**	**($2.80)**	**($3.01)**	**($2.28)**	**($2.76)**	**($0.03)**	**$2.40**	**$3.56**	**$4.72**	
Average Shares Outstanding	10	9.7	11.0	16.3	24.6	15.4	24.6	24.6	29.6	29.6	29.6	29.6	29.6	29.6	

Source: Leerink Partners and Company Reports

Dermira - Income Statement Analysis 2013-2026E

($ in Millions, Except EPS)															CAGR
(Year Ended December 31)	**2013A**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**'18E-22E**
Product Revenue (POS adj.)	**-**	**-**	**-**	**-**	**-**	**9**	**61**	**147**	**232**	**319**	**372**	**427**	**458**	**503**	
DRM04	-	-	-	-	-	9	23	61	102	148	180	200	209	231	100%
DRM01	-	-	-	-	-	-	38	86	131	171	192	227	249	272	NM
Other DRM Pipeline	-	-	-												NM
Royalty Revenue (POS adj.)	**-**	**-**	**-**	**-**	**-**	**25**	**52**	**79**	**102**	**112**	**117**	**120**	**112**	**109**	
Cimzia Royalty (from UCB)	-	-	-	-	-	25	52	79	102	112	117	120	112	109	
Other Revenue (POS adj.)	**-**	**-**	**9**	**9**	**18**	**-**	**22**	**10**	**10**	**-**	**-**	**-**	**-**	**-**	
Total Revenue Incl 1x Milestones	**-**	**-**	**9**	**9**	**18**	**34**	**135**	**236**	**345**	**431**	**488**	**547**	**570**	**612**	
Total Revenue	**-**	**-**	**-**	**-**	**-**	**34**	**113**	**226**	**335**	**431**	**488**	**547**	**570**	**612**	**89%**
Growth (% y/y)								***1***	***0***	***0***	***0***	***0***	***0***	***0***	
COGS	-	-	-	-	-	2	9	24	38	54	64	73	77	85	120%
COGS (% of sales)				*nm*	*nm*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Gross Profit	-	-	9	9	18	32	125	212	306	377	424	475	493	527	**86%**
Gross Profit (% of sales)		*nm*	*nm*	*nm*	*nm*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	
SG&A	4	8	12	14	32	73	91	91	134	151	161	170	171	171	20%
SG&A (% of sales)		*nm*	*nm*	*nm*	*nm*	*2*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
SG&A (% of OpEx)		*0*	*0*	*0*	*0*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	
G&A	4	8	12	14	18	22	26	18	74	91	101	110	111	111	
G&A (% of sales)			*nm*	*nm*	*nm*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Cimzia launch costs					4	14	11	9							
DRM04 launch costs					3	8	6	6							
DRM01 launch costs						3	4	4							
Sales Force					8	27	45	54	60	60	60	60	60	60	
R&D	18	35	66	69	54	40	35	50	67	86	98	109	114	122	21%
R&D (% of sales)		*nm*	*nm*	*nm*	*nm*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Operating Income	(22)	(43)	(69)	(74)	(68)	(82)	(1)	71	105	140	165	196	208	233	NM
Operating Margin (% of sales)						*(2)*	*(0)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Total Interest and Other Income/ (Expense)	(0)	(0)	-	-	-	-	-	-	-	-	-	-	-	-	
Pre-tax Income	(22)	(43)	(69)	(74)	(68)	(82)	(1)	71	105	140	165	196	208	233	
Change in Unrealized Gain / loss															
Taxes							-	-	-	-	1	11	16	25	NM
Rate (% of pre-tax income)							-	-	-	-	*0*	*0*	*0*	*0*	
Net Income	**(22)**	**(43)**	**(69)**	**(74)**	**(68)**	**(82)**	**(1)**	**71**	**105**	**140**	**164**	**184**	**192**	**209**	
EPS	**($2.31)**	**($2.78)**	**($2.80)**	**($3.01)**	**($2.28)**	**($2.76)**	**($0.03)**	**$2.40**	**$3.56**	**$4.72**	**$5.55**	**$6.21**	**$6.48**	**$7.04**	
Average Shares Outstanding	10	15.4	24.6	24.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	

Source: Leerink Partners and Company Reports

Disclosures Appendix

Analyst Certification

I, Seamus Fernandez, 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 09/30/14			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	138	69.30	51	37.00
HOLD [MP]	61	30.70	2	3.30
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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