

Dermira, Inc.

DERM - BUY - Positive DRM04 Data Gives Competitors Something to Sweat About

February 6, 2015

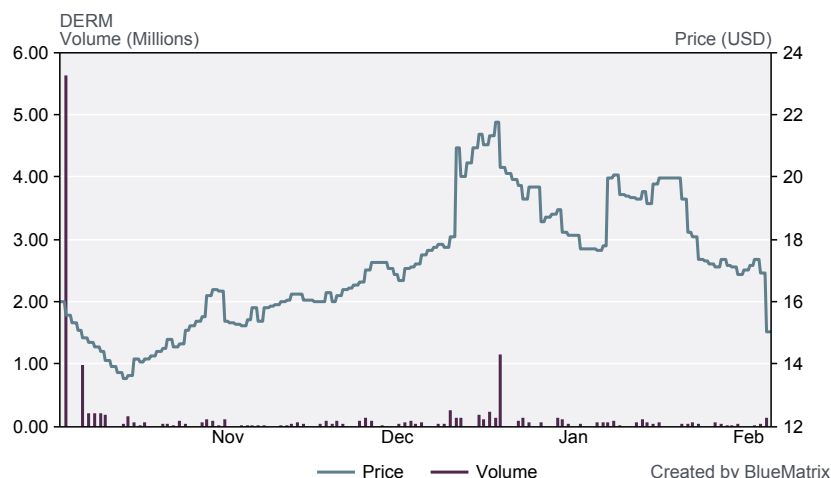
- Conclusion:** We believe DERM's announcement of positive Phase 2b results from its DRM04-HH02 study supports our investment thesis that stock price appreciation will be driven by upwards earnings revisions because: 1) we expect total company sales to reach ~\$500MM by 2021, from DERM's portfolio of three late-stage assets; and 2) these drugs address large unmet needs in the \$21B dermatology market. Also, DERM is an attractive company in a consolidating industry (supports our valuation), in our view. We estimate DRM04 has peak sales potential \$128MM+.
- DRM04 will be used to treat primary axillary hyperhidrosis; it will be a once-a-day wipe, with efficacy approaching systemics, but less irritation compared to topical aluminum chloride and less invasive than Botox. DRM04 has a validated Mechanism of Action. See page 3 for details.
- Hyperhidrosis is excessive sweating beyond what is required to maintain normal thermal regulation. It can affect the axillae (underarms), palms of the hands, soles of the feet, face, and other areas. See page 6 for details.
- Dermira's Phase 2 hyperhidrosis program included two randomized, double-blind, vehicle-controlled Phase 2b clinical trials in ~300 patients with severe, primary axillary hyperhidrosis. The results of the second Phase 2b study (DRM04-HH02) were consistent with the results of the previous Phase 2b study. See pages 3 to 5 for details.
- Potential Catalysts:** 1) Cimzia Ph3 data in '17, approval in '18; 2) DRM04 initiation of Ph3 trials 2H15; 3) DRM01 initiation of Ph2b trial 1H15, results in ~1H16.

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DERM BUY

COMPANY UPDATE

SHARE PRICE	\$15.73				
PRICE TARGET	\$22.00				
Revenue (\$M) (FY Dec)	1Q	2Q	3Q	4Q	FY
2013	—	—	—	—	0.0
2014	0.0	0.0	0.0	0.0E	0.0E
2015	—	—	—	—	12.0E
Adjusted EPS (\$)	1Q	2Q	3Q	4Q	FY
2013	—	—	—	—	(2.31)
P/E					NM
2014	(0.82)	(0.80)	(0.57)	(0.70)E	(2.89)E
P/E					NM
2015	—	—	—	—	(2.68)E
P/E					NM
Market Data & Valuation Multiples					
52-Week Range				\$12.68 - \$22.94	
Shares Out (M)				24.6	
Market Cap (M)				\$387	
ADV (3 mo: 000)				84	



SCENARIO	VALUATION	INVESTMENT THESIS
Bull Case	2021E EPS: \$6.00 12-Month Bull-Case Scenario: \$35 Probability: 14% Upside/Downside Potential: 123%	<ul style="list-style-type: none"> • Cimzia launch in 2018, 2021 sales of \$140.7 million • DRM04 launch in 2018, 2021 sales of \$145.3 million • DRM01 launch in 2019, 2021 sales of \$330.1 million • Accretive business development and/or M&A
Base Case	2021E EPS: \$4.83 12-Month Bull-Case Scenario: \$22 Probability: 73% Upside/Downside Potential: 40%	<ul style="list-style-type: none"> • Cimzia launch in 2018, 2021 sales of \$113.5 million • DRM04 launch in 2018, 2021 sales of \$127.7 million • DRM01 launch in 2019, 2021 sales of \$241.7 million • No business development and/or M&A
Bear Case	2021E EPS: \$4.00 12-Month Bull-Case Scenario: \$12 Probability: 13% Upside/Downside Potential: -24%	<ul style="list-style-type: none"> • Cimzia launch in 2018, 2021 sales of \$95.2 million • DRM04 launch in 2018, 2021 sales of \$110.3 million • DRM01 launch in 2019, 2021 sales of \$180.7 million • No business development and/or M&A

Source: Guggenheim Securities, LLC

VALUATION METHODOLOGY AND RISKS

We use Discounted Cash Flow (DCF) to get to our 12-month price target of \$22. We use a WACC of 20% and an exit multiple of 6 times forward EBIT. Risks to our valuation include: 1) Larger companies with more resources developing dermatology products that compete with DERM; 2) Pipeline setbacks; 3) Actions taken by development partners on collaborations; and 4) Competition to Cimzia, DRM 01 and DRM04 coming to market before DERM's products.

DRM04: Topical Hyperhidrosis Therapy with Opportunity for First-Line Treatment

New Product Class Targeting Significant Unmet Need in Large Patient Population

- Topical formulation of small molecule anticholinergic agent approved for systemic administration in other indications
- DRM04 will be used to treat primary axillary hyperhidrosis; it will be a once-a-day wipe, with efficacy approaching systemics, but less irritation compared to topical aluminum chloride and less invasive than Botox, good tolerability with no significant systemic or local side effects
- Validated MOA (Mechanism of Action), inhibition of sweat production by blocking acetylcholine neurotransmission

Indication	Global Market Size	Current Treatments	Dermira Solution
Hyperhidrosis	Up to \$16 billion spent on antiperspirants, injected botulinum, devices and surgery annually	•Antiperspirants - ~\$14 billion to \$16 billion in annual sales, over 500k Rx's annually for prescription-strength antiperspirants •Injected Botulinum - \$100 million annually in hyperhidrosis sales •Devices - <\$50 million in annual sales •Surgery - \$100 million in annual sales	DRM04 - topical small molecule anticholinergic agent. Could offer advantages over botulinum and orals. Entering Phase 3 trials for axillary hyperhidrosis, which affects ~50% of all hyperhidrosis patients.

Source: Dermira S-1 dated 9/12/14, pages 99 and 117 - 119, Guggenheim estimates

Clinical POC (Proof of Concept) established (Phase 2a data) with reference agent

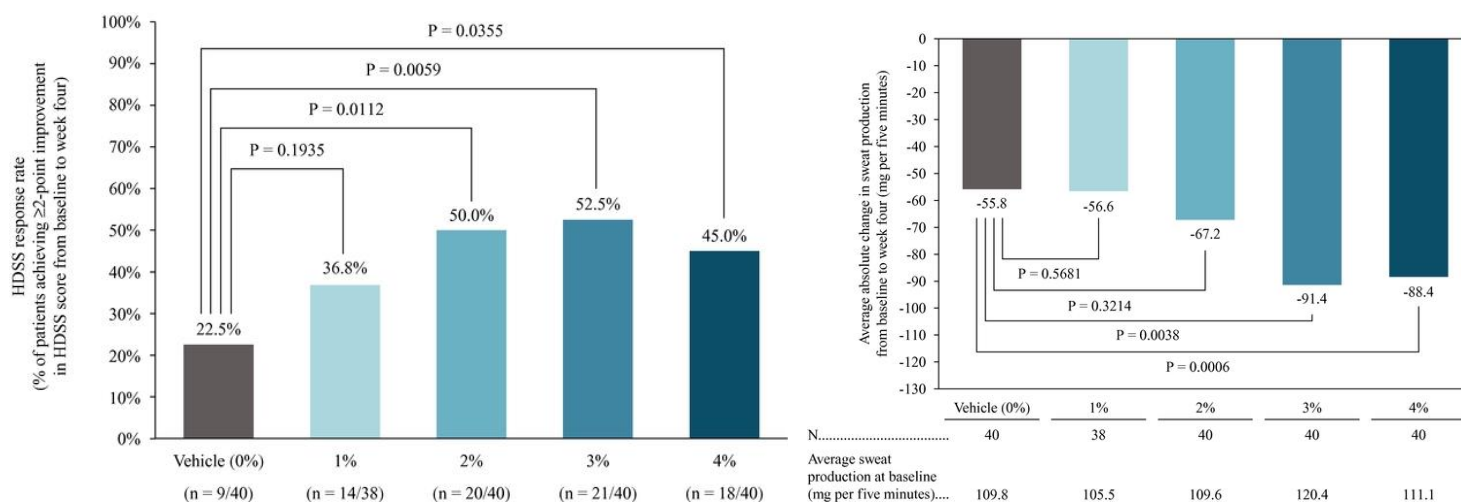
- Positive results from DRM04-HH01 dose-ranging study
- Positive results from DRM04-HH02 dose-ranging study
- Most common TEAEs were dry mouth and upper respiratory tract infection, no SAEs
- First batch of DRM04 GMP API (Active Pharmaceutical Ingredient) successfully manufactured

Reference	Phase 2a	DRM04 –HH01	DRM04 –HH02	TBD
Population	• N=38	• N=200	• N=105	• N = TBD
Objectives	• Establish clinical proof-of-concept	• Dose selection	• Support form switch • Support PRO development	• Confirmatory • Safety and efficacy
Dosing	• 2%, 4% • Topical wipe • 4 weeks QD	• 1%, 2%, 3%, 4% • Topical wipe • 4 weeks QD	• RefAgent: 2%, 3% • DRM04: 1, 2 • Topical wipe • 4 weeks QD	• %TBD • Topical wipe • 4 weeks QD
Results	• Efficacy signal(HDSS score, sweat production) • Well tolerated	• HDSS score • Sweat production • Preliminary pharmacokinetics	• HDSS score • PRO score • Sweat production • Pharmacokinetics	• PRO score • Sweat production

Source: Dermira S-1 dated 9/12/14, pages 110 and 116

In Study DRM04-HH01, 198 patients with severe primary axillary hyperhidrosis were randomized to receive a topical formulation containing one of four concentrations of the reference agent (1%, 2%, 3%, or 4%) or vehicle only. The patients were instructed to apply the study product once daily for four weeks using wipes saturated with either the topical formulation of the reference agent or vehicle only, and efficacy was evaluated based on axillary sweat production and the HDSS.

- Assessments were conducted approximately weekly during the four-week treatment period and the two-week period after the end of this treatment period. All 198 patients enrolled in the clinical trial rated the severity of their disease as a three or a four on the four-point HDSS prior to the start of treatment. Trial inclusion criteria required that prior to the start of treatment, all patients produce at least 50 mg of sweat in each axilla over a five-minute period.
- The two primary efficacy endpoints evaluated in this trial were 1) the proportion of patients achieving an improvement of at least two points from baseline in HDSS score, and 2) the average absolute change from baseline in sweat production, each as measured at the end of the four-week treatment period. For the purpose of the primary endpoint pertaining to sweat production, sweat production was assessed in each patient as the average of the amounts of sweat produced in each axilla during a five-minute period.
- As outlined below, the topical formulation of the reference agent demonstrated dose-dependent and, at certain doses, statistically significant improvements relative to vehicle in both primary efficacy endpoints. The following chart summarizes the impact of the reference agent on disease severity, assessed as the proportion of patients achieving an improvement of at least two points in HDSS score from baseline to the end of the four-week treatment period.



Patients enrolled in Study DRM04-HH02 were instructed to apply the study product to each axilla once daily for four weeks using wipes containing either drug product or vehicle only. Primary efficacy endpoints included the absolute change from baseline in gravimetrically-measured sweat production and the proportion of patients who achieved at least a two-grade improvement from baseline in their score on the Hyperhidrosis Disease Severity Scale (HDSS). The HDSS is a widely used patient-reported outcome tool which allows patients to rate the severity of their disease on a four-point scale. Each of these endpoints was assessed at the end of the four-week treatment period. The study also explored a new, proprietary patient-reported outcome instrument, the Axillary Sweating Daily Diary (ASDD), as a potential additional measure of disease severity.

- The average reduction in sweat production from baseline to week four ranged from 67.7% to 79.8% (72.7 to 105.3 mg per five minutes) in patients in the two arms treated with DRM04, compared to 48.7% (53.9 mg per five minutes) in patients who received the vehicle only.
- The proportion of patients who achieved at least a two-grade improvement in HDSS score from baseline to week four ranged from 40.9% to 50.0% in patients in the two arms treated with DRM04, compared to 27.3% in patients who received the vehicle only.
- For patients in the two arms treated with the topical formulation of the reference agent, the results were consistent with those observed in Study DRM04-HH01. Overall, Study DRM04-HH02 met the company's objectives and expectations. ASDD data, which are still being validated, demonstrated greater improvements in disease severity in all treatment arms than in the vehicle arm.

DRM04: Hyperhidrosis Overview and Market

Hyperhidrosis is excessive sweating beyond what is physiologically required to maintain normal thermal regulation. According to Dermira:

- ~7.8 million people in the United States have hyperhidrosis
- ~3.9 million people in the United States suffer from axillary hyperhidrosis
- Over 500,000 Rx written annually for prescription-strength antiperspirants
- An effective treatment could expand the market; only 38% of hyperhidrosis sufferers have discussed their condition with a healthcare professional

Treatment	Pros	Cons
OTC antiperspirants regular or "clinical strength"	Topical, OTC, inexpensive	Limited efficacy
Prescription-strength antiperspirants	Familiar, inexpensive, moderately effective	Tolerability, Limited efficacy
Injectable Botox	Effective	Expensive, invasive, inconvenient
Systemics such as oral anticholinergics	Effective	Side effects may limit efficacy
Local sweat gland ablation, energy device, Endoscopic thoracic sympathectomy	Effective	Invasive/painful, Side effects/risk compensatory sweating, expensive

Source: Dermira S-1 dated 9/12/14, pages 108 to 110

CATALYST CALENDAR

Date	Driver	Upcoming Event
2015		
1H15	DRM01	Initiate P2b program
2H15	DRM04	Initiate P3 trials
2H15	DRM01	Complete enrollment of P3 trials
2015	DRM02	Assess preclinical data and determine next steps
2015	DRM05	Assess preclinical data and determine next steps
2016+		
1H16	DRM01	Report P2b data
Mid-16	Cimzia	Complete enrollment of P3 trials
2H16	DRM04	Complete enrollment of P3 trials and P3 data
1H17	DRM01	Initiate P3 trials
2017	DRM04	Complete carcinogenicity study
2017	Cimzia	P3 data (our assumption)
2017	DRM04	FDA Submission
2H17	Cimzia	FDA Submission
2018	Cimzia	FDA Approval (our assumption)
2018	DRM04	FDA Approval (our assumption)
1H18	DRM01	Complete enrollment of P3 trials
2018	DRM01	Report P3 data
2018	DRM01	FDA Submission
2019	DRM01	FDA Approval (our assumption)

Source: Guggenheim Securities, LLC and Company reports

FINANCIAL MODEL

Dermira - Quarterly Income Statement Analysis 2013-2021E

(\$ in Millions)																		
(Year Ended December 31)	2013	1Q14A	2Q14A	3Q14A	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0	12.0	12.0	23.1	138.7	281.8	496.2	
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	14.7	31.3	56.1	
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0	12.0	12.0	20.3	124.0	250.5	440.2	
SG&A	4.4	1.8	1.7	1.7	5.4	10.6	3.1	3.3	3.3	3.9	13.6	17.0	34.8	87.5	96.3	101.1	104.1	
R&D	17.9	6.7	7.0	6.0	12.2	31.9	15.3	15.9	16.3	18.9	66.4	68.0	52.2	38.0	45.0	47.0	49.0	
Other (Income)/Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Operating Expense	22.3	8.5	8.7	7.7	17.6	42.5	18.4	19.2	19.7	22.7	80.0	85.0	87.0	125.5	141.3	148.1	153.1	
Operating Income	(22.3)	(8.5)	(8.7)	(7.7)	(17.6)	(42.5)	(18.4)	(19.2)	(19.7)	(10.7)	(68.0)	(73.0)	(75.0)	(105.2)	(17.2)	102.4	287.1	
Interest and Other Income (Expense)	(0.0)	(0.0)	(0.0)	(0.1)	0.3	0.2	0.4	0.4	0.4	0.4	1.5	0.8	2.8	2.1	1.0	0.7	1.1	
Interest Expense	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
Non-Operating Items	(0.0)	(0.0)	(0.1)	(0.1)	0.3	0.1	0.4	0.4	0.4	0.4	1.4	0.7	2.7	2.0	0.9	0.6	1.0	
Pre-tax Income	(22.4)	(8.5)	(8.8)	(7.8)	(17.3)	(42.4)	(18.0)	(18.8)	(19.3)	(10.4)	(66.6)	(72.3)	(72.3)	(103.3)	(16.3)	103.0	288.1	
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%	
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.2	115.2	
Net Income	(22.4)	(\$8.5)	(\$8.8)	(\$7.8)	\$17.3	(\$42.4)	(\$18.0)	(\$18.8)	(\$19.3)	(\$10.4)	(\$66.6)	(\$72.3)	(\$72.3)	(\$103.3)	(\$16.3)	\$61.8	\$172.9	
Average Shares Diluted	9.7	10.4	11.0	13.7	24.6	14.7	24.7	24.8	24.9	25.0	24.9	34.3	34.6	34.9	35.2	35.5	35.8	
Adjusted Diluted EPS	(\$2.31)	(\$0.82)	(\$0.80)	(\$0.57)	(\$0.70)	(\$2.89)	(\$0.73)	(\$0.76)	(\$0.78)	(\$0.41)	(\$2.68)	(\$2.11)	(\$2.09)	(\$2.96)	(\$0.46)	\$1.74	\$4.83	
%Change YOY																		
Total Revenue						NM	NM	NM	NM	NM	NM	0.0%	0.0%	92.9%	499.2%	103.2%	76.1%	
COGS						NM	NM	NM	NM	NM	NM	NM	NM	NM	410.9%	113.3%	79.2%	
Gross Profit						NM	NM	NM	NM	NM	NM	0.0%	0.0%	69.0%	511.6%	102.0%	75.7%	
SG&A						143.4%	72.6%	87.6%	98.2%	-28.3%	28.0%	25.0%	104.7%	151.4%	10.0%	5.0%	3.0%	
R&D						77.7%	128.5%	128.9%	171.0%	54.6%	108.3%	2.4%	-23.2%	-27.2%	18.4%	4.4%	4.3%	
Operating Income						NM	NM	NM	NM	NM	NM	7.4%	2.7%	40.3%	-83.6%	-694.2%	180.3%	
Non-Operating Items						NM	NM	NM	NM	14.2%	1666.5%	-49.0%	269.7%	-27.2%	-54.2%	-38.1%	87.6%	
Pre-tax Income						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	179.8%	
Tax Rate						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	
Taxes						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	179.8%	
Net Income						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	179.8%	
Adjusted Diluted EPS						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	177.5%	

Source: Guggenheim Securities, LLC and Company Reports

(1) To be conservative, we assume a 40% tax rate upon profitability.

(2) Assume share dilution in 2016 from additional equity raise.

Dermira - Quarterly Margin Analysis 2013-2021E

	2013	1Q14A	2Q14A	3Q14A	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	0.0%	0.0%	0.0%	12.4%	10.6%	11.1%	11.3%
Gross Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	100.0%	100.0%	100.0%	100.0%	87.6%	89.4%	88.9%	88.7%
SG&A	NM	NM	NM	NM	NM	NM	NM	NM	NM	32.2%	113.3%	141.7%	290.0%	378.0%	69.4%	35.9%	21.0%
R&D	NM	NM	NM	NM	NM	NM	NM	NM	NM	157.1%	553.3%	566.7%	435.0%	164.2%	32.4%	16.7%	9.9%
Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-89.3%	-566.7%	-608.3%	-625.0%	-454.6%	-12.4%	36.3%	57.8%
Pretax Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-86.4%	-554.8%	-602.3%	-602.5%	-446.1%	-11.8%	36.5%	58.1%
Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	-86.4%	-554.8%	-602.3%	-602.5%	-446.1%	-11.8%	21.9%	34.8%

Source: Guggenheim Securities, LLC and Company Reports

Dermira - Quarterly Revenue Model 2013-2021E

(\$ in Millions)																	
(Year Ended December 31)	2013	1Q14A	2Q14A	3Q14A	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Cimzia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.7	34.1	74.5	113.5
DRM04	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.5	37.0	79.4	127.7
DRM01	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	54.3	114.5	241.7
DRM02	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DRM05	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestones	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0	12.0	12.0	0.0	13.4	13.4	13.4
TOTAL REVENUES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0	12.0	12.0	23.1	138.7	281.8	496.2
%Change YOY																	
Cimzia						NM	NM	NM	NM	NM	NM	NM	NM	NM	192.2%	118.7%	52.4%
DRM04						NM	NM	NM	NM	NM	NM	NM	NM	NM	222.0%	114.6%	60.9%
DRM01						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	111.1%	111.1%
DRM02						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
DRM05						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Other						NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
TOTAL REVENUES						NM	NM	NM	NM	NM	NM	0.0%	0.0%	92.9%	499.2%	103.2%	76.1%

Source: Guggenheim Securities, LLC and Company Reports

Dermira - Annual Revenue Model 2013-2021E

(\$ in Millions)	Year Ended December 31st,									2014E/	2015E/	2016E/	2017E/	2018E/	2019E/	2020E/	2021E/	CAGR
	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	16E-21E
Late Stage Pipeline Drug Sales																		
Cimzia	0.0	0.0	0.0	0.0	0.0	11.7	34.1	74.5	113.5	NM	NM	NM	NM	NM	192.2%	118.7%	52.4%	NM
DRM04	0.0	0.0	0.0	0.0	0.0	11.5	37.0	79.4	127.7	NM	NM	NM	NM	NM	222.0%	114.6%	60.9%	NM
DRM01	0.0	0.0	0.0	0.0	0.0	0.0	54.3	114.5	241.7	NM	NM	NM	NM	NM	NM	111.1%	111.1%	NM
Total Late Stage Pipeline Drug Sales	0.0	0.0	0.0	0.0	0.0	23.1	125.3	268.4	482.9	NM	NM	NM	NM	NM	441.4%	114.2%	79.9%	NM
Early Stage Pipeline Drug Sales																		
DRM02	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM
DRM05	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM
Total Early Stage Pipeline Drug Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM
Other Drug Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM	NM	NM
Milestones	0.0	0.0	12.0	12.0	12.0	0.0	13.4	13.4	13.4	NM	NM	0.0%	0.0%	-100.0%	NM	0.0%	0.0%	2.2%
TOTAL REVENUES	0.0	0.0	12.0	12.0	12.0	23.1	138.7	281.8	496.2	NM	NM	0.0%	0.0%	92.9%	499.2%	103.2%	76.1%	110.5%

Source: Guggenheim Securities, LLC and Company Reports

Dermira - Cash Flow Analysis 2013-2021E

(\$ in Millions)									
(Year ended December 31)	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Cash flows provided by Operating Activities:									
Net Income	(22.4)	(42.4)	(66.6)	(72.3)	(72.3)	(103.3)	(16.3)	61.8	172.9
Depreciation and Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	-	-	-	-	-	-	-	-
Net Changes in Working Capital	9.9	(4.3)	(2.4)	-	-	(2.2)	(17.0)	(12.1)	(9.8)
Net cash provided by Operating Activities	(12.2)	(46.7)	(68.9)	(72.2)	(72.3)	(105.5)	(33.3)	49.7	163.0
Cash flows from Investing Activities									
Purchases of PP&E	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Net proceeds from sale of assets	-	-	-	-	-	-	-	-	-
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Net cash used in Investing Activities	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Cash flows from Financing Activities									
(Repayment) or Issuance of long term debt	2.0	0.1	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-
Other	24.5	178.9	-	270.0	-	-	-	-	-
Net cash (used in) provided by Financing Activities	26.5	179.1	-	270.0	-	-	-	-	-
Net (decrease) increase in cash and equivalents	14.3	131.4	(69.9)	196.8	(73.3)	(106.5)	(34.3)	48.7	162.0
Cash and equivalents at beginning of year	7.9	22.1	153.5	83.5	280.3	207.0	100.5	66.3	115.0
Cash and equivalents at end of year	22.1	153.5	83.5	280.3	207.0	100.5	66.3	115.0	277.0

Source: Guggenheim Securities, LLC and Company Reports

Dermira - Balance Sheet Analysis 2013-2021E

(\$ in Millions)										
(Year ended December 31)	2013	Pro Forma 6/30/14	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Assets										
Cash and Cash Equivalent	22.1	58.6	153.5	83.5	280.3	207.0	100.5	66.3	115.0	277.0
Accounts Receivable, less allowance for doubtful accounts	-	-	-	2.4	2.4	2.4	4.6	24.3	44.0	69.9
Inventories	-	-	-	-	-	-	1.4	5.4	9.2	13.7
Other current assets	0.3	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Current Assets	22.5	59.3	153.8	86.3	283.0	209.8	107.0	96.4	168.6	360.9
Plant, Property & Equipment	0.1	0.1	1.0	2.0	3.0	4.0	5.0	5.9	6.9	7.9
Identifiable intangibles	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Goodwill	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other assets	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Assets	4.4	6.1	5.4	6.3	7.3	8.3	9.3	10.3	11.2	12.2
TOTAL ASSETS	26.9	65.3	159.2	92.6	290.4	218.1	116.2	106.6	179.8	373.2
Liabilities & Shareholder's Equity										
Accounts Payable and Accrued Expenses	4.3	6.0	-	-	-	-	1.4	8.2	19.6	40.1
Other	0.2	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Current Liabilities	4.5	6.5	0.2	0.2	0.2	0.2	1.6	8.3	19.8	40.3
Long term debt	1.8	1.4	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other liabilities	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
Total Liabilities	17.1	18.7	12.9	12.9	12.9	12.9	14.3	21.1	32.5	53.0
Shareholders Equity	9.8	46.7	146.3	79.7	277.4	205.1	101.9	85.6	147.3	320.2
Total Stockholder's Equity	9.8	46.7	146.3	79.7	277.4	205.1	101.9	85.6	147.3	320.2
Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	26.9	65.3	159.2	92.6	290.4	218.1	116.2	106.6	179.8	373.2

Source: Guggenheim Securities, LLC and Company Reports

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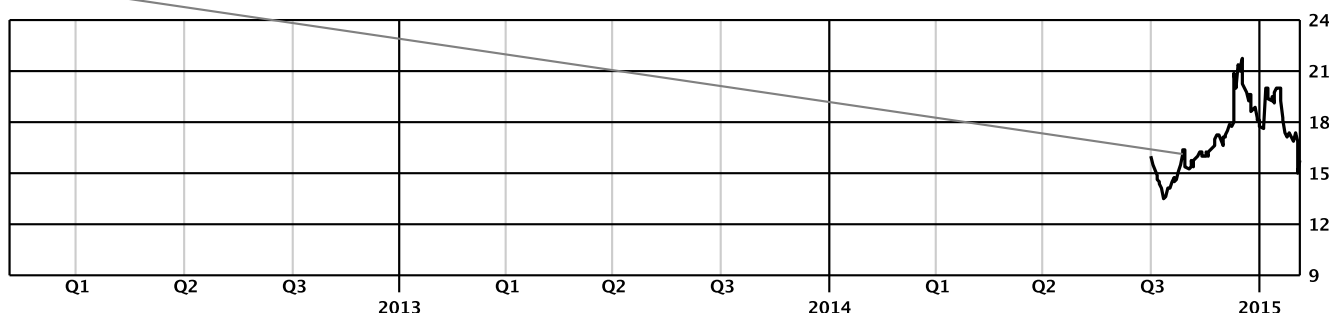
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