COMPANY NOTE

Initiating Coverage

USA | Healthcare | Pharmaceuticals/Specialty

April 28, 2014

Jefferies

Corium (CORI)

An Emerging Leader in Transdermal Drug Delivery – Initiating at Buy

BUY

Price target $13.00

Price $8.19

EQUITY RESEARCH AMERICAS

Key Takeaway

Corium is unique in many ways. It is rare to find a recently public company with a substantial commercial business, already manufacturing for blue chip partners. Moreover, it is the only independent transdermal company left. Corium has 7 R&D projects. Early stage clinical programs to watch include PTH, Aricept/Namenda and vaccines. We would argue neither early nor late stage programs are embedded in the current valuation.

On April 2, 2014 Jefferies acted as lead book-runner for CORI's 6.5M share IPO at $8/share, with net proceeds of ~$48.4M.

Partnerships with P&G, Par, and Teva Form a Solid Base Business: Corium has already established itself as a manufacturing partner of choice. Generic clonidine & fentanyl patches as well as four line extensions of P&G's Whitestrips should continue to be sustainable revenue streams.

Two Innovative Technologies: Corplex has been designed to address limitations of existing transdermals. The technology is already validated, forming the "backbone" of the Whitestrips brand. MicroCor aims to solve arguably the greatest challenge in drug delivery today: a noninvasive route of administration for "large" (e.g., biotech) molecules. The technology has shown promise in a Ph1 study, but it's extremely early.

Twirla Contraceptive Patch the Near Term Valuation Driver: If partner Agile's Ph3 trial reads out positively in ~18 months, Twirla could be a $500M+ peak product. The first such patch – Ortho Evra (JNJ) – generated $400M in sales in its 2nd year but later was tagged with a black box warning. We estimate every $100M in Agile sales yields ~$0.14 in EPS to Corium.

Deep But Largely Early Stage Pipeline: Corium plans to start Ph2 trials for Corplex Tamsulosin and MicroCor PTH within 12 months and recently began evaluating Corplex for orally delivered blockbusters Aricept, Namenda, Requip and/or Mirapex. If commercialized, these candidates would compete in the combined $7B Alzheimer's/Parkinson's market.

Undervalued Stock; Takeover Candidate: Shares are trading at just 2.4x 2015E sales, below that of comparable companies. As such, it appears investors are receiving complete "optionality" on the pipeline. Moreover, all other publically traded transdermal companies have been acquired.

Valuation/Risks

Our PT is $13, derived by applying a 25x multiple to our reported 2020 EPS estimate of $1.54, discounted back 5 years at 25%. We believe this balances the high growth and development risk of the portfolio. Risks include clinical, regulatory and mfg setbacks.

USD	*Prev.*	2013A	*Prev.*	2014E	*Prev.*	2015E	*Prev.*	2016E
Rev. (MM)	--	50.3	--	44.2	--	57.0	--	--
EPS								
Dec	--	--	--	--	--	--	--	--
Mar	--	--	--	(0.17)	--	--	--	--
Jun	--	--	--	(0.14)	--	--	--	--
Sep	--	--	--	(0.11)	--	--	--	--
FY Sep	--	--	--	(0.42)	--	(0.29)	--	(0.56)
FY P/E				NM		NM		NM

Financial Summary

Net Debt (MM):	($18.0)

Market Data

52 Week Range:	$8.48 - $7.67
Total Entprs. Value (MM):	$126.1
Market Cap. (MM):	$144.1
Shares Out. (MM):	17.6
Float (MM):	6.5
Avg. Daily Vol.:	NA

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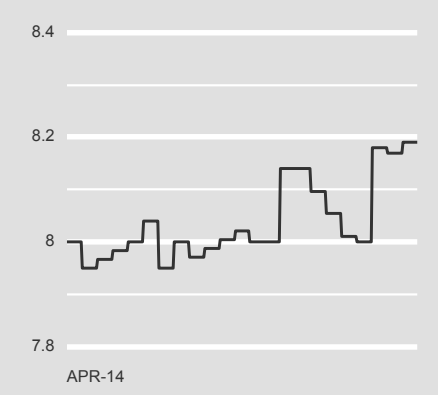
Price Performance



Corium International

Buy: $13 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Stable base business growth largely due to strong Whitestrips performance
- Twirla Phase 3 trial is successful and reads out in late 2015
- MicroCor PTH and Corplex Tamsulosin are partnered in 2015 following completion of Phase 2 trials
- 2020 EPS: $1.54; Target Multiple: 25x; Discount Rate: 25%; Target Price $13

Upside Scenario

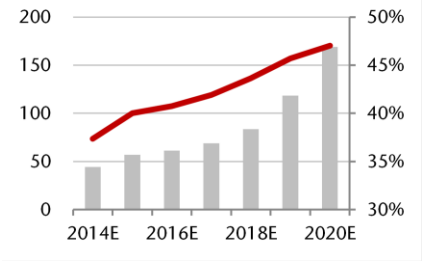
- Stronger than forecasted growth of base business, potentially driven by expanded P&G collaboration
- Twirla Phase 3 data is outstanding
- Positive early results with MicroCor in various biologics leads to large collaboration with established commercial partner
- 2020 EPS: $1.73; Target Multiple: 25x; Discount Rate: 20%; Target Price $17

Downside Scenario

- Base business erosion due to lower than expected growth
- Twirla fails in its pivotal Phase 3 trial
- MicroCor PTH and/or Corplex Tamsulosin is not partnered due to poor Phase 2 study results
- 2020 EPS: $0.87; Target Multiple: 20x; Discount Rate: 25%; Target Price $6

Long Term Analysis

REV ($M) and Product GM (%)



Source: Jefferies estimates

Long Term Financial Model Drivers

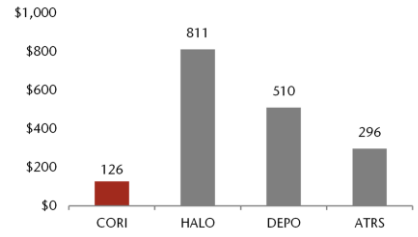
2015-2020 Average Revenue Growth	**26%**
2015-2020 Product GM expansion	140 bp/yr

Other Considerations

Since the first commercial introduction of a TDS product in 1979, there have been 6 publicly traded companies that specialized in transdermal drug delivery – all of which were eventually acquired. The most notable example is ALZA, a drug delivery pioneer, which was acquired by JNJ in 2001 for $12.3B. At present, Corium is the only publicly traded corporation with proprietary transdermal expertise, making the company a somewhat unique asset.

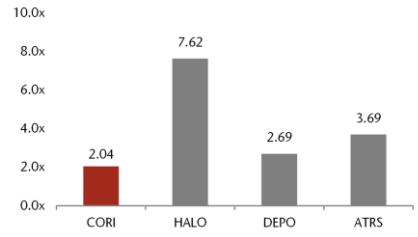
Peer Group

EV



Source: FactSet, Jefferies estimates

2015 EV/REV



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
CORI	**Buy**	**$13**
HALO	UP	$4.50
DEPO	NC	NA
ATRS	Buy	$6.50

Catalysts

- Initiation of Ph2a Trial for MicroCor PTH for osteoporosis in 2H2014
- Agile to initiate pivotal Phase 3 trial for Twirla during 2H2014; topline data readout in late 2015
- Potential MicroCor collaboration with large commercial partner in 2014 to develop vaccines or other biologics

Company Description

Founded in 1999, Corium is a commercial stage pharmaceutical company with proven expertise in the niche field of transdermal drug delivery. The company is the exclusive supplier of six currently marketed products by well-known partners P&G, Teva and Par and boasts a deep pipeline of pre-clinical and clinical stage partnerships that focus on areas of significant unmet medical need. Corium also leverages its two proprietary core technologies, Corplex and Microcor, to develop improved formulations of both known existing therapeutics and potential New Chemical Entities (NCEs). Corium has manufacturing operations in Grand Rapids, MI and is headquartered in Menlo Park, CA.

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Executive Summary

We are initiating coverage of Corium International with a Buy Rating and a $13 price target.

Founded in 1999, Corium has established itself as an emerging leader in the field of transdermal drug delivery systems (TDS). The company has already assembled an impressive roster of partners including Procter and Gamble (P&G), Par and Teva and generates about $50M in total revenues annually. Headed by a seasoned management team and backed by experienced R&D and manufacturing personnel, Corium has developed two proprietary transdermal technologies that it believes can accelerate transdermal drug delivery beyond its currently limited scope.

Corplex Represents New Advances in Transdermal Drug Delivery

Corplex was specifically developed by the company to address the limitations presented by many small molecules when formulated into transdermal patches, namely poor adhesive properties, skin irritation and high drug loading. The technology has been successfully validated for commercial use as the "backbone" of P&G's Crest Whitestrips product line, which features 4 currently marketed brands. Corplex has also been utilized to develop an experimental transdermal patch for tamsulosin, the active ingredient in popular BPH therapy Flomax. Corplex Tamsulosin is targeted to enter Phase 2 clinical testing in 1H2015 and Corium hopes to sign a partnership agreement if the trial is successful.

MicroCor Technology Focused on the "Holy Grail" of Drug Delivery – A Non-Invasive Route of Administration for Macromolecules

MicroCor is the company's second proprietary technology and could potentially lead to achieving the "Holy Grail" of drug delivery: the non-invasive formulation of biologics and other macromolecules. While this platform is subject to significant development risk (numerous companies have previously tried and failed), Corium has already completed a successful Phase 1 trial that utilized the technology in a transdermal version of Eli Lilly's Forteo (parathyroid), a $1B+ brand that treats severe osteoporosis. This program is slated to enter a Phase 2a trial during 2H2014 and if successful, could elicit strong interest from many commercialization partners. Corium also plans to conduct multiple feasibility and contract R&D studies with established commercial partners to help validate this technology and potentially identify collaboration opportunities. Areas of focus include vaccines.

Corium Already Has a Heritage in High Volume Transdermal Manufacturing

Aside from its own technologies, Corium has extensive core competencies in TDS manufacturing, which involves formulating active drug ingredients into wearable patches similar to band-aids. The company is currently the exclusive supplier to Teva for its clonidine TDS patch as well as to Par for its fentanyl TDS patch. Arguably Coriums' most important near-term commercial partner is Agile Therapeutics, for which it is the exclusive manufacturing partner for the company's developmental contraceptive patch, Twirla. Agile is preparing to initiate its pivotal Phase 3 program, likely during 2H2014, with topline data expected to readout near the end of 2015. The results of this study will be critical for both companies. If the data reads out positively, Twirla could become an important contraceptive brand and generate end market peak sales of $500M+. Conversely, a negative readout would be highly detrimental to Agile and would reduce Corium's future profitability. Of importance, due to its sustainable $50M revenue base, Corium would be profitable today if it did not invest in R&D.

While Very Early – Some Potential Blockbusters in the Pipeline

Corium is also looking to develop TDS versions of blockbuster products Aricept, Namenda, Requip and/or Mirapex for the treatment of Alzheimer's and/or Parkinson's

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disease. Because these programs are in their infancy, we have not included any revenue in our estimates. That said, these two CNS indications present a combined market opportunity of nearly $7B. If Corium can successfully formulate just one of these products and generate positive clinical data, the potential upside to the company's shares could be highly significant.

Valuation

Our initial 12-month price target for Corium is $13, which we arrive at by utilizing two distinct valuation methods. First, we apply a 25x multiple to our 2020 reported EPS estimate of $1.54 and discount back 5 years at 25% to reach an equity value of ~$13. We utilize a 25x multiple because we believe it appropriately captures the expected growth rate for similar emerging specialty pharmaceutical companies on the cusp of profitability. Our 25% discount rate is in line with that used for companies facing significant development risk, and we believe this assumption is reasonable given that the majority of Corium's late stage assets rely on as yet unproven TDS technology. Secondly, we use a discounted cash flow analysis and evaluate Corium as a fully-taxed operating company. We apply a 15% discount rate to both the forecast period from 2014-2024 and the terminal value and we utilize a 5% terminal growth rate. This analysis also arrives at an equity value of ~$13.

Risks

Since Corium is an emerging specialty pharmaceutical company that has not yet achieved profitability, it faces several risks. These primarily include:

Development risk: Both Corium and its commercialization partners are exposed to clinical development risk. If any of the company's proprietary or partnered programs fail to show sufficient clinical efficacy or are determined to be unsafe, Corium's ability to achieve profitability could be compromised.

Regulatory risk: Corium and its partners are subject to oversight from the FDA. If Corium or its partners are unable to secure FDA approval for their development programs this could impair the company's ability to generate positive cash flows.

Manufacturing risk: Given that Corium is a contract manufacturer, all of its current revenues are derived from developing and manufacturing products for its partners. If Corium's manufacturing facilities were to shut down for any reason, the company's ability to generate revenues would be critically undermined.

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An Emerging Leader in Drug Delivery

Founded in 1999, Corium is a commercial stage pharmaceutical company with proven expertise in the niche field of transdermal drug delivery. The company is the exclusive supplier of six currently marketed products by well-known partners Procter & Gamble (P&G), Teva Pharmaceuticals and Par Pharmaceuticals and also boasts a deep pipeline of pre-clinical and clinical stage partnerships that focus on areas of significant unmet medical need. Corium utilizes its two proprietary core technologies, Corplex and Microcor, to work on developing improved formulations of both known existing therapeutics and potential New Chemical Entities (NCEs). Owing to its extensive transdermal development capabilities, Corium is also able to manipulate and optimize other transdermal delivery systems, making the company an ideal manufacturing partner.

A Brief Background on Transdermals

In their simplest forms, Transdermal Delivery Systems (TDS) – often referred to as patches – involve delivering active pharmaceutical ingredients (APIs) via passage through the skin, or mucous membrane. TDS provides patients with a viable alternative to more common methods of administration, including oral pills/capsules, topical creams/gels and injectables – each of which has drawbacks. Specifically, oral formulations often have patient compliance issues. And depending on the drug's specific indication, pharmacokinetic (pK) behavior and side effect profile, chronic use of certain oral drugs may lead to liver toxicity, GI-related adverse events (AEs) and reduced therapeutic benefit. Topical creams/gels can deliver uneven efficacy due to inconsistent patient administration, cause skin irritation and pose secondary exposure risks, for example. Finally, patient discomfort and non-compliance for injectable products is well-documented. Many injectable drugs still suffer from suboptimal pK profiles and injection-site related AEs.

TDS administration is designed to obviate many of the aforementioned limitations. Two key differentiating factors include ease of use and controlled API release. Using a TDS is simple – it's essentially the equivalent of applying a band-aid. Most technologies use well-known adhesives that are generally safe and effective. More importantly, the efficacy of TDS products can be substantially improved in some cases because the release of the drug into the body is "smoother." Since the API can be delivered more consistently and in lower concentrations, TDS products often demonstrate more consistent pK behavior, lower liver and GI AEs and more reliable efficacy.

There Have Been Several Top Selling Transdermal Products; Aggregate Sales Exceeded $4B

That said, TDS products also face limitations, namely skin irritation, poor adhesive properties, high drug loading and narrow scope. Depending on the types of adhesives used, some TDS products can cause skin irritation – leading to patient non-compliance – and display poor adhesion to the skin, rendering the product ineffective. Additionally, because some TDS products are intended to be worn for extended periods of time (up to 7 days in some cases), they require high drug loading. This potentially exposes patients to the risk of improper dosing if a TDS is defective, and also requires careful disposal of used patches since drug residue can remain. Lastly, and most importantly from a commercial perspective, the number of products that have been successfully delivered via patch to date is limited despite very significant efforts over the years. In fact, to date fewer than 15 products have been successfully developed utilizing TDS formulations and all have been "small" molecules. Those products did, however, generate an estimated $4B+ in combined peak sales.

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Well Known Transdermal Products Developed to Date

Despite the relative small number of total TDS products commercialized to date, many of those that did come to the market have been highly successful. For instance, Ortho Evra, launched by Johnson & Johnson (J&J) in 2002, was the first ever TDS contraceptive and to date is still the most successfully launched product ever in this market segment. Ortho Evra rapidly achieved sales of $400M by 2004, but severe adverse events associated with the concentration of estrogen delivered by the patch led to dramatically reduced utilization (See below for further discussion). Duragesic, a TDS product indicated for the treatment of cancer pain, was also marketed by J&J and reached peak worldwide sales in 2004 of over $2B before generic competitors entered the market. Further, multiple companies have developed smoking cessation patches, the most notable being the Nicorette brand currently marketed by GlaxoSmithKline (GSK). Other notable transdermal products include the Estraderm patch for hormone replacement therapy (HRT) and Transderm Scop from motion sickness.

Transdermal Developers Occupy an Attractive Niche – All Previously Public Companies Have Been Acquired

Of particular importance to investors, there have been five publicly traded companies to date that have specialized in transdermal drug delivery – and each of these was eventually acquired. The most notable example is ALZA, a drug delivery pioneer, which was acquired by Johnson & Johnson (J&J) in 2001 for $12.3B in total consideration. To be sure, transdermal drug delivery was only part of ALZA's broad portfolio. The other four that have been acquired had businesses that were 100% based on TDS systems. They include Sano in 1997 (bought by Elan for $400M), Theratech in 1998 (bought by Watson for $300M), Cygnus in 1999 (bought by JNJ for $75M), and Noven in 2009 (bought by Hisamitsu for $430M). And recently, LTS Lohmann, a private German company that specializes in manufacturing transdermal patches for several large partners, has apparently received bids for approximately $1.7B, or ~4.4x sales. Corium is now the only currently traded transdermal drug delivery company. And based on historical precedent we believe it too represents an acquisition target at some point in the future.

Corium Has Two Proprietary Technologies

As discussed above, despite the potential of TDS as an improved administration method for many drugs, the market potential for these types of products has been limited by suboptimal patch technology and the narrow scope of possible drugs that can be formulated into transdermals. Led by Chief Technology Officer "Bobby" Singh, Corium has developed two proprietary technologies that it believes offer the benefits of TDS delivery while circumventing many of the historical roadblocks.

Corplex: Corium's Corplex technology is specifically designed to deliver small molecule drugs via a transdermal patch that overcomes one of the major limitations of existing patches: poor adhesion. Current TDS systems rely on either pressure sensitive adhesives (PSAs) or bioadhesives to affect their adhesive properties. PSAs are optimized to adhere to dry surfaces, such as skin, but perform poorly when exposed to moisture. Conversely, bioadhesives show affinity for wet surfaces, such as the oral mucosa (i.e., mouth), but fail to adequately adhere to dry surfaces. Corplex is intentionally designed to be a mix of both PSAs and bioadhesives – providing for a high degree of customization – which simultaneously allows the technology to demonstrate effective adhesion properties for both wet and dry surfaces. With that in mind, Corium believes that the technology is relatively easy to use and has demonstrated improved pK profiles for some of its clinical candidates vs standard oral delivery. For instance, Corplex is the "backbone" technology utilized in P&G's Crest Whitestrips product line, which comprises 4 or Corium's 6

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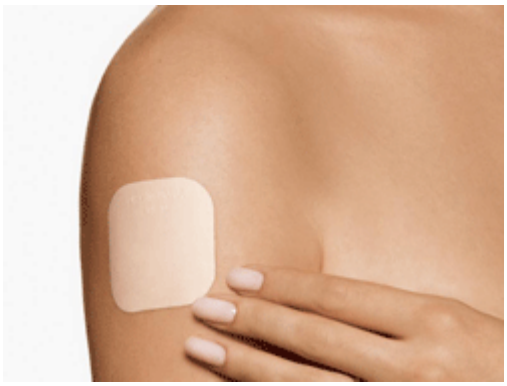
currently marketed products (discussed below) and is in development for two additional potential prescription products: undisclosed ANDA #1 and Corplex tamsulosin.

Chart 1: Representative Corplex Patch



Source: Company website

MicroCor: Corium's second proprietary technology is Microcor, a biodegradable microstructure in development for the transdermal delivery of "large" molecules, e.g. proteins, peptides, vaccines, etc. Large macromolecules – commonly referred to as biologics – such as peptides are physically too large to penetrate the skin's outer layer (stratum corneum) and as a result they have not been suitable targets for transdermal delivery. And because biologics are often extremely sensitive molecules that 1) require refrigeration, 2) are easily contaminated and 3) degrade easily in the GI tract, the vast majority of these products can only be administered via injection (sub-Q or IM depending on the product).

MicroCor is an attempt to address these limitations by capitalizing on its innovative "micro-needle" technology, which theoretically encapsulates the large molecule in a stable array that can then be injected just beyond the stratum corneum. These micro-needles subsequently dissolve within the body after injection, which should allow the drug to enter the blood stream at a controlled rated and lead to the intended therapeutic benefit. If MicroCor based drug candidates are demonstrated to be effective in clinical trials, it could prove to be a highly differentiated delivery medium for biologics with the added benefits of reducing patient anxiety/pain, limiting API waste, decreasing manufacturing and distribution costs, and improving patient compliance. That said, while MicroCor is undoubtedly a potential "breakthrough" technology, it must be noted that there are no currently approved FDA products for the transdermal delivery of biologics using micro-needles.

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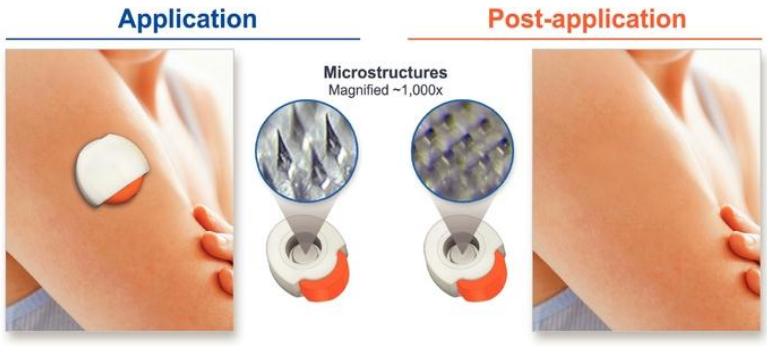
Chart 2: Representative Example of MicroCor Administration



Source: Corium S1

Solid Partnerships Underpin Relatively Sturdy Contract Manufacturing Business

Corium has amassed an impressive cadre of business partners and is currently the exclusive supplier for 6 marketed products. These products include a generic fentanyl TDS patch, partnered with Par, a generic clonidine TDS patch, partnered with Teva, and four different line extensions for P&G's Crest Whitestrips brand. For FY2013 ending September 30, these six products generated $39M of the company's total revenue of $50M. Corium's financial contracts vary from partner to partner, but generally include either a "Cost-Plus" agreement, where Corium is responsible for manufacturing and receives a small mark-up on total production costs, royalties as a percentage of net sales or some combination therein. The company does not publicly disclose the nature of their contracts for competitive reasons. However, for modeling purposes we assume that Par and Teva provide a small royalty (<10%) and a mark-up on production costs and for P&G we simply forecast revenue growth equivalent to end market sales growth.

Divestiture by Actavis and an Additional Entrant Will Dampen 2014 Fentanyl Patch Revenue

Corium originally entered into a collaboration agreement with Abrika LLLP in 2002 to produce generic versions of Duragesic (fentanyl). Actavis subsequently acquired Abrika in 2007 and was Corium's partner through 2012. As a result of Watson's acquisition of Actavis in 2012, however, the combined new company was required by the FTC to divest several products, including the fentanyl TDS patch. Par has thus been Corium's partner since 2012. During both FY2012 and FY2013 the fentanyl TDS patch was Corium's largest product by revenue – generating $15M and $15.6M respectively based on end market sales. But higher than expected channel inventory post the Actavis divestiture has recently dampened revenue (See Chart 3). Further, Upsher Smith's entry into the segment means that 7 companies are now competing for market share. According to management, Par has indicated that FY2014 sales will decline "significantly" from FY2013 levels as a result of these factors. Hence we model Corium revenues for FY2014 of $11M (-30% Y/Y) and FY2015 of $10.5M (-4% Y/Y), with marginal growth thereafter.

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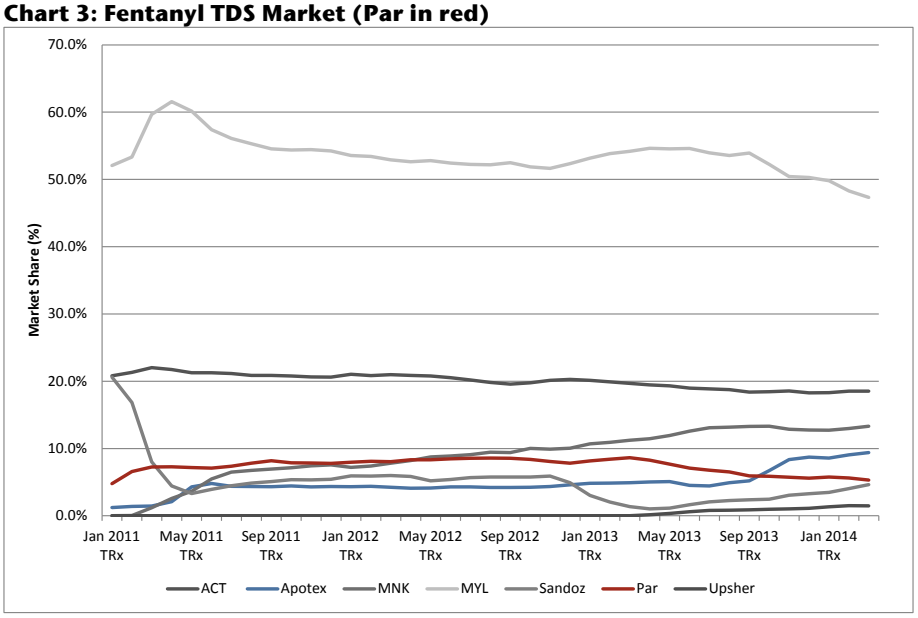
Chart 3: Fentanyl TDS Market (Par in red)



Source: IMS

Due to Mylan's Miscues, Corium "Overearned" in 2013; Expect Trend Growth to Resume Post 2014

Corium's partnership with Teva evolved from an original 2004 partnership with Barr Labs, which Teva acquired in 2008. As part of the amended agreement following closure of the acquisition, Corium became the exclusive supplier to Teva for 3 development programs. The first FDA-approved product to emerge from the partnership was the clonidine TDS patch, a generic version of Catapres TTS – originally marketed by Boehringer Ingelheim as an anti-hypertensive and one of the first ever transdermal products. Teva and competitor Mylan both launched their respective clonidine TDS patches in 2010 and quickly became the two dominant players in the market (See Chart 4). By January 2012 Teva obtained greater than 50% market share and maintained its leading position through September 2012 – when it held 51% share to Mylan's 48%. Beginning in October 2012, however, and coincident with the start of Corium's FY2013, Mylan encountered substantial manufacturing and supply issues that impaired its ability to supply the market for the next 7 months. During this period, Teva captured market share as high as 92%, with the gains translating directly to increased partnership revenue to Corium. In May 2013, however, Mylan began to reclaim a significant portion of its lost business and by March 2014 its generic had climbed back to 42% market share - with Teva holding the remaining 58%. As a result, Corium's FY2013 revenues from clonidine TDS net product sales were $13.2M (+26% Y/Y), much higher than would have been anticipated under "normal" conditions. We assume that Teva and Mylan will settle near a 55/45 market share split by the end of FY2014 and therefore expect Corium revenues to decline to $10.3M (-21.5% Y/Y) for FY2014 but stay relatively stable in FY2015 at $10.6M (+2% Y/Y).

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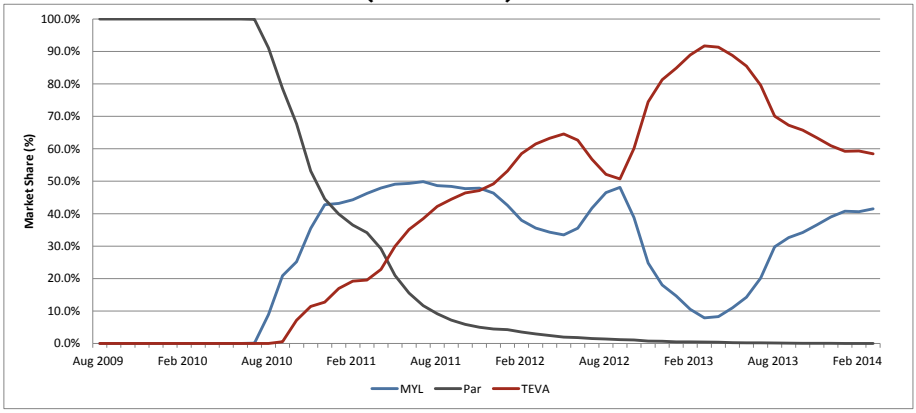
Chart 4: Clonidine TDS Market (Teva in red)



Source: IMS

Strong Partnership with P&G – Expect Good Growth Ahead for Crest Whitestrips

P&G's Crest Whitestrips franchise features 4 unique brands, Advanced Vivid, Professional Effects, One Hour Express and Flex-Fit, that compete in the nearly $600M market for teeth whitening products and for which Corium is the exclusive supplier. The technological foundation for the Whitestrips product suite is Corium's aforementioned Corplex. It's our belief that Corium's technology was uniquely differentiated among potential partners owing to its ability to adhere to moist environments such as the mouth. As such, P&G acknowledged Corium as its "Partner of the Year" in 2009. And given success to date, Corium's collaboration with P&G could extend beyond oral healthcare into other potential categories. Given P&G's expansive portfolio and the potential advantages that Corplex could provide in a variety of consumer products, one could imagine multiple potential applications for future collaboration. Of note, Corium's partnership with P&G is set to expire in mid-2014, but we believe that the companies will renew the collaboration shortly. All that said, at present we only forecast sales growth related to the in line Whitestrips brands. It is important to note that tracking sales information for individual consumer brands is difficult, which is further exacerbated by the scant details provided regarding specific financial arrangements between the two companies. Nonetheless, we forecast revenues to Corium based on anticipated growth of the 4 brands, which includes geographic expansion into some large emerging markets such as China. We project FY2014 sales of $11.3M (+13.5% Y/Y) and FY2015 sales of $12.5M (+11% Y/Y).

Modest Additional Product Opportunities – Motion Sickness and Urology

Per Corium's agreement with Teva, the additional two products aside from clonidine in late-stage development include TDS formulations of products for motion sickness and urology – which we assume to be scopolamine and oxybutynin, respectively. Both products have been submitted as ANDAs by Teva and just recently the urology product was granted approval. In an interesting twist, however, the market appears to be moving towards an Rx to OTC switch, which may put a wrinkle in Teva's original launch plans. According to Corium management, Teva is currently evaluating its strategy and therefore they do not expect product launch until early 2015. Given this dynamic, we have conservatively excluded any revenue contributions from this product from our model. For the motion sickness patch, the company has completed all of the FDA requirements and expects approval in early 2015. We therefore project $2M in initial sales in FY2015, rising to $2.5M (+25% Y/Y) in FY2016 with nominal growth thereafter.

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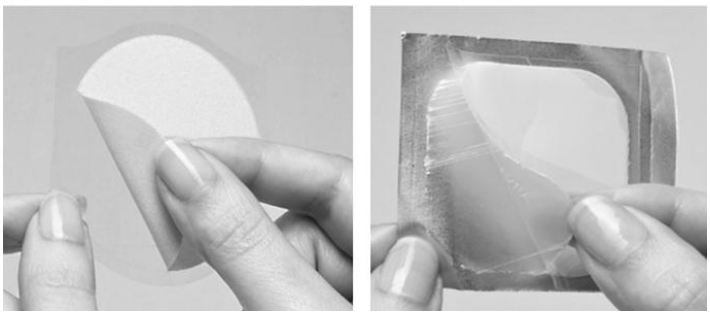
Twirla – The Near Term Value Driver

Arguably Corium's most important near-term partnership is with Agile Therapeutics, a private, Specialty Pharma company focused on women's health. Agile's only commercial asset is Twirla, a TDS formulation of two well-established contraceptive agents: ethinyl estradiol (an estrogen) and levonorgestrel (a progestin) (See Chart 5). Agile believes that the total US contraceptive market – valued at approximately $5.6B despite a substantial amount of generic entrants – still faces significant unmet patient need from a compliance and usability standpoint. As a point of reference, J&J's Ortho Evra experienced the most successful US contraceptive launch ever by reaching sales of $400M less than two years post launch. A key driver of this dramatic uptake was the markedly improved compliance benefits associated with its TDS formulation. Unlike traditional oral contraceptives, which require 28-day dosing cycles - daily consumption of at least one active pill for 21 consecutive days followed by consumption of a "dummy" pill for the next 7 days – Ortho Evra patients only needed to wear 3 patches (7 days each) and one dummy patch (7 days) during the 28-day cycle.

Chart 5: Twirla (left) vs Ortho Evra (right)



Source: Agile S1

As such, Ortho Evra was seemingly on its way to becoming the largest branded product in the contraceptive segment until cardiovascular adverse events occurred in several patients due to the higher dose of estrogen delivered versus standard oral therapies. Tragically, as many as 20 patient deaths were attributed to the product, which resulted in a "black box" warning being placed on the product label and led to dramatically reduced utilization. Somewhat surprisingly, Ortho Evra still generates over $150M in sales per year despite the black box warning. This is because many patients who are not at risk of cardiovascular related events see numerous practical benefits to using a transdermal patch. With this history as a backdrop, Agile has developed Twirla to deliver a low dose of estrogen with an equivalent pK profile to common oral contraceptives, potentially eliminating the risk of cardiovascular related events. And in multiple clinical trials to date, including two pivotal Phase 3 programs, Twirla was shown to be safe and effective in approximately 1900 patients with adverse event rates nearly identical to common oral contraceptives.

Twirla's Phase 3 Results Suboptimal Likely Due to Clinical Trial Design

While Twirla was demonstrated to be safe and effective in clinical trials to date, the drug missed its primary efficacy endpoint in both of its pivotal Phase 3 clinical trials and was issued a Complete Response Letter (CRL) by the FDA in February 2013. While failing to meet a targeted endpoint often leads to termination of a clinical program, in this case numerous extenuating factors may have contributed that were not directly related to the

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drug itself. Primarily, Agile, under its previous management team, utilized a Contract Research Organization (CRO) to design and execute its clinical trials. Simply stated, the CRO emphasized speed above all other factors when conducting the trials, which appears to have led to suboptimal execution. In particular, the CRO enrolled the trial across approximately 80 testing sites, which is significantly higher than for most clinical studies, and included some locations with disproportionate populations of high pregnancy risk participants. Further, patients were enrolled very rapidly and the CRO seemingly failed to consider the type of patient that would be appropriate for the trial. Finally, an unusually high percentage of patients were lost to drop-out in the trial. Taking these factors together, Agile's trials featured multiple high pregnancy risk participants, including first-time contraceptive users, which likely is the principal reason the trial missed the designated primary endpoint.

Lack of Efficacy in Comparator Arm Strengthens Argument

The comparator arm for this study (which in a contraceptive trial is obviously not a true placebo) utilized a previously FDA approved and marketed oral contraceptive. Importantly, the oral drug demonstrated even lower contraceptive efficacy than Twirla in the study, suggesting that the trial truly was sub-optimally designed. In our view, this implies that Twirla is likely approvable. Agile appears confident that it can address these issues and plans to initiate a new pivotal Phase 3 trial by mid-2014, with topline data to readout in 4Q2015. Specifically, Agile has retained a new CRO, has worked with the FDA to streamline the trial design, and plans to "micromanage" the study participants to ensure compliance. In our view, Twirla has a good chance of demonstrating contraceptive efficacy in its newly designed clinical trial. We ascribe 70% odds of success.

Economics to Corium are Meaningful – Given the Large Market Opportunity

Twirla's novel TDS formulation was developed in-house by Agile scientists and the intellectual property resides with the company. Agile identified Corium as a development partner due to its substantial transdermal manufacturing competencies. And the economics to Corium could be meaningful if Twirla is approved, especially if the product experiences market acceptance similar to Ortho Evra during its first two years on the market. In essence, we estimate Corium will receive $6 in revenue for each Twirla unit (3 patches per unit) that it produces – regardless of whether that unit is prescribed or sampled – and these sales will flow through the company's Income Statement at approximately 40-60% gross margins depending on volume. Importantly, there are two additional factors that could lead to enhanced production volume for Corium. First, in the US oral contraception market product sampling is typically high to encourage trial by patients. And secondly, under the recently implemented Affordable Care Act (ACA), all co-payments are eliminated for contraceptive products, regardless of price or method of administration. Hence, despite the high levels of genericization in the contraceptive market, access barriers likely will not be an issue for Twirla adoption if it's approved.

For modeling purposes, we define the contraceptive market as a $5.6B branded opportunity, meaning that 1% market share is equivalent to $56M in net sales at assumed $100 WAC pricing per Rx. We thus project Agile sales based on projected market penetration and simultaneously assume a sampling rate based on total units prescribed. Given an expected launch in 1H2016, we forecast FY2016 Agile end market sales of $10M based on 0.2% market penetration and 100% sampling. This corresponds to 100K units prescribed and 200K total units of production for Corium. As Twirla potentially gains more traction in the marketplace revenues should increase and the sampling rate should decrease. For example, at $6 per unit to Corium and 25% patient sampling, each $100M of Twirla net sales translates to $7.5M in revenues to Corium and $0.15 of EPS. By 2020 we model Twirla end market sales of $390M and believe peaks sales could top $750M. Importantly, Agile anticipates completing an IPO during mid-2014 and the expected proceeds are intended to fund Twirla's development. If Agile is unable to secure the

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requisite financing to initiate its Phase 3 program partner revenues to Corium could be delayed.

Corplex Tamsulosin Could be a Differentiated Version of Flomax –Development Risk Lies Ahead

Corium hopes to exploit its Corplex technology for the transdermal delivery of tamsulosin, the active ingredient in Flomax, which is indicated for the treatment of benign prostatic hyperblasia (BPH) and achieved sales of $2.2B in 2009 prior to generic competition, according to IMS. BPH is a logical indication for TDS formulation, but to date tamsulosin has not been successfully formulated into a transdermal patch due to its poor solubility properties. The company believes that Corplex is well-suited to overcome previous formulation challenges owing to its high customizability. Corium has already successfully conducted a Phase 1 study evaluating the safety, tolerability and pK profile of the product. Notably, in the study Corplex Tamsulosin delivered smooth, consistent dosing of the drug when compared to oral tamsulosin, which could eliminate some of the side effects associated with immediate release versions of the drug. While early, if successfully developed and commercialized, Corplex Tamsulosin could be the only marketed TDS version and could offer a differentiated clinical profile including 1) reduction in nocturia (frequent night-time urination) and cardiovascular adverse events, 2) improved compliance and no food effects, and 3) dosing simplicity, particularly for the elderly, who sometimes have difficulty swallowing oral products and who are more susceptible to night-time falls associated with nocturia.

Corium intends to utilize the FDA's simplified 505b2 approval pathway to progress Corplex Tamsulosin through the clinic, with a Phase 2 trial slated to begin in 1H2015. If successful, the company hopes to identify a development partner with an established sales and marketing infrastructure to help commercialize the product. In our view, this is a cogent strategy and we therefore model a $10M upfront development payment to Corium starting in 2015 that will be amortized over 10 years. We also conservatively assume that Corium will receive a 5% royalty on net sales and a cost-plus markup for production. Thus, we project market entry for the product in FY2018 with partner sales of $40M, rising to $80M in FY2019. This corresponds to $8M and $16M in total revenue to Corium during the same period.

Transdermal PTH Could be a Game Changer – Nobody Has Been Successful to Date

Corium's last advanced pipeline product is a potential TDS version of Forteo, currently marketed by Eli Lilly with over $1B in annual sales. Forteo is indicated for the treatment of severe osteoporosis and utilizes a simplified version of parathyroid hormone as its active ingredient. Despite the commercial success of this product, however, it suffers from many limitations, including daily sub-Q injections, cold storage and patient compliance rates under 50%, according to Datamonitor. These issues make TDS formulation a natural fit, but to date no company has been able to successfully develop a noninvasive route of administration for the molecule. Corium has successfully completed a Phase 1 trial for this MicroCor product in healthy women and again plans to exploit the 505b2 pathway as it progresses through development. Corium also plans to partner this product with a proven commercial partner post the completion of its clinical program, which is slated to begin with a Phase 2a pK study in 2H2014. We anticipate Corium will enter into collaboration in 2015 and receive a $30M milestone payment that will be amortized over

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10 years. We model product launch in 2019 with $80M in partner sales, rising significantly to $210M in 2020. Similarly to Corplex Tamsulosin, we expect Corium to receive 5% royalties on net product sales and to receive a manufacturing cost markup. Therefore we project FY2019 total revenues to Corium of $16M, increasing to $42M in 2020.

Can MicroCor Achieve the "Holy Grail" of Drug Delivery?

The "Holy Grail" of biotechnology is the non-invasive delivery of vaccines, biologics and other large molecules. Countless companies have invested significant resources into trying to solve this challenge, but to date none have been successful. Routes of delivery have included oral, nasal, transmucosal and pulmonary pathways. That said, in our survey of various drug delivery systems in development, MicroCor is arguably one of the top 3 most capable of achieving clinical success today. By combining its innovative technology with Corium's manufacturing know-how, the company has attracted multiple strong feasibility partners including Novartis, Pfizer and various public health organizations. The company has already conducted multiple feasibility studies with Novartis using MicroCor as a delivery vehicle for a variety of vaccines and, according to management, early results were promising. Vaccination is a natural application for transdermal delivery, especially since the only current administration method is injection, which can cause patient anxiety and pain. Further, whereas for some therapies immunogenic effects present significant complications, immunogenicity is the desired outcome for vaccinations, which eliminates a common development hurdle. As such, we see this as a potentially highly promising development area that could lead to a long-term collaboration agreement. That said, the recent "asset swap" between Novartis, GSK and Eli Lilly could prolong the timelines for such as a partnership, particularly as Novartis' vaccines business segment (with the exception of influenza vaccines) will be divested to GSK.

Due to the Very High Degree of Risk We Ascribe Zero Value to These Programs in Our Model

Corium has also conducted feasibility studies with Pfizer for the development of MicroCor for biologic molecules and some of these programs include New Chemical Entities (NCEs). If successfully developed, these programs could be $500M to $1B opportunities. And finally, Corium is in early discussions with multiple public health organizations who are interested in exploring the use of MicroCor as a delivery vehicle. All told, while we view MicroCor as a promising early technology, we do not include any revenues from these potential MicroCor partnerships in our model. Moreover, we view the probability of success as very low. If Corium is able to successfully complete clinical trials for any of these development areas, however, there could be major potential upside to Corium's current valuation.

Two Very Early Stage CNS Opportunities – Early and Not in Our Model

The company has also just started to investigate the potential use of Corplex to formulate four well-established CNS products: donezepil and memantine in Alzheimer's disease ($3.9B opportunity) and ropinirole and pramipexole for Parkinson's disease ($3B opportunity). Corium believes it can leverage the 505b2 pathway to accelerate the development of TDS versions of these highly lucrative, previously marketed brands. While

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these are certainly large potential opportunities, we exclude any revenue contributions for these products because of their very early stage of development. That said, if either of these products are launched (likely not until the 2019-2020 timeframe) they could represent $500M+ peak sales opportunities.

Ongoing Contract R&D and Feasibility Studies – Could Lead to Future Collaborations

A final source of revenue generation for Corium comes in the form of contract research and development programs (contract R&D). These revenues typically include milestone and upfront payments and reimbursement for completed research activities. In general, due to the high costs associated with contract R&D these agreements are barely profitable – and can even lead to losses. As Corium continues to progress its pipeline assets through clinical development it will likely enter into more of these arrangements, which should help the company validate its technologies and attract future commercialization partners. As we understand it, several large companies have already entered into feasibility studies with the company, although the details are generally not disclosed for competitive purposes. Given that Corium will not receive topline clinical data for most of its programs until FY2015, we forecast Contract R&D revenues of $11.6M (+7.5% Y/Y) in FY2014. We expect that revenues will climb substantially higher in FY2015 to $17.3M (+50% Y/Y) as more partners seek to work with Corium. It's important to note that we model these revenues with a gross margin of essentially zero, thus they do not meaningfully impact profitability.

Financial Projections

Our revenue buildup for Corium is displayed in Chart 6. In the near term the company's revenue generation will be derived mostly from its "base" business. This includes its six currently marketed products – fentanyl TDS, clonidine TDS and the 4 Whitestrips brands – and its two transdermal formulations for motion sickness and urology that are partnered with Teva. We model dampened revenues for fentanyl and clonidine for FY2014 (reasons discussed above) and trend growth in 2015 and beyond. This one year decline should be largely offset by solid growth from the Whitestrips franchise, which we forecast to grow 15% in FY2014, 11% in FY2015 and 9% in FY2016. We conservatively exclude the urology formulation from our forecasts due to a potential Rx to OTC switch, but include revenues of $2M from the motion sickness patch beginning in 2015

While this base business provides a solid footing for the company and provides significant downside protection for investors, the real opportunity for value creation stems from its partnership with Agile and its potential collaborations for Corplex Tamsulosin and MicroCor PTH. We believe Twirla has at least 70% odds of a positive Phase 3 trial and we project launch during 1H2016. We assume the product will achieve $390M in end market sales during its 4th year post launch. Recall that Ortho Evra reached $400M in 2004 after just two years on the market. In line with our estimates, Twirla should generate revenues for Corium of $7.2M, $11.7M, $20.7M and $29.4M from FY2016 to FY2020. Notably, this represents just 17% of total revenues in both FY2019 and FY2020 but should contribute $0.35-0.40 and $0.45-0.55 to EPS, respectively.

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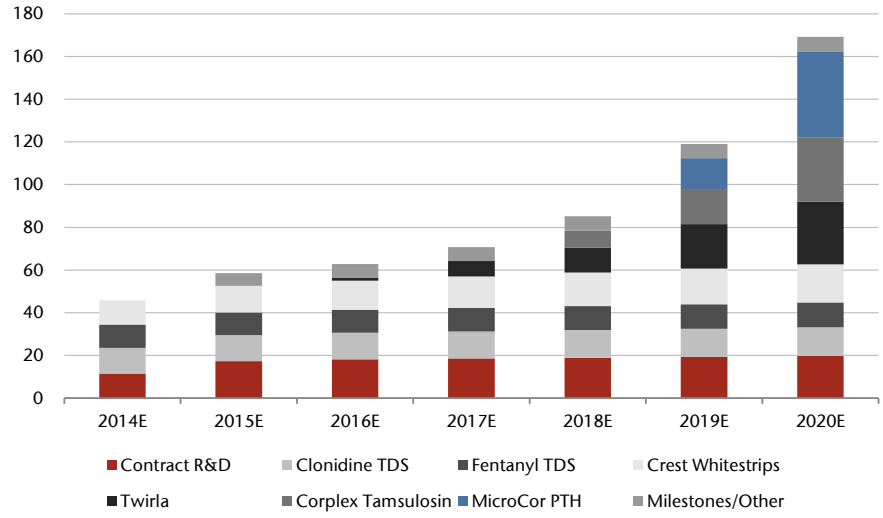
Chart 6: Corium Actual and Expected Revenues by Product

Product Summary Table	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Contract R&D	$ 6,838	$ 10,750	$ 11,556	$ 17,334	$ 18,201	$ 18,565	$ 18,936	$ 19,315	$ 19,701
Clonidine TDS	10,500	13,201	11,947	12,186	12,430	12,678	12,932	13,190	13,454
Fentanyl TDS	15,000	15,701	10,991	10,551	10,762	10,977	11,197	11,421	11,649
Crest Whitestrips	9,000	9,802	11,272	12,512	13,638	14,729	15,760	16,785	17,792
Twirla	0	0	0	0	1,200	7,200	11,691	20,738	29,352
Corplex Tamsulosin	0	0	0	0	0	0	8,000	16,000	30,000
MicroCor PTH	0	0	0	0	0	0	0	15,000	40,500
Milestones/Other	1,522	816	0	6,000	6,500	6,550	6,601	6,653	6,706
TOTAL REVENUES	$ 42,860	$ 50,270	$ 45,766	$ 58,584	$ 62,731	$ 70,700	$ 85,118	$ 119,102	$ 169,155

Source: Jefferies estimates, company data

Chart 7: Corium 2014E-2020E Revenues by Product



Source: Jefferies estimates

We assume Corium will identify collaboration partners for both Corplex Tamsulosin and MicroCor PTH in FY2015 and receive upfront milestone payments of $10M and $30M, respectively. As such, from FY2015 to FY2020 we forecast $4M in amortized revenues during this period. We expect Corplex Tamsulosin to launch in FY2018 and Corium to receive revenues from manufacturing and royalties on net sales. In total, we project Corplex Tamsulosin revenues to Corium during FY2018 through FY2020 of $8M, $16M and $30M based on end market partner sales of $40M, $80M and $150M. These revenues correspond to 10%, 14% and 18% of total revenue.

Similarly, we anticipate MicroCor PTH to launch in FY2019 and that Corium will receive revenues from manufacturing and royalties on net sales. We thus project MicroCor PTH revenues to Corium during FY2019 and FY2020 of $16M and $42M based on partner end market sales of $80M and $210M during the same period. This corresponds to 14% and 25% of total revenue. Finally, we forecast contract R&D revenues of ~$17M+ from FY2015 to FY2020 as additional feasibility partnerships are consummated, though these are generally neutral to the earnings. Importantly, we ascribe zero value to all other development programs including potential MicroCor collaborations in vaccines and biologics and possible Corplex formulations in Alzheimer's and Parkinson's.

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Jefferies Acted as Lead Book-Running Manager for April 2, 2014 Initial Public Offering

Jefferies acted as the lead book-running manager for Corium's Initial Public Offering (IPO) on April 2, 2014, which netted ~$48.4M to the company. Corium issued 6.5M shares at a price of $8.00/share and intends to use the proceeds as follows:

- $15-18M for Phase 2 clinical trials for MicroCor hPTH(1-34) and Corplex Tamsulosin
- $15-18M to scale up production capabilities for MicroCor products
- $5-7M for formulation and development work for proprietary Corplex products
- $2-4M for MicroCor research and development
- $5.2M for the repurchase of common stock pursuant to the company's recapitalization

Corium also granted the underwriters a 30-day option to issue an additional 975K shares at $8.00/share if sufficient demand exists.

Management

Peter D. Staple, Chief Executive Officer

Mr. Staple has served as Corium's President, Chief Executive Officer and a board director since March 2008. From 2002 to 2007 he served as CEO of BioSeek, Inc., an early development company that investigated predictive human biology. Prior to BioSeek, beginning in 1994 Mr. Staple held positions of increasing responsibility at ALZA Corporation, a pioneer in the field of oral and transdermal drug delivery. Prior to joining ALZA, Mr. Staple served in senior positions at Cetus and Chiron Corporations and before he entered the pharmaceutical industry he practiced corporate and securities law with Heller Ehrman LLP. Mr. Staple also serves as chairman of the board of directors of Depomed, Inc. He received his B.A. and J.D. Degrees from Stanford University.

Robert "Bubba" S. Breuil, Chief Financial Officer

Mr. Breuil joined Corium in September 2012 and previously from 2006 through 2009 he was the CFO of Codexis, Inc., a developer of biocatalysts for the pharmaceutical and fine chemical industries. From 2002 to 2005, Mr. Breuil was the CFO of Aerogen, Inc., a drug delivery company that focused on the field of aerosolized drug formulation, which was ultimately acquired by Nektar Therapeutics. Before Aerogen, Mr. Breuil worked at ALZA, where he held numerous positions of increasing responsibility. Prior to entering the pharmaceutical industry, he served for eight years as a naval officer and aviator. Mr. Breuil received his B.S. from the United States Naval Academy and his MBA from the Stanford Graduate School of Business.

Parminder "Bobby" Singh, PhD, Chief Technology Officer

Dr. Singh joined Corium in 2002 and previously he held research and development and senior management positions at Novartis International AG, Ciba-Geigy AG, and Vyteris, Inc., where his work focused on the development and production of transdermal systems. Dr. Singh is a premiere drug delivery scientist and he received his B.Pharm and M.Pharm from Punjab University in India and his Ph.D. in Pharmaceutics from the University of Queensland, Australia. Mr. Singh also completed a post-doctorate fellowship at the University of California, San Francisco. He is a member of the American Association of Pharmaceutical Scientists and the Controlled Release Society.

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Catalyst Calendar

At this point Corium has multiple proprietary and partnership programs at various stages of development. As a result there could be some large collaborations announced over the next 12 months. However, the first significant "known" catalyst will not occur until the end of 2015, when it is expected that Agile's pivotal Phase 3 trial for Twirla will produce topline results.

Chart 8: Corium Upcoming Catalysts

Timeline	Event
2H2014	Initiation of Ph2a Trial for MicroCor hPTH(1-34)
2H2014	Agile to Initiate Pivotal Ph3 Twirla Trial
2014	Potential MicroCor Feasibility Partnership
1H2015	Initiation of Ph2 Trial for Corplex Tamsulosin
4Q2015	Topline Data from Agile Ph3 Pivotal Trial
2015	Potential Partnership for MicroCor hPTH (1-34)
2015	Potential Partnership for Corplex Tamsulosin

Source: Company data

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Chart 9: Corium Income Statement

Corium International (CORI)

Income Statement ($ in '000s, except per share data)

FY: SEP	2011A	2012A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues:														
Product Revenues	$36,224	$35,952	$38,704	$8,100	$7,198	$9,162	$8,165	$32,626	$35,633	$38,882	$46,454	$60,466	$95,038	$145,170
Contract R&D Revenues	6,986	6,838	10,750	2,064	3,164	3,164	3,164	11,556	17,334	18,201	18,565	18,936	19,315	19,701
License/Collaboration Revenues	77	70	816	304	-	-	-	-	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL REVENUES	$43,287	$42,860	$50,270	$10,468	$10,362	$12,327	$11,329	$44,182	$56,968	$61,083	$69,019	$83,403	$118,353	$168,871
Cost of Goods Sold:														
COGS	33,945	34,604	36,684	8,766	7,755	8,838	6,901	32,282	38,194	41,052	45,363	52,818	70,735	96,405
GROSS PROFIT	$9,342	$8,256	$13,586	$1,702	$2,607	$3,488	$4,428	$11,900	$18,773	$20,031	$23,656	$30,585	$47,618	$72,466
Operating Expenses:														
R&D	3,678	3,966	5,496	861	1,929	2,226	2,404	7,420	12,243	18,977	19,925	20,324	20,730	21,145
G&A	4,006	4,645	6,525	1,810	2,893	3,059	3,363	11,125	10,235	10,440	11,640	12,222	12,833	13,475
Other Operating Expenses	-	(57)	(177)	(37)	(38)	(38)	(38)	(150)	(152)	(153)	(155)	(156)	(158)	(159)
Total Operating Expenses	42,126	43,670	49,069	11,530	12,708	14,281	12,785	51,325	61,151	70,977	77,469	85,938	104,907	131,670
OPERATING INCOME	1,161	(810)	1,201	(1,062)	(2,345)	(1,954)	(1,456)	(7,143)	(4,183)	(9,894)	(8,450)	(2,535)	13,446	37,201
Net interest income (expense)	(3,839)	(5,243)	(7,696)	(2,022)	(744)	(744)	(744)	(4,255)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Other Income	314	603	(7,381)	986	-	-	-	986	-	-	-	-	-	-
PRETAX INCOME	(2,364)	(5,450)	(13,876)	(2,098)	(3,090)	(2,699)	(2,200)	(10,412)	(5,783)	(11,494)	(10,050)	(4,135)	11,846	35,601
Reported taxes	(23)	(7)	1	0	0	0	0	0	0	0	0	0	0	0
Fully taxed (37.5%)	-	-	0	0	0	0	0	0	0	0	0	0	4,442	13,350
NET INCOME	(2,341)	(5,443)	(13,877)	(2,098)	(3,090)	(2,699)	(2,200)	(10,412)	(5,783)	(11,494)	(10,050)	(4,135)	11,846	35,601
Shares outstanding (basic)					18,592	18,892	19,192	19,492	19,792	20,092	20,392	20,692	20,992	21,292
Shares outstanding (diluted)					18,592	18,892	19,192	19,492	20,092	20,392	20,692	20,992	22,792	23,092
Reported EPS (diluted)					**($0.17)**	**($0.14)**	**($0.11)**	**($0.42)**	**($0.29)**	**($0.56)**	**($0.49)**	**($0.20)**	**$0.52**	**$1.54**

Source: Jefferies estimates, company data

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Chart 10: Corium Balance Sheet

Corium International (CORI)

Balance Sheet ($ in '000s)

FY: SEP	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
ASSETS									
Cash and equivalents	12245	13581	54872	42643	26429	11335	1392	6631	33600
Accounts receivable, net	2800	3129	4418	5697	6108	6902	8340	10652	15198
Inventories, net	4369	4508	5302	6836	7330	8282	10008	13019	16887
Other Current assets	3068	2533	2660	2793	2932	3079	3233	3394	3564
CURRENT ASSETS	**22482**	**23751**	**67251**	**57969**	**42800**	**29598**	**22973**	**33696**	**69250**
Net Property and equipment	7024	12622	15507	22446	27673	32668	37480	42151	46719
Intangible assets, net	7696	7549	7775	8009	8249	8496	8751	9014	9284
Other assets	0	100	102	104	106	108	110	113	115
TOTAL ASSETS	**37202**	**44022**	**90636**	**88528**	**78828**	**70871**	**69315**	**84973**	**125369**
LIABILITIES AND EQUITY									
Accounts payable	3298	2748	3228	3819	4105	4536	5282	7073	9641
Accrued expenses and other liabilities	3441	3374	3543	3720	3906	4101	4306	4521	4748
Bank lines of credit	1572	3873	4067	4270	4270	4270	4270	4270	4270
Capital lease obligations, current portion	599	1029	1029	0	0	0	0	0	0
Other liabilities	1913	3676	3933	4209	4503	4818	5156	5517	5903
CURRENT LIABILITIES	**11380**	**15157**	**16257**	**16018**	**16784**	**17726**	**19014**	**21382**	**24561**
Long-term interest payable	9940	11590	0	0	0	0	0	0	0
Long-term debt	29201	36956	37000	40000	40000	40000	40000	40000	40000
Capital lease obligations, net of current porti	430	1652	1152	0	0	0	0	0	0
Recall liability, net of current portion	4500	3828	2825	1896	1100	250	0	0	0
Deferrerd revenues, net of current portion	4612	3688	3872	4066	4269	4483	4707	4942	5189
Other long-term liabilities	0	7367	7883	8434	9025	9657	10333	11056	11830
TOTAL LIABILITIES	**83063**	**102637**	**68989**	**70414**	**71178**	**72115**	**74053**	**77380**	**81580**
TOTAL STOCKHOLDERS' EQUITY	**-45861**	**-58615**	**21647**	**18114**	**7649**	**-1244**	**-4739**	**7593**	**43789**
TOTAL LIABILITIES AND EQUITY	**37202**	**44022**	**90636**	**88528**	**78828**	**70871**	**69315**	**84973**	**125369**

Source: Jefferies estimates, company data

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Chart 11: Corium Statement of Cash Flows

Corium International (CORI)

Statement of Cash Flows ($ in '000s)

FY: SEP	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
CASH FLOWS FROM OPERATING ACTIVITIES									
Net Income (loss)	(5443)	(13877)	(10412)	(5783)	(11494)	(10050)	(4135)	11846	35601
Depreciation and Amortization	2485	2433	2715	3691	4435	5149	5840	6514	7175
Stock-based Compensation	66	330	380	436	502	577	664	763	878
Gain/sale on Other Assets	(660)	7204	0	0	0	0	0	0	0
Reversal of Non-cash Profit (Loss)	(1988)	607	169	177	186	195	205	215	226
Change in Working Capital, excluding Cash	5580	2321	(1110)	(3185)	(279)	(951)	(2031)	(3116)	(5405)
Cash provided by operating activities	**40**	**(982)**	**(8259)**	**(4663)**	**(6650)**	**(5079)**	**544**	**16223**	**38474**
CASH FLOWS FROM INVESTING ACTIVITIES									
Capital Expenditure (Purchase of PP&E)	(1859)	(7163)	(5000)	(10000)	(9000)	(9450)	(9923)	(10419)	(10940)
Disposals of PP&E	15	17	17	17	17	17	17	17	17
Acquisitions of Subsidiaries, Associates & Investments	0	0	0	0	0	0	0	0	0
Disposals of Subsidiaries, Associates, & Investments	0	0	0	0	0	0	0	0	0
Other investing cash flows	(516)	(793)	(595)	(595)	(595)	(595)	(595)	(595)	(595)
Cash used in investing activities	**(2360)**	**(7939)**	**(5578)**	**(10578)**	**(9578)**	**(10028)**	**(10500)**	**(10996)**	**(11517)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Notes Payable Issuance (Repayment)	14444	8607		3000	0	0	0	0	0
Capital Lease Issuance (Repayment)	(464)	1637	(500)	0	0	0	0	0	0
Share Capital Issuance (Buy-back)			55614						
Other financing Cashflows	12	13	13	13	13	13	13	13	13
Cash provided by financing activities	**13992**	**10257**	**55127**	**3013**	**13**	**13**	**13**	**13**	**13**
Effects of Exchange Rate Changes									
Net increase (decrease) in cash and cash equivalents	11672	1336	41291	(12228)	(16214)	(15094)	(9944)	5239	26970
Cash and cash equivalents, beginning of period	573	12245	13581	54872	42643	26429	11335	1392	6631
Cash and cash equivalents, end of period	**12245**	**13581**	**54872**	**42643**	**26429**	**11335**	**1392**	**6631**	**33600**

Source: Jefferies estimates, company data

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Company Description

Corium International, Inc. is a leader in applying advanced transdermal delivery systems and related technologies to address areas of unmet medical need. The company has developed two highly differentiated state of the art transdermal technologies, Microcor and Corplex, for the delivery of large and small molecules, respectively.

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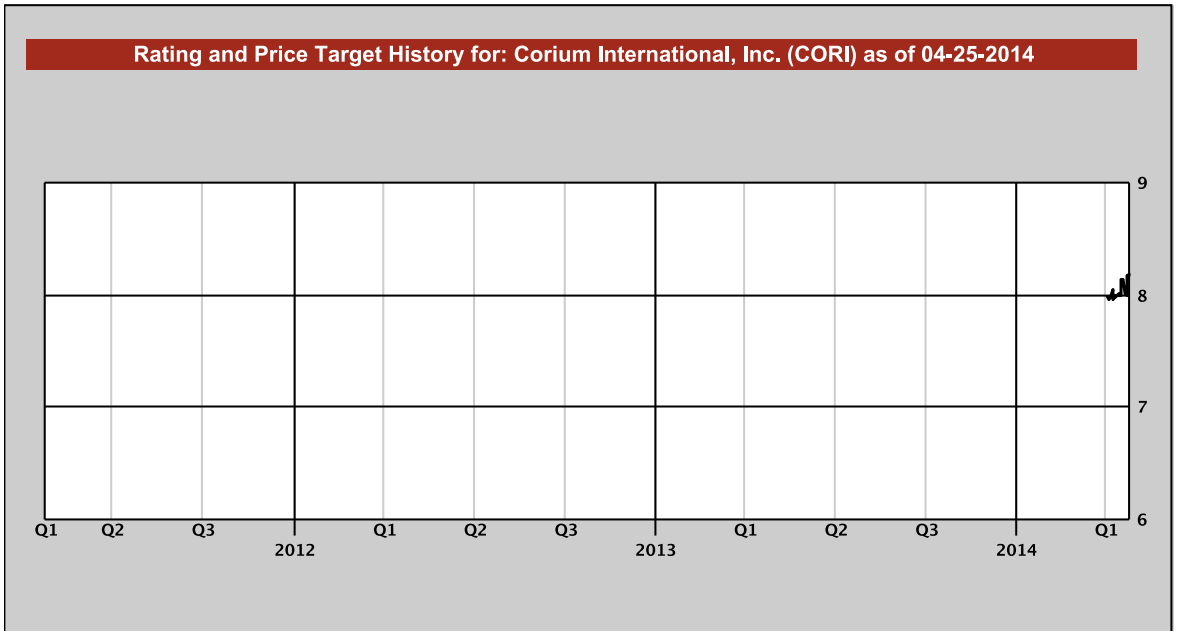
- Halozyme Therapeutics, Inc. (HALO: $7.21, UNDERPERFORM)



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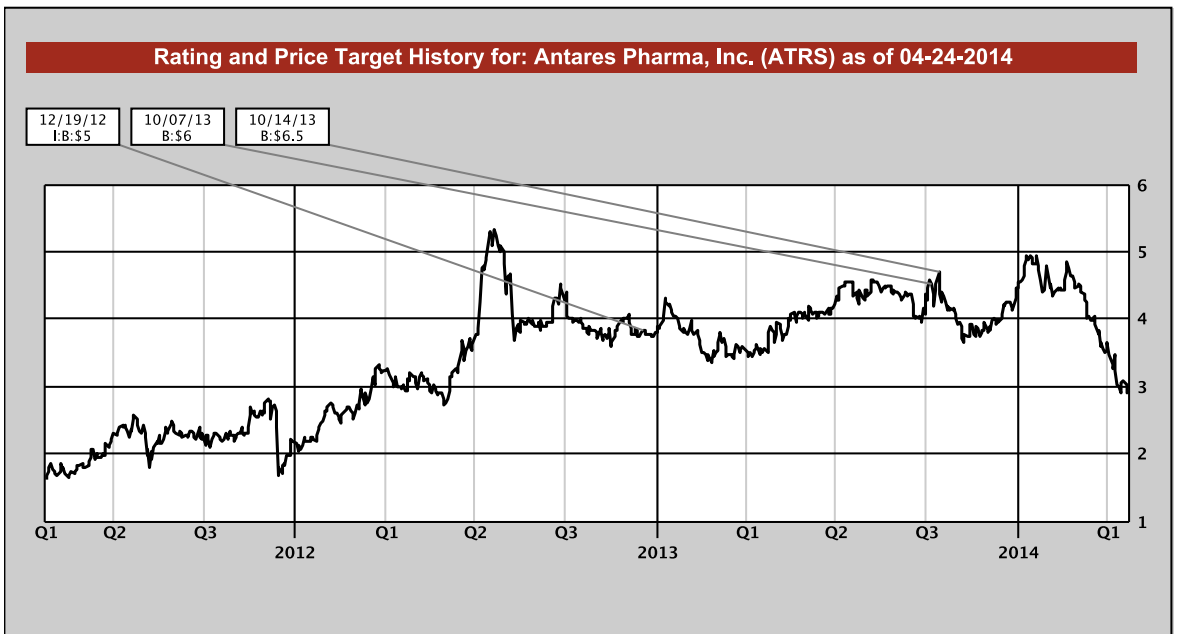

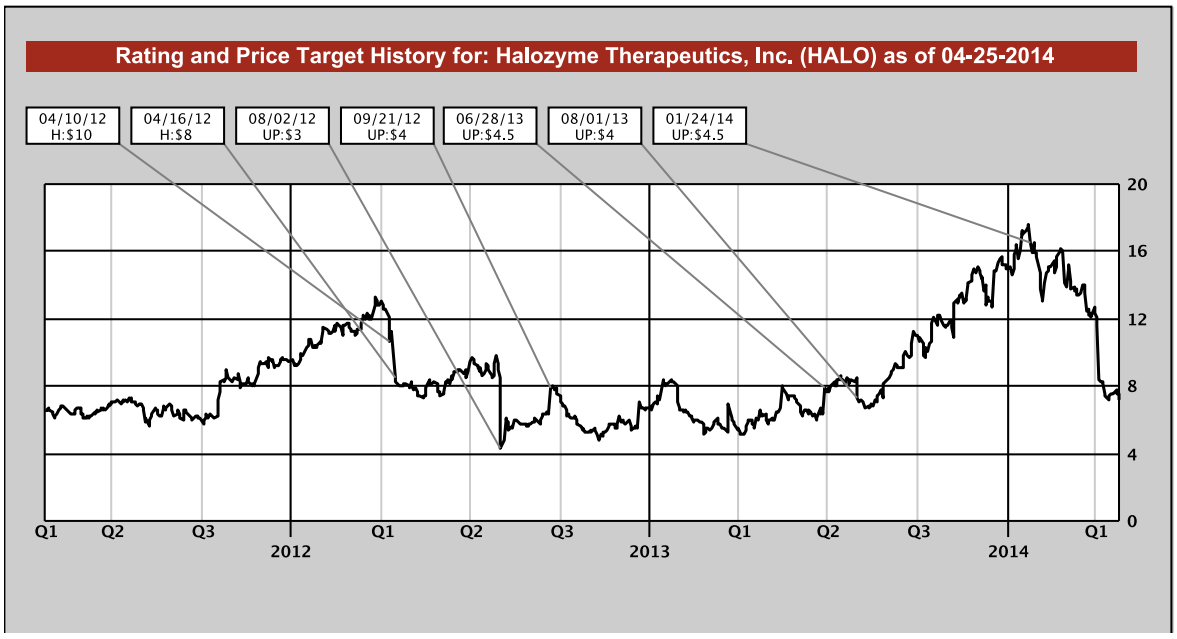

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	900	49.42%	238	26.44%
HOLD	774	42.50%	134	17.31%
UNDERPERFORM	147	8.07%	5	3.40%

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