

May 14, 2015
Aldeyra Therapeutics (ALDX)
Rating: Buy

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On Track to Report Clinical Data in 2H15; Reiterate Buy

Stock Data		05/13/2015	
Price		\$7.49	
Exchange		NASDAQ	
Price Target		\$14.00	
52-Week High		\$13.50	
52-Week Low		\$3.00	
Enterprise Value (MM)		\$40	
Market Cap (MM)		\$72	
Public Market Float (MM)		5.0	
Shares Outstanding (MM)		9.6	
3 Month Avg Volume		20,457	
Short Interest (MM)		0.03	
Balance Sheet Metrics			
Cash (MM)		\$15.7	
Total Debt (MM)		\$1.3	
Total Cash/Share		\$2.36	
Book Value/Share		\$2.07	
EPS Diluted			
Full Year - Dec	2014A	2015E	2016E
1Q	(0.40)	(0.32)A	(0.38)
2Q	(1.56)	(0.35)	(0.38)
3Q	(0.36)	(0.38)	(0.31)
4Q	(0.36)	(0.39)	(0.31)
FY	(2.51)	(1.44)	(1.38)
Revenue (\$M) Diluted			
Full Year - Dec	2014A	2015E	2016E
1Q	0.00	0.00A	0.00
2Q	0.00	0.00	0.00
3Q	0.00	0.00	0.00
4Q	0.00	0.00	0.00
FY	0.00	0.00	0.00



SLS study on track. Aldeyra is currently conducting two clinical studies of its lead drug candidate, NS2. The first study is a Phase 2, double-blind, placebo-controlled trial using topical NS2 cream to treat Sjogren-Larsson Syndrome (SLS). This study is being conducted at the University of Nebraska medical center, the leading US center for SLS, and began enrolling patients on March 17. Primary outcome measure of the study is the safety and tolerability of topical NS2, and other outcome measures include determining the pharmacokinetic profile of NS2 and change in the intensity of ichthyosis symptoms pre- and post-treatment. We expect top-line results from this study to be reported in 2H15.

Uveitis study underway. The second study is a Phase 2, randomized, investigator-masked trial of NS2 for treating noninfectious anterior uveitis. The study began enrolling patients at the start of April following FDA's approval of a special protocol amendment. Primary outcome measures of the study include various anterior uveitis outcomes such as grade of anterior chamber cell count, grade of anterior chamber flare, grade of limbal injection, grade of hypopion, grades of peripheral anterior and posterior synechiae, visual acuity, and ocular pain score. While management expects preliminary results could be available by the end of 2015, they have also cautioned that, due to the nature of the disease, the rate of patient enrollment could be unpredictable.

Strong cash position. In January 2015, Aldeyra completed two private placements with gross proceeds of \$9.8M. The company is also set to complete a proposed follow-on stock offering with gross proceeds of approximately \$20.2M in the near future. Following the completion of this stock offering, the company would have pro forma cash of \$35.9M, which we believe is sufficient to fund operations through 2016.

Financial update. Aldeyra reported 1Q15 results on May 13. The company reported no revenues, in-line with our estimate, and a net loss of \$2.1M, compared to our estimate of \$2.5M. The difference was mainly a result of lower-than-expected research and development costs. We have adjusted our financial model to reflect 1Q15 financials. For 2015, we currently project no revenues and estimate a net loss of \$9.8M.

Valuation. We are maintaining our Buy rating of Aldeyra and our 12-month price target of \$14.00 per share. We derive our per share price based on the average of two valuation methods: 1) price-sales multiple (8x 2025 sales estimate at 15% discount); and 2) price-earnings multiple (25x 2025 earnings estimate at 15% discount).

Risks: 1) clinical; 2) commercial; 3) regulatory; 4) financial; and 5) intellectual property.

Aldeyra Historical Income Statement and Financial Projections

\$ ('000) Except Per Share Data	FY 2013A	FY 2014A	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Revenues	-	-	-	-	1,175	6,753	14,321	21,396	31,464	41,672	53,989	66,476	77,144
COGS	-	-	-	-	76	405	788	1,070	1,573	2,084	2,699	3,324	3,857
Gross Income	-	-	-	-	1,098	6,348	13,534	20,326	29,890	39,589	51,289	63,153	73,287
Research & Development	1,542	3,708	5,715	6,753	7,027	7,313	7,610	7,919	7,838	7,529	9,924	12,265	14,291
G&A	2,135	3,563	3,947	4,107	4,382	4,743	5,134	5,557	8,015	10,582	13,744	16,904	19,566
Operating Income (Loss)	(3,676)	(7,271)	(9,662)	(10,860)	(10,310)	(5,707)	790	6,851	14,038	21,477	27,621	33,983	39,429
Pretax Income (Loss)	1,110	(9,574)	(9,817)	(11,030)	(10,480)	(5,877)	621	6,681	13,868	21,308	27,452	33,814	39,260
Income Taxes (Benefit)	-	-	-	-	-	-	-	-	-	-	6,403	11,497	13,348
Net Income	1,110	(9,574)	(9,817)	(11,030)	(10,480)	(5,877)	621	6,681	13,868	21,308	21,049	22,317	25,911
Basic EPS	3.49	(2.51)	(1.44)	(1.38)	(1.14)	(0.56)	0.05	0.56	1.13	1.68	1.61	1.65	1.86
Diluted EPS	0.45	(3.09)	(1.44)	(1.38)	(1.14)	(0.56)	0.05	0.55	1.11	1.65	1.58	1.62	1.83
Basic Shares Outstanding	318	3,818	6,818	7,987	9,156	10,710	11,494	11,894	12,294	12,694	13,094	13,494	13,894
Diluted Shares Outstanding	857	3,851	6,818	7,987	9,156	10,710	11,611	12,128	12,528	12,928	13,328	13,728	14,128

Source: Company reports and H.C. Wainwright estimates.

Aldeyra Historical Balance Sheet

S ('000)	FY 2013A	FY 2014A	Q1 2015A
Assets			
Cash & cash equivalents	3,262	8,527	15,721
Preferred stock issuance receivable	-	-	-
Prepaid expenses and other	8	233	177
Total Current Assets	3,271	8,760	15,898
Deferred offering costs	472	14	20
Total Assets	3,743	8,787	15,931
Liabilities & Shareholders' Equity			
Accounts payable	342	341	406
Convertible notes payable	85	-	-
Accrued interest on convertible notes payable	2	-	-
Accrued expenses	118	909	436
Current portion of credit facility	58	-	194
Total Current Liabilities	605	1,328	1,036
Credit facility, net of current portion of debt	1,129	1,175	1,069
Accrued deferred offering costs	394	-	-
Conv. preferred stock rights and right options	-	-	-
Conv. preferred stock warrant liability	3,519	-	-
Total Liabilities	5,647	2,503	2,105
Preferred stock (series A and B)	38,317	-	-
Common stock	0	6	7
Additional paid-in capital	1,103	52,790	62,468
Accumulated deficit	(41,324)	(46,512)	(48,648)
Total Shareholders' Equity	(40,222)	6,284	13,827
Total Liabilities & Shareholders' Equity	3,743	8,787	15,931

Source: Company reports.

Important Disclaimers

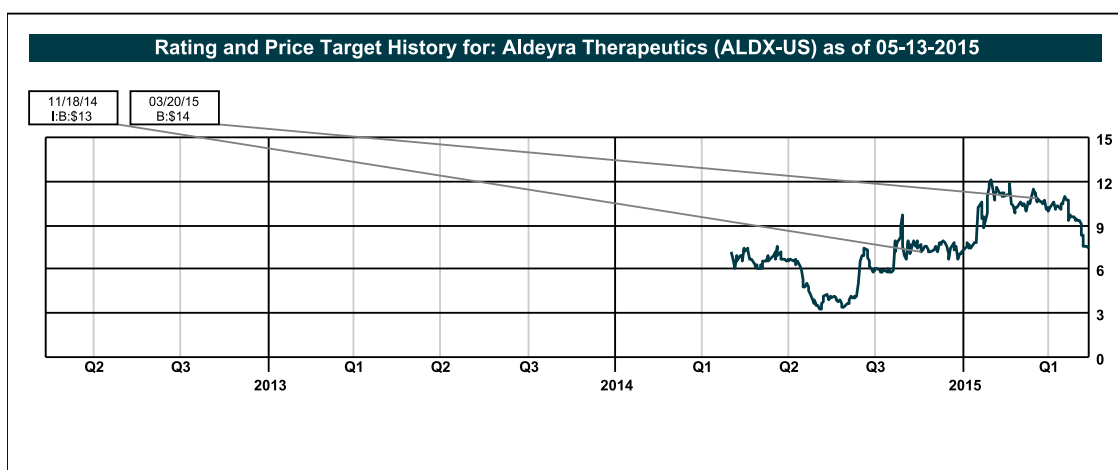
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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	110	93.22%	48	43.64%
Neutral	8	6.78%	1	12.50%
Sell	0	0.00%	0	0.00%
Under Review	0	0.00%	0	0.00%
Total	118	100%	49	41.53%

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