



December 8, 2014

Key Metrics

ALDX - NASDAQ	\$7.19
Pricing Date	Dec 5 2014
Price Target	\$35.00
52-Week Range	\$3.00 - \$11.99
Shares Outstanding (mm)	5.6
Market Capitalization (\$mm)	\$40.3
3-Mo Average Daily Volume	18,286
Institutional Ownership	1%
Debt/Total Capital	13.0%
ROE	NM
Book Value/Share	\$1.49
Price/Book	4.8x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013A	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	--	--	(1.08)A	(0.45)E	(0.48)E
2Q-Jun	--	--	(1.43)A	(0.51)E	(0.47)E
3Q-Sep	--	(0.33)E	(0.36)A	(0.49)E	(0.36)E
4Q-Dec	--	(0.38)E	(0.40)E	(0.46)E	(0.27)E
FY	(17.58)	(1.11)E	(1.90)E	(1.91)E	(1.54)E
P/E	NM		NM		NM

**Company Description:**

Aldeyra Therapeutics, Inc. (<http://www.aldeyra.com/>) is an emerging biotech company focusing on orphan diseases, based in Burlington, MA.

Aldeyra Therapeutics Inc.

Rating: Buy

Aldeyra to Submit INDs in 2014

Investment Highlights:

- INDs To Be Filed with FDA.** Aldeyra Therapeutics expects to file Investigational New Drug applications (INDs) to the U.S. FDA for clinical trials of its lead candidate NS2 by the end of 2014. NS2, designed to trap and allow for disposal of free aldehydes, is currently in development for the treatment of Sjögren-Larsson Syndrome (SLS) and acute anterior uveitis, both of which are rare diseases. We note that the FDA is supposed to notify the firm of any question or request within 30 days of the filing. Investors should be aware that Aldeyra's drug development can be done in a relatively short period of time with readily measurable objective endpoints, as the drug is applied topically to treat skin and eye disorders. In the wake of this update, we reiterate our Buy rating and 12-month price target of \$35.00 per share.
- Potential Data Around Mid-2015.** We note that the SLS and uveitis trials are expected to enroll 12 and 45 patients respectively. The aggregate cost of the trials is estimated to be approximately \$5mm. We believe the firm is likely to report data from the SLS trial around mid-2015, and data from the acute anterior uveitis trial by end-2015. We remind investors that SLS has no FDA-approved therapies, and acute anterior uveitis is typically treated with steroids, which is associated with significant toxicity if used for a long term. We believe that NS2 could provide a meaningful advance in treatment for these disorders. NS2 for the SLS indication could potentially reach the market in 2016, with the acute anterior uveitis indication potentially on the market in 2017. Additionally, the firm has the potential to leverage its technology platform to develop therapeutics for more prevalent disorders, in our view.
- Collaboration For SLS Awareness.** Aldeyra recently announced that it will collaborate with the National Organization for Rare Disorders (NORD) to increase awareness of SLS. NORD will develop a multi-phased approach to enhance the ability of the SLS population to communicate and receive optimal care through development of a patient contact registry and the social media. We believe this collaboration will provide the firm with a more connected patient community and a chance to better educate physicians who could have patients with this condition.
- Cash Runway.** Aldeyra reported a net loss of \$2.0mm for the third quarter of 2014, or (\$0.36) per share. We expect the R&D expenses to increase in the coming quarters as the firm brings NS2 into clinical trials. We currently project that the firm would have a net loss of \$5.0mm in 2014, and \$10.0mm in 2015. The firm had \$10.1mm in cash as of September 30, 2014, which should provide a runway through 2015. If positive data are reported from the forthcoming trials, Aldeyra may choose to raise additional capital in 2015 to carry on the future steps of drug development, in our view.

Table 1: Aldeyra Therapeutics, Inc. (ALDX) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2012A	2013A	2014E				2014E	2015E				
			1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE	2015E
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of revenues	-	-	-	-	-	-	-	-	-	-	-	-
Research and development	469	1,542	444	664	1,196	1,400	3,704	1,750	1,750	1,500	1,200	6,200
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	645	2,135	801	983	772	800	3,356	900	900	900	900	3,600
Total expenses	1,114	3,676	1,245	1,646	1,968	2,200	7,060	2,650	2,650	2,400	2,100	9,800
Gain (loss) from operations	(1,114)	(3,676)	(1,245)	(1,646)	(1,968)	(2,200)	(7,060)	(2,650)	(2,650)	(2,400)	(2,100)	(9,800)
Other income/expense												
Interest income/expense	(342)	(159)	(113)	(56)	(41)	(40)	(251)	(40)	(40)	(40)	(40)	(160)
Realized loss on marketable securities	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of preferred stock warrant liabilities	(37,670)	4,946	1,760	568	-	-	2,328	-	-	-	-	-
Total investment income and other	(38,012)	4,786	1,647	511	(41)	(40)	2,077	(40)	(40)	(40)	(40)	(160)
Loss before provision for income taxes	(39,126)	1,110	402	(1,135)	(2,009)	(2,240)	(4,983)	(2,690)	(2,690)	(2,440)	(2,140)	(9,960)
Accretion of preferred stock	-	-	(192)	(141)	-	-	(333)	-	-	-	-	-
Deemed dividend	-	-	(223)	(4,054)	-	-	(4,277)	-	-	-	-	-
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net loss	(39,126)	1,110	(14)	(5,330)	(2,009)	(2,240)	(4,983)	(2,690)	(2,690)	(2,440)	(2,140)	(9,960)
Net loss per share (basic)	(124.44)	3.49	(0.04)	(1.43)	(0.36)	(0.40)	(1.31)	(0.48)	(0.47)	(0.36)	(0.27)	(1.54)
Net loss per share (diluted)	(124.44)	(17.58)	(4.00)	(1.56)	(0.36)	(0.40)	(1.90)	(0.48)	(0.47)	(0.36)	(0.27)	(1.54)
Weighted average number of shares outstanding (basic)	314	318	327	3,738	5,565	5,590	3,805	5,640	5,690	6,740	7,790	6,465
Weighted average number of shares outstanding (diluted)	314	857	444	3,769	5,565	5,590	3,842	5,640	5,690	6,740	7,790	6,465

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$35.00 per share.

Valuation Methodology

Given the fact that Aldeyra is currently unprofitable, we use a discounted cash flow-based approach to value the shares. Based on a comparables analysis, we believe that the stock is worth \$35.00 per share, given our estimate of a \$300 million risk-adjusted net present value (rNPV) for the firm's pipeline. This assumes that the shares trade in line with the comp group average enterprise value of \$300 million and that the firm has roughly 9 million shares outstanding and ~\$25 million in cash at the end of 2015.

Risk Factors

Issues that could prevent the achievement of our price objective include, but are not limited to, clinical, regulatory, competitive, reimbursement and financial risks. Drugs in clinical development may not advance due to inadequate safety, efficacy, or tolerability. Regulatory agencies may decline to approve regulatory submissions in a timely manner, or may not approve a drug candidate at all. The firm may require substantial funding to complete the clinical development of its candidates and establish commercial infrastructure, which could be dilutive to current shareholders. We expect competition for the company's drugs from several public and private companies developing pharmaceuticals. Future sales of the firm's drugs could depend upon reimbursement from private, as well as public, reimbursement agencies.

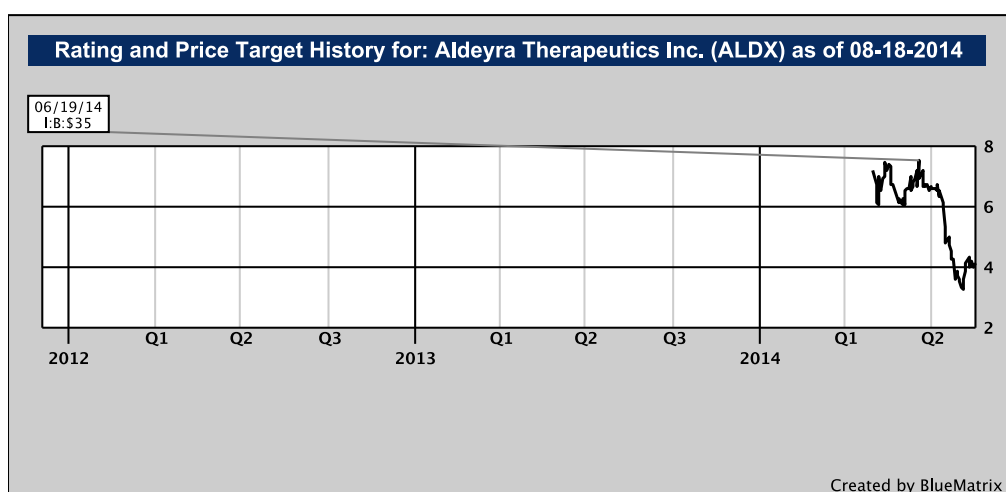
For important disclosures go to www.aegiscap.com.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Aegis Capital Corp.

Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Aegis Capital Corp. has performed investment banking services for and received fees from Aldeyra Therapeutics Inc. within the past 12 months.

Aegis Capital Corp. makes a market in Aldeyra Therapeutics Inc..



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	81.48	63.64
HOLD [HOLD]	18.52	20.00
SELL [SELL]	0.00	0.00

Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Aegis Capital Corp., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Aegis Capital is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

© Copyright 2014 by Aegis Capital

Aegis Capital Corp.
(212) 813-1010
810 Seventh Avenue, 18th Floor
New York, New York 10019