



August 4, 2014

Key Metrics

ALDX - NASDAQ	\$3.50
Pricing Date	Aug 1 2014
Price Target	\$35.00
52-Week Range	\$8.22 - \$3.11
Shares Outstanding (mm)	6.2
Market Capitalization (\$mm)	\$21.7
3-Mo Average Daily Volume	22,966
Institutional Ownership	NM
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$(121.11)
Price/Book	(0.0)x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013A	Prior 2014A	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	--	(0.04)A	(1.08)A	(0.41)E	(0.45)E
2Q-Jun	--	(0.53)E	(1.43)A	(0.48)E	(0.51)E
3Q-Sep	--	(0.32)E	(0.33)E	(0.46)E	(0.49)E
4Q-Dec	--	(0.36)E	(0.38)E	(0.43)E	(0.46)E
FY	(17.58)	(1.47)E	(1.11)E	(1.78)E	(1.91)E
P/E	NM		NM		NM



Source: BigCharts.com

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 Reports 2Q 2014 Financial Results****Investment Highlights:**

- **Cash Position Solid.** This morning, Aldeyra Therapeutics reported financial results for the second quarter of 2014. The firm ended the quarter with roughly \$11.5mm in cash, which we anticipate to be sufficient to fund operations through at least mid-2015. The company reported slightly higher-than-expected operating expenses in the quarter, coming in at roughly \$1.6mm vs. our original expectation of \$1.5mm. In the wake of this earnings release, and in anticipation of near-term clinical progress, we are reiterating our Buy rating and 18-month price target of \$35.00 per share. In our view, Aldeyra represents an attractive opportunity in the orphan disease space, but also has the potential to leverage its technology platform to develop therapeutics for much more prevalent disorders.
- **Upcoming Clinical Catalysts.** Aldeyra expects to file Investigational New Drug (IND) applications with the FDA for two rare diseases, Sjogren-Larsson Syndrome (SLS) and acute anterior uveitis, by the end of the year. Both clinical programs are slated to report data before the end of 2015. For SLS, there are no FDA-approved therapies, and acute anterior uveitis is typically treated with steroids, with which long-term use is associated with significant toxicity. Accordingly, therefore, we believe that NS2, Aldeyra's lead candidate, could provide a meaningful advance in patient therapy for these disorders.
- **Low-Cost Clinical Programs.** Aldeyra is aiming at clinical indications in which drug development can be done swiftly and cost-effectively; namely, skin and eye disorders. These diseases have the advantages of enabling rapid clinical development with short evaluation periods and readily measurable objective endpoints. The firm's upcoming trials in SLS and anterior uveitis, which are projected to enroll 12 and 45 subjects respectively, are projected to cost just \$5mm in aggregate.
- **Attractively Valued Vs. Other Orphan Drug Firms.** Aldeyra trades at a market cap of just over \$20mm, with an enterprise value of ~\$30mm. Other development-stage orphan drug companies trade at far higher valuations despite having no approved products and no Phase 3 data. Examples include Sarepta Therapeutics (SRPT/NASDAQ, Not Rated), at \$1.3bn; Ultragenyx (RARE/NASDAQ, Not Rated), at ~\$1.4bn; and Synageva BioPharma (GEVA/NASDAQ, Not Rated), at ~\$3bn. None of these firms can pursue line extensions into non-orphan indications, whereas Aldeyra can. The firm also possesses a strong institutional shareholder base, with Domain Associates, Johnson & Johnson Development Corp., and Fidelity Management & Research LLC among the top five holders.

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

FY end December 31

\$ in thousands, except per share data

	2012A	2013A	2014E				2014E	2015E				
			1QA	2QA	3QE	4QE		1QE	2QE	3QE	4QE	2015E
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	469	1,542	444	664	800	1,000	2,908	1,200	1,500	1,800	2,000	6,500
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	645	2,135	801	983	1,000	1,100	3,883	1,200	1,300	1,400	1,500	5,400
Total expenses	1,114	3,676	1,245	1,646	1,800	2,100	6,791	2,400	2,800	3,200	3,500	11,900
Gain (loss) from operations	(1,114)	(3,676)	(1,245)	(1,646)	(1,800)	(2,100)	(6,791)	(2,400)	(2,800)	(3,200)	(3,500)	(11,900)
Other income/expense												
Interest income/expense	(342)	(159)	(113)	(56)	(50)	(40)	(259)	(150)	(140)	(120)	(110)	(520)
Realized loss on marketable securities	-	-	-	-	-	-	-	-	-	-	-	-
Other income/expense	(37,670)	4,946	1,760	568	-	-	2,328	-	-	-	-	-
Total investment income and other	(38,012)	4,786	1,647	511	(50)	(40)	2,068	(150)	(140)	(120)	(110)	(520)
Loss before provision for income taxes	(39,126)	1,110	402	(1,135)	(1,850)	(2,140)	(4,723)	(2,550)	(2,940)	(3,320)	(3,610)	(12,420)
Accretion of preferred stock	-	-	(192)	(141)	-	-	(333)	-	-	-	-	-
Deemed dividend	-	-	-	(4,054)	-	-	(4,054)	-	-	-	-	-
Deferred income tax benefit	-	-	-	-	-	-	-	-	-	-	-	-
Net loss/income	(39,126)	1,110	210	(5,330)	(1,850)	(2,140)	(4,723)	(2,550)	(2,940)	(3,320)	(3,610)	(12,420)
Net loss per share (basic)	(124.44)	3.49	(1.08)	(1.43)	(0.33)	(0.38)	(1.11)	(0.45)	(0.51)	(0.49)	(0.46)	(1.91)
Net loss per share (diluted)	(124.44)	(17.58)	(2.12)	(1.41)	(0.33)	(0.38)	(1.10)	(0.45)	(0.51)	(0.49)	(0.46)	(1.91)
Weighted average number of shares outstanding (basic)	314	318	2,042	3,738	5,590	5,640	4,253	5,690	5,740	6,790	7,840	6,515
Weighted average number of shares outstanding (diluted)	314	857	2,107	3,769	5,590	5,640	4,277	5,690	5,740	6,790	7,840	6,515

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 18-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 ~\$26 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.

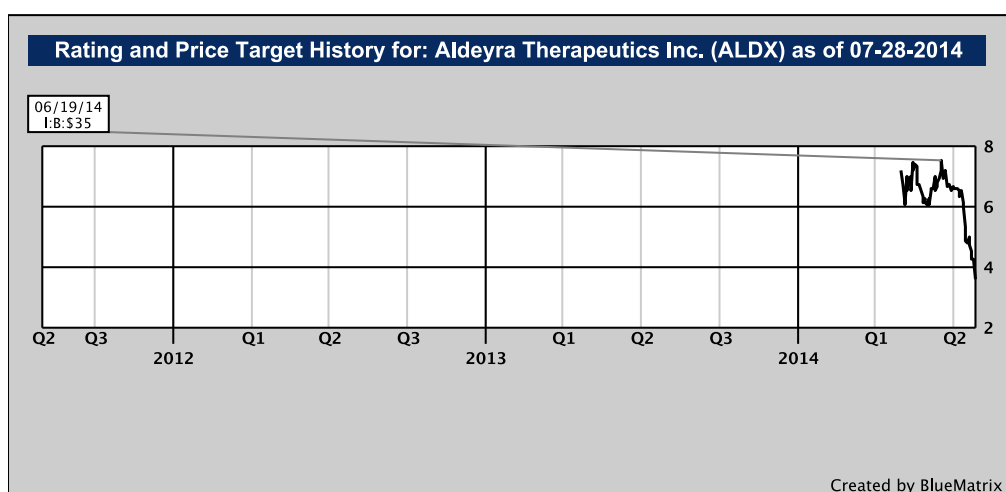
Research analyst compensation is dependent, in part, upon investment banking revenues received by Aegis Capital Corp.

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 Stemline Therapeutics, Inc. within the past 18 months.

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

Aegis Capital Corp. makes a market in Aldeyra Therapeutics Inc., Evoke Pharma, Inc. and Stemline Therapeutics, Inc..



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	81.13	53.49
HOLD [HOLD]	18.87	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